Chapter 1

International Scene

Overview

World real Gross Domestic Product (GDP) grew by 4.6 per cent in 2010 compared to a contraction of 1.0 per cent in 2009. This was as a result of austerity measures put in place to counter the effects of the recession coupled with stimulus policies, a rebound in demand for consumer goods and increased trade. Emerging and developing economies continued with an upward growth while many advanced economies recovered and experienced positive growth in 2010.

1.2. World trade growth increased by 12.3 per cent in 2010 compared to a decline of 11.1 per cent in 2009. The recovery was due to normalisation following a slump in trade and industrial production. The growth in trade was not only supported by fiscal and monetary measures to boost output but also a decline in unit costs for labour in major economies.

1.3. Interest rates remained low and declined in many countries as a result of quantitative easing used to boost spending and stimulate growth in sluggish sectors in some economies. There was a weak impact in reduction of interest rates in real sector in several advanced economies with financial institutions making low advances to the private sector due to uncertainties in the global economy. In many low income countries, low interest rates encouraged the movement of capital into real estate and commodities. A few emerging economies notably China and India tightened their monetary policies and raised interest rates in 2010 to counter rising inflation.

1.4. Increased liquidity due to the monetary accommodation measures in many advanced economies in 2010, resulted in the movement of large capital flows to emerging markets attracted by higher interest rates and opportunities for growth. This contributed to significant exchange rate appreciations in flexible environments in several emerging markets.

1.5. Globally, inflation increased in 2010 though the scenario varied across regions and countries mainly due to different fiscal and monetary policies instituted. In a few advanced economies notably Japan, the risk of deflation was a challenge in 2010 partly due to a vulnerable financial system and unresolved high household debt. Crude oil prices increased in 2010 causing a rise in other commodity prices. The Abu Dhabi Murban crude oil prices recorded an annual average price of US$ 79.16 per barrel in 2010 compared to US$ 62.65 per barrel in 2009.

Regional Economic Analysis

OECD

1.6. Table 1.1 presents estimates and projections of key economic indicators for the Organization of Economic Co-operation and Development (OECD) and some selected countries in the organization from 2008 to 2012. The combined economies in the OECD experienced a recovery in real GDP estimated at 2.8 per cent in 2010 compared to a contraction of 3.4 per cent in 2009.

1.7. Domestic demand within the OECD countries rose by 3.0 per cent in 2010 following increased confidence in recovery and low interest rates. Inflation increased to 1.4 per cent in

2010 from 1.1 per cent in 2009, due to rise in commodity prices and an upward adjustment in indirect tax in some OECD countries.

1.8. The current account balance as a percentage of GDP for the OECD worsened from negative 0.5 per cent in 2009 to negative 0.7 per cent in 2010. This was as a result of the removal of anticompetitive market regulations mainly in service sectors resulting in increased capital spending and consequently narrowing the current account balance of surplus countries. There were notable discrepancies across countries with some recording surpluses. Japan increased its surplus from 2.8 per cent in 2009 to 3.4 per cent in 2010 while in the United States and the United Kingdom, it worsened from negative 2.7 and negative 1.3 per cent in 2009 to negative 3.4 and negative 2.2 per cent in 2010, respectively.

Table 1.1: Key Economic Indicators and Projections for Selected OECD Countries, 2008-2012

	2008	2009	2010*	2011[1]	2012[1]
Real GDP	(Percentage change from previous year)				
United States	0.0	-2.6	2.7	2.2	3.1
United Kingdom	-0.1	-5.0	1.8	1.7	2.0
Japan	-1.2	-5.2	3.7	1.7	2.0
Euro area	0.3	-4.1	1.7	1.7	2.0
Total OECD	**0.3**	**-3.4**	**2.8**	**2.3**	**2.8**
Inflation (GDP Deflator)	(Percentage change from previous year)				
United States	2.2	0.9	1.0	1.2	0.9
United Kingdom	3.0	1.4	3.3	2.0	1.3
Japan	-0.8	-0.9	-1.8	-0.8	-0.8
Euro area	2.0	1.0	0.8	1.0	1.1
Total OECD	**2.5**	**1.1**	**1.4**	**1.4**	**1.3**
Current Account Balances	(Per cent of GDP)				
United States	-4.7	-2.7	-3.4	-3.7	-3.7
United Kingdom	-1.6	-1.3	-2.2	-1.6	-1.2
Japan	3.3	2.8	3.4	3.7	3.7
Euro area	-0.8	-0.4	-0.2	0.3	0.9
Total OECD	**-1.5**	**-0.5**	**-0.7**	**-0.7**	**-0.5**
Unemployment Rate	(Percentage change from previous year)				
United States	5.8	9.3	9.7	9.5	8.7
United Kingdom	5.7	7.6	7.9	7.8	7.6
Japan	3.9	4.0	5.2	5.6	5.4
Euro area	7.4	9.3	9.9	9.6	9.2
Total OECD	**6.0**	**8.1**	**8.3**	**8.1**	**7.5**
	(Percentage change from previous year)				
World Real GDP Growth	**2.6**	**-1.0**	**4.6**	**4.2**	**4.6**
World Trade Growth[2]	**3.1**	**-11.1**	**12.3**	**8.3**	**8.1**

Source: OECD Economic Outlook No. 88

*Provisional

[1] Projections

[2] World Trade growth rate is the arithmetic average of world merchandise import and export volumes

Notes

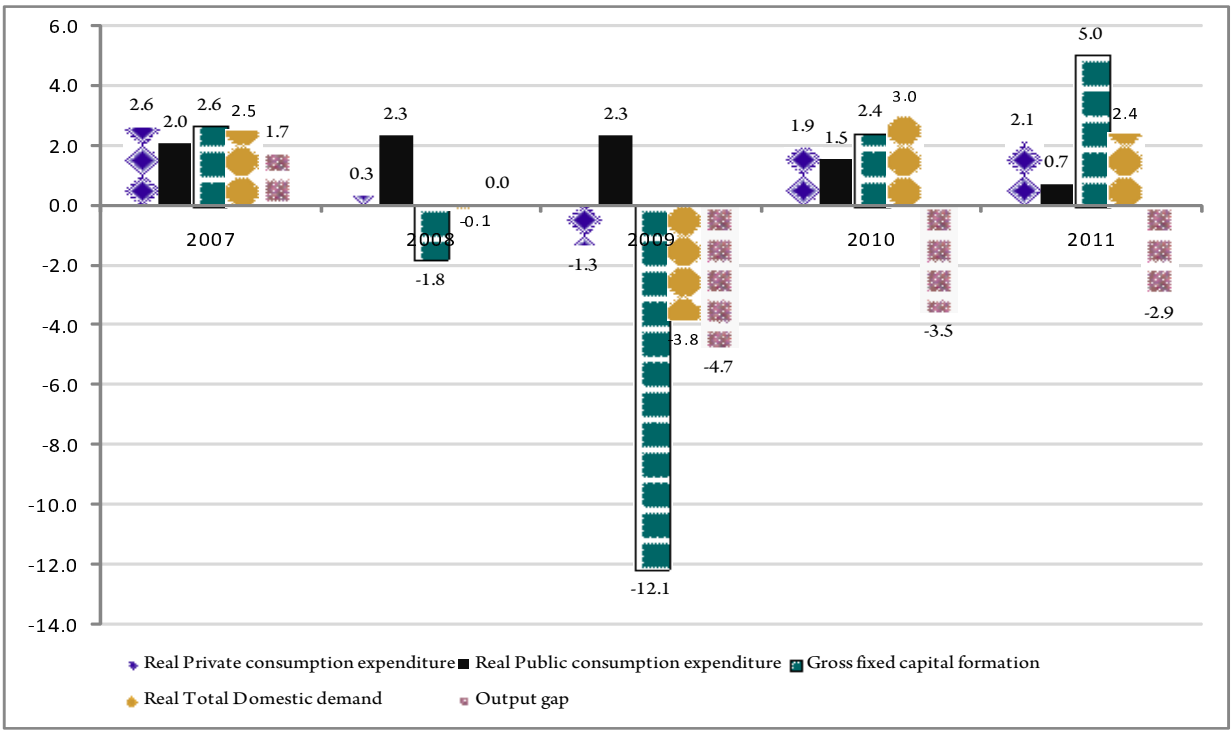
Assumptions underlying the projections include:

- no change in actual and announced fiscal policies;
- unchanged exchange rates as those prevailing on 26th October 2010; 1USD=92.08 Yen and 0.72 Euros

The cut off date for other information used in the compilation of the projections was 12th November 2010.

1.9. Figure 1.1 shows the trend of selected indicators in the OECD. In 2010, real total domestic demand strengthened rising from a dip of 3.8 per cent in 2009 to 3.0 per cent in 2010. This was driven by increased private consumption expenditure, an accommodative monetary policy, strong corporate profits, and improvements in financial conditions.

Figure 1.1: Trend of Selected Indicators1 for OECD, 2007-2011



Data Source: OECD Economic Outlook No. 88

[1]Percentage change from the previous year for all indicators except output gap which is the deviation of actual GDP from potential GDP as a percentage of potential GDP

1.10. Investments improved in 2010 with Gross Fixed Capital Formation increasing by 2.4 per cent compared to a decline of 12.1 per cent in 2009 (Figure 1.1). However, the economic recovery in 2010 was not sufficient to eliminate the output gap which improved from negative 4.7 per cent in 2009 to negative 3.5 per cent in 2010. The large output gap supported persistent but stable consumer prices below the targeted inflation of 2.0 per cent in the OECD.

Euro Area

1.11. Real GDP growth rate is estimated to have expanded by 1.7 per cent in 2010 compared to a contraction of 4.1 per cent in 2009. The recovery during the year was supported by a stimulus program which was initiated in 2009. However, unemployment is estimated to have increased from 9.3 per cent in 2009 to 9.9 per cent in 2010 due to slowed activity in the private sector.

United States of America

1.12. The United States of America (USA) economy turned around in 2010 to post a real GDP growth of 2.7 per cent as a result of Government stimulus programme. The country continued to pursue a loose monetary policy and adopted quantitative easing measures although lending did not recover to the pre-recession levels. Growth was also supported by real total domestic demand which increased by 3.4 per cent in 2010. However, the recovery was slow and high unemployment persisted to 9.7 per cent.

United Kingdom

1.13. The economy of United Kingdom recorded a recovery from the recession with growth in real GDP estimated at 1.8 per cent in 2010 compared to a decline of 5.0 per cent in 2009.

This was supported by growth in domestic demand and exports. Inflation rose significantly to 3.3 per cent in 2010 compared to 1.4 per cent in 2009, mainly as a result of rising food prices.

Japan

1.14. The country's real GDP grew by 3.7 per cent in 2010 compared to a negative growth of 5.2 per cent in 2009. This was attributed to a recovery in global demand which boosted domestic exports. The growth was further supported by increased private domestic demand, underpinned by improved labour market conditions and high corporate profitability. Other measures taken to stimulate growth included a reduction in the policy interest rate.

Sub-Saharan Africa (SSA)

1.15. Real GDP in SSA region is estimated to have expanded by 5.0 per cent in 2010 compared to 2.8 per cent in 2009 as shown in Table 1.2. This was attributed to favorable economic climate and increased commodity demand from emerging economies.

1.16. The rise in consumer prices decelerated in 2010 to stand at 7.5 per cent compared to 10.4 per cent in 2009. This was attributed to increased supply of agricultural products and the strengthening of major currencies during the year under review.

1.17. The SSA current account balance as a percentage of GDP improved from negative 1.7 per cent in 2009 to negative 1.1 per cent in 2010. Across the regional blocks, variations were noted on current account balances due to differentials in economic structures, the recovery and response to the 2009 global financial crisis.

Table 1.2: Real GDP Growths, Consumer Prices and Current Account Balances for Selected Regions and Countries**

	Real GDP Growth				Inflation				Current Account Balances (Per cent of GDP)			
	2008	2009	2010*	2011 [1]	2008	2009	2010*	2011 [1]	2008	2009	2010*	2011 [1]
Sub-Sahara Africa	**5.5**	**2.8**	**5.0**	**5.5**	**11.7**	**10.4**	**7.5**	**7.0**	**-0.2**	**-1.7**	**-1.1**	**-1.9**
Kenya	1.5	2.6	5.6	5.8	16.2	10.5	4.1	10.0	-6.5	-5.5	-7.8	-7.4
Tanzania	7.4	6.0	6.5	6.7	10.3	12.1	7.2	5.0	-10.2	-10.0	-8.8	-8.8
Uganda	8.7	7.2	5.8	6.1	7.3	14.2	9.4	5.5	-3.3	-4.0	-6.4	-9.2
Rwanda	11.2	4.1	5.4	5.9	15.4	10.4	6.4	6.5	-4.9	-7.3	-7.7	-8.6
Burundi	4.5	3.5	3.9	4.5	24.4	10.7	7.2	8.4	-12.3	-14.5	-9.1	-10.7
EAC-5	**5.7**	**4.8**	**5.4**	**6.2**	**12.3**	**11.4**	**6.5**	**5.3**	**-7.5**	**-7.3**	**-7.3**	**-8.3**
SADC	**5.5**	**-0.4**	**3.9**	**4.5**	**11.6**	**9.2**	**7.4**	**6.8**	**-4.9**	**-5.3**	**-4.5**	**-5.3**
WAEMU	**4.1**	**2.9**	**3.7**	**4.4**	**7.9**	**1.0**	**1.9**	**2.3**	**-7.0**	**-4.2**	**-4.5**	**-6.0**
CEMAC	**4.2**	**2.3**	**4.0**	**4.1**	**5.7**	**4.8**	**4.6**	**3.9**	**4.3**	**-6.1**	**-2.0**	**-2.6**
Maghreb	**3.5**	**2.4**	**5.0**	**4.6**	**5.5**	**3.7**	**4.2**	**3.9**	**16.3**	**1.1**	**3.7**	**4.1**
Mashreq	**7.1**	**4.8**	**5.4**	**5.4**	**17.0**	**8.9**	**9.2**	**8.1**	**-2.2**	**-3.8**	**-3.8**	**-3.5**

Source: October 2010 World Economic Outlook and Regional Economic Outlook-Various Issues

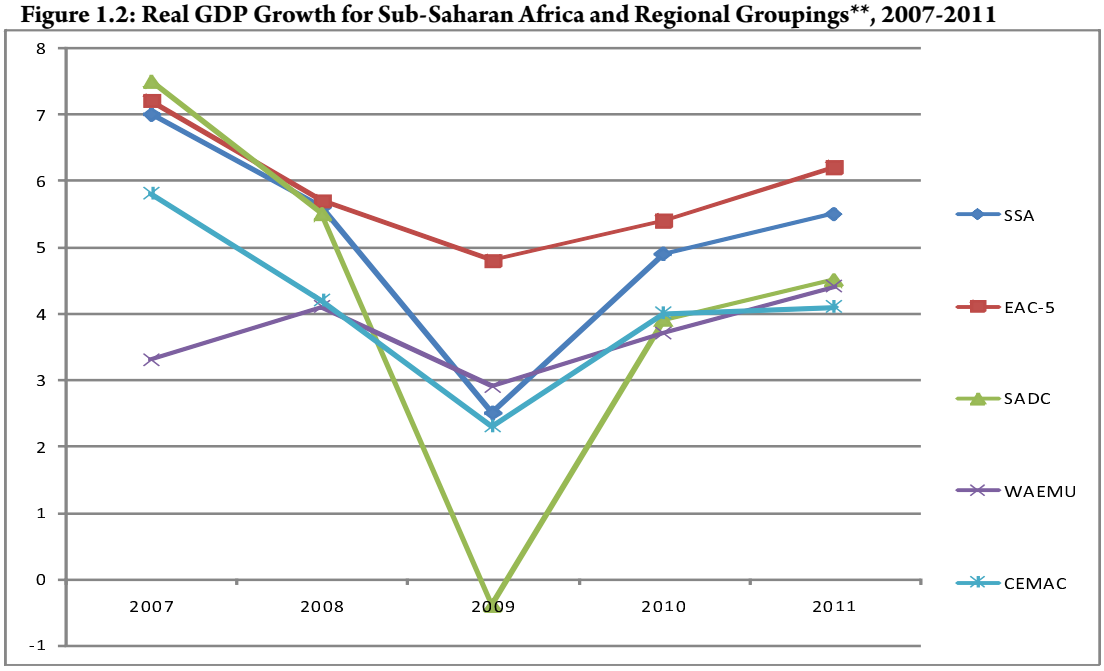
*Provisional

[1]Projections

** East African Community countiries(EAC-5)Includes Kenya, Uganda, Tanzania, Burundi and Rwanda; Southern African Development Community(SADC); West African Economic and Monetary Union (WAEMU), Economic and Monetary Union of Central Africa (CEMAC)

1.18. Figure 1.2 shows the trend of real GDP growth for various economic blocks in Sub-Saharan Africa. The region's real GDP improved from 2.8 per cent in 2009 to 5.0 per cent in 2010. The East African Community (EAC) and Mashreq regions recorded the highest growth rate of 5.4 per cent in 2010. The performance of the regions was influenced by the linkages of member countries and the global economy hence impacting on the recovery in 2010. In particular, the Southern African Development Community (SADC) region which had been severely affected by the global recession that resulted in capital flight, readjusted to normal market conditions in 2010.

Figure 1.2: Real GDP Growth for Sub-Saharan Africa and Regional Groupings, 2007-2011**



Source: SSA Regional Economic Outlook, October 2010

**Southern African Development Community (SADC), West African Economic and Monetary Union (WAEMU), Economic and Monetary Union of Central Africa (CEMAC)

East African Community (EAC)

1.19. The total real GDP for the East Africa's five member countries increased by 5.4 per cent in 2010 compared to 4.8 per cent in 2009. All the countries except Burundi recorded growths of above 5 per cent in 2010. Uganda recorded a decelerated growth of 5.8 per cent in 2010 compared to 7.2 in 2009. The growth in the region is attributable to political stability, favourable weather conditions, and increased demand for commodity exports in European markets in 2010.

1.20. The consumer prices eased to 6.5 per cent in 2010 compared to 11.4 per cent in 2009. This was partly due to relatively stable food prices, owing to good weather conditions that boosted food supply. The region's current account balance remained at negative 7.3 per cent of the combined GDP.

Southern African Development Community (SADC)

1.21. The combined real GDP of Southern African Development Community (SADC) member countries grew by 3.9 per cent in 2010 compared to a decline of 0.4 per cent in 2009. The recovery in 2010 was due to an increase in exports, manufacturing and mining

activities. South Africa which is a leading economy in the region recovered from the effects of the global recession and also gained from hosting of the 2010 football world cup.

Outlook

1.22. The global economy is projected to continue on a recovery path albeit at a slower real GDP growth rate of 4.2 per cent in 2011. The growth will however be strained by normalization of a financial sector that is still open to shocks arising from risky markets since interest rates are expected to remain low. However, it is assumed that interest rates will rise gradually to prevent a shock on domestic borrowing and investments.

1.23. Uncertainties over unrests in the Middle East and North Africa and their implications on the global oil supply chain are expected to prop up oil prices which increased to US$ 112.84 per barrel in March 2011. This is likely to result to reduced productivity in the region and higher oil prices in 2011.

1.24. In the Euro area, an accommodative monetary policy, increased corporate profitability and improved conditions in the financial sector and domestic demand are anticipated to support growth in 2011. Real GDP is projected to grow at 1.7 per cent in 2011 as was the case in 2010, while unemployment will improve to 9.6 per cent. The higher growth in the Euro area is on anticipation of positive results arising from fiscal consolidation and balance-sheet adjustments in the private sector as the region eases the measures taken to support recovery.

1.25. Fiscal consolidation anticipated to be implemented in several countries in OECD are also expected to realign public consumption expenditures and impact negatively on growth in the short term. Consequently, real GDP for the OECD is projected to grow at 2.3 per cent in 2011.

1.26. The future economic prospects for SSA are optimistic with real GDP projected to grow at 5.5 per cent in 2011. This is due to an anticipated increase in domestic demand, an expansion in public infrastructure investments, growth of the service sector, agricultural output and prices. Increased trade with Asia through commodity markets is also expected to contribute to growth in the region in 2011.

1.27. In the East African Community, real GDP is projected to grow at 6.2 per cent in 2011 with the support of stable macroeconomic environment and the operationalization of the East African Common Market in July 2011. This is expected to boost trade and movement of goods, services and labour across the region.

Chapter 2

Domestic Economy

Overview

The resilience of the Kenyan economy was manifest in 2010 when real GDP expanded by 5.6 per cent after suppressed growths of 1.5 and 2.6 per cent in 2008 and 2009 respectively. These developments were against a background of macroeconomic stability, increased credit to the private sector, low inflationary pressure, and improved weather conditions. In addition, the country benefited from improved prices of the main exports and increased remittances from abroad resulting from the global economic recovery. Despite the campaigns associated with the 2010 constitutional referendum, business and consumer confidence remained largely intact thereby boosting the economic growth.

2.2. Economic performance was uneven across the different quarters of 2010. The momentum started in earnest when the economy expanded by 4.4 per cent during first quarter of 2010. Subsequently, the momentum was sustained throughout the year with growths of 4.7, 6.1, and 6.9 per cent during the second, third and fourth quarters of 2010 respectively.

2.3. Major drivers of the growth were Agriculture and Forestry, Wholesale and Retail Trade, Transport and Communication, Manufacturing, and Financial Intermediation. Agricultural production benefited from good weather and improved export prices while Wholesale and Retail Trade were primarily boosted by improved business and consumer confidence. Activities in the manufacturing sector were supported by improved power supply and lower costs of inputs while Financial Intermediation's growth was mainly bolstered by increased borrowing riding on financial innovation that enhanced access to financial services.

2.4. The Government maintained a stable macroeconomic environment and at the same time been developing key infrastructure facilities and public works countrywide to stimulate growth. In the financial year 2010/11, the Government adopted a fiscal policy geared towards consolidating economic recovery and putting the economy back to the Vision 2030 targets. In line with this, the Government's overall expenditure is expected to reach KSh 998.3 billion in the fiscal year 2010/11 from KSh 805.3 billion spent in the 2009/10. Development expenditure is expected to benefit from the expanded budget and increase from KSh 184.8 billion in 2009/10 to KSh 306.7 billion in 2010/11 which in turn will boost economic growth in the country.

2.5. During the period under review, inflation was contained within the Government's target of below 5.0 per cent. The average annual inflation was 4.1 per cent in 2010 down from a high of 10.5 per cent recorded in 2009. The decline in the inflation rate was mainly on account of favourable weather which led to low food prices emanating from improved agricultural production. Fierce competition between the mobile telephone operators and reduction of interconnection rates by the regulator (CCK) resulted in reduction in calling rates which further contributed to decline in the inflation rate. However, oil prices remained relatively high in 2010 compared to 2009 levels but their effects on inflation were more than offset by the declines in prices of food and telephone charges.

2.6. Broad Money supply (M3) expanded by 21.6 per cent in December 2010 compared with an expansion of 16.0 per cent in December 2009. The accelerated growth in money supply was mainly on account of increased credit to both the Government and the private sector. The downward revision of the Central Bank Rate (CBR) in 2010, by 0.25 points to 6.75 per cent in March and by 0.75 points to 6.00 per cent in July, bore fruits when commercial banks responded by lowering their interest rates which in turn benefited the private sector through access to cheaper credit. The improved economic growth was mirrored by an upswing in activities of the capital markets at the Nairobi Stock Exchange (NSE). The NSE 20 share index rose steadily over the first three quarters of 2010 to reach a peak of 4,630 points during the third quarter. The index then edged downwards slightly but remained relatively high at 4,433 points in December 2010 compared to 3,247 points in December 2009.

Sectoral Analysis

Agriculture

2.7. The agricultural sector which is key to the economic growth, recovered from declines of 4.1 per cent and 2.6 per cent in the year 2008 and 2009 to record an impressive growth of 6.3 per cent in 2010. This growth was attributed to favourable weather conditions coupled with improved global demand during the year under review. Most crops recorded significant increases in their production with the exception of horticultural crops and coffee. In addition, livestock and livestock products recorded major output increases in the year under review. The good performance in the sector saw the total marketed production increasing by 18.9 per cent in 2010 to KSh 235.7 billion from KSh 198.1 billion in 2009.

2.8. The adequate and well distributed rainfall experienced in most parts of the country coupled with provision of affordable fertilizer and seeds to farmers resulted in improved production of major food crops. Maize being a major crop recorded an increase of 11.0 per cent in its sales from KSh 4,5664.4 million in 2009 to KSh 5,070.3 million in 2010. However bean production declined due to the La Nina effect experienced in some parts of the country.

2.9. Tea production increased by 27.0 per cent from 314.1 thousand tonnes in 2009 to 399.0 thousand tonnes in 2010 while coffee production decreased by 22.2 per cent from 54.0 thousand in 2008/09 crop year to 42.0 thousand tonnes in 2009/10 crop year. Horticultural exports declined in the year under review in all its three categories; fruits, vegetables and cut flowers. The quantity of horticultural exports fell by 33.7 thousand tonnes while the value declined by KSh 9.0 billion in the year under review. This decline in horticulture was partly attributed to interruptions of air traffic to European countries by volcanic eruption in Iceland.

2.10. In the dairy subsector, the volume of marketed milk increased by 25.5 per cent while the value decreased by 1.3 per cent in the year under review. This is as a result of the abundant supply of milk which resulted in reduction in average price paid to the farmer.

Manufacturing

2.11. The Manufacturing sector real value added increased by 4.4 per cent in 2010 compared to decelerated growths of 3.5 and 1.3 per cent in 2008 and 2009 respectively. This significant growth was realized despite the sector being affected by high costs of energy and production, and competition from cheap imports. In the year under review, the sector benefited from the good rains leading to an increase in primary raw materials and stable power supplies.

2.12. The manufacture of food, beverages and tobacco recorded a growth of 2.2 per cent

in 2010. This increase is mainly attributed to growths in dairy products, grain mills, meat processing and miscellaneous food sub sectors. All other manufacturing subsector witnessed a remarkable growth of 9.4 per cent in 2010 compared to a 0.9 per cent increase in 2009. The key indicators that contributed to this huge growth were wood and cork products, non-metallic minerals, metal products and the miscellaneous manufactures. On the other hand, paper and paper products, printing and publishing and clay and glass products recorded declines in their production in the year under review.

Transport and Communication

2.13. The Transport and Communication sector recorded a decelerated growth of 5.9 per cent in 2010 compared to 6.4 per cent witnessed in 2009 with the transport and storage subsector being the main driver to the sector. The subsector recorded a growth of 6.9 per cent in the year under review compared to a growth of 4.0 per cent in 2009. The post and telecommunication subsector recorded a reduced growth of 4.4 per cent in 2010 compared to a high growth of 10.0 per cent realized in 2009.

2.14. Transport and storage subsector which includes road, air, water and railway among others witnessed varied level of performance in the year under review. In the road transport, the total number of newly registered vehicles increased by 21.4 per cent in 2010 to stand at 196, 456 units. The Government directive to phase out fourteen-seater matatus saw their registration falling by 19.7 per cent whereas that of buses and coaches expanding by 19.6 per cent. The railway sector continued to be faced with challenges, since the concession that took place in 2006, as the industry continues to record declines in its performances. This caused the Government to amend the concession agreement in 2010 with a view to improving efficiency and service delivery and revitalize the railway network in the country.

2.15. The container handling at the port of Mombasa continued on an upward trend recording a growth of 12.4 per cent in 2010 to stand at 695,600 Twenty-foot Equivalent Units (TEUs). Total exports grew by 5.1 per cent partly attributed to increased exports of tea and fluorspar. However imports marginally declined by 1.5 per cent partly due to reduction in importation of maize and the slow off-take of refined petroleum products.

2.16. The air transport subsector recorded mixed performance with the passenger traffic increasing while that of cargo declining. The Passenger traffic registered a growth of 9.1 per cent as a result of global economic recovery in 2010. The cargo handled at the airports declined by 12.1 per cent in 2010 as a result of reduction in both landed and loaded cargo.

2.17. The telecommunications subsector continued to witness significant growths with tele-accessibility rising to 51.2 per cent in 2010 from 46.8 per cent in 2009. The mobile subscription in the country reached 20.1 million in 2010 compared to 17.4 million in 2009. Increased diversification of services by the players in the sector also contributed to increased revenue base.

Hotels and Restaurants

2.18. The sector recorded a growth of 4.2 per cent in 2010 compared to 42.8 per cent in 2009 which was a recovery from the 36.1 per cent contraction the sector suffered in 2008. Tourism earnings rose significantly by 17.9 per cent to KSh 73.7 billion in 2010 from KSh 62.5 billion in 2009. The rise in earnings is attributed to a shift in focus to high spending tourists rather than volume. Despite interruption in air travel across Europe in the second quarter of 2010, holiday arrivals increased from 211.6 thousand to 228.7 thousand as a result of increased

diversification of tourist source markets to Asia.

Financial Intermediation

2.19. Financial intermediation recorded its highest growth for the last decade growing at 8.8 per cent in 2010 compared to 4.6 per cent in 2009. This increase was due to increased lending as reflected by the rise in domestic credit which grew by 30.4 per cent in 2010 to KSh 1,275.3 million from KSh 978.3 million in 2009. This was backed by significant financial innovation.

2.20. Broad money supply M3 increased by 21.6 per cent from KSh 1,045.7 million in 2009 to KSh 1,271.6 million in 2010. Notable was the increased lending to Central Government which grew by 62.3 per cent from KSh 218.5 billion in 2009 to KSh 347.4 billion in 2010.

Electricity and Water

2.21. Electricity supply increased by 11.9 per cent in 2010, a recovery from a slump of negative 5.2 per cent in 2009. This was on account of improved rainfall and increased demand for electricity by 6.0 per cent from 5,428.6 million KWh in 2009 to 5,754.6 million KWh in 2010. The expansion of electricity connectivity to rural areas increased the demand by 14.3 per cent during the year under review.

2.22. Water supply recorded increased growth of 4.4 per cent in 2010 compared to 3.5 per cent in 2009. The continued growth in the sector over the last five years is attributed to increased infrastructure investments towards the sourcing and distribution of water to previously unreached areas.

Construction

2.23. The sector recorded a slower growth of 4.5 per cent in 2010 compared with a growth of 12.4 per cent recorded in 2009. Cement consumption increased by 16.2 per cent to 3,104.8 thousand tonnes in 2010 as a result of increased construction activities especially for infrastructure projects. Expenditure on roads increased significantly by 33.6 per cent from KSh 68.1 billion in 2009 to KSh 91.0 billion in 2010 due to extensive construction and rehabilitation of several trunk roads.

2.24. The index of reported private building works completed increased from 142.2 to 203.5 while commercial banks loans and advances to building and construction increased from KSh 30.4 billion in 2009 to KSh 32.6 billion in 2010.

Gross Domestics Product by Activity

2.25. Table 2.1 shows the breakdown of Gross Domestic Product (GDP) by activity at market prices while Table 2.2 presents the percentage share contribution to GDP by economic activities. The value of GDP at market prices in nominal terms expanded by 7.9 per cent in 2010 to stand at KSh 2,551.6 billion. The economy continues to rely mostly on Agriculture, Manufacturing, Wholesale and Retail Trade, and Transport and Communication whose joint contribution account for 52.6 per cent of the GDP.

2.26. As shown in Table 2.2 Agriculture and Forestry share reduced to 21.5 per cent in 2010 from 23.5 per cent in 2009. The contributions of Manufacturing, and Wholesale and Retail Trade to GDP increased slightly to 10 per cent an indication of a shift of the economy to these sectors. The increase in construction activities in the country saw its share to GDP increase to 4.3 per cent in 2010 from 4.1 per cent in 2009. The financial sector shares to GDP also increased to 5.6 per cent in 2010, while the shares of the taxes on products increased slightly to 12.5 per cent in 2010 from 12.1 per cent in 2009.

Table 2.1: Gross Domestic Product by Activity, 2006-2010

Current Prices - KSh Million

Industry	2006	2007	2008	2009+	2010*
Agriculture and forestry	379,334	397,057	470,753	555,371	547,530
Growing of crops and horticulture	274,780	289,595	345,841	399,474	403,867
Farming of animals	80,931	82,868	99,697	127,704	112,555
Agricultural and animal husbandry services	7,465	8,573	8,764	9,607	10,973
Forestry and logging	16,157	16,021	16,452	18,586	20,135
Fishing	7,068	7,127	9,450	9,903	14,637
Mining and quarrying	7,884	12,904	14,930	12,083	17,650
Manufacturing	166,777	190,497	228,304	234,423	254,461
Manufacture of food, beverages and tobacco	49,038	57,865	65,123	75,615	81,094
All other manufacturing	117,739	132,632	163,181	158,808	173,366
Electricity and water supply	28,202	26,633	43,767	55,738	61,212
Electricity supply	16,847	14,728	31,136	40,416	43,543
Water supply	11,355	11,904	12,631	15,323	17,669
Construction	63,928	69,556	80,407	97,118	109,148
Wholesale and retail trade, repairs	151,574	177,609	214,022	232,950	262,134
Hotels and restaurants	24,207	29,612	23,745	39,421	42,546
Transport and communication	171,993	194,093	216,053	232,945	249,561
Transport and storage	128,742	139,128	159,297	170,437	186,195
Post and telecommunications	43,251	54,964	56,756	62,508	63,366
Financial intermediation	64,122	88,018	97,806	129,910	143,590
Real estate, renting and business services	88,145	96,273	107,323	116,641	123,157
Dwellings, owner occupied and rented	44,836	49,120	53,338	58,291	61,598
Renting and business services	43,309	47,153	53,985	58,350	61,559
Public administration and defence	87,531	107,508	106,914	104,757	119,152
Education	112,724	123,498	132,229	135,653	145,613
Health and social work	40,984	45,318	51,591	61,552	66,589
Other community, social and personal services	58,247	63,207	71,586	79,599	84,591
Private households with employed persons	6,770	7,176	8,207	10,171	11,217
Less: Financial services indirectly measured	-15,376	-20,074	-18,231	-28,232	-20,112
All industries at basic prices	**1,444,113**	**1,616,010**	**1,858,856**	**2,080,003**	**2,232,676**
Taxes less subsidies on products	178,453	217,501	252,317	285,450	318,485
GDP at market prices	**1,622,565**	**1,833,511**	**2,111,173**	**2,365,453**	**2,551,161**

Institutional sector and industry	2006	2007	2008	2009+	2010*
Corporations, non-profit institutions and households					
Agriculture and forestry	372,266	389,261	462,799	546,797	537,751
Fishing	7,068	7,127	9,450	9,903	14,637
Mining and quarrying	7,884	12,904	14,930	12,083	17,650
Manufacturing	166,777	190,497	228,304	234,423	254,461
Electricity and water supply	26,091	24,353	41,156	52,727	57,644
Construction	62,624	68,200	78,996	95,682	107,515
Wholesale and retail trade, repairs	151,574	177,609	214,022	232,950	262,134
Hotels and restaurants	24,207	29,612	23,745	39,421	42,546
Transport, and communication	167,451	189,488	211,831	228,332	245,233
Financial intermediation	64,122	88,018	97,806	129,910	143,590
Dwellings, owner occupied and rented	44,836	49,120	53,338	58,291	61,598
Other real estate and business services	43,166	47,002	53,939	58,316	61,504
Education	13,096	14,151	16,050	14,959	17,489
Health and social work	21,640	23,605	27,243	33,525	34,920
Other community, social and personal services	54,603	59,265	66,953	74,341	78,852
Private households with employed persons	6,770	7,176	8,207	10,171	11,217
Less: Financial services indirectly measured	-15,376	-20,074	-18,231	-28,232	-20,112
Total value added at basic prices	**1,218,799**	**1,357,315**	**1,590,537**	**1,803,600**	**1,928,628**
General government					
Agriculture and forestry	7,068	7,796	7,954	8,574	9,779
Water supply	2,111	2,280	2,611	3,011	3,569
Construction	1,303	1,355	1,411	1,436	1,633
Transport, and communication	4,541	4,605	4,222	4,613	4,327
Research and technical services	142	151	46	34	55
Public administartion and defence	87,531	107,508	106,914	104,757	119,152
Education	99,628	109,346	116,179	120,694	128,125
Health and social work	19,343	21,713	24,349	28,026	31,669
Other services	3,644	3,942	4,633	5,258	5,739
Total value added at basic prices	**225,313**	**258,695**	**268,319**	**276,403**	**304,048**

* Provisional

+ Revised

Table 2.2 Gross Domestic Product by Activity, 2006-2010

Per cent Contributions to GDP

Industry	2006	2007	2008	2009+	2010*
Agriculture and forestry	23.4	21.7	22.3	23.5	21.5
Growing of crops and horticulture	16.9	15.8	16.4	16.9	15.8
Farming of animals	5.0	4.5	4.7	5.4	4.4
Agricultural and animal husbandry services	0.5	0.5	0.4	0.4	0.4
Forestry and logging	1.0	0.9	0.8	0.8	0.8
Fishing	0.4	0.4	0.4	0.4	0.6
Mining and quarrying	0.5	0.7	0.7	0.5	0.7
Manufacturing	10.3	10.4	10.8	9.9	10.0
Manufacture of food, beverages and tobacco	3.0	3.2	3.1	3.2	3.2
All other manufacturing	7.3	7.2	7.7	6.7	6.8
Electricity and water supply	1.7	1.5	2.1	2.4	2.4
Electricity supply	1.0	0.8	1.5	1.7	1.7
Water supply	0.7	0.6	0.6	0.6	0.7
Construction	3.9	3.8	3.8	4.1	4.3
Wholesale and retail trade, repairs	9.3	9.7	10.1	9.8	10.3
Hotels and restaurants	1.5	1.6	1.1	1.7	1.7
Transport and communication	10.6	10.6	10.2	9.8	9.8
Transport and storage	7.9	7.6	7.5	7.2	7.3
Post and telecommunications	2.7	3.0	2.7	2.6	2.5
Financial intermediation	4.0	4.8	4.6	5.5	5.6
Real estate, renting and business services	5.4	5.3	5.1	4.9	4.8
Dwellings, owner occupied and rented	2.8	2.7	2.5	2.5	2.4
Renting and business services	2.7	2.6	2.6	2.5	2.4
Public administration and defence	5.4	5.9	5.1	4.4	4.7
Education	6.9	6.7	6.3	5.7	5.7
Health and social work	2.5	2.5	2.4	2.6	2.6
Other community, social and personal services	3.6	3.4	3.4	3.4	3.3
Private households with employed persons	0.4	0.4	0.4	0.4	0.4
Less: Financial services indirectly measured	-0.9	-1.1	-0.9	-1.2	-0.8
All industries at basic prices	**89.0**	**88.1**	**88.0**	**87.9**	**87.5**
Taxes less subsidies on products	11.0	11.9	12.0	12.1	12.5
GDP at market prices	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Institutional sector and industry					
Corporations, non-profit institutions and households	75.1	74.0	75.3	76.2	75.6
General government	13.9	14.1	12.7	11.7	11.9

*Provisional

+ Revised

2.27. Table 2.3 shows the Gross Domestic Product by activity (in real terms) in absolute values while Table 2.4 presents details of their growth rates. The favourable weather conditions, increased liquidity in the banking system, and prudent macroeconomic management led to a growth of 5.6 per cent in 2010 compared to a growth of 2.6 per cent in 2009.

2.28. All the sectors of the economy recorded positive growths of varying magnitude. Electricity and water supply registered the most significant growth at 9.9 per cent in 2010 while Mining and Quarrying, and Financial Intermediation were ranked second and third with growths of 9.8 and 8.8 per cent, respectively, during the same period. The remarkable growths of the Electricity and Water supply, and Mining and Quarrying are rebounds from the contractions of 3.0 and 4.5 per cent respectively the sectors suffered in 2009. Key sectors of the economy also performed well with Agriculture and Forestry posting a significant growth of 6.3 per cent in 2010 after two consecutive declines of 4.1 and 2.6 per cent in 2008 and 2009 respectively. Wholesale and Retail Trade posted the strongest performance among the major sectors with a growth of 7.8 per cent compared with 3.9 per cent attained in 2009. Value added for the Transport and Communication, and Manufacturing sectors expanded by 5.9 and 4.4 per cent in 2010 compared with 6.4 and 1.3 per cent respectively in 2009.

Table 2.3: Gross Domestic Product by Activity, 2006-2010

Constant 2001 Prices - KSh Million

Industry	2006	2007	2008	2009+	2010*
Agriculture and forestry	312,926	320,423	307,354	299,431	318,382
Growing of crops and horticulture	221,731	227,649	211,302	200,700	215,488
Farming of animals	76,231	78,173	81,389	83,914	87,975
Agricultural and animal husbandry services	3,850	3,665	3,627	3,659	3,620
Forestry and logging	11,115	10,937	11,036	11,158	11,299
Fishing	6,249	6,181	5,363	5,564	5,713
Mining and quarrying	5,554	6,272	6,453	6,163	6,770
Manufacturing	122,953	130,673	135,291	136,992	143,028
Manufacture of food, beverages and tobacco	38,317	41,666	40,928	41,810	42,714
All other manufacturing	84,636	89,007	94,363	95,183	100,313
Electricity and water supply	27,288	29,771	31,345	30,390	33,404
Electricity supply	19,873	22,221	23,579	22,352	25,008
Water supply	7,416	7,550	7,766	8,038	8,395
Construction	37,649	40,405	43,735	49,141	51,351
Wholesale and retail trade, repairs	118,361	131,754	138,053	143,388	154,558
Hotels and restaurants	17,894	20,814	13,298	18,993	19,796
Transport and communication	136,306	156,845	161,616	171,976	182,051
Transport and storage	89,820	96,280	96,333	100,187	107,090
Post and telecommunications	46,486	60,566	65,283	71,789	74,960
Financial intermediation	47,170	50,306	51,659	54,043	58,797
Real estate, renting and business services	68,446	70,860	73,503	75,674	78,089
Dwellings, owner occupied and rented	34,575	35,964	37,420	38,947	40,548
Renting and business services	33,871	34,896	36,083	36,728	37,541
Public administration and defence	45,974	45,031	45,317	46,029	47,035
Education	73,188	76,257	80,771	82,952	86,851
Health and social work	28,075	28,983	30,035	31,352	31,785
Other community, social and personal services	47,814	49,420	50,829	52,219	53,729
Private households with employed persons	4,091	4,173	4,256	4,342	4,428
Less: Financial services indirectly measured	-11,835	-12,174	-10,484	-12,762	-10,189
All industries at basic prices	**1,088,103**	**1,155,993**	**1,168,395**	**1,195,888**	**1,265,579**
All industries excl. agriculture and forestry	775,177	835,570	861,041	896,457	947,197
Taxes less subsidies on products	161,367	180,855	188,882	197,286	204,938
GDP at market prices	**1,249,470**	**1,336,848**	**1,357,277**	**1,393,174**	**1,470,517**

Institutional sector and industry	2006	2007	2008	2009+	2010*
Corporations, non-profit institutions and households					
Agriculture and forestry	309,034	316,837	303,802	295,834	314,858
Fishing	6,249	6,181	5,363	5,564	5,713
Mining and quarrying	5,554	6,272	6,453	6,163	6,770
Manufacturing	122,953	130,673	135,291	136,992	143,028
Electricity and water supply	25,724	28,313	29,922	28,956	31,884
Construction	32,412	34,810	37,798	42,680	44,480
Wholesale and retail trade, repairs	118,361	131,754	138,053	143,388	154,558
Hotels and restaurants	17,894	20,814	13,298	18,993	19,796
Transport, and communication	130,510	150,109	155,878	165,493	175,172
Financial intermediation	47,170	50,306	51,659	54,043	58,797
Dwellings, owner occupied and rented	34,575	35,964	37,420	38,947	40,548
Other real estate and business services	33,206	34,275	35,457	36,073	36,881
Education	9,498	9,485	11,290	9,713	10,685
Health and social work	17,038	17,862	18,664	19,687	19,614
Other community, social and personal services	45,114	46,900	48,304	49,715	51,286
Private households with employed persons	4,091	4,173	4,256	4,342	4,428
Less: Financial services indirectly measured	-11,835	-12,174	-10,484	-12,762	-10,189
Total value added at basic prices	**947,548**	**1,012,554**	**1,022,426**	**1,043,823**	**1,108,311**
General government					
Agriculture and forestry	3,892	3,587	3,553	3,597	3,523
Water supply	1,564	1,457	1,423	1,434	1,519
Construction	5,237	5,595	5,936	6,461	6,870
Transport, and communication	5,796	6,737	5,738	6,483	6,879
Research and technical services	666	621	626	655	660
Public administartion and defence	45,974	45,031	45,317	46,029	47,035
Education	63,689	66,772	69,481	73,239	76,166
Health and social work	11,037	11,120	11,371	11,664	12,172
Other services	2,700	2,520	2,525	2,504	2,443
Total value added at basic prices	**140,555**	**143,440**	**145,969**	**152,065**	**157,268**

* Provisional

\+ Revised

Table 2.4 Growth rates of Gross Domestic Product, 2006-2010

Percentage Changes

Industry	2006	2007	2008	2009+	2010*
Agriculture and forestry	4.4	2.4	-4.1	-2.6	6.3
Growing of crops and horticulture	5.1	2.7	-7.2	-5.0	7.4
Farming of animals	3.4	2.5	4.1	3.1	4.8
Agricultural and animal husbandry services	-1.8	-4.8	-1.0	0.9	-1.1
Forestry and logging	-1.1	-1.6	0.9	1.1	1.3
Fishing	8.7	-1.1	-13.2	3.8	2.7
Mining and quarrying	4.1	12.9	2.9	-4.5	9.8
Manufacturing	6.3	6.3	3.5	1.3	4.4
Manufacture of food, beverages and tobacco	9.1	8.7	-1.8	2.2	2.2
All other manufacturing	5.0	5.2	6.0	0.9	5.4
Electricity and water supply	-1.7	9.1	5.3	-3.0	9.9
Electricity supply	-2.9	11.8	6.1	-5.2	11.9
Water supply	1.7	1.8	2.9	3.5	4.4
Construction	6.3	7.3	8.2	12.4	4.5
Wholesale and retail trade, repairs	11.6	11.3	4.8	3.9	7.8
Hotels and restaurants	14.9	16.3	-36.1	42.8	4.2
Transport and communication	11.4	15.1	3.0	6.4	5.9
Transport and storage	9.0	7.2	0.1	4.0	6.9
Post and telecommunications	16.5	30.3	7.8	10.0	4.4
Financial intermediation	4.8	6.6	2.7	4.6	8.8
Real estate, renting and business services	3.9	3.5	3.7	3.0	3.2
Dwellings, owner occupied and rented	4.0	4.0	4.0	4.1	4.1
Renting and business services	3.8	3.0	3.4	1.8	2.2
Public administration and defence	-1.6	-2.1	0.6	1.6	2.2
Education	0.3	4.2	5.9	2.7	4.7
Health and social work	3.3	3.2	3.6	4.4	1.4
Other community, social and personal services	4.3	3.4	2.9	2.7	2.9
Private households with employed persons	2.0	2.0	2.0	2.0	2.0
Less: Financial services indirectly measured	5.1	2.9	-13.9	21.7	-20.2
All industries at basic prices	**5.6**	**6.2**	**1.1**	**2.4**	**5.8**
All industries excl. agriculture and forestry	6.1	7.8	3.0	4.1	5.7
Taxes less subsidies on products	11.2	12.1	4.4	4.4	3.9
GDP at market prices	**6.3**	**7.0**	**1.5**	**2.6**	**5.6**
Institutional sector and industry	**2006**	**2007**	**2008**	**2009+**	**2010***
Corporations, non-profit institutions and households	6.6	6.9	1.0	2.1	6.2
General government	-0.4	2.1	1.8	4.2	3.4

* Provisional

+ Revised

Sources of Growth

2.29. Table 2.5 shows how various sectors of the economy contributed to the growth since 2006 to 2010. Agriculture and forestry whose contribution impacted negatively on growth in 2009 recovered due to good rains to record the highest contribution of 24.5 per cent to the growth realized in 2010. The other key sectors were Wholesale and Retail Trade and Transport and Communication whose contributions were 14.4 per cent and 13.0 per cent, respectively. Notable contributions were also witnessed in Manufacturing and Financial Intermediation of 7.8 per cent and 6.1 per cent respectively.

Table 2.5 Sources of Growth, 2006-2010

Percentages

Industry	2006	2007	2008	2009+	2010*
Agriculture and forestry	17.7	8.6	-64.0	-22.1	24.5
Growing of crops and horticulture	14.5	6.8	-80.0	-29.5	19.1
Farming of animals	3.4	2.2	15.7	7.0	5.3
Agricultural and animal husbandry services	-0.1	-0.2	-0.2	0.1	-0.1
Forestry and logging	-0.2	-0.2	0.5	0.3	0.2
Fishing	0.7	-0.1	-4.0	0.6	0.2
Mining and quarrying	0.3	0.8	0.9	-0.8	0.8
Manufacturing	9.8	8.8	22.6	4.7	7.8
Manufacture of food, beverages and tobacco	4.3	3.8	-3.6	2.5	1.2
All other manufacturing	5.5	5.0	26.2	2.3	6.6
Electricity and water supply	-0.6	2.8	7.7	-2.7	3.9
Electricity supply	-0.8	2.7	6.6	-3.4	3.4
Water supply	0.2	0.2	1.1	0.8	0.5
Construction	3.0	3.2	16.3	15.1	2.9
Wholesale and retail trade, repairs	16.5	15.3	30.8	14.9	14.4
Hotels and restaurants	3.1	3.3	-36.8	15.9	1.0
Transport and communication	18.8	23.5	23.4	28.9	13.0
Transport and storage	10.0	7.4	0.3	10.7	8.9
Post and telecommunications	8.9	16.1	23.1	18.1	4.1
Financial intermediation	2.9	3.6	6.6	6.6	6.1
Real estate, renting and business services	3.5	2.8	12.9	6.0	3.1
Dwellings, owner occupied and rented	1.8	1.6	7.1	4.3	2.1
Renting and business services	1.7	1.2	5.8	1.8	1.1
Public administration and defence	-1.0	-1.1	1.4	2.0	1.3
Education	0.3	3.5	22.1	6.1	5.0
Health and social work	1.2	1.0	5.1	3.7	0.6
Other community, social and personal services	2.7	1.8	6.9	3.9	2.0
Private households with employed persons	0.1	0.1	0.4	0.2	0.1
Less: Financial services indirectly measured	-0.8	-0.4	8.3	-6.3	3.3
All industries at basic prices	78.1	77.7	60.7	76.6	90.1
All industries excl. agriculture and forestry	60.5	69.1	124.7	98.7	65.6
Taxes less subsidies on products	21.9	22.3	39.3	23.4	9.9
GDP at market prices	100.0	100.0	100.0	100.0	100.0

*Provisional

+ Revised

Table 2.6: Annual production accounts by industry, 2006-2010

Current Prices - KSh Million

Industry	2006	2007	2008	2009+	2010*
Agriculture and forestry					
Output at basic prices	490,548	518,275	619,369	688,040	703,659
Intermediate consumption	111,215	121,219	148,616	132,669	156,129
Gross value added at basic prices	379,334	397,057	470,753	555,371	547,530
Compensation of employees	53,336	54,925	55,615	64,092	70,448
Gross operating surplus/mixed income	325,998	342,132	415,138	491,279	477,082
Fishing					
Output at basic prices	9,423	9,503	12,601	13,204	19,516
Intermediate consumption	2,356	2,376	3,150	3,301	4,879
Gross value added at basic prices	7,068	7,127	9,450	9,903	14,637
Compensation of employees	942	950	1,260	1,320	1,952
Gross operating surplus/mixed income	6,125	6,177	8,190	8,583	12,686
Mining and quarrying					
Output at basic prices	14,631	20,233	22,989	20,666	27,019
Intermediate consumption	6,747	7,329	8,059	8,584	9,369
Gross value added at basic prices	7,884	12,904	14,930	12,083	17,650
Compensation of employees	4,289	5,831	6,543	5,803	7,552
Gross operating surplus/mixed income	3,595	7,073	8,387	6,280	10,098
Manufacturing					
Output at basic prices	560,089	626,652	742,160	769,624	861,130
Intermediate consumption	393,312	436,155	513,856	535,201	606,670
Gross value added at basic prices	166,777	190,497	228,304	234,423	254,461
Compensation of employees	57,827	59,789	62,828	74,990	83,456
Gross operating surplus/mixed income	108,950	130,708	165,476	159,433	171,004
Electricity and water					
Output at basic prices	50,078	54,765	70,785	92,521	100,922
Intermediate consumption	21,875	28,133	27,018	36,782	39,710
Gross value added at basic prices	28,202	26,633	43,767	55,738	61,212
Compensation of employees	10,728	12,455	14,381	16,922	17,827
Gross operating surplus/mixed income	17,474	14,178	29,386	38,816	43,385
Construction					
Output at basic prices	166,188	191,575	223,176	264,794	288,371
Intermediate consumption	102,260	122,019	142,769	167,676	179,223
Gross value added at basic prices	63,928	69,556	80,407	97,118	109,148
Compensation of employees	14,776	16,093	17,722	21,000	24,176
Gross operating surplus/mixed income	49,152	53,463	62,685	76,118	84,973
Wholesale and retail trade, repairs					
Output at basic prices	330,673	387,378	466,904	508,479	572,302
Intermediate consumption	179,099	209,770	252,883	275,529	310,169
Gross value added at basic prices	151,574	177,609	214,022	232,950	262,134
Compensation of employees	98,242	102,868	107,318	134,765	156,567
Gross operating surplus/mixed income	53,332	74,741	106,704	98,185	105,566
Hotels and restaurants					
Output at basic prices	74,509	91,047	75,119	122,970	132,698
Intermediate consumption	50,301	61,435	51,374	83,549	90,152
Gross value added at basic prices	24,207	29,612	23,745	39,421	42,546
Compensation of employees	12,185	14,977	12,092	20,191	21,803
Gross operating surplus/mixed income	12,022	14,635	11,653	19,230	20,743
Transport and communication					
Output at basic prices	409,308	470,157	523,884	542,655	594,162
Intermediate consumption	237,316	276,064	307,831	309,710	344,601
Gross value added at basic prices	171,993	194,093	216,053	232,945	249,561
Compensation of employees	79,661	88,306	94,206	102,615	119,016
Gross operating surplus/mixed income	92,331	105,787	121,847	130,330	130,545
Financial intermediation					
Output at basic prices	99,954	139,381	147,654	190,610	225,002
Intermediate consumption	35,832	51,364	49,848	60,700	81,412
Gross value added at basic prices	64,122	88,018	97,806	129,910	143,590
Compensation of employees	33,324	40,538	45,759	54,977	63,843
Gross operating surplus/mixed income	30,798	47,479	52,047	74,933	79,747

Table 2.6: Cont'd

Current Prices - KSh Million

Industry	2006	2007	2008	2009+	2010*
Real estate and business services					
Output at basic prices	107,519	117,558	131,398	142,675	150,535
Intermediate consumption	19,375	21,285	24,075	26,034	27,378
Gross value added at basic prices	88,145	96,273	107,323	116,641	123,157
Compensation of employees	23,307	25,371	29,189	31,569	33,418
Gross operating surplus/mixed income	64,837	70,902	78,134	85,072	89,739
Public administration and defence					
Output at basic prices	134,278	161,209	166,698	176,025	209,848
Intermediate consumption	46,747	53,702	59,784	71,268	90,696
Gross value added at basic prices	87,531	107,508	106,914	104,757	119,152
Compensation of employees	67,848	85,921	82,852	77,927	89,732
Gross operating surplus/mixed income	19,682	21,587	24,062	26,830	29,420
Education					
Output at basic prices	141,872	157,487	164,537	175,738	190,745
Intermediate consumption	29,148	33,989	32,308	40,085	45,132
Gross value added at basic prices	112,724	123,498	132,229	135,653	145,613
Compensation of employees	97,030	106,206	113,727	115,392	123,158
Gross operating surplus/mixed income	2,777	3,046	3,395	3,786	4,151
Health and social work					
Output at basic prices	57,561	63,976	74,446	91,216	98,406
Intermediate consumption	16,577	18,658	22,854	29,664	31,817
Gross value added at basic prices	40,984	45,318	51,591	61,552	66,589
Compensation of employees	29,024	32,426	37,073	42,264	45,938
Gross operating surplus/mixed income	11,960	12,892	14,519	19,287	20,650
Other community, social and personal services					
Output at basic prices	95,844	104,246	117,906	132,153	140,988
Intermediate consumption	30,827	33,863	38,113	42,383	45,180
Gross value added at basic prices	65,017	70,384	79,793	89,771	95,808
Compensation of employees	28,979	31,269	35,605	40,705	43,766
Gross operating surplus/mixed income	36,038	39,115	44,189	49,065	52,042
Less: Financial services indirectly measured					
Intermediate consumption	15,376	20,074	18,231	28,232	20,112
Gross value added at basic prices	-15,376	-20,074	-18,231	-28,232	-20,112
All industries at basic prices					
Output at basic prices	2,742,476	3,113,444	3,559,626	3,931,370	4,315,304
Intermediate consumption	1,298,363	1,497,433	1,700,770	1,851,367	2,082,628
Gross value added at basic prices	1,444,113	1,616,010	1,858,856	2,080,003	2,232,676
Other taxes on production	3,722	4,354	5,436	6,529	6,917
Less: Subsidies	-233	-40	-36	-39	0
Compensation of employees	611,499	677,925	716,169	804,533	902,652
Gross operating surplus/mixed income	829,125	933,771	1,137,286	1,268,980	1,323,107
Total economy					
Output at basic prices	2,742,476	3,113,444	3,559,626	3,931,370	4,315,304
Taxes on products	178,453	217,501	252,317	285,450	318,485
Intermediate consumption	1,298,363	1,497,433	1,700,770	1,851,367	2,082,628
GDP at market prices	1,622,565	1,833,511	2,111,173	2,365,453	2,551,161
Taxes on production and imports	182,175	221,855	257,753	291,978	325,402
Less: Subsidies	-233	-40	-36	-39	0
Compensation of employees	611,499	677,925	716,169	804,533	902,652
Gross operating surplus/mixed income	829,125	933,771	1,137,286	1,268,980	1,323,107

* Provisional

+ Revised

Expenditure on GDP

2.30. Categories of expenditure on the gross domestic product (GDP) for the years 2006 to 2010 are shown on Table 2.7. The shares of the categories of expenditure on GDP are presented in Table 2.8. Private final consumption constituted the bulk of the expenditure on GDP at 77.8 per cent in 2010. Exports as a ratio of GDP improved from 24.2 per cent in 2009 to 27.5 per cent in 2010 while imports (as a ratio of GDP) grew from 36.6 per cent to 37.9 per cent over the same period.

Table 2.7: Expenditure on the Gross Domestic Product, 2006-2010

Current Prices - KSh Million

Expenditure category	2006	2007	2008	2009+	2010*
Government final consumption expenditure	285,056	327,918	348,076	372,797	424,698
Private final consumption expenditure	1,222,652	1,383,603	1,583,651	1,850,699	1,985,066
Gross fixed capital formation	309,592	355,090	409,597	452,549	508,453
Changes in inventories	-18,383	-6,240	-4,120	6,365	-16,131
Gross domestic expenditure	**1,798,916**	**2,060,371**	**2,337,204**	**2,682,410**	**2,902,085**
Exports of goods and services	439,906	490,987	581,806	571,305	702,103
Imports of goods and services	613,856	691,220	879,821	865,997	966,002
Discrepancy [1]	-2,401	-26,627	71,984	-22,265	-87,025
Gross domestic product at market prices	**1,622,565**	**1,833,511**	**2,111,173**	**2,365,453**	**2,551,161**

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

* Provisional

+ Revised

Table 2.8: Expenditure on the Gross Domestic Product, 2006-2010

Percentage Shares

Expenditure category	2006	2007	2008	2009+	2010*
Government final consumption expenditure	17.6	17.9	16.5	15.8	16.6
Private final consumption expenditure	75.4	75.5	75.0	78.2	77.8
Gross fixed capital formation	19.1	19.4	19.4	19.1	19.9
Changes in inventories	-1.1	-0.3	-0.2	0.3	-0.6
Gross domestic expenditure	**110.9**	**112.4**	**110.7**	**113.4**	**113.8**
Exports of goods and services	27.1	26.8	27.6	24.2	27.5
Imports of goods and services	37.8	37.7	41.7	36.6	37.9
Discrepancy [1]	-0.1	-1.5	3.4	-0.9	-3.4
Gross domestic product at market prices	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

[1] Discrepancy expressed as a percentage of GDP

* Provisional

2.31. Details of expenditure on GDP categories in real terms and their corresponding growth rates are presented in Tables 2.9 and 2.10. Government final consumption expenditure registered the fastest growth of 8.9 per cent in 2010 compared to a growth of 5.7 per cent of 2009. Investment in fixed assets (Gross Fixed Capital Formation) recorded the second best growth at 7.3 per cent in 2010 in contrast to a contraction of 0.2 per cent registered in 2009. Exports of goods and services increased significantly by 16.5 per cent in 2010 compared to a decline of 9.1 per cent in 2009. Import of goods and services grew faster in 2010 at 3.8 per cent compared with a marginal growth of 0.4 per cent recorded in 2009.

Table 2.9: Expenditure on the Gross Domestic Product, 2006-2010

Constant 2001 Prices - KSh Million

Expenditure category	2006	2007	2008	2009+	2010*
Government final consumption expenditure	179,325	185,679	190,486	201,269	219,266
Private final consumption expenditure	984,185	1,055,988	1,041,747	1,087,497	1,159,558
Gross fixed capital formation	260,211	295,557	323,762	323,247	346,852
Changes in inventories including discrepancy	-9,606	-4,537	-7,164	1,117	-9,090
Gross domestic expenditure	**1,414,114**	**1,532,687**	**1,548,831**	**1,613,129**	**1,716,585**
Exports of goods and services	328,226	350,046	375,469	341,173	397,313
Imports of goods and services	466,347	517,912	552,301	554,306	575,387
Discrepancy [1]	-26,523	-27,973	-14,723	-6,822	-67,995
Gross domestic product at market prices	**1,249,470**	**1,336,848**	**1,357,277**	**1,393,174**	**1,470,517**

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

* Provisional

+ Revised

Table 2.10: Expenditure on the Gross Domestic Product, 2006-2010

Percentage Change

Expenditure category	2006	2007	2008	2009+	2010*
Government final consumption expenditure	2.2	3.5	2.6	5.7	8.9
Private final consumption expenditure	7.9	7.3	-1.3	4.4	6.6
Gross fixed capital formation	18.5	13.6	9.5	-0.2	7.3
Changes in inventories[1]	0.4	0.4	-0.2	0.6	-0.7
Gross domestic expenditure	**9.4**	**8.4**	**1.1**	**4.2**	**6.4**
Exports of goods and services	3.1	6.6	7.3	-9.1	16.5
Imports of goods and services	17.8	11.1	6.6	0.4	3.8
Discrepancy					
Gross domestic product at market prices	**6.3**	**7.0**	**1.5**	**2.6**	**5.6**

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

* Provisional

+ Revised

Private Consumption

2.32. Table 2.11a shows details of private consumption by broad categories of classification of individual consumption by purpose. Percentage shares of the categories of individual consumption are presented on Table 2.11b. Food and beverages constituted 43.9 per cent of the total private consumption in 2010 which was a decline from 46.1 per cent in 2009. The reduction in contribution of food and beverages to the total household consumption was attributable to the fall in food prices that prevailed in 2010 compared to 2009. All other services (which include expenditures on services of hotels and restaurants, transport and communication, finance and insurance, education, health, social and personal services) constituted 38.8 per cent of the private consumption in 2010 a rise from 37.5 per cent in 2009.

Table 2.11a: Private Consumption, 2006-2010

Current Prices - KSh Million

Purpose	2006	2007	2008	2009+	2010*
Food and beverages	561,519	607,367	738,120	852,343	872,422
Clothing and footwear	37,432	40,232	44,555	49,410	56,418
Housing	100,592	109,676	124,076	140,437	154,113
All other goods	144,376	174,884	191,094	212,878	246,490
All other services	451,874	536,153	576,848	693,108	770,502
Direct purchases abroad	8,016	11,296	10,150	8,800	7,257
Less: Direct purchases by non-res in Kenya	-81,157	-96,005	-101,190	-106,277	-122,136
Total	**1,222,652**	**1,383,603**	**1,583,651**	**1,850,699**	**1,985,066**

* Provisional

+ Revised

Table 2.11b: Private Consumption, 2006-2010

Percentage Shares

Expenditure category	2006	2007	2008	2009+	2010*
Food and beverages	45.9	43.9	46.6	46.1	43.9
Clothing and footwear	3.1	2.9	2.8	2.7	2.8
Housing	8.2	7.9	7.8	7.6	7.8
All other goods	11.8	12.6	12.1	11.5	12.4
All other services	37.0	38.8	36.4	37.5	38.8
Direct purchases abroad	0.7	0.8	0.6	0.5	0.4
Less: Direct purchases by non-res in Kenya	-6.6	-6.9	-6.4	-5.7	-6.2
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

* Provisional

+ Revised

Gross Fixed Capital Formation

2.33. Table 2.12a presents details of additions to fixed assets (Gross Fixed Capital Formation) by type of asset for the period 2006 to 2010. A total of KSh 508.4 billion was spent on additions to fixed assets in 2010 compared to KSh 452.5 billion spent in 2009. Contribution of additions to various types of fixed assets in percentage shares are shown in Table 2.12b. The data reveals that over the years building and structures has remained dominant and contributed an average of 47.4 per cent to the Gross Fixed Capital Formation over the last five years. In comparison to 2009, contribution of building and structures and other machinery and equipments eased downward by 1.5 percentage points apiece to 48.6 and 30.3 per cent respectively in 2010. The decline in the contributions of the building and structures and other machinery and equipments was taken up by the transport equipment whose share rose by 3.1 percentage points to stand at 20.8 per cent in 2010.

Table 2.12a: Gross Fixed Capital Formation, 2006-2010

Current Prices - KSh Million

Purpose	2006	2007	2008	2009+	2010*
Buildings and structures	142,161	163,431	190,058	226,923	246,857
Transport equipment	85,562	82,894	73,798	80,310	105,983
Other machinery and equipment	80,546	107,414	144,384	143,957	154,194
Cultivated assets	1,245	1,273	1,279	1,279	1,341
Intangible assets	78	78	78	78	78
Total	**309,592**	**355,090**	**409,597**	**452,549**	**508,453**

* Provisional

+ Revised

Table 2.12b: Gross Fixed Capital Formation, 2006-2010

Percentage Shares

Expenditure category	2006	2007	2008	2009+	2010*
Buildings and structures	45.9	46.0	46.4	50.1	48.6
Transport equipment	27.6	23.3	18.0	17.7	20.8
Other machinery and equipment	26.0	30.2	35.3	31.8	30.3
Cultivated assets	0.4	0.4	0.3	0.3	0.3
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

2.34. Details of real Gross Fixed Capital Formation by type of asset and their growth rates for the period 2006 to 2010 are shown in Tables 2.13a and 2.13b, respectively. After a contraction of 0.2 per cent in 2009, investment in the various types of fixed assets recorded a combined growth of 7.3 per cent in 2010. Transport equipment recorded the most remarkable growth of 19.0 per cent in 2010 after declining by 2.6 per cent in 2009. Other machinery and equipment grew by 5.0 per cent in 2010 compared to a decline of 9.7 per cent in 2009.

Table 2.13a: Gross Fixed Capital Formation, 2005-2009

Constant Prices - KSh Million

Purpose	2006	2007	2008	2009+	2010*
Buildings and structures	98,945	106,425	115,760	131,053	136,638
Transport equipment	76,175	74,064	61,603	60,004	71,413
Other machinery and equipment	83,866	113,656	145,139	131,035	137,652
Cultivated assets	1,166	1,355	1,210	1,107	1,103
Intangible assets	59	56	51	48	46
Total	**260,211**	**295,557**	**323,762**	**323,247**	**346,852**

* Provisional

+ Revised

Table 2.13b: Gross Fixed Capital Formation, 2006-2010

Annual Changes

Expenditure category	2006	2007	2008	2009+	2010*
Buildings and structures	5.7	7.6	8.8	13.2	4.3
Transport equipment	23.4	-2.8	-16.8	-2.6	19.0
Other machinery and equipment	33.0	35.5	27.7	-9.7	5.0
Cultivated assets	7.7	16.2	-10.7	-8.5	-0.3
Intangible assets	0.9	-5.0	-10.3	-5.6	-3.2
Total	**18.5**	**13.6**	**9.5**	**-0.2**	**7.3**

* Provisional

+ Revised

Disposable Income and Savings

2.35. Table 2.14 and 2.15 show the derivations of distribution of income and gross savings. The high increase in net income in the year 2010 saw the reduction in growth of Gross National Income (GNI) to 7.5 per cent to stand at KSh 2,538.7 billion compared to a growth of 12.1 and 15.6 per cent in the years 2009 and 2008, respectively. The net current transfers increased by 3.7 per cent in 2010 compared to 8.7 per cent in 2009. This increase in transfers is mainly attributed to the increase in remittances from the Diaspora. The ratio of Gross savings to GDP declined slightly from 13.3 per cent in 2009 to 12.2 per cent in 2010 as a result of increase in consumption expenditure.

Table 2.14: Gross Domestic Product and Gross National Income, 2006-2010

	2006	2007	2008	2009+	2010*
CURRENT PRICES, KSh Million					
Compensation of employees	611,499	677,925	716,169	804,533	902,652
Consumption of fixed capital	128,299	136,587	150,180	167,250	181,678
Net operating surplus	700,826	797,184	987,107	1,101,730	1,141,430
Gross domestic product at factor cost	**1,440,623**	**1,611,696**	**1,853,456**	**2,073,513**	**2,225,759**
Taxes on production and imports	182,175	221,855	257,753	291,978	325,402
Subsidies	-233	-40	-36	-39	0
Gross domestic product at market prices	**1,622,565**	**1,833,511**	**2,111,173**	**2,365,453**	**2,551,161**
Primary incomes					
Receivable from the rest of the world	7,168	10,812	12,190	13,500	10,628
Payable to rest of the world	-12,221	-20,518	-15,317	-16,426	-23,121
Gross national income at market prices	**1,617,512**	**1,823,805**	**2,108,046**	**2,362,527**	**2,538,668**
Current transfers					
Receivable from the rest of the world	**133,368**	145,875	167,356	181,107	187,652
Payable to rest of the world	-3,452	-2,723	-6,091	-6,405	-6,497
Gross national disposable income	**1,747,428**	**1,966,957**	**2,269,311**	**2,537,228**	**2,719,823**
Per capita, KSh					
Gross domestic product at market prices	44,898	49,331	55,255	60,223	63,182
Gross national income at market prices	44,758	49,070	55,173	60,149	62,873
CONSTANT PRICES					
GDP at market prices, KSh Million	1,249,470	1,336,848	1,357,277	1,393,174	1,470,517
Per capita, KSh	34,574	35,968	35,523	35,470	36,419
- Annual percentage change	3.4	4.0	-1.2	-0.2	2.7

* Provisional

+ Revised

Table 2.15: National Disposable Income and Saving

Current Prices - KSh Million

	2006	2007	2008	2009+	2010*
Disposable income and saving					
Gross national disposable income	**1,747,428**	**1,966,957**	**2,269,311**	**2,537,228**	**2,719,823**
Consumption of fixed capital	128,299	136,587	150,180	167,250	181,678
Net national disposable income	**1,619,129**	**1,830,369**	**2,119,131**	**2,369,979**	**2,538,146**
Final consumption expenditure					
Private	1,222,652	1,383,603	1,583,651	1,850,699	1,985,066
General government	285,056	327,918	348,076	372,797	424,698
Discrepancy on GDP					
Saving, net	111,421	118,848	187,404	146,482	128,382
General government					
All Other serctors					
Financing of capital formation					
Saving, net	111,421	118,848	187,404	146,482	128,382
Capital transfers, receivable from abroad	12,142	10,558	6,535	20,178	19,030
Capital transfers, payable from abroad	0	0	0	0	0
Total	**123,563**	**129,406**	**193,939**	**166,660**	**147,412**
Gross fixed capital formation	309,592	355,090	409,597	452,549	508,453
Consumption of fixed capital	-128,299	-136,587	-150,180	-167,250	-181,678
Changes in inventories	-18,383	-6,240	-4,120	6,365	-16,131
Net lending (+) / Net borrowing (-)	-39,346	-82,856	-61,358	-125,004	-163,232
Total	**123,563**	**129,406**	**193,939**	**166,660**	**147,412**
Discrepancy on GDP	-2,401	-26,627	71,984	-22,265	-87,025
Net lending (+) / Net borrowing (-)	84,217	46,550	132,581	41,656	-15,820
Gross savings	239,720	255,436	337,584	313,732	310,059
Gross savings as a ratio to GDP	14.8	13.9	16.0	13.3	12.2
Gross savings as a ratio to Disposable Income	13.7	13.0	14.9	12.4	11.4

* Provisional

\+ Revised

Quarterly Gross Domestic Product

2.36. Tables 2.16 and 2.17 give summary of the revised Quarterly Gross Domestic Product (QGDP) by activity from 2006 to 2010 in value and percentage growth respectively. The fourth quarter recorded a growth of 6.9 per cent in 2010 compared to a growth of 3.3 per cent in 2009. The first and second quarters recorded revised growths of 4.4 per cent and 4.7 per cent respectively, while the third quarter recorded a growth of 6.1 per cent in the year under review.

2.37. The seasonally adjusted GDP increased by 2.2 per cent in the fourth quarter of 2010 compared to the third quarter. The third quarter recorded a growth of 1.7 per cent compared to the second quarter during the year under review.

Table 2.16 Gross domestic product by activity, 2006-2010

Constant 2001 prices –KSh. million

Year	Quar-ter	Agricul-ture and forestry	Fishing	Mining and quarrying	Manufac-turing	Electrict y and water	Construc-tion	Whole-sale and retail trade	Hotels and restau-rants	Transport and com-munic-ation	Financial interme-diation
2006	1	69,627	1,669	1,287	30,026	6,754	9,042	27,249	5,207	33,993	11,553
	2	67,544	1,110	1,327	30,237	6,763	8,992	28,661	3,383	33,269	11,780
	3	85,982	1,515	1,441	31,027	6,805	9,746	32,711	4,802	35,541	11,785
	4	89,772	1,956	1,499	31,663	6,967	9,869	29,741	4,503	33,503	12,051
2007	1	75,894	1,641	1,392	31,735	7,118	8,671	29,934	5,510	36,854	12,307
	2	68,909	1,152	1,568	32,629	7,559	9,946	32,023	4,712	38,746	12,569
	3	85,878	1,552	1,614	33,060	7,526	11,181	35,733	5,475	40,968	12,654
	4	89,742	1,836	1,699	33,248	7,568	10,608	34,065	5,116	40,277	12,776
2008	1	72,095	1,412	1,466	31,971	7,739	9,128	33,363	2,784	37,388	12,747
	2	69,173	969	1,682	34,009	7,882	11,352	33,264	2,685	39,422	13,066
	3	81,492	1,364	1,754	34,812	7,766	12,456	37,747	4,026	42,877	12,703
	4	84,594	1,618	1,551	34,499	7,957	10,798	33,679	3,804	41,929	13,143
2009	1	71,028	1,834	1,290	33,461	7,919	11,368	33,133	7,215	43,088	13,181
	2	66,302	1,294	1,605	33,676	8,064	12,576	32,885	3,993	38,141	13,405
	3	78,773	1,725	1,646	34,353	7,439	12,539	39,031	4,086	47,330	13,601
	4	83,329	711	1,623	35,502	6,968	12,658	38,338	3,700	43,416	13,856
2010	1	75,056	1,903	1,558	35,667	7,719	11,400	34,618	7,019	45,676	13,837
	2	68,302	1,326	1,628	35,562	8,528	13,032	34,540	3,949	40,147	14,393
	3	85,515	1,757	1,664	36,572	8,711	13,263	40,881	4,529	49,361	15,036
	4	89,508	727	1,920	35,228	8,445	13,655	44,520	4,299	46,866	15,530

Table 2.16 Gross domestic product by activity, 2006-2010 Cont'd

Constant 2001 prices – KSh. million

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
2006	1	16,888	11,682	18,313	19,729	-2,894	260,125	190,497	38,052	298,176	302,998
	2	16,889	11,605	18,252	19,915	-2,961	256,765	189,221	38,365	295,130	309,876
	3	16,744	11,455	18,268	20,088	-2,956	284,954	198,972	42,912	327,867	318,372
	4	17,925	11,232	18,354	20,247	-3,024	286,259	196,487	42,038	328,297	317,659
2007	1	17,092	11,266	19,174	20,421	-3,100	275,907	200,013	43,274	319,181	324,990
	2	17,783	11,447	18,949	20,570	-3,124	275,437	206,528	44,128	319,564	334,985
	3	18,296	11,321	18,951	20,718	-3,040	301,888	216,009	46,773	348,661	337,313
	4	17,689	10,996	19,183	20,866	-2,909	302,761	213,019	46,680	349,442	339,558
	1	17,439	11,160	20,128	21,037	-2,641	277,218	205,122	45,990	323,207	329,058
	2	19,960	11,419	20,264	21,191	-2,588	283,752	214,578	43,334	327,085	342,518
	3	19,436	11,385	20,261	21,357	-2,505	306,929	225,437	50,756	357,685	345,343
	4	16,668	11,353	20,118	21,535	-2,748	300,496	215,903	48,802	349,299	340,551
2009	1	18,868	11,291	20,835	21,724	-3,045	293,191	222,163	48,307	341,497	347,185
	2	22,302	11,491	20,531	21,901	-3,250	284,915	218,614	45,748	330,664	346,237
	3	18,175	11,578	20,586	22,067	-3,293	309,636	230,863	50,686	360,322	347,598
	4	16,330	11,668	21,000	22,220	-3,173	308,146	224,817	52,545	360,691	352,270
2010	1	19,654	11,474	21,625	22,362	-2,773	306,795	231,739	49,656	356,451	362,080
	2	22,592	11,751	21,725	22,468	-2,567	297,377	229,075	48,936	346,313	362,544
	3	18,896	11,868	21,839	22,539	-2,447	329,983	244,468	52,167	382,150	368,668
	4	16,948	11,943	21,662	22,574	-2,402	331,423	241,915	54,179	385,602	376,819

Table 2.17 Growth Rates in Quarterly Gross domestic product by activity, 2006-2010

Percentage changes at constant prices 2001

Year	Quar-ter	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
2006	1	-0.1	3.5	0.2	6.9	-2.6	9.2	13.4	1.8	18.7	4.6
	2	5.2	5.2	3.3	4.6	-1.7	5.7	13.8	11.5	18.2	5.6
	3	6.5	6.0	0.6	8.7	-2.3	1.5	18.9	24.7	9.1	4.1
	4	5.4	18.2	12.4	5.0	-0.1	9.5	1.2	25.9	1.7	4.7
2007	1	9.0	-1.7	8.2	5.7	5.4	-4.1	9.9	5.8	8.4	6.5
	2	2.0	3.8	18.2	7.9	11.8	10.6	11.7	39.3	16.5	6.7
	3	-0.1	2.4	12.0	6.6	10.6	14.7	9.2	14.0	15.3	7.4
	4	0.0	-6.1	13.3	5.0	8.6	7.5	14.5	13.6	20.2	6.0
2008	1	-5.0	-13.9	5.3	0.7	8.7	5.3	11.5	-49.5	1.4	3.6
	2	0.4	-15.9	7.3	4.2	4.3	14.1	3.9	-43.0	1.7	4.0
	3	-5.1	-12.1	8.7	5.3	3.2	11.4	5.6	-26.5	4.7	0.4
	4	-5.7	-11.9	-8.7	3.8	5.1	1.8	-1.1	-25.7	4.1	2.9
2009	1	-1.5	29.9	-12.0	4.7	2.3	24.5	-0.7	159.2	15.2	3.4
	2	-4.2	33.6	-4.6	-1.0	2.3	10.8	-1.1	48.7	-3.2	2.6
	3	-3.3	26.5	-6.2	-1.3	-4.2	0.7	3.4	1.5	10.4	7.1
	4	-1.5	-56.1	4.6	2.9	-12.4	17.2	13.8	-2.7	3.5	5.4
2010	1	5.7	3.8	20.7	6.6	-2.5	0.3	4.5	-2.7	6.0	5.0
	2	3.0	2.5	1.5	5.6	5.8	3.6	5.0	-1.1	5.3	7.4
	3	8.6	1.9	1.1	6.5	17.1	5.8	4.7	10.8	4.3	10.6
	4	7.4	2.2	18.4	-0.8	21.2	7.9	16.1	16.2	7.9	12.1

Table 2.17 Growth Rates in Quarterly Gross domestic product by activity, 2006-2010 Cont'd

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
2006	1	5.2	-0.1	0.5	3.7	4.3	5.3	7.5	10.7	6.0	0.4
	2	1.2	-0.5	0.0	3.9	6.3	6.4	6.8	5.1	6.2	2.3
	3	0.6	-1.9	0.1	4.0	4.8	6.7	6.8	19.1	8.2	2.7
	4	8.7	-3.9	0.5	3.8	5.0	4.2	3.6	10.0	4.9	-0.2
2007	1	1.2	-3.6	4.7	3.5	7.1	6.1	5.0	13.7	7.0	2.3
	2	5.3	-1.4	3.8	3.3	5.5	7.3	9.1	15.0	8.3	3.1
	3	9.3	-1.2	3.7	3.1	2.9	5.9	8.6	9.0	6.3	0.7
	4	-1.3	-2.1	4.5	3.1	-3.8	5.8	8.4	11.0	6.4	0.7
2008	1	2.0	-0.9	5.0	3.0	-14.8	0.5	2.6	6.3	1.3	-3.1
	2	12.2	-0.2	6.9	3.0	-17.1	3.0	3.9	-1.8	2.4	4.1
	3	6.2	0.6	6.9	3.1	-17.6	1.7	4.4	8.5	2.6	0.8
	4	-5.8	3.2	4.9	3.2	-5.5	-0.7	1.4	4.5	0.0	-1.4
2009	1	8.2	1.2	3.5	3.3	15.3	5.8	8.3	5.0	5.7	1.9
	2	11.7	0.6	1.3	3.3	25.6	0.4	1.9	5.6	1.1	-0.3
	3	-6.5	1.7	1.6	3.3	31.4	0.9	2.4	-0.1	0.7	0.4
	4	-2.0	2.8	4.4	3.2	15.5	2.5	4.1	7.7	3.3	1.3
2010	1	4.2	1.6	3.8	2.9	-8.9	4.6	4.3	2.8	4.4	2.8
	2	1.3	2.3	5.8	2.6	-21.0	4.4	4.8	7.0	4.7	0.1
	3	4.0	2.5	6.1	2.1	-25.7	6.6	5.9	2.9	6.1	1.7
	4	3.8	2.4	3.2	1.6	-24.3	7.6	7.6	3.1	6.9	2.2

Chapter 3

Social Scene

Overview

The investments in the social sector are geared towards improving the welfare of Kenyans with emphasis being laid in providing affordable education and health to the citizens. The total social sector expenditure increased by 24.5 per cent from KSh 208,799.0 million in 2009/10 to KSh 259,871.6 million in 2010/11. The Ministry of Higher Education, Science and Technology recorded the highest increase of 80.0 per cent in recurrent expenditure followed by the Office of the Vice President and Ministry of Home Affairs at 29.8 per cent. During the same period, the total development expenditure for the social sector increased by 26.1 per cent from KSh 26,757.1 million in 2009/10 to KSh 33,737.9 million in 2010/11.

3.2. The number of educational institutions increased from 72,831 in 2009 to 74,533 in 2010. Pre-primary institutions increased from 38,247 in 2009 to 38,523 in 2010. The number of primary schools increased from 26,667 in 2009 to 27,489 in 2010 of which 19,059 were public schools and 8,430 private schools. Secondary schools increased by 4.8 per cent from 6,971 in 2009 to 7,308 in 2010. Pre-primary enrolment went up by 15.8 per cent from 1.9 million in 2009 to 2.2 million in 2010. Enrolment in primary education for both public and private schools rose by 6.8 per cent from 8.8 million in 2009 to 9.4 million in 2010. The institutions offering complementary primary education known as Non Formal Schools (NFS) and Non Formal Education (NFE) centers recorded an increase in enrolment from 163,340 in 2009 to 169,591 in 2010 with the majority enrolled in Nairobi slum areas and the Arid and Semi Arid Land (ASAL) districts. There has been a tremendous increase in secondary enrolment since 2008. The total enrolment in secondary schools stood at 1,701,501 in 2010 compared to 1,507,546 in 2009, an increase of 12.9 per cent. Technical and university education enrolment were 82,843 and 180,978 in 2010/11.

3.3. The country's births and deaths coverage rate shows that births increased from 51.5 per cent in 2009 to 55.1 per cent in 2010 while the deaths decreased from 48.3 per cent in 2009 to 47.2 per cent in 2010. During the period under review, Rift valley and Western provinces registered major increases in coverage for births as compared to the previous year from 32.6 per cent to 71.2 per cent and 34.5 per cent to 60.9 per cent for 2009 and 2010, respectively. Central and Coast provinces recorded high coverage rates for deaths from 54.0 per cent to 68.1 per cent and 28.7 per cent to 32.7 per cent.

3.4. The total number of health institutions increased by 6.2 per cent from 6,696 in 2009 to 7,111 in 2010. In the same period, Central, Rift valley and Eastern provinces registered the highest percentage increase, while Coast and Nyanza provinces recorded reduction of 2.1 and 3.6 per cent respectively. On National Hospital Insurance Fund (NHIF) membership registration, the informal sector recorded an increase of 37.8 per cent from 376,470 in 2008/09 to 518,656 in 2009/10. During the period under review, number of registered medical personnel and those in training recorded a marginal increase of 3.6 per cent from 7,527 in 2009/10 to 7,801 in 2010/2011. The overall increase was attributed to significant increases of 51.8 per cent and 41.5 per cent of Bachelor of Science Nursing and Enrolled Nurses respectively. Full Immunization Coverage (FIC) rate of under one year children

increased by 9.7 per cent from 952,212 in 2009 to 1,044,121 in 2010. High FIC rates were registered in Nairobi and Central provinces, while North Eastern and Rift valley recorded the lowest. Malaria and diseases of the respiratory system continue to be the major killer diseases in the country.

3.5. In 2010, the number of National Social Security Fund (NSSF) registered employees went up by 0.2 per cent. The annual contributions and benefits remained almost unchanged. The overall adult literacy education enrolment increased by 1.4 per cent from 2009 to 2010. Nyanza and Nairobi provinces led other provinces where they recorded increase of 74.8 per cent and 46.2 per cent respectively during the year in review. However, the number of women who enrolled for adult literacy classes dropped by 2.5 per cent and that of men increased by 10.6 per cent. The government decreased the allocated fund for social protection for older persons from KSh 550.0 million in 2009/10 to KSh 530.0 million in 2010/11. The direct cash disbursement for older persons increased from KSh 346.0 million in 2009/10 to KSh 394.0 million in 2010/11. Funds allocated to the Orphan and Vulnerable Children (OVC) increased by 1.6 per cent from KSh 815.0 million in 2009/10 to KSh 827.7 million in 2010/2011. On the other hand, direct cash disbursement for OVC decreased by 0.8 per cent from KSh 772.8 Million in 2009/10 to KSh 766.9 million in 2010/11.

Social Sector Expenditure

3.6. The Central Government expenditure on social sector services over the last five years is presented in Table 3.1. The total social sector expenditure improved from KSh 208,799.0 million in 2009/10 to KSh 259,871.6 million in 2010/11, an increase of 24.5 per cent. During the period under review, the Ministry of Higher Education, Science and Technology recorded the highest increase of 80.0 per cent in recurrent expenditure followed by the Office of the Vice President and Ministry of Home Affairs at 29.8 per cent. The recurrent expenditure of the Ministries of Education and Gender, Children and Social Development increased by 15.4 per cent and 19.4 per cent, respectively.

3.7. The total development expenditure of the social sector increased by 26.1 per cent from KSh 26,757.1 million in 2009/10 to KSh 33,737.9 million in 2010/11. During the period under review, development expenditure in the Ministry of Higher Education, Science and Technology increased from KSh 3,432.0 million in 2009/10 to KSh 8,181.2 million in 2010/2011 while development expenditure for the Ministry of Labour increased from KSh 266.3 million in 2009/10 to KSh 1,128.1 million in 2010/11. Also, the development budget in the Ministry of Home Affairs increased by 28.4 per cent. However, the Ministry of Youth Affairs and Sports and Ministry of Education recorded a decline in development expenditure by 6.0 and 6.9 per cent, respectively.

Table 3.1 Central Government Expenditure on Social Services, 2006/07 - 2010/11

KSh million

	2006/07	2007/08	2008/09	2009/10*	2010/11+
RECURRENT EXPENDITURE-					
Ministry of Education	93,296.1	95,745.7	105,734.5	115,600.3	133,362.9
Ministry of Higher Education, Science and Technology[1]	16,901.6	15,919.8	20,356.2	23,244.7	41,833.6
Ministry of Health [2]	22,324.0	23,766.4	27,689.4	23,097.1	27,089.6
Ministry of Labour and Human Resource Development	910.2	932.6	999.6	1,137.3	1,314.6
Office of the Vice President and Ministry of Home Affairs	2,234.3	6,481.6	9,522.5	9,357.9	12,143.8
Ministry of Gender, Children and Social Development	-	1,069.5	1,640.2	2,432.1	2,903.1
Ministry of State for National Heritage and Culture	-	1,421.3	1,496.4	1,757.7	1,730.5
Minsitry of Youth Affairs and Sports	-	3,168.5	2,958.3	5,414.8	5,755.6
TOTAL	**135,666.2**	**148,505.3**	**170,397.0**	**182,041.9**	**226,133.8**
DEVELOPMENT EXPENDITURE-					
Ministry of Education	7,835.6	9,094.9	9,021.1	10,652.9	9,913.8
Ministry of Higher Education, Science and Technology[1]	733.5	2,108.9	4,767.0	3,432.0	8,181.2
Ministry of Health[2]	9,832.2	5,430.3	6,947.1	3,722.8	4,474.4
Ministry of Labour	201.1	347.8	399.7	266.3	1,128.1
Office of the Vice President and Ministry of Home Affairs	2,410.3	1,071.1	1,139.0	1,283.9	1,648.0
Ministry of Gender, Children and Social Development	-	1,236.8	1,421.4	2,005.5	3,281.5
Ministry of State for National Heritage and Culture	-	420.2	331.6	421.9	438.5
Minsitry of Youth Affairs and Sports	-	1,569.9	3,113.4	4,971.8	4,672.4
TOTAL	**21,012.8**	**21,279.9**	**27,140.4**	**26,757.1**	**33,737.9**
TOTAL EXPENDITURE	**156,679.0**	**169,785.2**	**197,537.4**	**208,799.0**	**259,871.6**

Source: Ministry of Finance

* Provisional

\+ Estimates including supplementaries

[1] Expenditure on Youth Polytechnics is included within the Ministry of Youth Affairs and Sports

[2] Expenditure is for both Ministry of Medical Services and Ministry of Public Health and Sanitation

3.8. The local Government Expenditure on Social Services for the year 2006/07 to 2010/2011 is presented in Table 3.2. The total expenditure estimate on social services increased by 10.1 per cent from KSh 3,885.9 million in 2009/10 to KSh 4,277.9 million in 2010/11. Expenditure on education and health increased by 16.5 and 6.4 per cent respectively. This could be attributed to the increase in the number of pre-primary teachers and health workers as a result of expansion of education and health facilities across the country.

Table 3.2: Local Government Expenditure on Social Services, 2006/07- 2010/11

KSh million

	2006/07	2007/08	2008/09	2009/10*	2010/11+
Education	981.2	1,061.8	1,125.6	1,325.0	1,543.2
Health	1,315.0	1,481.9	1,428.7	1,628.7	1,732.5
Other Social Services	474.2	597.5	847.5	932.2	1,002.1
TOTAL EXPENDITURE	2,770.4	3,141.2	3,401.8	3,885.9	4,277.9

* Provisional

\+ Estimates including supplementaries

Education

3.9. **Budget estimate and expenditure**: Table 3.3 presents the expenditure for the Ministry of Education and that of Youth Development and Training under the Ministry of Youth Affairs and Sports for the years 2006/07 to 2010/2011. The gross total expenditure increased by 28.3 per cent from KSh 154,405.9 million in 2009/10 to KSh 198,095.9 million in 2010/11. The total recurrent expenditure increased from KSh 138,845.0 million in 2009/10 to KSh 178,043.1 million in 2010/11, an increase of 28.2 per cent. On the other hand, development expenditure rose by 28.9 per cent from KSh 15,560.9 in 2009/10 to

KSh 20,052.8 in 2010/11. The recurrent budget for the Ministry of Education increased by 16.0 per cent from KSh 115,600.3 million in 2009/10 to KSh 134,111.4 million in 2010/11. The increase was attributed to increased funds to Teachers Service Commission for hiring of contract teachers. The recurrent operation budget to meet increased access to primary and secondary education rose by 23.7 and 23.4 per cent respectively. The budget for pre-primary education increased by more than half while special education recurrent expenditure rose by 97.4 per cent from KSh 279.3 million in 2009/10 to KSh 551.4 million in 2010/11.

3.10. Recurrent budget for the Ministry of Higher Education, Science and Technology increased substantially by 89.0 per cent from KSh 23,244.7 million in 2009/10 to KSh 43,931.7 million in 2010/11. The recurrent budget for university education more than doubled from KSh 16,266.5 million in 2009/10 to KSh 33,784.5 million in 2010/11. This could be attributed to the increase in university intake by the Joint Admissions Board (JAB) in 2010/11 academic year. Recurrent Expenditure for technical education increased by 9.6 per cent from KSh 2,885.1 in 2009/10 million to KSh 3,162.3 million in 2010/11.

3.11. Total development expenditure estimates for the Ministry of Education declined by 6.9 per cent from KSh 10,652.9 million in the 2009/10 to KSh 9,913.8 million in 2010/11. Secondary education development expenditure more than tripled from KSh 823.8 million in 2009/10 to KSh 2,876.8 million in 20101/11. Similarly, the primary education development expenditure more than doubled from KSh 1,210.4 million in 2009/10 to KSh 2,524.8 million in 2010/11. The increases could be attributed to the expansion in both primary and secondary infrastructural development as a result of increased pupil and student enrolment. The development budget under general administration declined by almost half from KSh 8,382.1 million in 2009/10 to KSh 4,219.4 million in 2010/11. The drop was mainly attributed to a reduction in the funds allocated under the Economic Stimulus Programme (ESP) in 2010/11. These funds targeted improvement of ICT e-learning infrastructure in at least five secondary schools in each district.

3.12. The total development budget estimates for the Ministry of Higher Education, Science and Technology increased significantly from KSh 4,908.0 million in 2009/10 to KSh 10,139.0 million in 2010/11, an increase of over 100 per cent. The development expenditure on youth polytechnics and training increased by 32.6 per cent from KSh 1,476.1million in 2009/10 to KSh 1,957.8 million in 2010/11. There was a substantial rise in development budget for technical education from KSh 1,088.3 million in 2009/10 to KSh 3,139.0 million in 2010/11. The substantial increase of funds mainly targeted improvement of technical education facilities to improve quality of education and training in Technical Industrial and Vocational Educational Training (TIVET) Institutions. University education development expenditure also, rose from KSh 2,340.4 million in 2009/10 to KSh 3,022.2 million in 2010/11 an increase of 29.1 per cent.

Table 3.3 Expenditure for the Ministry's of Education, 2006/07 - 2010/11

KSh million

	2006/07	2007/08	2008/09*	2009/10*	2010/11+
RECURRENT EXPENDITURE-					
Ministry of Education					
General Administration and Planning1	71,277.1	78,338.9	81,841.7	91,606.7	103,875.5
Pre-Primary Education	28.7	28.9	182.4	186.3	393.4
Primary Education	6,581.8	7,871.0	7,298.8	7,970.5	9,861.7
Secondary Education	14,322.9	8,009.7	14,622.4	14,455.5	17,840.5
Special Education	450.4	441.1	506.3	279.3	551.4
Teacher Education	206.7	187.7	210.6	197.4	197.1
Adult Education	40.0	554.0	739.8	576.7	956.6
Quality assurance and standards	147.4	149.4	171.1	160.6	253.2
Policy and planning	241.1	165.0	161.4	167.2	182.0
Sub Total	**93,296.1**	**95,745.7**	**105,734.5**	**115,600.3**	**134,111.4**
Ministry of Higher Education, Science and Technology					
General administration and planning1	305.0	392.0	613.3	723.7	389.5
Technical Education....	2,625.0	2,607.0	3,815.3	2,885.1	3,162.3
National Council for Science and Technology	118.0	111.8	129.2	188.4	535.5
University education	14,158.6	10,941.5	12,899.8	16,266.5	33,784.5
Higher Education support services	-	1,484.1	2,239.3	2,199.8	3,961.8
Youth Polytechnics and Training2	-	775.3	1,272.6	981.2	2,098.1
Sub Total	**16,901.6**	**15,919.8**	**20,356.2**	**23,244.7**	**43,931.7**
SUB-TOTAL	**110,197.7**	**111,665.5**	**126,090.7**	**138,845.0**	**178,043.1**
DEVELOPMENT EXPENDITURE-					
Ministry of Education					
General Administration and Planning	390.0	471.8	626.6	8,382.1	4,219.4
Pre-Primary Education	-	-	23.5	17.0	52.1
Primary Education	5,541.8	5,453.5	7,284.7	1,210.4	2,524.8
Secondary Education	844.8	165.0	750.2	823.8	2,876.8
Special Education	-	-	-	-	-
Teacher Education	50.0	19.0	180.0	50.0	99.4
Adult Education	-	-	5.8	20.0	20.0
Quality assurance and standards	-	-	-	57.9	94.6
Policy and planning	1,009.0	2,985.6	150.5	91.7	26.7
Sub Total	**7,835.6**	**9,094.9**	**9,021.1**	**10,652.9**	**9,913.8**
Ministry of Higher Education, Science and Technology					
General Administration and Planning	-	-	-	-	2,020.0
Technical Education....	72.0	284.0	1,412.0	1,088.3	3,139.0
National Council for Science and Technology	-	-	5.0	3.2	-
University education	661.5	693.0	1,967.0	2,340.4	3,022.2
Higher Education support services	-	-	-	-	-
Youth Polytechnics and Training2	-	1,131.9	1,383.0	1,476.1	1,957.8
Sub Total	**733.5**	**2,108.9**	**4,767.0**	**4,908.0**	**10,139.0**
SUB-TOTAL	**8,569.1**	**11,203.8**	**13,788.1**	**15,560.9**	**20,052.8**
GROSS TOTAL EXPENDITURE	**118,766.8**	**122,869.3**	**139,878.9**	**154,405.9**	**198,095.9**

* Provisional

\+ Budget Estimates including supplementaries

1 Inlcudes salaries for teachers and all other education personnel

2 Expenditure is within the Ministry of Youth Affairs and Sports

3.13. **Number of Educational Institutions**: The total number of educational institutions in the country for the years 2006 to 2010 is presented in Table 3.4. The number of educational institutions rose from 72,831 units in 2009 to 74,533 units in 2010. There was marginal rise in total number of pre-primary institutions from 38,247 units in 2009 to 38,523 units in 2010, an increase of 276 units. The number of primary schools increased by 3.1 per cent from 26,667 in 2009 to 27, 489 in 2010, with most of the new schools attributed to public infrastructure financing. In 2010, there were 19,059 public primary schools compared 8,430 private primary schools. Also, the total number of secondary schools in the country rose

from 6,971 in 2008 to 7,308 in 2010, representing an increase of 4.8 per cent. The number of teacher training colleges for pre-primary, primary and secondary education increased from 179 in 2009 to 238 in 2009, mainly as a result of private sector education investments in pre-primary and primary college education. The total number of TIVET institutions increased from 807 in 2009 to 818 in 2010. The Youth polytechnics accounted for 93.5 per cent of the TIVET institutions in 2010. The number of public universities stood at 7 as compared to 25 private universities. The private universities constitute 12 Chartered, 4 Registered and 9 with letters of Interim Authority.

Table 3.4: Number of Educational Institutions, 2006 - 2010

Number

Category	2006	2007	2008	2009	2010*
Schools:					
Pre-Primary					
Public	22,796	23,100	23,783	23,823	23,980
Private	10,325	14,163	14,171	14,424	14,543
Total	**36,121**	**37,263**	**37,954**	**38,247**	**38,523**
Primary:					
Public	17,946	18,063	18,130	18,543	19,059
Private	7,983	8,041	8,076	8,124	8,430
Total	**25,929**	**26,104**	**26,206**	**26,667**	**27,489**
Secondary:					
Public	3,646	4,245	4,454	5,019	5,296
Private	2,013	2,240	2,112	1,952	2,012
Total	**5,659**	**6,485**	**6,566**	**6,971**	**7,308**
Teacher Training Colleges:					
Pre-primary					
Public	22	21	21	20	20
Private	8	12	13	51	105
Sub Total	**30**	**33**	**34**	**71**	**125**
Primary					
Public	22	21	21	20	21
Private	8	12	75	85	89
Sub Total	**30**	**33**	**96**	**105**	**110**
Secondary[1]	3	3	2	3	3
Total	**63**	**69**	**132**	**179**	**238**
TIVET Institutions					
Youth Polytechnics	563	574	654	754	765
Institutes of Technology	22	22	23	24	24
Technical Training Institutes .. .	23	23	24	22	22
National Polytechnics	3	3	3	5	5
Polytechnic University Colleges ..	-	-	-	2	2
Total	**611**	**622**	**704**	**807**	**818**
Universities					
Public	7	7	7	7	7
Private	17	21	21	24	25
Total	**24**	**28**	**28**	**31**	**32**
GRAND TOTAL	**68,377**	**70,538**	**71,556**	**72,831**	**74,533**

Source : Ministry of Education

Provisional

Includes Kenya Technical Training College

3.14. **Pre - Primary Education**: Table 3.5 indicates the trends in enrolment and number of teachers in Early Childhood Development (ECD) centers for the period 2006 to 2010. The enrolment in pre-primary education centers rose from 1.9 million in 2008 to 2.2 million in 2010, an increase of 15.8 per cent. The number of teachers increased by 1.6 per cent from 92,955 in 2009 to 94,429 in 2010. The number of trained ECD teachers increased from 71,580 in 2009 to 73,012 in 2010. The increase in number of trained teachers is attributed to the aggressive drive by ECD teacher training colleges from both the public and private sector as they offer holiday based pre-service programmes. However, data shows that some centers use form four graduates as they wait to pursue higher education. The Pupil Teacher Ratio in ECD was at 23:1 in 2010 compared to 21:1 in 2009. Figure 3.1 shows that Gross Enrolment Rate (GER) increased marginally by 0.3 percentage points in 2010 while Net Enrolment Rate (NER) rose by 1.0 percentage point to 50.0 per cent.

Table 3.5: Pupil Enrolment and Teacher Numbers in Early Childhood Development Centers, 2006 - 2010

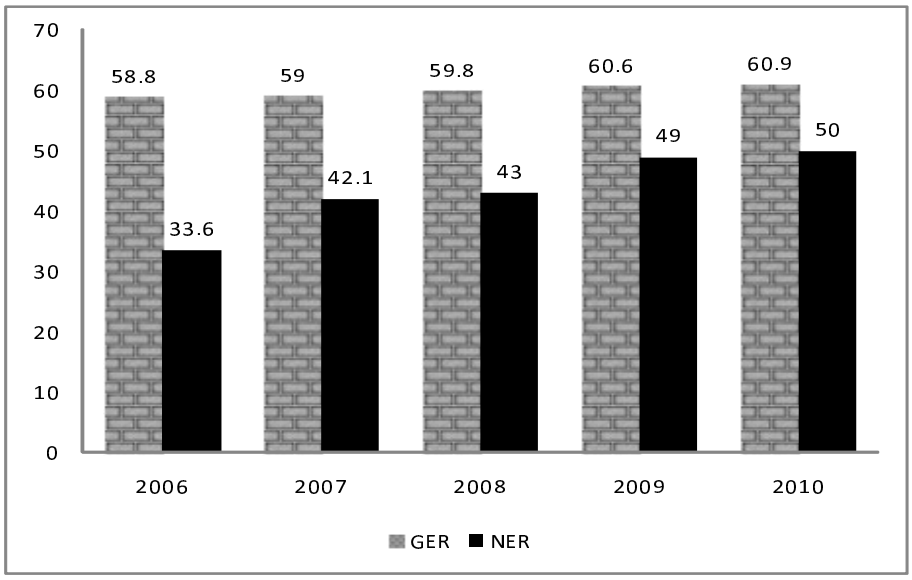
Number

	2006	2007	2008	2009	2010*
Enrolment					
Boys	866,445	876,163	885,320	967,544	1,100,890
Girls	805,891	814,930	834,925	946,678	1,092,181
TOTAL	1,672,336	1,691,093	1,720,245	1,914,222	2,193,071
Number of Teachers					
MaleTrained	5,176	5,331	5,965	10,346	10,553
Female Trained	47,424	48,846	52,011	61,234	62,459
Sub Total	52,600	54,177	57,976	71,580	73,012
Male Untrained	4,314	4,357	4,124	5,345	5,356
Female Untrained	**17,614**	**17,790**	**16,130**	**16,030**	**16,062**
Sub Total	21,928	22,147	20,254	21,375	21,418
TOTAL	**74,529**	**76,324**	**78,230**	**92,955**	**94,429**

Source: Ministry of Education

* Provisional

Figure 3.1: Pre-primary Gross Enrolment Rate (GER) and Net Enrolment Rate (NER), 2006-2010



3.15. **Primary Education:** Table 3.6 presents data on primary school enrolment by standard and sex for the period 2006-2010. Since the inception of Free Primary Education, enrolment in primary schools has risen from 7.2 million in 2003 to 9.4 million in 2010, an increase of 30.6 per cent. This translates to an annual increase of 3.8 per cent over the last 8 years. In 2010, the enrolment in public and private schools was 8.3 million and 1.1 million respectively. There were a total of 4.8 million boys compared to 4.6 million girls enrolled in all primary schools. The data also reveals that of the 633,200 boys and 598,100 girls who joined Standard 1 in 2006 only 582,800 boys and 584,800 girls reached standard 5. This translates to a survival rate to grade 5 of 91.9 per cent for boys and 97.8 per cent for girls. The cohort analysis shows that nationally in 2010, the boy child is at a higher risk of dropping out of school than the girl child. Figure 3.2 indicates that enrolment in NFE institutions increased from 163,340 in 2009 to 169,591 in 2010 with majority enrolled in Nairobi slum areas and the ASAL districts. In 2010, there were 1,365 Non formal schools, a majority teaching the formal primary school curriculum and only a third offering NFE learning curriculum.

Table 3.6: Primary School Enrolment by Standard and Sex, 2006 – 2010

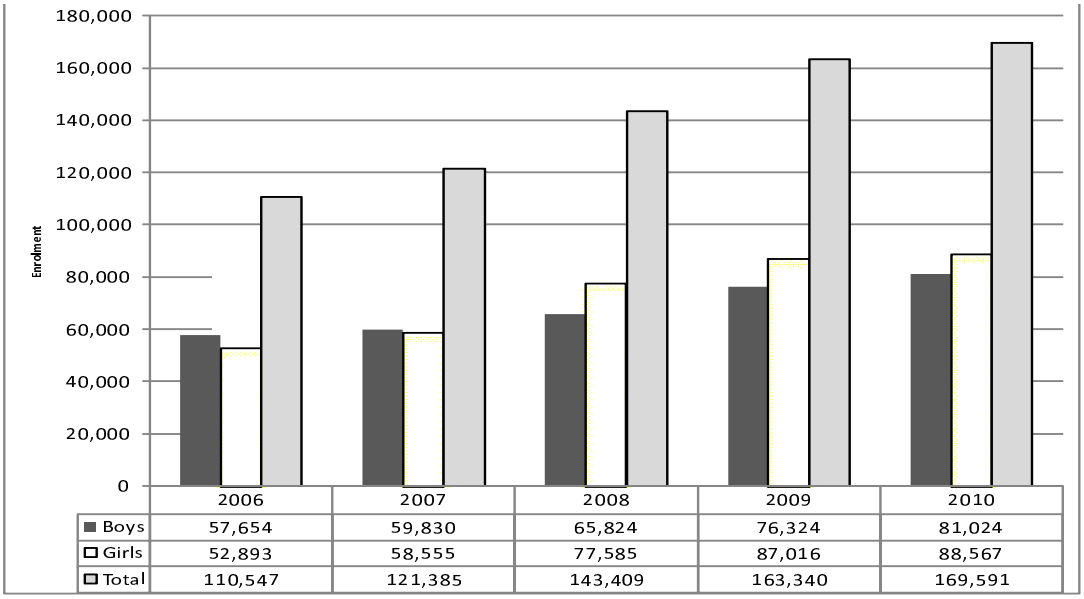
'000

Class	2006		2007		2008		2009		2010*	
	Boys	Girls	Boys	Girls	Boys	Girls	Boys	Girls	Boys	Girls
Standard 1	633.2	598.1	667.9	644.2	663.9	652.2	670.9	655.7	736.7	731.8
Standard 2	605.1	594.8	622.4	593.9	632.7	595.8	651.8	638.1	679.9	656.1
Standard 3	562.5	559.7	603.7	584.6	596.4	584.2	624.8	588.2	643.3	607.5
Standard 4	521.8	488.7	552.8	541.0	591.4	580.0	586.4	563.3	633.0	608.8
Standard 5	466.7	442.1	519.0	480.2	543.0	539.0	577.4	558.6	582.8	584.8
Standard 6	430.8	417.9	464.0	444.4	510.1	469.4	523.6	511.5	558.0	562.1
Standard 7	403.0	382.0	420.9	410.1	458.2	445.7	497.5	456.6	531.3	523.4
Standard 8	333.5	302.3	372.1	332.7	366.8	335.1	377.1	350.0	386.8	354.7
TOTAL ..	3,956.6	3,785.6	4,222.8	4,031.0	4,362.5	4,201.3	4,509.4	4,322.0	4,751.9	4,629.3
GRAND TOTAL	7,742.2		8,253.8		8,563.8		8,831.4		9,381.2	

Source : Ministry of Education

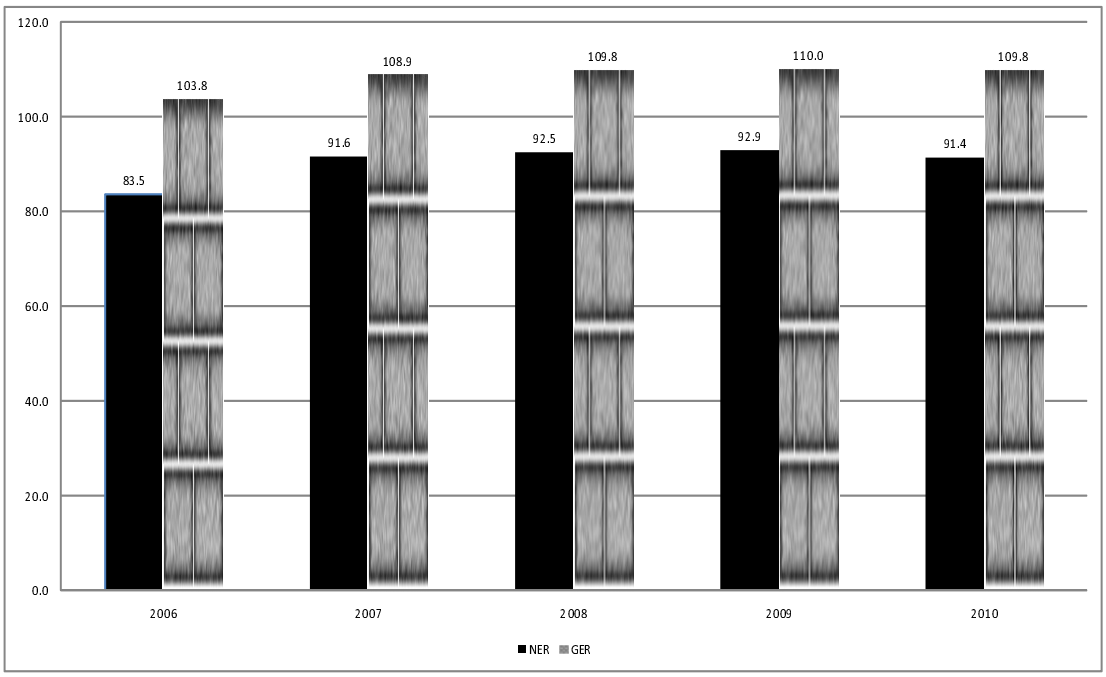
* Provisional

Figure 3.2: Non Formal Schools Enrolment, 2006-2010



3.16. Before the introduction of FPE, the GER and NER stood at 91.2 per cent and 79.9 per cent in 2002. Over the last 8 years, the primary education participation level has been sustained and improved as illustrated in Figure 3.3. Subsequently, the GER increased from 107.8 per cent in 2003 to 109.8 per cent in 2010 while NER rose from 84.3 per cent to 91.4 per cent over the same period. The country has registered near gender parity with the Gross Enrolment Rate (GER) for boys and girls in 2009 being 112.2 per cent and 107.8 per cent, respectively, as compared to 112.8 per cent for boys and 107.2 per cent for girls in 2010. In order to meet the Education For All MDG target, the country has to ensure that the 9.6 per cent of the out of school children (6-13 years old) access primary education. The improvement in NER demonstrates that the country is likely to achieve the MDG target for universal primary education by 2015 despite regional disparities.

Figure 3.3: Primary schools Gross Enrolment Rate (GER) and Net Enrolment Rate (NER), 2006-2010



3.17. **Kenya Certificate of Primary Education:** Table 3.7 indicates the trends in performance and number of candidates in the national examination at the end of the primary education cycle. The national mean score has increased over the years from 52.4 per cent in 2006 to 54.6 per cent in 2010. During the review period, the best performed subject was Social Studies at a mean score of 63.4 per cent followed by Religious Studies at 62.3 per cent. The poorest performed subject was English with average mean score of 44.0 per cent. The number of Kenya Certificate of Primary Education (KCPE) candidates rose from 727,100 in 2009 to 741,507 in 2010, an increase of 2.0 per cent.

Table 3.7: Mean Subject Percentage Score in KCPE and Number of Candidates by Sex, 2006-2010

Subject mean score(%)	2006	2007	2008	2009	2010*
English Objective	45.88	47.02	41.58	45.76	46.54
English Composition	35.48	39.68	40.48	40.48	41.52
Kiswahili Objective	59.78	51.02	56.60	57.28	58.20
Kiswahili Composition	45.80	42.45	46.00	53.68	54.78
Mathematics	53.94	49.24	47.16	49.56	49.64
Science	53.02	59.44	55.24	59.92	59.99
Social Studies	58.80	60.13	61.35	62.42	63.43
Religious Education	66.08	58.83	60.41	61.60	62.34
National Mean Score	**52.35**	**50.98**	**51.10**	**53.84**	**54.56**
Number of candidates					
Boys	352,754	372,054	367,356	381,600	386,832
Girls	313,665	332,654	328,354	345,500	354,675
Total	**666,419**	**704,708**	**695,710**	**727,100**	**741,507**

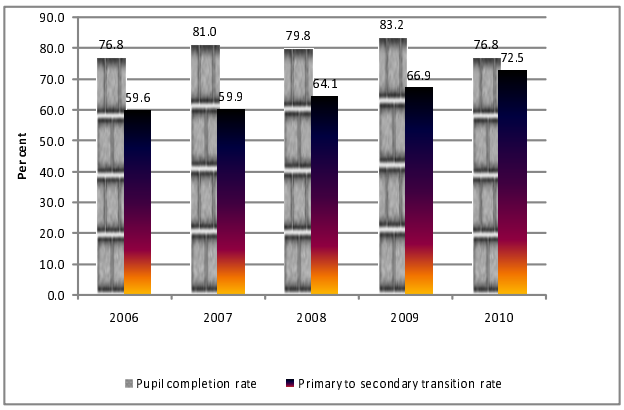
Source: Kenya National Examinations Council

* Provisional

3.18. Figure 3.4 represents data on primary completion rate and primary to secondary transition rate for the years 2006 to 2010. The Pupil Completion Rate (PCR) declined from 83.2 per cent in 2009 to 76.8 per cent in 2010. The tracking cohort progression for FPE intake in 2003 who completed primary education in 2010, gives a primary completion cohort rate of 59.9 per cent. This brings a concern on the high level of wastage in the education system which

can be attributed to repetition and drop outs. Available data from the Southern and Eastern African Consortium for Monitoring Education Quality (SACMEQ), 2007 study shows that about 13.8 per cent of the pupils repeated in standard 6. The primary to secondary schools transition rate increased from 66.9 per cent in 2009 to 72.5 per cent in 2010. The data indicates that the Ministry of Education's planned target of 70.0 per cent for 2008 has now been attained. The improvement has been possible due to expansion policies of extra admission places in Form 1.

Figure 3.4: Primary to secondary transition rate and Pupil Completion Rate (PCR), 2006-2010



3.19. **Primary Teachers:** The number of public primary school teachers in the country by qualification and sex for the years 2006 to 2010 is shown in Table 3.8. The total number of teachers increased by 7.9 per cent from 171,301 in 2009 to 184,873 in 2010. The Government implemented an employment policy on contract teachers with 13,960 being deployed in primary schools. Each of the constituencies in the country recruited 60 trained primary school teachers. Male teachers constituted 53.8 per cent of the total primary teacher population in 2010. There were a total of 8,372 teachers who were either on study leave and others on disciplinary cases while 6,063 were performing non teaching duties. Most teachers had P1 qualification constituting 52.7 per cent followed by approved teachers at 25.0 per cent. Due to increased enrolment, despite increase in number of teachers, public primary schools Pupil Teacher Ratio remained at 45:1 in 2010, the same level attained in the year 2009. Between the years 2007 and 2009, there was a drop in enrolment for teachers and a sharp increase in 2010. The sharp increase could be attributed to the employment of intern teachers by the Government.

Table 3.8: Number of Public Primary School Teachers by Qualification and Sex1, 2006 - 2010

	2006			2007			2008			2009			2010*		
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
TRAINED															
Graduate	584	436	1,020	608	470	1,078	658	490	1,148	801	708	1,509	895	778	1,673
Approved	22,302	18,572	40,874	23,033	20,135	43,168	22,003	21,010	43,013	22,404	21,403	43,807	23,504	22,803	46,307
S1/Diploma	6,786	7,001	13,787	7,060	7,527	14,587	7,054	7,456	14,510	7,133	7,486	14,619	7,333	7,686	15,019
P1	52,616	40,659	93,275	54,741	44,250	98,991	55,241	44,160	99,401	55,235	44,146	99,381	54,235	43,146	97,381
P2	6,541	4,877	11,418	6,805	5,213	12,018	6,802	5,185	11,987	6,801	5,184	11,985	6,501	4,032	10,533
P3	778	920	1,698	809	992	1,801	-	-	-	-	-	-	-	-	-
Contract Teachers	-	-	-	-	-	-	-	-	-	-	-	-	7,085	6,875	13,960
TOTAL	89,607	72,465	162,072	93,056	78,587	171,643	91,758	78,301	170,059	92,374	78,927	171,301	99,553	85,320	184,873
UNTRAINED															
K.C.E./K.C.S.E.	338	115	453	568	120	688	-	-	-	-	-	-	-	-	-
K.J.S.E	42	21	63	84	29	113	-	-	-	-	-	-	-	-	-
C.P.E./ Others	254	151	405	556	157	713	-	-	-	-	-	-	-	-	-
TOTAL	634	287	921	1,208	306	1,514	-	-	-	-	-	-	-	-	-
GRAND TOTAL	90,241	72,752	162,993	94,264	78,893	173,157	91,758	78,301	170,059	92,374	78,927	171,301	99,553	85,320	184,873

Source : Ministry of Education

3.20. **Secondary Education:** The Government continued to implement the Free Tuition Secondary Education (FTSE) whose objective is to increase access to secondary education by providing more resources. This is in line with the policy of having 12 years basic education, as well as meeting the new constitutional requirement towards providing right of education to the citizens. Infrastructure support through the Economic Stimulus Package, CDF, African Development Bank and the local communities enhanced availability of additional classrooms increasing by 50,100 in 2010 compared to 47,567 in 2009. The outcome was increased number of Form 1 places and hence a rise in primary to secondary schools transition rate from 66.9 per cent in 2009 to 72.5 per cent in 2010. Table 3.9 presents data on secondary school enrolment for the years 2006 to 2010. The total enrolment increased by 12.9 per cent from 1,507,546 students in 2009 to 1,701,501 students in 2010. The data reveals that 313,695 students joined Form 1 in 2007 compared to 360,015 students who completed in 2010. This can be explained by the high number of students who repeat KCSE, with the intention of getting opportunities to join university or pursue courses of their choice.

Table 3.9: Enrolment in Secondary Schools by Form and Sex, 2006 – 2010

Number

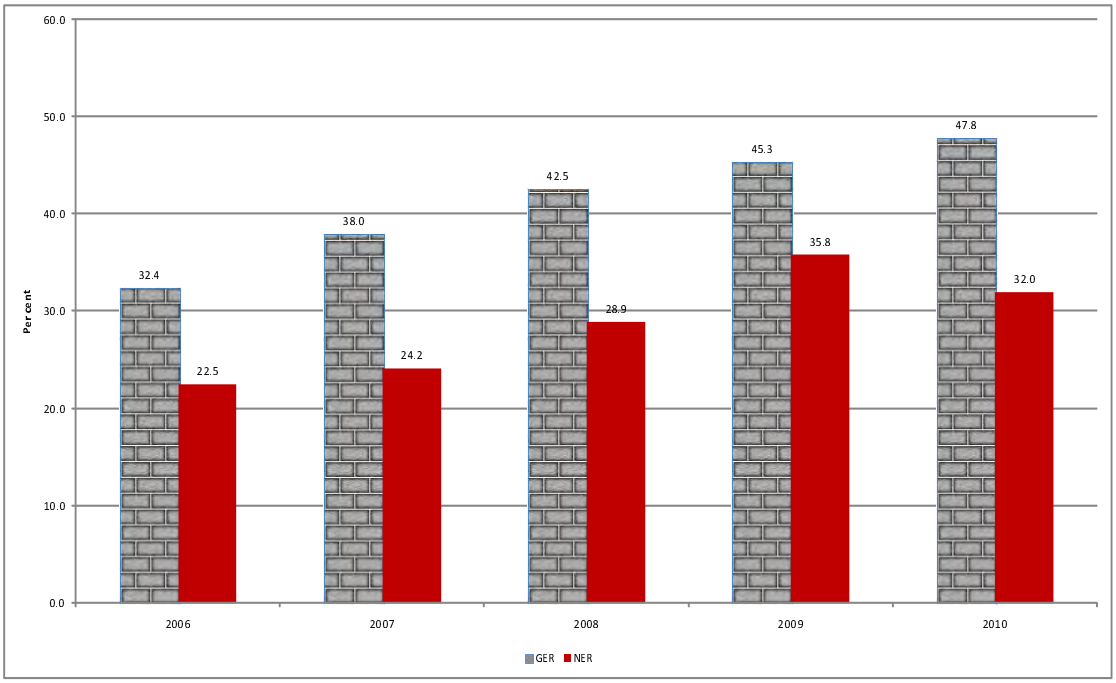
	2006		2007		2008		2009		2010*	
Form	Boys	Girls	Boys	Girls	Boys	Girls	Boys	Girls	Boys	Girls
Form 1...	161,588	137,873	170,650	143,045	207,212	180,461	232,854	212,467	266,707	232,226
Form 2...	132,015	119,077	173,165	149,840	196,500	163,164	202,045	175,098	232,145	211,799
Form 3...	120,978	115,443	157,572	134,793	181,775	155,798	190,987	156,785	216,786	181,823
Form 4...	131,491	111,615	137,304	113,899	161,026	136,275	182,764	154,546	199,333	160,682
TOTAL	546,072	484,008	638,690	541,577	746,513	635,698	808,650	698,896	914,971	786,530
GRAND TOTAL	1,030,080		1,180,267		1,382,211		1,507,546		1,701,501	

Source : Ministry of Education

* Provisional.

3.21. The participation level in secondary education since 2006 based on GER and NER is illustrated in Figure 3.5. The GER increased from 45.3 per cent in 2009 to 47.8 per cent in 2010. The GER for girls and boys is 50.9 per cent and 46.3 per cent respectively and hence indicating a gender parity index of 0.91. This is as a result of sustained implementation of FTSE and hence benefiting poor households. The NER declined marginally from 35.8 per cent in 2009 to 32.0 per cent in 2010. Table 3.9 shows that instead of enrolment in Forms 2, 3 and 4 decreasing for students enrolled in Form 1 in 2006 as anticipated, there was an increase in student enrolment in the years 2007, 2008, 2009 and 2010. The increase in enrolment could likely be attributed to the number of students who repeat and the dropouts rejoining school probably as a result of FTSE.

Figure 3.5: Secondary Schools Gross Enrolment (GER) and Net Enrolment Rate (NER), 2006-2010



3.22. **Kenya Certificate of Secondary Education(KCSE) Results:** Table 3.10 shows the number of candidates by mean grade attained in KCSE from 2006 to 2010. The number of KCSE candidates rose from 333,816 in 2009 to 356,015 in 2010, an increase of 6.7 per cent. There was a marginal decline in the proportion of female candidates in the total KCSE candidature from 45.3 per cent in 2009 to 44.6 per cent in 2010. Over the last five years, the number of candidates attaining C Plus (C+) and above has increased by 53.9 per cent from 63,104 in 2006 to 97,134 in 2010. On the other hand, the proportion of candidates with the same KCSE attainment was highest in 2007 at 30.2 per cent compared to 27.3 per cent in 2010. The increase in candidature and the high number of candidates with C+ and above puts pressure on the Government to provide quality education and training opportunities towards meeting the *Vision 2030* targets in human capital development.

Table 3.10: National trends in KCSE candidates mean grade by Sex, 2006-2010

Number

KCSE Grade	2006		2007		2008		2009		2010*	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
A	770	395	806	351	489	328	629	301	824	361
A-	2,904	1,376	3,863	1,231	3,413	1,748	3,035	1,387	3,511	1,662
B+	4,847	2,522	6,569	2,560	6,143	3,222	6,361	2,979	7,650	3,513
B	7,053	4,164	9,538	4,825	8,576	4,793	9,601	5,359	11,510	6,423
B-	9,656	6,446	13,228	8,647	11,026	7,397	13,312	8,511	15,958	10,200
C+	13,018	9,953	17,257	13,259	14,663	10,851	17,171	12,402	21,659	13,863
C	16,450	14,212	19,847	16,981	18,763	15,357	22,327	17,418	25,673	19,770
C-	19,296	18,034	21,151	19,424	23,091	19,828	27,067	22,669	28,030	23,118
D+	20,436	19,785	21,484	21,504	25,986	22,967	30,133	25,943	30,492	26,270
D	19,144	19,888	20,312	21,435	27,159	26,449	29,846	29,173	29,393	28,730
D-	12,615	14,968	11,835	12,632	20,395	21,689	19,956	22,318	19,452	21,755
E	1,822	1,889	1,510	1,442	3,665	3,402	3,037	2,881	3,181	3,017
Total	**128,011**	**113,632**	**147,400**	**124,291**	**163,369**	**138,031**	**182,475**	**151,341**	**197,333**	**158,682**
Grand Total		**241,643**		**271,691**		**301,400**		**333,816**		**356,015**

Source: Kenya National Examinations Council(KNEC)

* Provisional

3.23. **Secondary School Teachers:** The number of public secondary school teachers by qualification and gender between 2006 and 2010 is shown in Table 3.11. This number increased by 10.3 per cent from 48,087 in 2009 to 53,047 in 2010. The positive change was attributed to the 4,200 contract teachers recruited in 2010. Over 99 per cent of all the teachers in public secondary schools are trained. In 2010 the total number of male teachers was 33,222 as compared to 19,825 female teachers. The student teacher ratio in public secondary schools deteriorated from 31:1 in 2009 to 32:1 in 2010. The Teachers Service Commission has continued to encourage teachers to pursue higher education. Upon completion, the teachers are promoted to a higher grade based on the level attained. In 2006, there was a total of 2,576 trained diploma/S1 teachers and only 140 teachers remained in the same grade as at 2010. The graduates, including the contract teachers, form the bulk (84.4 per cent) of the secondary school teachers followed by approved graduates (14.4 per cent).

Table 3.11: Number of Public Secondary Teachers by Qualification and Sex1, 2006 - 2010

Number

	2006			2007			2008			2009			2010*		
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
TRAINED															
Graduate	19,734	10,629	30,363	21,565	11,934	33,499	22,431	12,572	35,003	24,009	15,501	39,510	24,989	15,475	40,464
Approved	8,415	4,425	12,840	5,225	2,747	7,972	5,435	2,894	8,329	5,329	2,397	7,726	5,297	2,345	7,642
S1/Diploma	1,541	1,035	2,576	101	68	169	105	72	177	95	74	169	81	59	140
TECHNICAL	449	208	657	371	172	543	386	181	567	361	192	553	324	165	489
Contract Teachers	-	-	-	-	-	-	-	-	-	-	-	-	2,435	1,765	4,200
TOTAL	30,139	16,297	46,436	27,262	14,921	42,183	28,357	15,719	44,076	29,794	18,164	47,958	33,126	19,809	52,935
UNTRAINED															
Graduate	606	85	691	133	19	152	138	20	158	76	11	87	75	9	84
Dip/Technical	212	96	308	47	21	68	49	22	71	31	11	42	21	7	28
TOTAL	818	181	999	180	40	220	187	42	229	107	22	129	96	16	112
GRAND TOTAL	30,957	16,478	47,435	27,442	14,961	42,403	28,544	15,761	44,305	29,901	18,186	48,087	33,222	19,825	53,047

Source : Ministry of Education

* Provisional

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

3.24. **Teacher Training Institutions:** Table 3.12 gives details of the teacher trainee enrolment by year and sex for the period 2006 to 2010. Total teacher trainee enrolment in primary teacher training colleges rose from 26,324 in 2009 to 28,466 in 2010, an increase of 8.1 per cent. The Government encourages private teacher training colleges investment in order to increase the training opportunities towards meeting the EFA targets on skills improvement of the citizens for higher productivity through provision of quality education. Enrolment in the 3 diploma teacher training colleges rose from 2,002 trainees in 2009 to 2,076 trainees in 2010. The proportion of female enrolment in P1 and Diploma colleges was 50.1 per cent and 39.2 per cent, respectively.

Table 3.12: Teacher Trainees Enrolment by Year and Sex, 2006- 2010

Number

TYPE OF INSTITUTION/ CERTIFICATION	2006		2007		2008		2009		2010*	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Public Primary Teachers (P 1)										
1st Year	4,201	4,589	4,621	4,435	4,134	3,908	4,121	4,313	4,579	4,763
2nd Year	4,589	4,334	4,201	4,589	4,601	4,402	4,260	3,944	4,233	4,175
Sub Total	**8,790**	**8,923**	**8,822**	**9,024**	**8,735**	**8,310**	**8,381**	**8,257**	**8,812**	**8,938**
Private Primary Teachers (P 1)	**1,474**	**1,586**	**1,524**	**1,599**	**2,672**	**2,702**	**3,453**	**4,231**	**4,353**	**4,287**
SUB TOTAL	**10,264**	**10,509**	**10,346**	**10,623**	**11,407**	**11,012**	**11,834**	**12,488**	**13,165**	**13,225**
Diploma Teachers[1]										
1st Year	359	295	422	301	452	204	365	322	460	328
2nd Year	301	261	359	295	403	297	445	198	361	311
3rd Year	344	287	301	261	358	293	385	287	441	175
SUB TOTAL	**1,004**	**843**	**1,082**	**857**	**1,015**	**794**	**1,195**	**807**	**1,262**	**814**
TOTAL	**11,268**	**11,352**	**11,428**	**11,480**	**12,422**	**11,806**	**13,029**	**13,295**	**14,427**	**14,039**
GRAND TOTAL	**22,620**		**22,908**		**24,228**		**26,324**		**28,466**	

Source: Ministry of Education

*Provisional

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

3.25. **Technical, Industrial and Vocational Educational Training Institutions(TIVET)** : Enrolment in TIVET institutions for the years 2006 to 2010 are presented in Table 3.13. The overall TIVET institution enrolment declined by 6.9 per cent from 89,023 in 2009 to 82,843 in 2010. Youth Polytechnics accounted for 40.0 per cent of the total TIVET enrolment followed by Technical Training Institutes at 27.6 per cent. The enrolment in Kisumu and Eldoret National Polytechnics increased by 23.9 per cent.

Table 3.13: Student Enrolment by Sex in Technical Institutions, 2006 - 2010

Number

INSTITUTION	2006		2007		2008		2009		2010*	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
National Polytechnics										
Kenya Polytechnic University College [1]	6,405	3,329	6,521	3,401	6,602	3,546	2,642	1,156	2,904	1,357
Mombasa Polytechnic University College [1]	3,265	2,710	3,285	3,012	3,456	3,543	3,518	2,152	2,006	1,029
Kisumu Polytechnic	1,410	710	1,489	824	1,768	1,022	2,276	1,472	2,930	2,120
Eldoret Polytechnic	1,834	832	1,894	858	1,996	987	1,949	1,302	1,903	1,718
Sub Total	**12,914**	**7,581**	**13,189**	**8,095**	**13,822**	**9,098**	**4,225**	**2,774**	**9,743**	**6,224**
Other TIVET Institutions										
Technical Training Institutes	9,925	8,731	10,818	9,517	12,132	9,876	12,514	9,923	12,908	9,970
Institutes of Technology	4,961	4,104	5,407	4,473	5,807	4,768	5,920	4,813	6,035	4,858
Sub Total	**14,886**	**12,835**	**16,226**	**13,990**	**17,939**	**14,644**	**18,434**	**14,736**	**18,943**	**14,829**
Youth Polytechnics	8,741	14,210	9,528	15,489	12,154	17,543	13,222	18,122	14,384	18,720
TOTAL	**36,541**	**34,626**	**38,942**	**37,574**	**43,915**	**41,285**	**35,881**	**35,632**	**33,327**	**33,549**
GRAND TOTAL	**71,167**		**76,516**		**85,200**		**89,023**		**82,843**	

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

* Provisional

[1] Diploma and Certificate courses only

3.26. **University Education:** Table 3.14 summarises student enrolment by sex in public and private universities between 2006/07 and 2010/11 academic years. Total enrolment in all the universities grew by 1.8 per cent from 177,735 students in 2009/10 academic year to 180,978 students in 2010/11 academic year. The total male enrolment in the public universities dropped by 0.4 per cent from 89,611 in 2009/10 to 89,257 in 2010/11 academic years. During the same period, the total female enrolment increased by 1.8 per cent from 52,945 to 53,873 students. The changes in enrolment for both sexes could be attributed to the affirmative action adopted by the Joint Admissions Board (JAB) of admitting female students with a point lower than their male counterparts. Enrolment in private universities continues to grow due to the demand for university education and limited places in the public universities. In 2009/10, a total of 35,179 students were enrolled in private universities compared to 37,848 in 2010/11. This translated to 7.6 per cent total enrolment growth in all private universities.

Table 3.14: Student Enrolment by Sex in Universities, 2006/07 - 2010/11

Number

INSTITUTION	2006/07		2007/08		2008/09		2009/10		2010/11*	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Public Universities										
Nairobi	22,513	12,426	23,513	12,826	24,162	13,253	27,159	15,201	31,237	18,127
Kenyatta	8,845	7,891	10,172	8,425	10,652	8,713	15,615	10,876	18,739	13,795
Moi	8,604	6,059	8,674	6,158	8,982	6,379	13,600	6,699	11,963	9,143
Egerton	8,163	4,006	8,262	4,205	8,667	4,415	9,036	4,451	9,421	4,487
Jomo Kenyatta (JKUAT)	4,460	1,845	5,450	2,512	5,723	2,594	6,510	3,206	6,677	2,713
Maseno	2,778	1,937	3,487	2,199	3,603	2,257	3,331	2,176	3,400	1,927
Masinde Muliro	1,154	656	946	278	965	284	4,119	2,584	4,142	2,320
Kenya Poly University College	-	-	-	-	-	-	6,721	4,211	850	135
Mombasa Poly University College	-	-	-	-	-	-	3,520	3,541	2,828	1,226
SUB-TOTAL	**56,517**	**34,820**	**60,504**	**36,603**	**62,753**	**37,896**	**89,611**	**52,945**	**89,257**	**53,873**
Private Universities										
Private Accredited	8,975	6,973	9,688	10,469	10,172	10,992	16,728	12,300	17,564	13,763
Private Unaccredited	2,853	2,091	583	392	618	416	3,989	2,162	4,228	2,292
SUB-TOTAL	11,828	9,064	10,271	10,861	10,790	11,408	20,717	14,462	21,793	16,055
TOTAL	**68,345**	**43,884**	**70,775**	**47,464**	**73,543**	**49,304**	**110,328**	**67,407**	**111,050**	**69,928**
GRAND TOTAL	**112,229**		**118,239**		**122,847**		**177,735**		**180,978**	

Source: Commission for Higher Education

* Provisional

3.27. **Commission for Higher Education (CHE)**: The Commission was established by the Government to assure quality, ensure increased access and equity, and coordinate research in higher education Institutions in Kenya. Table 3.15 indicates that the number of chartered

private universities increased from 11 to 12 as a result of the inclusion of Mt. Kenya University. The number of registered universities has been declining over time since significant numbers of universities in this category have progressed to the award of charter. The number of institutions approved for collaboration with universities in offering university programmes increased from 29 in 2009 to 32 in 2010. There were no changes in the number of established public university campuses and constituent colleges.

Table 3.15: Registration of universities and degree offering Institutions

Number

Category of Institutions	2007	2009	2010
Chartered private universities	7	11	12
Universities with letter of Interim Authority	4	9	9
Registered universities	5	4	3
Institutions approved for collaboration with universities in offering university programmes	18	29	32
Public universities	6	7	7
Public university constituent colleges	1	14	14
Public university campuses established	-	3	3

Source: Commission for Higher Education, Ministry of Higher Education, Science and Technology

3.28. Table 3.16 presents the number of approved degree programmes and validated diplomas. The number of approved private university degree programmes by the Commission for Higher Education rose from 82 in 2009 to 87 in the year 2010. The Commission approved 49 degree programmes for collaboration with universities. The validated diploma programmes rose by 7.6 per cent thus suggesting continued demand for diploma courses by the population. The Commission also facilitates development projects in the universities depending on the available funding levels. The objective of continued financing of projects is to enhance universities' research capabilities and staff development.

Table 3.16: Approved degree programmes and validated diploma programmes as at 2007, 2009 and 2010

Number

Programmes	2007	2009	2010*
Approved private university degree programmes	12	82	87
Approved degree programmes for collaboration with universities	29	46	49
Validated diploma programmes	50	105	113

Source: Commission for Higher Education, Miniatry of Higher Education, Science and Technology

* Provisional

Vital Statistics

3.29. Statistics on the dynamics of births, deaths and medical causes of death are key components of demographic data and crucial for good public health decision making. Civil Registration is therefore, the most conventional, effective and efficient method of generating vital statistics. The national registration of births shows a mixed trend from year 2006 to 2010 consecutively as shown in Table 3.17. However the year 2010 registered a major increase of 12.8 per cent from 664,716 in 2009 to 749,693 in 2010 as compared to the previous years.

The general performance is attributed to new changes in the Public Service and requirement of the Ministry of Education condition for all children to produce birth certificates during enrolment.

Table 3.17 : Registration of Births[1] and Deaths, 2006 – 2010

Number

	2006		2007		2008		2009		2010	
Province	Births	Deaths	Births	Deaths	Births	Deaths	Births	Deaths	Births	Deaths
Nairobi	69,034	24,428	71,884	20,648	83,000	21,248	89,323	22,207	89,763	20,449
Coast	71,588	18,838	74,285	17,332	73,809	15,773	58,808	12,223	53,587	13,534
North Eastern	7,155	817	16,333	763	17,640	817	18,007	854	23,320	1,103
Eastern	144,400	26,972	90,285	28,298	100,508	27,612	95,451	28,290	108,325	26,367
Central	89,623	27,374	92,504	28,312	98,122	25,564	94,688	21,138	82,693	26,732
Western	83,095	30,787	72,267	25,529	79,408	29,112	71,828	28,790	122,409	24,975
Nyanza	69,423	45,935	78,067	38,937	87,723	45,476	85,275	35,748	107,072	32,773
Rift Valley	127,274	34,264	137,509	34,679	139,902	33,965	151,336	33,136	162,524	29,827
Total	661,592	209,415	633,134	194,498	680,112	199,567	664,716	182,386	749,693	175,760

Source: Department of Civil Registration

*Provisional

[1] Figures excludes late registration

3.30. Table 3.18 shows that, the country's registration coverage has not been consistent. During the period under review, Rift valley and Western provinces registered major increases in coverage for births as compared to the previous year from 32.6 per cent to 71.2 per cent and 34.5 per cent to 60.9 per cent for 2009 and 2010, respectively. Central and Coast provinces recorded high coverage rates for deaths from 54.0 per cent to 68.1 per cent and 28.7 per cent to 32.7 per cent. During period under review, North Eastern and Nyanza provinces registered a major increase in coverage for births as compared to the previous years from 25.3 to 60.9 per cent and 30.9 to 71.2 per cent for 2009 and 2010, respectively. Rift Valley and Central provinces recorded reductions in coverage rates for births and deaths from 32.6 to 20.2 per cent and 7.6 to 6.0 per cent for Rift Valley and 63.7 to 41.7 per cent and 31.2 to 30.8 per cent for Central province.

Table 3.18: Coverage Rates of Births and Deaths by Province, 2006 – 2010

Percentage

	2006		2007		2008		2009		2010*	
PROVINCE	Births	Deaths	Births	Deaths	Births	Deaths	Births	Deaths	Births	Deaths
Nairobi	75.8	90	76.4	75.5	85.4	75.2	85.6	73.2	86.8	68
Coast	74.9	48.18	66.2	47.1	55.6	42	39	28.7	55.5	32.7
North Eastern	9.7	5.9	24.6	6.1	25.3	6.3	25.3	7.6	20.2	6
Eastern	69.2	58.8	45	55.5	47.4	53.7	38.9	47.5	45.9	46.1
Central	66.9	78.7	74.6	79.8	72.6	71.8	63.7	54	55.5	68.1
Western	46.8	58.7	40.9	43.9	43.3	49.2	34.5	43	61	38.6
Nyanza	30.5	50	30.8	40.8	37.8	47.2	30.9	31.2	41.7	30.8
Rift Valley	33.3	49.1	32.9	46.1	34.2	44.2	32.6	37.1	71.2	33.7
National	42.0	57.6	44.9	47.9	46.7	48.4	51.5	48.3	55.1	47.2

Source: Department of Civil Registration

* Provisional

3.31. Table 3.19 shows the 10 major killer diseases in the country. Malaria accounts for 21.0 per cent on average, for all causes of deaths registered. This is followed by Pneumonia and Tuberculosis. Cancer and AIDS are second killer diseases in the country.

Table 3.19: Causes of Death by Province for the year, 2010

Number

Year 2010										
CAUSE OF DEATH	Nairobi	Central	Western	Coast	Nyanza	Eastern	North Rift	South rift	North Eastern	TOTAL
TUBERCULOSIS	1391	1304	1523	866	2799	1696	374	784	52	10,789
CANCER	1070	1644	1796	567	1832	1526	724	890	64	10,113
MALARIA	983	1663	8481	1694	8565	4621	1263	1234	156	28,660
MENENGITIS	823	431	380	289	902	433	508	389	10	4,165
ANAEMIA	543	972	1509	865	1538	1118	376	508	51	7,480
HEART DISEASES	616	1262	448	198	600	603	399	455	24	4,605
PNEUMONIA	2131	3750	2169	1095	3046	3605	1417	2236	59	19,508
AIDS	911	1482	1813	946	2253	2163	893	1248	7	11,716
ROAD TRFC. ACC.	904	648	167	293	478	504	576	498	8	4,076
OTHER ACCIDENTS	1656	522	166	225	425	568	474	383	16	4,435

Source: Department of Civil Registration

3.32. Table 3.20 shows the breakdown of health institutions by province in 2010. The total number of health institutions increased by 6.2 per cent from 6,696 in 2009 to 7,111 in 2010. Over the same period, Central, Rift Valley and Eastern provinces registered high percentage increases, while Coast and Nyanza provinces recorded reductions of 2.1 and 3.6 per cent respectively

Table 3.20: Number of Health Institutions1 by Province, 2006 - 2010

Number

Province	2006	2007	2008	2009	2010*
Nairobi	409	347	387	406	423
Central	972	556	1,199	1,251	1,345
Coast	624	717	723	770	754
Eastern	952	1,079	942	1,106	1,256
North Eastern	162	164	198	232	264
Nyanza	601	761	716	773	745
Rift Valley	1,308	1,573	1,648	1,732	1,867
Western	443	392	377	426	457
Total	5,471	5,589	6,190	6,696	7,111

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

* Provisional

[1] Includes VCT

3.33. The performance of the National Hospital Insurance Fund (NHIF) continued to improve as shown in Table 3.21(a). The total contributions net of benefits to the fund rose by 16.2 per cent, from KSh 2,266 million in 2008/09 to KSh 2,632 million in 2009/10. Similarly Contributors' receipts and benefits rose by 13.1 and 10.6 per cent, from KSh 5,079 million and to KSh 5,742 million and KSh 2,813 million to KSh 3,110 million for financial year 2008/09 and 2009/10, respectively.

Table 3.21 (a): National Hospital Insurance Fund Resources, 2005/06 - 2009/10

KSh million

Financial Year	**2005/06**	**2006/07**	**2007/08**	**2008/09**	**2009/10***
Receipts	3,458.8	3,954.9	4,546.0	5,079.0	5,742.0
Benefits	1,105.9	1,414.9	2,054.2	2,813.0	3,110.0
Contributions Net of Benefits	**2,352.9**	**2,540.1**	**2,492.0**	**2,266.0**	**2,632.0**

Source: National Hospital Insurance Fund

* Provisional

3.34. Table 3.21 (b) provides the analysis of the registered members of NHIF in the country for the financial years 2005/06 to 2009/10. The table indicates an increase of 24.6 per cent total registered members of the NHIF in the financial year 2009/10. The informal sector continued to register high growth, increasing by 37.8 per cent from 376,470 in 2008/09 to 518,656 in 2009/10.

Table 3.21 (b): Registered Members of the National Hospital Insurance Fund, 2005/06-2009/10

Number

Financial Year	2005/06	2006/07	2007/08	2008/09	2009/10*
Formal Sector	1,540,000	1,620,000	1,775,390	1,800,000	2,192,723
Informal Sector	110,000	201,098	301,106	376,470	518,656
Total	**1,650,000**	**1,821,098**	**2,076,496**	**2,176,470**	**2,711,376**

Source: National Hospital Insurance Fund

* Provisional

Health Statistics

3.35. The number of registered medical personnel and those in training for the years 2009 and 2010 are analyzed in Table 3.22. During the period under review, number of registered medical personnel and those in training recorded a marginal increase of 3.6 per cent from 7,527 in 2009/10 to 7,801 in 2010/11. The overall increase was attributed to significant increases of 51.8 and 41.5 per cent in number of Bachelor of Science in Nursing and Enrolled Nurses, respectively. As a result the number of students for diploma in community health nursing in public Medical Training Colleges has increased while the number of students for certificate in community health nursing has gone down.

Table 3.22: Number of Registered Medical Personnel and those In-Training, 2009-2010

	Registered Medical Personnel				In-Training	
	2009		2010*			
Type of Personnel	Number	No. Per 100,000 Population	Number	No. Per 100,000 Population	2009/10	2010/11*
Doctors	6,800	18	7,129	18	2,437	2,049
Dentists	859	2	898	2	199	184
Pharmacists+	2,921	8	3,097	8	349	248
Pharmaceutical Technologists+	1,950	5	2,233	6	207	283
BSc. Nursing	863	2	988	2	818	1,242
Registered Nurses[1]	26,988	70	29,678	75	1,989	2,075
Enrolled Nurses	34,032	88	34,282	86	130	184
Clinical Officers	7,816	20	8,598	22	1,076	1,095
Public Health officers+	7,192	19	7,429	19	322	441
Public Health Technicians+	5,969	15	5,969	15	-	-
Total	**95,390**	**247**	**100,301**	**252**	**7,527**	**7,801**

Source: Health Management Information System, Ministry of Public Health and Sanitation, Clinical Officers Council, Nursing Council of Kenya, Medical Practitioners & Dentists Board

* Provisional

+ Estimates

[1] Includes both public and private Institutions

3.36. Table 3.23 shows the number of undergraduate and post-graduate medical students by category between 2006/07 and 2010/11. The total number of graduates rose by 10.3 per cent from 4,877 in 2010 to 5,381 in 2011. The table also shows that number of female graduates enrolled in the category of BSc (Biochemistry) registered a significant increase of 39.1 per cent while their male counterpart recorded a reduction of 13.2 per cent for the same period.

Table 3.23: Number of Undergraduate and Post Graduate Medical Students by Course and Sex, 2006/07-2010/11

Number

Undergraduate	2006/07		2007/08		2008/09		2009/10		2010/11*	
Medical Degree	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Medicine & Surgery	1,762	993	1,492	908	1,186	909	1,290	930	1,209	840
Bsc (Nursing)	336	465	380	529	323	581	333	583	522	720
Dental Surgery	129	55	70	85	66	50	102	97	100	84
Environmental Health	88	75	117	98	117	90	121	105	184	344
Pharmacy	371	188	265	138	195	140	230	130	192	248
Bsc (Biochemistry)	193	110	177	99	191	161	212	161	184	224
Sub-Total	**2,879**	**1,886**	**2,501**	**1,857**	**2,078**	**1,931**	**2,288**	**2,006**	**2,391**	**2,460**
Postgraduate students	332	141	330	167	385	310	323	260	300	230
Total	**3,211**	**2,027**	**2,831**	**2,024**	**2,463**	**2,241**	**2,611**	**2,266**	**2,691**	**2,690**
Grand Total	**5,238**		**4,855**		**4,704**		**4,877**		**5,381**	

Source: University of Nairobi, Moi University, Kenya Methodist University, University of Eastern Africa, Baraton, Kenyatta University, Egerton University & Masinde Muliro University of Science & Technology

* Provisional

3.37. Overall, the middle level Medical Trainees in Public Medical Training colleges recorded a significant increase of 17.2 per cent from 5,715 in 2009 to 6,699 in 2010 as shown in Table 3.24. There was a remarkable increase of 81.5 per cent in the number of middle level trainees in Public Medical Training Colleges who registered for certificate courses as compared to those who enrolled in the level of diploma and higher diploma.

Table 3.24: Middle Level Medical Trainees in Public Medical Training Colleges, 2006 – 2010

Number

Level of Training	2006	2007	2008	2009	2010*
Certificate in Community Nursing	107	131	138	130	184
Certificate in Medical Engineering Technology	109	109	181	129	116
Certificate in Health Records & Information Technology	96	116	215	155	401
Certificate in Nutrition	-	-	36	23	92
Sub-Total	**312**	**356**	**570**	**437**	**793**
Diploma in Community Health Nursing	2,035	2,380	1,762	2,039	2,075
Diploma in Community Nutrition	37	75	53	80	56
Diploma in Environmental Health Sciences	350	349	366	400	441
Diploma in Medical Laboratory Sciences	311	348	424	407	465
Diploma in Clinical Medicine & Surgery	972	1,290	1,349	1,260	1,095
Diploma in Medical Engineering Technology	42	80	99	81	401
Diploma in Community Oral Health	42	49	38	42	51
Diploma in Dental Technology	27	34	30	32	37
Diploma in Health Records and Information technology	113	57	39	83	65
Diploma in Occupational Therapy	45	50	138	43	60
Diploma in Orthopaedic Technology	31	38	23	37	37
Diploma in Pharmacy	137	199	509	224	283
Diploma in Physiotherapy	55	102	124	98	117
Diploma in Medical Imaging Sciences	53	41	48	36	109
Diploma in Optical Technology	18	25	64	22	77
Diploma in Neurophysiology	-	31	22	15	19
Sub Total	**4,268**	**5,148**	**5,088**	**4,899**	**5,388**
Higher Diploma in Pharmacy	7	-	7	-	-
Higher Diploma in Environmental Health Sciences 1	138	91	86	62	99
Higher Diploma in Medical Laboratory Sciences 2	40	44	61	56	70
Higher Diploma in Nursing 3	60	70	85	61	76
Higher Diploma in Clinical Medicine and Surgery 4	66	93	130	74	95
Higher Diploma in Medical Engineering	25	-	7	-	-
Higher Diploma in Ultra Sound Image Pattern Analysis	5	12	16	33	33
Higher Diploma in Community Health & HIV/AIDS care	-	23	-	32	107
Higher Diploma in Sensory Integration	-	9	-	-	-
Higher Diploma in Health Education & Promotion	-	30	22	21	24
Post Graduate Diploma in Medical Education	20	26	18	18	14
Post Graduate Certificate in Medical Education	-	30	-	22	-
Sub-Total	361	428	432	379	518
Total	4,941	5,932	6,090	5,715	6,699

Source: Kenya Medical Training College, Ministry of Medical Services

* Provisional

1 Includes food science and inspection, epidemiology, solid waste and occupational health

2. Includes clinical chemistry, haematology, histology, parastology, virology, microbiology, bacterialogy and blood transfusion sciences

3. Includes psychiatry nursing, community health nursing, intensive care, ophthalmic and Peri-Operative nursing (reintroduced in September 2008)

4. Includes paediatrics, orthopaedics, anaesthesia, lungs & skin, ENT & audiology, reproductive health and opthalmology & cataract surgery

3.38. Table 3.25 gives details of the Full Immunization Coverage (FIC) rate for children under one year by province between 2006 and 2010. During this period under review, national coverage rate increased by 9.7 per cent from 952,212 to 1,044,121 in 2009 and 2010 respectively. High coverage rates were registered in Nairobi and Central provinces, while North Eastern and Rift Valley provinces recorded low rates.

Table: 3.25: Full Immunization Coverage (FIC) Rate for Children Under-One Year by Province 2006 – 2010.

Provinces	2006		2007		2008		2009		2010*	
	No.	%	No.	%	No.	%	No.	%	No.	%
Nairobi	77,497	76	82,176	78	85,866	74	78,294	83	100,813	103
Central	106,226	88	104,878	85	104,194	86	101,419	92	113,729	102
Coast	86,471	74	94,340	78	90,773	75	81,761	71	103,914	87
Eastern	145,084	78	151,324	78	126,302	64	128,887	80	135,593	83
N/Eastern	25,556	72	29,593	81	33,454	89	30,080	67	31,213	64
Nyanza	136,720	66	135,194	66	149,465	75	158,206	79	161,212	79
R/Valley	228,021	67	251,319	70	228,243	64	240,943	71	254,228	72
Western	110,534	59	129,593	68	129,308	66	132,622	85	143,419	90
National Coverage	**916,109**	**71**	**978,417**	**73**	**947,605**	**71**	**952,212**	**78**	**1,044,121**	**83**

Source: Division of Vaccine & Immunization, Ministry of Public Health and Sanitation

* Provisional

3.38. Table 3.26 analyzes the incidence of diseases causing morbidity in Kenya for the years 2006 to 2010. Malaria and diseases of the respiratory system continue to be the major killer diseases in the country.

Table 3.26: Incidence of Diseases Causing Morbidity in Kenya, 2006 – 2010

DISEASE	2006		2007		2008		2009		2010*	
	Number	%	Number	%	Number	%	Number	%		
Malaria	8,926,058	28.6	9,610,691	30.8	9,312,357	32.8	9,833,701	31	11,371,889	29.7
Diseases of the Respiratory System	7,001,349	22.4	7,626,100	24.5	6,840,004	24.1	8,017,565	25	9,760,371	25.5
Diseases of the Skin (Incl. Ulcers)	1,796,796	5.8	1,912,419	6.1	1,989,432	7	2,109,416	7	2,718,570	7.1
Diarrhoea Diseases	1,373,073	4.4	1,453,529	4.7	1,397,659	4.9	1,639,945	5	1,818,078	4.8
Intestinal Worms	1,266,439	4.1	1,349,306	4.3	331,627	1.2	387,066	1	419,298	1.1
Pneumonia	875,459	2.8	1,060,789	3	989,095	3.5	1,018,151	3	1,081,317	2.8
Accidents (incl. fractures, burns etc)	696,906	2.2	737,110	2.4	568,457	2	582,881	2	708,721	1.9
Rheumatism, Joint pains etc	538,550	1.7	578,408	1.9	488,908	1.7	558,539	2	659,192	1.7
Urinary Tract Infections	483,904	1.6	551,820	1.8	652,224	2.3	507,910	2	638,758	1.7
Eye Infection	479,405	1.5	507,145	1.6	492,225	1.7	550,395	2	643,986	1.7
All Other Diseases	7,789,262	24.9	5,781,561	18.5	5,337,642	18.8	6,755,308	21	8,441,917	22.1
TOTAL	**31,227,201**	**100**	**31,168,878**	**100**	**28,399,630**	**100**	**31,960,877**	**100**	**38,262,098**	**100**

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

* Provisional

3.39. **National Youth Service (NYS):** The NYS is charged with the function of training and employment of young citizens to serve the nation. NYS moulds the youth into a pool of disciplined and organized manpower, through participation in socio-economic development activities and vocational training. While NYS seeks to develop skilled manpower and responsible society by providing technical training in general, there is need to create self-

sustaining and independent youth by providing grants and loans to enable them start small businesses. Having recorded 4,125 service men and 1,067 service women in 2009, recruitment was not done in 2010 as shown in Table 3.27.

Table 3.27: National Youth Service Recruitment and Allowances, 2006-2010

Year	Recruitment (Numbers)			Income Earned
	Service Men	Service Women	Total	KSh million
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
2009	4,125	1,067	5,192	18.17
2010*	-	-	-	-

Source: National Youth Service

* Provisional

3.40. **National Social Security Fund (NSSF):** The role played by NSSF is to provide social security protection to workers in the formal and informal sectors. This involves registering members, receiving contributions, managing funds of the scheme, processing and ultimately paying out benefits to eligible members or dependants. In 2010, the number of registered employees went up by 0.2 per cent compared to the previous year. The annual contributions and benefits remained almost unchanged. Details are shown in Table 3.28.

Table 3.28: National Social Security Fund, 2006- 2010

Details	2006	2007	2008	2009	2010*
Registered Employers '000	57.90	58.80	61.43	72.63	72.61
Registered Employees '000					
Male	2,325.96	2,378.85	2,376.75	2,546.55	2,553.53
Female	775.32	792.95	792.25	848.85	848.56
Total	**3,101.28**	**3,171.80**	**3,169.00**	**3,395.40**	**3,402.01**
Annual contribution KSh million	4,655.08	5,358.39	5,368.57	5,340.97	5,341.71
Annual benefits paid KSh million	2,540.20	2,566.77	2,575.57	2,773.37	2,773.35

Source: National Social Security Fund

* Provisional

3.41. **Adult Education:** Adult education statistics are important in determining the magnitude, levels and distribution of adult literacy in the country. Table 3.29 gives details of adult enrolment by province and sex from 2006 to 2010. The overall enrolment increased by 1.4 per cent from 249,194 in 2009 to 252,553 in 2010. Nyanza and Nairobi Provinces led other provinces where they recorded increases of 74.8 per cent and 46.2 per cent, respectively during the year under review. However, the number of women who enrolled for adult literacy classes dropped by 2.5 per cent while that of men increased by 10.6 per cent.

Table 3.29: Adult Education Enrolment by Province and Sex 2006 – 2010

Number

Province	2006			2007			2008			2009			2010*		
	Male	Female	Total	Male	Female	Total	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	2,746	4,170	6,916	4850	5260	10,110
Central	2,782	7,154	9,936	2,921	6,816	9,737	4,081	10,016	14,097	4,018	14,387	18,405	4068	12201	16,269
Coast	4,290	11,032	15,322	4,505	10,510	15,015	5,723	13,800	19,523	7,227	18,738	25,965	6634	19416	26,050
Eastern	7,490	19,261	26,751	7,865	18,251	26,216	13,134	28,037	41,171	19,358	46,879	66,237	15122	53348	68,470
North Eastern	1,824	4,691	6,515	1,976	4,409	6,385	6,333	5,093	11,426	7,159	5,793	12,952	6703	6147	12,850
Nyanza	5,071	13,041	18,112	5,325	12,425	17,750	11,807	19,806	31,613	11,298	21,062	32,360	22060	34511	56,571
Rift Valley	9,545	24,546	34,091	10,025	23,384	33,409	11,969	23,518	35,487	15,985	39,612	55,597	13798	23204	37,002
Western	3,834	9,860	13,694	4,026	934	4,960	7,233	12,188	19,421	4,922	25,840	30,762	7162	18069	25,231
Grand Total	**37,338**	**91,973**	**129,311**	**39,270**	**78,994**	**118,264**	**63,746**	**115,852**	**179,598**	**72,713**	**176,481**	**249,194**	**80,397**	**172,156**	**252,553**

Source: Department of Adult Education, Ministry of Education

* Provisional

Other Social Services

3.42. Table 3.30 gives details of adults who passed literacy proficiency test by province and sex from 2006 to 2010. During the year under review, 13,421 adults passed literacy proficiency test reflecting an increase of 1.2 per cent from the previous year. Nyanza and Nairobi provinces recorded an increase of 63.0 per cent and 71.5 per cent respectively. Coast province dropped by 65.9 per cent followed by Eastern province with 31.3 per cent.

Table 3.30: Adults who Passed Literacy Proficiency Test by Province and Sex 2006-2010

	2006			2007			2008			2009			2010*		
Province	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
Nairobi	111	259	370	168	132	300	168	132	300	158	175	333	131	440	571
Central	417	973	1,390	459	1,003	1,462	277	928	1,205	131	997	1,344	235	1,151	1,386
Coast	373	928	1,301	410	984	1,394	92	328	420	68	144	1,085	110	260	370
Eastern	1,059	2,723	3,782	1,144	2,359	4,003	859	4,350	5,209	304	1202	5,092	693	2,545	3,238
North Eastern	405	945	1,350	467	1,049	1,516	931	315	1,246	478	335	1,032	346	363	709
Nyanza	985	2,532	3,517	1,064	2,734	3,798	1,128	2,843	3,971	391	1127	1,543	759	1,756	2,515
Rift Valley	1,073	2,537	3,610	1,127	2,664	3,791	701	1,032	1,733	1200	1895	1,369	650	1,800	2,450
Western	495	1,197	1,692	510	1,257	1,767	504	1,237	1,741	442	1438	1,462	679	1,503	2,182
Grand Total	**4,918**	**12,094**	**17,012**	**5,349**	**12,682**	**18,031**	**4,660**	**11,165**	**15,825**	**3,172**	**7,313**	**13,260**	**3,603**	**9,818**	**13,421**

Source: Department of Adult Education, Ministry of Education

3.43. Details of private candidates who registered for KCPE from 2006 to 2010 are shown in Table 3.31. In the year under review, 3,347 private candidates registered for KCPE. This reflected a decrease of 32.8 per cent from the previous year. Western and Eastern provinces recorded an increase of 15.5 per cent and 7.0 per cent, respectively. North Eastern, Rift Valley, Central and Coast provinces registration of private candidates declined in 2010.

Table 3.31: Private Candidates KCPE Registration by Province and Sex, 2006-2010*

Number

Province	2006			2007			2008			2009			2010*		
	Male	Female	Total	Male	Female	Total	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	483	239	722	424	234	658
Central	1,507	97	1,604	1,233	580	1,813	149	388	537	365	211	576	220	95	315
Coast	134	34	168	182	86	268	337	220	557	151	134	285	95	64	159
Eastern	309	226	535	418	197	615	90	289	379	232	137	369	254	141	395
North Eastern	1,301	403	1,704	1,333	628	1,961	2,166	300	2,466	257	45	302	91	21	112
Nyanza	256	138	394	310	146	456	77	82	159	463	286	749	416	289	705
Rift Valley	2,131	551	2,682	2,062	970	3,032	1,266	735	2,001	902	858	1,760	436	313	749
Western	159	85	244	188	89	277	162	105	267	130	90	220	145	109	254
Grand Total	**7,903**	**3,898**	**11,801**	**10,146**	**4,776**	**14,922**	**7,418**	**5,116**	**12,534**	**2983**	**2000**	**4,983**	**2081**	**1266**	**3,347**

Source: Department of Adult Education: Ministry of Education

* Provisional

3.44. **Gender and Development:** The Government is committed to realization of the 3rd Millennium Development Goal (MDG) on gender equality and women empowerment as envisioned in *Vision 2030*. In order to achieve these goals the Government has shown its commitment by mainstreaming gender issues into government policies, plans, budgets and programmes. Table.3.32 shows the number of registered women groups, membership,

contributions, Government of Kenya Grants and Women Enterprise Funds. The number of registered women groups increased by 0.9 per cent from 141,560 in 2009 to 142,783 in 2010. During the same period, membership and contributions went up by 1.1 and 0.5 per cent while Government grants declined by 0.2 per cent compared to the previous year.

3.45. **Women Enterprise Fund (WEF):** The government has set aside KSh 470.o million in the 2010/11 compared to KSh 500.0 million in the 2009/10. WEF has encouraged women to participate in the modern economy. The fund provides interest free loans to registered self help groups throughout the 210 constituencies, thus making the fund the financial service provider with the most equitable regional distribution channels in the country. Funds are also available at a subsidized interest rate of 8.0 per cent per annum to individual women entrepreneurs through competitively recruited financial intermediaries. Some of the areas that are of concern include; poor access to information and service providers, high capital costs and cultural barriers that limit women from ownership of productive assets demanded as collateral for loans.

Table 3.32: Registered Women Groups by Membership, Contributions, GoK Grants and Women Enterprise Funds, 2006 to 2010.

Year	No. of Women Groups	Membership	Group contributions (KSh million)	Grants by GOK	
				Women Group (KSh million)	Women Enterprise (KSh million)
2006	136,972	5,353,607	540.3	44.4	-
2007	138,753	5,417,850	544.6	40.1	1000
2008	140,482	5,484,275	547.3	80	300
2009	141,560	5,516,396	548.4	100	500
2010*	142,783	5,579,639	551.2	80	470

Source: Department of Gender and Social Development.

* Provisional

3.46. **Social Protection Fund (SPF):** In a bid to attain a meaningful and better quality of life for poor and vulnerable citizens of 65 years and above the Government established SPF. Table 3.33 shows that the government reduced the allocated fund for social protection for older persons from KSh 550.0 million in 2009/10 to KSh 530.0 million in 2010/11. The direct cash disbursement for SPF increased from KSh 346.0 million in 2009/10 to KSh 394 million in 2010/11.

3.47. **Cash Transfer for Orphans and Vulnerable Children (OVC):** The OVC programme was started to respond to the strong need to protect and assist the highly vulnerable children and orphans. In addition to improving the monthly income of the targeted households, the program enhances the guardian's knowledge through training on issues such as nutrition and health care. The money is directed at poor households through the Department of Children's Services in the Ministry of Gender, Children and Social Development. Funds allocated for the OVC increased by 1.6 per cent from KSh 815.0 million in 2009/10 to KSh 827.7 million in 2010/11. Direct cash disbursement decreased by 0.8 per cent from KSh 772.8 million in 2009/10 to KSh 766.9 million in 2010/11.

Table 3.33: Allocation of Funds for Social Protection, 2007/08 - 2010/11

KSh million

Social Protection Fund for Older Persons	2007/08	2008/09	2009/10	2010/11
Allocation	2.0	4.0	550.0	530.0
Direct cash disbursement	1.2	3.6	346.0	394.0
Social Protection Fund for OVC				
Allocation	169.7	579.0	815.0	827.7
Direct cash disbursement	150.0	546.0	772.8	766.9

Source: Ministry of Gender, Children and Social Development

3.48. **Decision-Making:** The number of women ministers in the Cabinet remained at 6 as in 2009. Similarly, the number of women Permanent Secretaries and Members of Parliament remained constant at 7 and 22 in 2010. The appointment of women to decision-making positions in government is yet to realize the target of 30 per cent representation of women. Details are show in Table 3.34.

Table 3.34: Participation in Politics, Public Life, Decision Making and Representation in Government, June 2006 – June 2010

Position/Representation	Jun-06				Jun-10			
	Female	Male	Total	(%)Female	Female	Male	Total	(%)Female
Ministers	2	32	34	5.8	6	36	42	14.3
Assistant Ministers	6	40	46	13.0	6	46	52	11.5
National Assembly	18	204	222	8.1	22	200	222	9.9
Ambassadors/High Commissioners	11	29	40	27.5	14	34	48	29.2
Permanent Secretary (PS)	5	25	30	16.7	7	37	44	15.9
Provincial Commissioners	-	8	8	-	1	7	8	0.1
District Commissioners					22	232	254	8.7
Deputy Secretary	21	77	98	21.4	33	92	125	26.4
Chiefs					96	2,483	2,579	3.7
Assistant Chiefs					458	5,438	5,896	7.8
Councillors	377	2,460	2,837	13.3	393	2,093	2,486	15.8
Lawyers	1,708	3,277	4,985	34.3	1,837	3,457	5,294	34.7

Source: - Department of Gender; Office of the President; IIEC and Directorate of Personnel Management (DPM)

Chapter 4

Employment, Earnings and Consumer Prices

Overview

This chapter presents analysis of the labour market over the last five years excluding the small scale agriculture and pastoralist activities. In 2010, the economy generated a total of 503.5 thousand jobs. This is attributable to improved economic conditions that prevailed in 2010 coupled with increased access to affordable credit mainly from banks, the Women Enterprise and the Youth Development Funds. The latter two provided opportunities to both youth and women for starting or expanding businesses and thereby generating more jobs. The sectors which contributed to the expansion in employment included building and construction, transport and communications and; wholesale and retail trade, restaurants and hotels. Increased supply of agricultural products coupled with prudent monetary policies resulted in the annual inflation rate easing from 10.5 per cent in 2009 to 4.1 per cent 2010. Average nominal earnings per employee went up by 3.5 per cent in 2010, which was lower than the increase of 4.0 per cent recorded in 2009. Over the same period, real average earnings stagnated at the 2009 level.

Employment

4.2. As indicated in Table 4.1, the number of persons engaged outside rural small scale agriculture and pastoralist activities rose from 10,456.5 thousand in 2009 to 10,960.0 thousand in 2010. This implies that the economy generated an extra 503.5 thousand new jobs. In total, new jobs created in the modern sector expanded from 56.3 thousand in 2009 to 62.6 thousand in 2010 to account for 12.4 per cent of the total jobs. The informal sector which constituted 80.6 per cent of the total employment, created an additional 440.9 thousand new jobs. The total number of self employed and unpaid family workers within the modern sector was estimated to have increased from 67.5 thousand in 2009 to 69.8 thousand in 2010.

Table 4.1: Total Recorded Employment[1], June, 2006 - 2010

'000

	2006	2007	2008	2009	2010*
Modern Establishments - Urban and Rural Areas:					
Wage Employees	1,857.6	1,909.8	1,943.9	2,000.1	2,060.4
Self-employed and unpaid family workers	67.2	67.5	67.4	67.5	69.8
Informal Sector[2]	7,068.6	7,501.6	7,942.3	8,388.9	8,829.8
TOTAL	8,993.4	9,478.9	9,953.6	10,456.5	10,960.0

* Provisional

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

[2] Estimated

Modern Sector

4.3. Analysis of wage employment in the modern sector by industry and sector for the period 2006 to 2010 is presented in Table 4.2. The overall growth in employment recorded in the modern sector was 3.0 per cent. Growth in the private sector employment improved from 3.1 per cent in 2009 to 3.7 per cent in 2010. In the public sector, the number of persons increased from 653.5 thousand in 2009 to 663.4 thousand in 2010, a decelerated growth of 1.5 per cent compared to 2.4 per cent in 2009.

Table 4.2: Wage Employment by Industry and Sector, 2006-2010

'000

	2006	2007	2008	2009	2010*	% change
PRIVATE SECTOR:						
Agriculture and Forestry	280.3	289.0	289.7	288.0	291.8	1.3
Mining and Quarrying	5.3	5.6	5.9	5.8	5.9	1.7
Manufacturing	228.5	237.9	237.2	238.6	240.3	0.7
Electricity and Water	1.9	2.2	2.3	2.2	2.2	-3.8
Building and Construction	57.9	61.2	64.9	73.5	82.0	11.6
Wholesale and Retail Trade, Restaurants and Hotels	179.6	189.8	196.4	209.2	220.6	5.5
Transport and Communications	90.9	117.8	120.5	124.7	132.2	6.0
Finance, Insurance, Real Estate and Business Services	75.5	79.0	81.9	84.3	87.1	3.4
Community, Social and Personal Services	287.8	299.2	307.1	320.1	334.8	4.6
TOTAL PRIVATE SECTOR	1,207.7	1,281.7	1,305.9	1,346.5	1,397.0	3.7
PUBLIC SECTOR:						
Agriculture and Forestry	54.3	50.9	51.0	52.3	52.0	-0.6
Mining and Quarrying	0.7	0.7	0.7	0.7	0.7	0.5
Manufacturing	30.8	26.9	26.9	27.8	27.7	-0.3
Electricity and Water	17.7	16.8	17.0	17.4	17.4	0.3
Building and Construction	22.0	20.1	19.9	19.9	19.2	-3.4
Wholesale and Retail Trade, Restaurants and Hotels	6.3	6.0	6.0	6.3	6.3	0.5
Transport and Communications	40.2	36.1	36.9	18.7	19.0	1.6
Finance, Insurance, Real Estate and Business Services	16.8	14.3	12.6	12.9	12.2	-5.3
Community, Social and Personal Services	461.1	456.3	467.0	497.6	508.9	2.3
TOTAL PUBLIC SECTOR	649.9	628.1	638.0	653.5	663.4	1.5
TOTAL PUBLIC AND PRIVATE SECTOR	1,857.6	1,909.8	1,943.9	2,000.1	2,060.4	3.0

* Provisional

4.4. **Private Sector:** There was a slight increase in the share of private sector employment in the modern sector from 67.3 per cent in 2009 to 67.8 per cent, on account of the slow growth of employment in the public sector relative to the private sector. The building and construction, transport and communications, and wholesale and retail trade, restaurant and hotel industries registered the highest increases of 11.6, 6.0 and 5.5 per cent, respectively. The expansion in the building and construction industry, arising from road construction and continued investment in the real estate as a result of availability of credit to this sector.

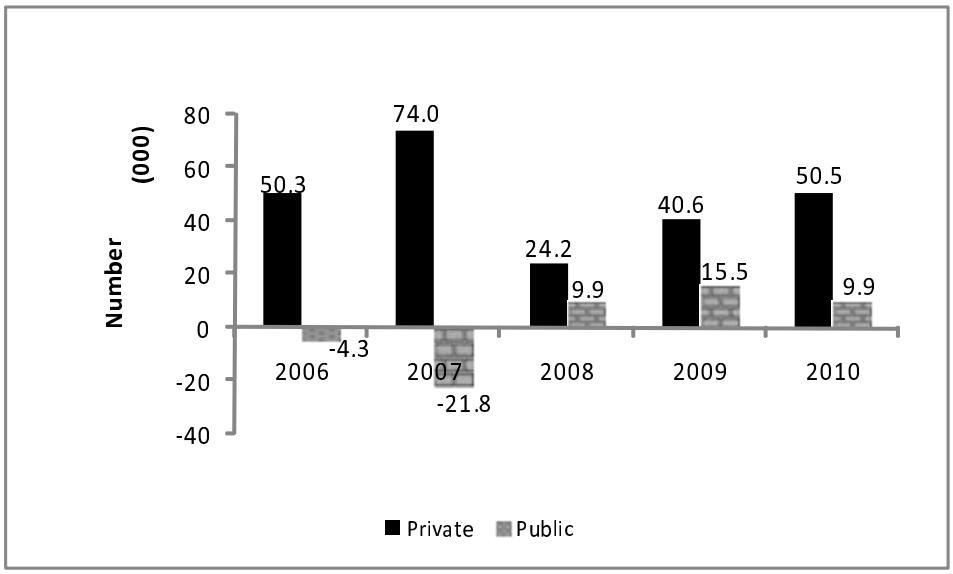
4.5. There was a turnaround in Agriculture and Forestry, and Mining and Quarrying industries, which registered growths of 1.3 and 1.7 per cent up from declines of 0.6 and 2.0 per cent respectively registered in 2009. The improved employment in the agriculture industry was attributed to, amongst other factors, the rainfall experienced towards the end of 2009, and early 2010. The high rainfall impacted positively on production in the sector translating to creation of jobs as this is a labour intensive activity. There was a slight improvement in the growth of employment in the manufacturing industry by 0.7 per cent in 2010 compared to 0.6 per cent in 2009.

4.6. **Public Sector:** Total employment in the public sector went up from 653.5 thousand persons in 2009 to 663.4 thousand persons in 2010, an increase of 1.5 per cent. In the year under review, there was slight growth in employment in the Transport and Communications

and Community, Social and Personal services industries. The decelerated growth in the public sector employment was partially attributed to privatization of public institutions.

4.7. Figure 4.1 presents the trend in the number of new jobs created in the modern sector for the period 2006 to 2010. The economy has continued on its recovery path as was witnessed in 2009, with the private sector creating 50.5 thousand new jobs in the modern sector and the public sector registering 9.9 thousand new jobs.

Figure 4.1:New Wage Employment in the Modern Sector, 2006 - 2010



4.8. Table 4.3 presents data on wage employment in the public sector by type of employer. Overall, there was growth in employment in the public sector except the Teachers Service Commission (TSC) which recorded a decline. There was notable growth in Central Government, which registered an increase of 5.7 per cent compared to 1.9 per cent recorded in 2009.

Table 4.3: Wage Employment in the Public Sector by Type of the Employer, 2006- 2010

'000

	2006	2007	2008	2009	2010*	Annual Percentage Change 2010/2009
Central Government[1]	187.7	192.3	196.8	200.6	212.0	5.7
Teachers Service Commission ..	233.3	234.6	236.8	245.4	243.0	-1.0
Parastatal Bodies[2]	97.2	80.6	82.4	84.4	84.8	0.4
Majority Control by the Public Sector	46.8	38.8	39.7	40.6	40.8	0.4
Local Government	85.0	81.9	82.3	82.6	82.9	0.4
TOTAL	**649.9**	**628.1**	**638.0**	**653.5**	**663.4**	**1.5**

* 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

4.9. Table 4.4 sets out distribution of wage employment in the modern sector by province. Overall, the rate of growth in employment in all provinces went up. In absolute numbers, Nairobi province, which commands the largest share of modern sector wage employment, registered the highest increase of 17.9 thousand persons while Rift Valley followed with 13.1 thousand persons in 2010.

Table 4.4: Wage Employment by Province, 2006 - 2010

'000

Province	2006	2007	2008	2009	2010*	Percentage Change 2010/2009
Nairobi	466.3	479.3	488.4	502.4	520.3	3.6
Coast	230.4	237.0	241.1	248.1	254.0	2.4
North Eastern	17.1	17.6	17.8	18.3	18.5	1.4
Eastern	155.0	159.3	161.9	166.6	171.8	3.1
Central	264.8	271.9	276.6	284.8	294.2	3.3
Rift Valley	417.3	429.1	437.1	449.7	462.8	2.9
Nyanza	183.8	189.2	192.5	198.1	203.4	2.7
Western	122.9	126.4	128.5	132.1	135.5	2.5
TOTAL	**1,857.6**	**1,909.8**	**1,943.9**	**2,000.1**	**2,060.4**	**3.0**

* Provisional

4.10. Table 4.5 presents wage employment in major towns by six urban-based industries for the years 2005 and 2010. An estimated 167.8 thousand jobs were generated in the urban areas giving an overall increase of 16.8 per cent. Nairobi had the highest wage employment among other towns; contributing 43.2 per cent of total urban employment in 2010 compared to 42.9 per cent in 2005. Among the main activities represented in the major towns, high growths in wage employment between 2005 and 2010 were recorded in the 'transport and communications', 'building and construction' and 'wholesale and retail trade, Restaurants and hotels' in that order. Community, social and personal services industry registered the largest increase of 55.9 thousand over the five year period.

Table 4.5: Wage Employment by Urban Centres[1] and Selected Industries, 2005 and 2010

'000

Towns	Manufacturing		Building and Construction		Wholesale and Retail Trade, Restaurants and		Transport and Communications		Finance, Insurance, Real Estate and		Community, Social and Personal		Total	
	2005	2010*	2005	2010*	2005	2010*	2005	2010*	2005	2010*	2005	2010*	2005	2010*
Nairobi	83.1	88.9	40.3	53.3	64.7	79.5	34.7	41.1	38.6	47.7	168.1	193.9	429.5	504.5
Mombasa	34.7	37.1	6.7	8.9	24.6	30.2	41.9	49.7	12.2	15.2	52.0	60.1	172.1	201.2
Kisumu	8.0	8.6	2.4	3.3	4.9	6.0	2.5	3.1	2.3	3.0	22.8	26.3	42.9	50.1
Nakuru	9.7	10.4	2.6	3.5	6.5	8.0	2.1	2.6	2.4	3.1	14.1	16.3	37.4	43.8
Thika	18.1	19.5	0.6	0.8	3.6	4.4	0.6	0.6	1.6	2.0	6.3	7.2	30.8	34.6
Eldoret	18.3	19.7	1.9	2.6	4.6	5.7	1.3	1.4	2.7	3.4	5.5	6.3	34.3	39.0
Malindi	0.5	0.5	0.3	0.3	3.3	4.0	0.4	0.4	0.4	0.4	3.1	3.6	8.0	9.3
Kericho	4.3	4.5	1.0	1.2	1.5	1.9	0.2	0.2	0.5	0.5	5.8	6.6	13.3	14.9
Others	52.5	56.3	5.3	6.9	56.5	69.5	9.2	10.9	21.8	26.9	86.4	99.8	231.7	270.3
TOTAL	**229.2**	**245.6**	**61.1**	**80.7**	**170.2**	**209.3**	**92.9**	**110.0**	**82.5**	**102.2**	**364.1**	**420.0**	**1,000.0**	**1,167.8**

* Provisional

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

Wage earnings in the modern sector

4.11. Wage employment by industry and sex is presented in Table 4.6. The number of females in wage employment rose from 570.1 thousand in 2009 to 591.4 thousand in 2010, representing a proportion of 28.5 and 28.7 per cent respectively. The number of males in wage employment went up from 1,430.0 thousand to 1,469.0 thousand over the same period. The proportion of females engaged on casual basis relative to the total in wage employment decreased from 31.4 per cent in 2009 to 28.6 per cent in 2010. However, the proportion of casual employment increased from 29.4 per cent in 2009 to 30.1 per cent in 2010. There was a decline in wage employment for females in the manufacturing and agricultural and forestry industries. The industries of building and construction and trade, restaurants and hotels registered growth in female wage employment. Educational services remained the largest employer of females.

Table 4.6: Wage Employment by Industry and Sex, 2009 and 2010

'000

	Male		Female		Total	
INDUSTRY	**2009**	**2010***	**2009**	**2010***	**2009**	**2010***
Agriculture and Forestry ..	257.0	264.1	83.3	79.7	340.3	343.8
Mining and Quarrying ..	5.0	5.1	1.5	1.5	6.5	6.6
Manufacturing	223.3	229.3	43.1	38.7	266.4	268.0
Electricity and Water ..	16.4	16.9	3.2	2.7	19.6	19.6
Building and Construction	90.2	92.6	3.2	8.6	93.4	101.2
Trade, Restaurants and Hotels	162.0	166.4	53.4	60.5	215.4	226.9
Transport and Communications	116.5	119.7	27.0	31.6	143.5	151.3
Finance, Insurance, Real Estate and Business Services ..	72.6	74.6	24.6	24.7	97.2	99.3
Community, Social and Personal Services-						
Public Administration ..	109.3	112.3	67.4	66.1	176.7	178.4
Education Services	213.8	219.7	159.6	168.1	373.4	387.8
Domestic Services	62.4	64.1	41.8	41.8	104.2	105.9
Other Services	101.5	104.2	62.0	67.4	163.5	171.6
TOTAL	1,430.0	1,469.0	570.1	591.4	2,000.1	2,060.4
Of which: Regular	1,020.9	1,018.4	391.1	422.0	1,412.1	1,440.4
Casual	409.1	450.6	179.0	169.4	588.0	620.0

* Provisional

4.12. Table 4.7 presents analysis of total wage payments by industry and sector for the period 2009 to 2010. Overall, the nominal wage bill went up from KSh 761,655.4 million in 2009, to KSh 812,087.5 million in 2010, depicting an increase of 6.6 per cent, which was slightly lower compared with a growth of 7.7 per cent registered in 2009. The private sector wage bill increased from KSh 517,822.6 million in 2009 to KSh 550,087.1 million in 2010, reflecting a decelerated growth of 6.2 per cent compared to a growth of 7.4 per cent in the previous review period. Similarly, the public sector wage bill went up by 7.5 per cent, which is a lower increase compared to 8.2 per cent in 2009. The contribution of public sector to the total wage bill in the modern sector remained at 32.3 per cent.

Table 4.7: Estimated Total Wage Payments by Industry and Sector, 2006 – 2010

KSh Million

	2006	2007	2008	2009	2010*
PRIVATE SECTOR:					
Agriculture and Forestry	39,190.6	43,416.6	44,639.1	47,297.2	49,009.2
Mining and Quarrying	1,241.8	1,378.1	1,136.3	1,286.0	1,344.7
Manufacturing	48,500.4	53,050.3	56,167.8	59,355.1	61,034.1
Electricity and Water	1,150.2	1,685.4	1,363.0	1,043.7	987.2
Building and Construction	18,904.0	21,677.0	25,059.9	29,241.6	33,615.2
Wholesale and Retail Trade, Restaurants and Hotels	81,100.9	91,098.0	83,779.2	86,304.9	90,401.4
Transport and Communications ..	53,209.1	70,702.0	79,711.6	87,998.1	93,845.8
Finance, Insurance Real Estate and Business Services	49,966.5	55,178.3	61,146.9	69,400.0	73,351.7
Community, Social and Personal Services	102,539.1	115,461.6	128,941.2	135,895.9	146,497.8
TOTAL PRIVATE SECTOR	**395,802.6**	**453,647.3**	**481,945.0**	**517,822.6**	**550,087.1**
PUBLIC SECTOR:					
Agriculture and Forestry	9,312.8	9,444.8	10,573.6	11,419.3	11,939.3
Mining and Quarrying	137.4	145.5	143.1	130.9	138.4
Manufacturing	5,757.5	5,468.3	6,379.4	13,413.3	13,865.2
Electricity and Water	8,560.6	8,951.7	9,792.6	10,686.3	11,283.3
Building and Construction	5,806.0	5,882.5	6,396.8	6,833.9	7,041.2
Wholesale and Retail Trade, Restaurants and Hotels	3,028.5	3,366.6	3,385.7	4,085.0	4,649.1
Transport and Communications ..	16,766.2	18,319.6	22,780.1	13,673.1	15,041.5
Finance, Insurance Real Estate and Business Services	14,145.2	12,529.4	10,674.8	11,639.4	11,196.0
Community, Social and Personal Services	128,179.4	139,021.7	155,300.2	171,951.6	186,846.3
TOTAL PUBLIC SECTOR	**191,693.6**	**203,130.1**	**225,426.3**	**243,832.8**	**262,000.4**
TOTAL PUBLIC AND PRIVATE ..	**587,496.2**	**656,777.4**	**707,371.3**	**761,655.4**	**812,087.5**

* Provisional

4.13. Total wage payment in the public sector by type of employer is summarised in Table 4.8. The Central Government had the highest increase of 10.9 per cent in wage bill in the public sector, rising from KSh 57,891.3 million in 2009 to KSh 64,220.7 million in 2010 although lower than the 14.1 per cent increase in the previous year. The Teachers Service Commission (TSC) which has the highest contribution to the total public sector wage bill, had an increment of 10.2 per cent rising from KSh 79,699.6 million to KSh 87,844.9 million. The increase was as a result of the ongoing salary reviews. The Local Government wage bill increased by 9.8 per cent, while parastatal bodies and institutions of majority control by the public sector both had their wage bill increased by 1.8 per cent.

Table 4.8: Total Wage Payments in the Public Sector[1], 2006 – 2010

KSh Million

	2006	2007	2008	2009	2010*
Central Government	42,678.2	46,370.3	50,741.6	57,891.3	64,220.7
Teachers Service Commission ..	62,132.3	68,180.2	77,191.6	79,699.6	87,844.9
Parastatal Bodies[2]...	43,964.1	43,011.8	46,949.1	51,575.4	52,522.3
Majority Control by the Public Sector[3].. ..	27,935.7	27,330.5	29,860.4	32,802.7	33,405.0
Local Government	14,983.2	18,237.3	20,683.6	21,863.8	24,007.5
TOTAL	**191,693.6**	**203,130.1**	**225,426.3**	**243,832.8**	**262,000.4**

* Provisional

[1] Refers to position as at 30th June, but 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. Annual average wage earnings per employee for the period 2006 to 2010 are presented in Table 4.9. Overall, annual average earnings witnessed a 3.5 per cent increase to KSh 394,131.5 in 2010 translating to KSh 32,844 per month. Annual average earnings per employee in the public sector were slightly higher than in the private sector and registered a much higher increment of 5.8 per cent compared to that of 2.4 per cent recorded in the private sector.

Table 4.9: Average Wage Earnings per Employee[1], 2006 - 2010

KSh per annum

	2006	2007	2008	2009	2010*
PRIVATE SECTOR:					
Agriculture and Forestry	139,802.3	150,236.8	154,062.2	164,211.1	167,953.7
Mining and Quarrying	232,720.3	246,747.6	193,484.0	222,420.8	228,757.6
Manufacturing	212,284.4	222,961.3	236,797.9	248,763.0	253,963.3
Electricity and Water	607,585.8	779,906.3	602,847.2	464,903.6	456,884.2
Building and Construction	326,618.4	353,997.4	385,875.2	397,600.8	409,730.7
Trade, Restaurants and Hotels	451,604.2	479,943.0	426,661.3	412,620.4	409,778.0
Transport and Communications	585,422.5	600,288.4	661,765.2	705,513.5	709,748.9
Finance, Insurance, Real Estate and Business Services	661,545.2	698,707.6	746,896.5	823,289.7	841,806.6
Community, Social & Personal Services	356,347.9	385,871.5	419,813.7	424,482.5	437,527.5
AVERAGE PRIVATE SECTOR	**327,743.6**	**353,944.9**	**369,068.7**	**384,559.9**	**393,760.0**
PUBLIC SECTOR:					
Agriculture and Forestry	171,509.8	185,515.2	207,462.7	216,290.0	222,514.0
Mining and Quarrying	196,316.0	207,817.5	217,883.0	190,840.0	200,876.0
Manufacturing	399,740.0	444,649.6	472,831.5	482,000.7	499,809.8
Electricity and Water	483,658.2	532,720.9	575,132.2	614,767.2	647,464.4
Building and Construction	263,914.4	292,595.2	322,230.1	343,376.0	366,386.0
Trade, Restaurants and Hotels	480,728.1	560,976.3	562,326.0	651,849.4	738,421.4
Transport and Communications	417,079.7	507,358.2	617,092.9	729,861.8	790,327.7
Finance, Insurance, Real Estate and Business Services	841,996.3	875,996.3	845,409.9	905,437.9	919,815.8
Community, Social & Personal Services	277,991.7	304,605.3	332,485.8	345,584.8	367,168.0
AVERAGE PUBLIC SECTOR	**294,958.5**	**323,408.6**	**353,321.7**	**373,098.5**	**394,913.3**
AVERAGE PRIVATE AND PUBLIC SECTOR	**316,486.8**	**343,934.7**	**363,900.1**	**380,803.3**	**394,131.5**
MEMORANDUM ITEMS IN PUBLIC SECTOR:					
Central Government	227,374.7	241,197.7	257,833.5	288,590.6	302,927.7
Teachers Service Commission	266,319.3	290,623.1	325,977.9	324,814.2	361,457.1
Parastatal Bodies[2]	452,363.9	533,789.4	569,553.3	611,130.7	619,686.5
Majority Control by the Public Sector[3]	597,426.3	704,963.0	752,900.5	807,862.2	819,172.3
Local Government	176,372.0	222,694.0	251,234.0	264,800.6	289,691.9
AVERAGE PUBLIC SECTOR	**294,958.5**	**323,408.6**	**353,321.7**	**373,098.5**	**394,913.3**

* Provisional

[1] Refers to position as at 30th June, but 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

4.15. Table 4.10 presents percentage changes in wage employment and average earnings for the period 2005/2010 and 2009/2010. During the five year period, total wage employment rose by 13.7 per cent with wage employment in the private sector rising by 20.7 per cent while that of the public sector increased by 1.4 per cent. The 3.7 per cent rise in wage employment in the private sector for the period 2010/2009 was however lower than the average growth of 3.8 per cent over the five year period. In the public sector, only the Central Government and Teachers Service Commission showed an increase in employment of 11.9 and 4.4 per cent, respectively. The other sectors of Local Government, parastatal bodies and institutions where Government has majority control all showed a decline in employment. In the private sector, transport and communication sector showed a huge increase of 76.1 per cent.

4.16. Annual average earnings in the economy have risen by 33.9 per cent over the five year period with public sector earnings rising by 45.1 per cent compared to 28.5 per cent of the private. In the public sector, employees in the Local Government recorded a large increase of 139.8 per cent. Increase in earnings of the various industries in the private sector ranged from 10.5 per cent in mining and quarrying to 36.5 in building and construction. Decline in average earnings within the private sector were however recorded in both Electricity and water and Trade, Restaurants and hotels industries, over the 5 year period with the former recording a large drop of 29.1 per cent.

Table 4.10: Per cent Wage Employment and Average Earnings[1], 2010/2005 and 2010/2009

Per cent

	EMPLOYMENT		AVERAGE EARNINGS	
	2010/2005*	2010/2009*	2010/2005*	2010/2009*
PRIVATE SECTOR:				
Agriculture and Forestry	7.1	1.3	28.6	2.3
Mining and Quarrying	15.3	1.7	10.5	2.8
Manufacturing	8.4	0.7	27.8	2.1
Electricity and Water	13.7	-3.8	-29.1	-1.7
Building and Construction	47.3	11.6	36.5	3.1
Trade, Restaurants and Hotels	30.4	5.5	-3.7	-0.7
Transport and Communications	76.1	6.0	25.1	0.6
Finance, Insurance ,Real Estate and Business Services	20.4	3.4	33.0	2.2
Community, Social & Personal Services	17.9	4.6	29.8	3.1
AVERAGE PRIVATE SECTOR	**20.7**	**3.7**	**28.5**	**2.4**
PUBLIC SECTOR:				
Agriculture and Forestry	-5.2	-0.6	37.2	2.9
Mining and Quarrying	-1.6	0.5	4.5	5.3
Manufacturing	-10.8	-0.3	35.3	3.7
Electricity and Water	-4.8	0.3	42.5	5.3
Building and Construction	-14.6	-3.4	50.5	6.7
Trade, Restaurants and Hotels	1.5	0.5	74.1	13.3
Transport and Communications	-51.1	1.6	114.1	8.3
Finance, Insurance ,Real Estate and Business Services	-26.2	-5.3	17.6	1.6
Community, Social and Personal Services	9.4	2.3	42.3	6.2
AVERAGE PUBLIC SECTOR	**1.4**	**1.5**	**45.1**	**5.8**
AVERAGE PUBLIC AND PRIVATE	**13.7**	**3.0**	**33.9**	**3.5**
MEMORANDUM ITEMS IN PUBLIC SECTOR:				
Central Government	11.9	5.7	44.8	5.0
Teacher's Service Commission	4.4	-1.0	47.6	11.3
Parastatal Bodies[2]	-13.1	0.4	39.6	1.4
Majority Control by the Public Sector[3]	-13.1	0.4	39.7	1.4
Local government	-5.2	0.4	139.8	9.4
AVERAGE PUBLIC SECTOR	**1.4**	**1.5**	**45.1**	**5.8**

* 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.

4.17. Tables 4.11 and 4.12 present estimated real average earnings per employee, and changes in wage, prices and real earnings for the period 2006 to 2010, respectively. Real earnings show the extent to which inflation affects workers' earnings. Real average earnings per annum in the private sector declined to KSh 372,843.5 in 2010 from KSh 376,834.7 in 2009. The public sector real average earnings increased from KSh 365,603.6 in 2009 to KSh 373,935.5 in 2010. Overall, real average earnings remained almost at the same level as in 2009.

Table 4.11: Estimated Real Average Wage Earnings per Employee[1], 2006 - 2010

KSh Per Annum

	2006	2007	2008	2009	2010*
PRIVATE SECTOR:					
Agriculture and Forestry	184,484.4	190,559.1	165,854.5	160,912.4	159,032.0
Mining and Quarrying	307,099.9	312,972.6	208,293.6	217,952.8	216,606.0
Manufacturing	280,132.5	282,802.3	254,923.0	243,765.8	240,472.7
Electricity and Water	801,775.9	989,226.7	648,990.5	455,564.6	432,614.5
Building and Construction	431,008.7	449,007.4	415,410.9	389,613.7	387,965.8
Trade, Restaurants and Hotels	595,941.1	608,755.7	459,318.9	404,331.6	388,010.6
Transport and Communications	772,529.0	761,400.8	712,418.2	691,341.0	672,047.0
Finance, Insurance Real Estate and Business Services	872,981.3	886,234.9	804,065.6	806,751.3	797,089.9
Community, Social & Personal Services	470,240.0	489,436.2	451,947.1	415,955.4	414,286.1
AVERAGE PRIVATE SECTOR	**432,493.5**	**448,940.8**	**397,318.0**	**376,834.7**	**372,843.5**
PUBLIC SECTOR:					
Agriculture and Forestry	226,325.9	235,305.9	223,342.3	211,945.1	210,694.1
Mining and Quarrying	259,060.4	263,594.0	234,560.2	187,006.4	190,205.5
Manufacturing	527,500.6	563,989.9	509,023.1	472,318.2	473,259.9
Electricity and Water	638,239.9	675,698.8	619,154.0	602,417.6	613,071.1
Building and Construction	348,263.9	371,125.3	346,894.3	336,478.2	346,923.6
Trade, Restaurants and Hotels	634,373.3	711,537.7	605,367.7	638,754.9	699,196.5
Transport and Communications	550,382.3	643,528.9	664,326.5	715,200.2	748,345.5
Finance, Insurance Real Estate and Business Services	1,111,106.2	1,111,106.4	910,119.4	887,249.3	870,955.2
Community, Social & Personal Services	366,840.5	386,358.8	357,934.9	338,642.6	347,664.1
AVERAGE PUBLIC SECTOR	**389,230.1**	**410,208.8**	**380,365.7**	**365,603.6**	**373,935.5**
AVERAGE PRIVATE AND PUBLIC SECTOR	**417,639.0**	**436,243.9**	**391,753.8**	**373,153.6**	**373,195.3**
MEMORANDUM ITEMS IN PUBLIC SECTOR:					
Central Government	300,045.8	305,933.1	277,568.7	282,793.3	286,836.2
Teachers Service Commission	351,437.4	368,623.9	350,928.9	318,289.2	342,256.5
Parastatal Bodies[2]	596,943.6	677,054.0	613,148.1	598,854.2	586,768.8
Majority Control by the Public Sector[3]	788,369.3	894,169.2	810,529.1	791,633.7	775,657.9
Local Government	232,742.1	282,463.2	270,464.0	259,481.3	274,303.5
AVERAGE PUBLIC SECTOR	**389,230.1**	**410,208.8**	**380,365.7**	**365,603.6**	**373,935.5**

* 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

Table 4.12: Changes in Wage Employment, Prices and Real Earnings, 2006 – 2010

Per Cent

	2006	2007	2008	2009	2010*
Wage employment	2.5	2.8	1.8	2.8	3.0
Average earnings at current prices	7.5	8.7	5.8	4.0	3.5
Consumer prices (Inflation rates)[1]	3.2	4.0	17.8	9.9	3.5
Real average earnings[+]	3.4	4.5	-10.2	-4.7	0.0

* Provisional

[1] Inflation rates at June of each year

[+] Revised after deflating with the June CPI

Informal Sector

4.18. The informal sector, also referred to as the "Jua kali" sector continues to play an important role in absorbing the unemployed persons in the labour force that are not able to get into the modern sector. This sector covers all small-scale activities that are normally semi-organised, unregulated and uses low and simple technologies while employing few persons. The ease of entry and exit into this sector coupled with the use of low level or no technology makes it an avenue for employment creation. With the restructuring and rationalization of the public sector and the deregulation of labour markets in the private sector, the informal sector phenomena have also assumed significant proportions in the country. Displaced workers from both the public and private sectors are forced to seek or create work opportunities in the informal sector. Funds provided by the Government to the women and the youth in the country have played a role in providing the capital for entrepreneurs venture in this sector.

4.19. The informal sector economic activities provided employment for 8,829.9 thousand persons in 2010, up from 8,388.9 thousand persons engaged in 2009, an increase of 5.3 per cent, as shown in Table 4.13. Nairobi province still commands the largest share in informal sector employment at 24.7 per cent followed by Rift Valley and Central provinces with 18.8 and 15.8 per cent in that order. As the modern sector continues to perform well in terms of employment creation, the growth of the informal sector has been slowing down.

Table 4.13: Number of Persons Engaged in the Informal sector by Province , 2006 - 2010

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Province	2006	2007	2008	2009	2010*
Nairobi	1,712.1	1,824.5	1,945.1	2,061.1	2,179.4
Central	1,118.9	1,187.2	1,256.4	1,326.7	1,396.0
Nyanza	832.6	878.4	920.9	968.0	1,012.1
Western	514.0	548.5	586.2	621.9	658.6
Rift Valley	1,337.0	1,417.5	1,498.2	1,581.1	1,662.3
Eastern	646.8	680.4	709.8	744.4	775.7
Coast	874.2	930.7	990.5	1,048.8	1,107.7
North Eastern	33.0	34.4	35.4	36.9	38.1
**TOTAL .. ..

restaurants industry, which absorbed 59.6 per cent, followed by manufacturing with 20.4 per cent. The former industry had the largest increase in employment over the year, absorbing 263.1 thousand persons, of the new jobs.

Table 4.14: Number of Persons Engaged in the Informal sector by Industry , 2006 - 2010

000

Activity	2006	2007	2008	2009	2010*
Manufacturing	1,492.7	1,567.1	1,644.2	1,711.2	1,801.1
Building and Construction	194.7	202.8	211.4	217.5	228.9
Wholesale and Retail Trade, Hotels and Restaurants	4,177.3	4,446.2	4,719.0	5,003.7	5,266.8
Transport and Communications[1]	214.2	228.8	243.5	259.4	273.0
Community, Social and Personal Services	668.2	715.4	763.0	815.3	858.1
Others	321.5	341.3	361.4	381.9	401.9
TOTAL	**7,068.6**	**7,501.6**	**7,942.5**	**8,388.9**	**8,829.9**

* Provisional

[1] Includes mainly support services to transport activity

Developments in the Labour Market

Wage Award and Registered Collective Bargaining Agreements

4.21. Kenya has held an active minimum wage setting policy since independence. Minimum wages apply to all salaried employees who are at least 18 years old and work in the formal sector. The self-employed are not covered by statutory minimum wages. A different wage grid applies to agricultural employees and to workers in other activities. Within agriculture or the General Order, statutory minimum wages vary by age and occupation. In addition, for the General Order, minimum wages also vary by location, distinguishing three separate urban areas with different minimum wage levels. These geographical areas are: Nairobi and Mombasa, other municipalities, and other towns.

4.22. On Labour Day 2010, the Government announced new statutory minimum wage rates that reflected a 10.0 per cent increase in the wages specified in both the Regulation of Wages Agriculture Order, 2010 and the Regulation of Wages (General) Order, 2010, compared with a 20.0 per cent and 18.0 per cent, respectively, in 2009.

4.23. Table 4.15 presents Gazetted Monthly Basic Minimum Wages for the Agricultural Industry. The lowest paid category of workers, unskilled employees had their monthly wages raised from KSh 3,043 in 2009 to KSh 3,347. Wages for the highest paid category of workers, namely farm foreman and farm clerks was increased from KSh 5,488 in 2009 to KSh 6,037 in 2010.

Table 4.15: Gazetted Monthly Basic Minimum Wages for Agricultural Industry, 2006 – 2010

Ksh

Type of Employee	2006	2007	2008	2009	2010
UNSKILLED EMPLOYEES	2,536	2,536	2,536	3,043	3,347
STOCKMAN, HERDSMAN AND WATCHMAN	2,928	2,928	2,928	3,514	3,865
SKILLED AND SEMI-SKILLED EMPLOYEES					
House servant or cook	2,894	2,894	2,894	3,473	3,820
Farm foreman	4,573	4,573	4,573	5,488	6,037
Farm clerk	4,573	4,573	4,573	5,488	6,037
Section foreman	2,961	2,961	2,961	3,553	3,908
Farm artisan	3,030	3,030	3,030	3,636	4,000
Tractor driver	3,213	3,213	3,213	3,856	4,242
Combine harvester driver	3,540	3,540	3,540	4,248	4,673
Lorry driver or car driver	3,715	3,715	3,715	4,458	4,904
AVERAGE	**3,396**	**3,396**	**3,396**	**4,076**	**4,483**

Source: Ministry of Labour and Human Resource Development

4.24. As shown in Table 4.16, the average gazetted monthly basic minimum wages in Nairobi, Mombasa and Kisumu cities went up from KSh 9,641 in 2009 to KSh 10,068 in 2010. For other municipalities their average basic minimum monthly wages was increased from KSh 8,942 in 2009 to KSh 9,347 in 2010. Similarly, the wages in all other towns rose from KSh 7,607 to KSh 7,971 over the same period.

Table 4.16: Gazetted Monthly Basic Minimum Wages in Urban Areas[1] (Excluding Housing Allowance), 2009 - 2010

KSh

Occupation	Nairobi area, Mombasa & Kisumu		Municipalities plus Mavoko & Ruiru Town Councils		All other towns	
	2009	2010	2009	2010	2009	2010
General labourer	6,130	6,743	5,655	6,221	3,270	3,597
Miner, stone cutter, turnboy, waiter, cook	6,621	7,283	5,874	6,461	3,778	4,156
Night watchman	6,839	7,523	6,340	6,974	3,901	4,291
Machine attendant	6,948	7,643	6,465	7,112	5,240	5,764
Machinist	7,931	8,724	7,420	8,162	6,066	6,673
Plywood machine operator	8,274	9,101	7,636	8,400	6,312	6,943
Pattern designer	9,442	10,386	8,632	9,495	7,360	8,096
Tailor, Driver (medium vehicle)	10,405	11,446	9,564	10,520	8,527	9,380
Dyer, Crawler, Tractor driver, Salesman	11,487	12,636	10,718	11,790	9,674	10,641
Saw doctor, Caretaker (building)	12,713	13,984	11,871	13,058	11,058	12,164
Cashier, Driver (heavy commercial)	13,833	15,216	13,017	14,319	12,205	13,426
Artisan (Ungraded)	8,274	9,101	7,636	8,400	6,312	6,943
Artisan Grade III	10,405	11,446	9,564	10,520	8,527	9,380
Artisan Grade II	11,487	12,636	10,718	11,790	9,674	10,641
Artisan Grade I	13,833	15,216	13,017	14,319	12,205	13,426
AVERAGE	**9,641**	**10,606**	**8,942**	**9,836**	**7,607**	**8,368**

Source: Ministry of Labour and Human Resource Development

4.25. Collective bargaining is the process whereby workers organize collectively and bargain with employers regarding the workplace. It is an important mechanism for wage determination, which allows workers and managers to discuss issues and settle disputes through consensus and dialogue rather than through confrontation or labour disputes. The Industrial Court has jurisdiction to arbitrate and register collective bargaining agreements negotiated between employers' and workers' representatives in order to improve terms and conditions of employment.

4.26. Table 4.17 shows the number of collective bargaining agreements registered by the Industrial Court in 2009 and 2010. Whereas the total number of agreements registered in 2010 was 266 compared to 297 in 2009, there was a notable increase in the number of agreements in the Agriculture, Forestry, Hunting and Fishing and the Transport and Communications industries, each recording an increase of 5 agreements. The agreements registered reflected an average monthly wage of KSh 21,277 in 2010 compared to KSh 14,621 in 2009. The number of unionisable employees covered by the agreements registered in 2010 was 101,282 compared to 82,612 in 2009. The number of unionisable employees covered by the agreements increased from 29 to 3,523 in the Wood and Wood industry including Furniture. The other notable increases were in the Agriculture, Forestry, Hunting and Fishing and the Transport and Communications industries, which more than doubled in 2010 relative to 2009.

Table 4.17: Collective Bargaining Agreements Registered by the Industrial Court, 2009 and 2010

	No. of Agreements		No. of Unionisable Employees Covered by the Agreements		Monthly Basic Wage (KSh)		Monthly Housing Allowance Offered (KSh)	
	2009	2010*	2009	2010*	2009	2010*	2009	2010*
Agriculture, Forestry, Hunting & Fishing	25	30	14,773	33,210	10,835.0	10,044.0	2,225.8	1,895.0
Mining & Quarrying	1	1	109	96	11,373.9	7,385.0	1,500.0	2,800.0
Manufacturing of :								
Food, Beverage & Tobacco	44	29	4,991	5,213	23,170.4	17,406.0	2,736.7	2,805.0
Textile, Wearing Apparels & Leather Industry	20	23	5,496	8,499	7,856.3	8,602.0	2,018.7	2,310.0
Wood & Wood Industry including Furniture	3	4	29	3,523	11,055.4	12,681.0	2,033.3	2,004.0
Paper & Paper Products, Printing & Publishing	12	8	897	842	21,006.4	15,092.0	4,320.0	2,974.0
Chemical, Petroleum Rubber & Plastic Product	32	21	1,910	1,564	18,717.7	19,535.0	2,613.0	2,670.0
Glass, Ceramic & Cement	5	1	838	29	15,556.1	35,074.0	2,165.3	6,050.0
Basic Metal Industries	3		114		11,400.6		2,262.0	
Electronics & Electrical Products	34	35	1,513	1,841	9,671.6	14,271.0	2,531.0	2,458.0
Other Manufacturing industries	2	1	296	22	32,197.6	11,837.0	3,077.0	2,000.0
Electricity and Water	4	4	4,470	2,007	22,057.4	22,882.0	8,541.0	7,184.0
Building & Construction	6	1	980	58	9,301.6	12,591.0	1,920.8	1,930.0
Wholesale & Retail Trade, Restaurants & Hotels	29	23	2,243	2,825	14,061.0	17,333.0	4,155.4	4,053.0
Transport and Communication	24	29	4,978	10,339	21,247.1	22,932.0	3,874.6	3,642.0
Finance, Insurance, Real Estate & Business Services	25	24	27,985	16,142	56,216.3	84,413.0	5,422.4	5,361.0
Community & Social Services	55	32	12,285	15,072	25,462.6	26,359.0	3,330.6	5,096.0
Total/Average	297	266	82,612	101,282	14,621.6	21,277.0	3,138.0	3,219.3

Source: Ministry of Labour & Human Resource Development

* Provisional

Consumer Price Index

4.27. Consumer Price Index (CPI) is used to measure inflation rates. The CPI basket is normally constructed every five to ten years to capture any changes in consumer preferences. A new CPI basket was constructed based on the Kenya Integrated Household Budget Survey 2005/06 data set. The weights developed reflected a more current household consumption patterns compared to the previous basket which was based on the 1993/94 urban household budget survey, with price data collection for the new basket starting in February 2009. The overall annual inflation rate calculated using the new basket of Consumer Price Indices

decreased from 10.5 per cent in 2009 to 4.1 per cent in 2010. This decline was mainly caused by an accelerated pace of economic activities attributed to a stable political environment, adequate rains which led to sufficient supply of foodstuffs and a significant reduction in calling rates. In addition, during the year under review, the monetary authorities reduced the base lending rates which led to lowering of interest rates by commercial banks.

4.28. Table 4.18 shows the price changes in the 12 broad divisions, the weights of which were derived from the KIHBS. The 12 divisions are in line with the Classification of Individual Consumption by Purpose (COICOP) as recommended in the International Labour Organisation (ILO) manual (2004). The annual average CPI for food and non-alcoholic drinks increased from 103.28 in 2009 to 109.35 in 2010 equivalent to an annual inflation rate of 5.9 per cent which was lower than the 12.6 per cent recorded in 2009.

4.29. The deceleration in food inflation rate was mainly due to decreases in the prices of maize flour and Maize grain in 2010 compared to 2009. The average cost of a 2 Kg packet of maize flour dropped from KSh 90.76 in 2009 to KSh 76.89 in 2010 a decline of 15.3 per cent. Average cost of maize grain fell by 9.01 per cent from KSh. 36.57 in 2009 to KSh. 33.27 in 2010. The prices of carrots, tomatoes, sugar, cooking fat and beef went up by 26.9, 21.1, 10.9, 10.1 and 6.5 percent respectively. Sugar prices, for instance rose from an average of KSh 86.43 in 2009 to KSh 95.85 in 2010. The communications indices declined by 10.3 per cent mainly due to the reduction in the cost of communication services.

Table 4.18: CPI and Inflation by Commodities 2009 and 2010

February 2009=100

Broad Item Group	Weights (Per cent)	Annual Average Index 2009	Annual Average Index 2010	% Change
Food & Non-Alcoholic Beverages	36.03	103.28	109.35	5.9
Alcoholic Beverages, Tobacco & Narcotics	2.06	103.72	111.48	7.5
Clothing & Footwear	7.43	101.54	104.97	3.4
Housing, Water, Electricity, Gas and other Fuels	18.30	101.80	105.09	3.2
Furnishings, Household Equipment and Routine Household Maintenance	6.16	100.81	104.07	3.2
Health	3.13	101.73	106.16	4.4
Transport	8.67	102.52	107.92	5.3
Communication	3.82	99.62	89.32	-10.3
Recreation & Culture	2.25	100.62	101.85	1.2
Education	3.14	100.03	101.38	1.4
Restaurant & Hotels	4.49	102.53	106.68	4.0
Miscellaneous Goods & Services	4.52	101.45	103.70	2.2
Weighted average of all Items	**100.00**	**102.10**	**106.26**	**4.1**

Inflation by Income Groups

4.30. Table 4.18 shows annual inflation rates for the different income groups over the last five years. Inflationary pressures in the Nairobi Lower income group eased significantly by recording a drop of 7.7 percentage points from 12.4 per cent in 2009 to 4.7 per cent in 2010. The Nairobi Middle income, Nairobi Upper income groups and the rest of urban areas registered declines in inflation rates albeit at lower margins.

Table 4.19: Annual Inflation Rates 2006-2010

Per cent

Income Group	2006	2007	2008	2009+	2010
Nairobi Lower Income Inflation..... ...	8.7	4.0	17.9	12.4	4.7
Nairobi Middle Income Inflation ...	4.8	4.1	10.9	6.1	2.1
Nairobi Upper Income Inflation ...	4.8	4.1	10.9	6.4	5.6
Nairobi Inflation...	**8.0**	**4.0**	**16.7**	**11.2**	**4.2**
Rest of Urban Towns Inflation ...	5.4	4.4	15.9	10.2	4.0
Kenya Inflation Rate... ...	**6.0**	**4.3**	**16.2**	**10.5**	**4.1**

Note:

[1] The Nairobi composite index is weighted as 0.723 for lower, 0.241 for middle and 0.036 for upper income groups respectively while the Kenya composite index is weighted as 0.412 for Nairobi and 0.638 for the rest of urban areas.

[2] The Nairobi lower Income group comprises of households spending less than KSh 23,670 in October 2005

[3] The Nairobi Middle income group comprises of households spending between KSh 23,671 to KSh 119,999 in October 2005

[4] The Nairobi Upper Income group comprises of households spending above KSh 120,000 in October 2005

[+] Revised

4.31. Tables 4.19, 4.20, 4.21, 4.22 and 4.23 show a five year series of the CPI for the Nairobi Lower, Nairobi Middle, Nairobi Upper, Nairobi combined, rest of urban areas and national (Kenya), respectively. The 2009 and 2010 indices were derived from the new CPI basket while the indices for the other years were spliced from the previous basket.

Table 4.20: Consumer Price Indices for the Nairobi Lower Income Group, 2006-2010

February 2009=100

Month	2006	2007	2008	2009	2010
January	74.58	77.19	85.56	97.38	105.60
February	76.44	77.24	85.86	100.00	106.16
March	76.78	77.32	87.22	101.59	105.78
April	75.64	75.80	89.82	102.24	106.38
May	74.48	75.42	91.54	102.56	106.85
June	73.02	76.10	90.80	102.65	106.67
July	72.36	76.68	91.13	102.84	107.61
August	72.68	77.17	92.80	103.56	108.11
September	73.41	77.85	93.95	104.23	108.73
October	74.26	78.20	94.71	104.58	108.38
November	74.06	79.22	96.39	104.59	108.80
December	75.71	80.83	95.75	105.37	110.33
Annual average	74.45	77.42	91.29	102.63	107.45

Table 4.21: Consumer Price Indices, Nairobi Middle income Group, 2006-2010

February 2009=100

Month	2006	2007	2008	2009	2010
January	82.43	84.59	91.38	99.78	102.93
February	83.11	84.99	91.72	100.00	102.95
March	83.20	84.69	93.81	100.46	103.34
April	83.29	84.73	95.42	100.95	103.52
May	82.90	84.74	94.90	100.91	103.39
June	81.97	85.04	95.37	101.15	103.09
July	81.42	85.32	96.11	101.44	103.34
August	82.04	85.89	95.84	102.06	103.39
September	82.41	87.63	97.53	102.01	103.70
October	82.69	88.18	98.64	102.30	103.97
November	82.97	88.52	97.84	102.49	104.65
December	83.54	88.80	97.55	102.71	103.83
Annual average	**82.66**	**86.09**	**95.51**	**101.35**	**103.51**

Table 4.22: Consumer Price Indices, Nairobi Upper income Group, 2006-2010

February 2009=100

Month	2006	2007	2008	2009	2010
January	82.43	84.59	91.38	99.78	105.51
February	83.11	84.99	91.72	100.00	105.56
March	83.20	84.69	93.81	99.92	106.23
April	83.29	84.73	95.42	100.04	106.32
May	82.90	84.74	94.90	100.08	107.30
June	81.97	85.04	95.37	100.78	107.39
July	81.42	85.32	96.11	101.60	107.62
August	82.04	85.89	95.84	102.25	107.07
September	82.41	87.63	97.53	103.33	107.67
October	82.69	88.18	98.64	103.03	107.89
November	82.97	88.52	97.84	103.85	109.24
December	83.54	88.80	97.55	104.26	109.09
Annual average	82.66	86.09	95.51	101.58	107.24

Table 4.23: Consumer Price Indices, Overall Nairobi, 2006-2010

February 2009=100

Month	2006	2007	2008	2009	2010
January	75.81	78.35	86.47	97.76	104.95
February	77.49	78.45	86.78	100.00	105.36
March	77.78	78.47	88.25	101.25	105.21
April	76.84	77.20	90.70	101.85	105.69
May	75.80	76.88	92.07	102.07	106.03
June	74.42	77.50	91.52	102.22	105.84
July	73.78	78.03	91.91	102.46	106.58
August	74.15	78.54	93.27	103.15	106.93
September	74.82	79.38	94.51	103.66	107.48
October	75.58	79.77	95.32	103.97	107.30
November	75.45	80.68	96.61	104.06	107.81
December	76.93	82.08	96.04	104.69	109.04
Annual average	75.74	78.78	91.95	102.26	106.52

Table 4.24: Consumer Price Indices, Rest of Urban areas, 2006-2010

February 2009=100

Month	2006	2007	2008	2009	2010
January	74.65	78.75	85.65	97.31	104.84
February	75.91	79.12	87.47	100.00	105.05
March	76.89	79.26	88.39	100.76	104.80
April	76.86	79.01	91.03	101.83	105.48
May	77.10	78.89	92.97	101.68	105.62
June	76.44	79.52	93.61	101.93	105.45
July	75.77	79.78	93.09	102.24	105.56
August	75.78	79.49	93.83	102.79	105.78
September	75.96	79.88	94.67	103.26	106.22
October	76.51	80.54	95.23	103.47	106.74
November	77.03	81.29	97.05	103.75	107.90
December	78.54	82.50	97.66	104.64	109.62
Annual average	76.45	79.83	92.56	101.97	106.09

Table 4.25: Consumer Price Indices, Kenya, 2006-2010

February 2009=100

Month	2006	2007	2008	2009	2010
January	75.26	78.74	86.07	97.55	104.89
February	76.51	78.90	87.25	100.00	105.18
March	77.15	78.94	88.22	100.96	104.97
April	76.81	78.35	90.85	101.84	105.56
May	76.55	78.15	92.68	101.84	105.79
June	75.78	78.84	92.89	102.05	105.61
July	75.19	79.25	92.75	102.33	105.98
August	75.36	79.27	93.79	102.94	106.25
September	75.72	79.84	94.72	103.42	106.74
October	76.28	80.34	95.29	103.68	106.97
November	76.53	81.10	96.95	103.87	107.86
December	77.89	82.25	96.89	104.66	109.38
Annual average	76.25	79.50	92.36	102.10	106.26

Chapter 5

Money, Banking and Finance

Overview

During 2010 there were several notable money, banking and finance developments both in the domestic and international fronts. The domestic inflation rate remained low and stable, within the Government's target of below 5.0 per cent. This was mainly on account of stable energy prices and lower communications costs compared with the prices in 2009. In general the 2010 growth momentum for Kenya's economy was supported by growth of credit to the private sector. A non-inflationary monetary policy stance was maintained. In particular, the Government through the CBK maintained tools of liquidity management which were sufficient to ensure that monetary expansion moved in tandem with economic growth, by taming the volatility of the interbank market interest rate. The Central Bank of Kenya (CBK) through the Monetary Policy Committee (MPC) emphasised lowering of interest rates and sought to achieve this by reviewing the Central Bank Rate (CBR) twice, in March 2010 by 25 basis points to 6.75 per cent, and in July 2010 by 75 basis points to 6.00 per cent where it remained at, up to the end of the year. The Open Market Operations (OMO) during the year were generally restricted to liquidity injections through repurchase order agreements (REPOs/reverse REPOs) rather than mop ups. The CBK continued to encourage commercial banks to use Horizontal Repos during the period to improve access to liquidity and improve its distribution within the banking system

5.2. The short term interest rates continued to decline in response to movements in the CBR. The interbank rate and the 91-day Treasury-bill, declined by 1.77 percentage points from 2.95 per cent in December 2009 to 1.18 per cent in December 2010, and by 4.54 percentage points from 6.82 per cent in December 2009 to 2.28 per cent in December 2010, respectively. The cash ratio requirement remained at 4.50 per cent during the year. However the actual cash ratio maintained by banks was an average of 5.81 per cent in December 2010, down slightly from 5.96 per cent recorded in December, 2009. Broad Money Supply, M3, and the reserve money were targeted to grow by 16.5 and 13.4 per cent, respectively in the year to June 2010, and by 22.6 and 11.3 per cent by September and December 2010, respectively. Broad money supply M3 remained within target, while the reserve money remained consistently above target during the year as commercial banks held excess reserves largely in Government paper.

Table 5.1: Monetary Indicators, 2006-2010

As at end of	Net Foreign Assets (KSh mn)	DOMESTIC CREDIT (KSh mn)			Money[2] Supply (M3) (KSh mn)	Bank Liquidity Ratio (per	Deposits Ratio (per cent)
		Private[1]	Government	Total			
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 Dec	260,537	664,636	162,777	827,413	901,055	39.3	73
2009 Dec	245,423	759,794	218,525	978,319	1,045,657	39.8	71
2010* Mar	269,734	779,168	266,825	1,045,993	1,107,896	43.8	71
Jun	281,797	818,879	323,377	1,142,257	1,198,930	45.1	69
Sep	279,675	870,554	351,482	1,222,036	1,243,601	46.7	71
Dec	271,397	920,671	354,679	1,275,350	1,271,638	44.5	74

* Provisional

Source: Central Bank of Kenya

[1] Includes other public sectors

[2] See Table 5.2 for coverage

Monetary Indicators, Aggregates and the Consolidated Balance Sheet for the Banking System

5.3. Monetary indicators for the period 2006 to 2010 are presented in Table 5.1. Net Foreign Assets (NFA) of the banking system grew from KSh 245.4 billion in December 2009 to KSh 271.4 billion in December 2010, representing a 10.6 per cent increase compared to a decline of 5.8 per cent in December 2009. The increase in NFA may be partly explained by the rise in export prices of tea and coffee as well as increased international funding by bilateral and multilateral financiers. Overall domestic credit grew by 30.4 per cent to stand at KSh 1,275.4 billion in December 2010, which was above the targeted growth of 19.9 per cent. Contributing to this growth was high increase in credit to private sector including quasi government bodies and a 59.0 per cent increase in domestic credit to Central Government. These resulted in accelerated growth of 21.6 in broad money supply M3 in December 2010. The commercial banks maintained an average liquidity of about 44.5 per cent while the advances to deposits ratio rose from 71.0 per cent in December 2009 to 74.0 per cent in December 2010, indicating increased lending.

Table 5.2: Money and Quasi-Money Supply, 2006-2010

KSh million

As at end of		Money[1] (M1)	Quasi-Money		Broad Money Supply		Overall liquidity
			Banks	NBFIs	M2	M3	L
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	Dec	392,778	360,300	13,531	766,393	901,055	1,091,929
2009	Dec	442,245	438,804	17,199	898,099	1,045,657	1,280,467
2010	Jan	463,449	440,761	12,824	916,868	1,067,271	1,297,895
	Feb	457,899	467,088	13,332	938,135	1,084,345	1,311,288
	Mar	465,082	480,940	13,111	959,004	1,107,896	1,350,169
	Apr	476,702	478,203	13,823	968,329	1,122,790	1,364,563
	May	491,196	492,940	15,202	999,145	1,159,595	1,404,538
	Jun	511,584	506,184	16,099	1,033,704	1,198,930	1,443,404
	Jul	522,316	504,913	16,982	1,044,019	1,213,212	1,475,225
	Aug	514,793	512,487	17,107	1,044,178	1,216,829	1,497,269
	Sep	536,885	523,455	18,132	1,078,277	1,243,601	1,527,381
	Oct	553,377	516,211	17,060	1,086,465	1,254,488	1,537,805
	Nov	562,671	510,195	15,921	1,088,667	1,258,812	1,553,605
	Dec	577,206	506,654	15,490	1,099,243	1,271,638	1,569,131

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

5.4. The various monetary aggregates are presented in Table 5.2. In 2010, there were accelerated expansions in most monetary aggregates with the exception of quasi money deposit held by Non Bank Financial Institutions (NBFIs) that declined by 9.9 per cent. Overall liquidity (L) expanded by 22.5 per cent in December 2010 to stand at KSh 1,569.1 billion, compared to a lower expansion of 17.3 per cent in December 2009. Contributing to this expansion were increases in narrow money (M1) by 30.5 per cent, quasi monetary deposits with commercial banks by 15.5 per cent, foreign currency deposits by 16.8 per cent and Treasury bill holding by 28.6 per cent. As a result of this, the consolidated banking system balance sheet expanded by 26.6 per cent in December 2010 compared to a growth of 12.5 per cent in December 2009.

Table 5.3: Consolidated Accounts of the Banking System, 2006 - 2010

KSh million

	2006	2007	2008	2009	2010*			
LIABILITIES	Dec	Dec	Dec	Dec	March	June	Sept	Dec
1 Money (M1):								
1.1 Demand Deposits	215,310	277,186	298,899	341,253	368,582	410,163	432,067	455,062
1.2 Currency outside banks ..	76,479	96,124	93,880	100,992	96,500	101,421	104,818	123,093
Sub-Total	291,789	373,310	392,778	442,245	465,082	511,584	536,885	578,155
2 Quasi-Money(MS):								
2.1 Call + 7 days Notice Deposits..	31,590	43,276	33,588	74,256	41,340	43,669	46,694	39,621
2.2 Savings Deposits	87,994	83,617	92,259	110,138	120,341	128,399	128,009	134,799
2.3 Time Deposits	149,183	177,979	235,430	254,410	319,259	334,116	348,752	332,233
Sub-Total (quasi-money banks)	**250,952**	**281,635**	**360,300**	**438,804**	**480,940**	**506,184**	**523,455**	**506,654**
Money (M1) & MS (Banks)	**542,741**	**654,945**	**753,078**	**881,049**	**946,022**	**1,017,768**	**1,060,341**	**1,084,809**
3 Quasi-Money (NBFIs)	12,984	14,321	13,531	17,199	12,983	15,936	17,937	15,375
Broad Money Supply (M2)	**553,907**	**666,875**	**766,393**	**898,099**	**959,004**	**1,033,704**	**1,078,277**	**1,100,184**
4 Foreign Currency Deposits	99,129	110,721	134,662	147,557	148,891	165,226	165,324	172,404
Broad Money Supply (M3)	**653,036**	**777,596**	**901,055**	**1,045,657**	**1,107,896**	**1,198,930**	**1,243,601**	**1,272,588**
5 Treasury Bill Holdings	168,713	194,032	190,874	234,811	242,273	244,474	283,780	297,492
Broad Money Supply (L)	**821,749**	**971,628**	**1,091,929**	**1,280,467**	**1,350,169**	**1,443,404**	**1,527,381**	**1,570,080**
6 Other Items (Net)	156,508	149,866	186,895	178,085	207,832	225,124	258,110	276,206
Minus Adjustment items	-168,713	-194,032	-190,874	-234,811				
TOTAL	**809,544**	**927,462**	**1,087,950**	**1,223,742**	**1,315,728**	**1,424,054**	**1,501,711**	**1,548,794**
ASSETS								
7 Net Foreign Assets	209,528	256,690	260,537	245,423	269,734	281,797	279,675	273,444
8 Domestic Credit:								
8.1 Central Govt. (Net).. ..	134,728	136,968	162,777	218,525	266,825	323,377	351,482	354,679
8.2 Other Public Bodies ..	18,465	14,347	11,807	12,482	10,963	9,855	17,947	22,180
8.3 Private Sector	446,824	519,457	652,829	747,312	768,205	809,025	852,607	898,491
Sub-Total	**600,017**	**670,771**	**827,413**	**978,319**	**1,045,993**	**1,142,257**	**1,222,036**	**1,275,350**
TOTAL	**809,544**	**927,462**	**1,087,950**	**1,223,742**	**1,315,728**	**1,424,054**	**1,501,711**	**1,548,794**

* Provisional

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 Central Government, Local Government and Non-residents deposits with banking institutions.

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

(c) Broad Money , **L**, comprises M3 and Treasury Bill holdings by the non-bank public.

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

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

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

5.5. Consolidated balance sheet of the banking system is presented in Table 5.3. The consolidated balance sheet expanded from KSh 1,223.7 billion in December 2009 to KSh 1,548.8 billion in December 2010. The liabilities increased mainly due to a 30.7 per cent increase in currency plus demand deposits, 16.8 per cent increase in foreign currency deposits and, 26.7 per cent increase in Treasury bill holdings. Contributing to the increase in assets was the 11.4 per cent growth in NFA, and 30.4 per cent increase in overall domestic credit. Credit to Central Government grew significantly by 62.3 per cent to KSh 354.7 billion in December 2010, while credit to other public sector expanded by 77.7 per cent to KSh 22.2 billion in

December 2010.

Table 5.4: Changes in Money Supply and the Sources, 2006 - 2010

KSh million

	2006	2007	2008	2009	2010
MONEY SUPPLY					
1 Currency plus demand deposits	60,633	81,520	19,468	49,467	135,910
2 Quasi-money(MS)	19,550	30,683	78,665	78,504	67,850
3 Quasi-money(NBFIs)	-1,160	764	1,385	3,668	-1,677
4 Foreign Currency Deposits	15,849	11,592	23,941	12,895	24,847
5 Broad Money supply (M3)	94,872	124,560	123,459	144,602	226,931
SOURCES OF CHANGES					
6 Net foreign assets	51,473	47,163	3,847	-15,114	28,021
7 All Domestic Credit	70,307	70,755	156,642	150,906	297,031
(a) to Central Government(net)	15,513	2,240	25,810	55,748	136,153
(b) to other public sector	6,462	-4,118	-2,540	676	9,698
(c) to private sector	48,333	72,633	133,372	94,483	151,179
8 Other Items (Net)	-26,908	6,643	-37,030	8,810	-98,121
9 Total sources of changes	94,873	124,560	123,459	144,602	226,931

[1]Compares year-end values

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

5.6. Table 5.4 presents the sources of changes in money supply (M3). The growth in M3 on the liability side was due to increases in currency plus demand deposits; savings and time deposits (quasi money); and foreign currency deposits, by 30.7, 15.5 and 16.8 per cent, respectively. Acceleration in the credit creation process was the main source of changes in M3, with credit to private sector increasing by 20.2 per cent, to Central Government by 62.3 per cent and for other public sector by 77.7 per cent.

5.7. Real values of selected financial aggregates are indicated in Table 5.5. In real terms, there was mixed performance with money supply M3, overall liquidity L and commercial banks credit to the private sector registering real growths of 16.5, 17.3 and 18.5 per cent, respectively at constant 2009 prices, in December 2010. Others that recorded growth in real terms include the banking system deposit liabilities, total commercial banks credit and total commercial banks liabilities at 16.7, 21.4 and 25.1 per cent, respectively.

Table 5.5: Trends in the Real Value of Selected Financial Aggregates1 2006 – 2010, at constant Prices (2009)

KSh million

	2006	2007	2008	2009	2010
1 Money Supply(M3)....	838,408	944,372	934,801	999,099	1,163,455
2 Overall Liquidity (L)....	1,055,012	1,180,019	1,132,824	1,223,454	1,435,436
3 Commercial bank credit to private sector	433,470	465,648	517,287	545,007	645,714
4 Total commercial bank credit	563,910	620,331	665,819	669,101	812,275
5 Commercial Banks' Deposit Liabilities	762,175	834,693	858,451	945,624	1,103,278
6 Total liabilities of banking system .. .	1,039,343	1,126,380	1,128,696	1,132,141	1,415,975
7 NBFIs credit to private sector	18,536	20,043	21,761	29,121	18,228
8 Total NBFIs Credit	18,536	20,043	21,761	29,121	18,228
9 Total liabilities of non-bank financial institutions(NBFIs)	28,429	33,226	34,758	38,249	27,793
Memorandum Item:					
10 Line 5 as per cent of line 6 ..	73	74	76	84	78
11 Line 9 as per cent of line 6 ..	3	3	3	3	2

[1] Deflated by average Consumer Price Indices.

5.8. During the period under review, both credit by NBFIs and the total NBFIs liabilities declined in real terms by 37.4 and 27.3 per cent, respectively. The proportion of commercial banks deposit liabilities to total liabilities of the banking system declined in real terms from 84.0 per cent recorded in December 2009 to 78.0 per cent in December 2010. The liabilities of NBFIs as a proportion of the banking systems liabilities declined by one percentage point to 2 per cent in December 2010

Nominal and Real Interest Rates

5.9. Nominal interest rates are shown in Table 5.6. Since December 2009, the principal interest rates declined with the average interest on 91-day treasury bills declining significantly by 4.54 percentage points to 2.28 per cent in December. Both the interbank and average deposit interest rates declined by 1.77 and 1.25 percentage points, respectively while the savings, maximum loans/advances, and overdraft interest rates reduced by less than one percentage point to 1.45, 13.87 and 13.69 per cent, respectively, in December 2010. The interest rate spread rose following the unequal reductions in the lending and deposit rates. The spread widened from 9.92 percentage points in December 2009 to 9.94 percentage points in June 2010 and further to 10.28 percentage points in December 2010. These drops in interest rates can be explained by the reduction in the CBR to 6.75 per cent in March 2010 and 6.00 per cent in July where it remained till the end of 2010.

Table 5.6: Principal Interest Rates, 2006-2010

Percent

	2006	2007	2008	2009	2010	
					June	December
CENTRAL BANK OF KENYA						
Average Interest Rate for 91 day Treasury Bills ..	5.73	6.87	8.59	6.82	2.98	2.28
Central Bank Rate.. ….	10.00	8.75	8.50	7.00	6.75	6.00
Repo /Inverse Repo rate.. .. .	6.34	7.13	6.36	..	..	..
Inter-bank rate..	6.34	7.05	6.67	2.95	1.15	1.18
COMMERCIAL BANKS[1]						
Average deposits	4.11	4.32	4.89	4.84	4.45	3.59
Savings deposits	1.36	1.67	1.65	1.73	1.75	1.45
Loan and Advances	13.74	13.32	14.87	14.76	14.39	13.87
Overdraft	13.91	12.96	14.40	14.13	14.23	13.69

Source: Central Bank of Kenya.

[1]Weighted average commercial bank interest rates

5.10. Trends in selected real interest rates are presented in Table 5.7. The real interest rates were negative with the exception of commercial bank maximum lending rate. Average real interest rate for 91 day Treasury bill declined from -1.2 per cent in December 2009 to -2.2 per cent in December 2010. Commercial banks average savings deposit improved marginally from -6.3 to -3.1 per cent in 2010, while commercial banks maximum lending rate in real terms rose from 6.8 to 9.4 per cent. The interbank rate changed from -5.1 per cent in December 2009 to -3.3 per cent in December 2010.

Table 5.7: Trends in Selected Real Interest Rates, 2006 - 2010

Percentage

	Year	Nominal Interest	Inflation Rate[1]	Real Interest[2]
1 Average Interest Rate for 91-day Treasury Bills ..				
	2006	5.8	7.3	-1.5
	2007	6.9	5.6	1.3
	2008	8.6	17.8	-9.2
	2009	6.8	8.0	-1.2
	2010	2.3	4.5	-2.2
3 Commercial bank savings deposits (ave) .. .	2006	1.4	7.3	-5.9
	2007	1.7	5.6	-3.9
	2008	1.6	17.8	-16.2
	2009	1.7	8.0	-6.3
	2010	1.5	4.5	-3.1
4 Commercial bank loans and advances (max)	2006	13.7	7.3	6.4
	2007	13.3	5.6	7.7
	2008	14.8	17.8	-3.0
	2009	14.8	8.0	6.8
	2010	13.9	4.5	9.4
5 Inter-Bank Rate	2006	6.3	7.3	-1.0
	2007	7.1	5.6	1.5
	2008	6.7	17.8	-11.1
	2009	3.0	8.0	-5.1
	2010	1.2	4.5	-3.3

[1] As at December

[2] Series revised to New CPI

[3] Adjusted for inflation

Central Bank's Balance Sheet

5.11. Central Bank balance sheet is presented in Table 5.8. The assets and liabilities increased from KSh 333.0 billion in December 2009 to KSh 393.3 billion in November 2010 expanding by 18.1 per cent. On the assets side the foreign exchange holding grew by 13.9 per cent to KSh 321.1 billion. Direct advances and overdraft to Kenya Government increased by 23.3 per cent to KSh 54.9 billion, while other assets including Treasury bills and bonds increased to KSh 10.7 billion over the same period.

5.12. On liabilities side deposits grew marginally by 4.1 per cent to KSh 184.3 billion. A significant decline of 40.7 per cent in Kenya Government deposits was recorded while deposits by commercial banks rose by 16.7 per cent to KSh 58.7 billion in the review period. Foreign liabilities which were not reflected in the previous years grew rapidly from KSh 26.6 billion in March 2010 to KSh 30.6 billion in November 2010. Currency in circulation expanded by 12.7 per cent while capital and general reserve fund increased by 12.1 per cent to stand at KSh 140.1 billion and KSh 28.1 billion, respectively.

Table 5.8: Central Bank of Kenya Assets and Liabilities 2006 - 2010

KSh million

ASSETS	2006	2007	2008	2009	2010			
					1st Qtr	2nd Qtr	3rd Qtr	4th Qtr
1. Foreign Exchange:-								
1.1 Balances with								
External Banks	165,907	223,046	221,335	263,019	260,375	310,950	327,497	326,079
1.2 Treasury Bills ..	-	-	-	16,569				
1.3 Other Investments ..	1,078	1,003	1,976	1,913				
1.4 Special Drawing Rights	61	47	238	473	44	26,329	26,517	25,976
TOTAL	**167,046**	**224,096**	**223,549**	**281,974**	**270,914**	**310,950**	**327,497**	**321,118**
2. Advances & Disc. to Banks ..	-	7,247	-	-	165	31	30	1,280
3. Direct Advances & Overdraft								
to Kenya Government	48,795	41,877	50,082	44,496	39,880	50,664	53,032	54,881
4. Other Assets including Kenya								
Treasury Bills & Bonds	5,725	5,148	5,586	6,530	9,186	9,523	10,470	10,709
TOTAL ASSETS	**221,566**	**278,368**	**279,217**	**333,000**	**320,145**	**371,484**	**391,120**	**393,289**
LIABILITIES :								
1. Capital and General								
Reserve Fund	9,645	9,645	14,254	31,982	31,804	31,804	28,103	28,103
2. Currency in Circulation-								
2.1 Notes	85,948	112,308	111,712	119,741	115,956	120,578	126,114	135,412
2.2 Coins	3,740	3,622	4,024	4,549	4,378	4,446	4,558	4,639
TOTAL CURRENCY	**89,688**	**115,930**	**115,736**	**124,290**	**120,334**	**125,024**	**130,672**	**140,051**
3 REPO SECURITIES[1]								
3.1 OMO-repo sales	4,917	10,174	3,971	-	-	-	-	-
3.2 Repo-tap sales	-	-	-	-	-	-	-	-
TOTAL	**4,913**	**10,119**	**3,971**	**-**	**-**	**-**	**-**	
Deposits								
4.1 Kenya Government	55,904	76,246	50,091	70,451	64,451	43,558	53,799	58,700
4.2 Kenya Banks[2]	35,234	40,881	47,858	57,673	57,130	85,235	79,227	75,425
4.3 External Banks	23,752	19,023	22,190	36,495	36,117	36,503	90	36,490
4.4 Other	10,003	5,806	11,734	12,506	13,114	50,750	56,807	20,842
TOTAL	**113,893**	**141,985**	**131,836**	**177,100**	**170,812**	**179,637**	**189,923**	**184,347**
5. Foreign Liabilities				26,585	28,319	27,893	28,792	30,578
5. Other Liabilities	3,427	1,075	13,420	5,306	5,012	6,186	5,656	12,189
TOTAL LIABILITIES	**221,566**	**278,368**	**279,217**	**333,000**	**320,145**	**371,484**	**391,120**	**393,289**

Source: Central Bank of Kenya

[2]- deposits from commercial banks excluding non-bank financial institutions (NBFIs)

[1]-REPOs securities included in the breakdown from January 2001.

Commercial Banks' credit and liquidity

5.13. Commercial banks bills, loans and advances to various sectors of the economy are shown in Table 5.9a. Overall credit expanded by 26.9 per cent to KSh 888.5 billion by December 2010. Credit to public sector grew by 4.6 per cent to KSh 20.4 billion in the review period. Of this, credit to Central Government declined significantly from KSh 131 million in December 2009 to KSh 20 million in December 2010, while credit to parastatals and other public entities grew by 9.1 per cent to KSh 18.9 billion.

Table 5.9a: Commercial Banks- Bills, Loans and Advances1 2006- 2010

KSh million

	2006 Dec	2007 Dec	2008 Dec	2009 Dec	2010 Dec
PUBLIC SECTOR:					
Central Government	2,502	1,083	332	131	20
Local Government	1,089	973	1,478	2,107	1,541
Enterprises, Parastatal bodies and other					
Other Public entities	16,951	12,398	12,335	17,287	18,858
TOTAL PUBLIC SECTOR	**20,542**	**14,454**	**14,145**	**19,525**	**20,419**
PRIVATE ENTERPRISES:					
Agriculture	33,086	28,128	31,110	38,182	43,045
Mining and Quarrying	3,163	5,971	10,268	8,193	14,584
Manufacturing	69,390	65,103	90,224	87,876	112,222
Building and Construction	31,613	31,576	29,247	30,414	32,637
Transport, Storage and Communication ..	39,777	47,125	57,100	63,884	60,136
Wholesale and retail trade, hotels and restaurants	53,992	63,703	82,034	107,784	136,010
Financial Institutions	16,530	23,649	17,634	23,866	22,807
Other Business	93,579	118,160	164,992	210,218	209,334
TOTAL PRIVATE ENTERPRISES	**346,052**	**383,415**	**498,613**	**570,417**	**706,282**
COMMUNITY AND PERSONAL SERVICES					
(including non-profit making institutions) .	48,707	82,957	88,000	87,972	120,554
Other Activities (Nes)	32,351	29,955	41,026	41,905	41,211
TOTAL BILLS, LOANS AND ADVANCES	**447,652**	**510,781**	**641,784**	**700,294**	**888,467**

Source: Central Bank of Kenya

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

5.14. Credit to private enterprises expanded by 23.8 per cent from KSh 570.4 billion in December 2009 to KSh 706.3 billion in December 2010. Sectors that recorded increases in credit included mining and quarrying by 78.0 per cent, mainly due to crude oil and natural gas exploration, and wholesale and retail trade which grew by 26.2 per cent in the review period. Other sectors which also received substantial increases in credit were manufacturing and agriculture that expanded by 27.7 and 12.7 per cent, respectively, while building and construction grew by 7.3 per cent. Transport, storage and communication declined by 5.9 per cent from KSh 63.9 billion in 2009 to KSh 60.1 billion in December 2010. Sectoral shares in credit are shown in Table 5.9b. During the review period the gainers include distributive trade whose share rose from 15.4 to 23.8 per cent, mining and quarrying rising from 1.2 to 1.6 per cent. Community and personal services also rose from 12.6 per cent in December 2009 to 13.6 per cent in December 2010. All other sectors experienced marginal declines in their share of commercial banks' lending.

Table 5.9b: Commercial Banks - Bills, Loans and Advances Sectoral Shares1, (Percentages), 2006- 2010

	2006 Dec	2007 Dec	2008 Dec	2009 Dec	2010 Dec
PUBLIC SECTOR:					
Central Government	0.6	0.2	0.1	0.0	0.0
Local Government	0.2	0.2	0.2	0.3	0.2
Enterprises, Parastatal bodies and other					
Public entities	3.9	2.4	1.9	2.5	2.1
TOTAL PUBLIC SECTOR	**4.6**	**2.8**	**2.0**	**2.8**	**2.3**
PRIVATE ENTERPRISES:					
Agriculture	7.5	5.5	4.8	5.5	4.8
Mining and Quarrying	0.7	1.2	1.6	1.2	1.6
Manufacturing	16.0	12.7	14.1	12.5	12.6
Building and Construction	6.9	6.2	4.6	4.3	3.7
Transport, Storage and Communication ..	8.9	9.2	8.9	9.1	6.8
Wholesale and retail trade, hotels and restaurants	12.1	12.5	15.3	15.4	23.8
Financial Institutions	3.5	4.6	2.7	3.4	2.6
Other Business	21.3	23.1	25.7	30.0	23.6
TOTAL PRIVATE ENTERPRISES	**76.9**	**75.1**	**77.7**	**81.5**	**79.5**
COMMUNITY AND PERSONAL SERVICES (including non-profit making institutions) .	11.1	16.2	13.7	12.6	13.6
Other Activities (Nes)	7.4	5.9	6.4	6.0	4.6
TOTAL BILLS, LOANS AND ADVANCES	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: Central Bank of Kenya

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

5.15. Table 5.10 presents the deposit liabilities and liquid assets of the commercial banks. In 2010 the commercial banks maintained an average liquidity of 44.5 per cent, which was well above the statutory requirement of 20 per cent. Deposit liabilities expanded by 21.9 per cent in December 2010 compared to 19.6 per cent in 2009 to stand at KSh 1,206.8 billion. Over the same period the liquid assets of the commercial banks expanded significantly by 34.9 per cent to stand at KSh 534.9 billion in December 2010 compared to an increase of 22.1 per cent recorded in December 2009.

Table 5.10: Commercial Banks - Deposit Liabilities and Liquid Assets1, 2006 - 2010

		Deposit Liabilities KSh million	Liquid Assets[2] KSh million	Overall Liquidity Ratio[3] per cent
2006	December	593,658	269,057	45.3
2007	December	687,286	284,281	41.4
2008	December	827,461	324,997	39.3
2009	December	989,690	396,671	40.1
2010	January	986,668	427,471	43.3
	February	1,044,723	452,530	43.3
	March ..	1,076,291	480,578	44.7
	April	1,087,162	490,872	45.2
	May	1,154,941	508,197	44.0
	June	1,196,957	538,451	45.0
	July	1,202,807	540,393	44.9
	August	1,203,917	551,709	45.8
	September.. ..	1,237,396	565,423	45.7
	October	1,260,399	549,131	43.6
	November	1,261,302	560,761	44.5
	December	1,206,765	534,947	44.3

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 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

5.16. The balance sheet for the Non-bank Financial Institutions (NBFIs) is presented in Table 5.11. The assets and liabilities in the NBFIs balance sheet shrank by 24.0 per cent from KSh 40.0 billion recorded in December 2009 to KSh 30.4 billion in December 2010. Contributing to this contraction on the Liabilities side was the private sector deposits excluding other public sector component which declined from KSh 21.6 billion in December 2009 to KSh 14.5 billion over the same period in 2010. Deposits from Central Government declined from KSh 974.0 million in 2009 to KSh 455.0 million in 2010. Deposits from other public sector increased by 20.2 per cent to stand at KSh 1.7 billion in 2010, owing to housing development programmes. Assets on the other hand declined as a result of reduced loans and advances to private sector and other assets that declined by 34.6 and 33.7 per cent respectively. The cash and deposits in banks component on the assets grew by 24.7 per cent to KSh 8.4 billion in the same period.

Table 5.11: Assets and Liabilities of the Non Bank Financial Institutions, 2006- 2010

KSh million

					2010			
	2006	2007	2008	2009	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr
LIABILITIES:								
Deposits-								
Central & Local Government..	1	1	542	974	509	305	399	455
Other Public Sector ..	2,756	3,091	1,994	1,452	1,007	1,573	1,782	1,746
Other Depositors ..	10,328	11,230	18,004	16,052	12,104	14,525	16,349	13,744
Other Liabilities	9,058	13,036	12,963	21,553	7,674	7,792	7,544	14,456
TOTAL LIABILITIES	22,143	27,358	33,503	40,031	21,295	24,196	26,075	30,400
ASSETS:								
Cash and Deposits in Banks	2,478	3,234	4,468	6,720	3,472	5,305	5,219	8,382
Other Financial Institutions ..	-	-	-	-				
Associated Companies ..	3,057	2,472	1,379	510	504	510	504	540
Investments, Bills,								
Loans & Advances:-								
Public Sector	-	-	-	-	-	-	-	-
Private Sector	14,438	16,503	20,976	30,478	15,948	16,954	18,913	19,938
Other Assets	2,210	5,149	6,681	2,323	1,371	1,426	1,438	1,541
TOTAL ASSETS ..	22,143	27,358	33,503	40,031	21,295	24,196	26,075	30,400

Source: Central Bank of Kenya

Capital Market Indicators

5.17. Kenya's capital markets improved performance during the period under review characterised by increased activity in the primary and secondary markets. In the equities primary market, lifestyle clothing dealer Deacons Kenya Limited launched a KSh 800 million public offer (PO) during the period under review and raised KSh 700 million.In the primary debt market, fifteen (15) Treasury bonds were issued by Government including two re-openings and two infrastructure bonds raising KSh 176 billion. In addition, three corporate bonds were issued raising KSh 14 billion.

5.18. The Nairobi Stock Exchange (NSE) market indicators are presented in Table 5.12. The benchmark performance indicator the 20 share index rose steadily over the first three quarters of 2010 peaking in the third quarter and then dropping to stand at 4,433 in December 2010 points compared to 3,247 points in 2009.

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Table 5.12: Gross Secondary Market Statistics, 2006 - 2010

	2006	2007	2008	2009	2010				
	Dec	Dec	Dec	Dec	1st Qr	2nd Qr	3rd Qr	4th Qr	Total
Equities Market									
Total No. of Shares (million)	1,455	1,938	5,857	3,169	1,601	2,061	2,526	1,357	7,546
Total No. of Deals	598,301	973,548	121,769	134,885	124,104	183,818	286,066	127,379	721,367
Total Value of Shares (KSh bn)	95	89	98	38	19	31	31	25	110
NSE 20 Share Index (Base Jan 1966=100)	5,646	5,445	3,521	3,247	4,073	4,339	4,630	4,433	
Market Capitalization (KSh bn)	792	851	854	834	983	1,109	1,174	1,167	
Fixed Income Securities Market									
Total bond Turnover (KSh bn)	49	85	95	111	50.4	95.2	30.9	23.3	479
Capital Markets, Licensed/approved Institutions									
Securities Exchange (NSE)	1	1	1	1					1
Central Depositories (CDSC)	1	1	1	1					1
Investment Banks	17	17	17	19					19
Stockbrokers	8	8	8	7					5
Investment advisers	20	20	20	23					21
Fund Managers	16	16	16	16					20
Collective Investment Schemes	11	11	11	11					13
Authorized depositories/Custodians	11	11	11	12					17
Credit Rating Agencies	0	1	1	1					1
Venture Capital Companies	1	1	1	1					1
Dealer	0	0	0	0					1

Source: Capital Markets Authority and Nairobi Stock Exchange

5.19. Market capitalization rose from KSh 834.0 billion in December 2009 to KSh 1,167.0 billion in 2010. In the fixed income securities market, the total bond turnover more than tripled from KSh 111.0 billion in December 2009, to KSh 479.0 billion in December 2010. In addition, foreign investors portfolio flows recorded a net inflow of KSh 15 billion during the period under review. NSE's secondary equities market performance was the best over the past three years. Market Capitalization averaged over KSh 1 trillion throughout the year. Consequently, the equity market posted an average annual return of 36.5 per cent based on the NSE 20 Share Index, making NSE the second best performing equity market in Africa after the Uganda Securities Exchange.

5.20. In the secondary bond market, the increase in turnover can be attributed to the implementation of bond market reforms, the automation of bond trading and settlement and the issuing of Infrastructure Bonds by the Government which increased the supply of debt securities at the NSE. A total of 11 categories of capital market intermediaries comprising 100 players were licensed to operate in 2010 compared to 92 in 2009.

Developments in the Financial Sector

Banking Sector

5.21. During 2010, Kenya's banking sector recorded significant growth in assets driven by growth in deposits, injection of capital and retention of profits. Performance over the last quarter of 2010 was largely supported by credit referencing and agent banking among other initiatives pursued by the CBK. During the year, the number of commercial banks was 43, while foreign exchange bureaus reduced from 130 to 126. However, deposit taking microfinance institutions increased from one to five while one credit reference bureau (CRB Africa Limited) was opened. In the same period, Saving and Loans (S&L) finance company

merged with Kenya Commercial Bank (KCB).

5.22 Several instruments aimed at expanding financial inclusion especially to the unbanked majority were introduced by the Central Bank of Kenya. The credit sharing mechanism for institutions licensed under the Banking Act was rolled-out on 31st July 2010. The roll-out followed the operationalisation of the Banking (Credit Reference Bureau – CRB) Regulations, 2008. The CRB regulations provide guidelines for establishment, licensing and operations of banking sector credit reference bureaus. The uptake of credit reports by banks' is expected to increase as use of credit referencing is entrenched in banks' credit appraisal processes.

5.23. The guidelines on Agent Banking came into operation in May 2010. The introduction of agent banking is intended to enable institutions to provide banking services in a more cost effective way to the majority of the unbanked population. In the period under review six banks applied for Agent Network approval, out of which two had been approved by CBK as at 30th September 2010. The CBK also approved 5,892 agents out of which 4,392 were telcom related. Provision of financial services through the Agents is expected to expand access to affordable financial services.

5.24. Since the enactment of the Microfinance Act of 2006, the microfinance industry has experienced vibrant growth. In September 2010, Faulu Kenya and Kenya Women Finance Trust deposit taking microfinance institutions had a total of KSh 14.9 billion in form of loans and advances. At the same time the number of microfinance deposit accounts stood at 858,000 while the mobilized deposits rose to KSh 7.2 billion.

5.25. There was renewed optimism in the Kenyan capital markets with Deacons Kenya limited raising capital through the public floatation of 13 million new shares at KSh 62.5 in November 2010. In addition, four offers with a total of 1.4 million shares on issue raised KSh 26 billion through the NSE in 2010. Other developments in the Capital Markets included the demutualization of the NSE; Review of the Legal Framework aimed at providing a legal and regulatory framework that is supportive and effective; and Risk Based Supervision(RBS) focusing on high risk areas.

5.26. During 2010 there were 46 licensed insurance companies, 158 insurance brokers and 3,788 insurance agents. The industry recorded an overall improvement with the gross premium income increasing by 20.2 per cent to KSh 78.1 billion in 2010 from KSh 65 billion in 2009. Income from investment increased by 20.5 per cent from KSh 12.1 billion in December 2009 to KSh 14.6 billion in December 2010.

5.27. Paid up capital in the insurance industry increased from KSh 15.8 billion in 2009 to KSh 15.9 billion in 2010 while the total assets recorded an increment of 12.9 per cent to stand at KSh 201 billion. The total paid-up share capital and reserves as at the end of 2010 amounted to KSh 17.4 billion compared to KSh 10 billion in 2009. The total paid-up share capital by the end of 2010 amounted to KSh 4.3 billion compared to KSh 2.9 billion in 2009. This high increase may be due the insurers' effort to meet the minimum paid-up share capital requirement of KSh150 million. The un-appropriated surplus amounted to KSh 6.8 billion in 2010 compared to 1.9 billion in 2009.

5.28. Solvency margin which is a measure of an insurance company's ability to service its long-term financial obligations increased in margin in 2010 compared to 2009. The available

and required solvencies in 2010 were KSh 38.8 and KSh 9.2 billion, respectively translating to a solvency margin ratio of 421.7. Total assets increased by 27 per cent from KSh 159.1 billion to KSh 201.5 billion between the fourth quarters of 2009 and 2010. Total liabilities increased by 21.1 per cent from KSh 126.7 billion to KSh153.4 billion during the same period.

5.29. The total Gross Premium Income (GPI) reported under long term insurance business by 31st December 2010 increased by 17.4 per cent to KSh 27.4 billion. The total GPI excluding pension stood at KSh 18.9 billion in 2010 representing 26.2 per cent increase from what was recorded in 2009. The total GPI reported under Ordinary and group life amounted to KSh 11.2 billion and KSh 7.7 billion, respectively in 2010. Motor commercial reported the highest GPI of KSh12.9 billion whereas aviation business reported the lowest GPI of KSh 531.8 million. The total underwriting management expenses reported under insurance business by the end of year 2010 was KSh12.4 billion up from KSh 8.3 billion in 2009.

Pensions Sub-sector

5.30. In 2010 there were 17 private and one public pension scheme and managers, the National Social Security Fund (NSSF). The private fund managers had a total of 1,192 schemes with total investments amounting KSh 300.2 billion while the NSSF had investments amounting to KSh 96.4 billion.

The Savings and Credit Co-operatives Societies (SACCOs) Sub-sector

5.31. The Savings and Credit Cooperative (Sacco) societies represent a significant proportion of Kenya's financial sector especially with respect to access, savings mobilization and wealth creation. There were 6,473 registered SACCO societies as at December 2010 out of which 3,466 were active. Amongst the active SACCOs, 219 operates Front Office Savings Activities (FOSAs) with a combined total asset of KSh 150 billion representing a 76 per cent of the combined assets of all active SACCOs.

Integration of mobile money transfer platform with traditional banking platform

5.32. In May 2010, Equity bank partnered with Safaricom to launch M-Kesho account to offer micro-savings, micro-credit and micro-insurance products. As of August 2010, person to person transfers were KSh 33.3 billion representing 54.5 per cent of total transfers. Other category of transfers including person to business, business to person and ATM withdrawals have shown signs of strong application since the last quarter of 2010. To date new mobile phone money transfer platforms have been launched by Family bank (Pesa Pap), KCB connect, Airtel (ZAP), Essar (Yu Cash) and Orange (Orange Money).

Chapter 6

Public Finance

Overview

The fiscal policy adopted by the Government in 2010/11 was geared towards consolidating economic recovery and putting the economy back on the *Vision 2030* growth path as well as containing the yet to dissipate recessionary effects of multiple shocks that were manifest in the preceding years. Against this backdrop, public spending in the current financial year was premised on the need to scale-up investment in the key priority social and economic sectors as well as the critical physical infrastructure such as roads, rail, power generation, power transmission and distribution systems, and port modernization and expansion. The link between policy, planning and allocation of public resources has been strengthened through the Medium Term Expenditure Framework (MTEF) budget preparation process that underscores the importance of Programme/Performance Based Budgeting (PBB). This is primarily intended to optimize returns from public investment through prioritised spending and enhance absorption of budgeted funds. Prudent management of the country's debt portfolio is vital in the realisation of the various benchmarks identified in the *Vision 2030* blue print. Thus, the Government will endeavour to adopt a debt strategy that ensures that concessional financing is given utmost precedence since its long term cost and risk are limited.

6.2. **Recent fiscal developments:** During the first quarter of the 2010/11 financial year, the new Constitution was enacted ushering in fundamental changes in public finance. The new dispensation provides for fiscal decentralisation through devolved governments and the setting up of the Commission on Revenue Allocation. The role of the commission includes making recommendations concerning the basis for the equitable sharing of revenue raised by the national government. The new law also stipulates that a minimum of 15 per cent of national revenue should be allocated to the 47 counties and the creation of an equalization fund that will be 0.5 per cent of national revenue to enable marginalized areas provide basic services to the public.

6.3. **Overall Fiscal Results:** In 2010/11, overall Government expenditure is expected to stand at KSh 998.3 billion compared to KSh 805.3 billion in 2009/10. Total budgeted recurrent expenditure is projected to increase from KSh 620.5 billion in 2009/10 to KSh 691.6 billion in 2010/11. The increase is attributable to expenditures associated with Agenda 4 items of the National Accord, including funding of the referendum on the new constitution. Development expenditure is also expected to increase from KSh 184.8 billion in 2009/10 to KSh 306.7 billion in 2010/11. This is on account of outlays aimed at supporting critical infrastructure that would consequently lead to reduced cost of doing business, crowd-in private investment in the key sectors identified under the Medium Term Plan (MTP 2008-2012) as well as other strategic interventions earmarked to bolster growth and support for irrigation projects. Total revenue (including grants) is expected to increase by 19.8 per cent from KSh 643.3 billion in 2009/10 to KSh 770.7 billion in 2010/11. The Central Government outstanding public debt increased by 19.5 per cent from KSh 889.9 billion in June 2009 to KSh 1,063.5 billion in June 2010. Domestic debt stood at KSh 534.5 billion and accounted for 50.2 per cent of the total debt while external debt stood at KSh 528.9 billion. Local Authorities' expenditure is expected to be KSh 33.3 billion in 2010/11, compared to KSh 29.1 billion in 2009/10. Transfers from Central Government through the Local Authority Transfer Fund (LATF) mechanism is

expected to grow from KSh 10.4 billion in 2009/10 to KSh 12.3 billion in 2010/11.

6.4. Table 6.1 presents a statement of Central Government operations for the period between 2006/07 and 2010/11. In the year under review, the expense is expected to increase by 32.5 per cent from KSh 592.8 billion in 2009/10 to KSh 785.2 billion in 2010/11. Net borrowing is expected to worsen from KSh 61.4 billion in 2009/10 to KSh 134.3 billion in 2010/11. Expenditure on acquisition of non-financial assets (net) is expected to rise from KSh 111.9 billion in 2009/10 to KSh 119.9 billion in 2010/11.

Table 6.1: Statement of Central Government Operations 2006/07 - 2010/11

KSh million

	2006/07	2007/08	2008/09	2009/10*	20010/11+
1. Revenue[1]	387,483.05	468,243.64	531,008.53	643,320.76	770,742.61
2. Expense (2.1+2.2)	357,124.53	448,762.00	492,669.29	592,816.92	785,157.77
2.1 Current Expenditure	339,778.50	417,381.29	465,970.29	530,280.67	649,342.95
2.2 Capital Transfers	17,346.04	31,380.71	26,699.00	62,536.25	135,814.82
3. Gross Operating Balance(G.O.B) (1-2)	30,358.52	19,481.64	38,339.24	50,503.84	-14415.15
4. Acquisition of Non-Financial Assets(net)	56,181.45	74,386.08	113,198.20	111,916.10	119,918.21
5. Net lending/Borrowing (3-4)	-25822.94	-54904.44	-74858.96	-61412.26	-134333.36
FINANCING (6+7)	35,042.21	-53810.34	71,864.48	156,940.90	88,648.94
6. Net Acquisition of financial assets (6.1+6.2)	-1226.794	-46244.04	-9126.79	-5684.24	-8184.40
6.1. Domestic	-1226.794	-46244.04	-9126.79	-5684.24	-8184.40
6.2. Foreign	-	-	-	-	-
7. Net Incurrence of liabilities (7.1+7.2)	36,269.00	-7,566.30	80,991.27	162,625.14	96,833.34
7.1. Domestic	38,661.00	-13,891.30	69,427.27	151,479.26	83,488.31
7.2. Foreign	-2,392.00	6,325.00	11,564.00	11,145.88	13,345.03
MEMORANDUM ITEMS:					
8. Public debt Redemption	90,952.99	92,269.42	75,361.36	91,714.59	83,013.72
8.1. External	13,146.92	16,833.59	17,374.48	18,134.06	20,460.54
8.2. Internal	77,806.07	75,435.83	57,986.88	73,580.53	62,553.18

Source: Kenya National Bureau of Statistics and Ministry of Finance

* Provisional

+ Revised estimates

[1] incudes grants & AIA

Acquisition of Non financial assets(net) = Acquisition of Non financial assets - Gross Disposal of Non financial assets

6.5. Table 6.2 presents an analysis of key fiscal ratios for the period between 2006/07 and 2010/11. The ratio of gross operating balance to revenue is expected to worsen from 7.9 per cent to negative 1.9 per cent. This is as a result of a sharp rise in projected total expenditure compared to total revenue which is expected to grow at a relatively slower pace. The ratio of net lending/borrowing to total revenue is expected to stand at negative 17.4 per cent in 2010/11 compared to negative 9.6 percent in 2009/10. The ratios of revenue as a percentage of GDP, and total Government expenditure as a percentage of GDP are expected to remain on an increasing trend in the period under review. The trend in the two ratios is a consequence of increased revenue collections, and public spending in the review period.

Table 6.2: Analysis of Key Fiscal Ratios, 2006/07-2010/11

	2006/07	2007/08	2008/09	2009/10*	2010/11+
Gross operating balance as a % of Revenue	7.83	4.48	7.22	7.85	-1.87
Gross operating balance as a % of Acquisition of Non financial assets(net)	54.04	27.20	33.87	45.13	-12.02
Ratio of Acquisition of Non financial assets(net) to Current Expenditure	16.53	18.53	24.29	21.11	18.47
Net lending/Borrowing as % of Revenue	-6.66	-11.98	-14.10	-9.55	-17.43
Net lending/Borrowing as % of Total Expenditure	-5.10	-8.47	-10.78	-7.63	-13.46
External Grants and Loans as % of Acquisition of Non financial assets(net)	23.32	64.44	46.38	37.83	44.79
Net Short-Term Borrowing as % of Acquisition of Nonfinancial assets(net)	2.23	-57.05	25.41	56.77	-13.52
Revenue as % of GDP at Current Market Prices	23.92	25.60	25.15	27.20	30.89
Total Government Expenditure as % of GDP at Current Market Prices	31.25	36.34	32.88	34.04	40.01
Net lending/Borrowing as % of GDP at Current Market Prices	-1.59	-3.16	-3.55	-2.60	-5.38

* Provisional

+ Revised estimates

6.6. Public budgeting process has been anchored on the MTEF process that seeks to increase the absorption rates of public funds through PBB among other objectives. The rationale behind PBB is to entrench a fundamental, long term objective of efficiency and effectiveness in public spending that will be achieved through clearly defined outputs and outcomes. Table 6.3 compares the budgeted estimates with the actual out-turns of revenue and expenditure for the fiscal period 2007/08 to 2010/11, which is an indication of how public funds are absorbed. Absorption of funds budgeted for recurrent expenditure improved from a deviation of KSh 40.8 billion in 2008/09 to a deviation of KSh 13.4 billion in 2009/10. However, absorption of development funds worsened from a KSh 37.4 billion disparity in 2008/09 to a KSh 68.3 billion difference in 2009/10. This could be attributed to delays in disbursements of donor funds intended for development projects as well as setbacks relating to procurement procedures.

Table 6.3: Comparison of Central Government Budget Estimates with Actual Out-turns, 2007/08-2010/11

KSh million

	2007/08			2008/09		
	Budget	Actual	Difference	Budget	Actual	Difference
Recurrent Revenue	441,466.55	441,530.10	63.55	516,627.50	488,934.45	-27,693.05
Recurrent Expenditure[2]	512,322.37	501,718.54	-10,603.83	563,589.32	522,775.32	-40,814.00
Recurrent Balance	-70,855.82	-494,316.37	-423,460.55	-46,961.82	-33,840.88	13,120.94
Development Expenditure	201,676.06	162,896.23	-38,779.83	207,509.67	170,133.86	-37,375.81
External Financing (Net)[1]	59,672.00	33,039.54	-26,632.46	59,013.50	59,208.00	194.50
Balance for Domestic Financing (Net)	-212,859.88	-624,173.06	-411,313.18	-195,457.99	-144,766.74	50,691.25
	2009/10*			2010/11+		
	Budget	Actual	Difference	Budget	Actual	Difference
Recurrent Revenue	569,508.30	575,992.39	6,484.09	648,072.73	651,494.67	3,421.94
Recurrent Expenditure[2]	633,895.52	620,469.53	-13,425.99	675,593.14	691,563.49	15,970.35
Recurrent Balance	-32,707.72	-44,477.14	19,910.08	-27,520.41	-40,068.82	-12,548.41
Development Expenditure	253,067.33	184,794.19	-68,273.14	321,231.88	306,692.37	-14,539.51
External Financing (Net)[1]	43,031.01	79,398.02	36,367.01	123,107.62	123,107.62	0.00
Balance for Domestic Financing (Net)	-264,146.77	-149,873.31	124,550.23	-225,644.68	-223,653.58	1,991.10

Source: Ministry of Finance

* Provisional

\+ Revised budget estimates

[1] Includes external grants

[2] Recurrent expenditure consists of current expenditure , Acquisition of Non financial assets(net) and Consolidated Fund Services from the Recurrent Estimates

6.7. Fair and efficient tax revenue systems together with effective revenue collections from other sources have been observed to be essential to the long term sustainability of public finances in Kenya. Over the years, the Government through the Kenya Revenue Authority (KRA) has been implementing substantive measures aimed at deepening tax reforms in order to improve tax compliance and enhance tax revenue. As shown in Table 6.4, total recurrent revenue is expected to maintain its steady rise to stand at KSh 651.5 billion in 2010/11 compared to KSh 576.0 billion in 2009/10. Overall, tax revenue is estimated to account for over 95 per cent of the total recurrent receipts and is expected to grow by 16.7 per cent compared to a 15.1 per cent growth recorded in 2009/10. On the other hand, non-tax revenue is expected to decline by 39.4 per cent after rallying in 2009/10. This is on account of anticipated drops in revenue under property income and other receipts in this category.

Table 6.4: Central Government Gross Receipts on Recurrent Account[1], 2006/07-2010/11

KSh million

	2006/07	2007/08	2008/09	2009/10*	2010/11+
Taxes on income, Profits and Capital gains	**130,719.00**	**165,078.00**	**194,154.50**	**228,167.95**	**268,291.55**
Income Tax from individuals (P.A.Y.E)	69,575.00	85,953.00	110,164.81	123,027.16	145,981.13
Income Tax from corporations (other income tax)	61,144.00	79,125.00	83,989.69	105,140.79	122,310.41
Taxes on property	**253.06**	**331.90**	**327.52**	**253.80**	**302.86**
Immovable property	27.06	61.90	62.92	85.24	115.49
Financial and capital transactions	226.00	270.00	264.60	168.56	187.38
VAT	**96,497.01**	**111,904.51**	**126,854.07**	**146,791.67**	**172,360.31**
VAT on domestic goods and services	51,341.01	58,277.00	66,216.49	83,174.39	97,023.87
VAT on imported goods and services	45,156.00	53,627.51	60,637.58	63,617.28	75,336.44
Taxes on other goods and services	**76,111.19**	**80,736.09**	**93,051.89**	**100,492.50**	**114,759.10**
Excise taxes	56,123.00	61,905.51	69,872.12	74,644.20	86,204.78
Taxes on specific services	12.54	0.00	0.00	0.00	0.00
Taxes on use of goods and on permission to use the goods or to perform services and activities	1,099.35	70.00	81.99	54.91	63.15
Royalties	401.72	187.80	113.00	45.83	50.42
Taxes on goods and services collected as AIA	18,016.00	18,505.00	22,984.78	25,747.56	28,440.76
Other taxes on goods and services	458.59	67.78	0.00	0.00	0.00
Taxes on international Trade Transactions	**40,235.00**	**45,857.77**	**49,094.03**	**57,748.54**	**67,519.82**
Custom duties	27,927.00	32,944.35	36,180.60	41,372.29	48,903.44
Other taxes on international trade and transactions	12,308.00	12,913.42	12,913.42	16,376.25	18,616.38
Other taxes not elsewhere classified	2,747.87	4,536.39	4,669.69	5,592.21	5,875.52
Total tax Revenue	**346,563.14**	**408,444.66**	**468,151.70**	**539,046.67**	**629,109.16**
Social security contributions	0.00	1,062.00	0.00	86.00	381.66
Property income	7,352.35	5,004.26	9,545.30	16,732.54	13,809.14
Sale of goods and services	9,635.68	18,749.93	2,313.18	1,615.25	1,928.45
Fines penalties and forfeitures	360.00	158.52	140.00	145.33	162.77
Repayments from domestic lending and on-lending	663.20	708.56	679.25	1,508.07	1,343.00
Other receipts not elsewhere classified	7,414.68	7,402.17	8,105.01	16,858.52	4,760.49
Total non-tax revenue	**25,425.91**	**33,085.44**	**20,782.75**	**36,945.72**	**22,385.52**
TOTAL	**371,989.05**	**441,530.10**	**488,934.45**	**575,992.39**	**651,494.67**

Source: Ministry of Finance

* Provisional

+ Revised Estimates

[1]This account refers to current receipts and excludes AIA

6.8. Revenue from import duty has continued to form a considerable part of overall Government receipts. In view of this, the Government in 2010/11 proposes to institute several measures aimed at improving the performance of the customs services. These will include the introduction of Automated Valuation Database System to strengthen the customs valuation function, and rolling out of an Electronic Cargo Tracking System to enable effective monitoring of all transit goods in order to curb incidences of diversion of such goods into the local market. Table 6.5 summarises details of import duty receipts on selected imported merchandise classified by end use for the period 2006 to 2010. Total import duty grew by 15.3 per cent in 2010 compared to 14.9 per cent growth realized in 2009. The major sources of import revenue continue to be food, drinks and tobacco, and transport equipment accounting for 20.6 and 25.4 per cent, respectively. Import duty from most categories registered notable growths while a few of them recorded declines.

Table 6.5: Central Government Import Duty Collections for Selected Items[1], 2006 - 20102

KSh million

END-USE CATEGORY	2006	2007	2008	2009	2010*
Food, drinks and tobacco	6,293.43	5,544.30	5,408.49	6,790.61	7,994.73
Basic materials	1,346.53	1,552.55	1,818.21	2,087.37	2,341.22
Fuels	548.86	523.65	694.34	659.25	807.75
Chemicals	1,084.09	1,062.84	1,283.50	1,446.79	1,936.18
Textiles	664.21	874.87	851.66	979.19	1,268.64
Semi-manufactures	1,499.40	1,783.89	1,882.74	3,469.81	3,044.92
Metals	1,317.05	2,105.84	1,972.63	1,875.53	2,226.71
Transport Equipment	5,049.44	7,009.68	7,904.23	8,622.63	9,854.53
Machinery	3,044.90	3,984.28	4,261.83	4,417.04	4,845.40
Miscellaneous commodities	2,328.25	3,172.18	3,283.60	3,379.97	4,553.33
**TOTAL .. ..

39.3 billion in 2009/10 to a net repayment of KSh 30.2 billion in 2010/11. In contrast, long-term borrowing is expected to increase from KSh 87.9 billion in 2009/10 to KSh 99.7 billion in 2010/11.

Table 6.7: Central Government Financing of Non Financial Assets, 2006/07 - 2010/11

KSh million

	2006/07	2007/08	2008/09	2009/10*	2010/11+
EXPENDITURE:					
Acquisition of Non financial Assets (Net)	56,181.45	74,386.08	113,198.20	111,916.10	119,918.21
TOTAL	**56,181.45**	**74,386.08**	**113,198.20**	**111,916.10**	**119,918.21**
FINANCING:	67,763.00	29,178.88	121,924.64	193,815.16	137,195.96
External Loans (Net)	-2,392.00	6,326.00	23,122.00	11,145.88	13,345.03
External Grants	15,494.00	26,713.54	29,375.37	31,190.02	40,362.62
Long-Term Domestic Borrowing (Net)	53,408.00	40,263.72	40,668.60	87,946.79	99,700.55
SHORT TERM BORROWING:	1,253.00	-44,124.38	28,758.66	63,532.48	-16,212.24
Treasury Bills (Net)	-625.00	-18,208.88	37,301.62	39,274.08	-30,233.87
Other Short-Term Borrowing (Net) ..	1,878.00	-25,915.50	-8,542.95	24,258.39	14,021.62
CHANGE IN CASH BALANCES[1]: Increase=(-)	-11,581.55	45,207.19	-8,726.44	-81,899.06	-17,277.75
TOTAL	**56,181.45**	**74,386.08**	**113,198.20**	**111,916.10**	**119,918.21**

Source: Central Bank of Kenya and Ministry of Finance

* Provisional

+ Revised budget estimates

[1] Balancing Item

6.11. Table 6.8 shows the classification of expenditure by functions of Government for the financial years 2007/08 to 2010/11. Public spending in the review period will be premised on the need to scale-up investment in the key priority social and economic sectors as well as the critical physical infrastructure such as roads, rail, power generation, power transmission and distribution systems, and port modernization and expansion. Total Government outlays are expected to increase from KSh 805.3 billion in 2009/10 to KSh 998.3 billion in 2010/11. In line with the Government's policy of re-orienting public expenditure in favour of interventions that will create jobs, reduce poverty and enhance food security, the development component of expenditure is expected to improve from 22.9 per cent to 30.7 per cent of the total expenditure. Expenditure on economic affairs and social services that includes health and education will account for 22.4 and 25.2 per cent of the total expenditure, respectively.

6.12. As shown in Fig. 6.1, financing of infrastructure development exhibited mixed trends in the first third of the last decade before rising steadily in the latter years of the decade. In particular, expenditure on transport rose faster than that of energy principally due to the on-going massive road construction and rehabilitation projects in the same period. The change in trend of expenditure on energy is attributable to the continued initiatives to expand the national grid through development of cheaper and cleaner energy sources as well as increasing the coverage of the population connected to the national grid.

6.13. Funding of social services is vital to ensuring that the country has adequate human capital necessary for the realization of *Vision 2030*. In 2010/11, the Government proposes to spend KSh 54.5 billion and KSh 197.5 billion to cater for provision of health and education services,

respectively. This will emanate from the continued funding of the Free Tuition Secondary Education (FTSE) and Free Primary Education (FPE) programmes together with provision of basic healthcare.

Figure. 6.1: Expenditure on Energy and Transport Sector

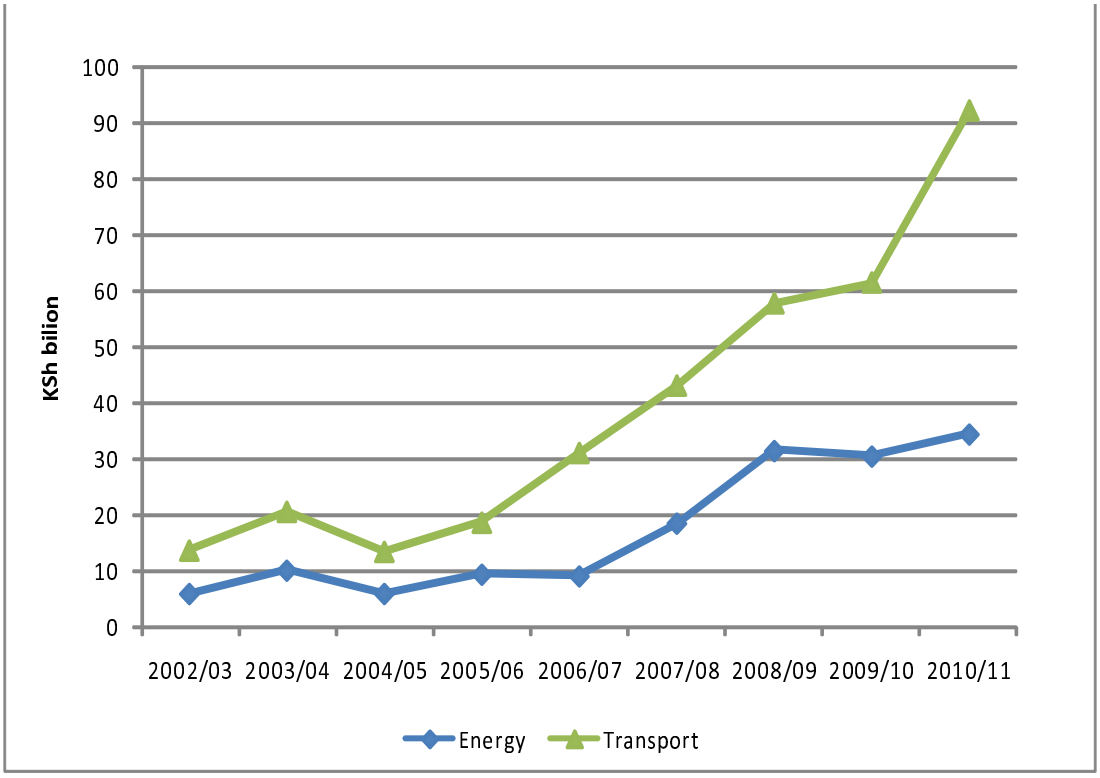


Table 6.8: Classification of Government Expenditures by Functions of Government (COFOG), 2007/08-2010/11

KSh million

	2007/08			2008/09			2009/10*			2010/11+		
	Recur-rent Account	Deve-lopment Account	Total	Recur-rent Account	Deve-lopment Account	Total	Recur-rent Account	Deve-lopment Account	Total	Recur-rent Account	Deve-lopment Account	Total
General public services.	47,573.38	66,711.03	114,284.41	44,267.67	30,527.45	74,795.11	66,029.31	32,244.07	98,273.38	82,548.80	56,400.72	138,949.52
Public debt transactions	142,115.06	0.00	142,115.06	125,925.84	0.00	125,925.84	147,501.39	0.00	147,501.39	157,196.32	0.00	157,196.32
Transfers of general character btw. levels of govt	8,910.86	0.00	8,910.86	9,999.01	0.00	9,999.01	10,921.13	0.00	10,921.13	12,897.37	0.00	12,897.37
Defense	37,241.12	0.00	37,241.12	41,183.21	0.00	41,183.21	47,852.48	0.00	47,852.48	52,951.32	1,070.60	54,021.92
Public order and safety	45,449.37	5,835.33	51,284.70	55,684.55	4,931.93	60,616.49	56,609.89	4,719.53	61,329.41	68,780.10	7,387.77	76,167.86
Economic affairs	**40,728.97**	**55,463.64**	**96,192.61**	**47,926.47**	**83,412.44**	**131,338.91**	**48,859.14**	**89,361.50**	**138,220.65**	**63,535.11**	**160,493.29**	**224,028.40**
General economic, commercial & labour affairs	4,529.25	2,455.95	6,985.21	4,967.25	2,032.72	6,999.96	7,783.07	5,305.98	13,089.05	9,693.63	15,661.17	25,354.81
Agriculture, forestry, fishing, and hunting	10,804.46	5,938.51	16,742.97	12,795.46	11,081.30	23,876.75	14,216.58	11,114.31	25,330.89	17,639.11	26,611.00	44,250.10
Fuel and energy	559.32	17,904.42	18,463.74	629.93	30,872.76	31,502.69	687.64	30,400.20	31,087.84	1,989.13	32,494.21	34,483.35
Mining, manufacturing, and construction	243.69	41.34	285.03	715.00	54.64	769.63	591.02	331.88	922.90	192.78	112.12	304.90
Transport	17,416.42	25,689.46	43,105.89	21,033.95	36,718.16	57,752.10	23,685.22	37,768.98	61,454.20	23,936.80	68,113.50	92,050.30
Communication	39.92	77.91	117.82	40.17	162.70	202.86	44.54	411.68	456.22	348.63	310.40	659.03
Other industries	7,135.92	3,356.04	10,491.96	7,744.72	2,490.18	10,234.90	1,851.07	4,028.47	5,879.54	9,735.02	17,190.89	26,925.91
Environmental protection	3,261.63	2,985.79	6,247.42	2,684.35	2,899.62	5,583.97	4,176.35	2,931.39	7,107.74	3,042.80	7,334.06	10,376.85
Housing and community amenities	4,432.01	8,691.43	13,123.44	4,645.32	14,178.25	18,823.57	4,548.40	19,635.31	24,183.71	7,209.35	27,156.10	34,365.45
Health	**23,231.89**	**4,247.44**	**27,479.33**	**26,735.23**	**5,445.94**	**32,181.17**	**29,265.06**	**9,096.26**	**38,361.32**	**35,154.28**	**19,377.13**	**54,531.41**
Outpatient services	3,045.54	1,152.10	4,197.64	2,051.30	203.24	2,254.54	4,679.20	2,603.90	7,283.10	6,690.28	7,590.91	14,281.18
Hospital services	16,601.38	239.83	16,841.22	20,394.90	1,730.23	22,125.13	20,581.41	3,513.79	24,095.20	21,579.00	4,029.83	25,608.83
Public health services	1,294.59	2,662.42	3,957.01	1,650.83	3,494.33	5,145.16	1,273.19	2,792.57	4,065.76	2,772.31	2,936.86	5,709.17
Health expenditure not elsewhere classified	2,290.38	193.09	2,483.47	2,638.21	18.14	2,656.34	2,731.26	186.01	2,917.27	4,112.69	4,819.54	8,932.23
Recreation, culture and religion	2,659.28	3,134.44	5,793.72	3,330.75	1,763.81	5,094.55	4,205.96	1,985.52	6,191.48	2,721.67	1,882.53	4,604.20
Education	**115,061.74**	**12,362.43**	**127,424.18**	**132,353.36**	**12,085.79**	**144,439.15**	**163,703.67**	**18,632.55**	**182,336.22**	**175,640.19**	**21,861.78**	**197,501.97**
Administration	81,992.78	2,485.31	84,478.09	83,674.32	1,707.75	85,382.07	100,343.34	9,849.44	110,192.78	104,902.43	6,628.67	111,531.10
Pre-primary and primary education	7,099.58	4,524.75	11,624.33	7,116.78	5,795.77	12,912.55	15,189.73	400.67	15,590.40	8,993.97	462.28	9,456.25
Secondary education	1,584.93	167.50	1,752.43	900.20	0.00	900.20	5,796.17	3,595.36	9,391.53	18,532.90	2,185.24	20,718.14
Tertiary education	23,534.70	1,357.57	24,892.26	34,028.02	4,401.48	38,429.50	35,641.92	3,079.22	38,721.14	36,255.44	3,992.54	40,247.98
Education expenditure not elsewhere classified	849.75	3,827.31	4,677.06	6,634.04	180.78	6,814.83	6,732.51	1,707.85	8,440.36	6,955.44	8,593.06	15,548.50
Social protection	31,053.21	3,464.69	34,517.91	38,716.61	5,467.78	44,184.39	36,796.75	6,188.06	42,984.81	29,886.19	3,728.40	33,614.59
TOTAL OUTLAYS[1]	**501,718.54**	**162,896.23**	**664,614.76**	**533,452.37**	**160,712.99**	**694,165.37**	**620,469.53**	**184,794.19**	**805,263.72**	**691,563.49**	**306,692.37**	**998,255.86**

Source: Ministry of Finance

* Provisional

+ Revised estimates

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

6.14. Table 6.9 shows the Government expenditure classified by economic categories for the period between 2006/07 and 2010/11. Expenditure on compensation of employees is expected to increase from KSh 209.7 billion in 2009/10 to KSh 241.6 billion in 2010/11. This is on account of anticipated increases through the year-on-year incremental adjustment to salaries and implementation of the second phase of teachers' salaries award. Total grants to general government units are expected to increase substantially from KSh 123.3 billion in 2009/10 to KSh 171.8 billion in 2010/11. The increase is partly as a result of increased transfers through Local Authority Transfer Fund (LATF) and Constituency Development Fund (CDF), transfers to tertiary institutions, the two referral hospitals, and Semi Autonomous Government Agencies (SAGAs) involved in road construction and rehabilitation among others. Expenditure on acquisition of non-financial assets (net) is expected to increase from KSh 111.9 billion in 2009/10 to KSh 119.9 billion in 2010/11.

Table 6.9: Central Government Economic Analysis of Expenditure, 2006/07 -2010/11

KSh million

	2006/07	2007/08	2008/09	2009/10*	2010/11+
EXPENSE					
Consumption expenditure on goods and services:					
Compensation of employees	145,590.39	167,746.20	182,455.53	209,651.11	241,603.02
Use of Goods and Services	64,965.67	89,440.44	100,048.49	103,645.86	123,957.42
Total	**210,556.06**	**257,186.64**	**282,504.02**	**313,296.97**	**365,560.44**
Subsidies	45.48	34.17	71.70	77.11	79.50
Interest:	38,997.39	49,852.67	50,564.49	56,070.51	74,868.13
Domestic	34,250.21	42,854.44	44,067.81	49,887.39	67,878.82
Foreign	4,747.17	6,998.23	6,496.68	6,183.12	6,989.31
Grants to:					
International organisations	1,436.90	1,234.72	1,122.71	1,356.11	1,909.56
General Government units	55,558.17	78,797.14	98,128.92	123,285.99	171,846.39
Other Grants	4,886.46	4,849.31	7,021.55	7,405.82	6,650.40
Total grants	**61,881.52**	**84,881.17**	**106,273.19**	**132,047.92**	**180,406.34**
Social benefits	27,338.05	24,615.63	25,677.05	27,790.44	27,208.55
Other expense	960.00	811.00	879.84	962.31	1,220.00
Total current expenditure	**339,778.50**	**417,381.29**	**465,970.29**	**530,245.26**	**649,342.95**
Capital Grants(TRANSFERS)	17,346.04	31,380.71	26,699.00	62,536.25	135,814.82
1. Total Expense	**357,124.53**	**448,762.00**	**492,669.29**	**592,781.51**	**785,157.77**
2. Acquisition of Non Financial Assets(Net)	**56,181.45**	**74,386.08**	**113,198.20**	**111,916.10**	**119,918.21**
Building and structures	36,125.11	55,250.62	91,603.33	92,209.88	100,307.01
Machinery and equipment	12,272.72	15,328.70	16,842.22	15,434.66	17,574.93
Inventories	2,306.60	4,552.03	7,835.46	4,948.58	1,938.04
Non- produced assets & Land	8,067.38	2,207.95	726.93	2,092.66	2,765.52
Less Disposal of Non financial assets	-2,590.36	-2,953.23	-3,809.73	-2,769.68	-2,667.30
Equity Participation and on-lending	1,915.18	46,244.04	9,126.79	5,684.24	8,184.40
3 PUBLIC DEBT REDEMPTION	90,952.99	92,269.42	75,361.36	91,714.59	83,013.72
4 Total Expenditure (1+2+3)	**506,174.16**	**661,661.53**	**690,355.64**	**802,096.44**	**996,274.10**

Source: Ministry of Finance

* Provisional

+ Revised Estimates

6.15. In the review period, the Government has sought to adopt a risk averse approach in borrowing to ensure that debt remains within sustainable thresholds. This will entail balancing the costs and risks of both the existing public debt portfolio and alternative borrowing. Consequently, financing on non-concessional terms will only be restricted to projects with high expected risk-adjusted rates of return and a complete unavailability of concessional financing. Table 6.10 shows aggregated Central Government debt for the period 2006 to 2010. Total Central Government debt surpassed one trillion shillings for the first time to stand at KSh 1.1 trillion. Domestic debt grew by 33.1 per cent from KSh 401.7 billion in 2009 to 534.5 billion in 2010 while external debt rose from KSh 488.2 billion in 2009 to KSh 528.9 billion representing a modest increase of 8.3 per cent. Worth noting is the fact that domestic debt has overtaken external debt for the first time in many years to account for 50.3 per cent of the total debt. This is in line with the Government's debt policy that seeks to substitute external financing with domestic borrowing in the long run. However, the uptake of domestic borrowing is expected to slow down to avoid the crowding-out effect on the private sector which plays a crucial role as an engine of growth.

Table 6.10: Central Government Public Debt, 2006- 2010

KSh million

As at 30th June	Public Debt[1]								
	Stocks			Other debt			Total		
	External	Internal	Total	External	Internal	Total	External	Internal	Total
2006	..	1,057.98	1,057.98	431,236.74	285,392.78	716,629.52	431,236.74	286,450.76	717,687.50
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
2009	..	754.68	754.68	488,203.34	400,986.41	889,189.76	488,203.34	401,741.09	889,944.44
2010*	..	753.35	753.35	528,927.91	533,775.59	1,062,703.50	528,927.91	534,528.94	1,063,456.85

Source: Ministry of Finance/Central Bank of Kenya

* Provisional

[1] Includes Short Term Borrowing

6.16. Details of Central Government stock of debt by source for the period 2006 to 2010 are presented in Table 6.11. Internal debt recorded accelerated growth from 19.9 per cent in 2009 to 33.1 per cent in 2010 while external debt grew slower from 18.1 per cent in 2009 to 8.3 per cent in 2010. Total debt from bilateral creditors remained on a rising trend in 2010 though debt from the respective bilateral donors exhibited mixed trends. Debt owed to Germany, Netherlands, Finland and Denmark recorded declines while that owed to Japan, France and the USA grew moderately. The bulk of the growth in external debt resulted from the substantial increases registered in debt obtained from International Monetary Fund (IMF) and African Development Finance/Bank (ADF/AfDB). Domestic debt through treasury bills (excluding Re-Purchase agreement Orders -REPOs) registered a substantial increase from KSh 116.8 billion in 2009 to KSh 159.1 billion in 2010. Domestic debt through treasury bonds accounts for over 80 per cent of the total outstanding internal debt largely due to their long maturity that gives the Government adequate time to implement the earmarked investments before repayment obligations are due.

Table 6.11: Central Government Outstanding Debt by Source, 2006 - 2010

KSh million

Outstanding as at 30th June	2006	2007	2008	2009	2010*
EXTERNAL DEBT:					
Lending Countries:					
Germany	13,910.02	13,186.22	15,763.94	16,440.53	16,234.89
Japan	79,463.94	66,963.44	47,266.50	58,655.61	62,911.80
France	18,642.98	18,487.06	22,903.00	28,102.91	28,173.42
USA.	5,842.30	4,719.11	4,461.31	5,275.93	5,381.30
Netherlands	2,752.03	2,369.54	2,317.83	2,140.08	1,876.60
Denmark	2,392.28	2,146.56	2,336.03	2,354.49	2,290.80
Finland	160.17	117.81	120.11	128.60	119.30
Other	31,713.48	29,900.79	31,524.81	39,887.37	42,834.47
Total	154,877.20	137,890.53	126,693.53	152,985.52	159,822.58
International Organisations:					
IDA / IFAD	204,306.43	190,873.70	206,633.48	243,012.66	256,422.38
IBRD	0.00	0.00	0.00	0.00	0.00
OPEC.	411.51	589.06	587.17	1,685.89	1,814.62
EEC/ EIB.	13,334.94	10,011.30	11,234.75	11,062.78	10,498.01
IMF.	11,407.81	7,408.14	17,547.72	18,872.83	34,110.04
Badea	251.93	372.74	560.12	1,477.43	2,493.06
ADF/ AfDB.	25,836.80	21,858.33	30,134.66	32,651.25	41,000.20
Total	255,549.42	231,113.27	266,697.90	308,762.82	346,338.31
Others	20,810.12	28,134.95	20,068.86	26,455.00	22,767.02
Total External	431,236.74	397,138.75	413,460.29	488,203.34	528,927.91
INTERNAL DEBT:					
Treasury Bills[1]	94,776.00	94,422.26	76,848.15	116,794.30	159,050.00
Treasury Bonds	218,357.33	272,199.74	315,189.66	360,743.95	448,615.00
Non Interest bearing debt	35,548.76	35,548.76	34,438.00	33,328.76	32,219.00
Others(includes stocks)	9,156.67	2,519.36	7,082.32	7,690.00	20,624.94
Less govt deposits & on-lending	-71,388.00	-86,288.00	-98,562.00	-116,815.91	-125,980.00
TOTAL INTERNAL(net)[2]	286,450.76	318,402.12	334,996.13	401,741.09	534,528.94
TOTAL UNFUNDED DEBT	717,687.50	715,540.87	748,456.41	889,944.44	1,063,456.85

Source: Ministry of Finance/Central Bank of Kenya

* Provisional

[1] Excludes Repo Bills

[2] Excludes Government deposits to Central Bank and Commercial Banks

6.17. Government stocks at book value by holders as at 30th June for the period 2006 to 2010 are presented in Table 6.12. Both the total and the composition of these stocks which have been unchanged since 2007 declined marginally in 2010. Central Government and NSSF continue to hold the bulk of the stocks, jointly accounting for over 96 per cent.

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

KSh million

	2006	2007	2008	2009	2010
PUBLIC BODIES:					
National Social Security Fund	408.80	408.80	408.80	408.80	408.80
Central Government	615.58	316.10	316.10	316.10	314.77
Local Government	1.00	1.00	1.00	1.00	1.00
Other Public Sector	2.20	2.00	2.00	2.00	2.00
OTHER INTERNAL:					
Commercial Banks	28.68	25.78	25.78	25.78	25.78
Insurance Companies	1.70	1.00	1.00	1.00	1.00
Private Individuals	0.03	0.00	0.00	0.00	0.00
**TOTAL .. ..

Table 6.14: Central Government Debt Service Charges on External Debt related to Exports of Goods and Services 2006-2010

	Debt Service Charges on External Debt[1] (Financial Year)	Exports of Goods and Services (Calender Year)	External debt service Charges as a Percentage of Exports of Goods and Services
	KSh million	KSh million	%
2006	17,008.53	428,695.45	3.97
2007	17,894.09	475,455.15	3.76
2008	23,831.82	574,050.13	4.15
2009	23,871.16	573,278.13	4.16
2010*	24,317.18	705,190.63	3.45

Source: Ministry of Finance and Kenya National Bureau of Statistics

* Provisional

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

Local Authorities

6.20. The Ministry of Local Government through the Kenya Local Government Reform Programme (KLGRP) is in the process of developing a monitoring and evaluation system for Local Authorities. Pilot performance indicators have been proposed and are currently undergoing testing. Implementation of the Local Authority Integrated Financial and Operations Management System (LAIFOMS) is in progress and is designed to improve budgeting and financial management in local authorities. LATF remains one of the key avenues through which the Central Government supplements resources generated locally to enable the local authorities optimise their performance and service delivery to the public. Table 6.15 shows LATF disbursement is expected to stand at 12.3 billion in 2010/11 compared to 10.4 billion disbursed in 2009/10. County Councils are expected to receive the largest share of the fund followed by Municipal councils, Nairobi City Council and Town councils in that order as depicted in Figure 6.2.

Figure 6.2: LATF Allocation by type of Local Government

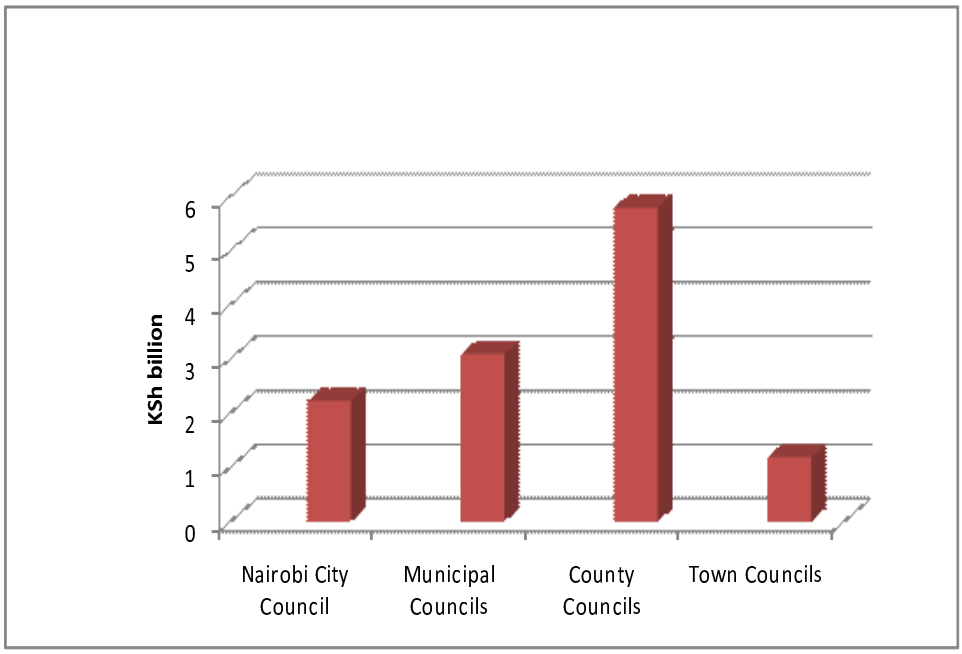


Table 6.15: Central Government Transfer through LATF to Local Authorities, 2006/07 - 2010/11

KSh million

	2006/07	2007/08	2008/09	2009/10	2010/11*
Nairobi City Council	1,383.56	1,531.80	1,729.45	1,956.74	2,230.95
Municipal Councils	1,857.00	2,047.11	2,300.59	2,606.51	3,086.54
County Councils	3,503.13	3,846.60	4,304.56	4,831.21	5,791.98
Town Councils	756.30	824.49	915.41	1,005.54	1,190.53
TOTAL	**7,500.00**	**8,250.00**	**9,250.00**	**10,400.00**	**12,300.00**

Source: Ministry of Local Government /Kenya Local Government Reform Programme

* Provisional

6.21. Table 6.16 shows local authorities' expenditure by category from 2006/07 to 2010/11. Overall, local governments' expenditure is expected to grow by 14.4 per cent from KSh 29.1 billion in 2009/10 to KSh 33.3 billion in 2010/11. Total expenditure for cities and municipal councils is expected to increase from KSh 18.8 billion in 2009/10 to KSh 21.5 billion in 2010/11. Similarly, Town and County Councils' expenditure is expected to increase by 14.6 per cent from KSh 10.3 billion in 2009/10 to KSh 11.8 billion in 2010/11.

Table 6.16: Expenditure by Local Authorities, 2006/07 - 2010/11

KSh million

	Local Authorities				Total
	Nairobi City Council	Other Cities & Municipal Councils	Sub-Total	Town and County Councils	
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..	8,806.51	7,412.50	16,219.01	9,108.70	25,327.72
2009/10 *..	10,448.55	8,324.68	18,773.23	10,292.83	29,066.06
2010/11+	12,257.69	9,223.97	21,481.66	11,836.76	33,318.42

Source: Local Authorities

* Provisional

\+ Budget Estimates

6.22. Functional classification of Municipal Councils' expenditure for the fiscal period 2006/07 to 2010/11 is presented in Table 6.17. Expenditure on economic services is expected to remain prominent over the other categories in line with national government policy of re-orienting expenditures to investments that create employment opportunities and reduce poverty. As shown in Figure 6.3, both expenditure and revenue exhibited tremendous growth in the last five years. Expenditure is however observed to have grown faster than revenue in the period and this has a consequence of worsening the debt positions of local authorities as they have to keep on borrowing to cope with the rising expenditure.

Figure 6.3: Municipal Councils Expenditure Vs Revenue

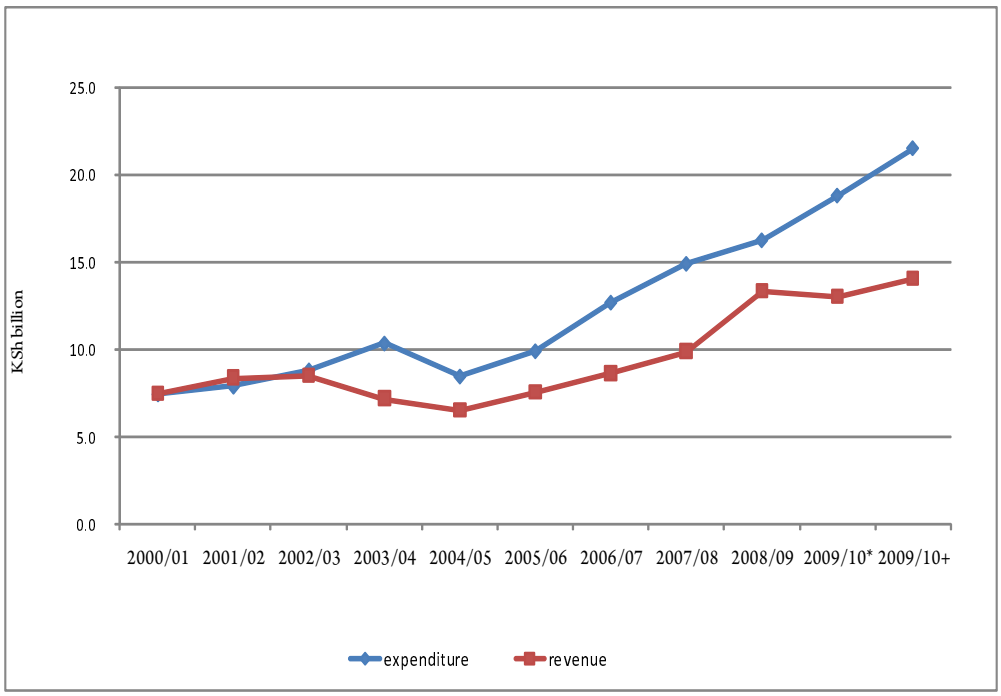


Table 6.17: Municipal[1] Councils-Current and Capital Expenditure on Main Services, 2006/07- 2010/11

KSh million

		2006/07	2007/08	2008/09	2009/10*	2010/11+
ADMINISTRATION		3,100.77	3,520.22	3,727.56	4,313.62	4,952.87
COMMUNITY	Roads	1,114.22	1,431.89	1,476.40	1,698.25	1,975.43
SERVICES:	Sanitation	845.26	921.23	956.84	1,042.57	1,121.46
	Other	386.96	443.65	476.92	513.58	568.27
	Total	2,346.44	2,796.76	2,910.16	3,254.40	3,665.16
SOCIAL	Education	981.20	1,061.83	1,125.64	1,242.34	1,325.27
SERVICES	Health	1,314.98	1,481.88	1,428.70	1,605.83	1,728.89
	Other	474.18	597.49	847.47	950.44	1,025.87
	Total	2,770.36	3,141.19	3,401.81	3,798.61	4,080.03
ECONOMIC	General Administration	1,021.60	1,201.59	1,285.42	1,435.35	1,652.33
SERVICES:	Water Undertaking	2,081.91	2,760.96	3,176.64	3,952.26	4,724.26
	Housing Estates(including staff housing).....	671.91	752.16	865.34	983.42	1,124.36
	Other	666.56	702.07	852.09	1,035.57	1,282.65
	Total	4,441.98	5,416.78	6,179.49	7,406.60	8,783.60
TOTAL EXPENDITURE		12,659.55	14,874.95	16,219.02	18,773.22	21,481.66

Source: Local Authorities

* Provisional

\+ Estimates

[1] Includes Nairobi City Council

6.23. Expenditure for Municipal Councils by economic classification for the period 2006/07 to 2010/11 is presented in Table 6.18. The proportion of capital expenditure is expected to remain below a third of the total expenditure in 2010/11 with current expenditure expected to continue accounting for the larger share of total expenditure. Expenditure on compensation of employees is expected to increase from KSh 8.4 billion in 2009/10 to KSh 9.2 billion in 2010/11. Analogously, expenditure on use of goods and services is estimated to increase from KSh 4.1 billion in 2009/10 to KSh 5.2 billion in 2010/11.

Table 6.18: Municipal[1] Councils - Economic Analysis of Expenditure, 2006/07 - 2010/11

KSh million

	2006/07	2007/08	2008/09	2009/10*	2010/11+
CURRENT EXPENDITURE:					
Compensation of employees	5,403.24	6,638.33	7,293.96	8,423.57	9,232.82
Use of Goods and Services	3,034.23	3,488.07	3,575.67	4,125.68	5,214.12
Transfer to Households & Enterprises	83.39	85.69	93.43	98.24	102.58
Transfer to Funds (Current)	78.26	82.67	87.26	84.78	85.78
Interest	39.86	45.82	46.67	57.43	68.24
Total	8,638.98	10,340.58	11,096.99	12,789.70	14,703.54
CAPITAL EXPENDITURE:					
Acquisition of Non financial Assets	3,999.73	4,350.18	4,899.20	5,745.11	6,534.24
Loan Repayment[2]	20.84	184.20	222.82	238.43	243.88
Total	4,020.57	4,534.38	5,122.02	5,983.53	6,778.12
TOTAL EXPENDITURE	12,659.55	14,874.96	16,219.01	18,773.23	21,481.66

Source: Local Authorities

* Provisional

+ Budget estimates

[1] Includes Nairobi City Council

[2] Includes interest

6.24. Table 6.19 shows the total revenue collected by Municipal Councils for the period 2006/07 to 2010/11. Total receipts are expected to increase from KSh 13.0 billion in 2009/10 to KSh 14.0 billion in 2010/11. This follows from anticipated changes in current transfers and income from property which are expected to increase after falling in the previous year. Revenue from sale of goods and services is expected to remain the main source of revenue for the Municipal Councils accounting for 37.3 per cent of the total receipts. Revenue from direct taxes is expected to record an improved growth of 9.6 per cent in 2010/11 from the 8.4 per cent growth registered in 2009/10. In contrast, revenue from indirect taxes is expected to decelerate from 5.6 per cent increase recorded in 2009/10 to 3.2 per cent growth in 2010/11.

Table 6.19: Municipal Councils1- Economic Analysis of Revenue, 2006/07 - 2010/11

KSh million

	2006/07	2007/08	2008/09	2009/10*	2010/11+
CURRENT REVENUE:	8,303.03	9,407.40	12,793.55	12,404.28	13,429.54
Direct Taxes (Rates[2])	2,050.21	2,365.28	2,883.85	3,127.41	3,428.31
Indirect Taxes (Licences and cesses)	853.48	993.68	1,874.17	1,978.49	2,042.39
Income from property	805.65	896.27	900.32	642.17	713.92
Current Transfers[3]	1,468.37	1,701.17	2,187.79	1,882.58	2,009.17
Sale of goods and services[4]	3,125.32	3,451.00	3,432.50	4,773.63	5,235.75
CAPITAL REVENUE:	312.95	468.26	514.92	627.13	601.94
Loans Raised	309.39	463.99	511.68	624.29	598.75
Loan Repayment	3.56	4.27	3.24	2.84	3.19
TOTAL REVENUE	8,615.98	9,875.65	13,308.47	13,031.41	14,031.48

Source: Local Authorities

* Provisional

+ Revised budget estimates

[1] Includes Nairobi City Council

[2] Paid by households and enterprises

[3] Excludes LATF

[4] Includes services charge

6.25. Economic classifications of revenue and expenditure for Town and County Councils for the period between 2006/07 and 2010/11 are presented in Table 6.20. Total expenditure by Towns and County Councils is expected to grow from KSh 10.3 billion in 2009/10 to KSh 11.8 billion in 2010/11. Total current expenditure that includes compensation of employees and use of goods and services is expected to increase by 14.4 per cent where the wage bill is expected to account for the bulk of this growth. The proportion of capital expenditure to total expenditure is estimated to remain relatively unchanged at 27.0 per cent. Expenditure on acquisition of non-financial assets is expected to increase from KSh 2.7 billion in 2009/10 to KSh 3.2 billion 2010/11. Total revenue is expected to expand by 4.3 per cent, from KSh 4.7 billion in 2009/10 to KSh 4.9 billion in 2010/11. Receipts from the sale of goods and services are expected to account for 48.6 per cent of total revenue.

Table 6.20: Town and County Councils- Economic Analysis of Expenditure and Revenue, 2006/07 -2010/11

KSh million

	2006/07	2007/08	2008/09	2009/10*	2010/11+
CURRENT EXPENDITURE:					
Compensation of employees	2,381.53	2,436.50	3,503.82	3,602.49	4,367.76
Use of Goods and Services	2,340.55	2,646.25	3,004.63	3,499.56	3,787.76
Transfer to Households & Enterprises	336.12	377.63	324.89	372.54	402.99
Transfer to Funds (Current)	70.01	75.26	72.34	82.45	87.25
Total	5,128.21	5,535.64	6,905.68	7,557.05	8,645.77
CAPITAL EXPENDITURE:					
Acquisition of non-financial Assets	2,390.12	2,393.75	2,200.66	2,729.94	3,184.56
Loan Repayments[1]	2.06	4.59	2.36	5.84	6.43
Total	2,392.18	2,398.34	2,203.02	2,735.78	3,190.99
TOTAL EXPENDITURE	7,520.39	7,933.98	9,108.70	10,292.83	11,836.76
CURRENT REVENUE:					
Direct Taxes (Rates[2])	502.22	388.72	220.47	198.20	234.99
Indirect Taxes (Licences and Cesses)	789.31	765.90	1,380.14	1,394.58	1,428.98
Income from Property	43.58	178.31	276.02	284.39	304.26
Current Transfers[3]	994.78	797.79	418.93	468.97	487.22
Sale of Goods and Services[4]..	1,235.45	1,323.88	1,963.42	2,242.68	2,387.98
Total	3,565.34	3,454.60	4,258.98	4,588.82	4,843.43
CAPITAL REVENUE:					
Loans Raised	108.01	112.37	98.40	84.87	68.12
Total	108.01	112.37	98.40	84.87	68.12
TOTAL REVENUE	3,673.35	3,566.97	4,357.38	4,673.69	4,911.55

Source: Local Authorities

* Provisional.

+ Budget 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 improved during the year under review vis-à-vis the previous period. The value of total exports increased by 18.8 per cent to KSh 409,794 million compared to a negligible growth recorded in the previous period. The value of imports grew by 20.2 per cent to KSh 947,382 million in 2010 compared to a marginal growth of 2.3 per cent in 2009. Due to these developments, Kenya's volume of merchandise trade grew by 19.8 per cent in 2010 compared to a paltry 1.6 per cent growth recorded in 2009. Trade balance worsened by 21.3 per cent in 2010 compared to a deterioration of 4.1 per cent in 2009. In 2010, the export-import ratio deteriorated further to 43.3 per cent compared to 43.8 per cent in 2009. The Kenya Shilling depreciated further against the US dollar from an average annual exchange rate of KSh 77.35 in 2009 to KSh 79.23 in 2010.

7.2. In 2010, domestic exports grew faster by 19.2 per cent compared to a marginal growth recorded in 2009, while re-exports grew by 12.9 per cent compared to a decline of 4.1 per cent in 2009. Leading export earners were tea, horticulture, coffee, and articles of apparel and clothing accessories collectively accounting for 50.7 per cent of the total domestic export earnings in the review period.

7.3. The overall balance of payments deteriorated from a surplus of KSh 75,180 million in 2009 to a surplus of KSh 12,225 million in 2010. This was on account of decreased net capital inflows coupled with deterioration in the current account balance. The current account balance widened to a deficit of KSh 199,232 million in 2010 from a deficit of KSh 129,239 million in 2009. The capital and financial account recorded a surplus of KSh 187,405 million in 2010 down from a surplus of KSh 200,030 million recorded in 2009. This was mainly due to a decline in long term capital inflows.

Balance of Trade

7.4. During the period under review, the value of international trade increased by 19.8 per cent to KSh 1,357,176 million from KSh 1,133,047 million the previous year inTable 7.1. The value of total exports increased by 18.8 per cent to stand at KSh 409,794 million in 2010 from KSh 344,950 million recorded in 2009. This was on account of increases of 19.2 and 12.9 per cent in domestic exports and re-exports, respectively. Similarly, the value of total imports increased from KSh 788,097 million in 2009 to KSh 947,382 million in 2010, representing an increase of 20.2 per cent. These developments resulted in a widened trade deficit of KSh 537,588 million in 2010 compared to KSh 443,147 million in 2009. The ratio of total exports to total imports (exports/imports cover ratio) deteriorated from 43.8 in 2009 to 43.3 per cent in 2010.

Table 7.1: Balance of Trade, 2006-2010

KSh Million

DESCRIPTION	2006	2007	2008	2009	2010*
EXPORTS (f.o.b) :					
Domestic Exports	228,181.0	261,685.1	322,659.8	323,571.4	385,665.7
Re-exports	22,813.0	12,972.5	22,286.9	21,378.4	24,128.0
Total	**250,994.0**	**274,657.6**	**344,946.7**	**344,949.8**	**409,793.7**
IMPORTS (c.i.f) :					
Commercial	510,792.0	597,877.0	763,704.2	780,323.4	934,905.5
Government	10,691.0	7,234.8	6,947.0	7,773.3	12,476.4
Total	**521,483.0**	**605,111.8**	**770,651.2**	**788,096.7**	**947,381.9**
BALANCE OF TRADE	**-270,489.0**	**-330,454.3**	**-425,704.5**	**-443,146.9**	**-537,588.3**
TOTAL TRADE	**772,477.0**	**879,769.4**	**1,115,597.8**	**1,133,046.5**	**1,357,175.6**
COVER RATIO[1] (in percentage)	**48.1**	**45.4**	**44.8**	**43.8**	**43.3**

Source: Kenya National Bureau of Statistics/Kenya Revenue Authority

*Provisional

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

Price Changes

7.5. Table 7.2 presents export and import price indices by commodity groups, computed using unit prices. The overall export index rose by 11.3 per cent in 2010 compared to a 7.3 per cent rise in 2009. This could be attributed to increases recorded in the export unit prices for all the items except chemicals and miscellaneous manufactured articles which declined by 20.6 per cent and 21.5 per cent, respectively.

Table 7.2: Exports and Imports Price Indices, 2006-2010

1982=100

	2006	2007	2008	2009	2010*
EXPORTS:					
Food and live animals	692	664	785	920	1,141
Beverages and tobacco	539	814	824	829	847
Crude materials, (inedible)	1,208	1,308	1,488	1,510	1,991
Mineral fuels	797	831	1,138	915	922
Animal and vegetable oils and fats	317	433	579	711	789
Chemicals	697	690	936	1,053	836
Manufactured goods	1,972	1,589	1,910	2,304	2,580
Machinery and transport equipment	739	734	784	951	956
Miscellaneous manufactured articles	1,576	2,087	1,646	1,715	1,347
All Exports	**869**	**866**	**1,030**	**1,105**	**1,230**
Non-oil Exports	**886**	**872**	**1,010**	**1,142**	**1,297**
IMPORTS:					
Food and live animals	684	467	555	855	890
Beverages and tobacco	668	880	822	1,216	1,194
Crude materials, (inedible)	687	684	686	774	930
Mineral fuels	1,514	1,640	1,663	1,477	1,741
Animals and vegetable oils and fats	791	1,115	1,370	1,472	1,527
Chemicals	1,281	1,375	1,723	1,710	1,537
Manufactured goods	1,079	1,210	1,262	1,266	1,242
Machinery and transport equipment	1,400	1,368	1,431	1,421	1,487
Miscellaneous manufactured articles	642	843	965	1,161	1,156
All imports	**1,215**	**1,244**	**1,339**	**1,345**	**1,439**
Non-oil Imports	**980**	**991**	**1,079**	**1,149**	**1,175**

* Provisional

7.6. The overall import index grew by 7.0 per cent in 2010 compared to a paltry growth of 0.4 per cent in 2009. The import price index for mineral fuels increased by 17.9 per cent in 2010 compared to 11.2 per cent drop recorded in 2009. Likewise, the import price index for inedible crude materials increased by 20.2 per cent during the period under review. Increases were also recorded in import price indices for food and live animals; machinery and transport equipment and; animals and vegetable oils and fats. Declines of 10.1, 1.9, 1.8 and 0.4 per cent in import price index were recorded for chemicals, manufactured goods, beverages and tobacco, and miscellaneous manufactured goods.

7.7. Export and import price indices for non-oil items rose by 13.6 per cent and 2.3 per cent, respectively, in the period under review. This implies that the export unit prices for most of non-oil items grew relatively faster than import unit prices of non-oil items.

Terms of Trade

7.8. Table 7.3 shows the ratios of export price indices to import price indices. Terms of trade for all items increased by 3 percentage points to stand at 85.0 per cent in 2010 compared to 82.0 per cent in 2009. Terms of trade for non-oil items increased by 11 percentage points to reach at 110.0 per cent in 2010 compared to 99.0 per cent recorded in 2009. This improvement in terms of trade for non-oil items resulted from better world market prices of Kenya's major exports. Despite this improvement, the terms of trade for all items remain unfavourable.

Table 7.3: Terms of Trade, 2006-2010

1982 = 100

DESCRIPTION	2006	2007	2008	2009	2010*
All Items	72.0	69.6	76.9	82.0	85.0
Non-oil Items	90.4	88.0	93.6	99.0	110.0

* Provisional

Volume Changes

7.9. Changes in the volume of trade for the last five years are summarised in Table 7.4. The overall quantum index for all exports rose by 6.2 per cent in 2010 compared to a decline of 6.5 per cent in 2009. The overall index for non-oil exports increased by 4.0 per cent compared to a decrease of 11.7 per cent recorded in 2009. The general rise in export quantum indices was mainly due to significant increases in indices for all items except inedible crude materials whose quantum index declined by 23.1 per cent during the period under review. In 2010, substantial increases in export quantum indices of 52.2, 38.7 and 34.0 per cent were recorded for animal and vegetable oils and fats; miscellaneous manufactured articles and chemicals, respectively. The export quantum index for mineral fuels; and; machinery and transport equipment increased by 17.0 and 17.6 per cent, respectively, in 2010.

Table 7.4: Quantum Indices, 2006-2010

1982 =100

	2006	2007	2008	2009	2010*
EXPORTS:					
Food and live animals	242	275	284	251	261
Beverages and tobacco	4,418	3,435	3,726	4,302	4,561
Crude materials, (inedible)	282	290	346	321	247
Mineral fuels	76	47	37	53	62
Animal and vegetable oils and fats	8,325	8,588	8,797	8,815	13,415
Chemicals	662	882	1,068	851	1,140
Manufactured goods	200	277	285	223	237
Machinery and transport equipment	572	740	797	799	940
Miscellaneous manufactured articles	1,324	1,024	1,433	1,304	1,809
All Exports	**256**	**279**	**294**	**275**	**292**
Non-oil Exports	**317**	**361**	**393**	**347**	**361**
IMPORTS:					
Food and live animals	501	987	1,067	1,253	937
Beverages and tobacco	868	933	1,308	749	1,168
Crude materials, (inedible)	493	657	662	651	653
Mineral fuels	124	118	189	171	182
Animal and vegetable oils and fats	409	399	479	357	487
Chemicals	289	290	300	307	423
Manufactured goods	345	379	418	409	539
Machinery and transport equipment	238	284	307	343	402
Miscellaneous manufactured articles	551	597	504	462	562
All imports	**238**	**270**	**320**	**325**	**366**
Non-oil Imports	**357**	**425**	**459**	**476**	**553**

*Provisional

7.10. The overall import quantum indices for non-oil items and all items rose by 16.2 per cent and 12.6 per cent, respectively, in 2010, compared to growths of 3.7 and 1.6 per cent respectively, in 2009. The significant growth was mainly due to substantial increases in import quantum indices for all items except for food and live animals which declined by 25.2 per cent in the period under review compared to a 17.4 per cent growth recorded in 2009. The import quantum index for beverages and tobacco increased by 55.9 per cent in 2010 compared to a decline of 42.7 per cent recorded in 2009. Similarly, import quantum index for animals and vegetable oils and fats increased by 36.4 per cent in 2010 compared to a decline of 25.5 per cent in 2009. Chemicals and manufactured goods also recorded remarkable increases in import quantum indices of 37.8 and 31.8 per cent, respectively in 2010.

Quantities of Principal Exports and Imports

7.11. The quantities of principal exports and imports for the period 2006 to 2010 are presented in Table 7.5. There were significant increases in the export quantities of fluorspar, leather products, wire products, insecticides and fungicides in the review period. Other notable increases in export quantities were recorded for animal and vegetable oils, tea, iron and steel which went up by 43.6, 25.6 and 20.2 per cent, respectively. Exports of hides and skins; raw maize, margarine and shortening; and coffee dropped by 55.1, 35.6, 29.9 and 28.1 per cent, respectively, in the year under review.

7.12. Imports of sugar, molasses and honey increased by 40.6 per cent from 212.9 thousand tonnes in 2009 to 299.3 thousand tonnes in 2010. The quantities of imported medicinal and

pharmaceutical products; second hand clothing; and hand and machine tools increased by 35.0, 34.8, and 29.3 per cent respectively, in the review period. On the other hand, imports of unmilled maize dropped by 84.8 per cent from 1,508.4 thousand tonnes imported in 2009 to 229.6 thousand tonnes in 2010. Import quantities of non-ferrous metals, petroleum products and chemical fertilizers also decreased in 2010.

Table 7.5: Quantities of Principal Exports and Imports, 2006 – 2010

KSh million

Commodity	Unit	2006	2007	2008	2009	2010*
DOMESTIC EXPORTS						
Fish and fish preparations	Tonne	15,296	16,423	20,989	14,970	17,812
Maize(raw)	Tonne	22,344	27,750	19,002	4,072	2,623
Meals and flours of wheat	Tonne	622	688	2,286	2,618	2,900
Horticulture [1]	Tonne	301,007	397,271	414,703	338,994	379,149
Sugar confectionery	Tonne	29,130	30,873	36,332	27,196	36,486
Coffee, unroasted	Tonne	45,739	55,151	41,470	59,991	43,135
Tea	Tonne	318,896	370,245	390,003	326,497	410,035
Margarine and shortening	Tonne	29,045	33,241	26,807	26,322	18,463
Beer made from malt	`000' Lt.	16,438	44,549	47,870	58,699	51,370
Tobacco and tobacco manufactures	Tonne	31,118	38,785	34,049	33,386	31,594
Hides and Skins	Tonne	11,875	2,416	841	717	322
Sisal	Tonne	22,095	22,031	20,693	19,864	21,847
Stone, sand and gravel	Tonne	97,231	151,172	99,990	20,331	18,971
Fluorspar	Tonne	98,126	71,736	105,805	5,504	37,500
Soda Ash	Tonne	317,258	437,035	710,928	512,624	493,722
Metal scrap	Tonne	4,344	9,155	7,303	4,298	3,626
Pyrethrum Extract	Tonne	122	18	-	-	-
Petroleum Products	Mn. Lt.	98	210	69	76	83
Animal and Vegetable oils	Tonne	44,152	50,297	50,516	73,775	105,923
Medicinal and pharmaceutical products	Tonne	7,943	10,244	9,166	8,769	9,457
Essential oils	Tonne	43,300	53,373	65,794	89,372	100,505
Insecticides and fungicides	Tonne	3,408	1,549	5,109	2,918	4,197
Leather	Tonne	16,062	20,049	19,529	13,957	22,272
Wood manufactures n.e.s	Tonne	1,488	1,447	971	866	812
Paper and paperboard	Tonne	16,092	20,611	21,990	7,929	7,666
Textile yarn	Tonne	3,560	2,769	2,248	2,183	2,358
Cement	Tonne	551,447	598,178	692,464	684,259	651,701
Iron and steel	Tonne	125,591	106,377	113,853	118,926	142,982
Metal containers	Tonne	2,348	3,761	3,632	3,310	2,643
Wire products: nails screws, nuts, etc.	Tonne	4,180	5,651	4,959	5,702	8,967
Footwear	' 000' Pairs	47,054	47,239	45,918	44,035	44,504
Articles of plastic [2]	-	-	-	-	-	-
IMPORTS						
Wheat, unmilled	Tonne	650,445	564,300	538,498	781,717	848,081
Rice	Tonne	259,154	259,428	259,780	296,292	283,021
Maize, unmilled	Tonne	73,017	100,405	243,656	1,508,414	229,611
Wheat flour	Tonne	2,015	37,288	22,514	21,197	23,436
Sugars, Mollases and Honey	Tonne	183,325	252,964	242,459	212,868	299,308
Textile fibres and their waste	Tonne	23,961	22,545	17,645	16,594	16,628
Second - hand clothing	Tonne	50,268	53,871	57,817	59,677	80,423
Crude Petroleum	Tonne	1,643,189	1,598,703	1,773,338	1,627,900	1,551,524
Petroleum products	Mn. Lt.	1,991	2,047	2,130	2,867	2,638
Animal/vegetable fats and oils	Tonne	475,004	448,821	438,514	514,819	590,786
Organic & inorganic chemicals	Tonne	141,053	183,789	175,047	186,212	230,291
Medicinal and pharmaceutical products	Tonne	9,948	11,243	12,573	11,043	14,910
Essential oils & pefumes	Tonne	21,646	20,394	19,486	21,823	26,923
Chemical fertilizers	Tonne	479,413	344,986	321,277	448,984	419,732
Plastics in primary & non-primary forms	Tonne	194,864	219,818	221,332	266,955	300,070
Paper and Paperboard	Tonne	134,021	152,982	175,981	222,432	267,173
Iron and steel	Tonne	472,558	534,440	466,225	681,873	717,361
Non-ferrous metals	Tonne	36,917	39,138	35,417	43,657	39,667
Hand & machine tools	"000"No	6,357	7,993	6,102	7,040	9,102
Industrial Machinery [2]	-	-	-	-	-	-
Agricultural Machinery and Tractors [2]	-	-	-	-	-	-
Bicycles, assembled or partly assembled	"000"No	240	241	129	94	152
Road Motor Vehicles	Nos.	46,769	65,128	65,638	66,108	77,941

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.

Values of Principal Exports and Imports

7.13. Table 7.6 presents the values of principal exports and imports from 2006 to 2010. During the year under review, tea, horticulture, coffee and articles of apparel and clothing accessories were the leading export earners jointly accounting for 50.7 per cent of the total export earnings. Earnings from tea exports increased by 33.2 per cent from KSh 68,776 million in 2009 to KSh 91,617 million in 2010. Export earnings from fluorspar increased almost five times in the review period. During the period under review, the value of leather, wire products, animal and vegetable oils exports increased by 87.4, 86.8 and 67.4 per cent, respectively. Export earnings from hides and skins deteriorated by 63.3 per cent while those from meals and flours of wheat; margarine and shortening; and metal scrap registered declines of 28.4, 22.8 and 20.7 per cent, respectively during the same period.

7.14. In 2010, the commodities with the leading imports value were industrial machinery, petroleum products, crude oil and motor vehicles jointly accounting for 44.2 per cent of the total import. Imports values of sugars, molasses and honey shot up by 80.4 per cent from KSh 8,064 million in 2009 to KSh 14,551 million in 2010. The value of bicycles and second hand clothing imports also increased by 55.4 and 44.3 per cent, respectively in the review period. Other increases in imports were recorded for textile fibres, animal/vegetable fats and oils and industrial machinery, in the same period. The value of maize imports declined sharply from KSh 33,945 million in 2009 to KSh 5,471 million in 2010 following the recovery from drought experienced in 2009. Similarly, the value of wheat flour imports decreased by 47.9 per cent while that of chemical fertilisers dropped by 6.9 per cent.

Table 7.6: Values of Principal Exports and Imports, 2006-2010

KSh million

Commodity	2006	2007	2008	2009	2010*
DOMESTIC EXPORTS					
Fish and fish preparations	3,971	4,117	5,131	4,391	5,029
Maize (raw)	360	563	473	283	284
Meals and flours of wheat	17	19	95	109	78
Horticulture	48,813	56,808	71,182	65,220	72,093
Sugar confectionery	2,689	3,050	3,457	3,629	4,499
Coffee, unroasted	9,138	10,425	10,126	15,309	16,244
Tea	47,349	46,754	63,812	68,766	91,617
Margarine and shortening	2,014	2,714	2,923	2,597	2,006
Beer made from malt	980	1,782	2,065	2,508	2,775
Tobacco and tobacco manufactures	7,869	8,532	9,053	10,411	10,562
Hides and skins (undressed)	622	143	40	30	11
Sisal	1,248	1,389	1,495	1,291	1,589
Stone, sand and gravel	155	209	135	64	121
Fluorspar	1,139	963	2,191	153	726
Soda ash	3,976	5,419	13,185	8,305	7,265
Metal scrap	691	1,814	1,713	752	596
Pyrethrum extract	1,086	127	-	-	-
Petroleum products	4,299	7,720	4,223	4,466	4,850
Animal and Vegatable oils	2,453	3,453	4,851	5,910	9,893
Medicinal and pharmaceutical products	2,997	4,436	4,457	5,185	5,862
Essential oils	3,779	4,420	6,427	8,231	9,625
Insecticides and fungicides	707	854	1,642	1,269	1,659
Leather	1,971	3,036	3,313	2,237	4,192
Wood manufactures n.e.s	484	310	212	160	167
Paper and paperboard	911	1,039	1,354	642	544
Textile yarn	712	594	551	549	621
Cement	3,849	4,612	7,253	7,766	7,399
Iron and steel	9,025	8,224	10,824	9,073	12,127
Metal containers	335	348	402	437	447
Wire products: nails screws, nuts, etc.	325	411	478	493	921
Footwear	2,279	3,029	2,618	2,665	3,214
Articles of plastics	4,941	4,440	6,136	5,916	6,793
Articles of apparel and clothing accessories	16,561	16,165	17,452	13,948	15,561
All other Commodities	40,437	53,767	63,392	71,172	87,884
GRAND TOTAL	**228,181**	**261,685**	**322,660**	**323,571**	**385,666**
IMPORTS					
Wheat, unmilled	8,019	9,706	13,937	13,841	17,451
Rice	4,540	4,716	5,875	7,430	7,958
Maize	1,550	1,095	6,665	33,945	5,471
Wheat flour	35	1,451	668	1,525	794
Sugars, Mollases and Honey	5,248	7,694	7,410	8,064	14,551
Textile fibres and their waste	2,453	2,578	2,421	2,499	3,571
Second - hand clothing	2,827	3,232	3,663	4,533	6,539
Crude Petroleum	55,016	49,241	81,453	54,495	72,598
Petroleum Products	64,540	73,088	116,792	99,550	122,004
Animal/vegetable fats and oils	16,974	23,311	34,101	27,569	38,956
Organic & inorganic chemicals	8,803	11,166	13,231	12,612	16,127
Medicinal & Pharmaceauticals Products	15,443	15,948	20,776	22,994	27,879
Essential oils & perfumes	5,465	5,937	6,455	8,060	9,755
Chemical Fertilizers	10,434	8,057	15,507	15,238	14,186
Plastics in primary & non-primary forms	20,399	23,535	27,777	26,462	35,995
Paper and Paperboard	8,088	9,558	12,155	13,756	17,748
Iron and Steel	21,340	26,335	34,829	33,776	43,558
Non-ferrous metals	8,945	10,702	8,910	8,402	10,235
Hand & machine tools	1,247	1,383	1,110	1,160	1,613
Industrial Machinery	62,079	78,014	100,900	130,929	168,564
Agricultural Machinery and Tractors	2,261	3,105	3,321	3,578	4,279
Bicycles, assembled or partly assembled	456	441	271	202	314
Road Motor Vehicles	36,936	42,678	45,323	50,115	55,812
All other Commodities	158,385	192,143	207,101	207,359	251,424
GRAND TOTAL	**521,483**	**605,112**	**770,651**	**788,097**	**947,382**

Source: Kenya National Bureau of Statistics/Kenya Revenue Authority

* Provisional.

Prices Changes of Principal Imports and Domestic Exports

7.15. A summary of values, quantities and prices of selected domestic exports and imports together with their percentage changes in 2009 and 2010 are presented in tables 7.7 and 7.8. Although fish and fish preparation unit prices decreased by 3.7 per cent, the 19.0 per cent increase in the quantities exported resulted in a 14.5 per cent increase in its export earnings in 2010. The 1.2 per cent drop in the export unit price of horticulture was compensated by a 11.8 per cent increase in the export quantities resulting in a 10.5 per cent increase in the value of export earnings. During the review period, the 25.6 per cent increase in the export quantities of tea coupled with a 6.1 per cent increase in its export unit price translated to a more than proportionate increase of 33.2 per cent in export earnings. Despite a 5.9 per cent increase in the import unit price of maize in 2010, the quantities imported and the value of imports declined by a similar margin. Although the quantities of imported petroleum products decreased by 8.0 per cent in 2010, the import unit price which rose by 33.2 per cent pushed up the total value of imports by 22.6 per cent. Similarly, the 39.8 per cent increase in crude petroleum import unit price resulted in a 33.2 per cent increase in the import expenditure despite the marginal decline in quantities imported.

Table 7.7: Domestic Exports Change in Value, Quantity and Price, 2009-2010

Commodity	Value (KSh Million)				Quantity					Price per Unit (KSh)			
	2009	2010*	Change	% Change	Unit	2009	2010*	Change	% Change	2009	2010*	Change	%Change
Fish and fish preparations	4,391	5,029	638	14.5	Tonne	14,970	17,812	2,842	19.0	293,324	282,347	(10,977)	(3.7)
Maize(raw)	283	284	0	0.1	Tonne	4,072	2,623	(1,450)	(35.6)	69,619	108,182	38,563	55.4
Meals and flours of wheat	109	78	(30)	(27.9)	Tonne	2,816	2,900	84	3.0	38,658	27,065	(11,593)	(30.0)
Horticulture	65,220	72,093	6,873	10.5	Tonne	338,994	379,149	40,155	11.8	192,392	190,144	(2,248)	(1.2)
Sugar confectionery	3,629	4,499	870	24.0	Tonne	36,332	36,486	154	0.4	99,891	123,301	23,411	23.4
Coffee, unroasted	15,309	16,244	934	6.1	Tonnes	59,991	43,135	(16,856)	(28.1)	255,194	376,575	121,381	47.6
Tea	68,766	91,617	22,852	33.2	Tonne	326,497	410,035	83,538	25.6	210,617	223,438	12,821	6.1
Margarine and shortening	2,597	2,006	(591)	(22.8)	Tonne	26,322	18,463	(7,859)	(29.9)	98,681	108,653	9,972	10.1
Beer made from malt	2,508	2,775	267	10.7	000 Lt.	58,699	51,370	(7,329)	(12.5)	42,722	54,025	11,303	26.5
Tobacco and tobacco manufactures	10,411	10,562	151	1.5	Tonnes	33,386	31,594	(1,791)	(5.4)	311,842	334,303	22,462	7.2
Hides and skins (undressed)	30	11	(18)	(61.5)	Tonnes	717	322	(395)	(55.1)	41,209	35,364	(5,845)	(14.2)
Sisal	1,291	1,589	298	23.1	Tonnes	19,864	21,847	1,984	10.0	64,983	72,739	7,756	11.9
Stone, sand and gravel	64	121	57	88.3	Tonne	20,331	18,971	(1,360)	(6.7)	3,167	6,392	3,225	101.8
Fluorspar	153	726	573	374.8	Tonne	5,504	37,500	31,996	581.3	27,796	19,372	(8,424)	(30.3)
Soda ash	8,305	7,265	(1,040)	(12.5)	Tonne	512,624	493,722	(18,902)	(3.7)	16,200	14,714	(1,486)	(9.2)
Metal scrap	752	596	(156)	(20.7)	Tonne	4,298	3,626	(672)	(15.6)	174,968	164,474	(10,494)	(6.0)
Pyrethrum extract	-	-	-		Tonne	-	-	-	-	-	-	-	-
Petroleum products	4,466	4,850	384	8.6	Mn. Lt.	76	83	7	8.9	58,476,935	58,301,177	(175,758)	(0.3)
Animal and Vegatable oils	5,910	9,893	3,983	67.4	Tonne	73,775	105,923	32,148	43.6	80,109	93,400	13,291	16.6
Medicinal and pharmaceutical products	5,185	5,862	677	13.1	Tonne	8,769	9,457	688	7.8	591,302	619,902	28,599	4.8
Essential oils	8,231	9,625	1,394	16.9	Tonne	89,372	100,505	11,132	12.5	92,098	95,763	3,664	4.0
Insecticides and fungicides	1,269	1,659	389	30.7	Tonne	2,918	4,197	1,279	43.8	435,020	395,186	(39,834)	(9.2)
Leather	2,237	4,192	1,955	87.4	Tonne	13,957	22,272	8,315	59.6	160,249	188,197	27,949	17.4
Wood manufactures n.e.s	160	167	7	4.6	Tonne	866	812	(53)	(6.1)	184,378	205,429	21,051	11.4
Paper and paperboard	642	544	(98)	(15.3)	Tonne	7,929	7,666	(263)	(3.3)	80,996	70,937	(10,059)	(12.4)
Textile yarn	549	621	72	13.2	Tonne	2,183	2,358	175	8.0	251,318	263,341	12,022	4.8
Cement	7,766	7,399	(367)	(4.7)	Tonne	684,259	651,701	(32,558)	(4.8)	11,350	11,353	3	0.0
Iron and steel	9,073	12,127	3,053	33.7	Tonne	118,926	142,982	24,055	20.2	76,295	84,813	8,518	11.2
Metal containers	437	447	10	2.2	Tonne	3,310	2,643	(667)	(20.2)	132,032	169,024	36,992	28.0
Wire products: nails screws, nuts, etc.	493	921	428	86.8	Tonne	5,702	8,967	3,265	57.3	86,512	102,736	16,224	18.8
Footwear	2,665	3,214	549	20.6	'000' Pairs	44,035	44,504	470	1.1	60,514	72,220	11,706	19.3
Articles of plastics	5,916	6,793	876	14.8	-	-	-	-	-	-	-	-	-
Articles of apparel and clothing accessories	13,948	15,561	1,613	11.6	-	-	-	-	-	-	-	-	-
All other Commodities	71,172	87,884	16,712	23.5	-	-		-	-	-	-	-	-
TOTAL	**323,571**	**385,666**	**62,094**	**19.2**		-		-	-	-	-	-	-

Source: Kenya National Bureau of Statistics/Kenya Revenue Authority

* Provisional

Table 7.8: Import Changes in Value, Quantity and Price, 2009-2010

Commodity	Value in (KSh Million)				Quantity					Price Per Unit (KSh)			
	2009	2010*	Change	%Change	Unit	2009	2010*	Change	%Change	2009	2010*	Change	%Change
Wheat, unmilled	13,841	17,451	3,610	26.1	Tonne	781,717	848,081	66,365	8.5	17,705	20,577	2,871	16.2
Rice	7,430	7,958	528	7.1	Tonne	296,292	283,021	(13,271)	(4.5)	25,076	28,119	3,043	12.1
Maize	33,945	5,471	(28,474)	(83.9)	Tonne	1,508,414	229,611	(1,278,802)	(84.8)	22,504	23,828	1,324	5.9
Wheat flour	1,525	794	(731)	(47.9)	Tonne	21,197	23,436	2,239	10.6	71,926	33,863	(38,064)	(52.9)
Sugars, Mollases and Honey	8,064	14,551	6,486	80.4	Tonne	212,868	299,308	86,440	40.6	37,885	48,615	10,730	28.3
Textile fibres and their waste	2,499	3,571	1,072	42.9	Tonne	16,594	16,628	33	0.2	150,583	214,742	64,160	42.6
Second-hand clothing	4,533	6,539	2,006	44.3	Tonne	59,677	80,423	20,745	34.8	75,961	81,312	5,350	7.0
Crude Petroleum	54,495	72,598	18,103	33.2	Tonne	1,627,900	1,551,524	(76,376)	(4.7)	33,476	46,791	13,315	39.8
Petroleum Products	99,550	122,004	22,454	22.6	Mn. Lt.	2,867	2,638	(229)	(8.0)	34,726,294	46,251,284	11,524,989	33.2
Animal/vegetable fats and oils	27,569	38,956	11,387	41.3	Tonne	514,819	590,786	75,967	14.8	53,551	65,939	12,389	23.1
Organic & inorganic chemicals	12,612	16,127	3,515	27.9	Tonne	186,212	230,291	44,080	23.7	67,729	70,028	2,298	3.4
Medicinal & Pharmaceauticals Products	22,994	27,879	4,885	21.2	Tonne	11,043	14,910	3,867	35.0	2,082,208	1,869,857	(212,351)	(10.2)
Essential oils & pefumes	8,060	9,755	1,695	21.0	Tonne	21,823	26,923	5,100	23.4	369,347	362,345	(7,002)	(1.9)
Chemical Fertilizers	15,238	14,186	(1,052)	(6.9)	Tonne	448,984	419,732	(29,252)	(6.5)	33,939	33,798	(142)	(0.4)
Plastics in primary & non-primary forms	26,462	35,995	9,533	36.0	Tonne	266,955	300,070	33,115	12.4	99,125	119,957	20,831	21.0
Paper and Paperboard	13,756	17,748	3,992	29.0	Tonne	222,432	267,173	44,741	20.1	61,844	66,430	4,586	7.4
Iron and Steel	33,776	43,558	9,782	29.0	Tonne	681,873	717,361	35,488	5.2	49,534	60,720	11,185	22.6
Non-ferrous metals	8,402	10,235	1,832	21.8	Tonne	43,657	39,667	(3,990)	(9.1)	192,460	258,015	65,555	34.1
Hand & machine tools	1,160	1,613	453	39.0	"000"No	7,040	9,102	2,062	29.3	164,824	177,211	12,387	7.5
Industrial Machinery	130,929	168,564	37,634	28.7	-	-	-	-	-	-	-	0	-
Agricultural Machinery and Tractors	3,578	4,279	701	19.6	-	-	-	-	-	-	-	0	-
Bicycles, assembled or partly assembled	202	314	112	55.3	"000"No	94	152	58	61.5	2,149,002	2,066,572	(82,430)	(3.8)
Road Motor Vehicles	50,115	55,812	5,697	11.4	Nos.	66,108	77,941	11,833	17.9	758,073	716,078	(41,995)	(5.5)
All other Commodities	207,359	251,424	33,930	15.6	-	-	-	-	-	-	-	-	-
GRAND TOTAL	**788,097**	**947,382**	**159,285**	**20.2**	**-**	**-**		**-**	**-**	**-**	**-**	**-**	**-**

Source: Kenya National Bureau of Statistics/Kenya Revenue Authority

* Provisional.

7.16. Unit prices of principal exports and imports are presented in Table 7.9. Most commodities recorded increases in export unit prices in the review period. During this period, the prices of stone and gravel doubled while those of raw maize and coffee shot up by 55.4 and 47.8 per cent, respectively. Export unit prices of metal containers and beer also increased notably in the review period. However, export unit prices of hides and skins dropped for the third consecutive year while those of paper and paper board, insecticides and fungicides decreased by 12.4 and 9.2 per cent, respectively in 2010.

7.17. Import unit prices of textile fibres and their waste have steadily increased for the last four years. The unit price of crude petroleum shot up by 39.8 per cent in 2010 after recording a decline in 2009. Other notable increases in import unit prices were recorded for non-ferrous metals and petroleum products which rose by 34.1 and 33.2 per cent respectively, in the review period. However, import unit prices of wheat flour and medicinal and pharmaceutical products recorded significant declines of 52.9 and 10.2 per cent, respectively.

Table 7.9: Prices of Principal Exports and Imports, 2006-2010

KSh/Unit

Commodity	Unit	2006	2007	2008	2009	2010*
DOMESTIC EXPORTS						
Fish and fish preparations	Kg	260	251	244	293	282
Maize(raw)	Tonne	16,112	20,284	24,899	69,619	108,182
Meals and flours of wheat	Tonne	27,093	28,335	41,381	38,658	27,065
Horticulture	Kg	155	137	172	192	190
Sugar confectionery	Kg	92	99	124	100	123
Coffee, unroasted	Kg	200	189	244	255	377
Tea	Kg	148	126	164	211	223
Margarine and shortening	Kg	69	82	109	99	109
Beer made from malt	Lt.	60	40	43	43	54
Tobacco and tobacco manufactures	Kg	253	220	266	312	334
Hides and Skins(undressed)	Kg	52	59	47	41	35
Sisal	Tonne	56,484	63,048	72,259	64,983	72,739
Stone, sand and gravel	Tonne	1,589	1,386	1,351	3,167	6,392
Fluorspar	Tonne	11,605	13,431	20,712	27,796	19,372
Soda Ash	Tonne	12,531	12,400	18,546	16,200	14,714
Metal scrap	Tonne	159,066	198,151	234,545	174,968	164,474
Pyrethrum Extract	Kg	8,911	7,130	-	-	-
Petroleum Products	Lt.	44	37	62	58	58
Animal and Vegetable oils	Kg	56	69	96	80	93
Medicinal and pharmaceutical products	Kg	377	433	486	591	620
Essential oils	Kg	87	83	98	92	96
Insecticides and fungicides	Kg	207	551	321	435	395
Leather	Kg	123	151	170	160	188
Wood manufactures n.e.s	Tonne	325,374	214,158	218,049	184,378	205,429
Paper and paperboard	Tonne	56,614	50,394	61,571	80,996	70,937
Textile yarn	Kg	200	215	245	251	263
Cement	Tonne	6,980	7,710	10,475	11,350	11,353
Iron and steel	Tonne	71,860	77,309	95,069	76,295	84,813
Metal containers	Tonne	142,645	92,413	110,745	132,032	169,024
Wire products: nails screws, nuts, etc.	Tonne	77,765	72,756	96,385	86,512	102,736
Footwear	Pair	48	64	57	61	72
Articles of plastics[1]	-	-	-	-	-	-
IMPORTS						
Wheat, unmilled	Tonne	12,329	17,200	25,881	17,705	20,577
Rice	Tonne	17,518	18,177	22,615	25,076	28,119
Maize, unmilled	Tonne	21,231	10,904	27,353	22,504	23,828
Wheat flour	Tonne	17,428	38,904	29,675	71,926	33,863
Sugars, Mollases and Honey	Tonne	28,625	30,415	30,563	37,885	48,615
Textile fibres and their waste	Tonne	102,374	114,332	137,211	150,583	214,742
Second - hand clothing	Tonne	56,239	59,999	63,347	75,961	81,312
Crude Petroleum	Tonne	33,481	30,800	45,932	33,476	46,791
Petroleum products	Lt.	32	36	55	35	46
Animal/vegetable fats and oils	Kg	36	52	78	54	66
Organic & inorganic chemicals	Kg	62	61	76	68	70
Medicinal & Pharmaceauticals Products	Kg	1,552	1,419	1,652	2,082	1,870
Essential oils & pefumes	Kg	252	291	331	369	362
Chemical fertilizers	Tonne	21,764	23,356	48,267	33,939	33,798
Plastics in primary & non-primary forms	Tonne	104,683	107,065	125,500	99,125	119,957
Paper and Paper Products	Tonne	60,350	62,477	69,069	61,844	66,430
Iron and steel	Tonne	45,158	49,275	74,705	49,534	60,720
Non-ferrous metals	Tonne	242,298	273,427	251,569	192,460	258,015
Hand & machine tools	Mn. No.	196	173	182	165	177
Industrial Machinery	-	-	-	-	-	-
Agricultural Machinery and Tractors[1]	-	-	-	-	-	-
Bicycles, assembled or partly assembled[1]	No.	1,901	1,829	2,100	2,149	2,067
Road Motor Vehicles	No.	789,754	655,298	690,505	758,073	716,078

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

7.18. A summary of the composition of Kenya's domestic exports classified by Broad Economic Category (BEC) are presented in Table 7.10. Food and beverages continued to be the main export earner accounting for 44.1 per cent of the total domestic export earnings in 2010 compared to 42.3 per cent in 2009. During the period under review, the share of export earnings from non-food industrial supplies rose to 28.1 per cent. The share of export earnings from machinery and other capital equipment was 2.3 per cent in 2010 compared with 2.1 per cent in 2009. The export earnings from fuel and lubricants increased from 1.4 per cent in 2009 to 1.9 per cent in 2010. The share of transport equipment declined marginally from 1.8 per cent in 2009 to 1.7 per cent in 2010.

7.19. Export earnings from food and beverages increased significantly by 24.4 per cent in 2010 compared to an increase of 5.0 per cent in 2009. This was mainly due to growths of 30.8 and 20.8 per cent in the primary food and beverages for household consumption, and processed food and beverages for household consumption, respectively. The value of export earnings from non-food industrial supplies increased by 23.9 per cent in 2010 compared to a decline of 5.6 per cent in 2009 on account of an increase of 31.9 per cent in the processed non-food industrial supplies. During the review period, export earnings from consumer goods not elsewhere specified increased by 2.1 per cent in 2010 compared with a decline of 4.4 per cent in 2009. This was partly due to an 8.9 per cent increase in the export earnings of semi-durable consumer goods.

Table 7.10: Value of Domestic Exports by Broad Economic Category, 2006-2010

KSh mMillion

DESCRIPTION	2006	2007	2008	2009	2010*
1 FOOD AND BEVERAGES	97,801	105,549	130,273	136,751	170,050
Primary	76,330	78,558	97,994	107,319	136,579
For Industry	11,151	11,689	11,381	16,710	18,099
For Household Consumption	65,179	66,869	86,613	90,608	118,480
Processed	21,471	26,991	32,279	29,433	33,471
For Industry	3,176	3,543	4,036	5,151	4,130
For Household Consumption	18,295	23,448	28,243	24,282	29,341
2. INDUSTRIAL SUPPLIES (Non-Food)	53,715	66,678	92,500	87,342	108,201
Primary	11,999	13,545	18,463	19,975	19,356
Processed	41,716	53,133	74,037	67,367	88,845
3. FUEL AND LUBRICANTS	6,882	8,931	4,589	4,553	7,454
Primary	15	12	12	9	7
Processed	6,867	8,919	4,577	4,543	7,448
Motor Spirit	199	417	238	318	561
Other	6,668	8,502	4,339	4,225	6,887
4. MACHINERY & OTHER CAPITAL EQUIPMENT	3,529	4,426	5,566	6,781	9,036
Machinery & Other Capital Equipment	2,932	3,518	4,787	5,492	7,320
Parts and Accessories	597	908	779	1,288	1,715
5. TRANSPORT EQUIPMENT	2,762	3,475	3,672	5,828	6,576
Passenger Motor Vehicles	68	115	69	100	228
Other	1,441	1,888	2,168	3,978	3,885
For Industry	1,368	1,815	2,124	3,944	3,517
Non-Industrial	73	73	44	34	368
Parts and Accessories	1,253	1,473	1,435	1,750	2,464
6. CONSUMER GOODS NOT ELSEWHERE SPECIFIED	63,436	72,623	86,036	82,291	84,044
Durable	629	2,211	2,560	3,234	1,326
Semi-Durable	22,939	22,278	24,091	20,239	22,036
Non-Durable	39,868	48,134	59,385	58,818	60,683
7. GOODS NOT ELSEWHERE SPECIFIED	56	3	24	25	305
TOTAL	**228,181**	**261,685**	**322,660**	**323,571**	**385,666**
PERCENTAGE SHARES:					
1. Food and Beverages	42.9	40.3	40.4	42.3	44.1
2. Industrial Supplies (Non-Food)	23.5	25.5	28.7	27.0	28.1
3. Fuel and Lubricants	3.0	3.4	1.4	1.4	1.9
4. Machinery and other Capital Equipment	1.5	1.7	1.7	2.1	2.3
5. Transport Equipment	1.2	1.3	1.1	1.8	1.7
6. Consumer Goods not elsewhere specified	27.8	27.8	26.7	25.4	21.8
7. Goods not elsewhere specified	0.0	0.0	0.0	0.0	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

7.20. Imports classified by Broad Economic Category (BEC) are detailed in Table 7.11. During the review period, the value of imports of non-food industrial supplies; fuels and lubricants; machinery and other capital equipment; and transport equipment accounted for 31.6, 22.1, 18.7 and 12.3 per cent of the total import bill, respectively. In 2010, the share of expenditure on food and beverages declined to 7.4 per cent of the total import bill compared to 11.5 per cent in 2009.

7.21. The expenditure on the non-food industrial supplies and; fuels and lubricants increased by 28.9 and 26.4 per cent, respectively in 2010 compared to declines of 2.9 and 20.0 per cent, respectively in 2009. These were on the account of increases of 28.6 per cent and 19.9 per cent in the imports of processed non-food industrial supplies and other processed fuel and lubricants, respectively. Similarly, a substantial growth of 29.1 per cent was recorded

in the value of machinery and other capital equipment imports in 2010 compared to a growth of 7.4 per cent in 2009. This growth was mainly due to an increase of 34.0 per cent in machinery and other capital equipment imports. On the other hand, the expenditure on food and beverages decreased by 22.1 per cent in 2010 compared to a 68.7 per cent increase recorded in 2009. This could be attributed to a decline of 51.6 per cent recorded in the imports of primary food and beverages for industry. This decline could be partly explained by a reduction in maize imports during the review period.

Table 7.11: Value of Imports by Broad Economic Category, 2006-2010

KSh million

DESCRIPTION	2006	2007	2008	2009	2010*
1. FOOD AND BEVERAGES	31,985	42,126	53,614	90,437	70,449
Primary	12,910	18,510	26,207	58,256	31,695
For Industry	10,269	14,157	23,142	53,661	25,949
For Household Consumption	2,641	4,353	3,065	4,595	5,746
Processed	19,075	23,616	27,407	32,181	38,754
For Industry	5,561	5,755	7,875	7,840	9,229
For Household Consumption	13,514	17,861	19,532	24,341	29,525
2. INDUSTRIAL SUPPLIES (Non-Food)	160,883	194,190	238,926	232,091	299,270
Primary	10,318	13,878	15,489	15,160	20,270
Processed	150,565	180,312	223,437	216,931	279,000
3. FUEL AND LUBRICANTS	124,647	126,760	206,642	165,515	209,223
Primary	55,842	50,183	82,945	55,865	74,849
Processed	68,805	76,577	123,697	109,651	134,374
Motor Spirit	14,552	9,212	14,252	16,726	23,052
Other	54,253	67,365	109,445	92,925	111,322
4. MACHINERY AND OTHER CAPITAL EQUIPMENT	71,677	97,258	127,872	137,288	177,242
Machinery and Other Capital Equipment	56,333	76,515	106,133	112,602	150,931
Parts and Accessories	15,344	20,743	21,739	24,685	26,312
5. TRANSPORT EQUIPMENT	95,718	97,385	89,103	103,449	116,904
Passenger Motor Vehicles	15,890	20,630	22,485	23,761	28,478
Other	64,056	58,556	41,587	57,022	61,992
Industrial	62,203	54,771	38,267	50,948	55,768
Non-Industrial	1,853	3,785	3,320	6,074	6,224
Parts and Accessories	15,772	18,199	25,031	22,666	26,435
6. CONSUMER GOODS NOT ELSEWHERE SPECIFIED	36,137	45,134	53,715	57,712	70,948
Durable	5,239	7,936	10,064	9,905	11,839
Semi-Durable	9,595	12,945	14,699	15,933	19,263
Non-Durable	21,303	24,253	28,952	31,874	39,846
7. GOODS NOT ELSEWHERE SPECIFIED	436	2,259	779	1,606	3,345
TOTAL	**521,483**	**605,112**	**770,651**	**788,097**	**947,382**
PERCENTAGE SHARES:					
1. Food and Beverages	6.1	7.0	7.0	11.5	7.4
2. Industrial Supplies (Non-Food)	30.9	32.1	31.0	29.4	31.6
3. Fuel and Lubricants	23.9	20.9	26.8	21.0	22.1
4. Machinery and other Capital Equipment	13.7	16.1	16.6	17.4	18.7
5. Transport Equipment	18.4	16.1	11.6	13.1	12.3
6. Consumer Goods not elsewhere specified	6.9	7.5	7.0	7.3	7.5
7. Goods not elsewhere specified	0.1	0.4	0.1	0.2	0.4
TOTAL	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: Kenya National Bureau of Statistics/Kenya Revenue Authority

* Provisional

Direction of Trade

7.22. Tables 7.12, 7.13 and 7.14 present a summary of Kenya's direction of trade. Africa continued to be Kenya's dominant export market accounting for 46.1 per cent of the total exports in 2010. Exports to Africa rose by 16.1 per cent from KSh 162,732 million in 2009 to KSh 188,975 million in 2010 as indicated in Table 7.12. Exports to Rwanda increased by 10.5 per cent from KSh 9,536 million to KSh 10,535 million in 2010 while those to Uganda increased by 12.7 per cent during the same period. The export earnings from South Africa however declined from KSh 3,580 million to KSh 2,444 million in the review period. Total exports to the European Union (EU) rose by 7.3 per cent and accounted for 24.1 per cent of the total export earnings in the period under review. Exports to Spain, Italy, Belgium and United Kingdom increased by 34.9, 34.6, 22.7 and 4.5 per cent, respectively in 2010. The significant rise in the exports to EU region was partly due to increases in horticultural, and fish and fish preparation exports.

7.23. Total exports to the Middle East increased by 58.2 per cent from KSh 19,300 million in 2009 to KSh 30,525 million in 2010. Export earnings from United Arab Emirates (UAE) shot up by 76.0 per cent due to an increase in the exports of semi-manufactured gold from KSh 2,049 million in 2009 to KSh 6,377 million in 2010. There was also a significant increase in the value of tea exports to UAE from KSh 2,941 million to KSh 4,703 million during the same period. Total exports to the Far East increased by 27.9 per cent and accounted for 12.5 per cent of the total export earnings in the period under review. Exports to India increased by 65.0 per cent while those to Pakistan registered a 19.1 per cent growth. Exports to the United States of America (USA) increased by 29.3 per cent from KSh 17,422 million in 2009 to KSh 22,522 million in 2010. Major increases were in the exports of crocheted or knitted fabrics to the USA. Declines were recorded for exports to Singapore which shrunk by 64.7 per cent from KSh 1,838 million to KSh 649 million in the period under review.

7.24. Asia remained Kenya's dominant source of imports accounting for 59.9 per cent of the total imports in 2010 as shown in Table 7.13. The value of imports from South Korea rose by 84.0 per cent from KSh 10,703 million in 2009 to KSh 19,695 million in 2010. Imports from China shot up by 61.9 per cent reaching KSh 120,648 million in the review period. This was mainly caused by imports of base stations, machine tools, switching and routing apparatus and telephones for cellular networks. Remarkable increases were noted for import values from India (24.0 per cent), Singapore (20.1 per cent) and Japan (19.2 per cent). Significant increases in the value of imports was recorded for palm oil and palm fractions from Singapore from KSh 8,506 million to KSh 11,802 million during the same period. Increases were recorded for the imports of synthetic and artificial filament tows from Japan during the review period.

7.25. The value of imports from Finland more than tripled in the review period from KSh 4,298 million to KSh 14,167 million. This was mainly due to importation of aeroplane and other aircrafts, electrical generating sets and rotary converters during the review period. The value of imports from France and Germany rose by 17.4 and 16.0 per cent, respectively in the review period, while imports from Spain, Italy and Sweden declined by 18.7, 13.7 and 9.4 per cent, respectively.

7.26. Imports from Africa increased by 9.8 per cent in 2010 compared to a 21.7 per cent growth recorded in 2009. The value of imports from Uganda more than doubled from KSh 4,426 million in 2009 to KSh 9,227 million in 2010. The increase was as a result of increases in imports of milk and cream, maize and dried leguminous vegetables. There was a remarkable increase in the value of imports from Tanzania which went up by 35.1 per cent as a result of increases in the imports of rice and sugar. However, was a 15.3 per cent decrease in the value of imports from South Africa in the review period.

Table 7.12: Value of Total Exports by Destination, 2006-2010

KSh million

	2006	2007	2008	2009	2010*
EUROPE					
WESTERN EUROPE:					
European Union					
Belgium	2,126	2,596	2,814	3,390	4,159
Finland	879	894	1,230	1,657	1,808
France	3,837	3,952	4,829	4,250	5,093
Germany	4,633	5,952	6,114	7,351	7,715
Italy	1,986	2,580	2,987	2,417	3,253
Netherlands	19,656	21,919	26,167	26,331	26,868
Spain	1,181	1,633	2,151	1,508	2,034
Sweden	1,106	1,591	1,575	2,497	2,742
United Kingdom	27,237	28,789	37,912	38,496	40,211
Other	2,901	2,757	3,516	4,118	4,882
Total	**65,542**	**72,662**	**89,295**	**92,015**	**98,766**
Other Western Europe	3,897	4,234	5,390	2,692	2,923
Total Western Europe	**69,439**	**76,846**	**94,685**	**94,707**	**101,689**
EASTERN EUROPE:					
Russia Federation	1,580	1,923	3,410	3,616	4,515
Other	396	457	307	2,652	3,219
Total	**1,976**	**2,381**	**3,716**	**6,268**	**7,734**
TOTAL, EUROPE	**71,415**	**79,277**	**98,513**	**100,975**	**109,422**
AMERICA					
U.S.A	20,326	19,218	20,512	17,422	22,522
Canada	606	659	745	1,009	1,170
Other	555	643	798	531	695
TOTAL AMERICA	**21,487**	**20,520**	**22,054**	**18,961**	**24,387**
AFRICA					
South Africa	2,258	2,347	3,641	3,580	2,444
Rwanda	4,765	5,801	8,953	9,536	10,535
Egypt	9,871	9,111	15,490	11,885	18,116
Tanzania	18,288	22,326	29,224	30,087	33,211
Uganda	27,812	33,571	42,285	46,240	52,108
Other[1]	45,312	50,873	62,947	61,405	72,561
TOTAL AFRICA	**108,306**	**124,029**	**162,541**	**162,732**	**188,975**
ASIA					
MIDDLE EAST:					
Iran	468	246	504	379	859
Israel	907	1,096	1,516	1,597	1,547
Jordan	121	202	150	230	163
Saudi Arabia	657	735	1,423	1,415	1,843
United Arab Emirates	4,968	8,627	7,560	10,716	18,856
Other .	2,593	2,829	4,779	4,963	7,257
Total	**9,714**	**13,734**	**15,932**	**19,300**	**30,525**
FAR EAST					
China(Mainland)	1,555	1,471	2,030	2,487	2,512
India	3,749	5,824	6,769	5,137	8,478
Indonesia	318	420	672	567	989
Japan	1,255	1,302	2,340	2,228	2,091
Korea South	399	318	210	262	177
Pakistan	14,547	13,531	13,935	15,172	18,069
Singapore	168	1,723	1,491	1,838	649
Other	6,210	7,905	13,862	12,246	18,111
Total	**28,201**	**32,493**	**41,310**	**39,935**	**51,075**
TOTAL, ASIA	**37,915**	**46,227**	**57,241**	**59,236**	**81,600**
AUSTRALIA & OCEANIC					
Australia	550	1,100	462	658	636
Other	173	132	219	257	123
TOTAL	**723**	**1,232**	**680**	**914**	**759**
All Other Countries	1,860	89	206	427	1,598
Aircraft and Ships Stores	9,287	3,251	3,077	1,703	3,051
TOTAL	**11,147**	**3,340**	**3,284**	**2,130**	**4,649**
TOTAL EXPORTS	**250,993**	**274,658**	**344,947**	**344,949**	**409,794**

Source: Kenya National Bureau of Statistics/Kenya Revenue Authority

*Provisional

[1]See Table 7.14 for details

Table 7.13: Value of Imports by Country of Origin, 2006-2010

KSh Million

DESCRIPTION	2006	2007	2008	2009	2010*
EUROPE					
WESTERN EUROPE					
European Union					
Belgium	6,799	6,230	8,188	7,044	7,642
Finland	1,848	5,027	5,343	4,298	14,167
France	10,608	16,491	16,390	15,885	18,652
Germany	18,924	22,166	26,946	22,729	26,367
Italy	12,111	13,223	12,538	13,889	11,981
Netherlands	9,099	9,304	13,218	17,444	18,465
Spain	2,707	4,270	3,385	4,003	3,255
Sweden	3,988	3,980	6,597	6,239	5,653
United Kingdom	27,042	29,419	27,976	36,885	37,869
Other	23,225	11,660	14,621	12,430	27,599
Total	**116,351**	**121,771**	**135,201**	**140,846**	**171,652**
Other Western Europe	10,392	9,309	13,652	10,700	13,779
Total Western Europe	**126,743**	**130,416**	**146,847**	**151,546**	**185,431**
EASTERN EUROPE					
Russian	3,001	6,561	11,507	4,887	9,689
Other	5,790	3,466	6,098	15,444	8,795
Total	**8,791**	**10,027**	**17,606**	**20,331**	**18,484**
TOTAL, EUROPE	**135,534**	**141,095**	**166,459**	**171,878**	**203,914**
AMERICA					
U.S.A	24,731	44,523	27,549	50,056	39,316
Canada	3,107	2,901	4,532	6,139	7,068
Other	4,489	8,024	11,496	8,721	9,289
TOTAL AMERICA	**32,327**	**55,448**	**43,577**	**64,916**	**55,672**
AFRICA					
South Africa	33,933	35,355	46,691	70,561	59,781
Tanzania	4,514	6,678	7,265	7,809	10,549
Uganda	1,002	5,979	5,221	4,426	9,227
Other[1]	24,164	24,027	26,814	21,876	35,363
TOTAL AFRICA	**63,613**	**72,039**	**85,991**	**104,672**	**114,920**
ASIA					
MIDDLE EAST					
Iran	574	3,360	6,578	6,468	3,140
Israel	2,861	4,385	8,182	5,129	4,719
Jordan	655	812	450	551	767
Saudi Arabia	26,455	17,597	25,879	27,522	32,274
United Arab Emirates	77,529	89,466	113,810	89,709	116,045
Other	11,703	14,235	29,002	19,494	11,782
Total	**119,777**	**129,853**	**183,900**	**148,874**	**168,726**
FAR EAST					
China	29,721	45,672	63,474	74,524	120,648
India	37,781	56,817	90,531	83,243	103,242
Indonesia	13,757	18,764	22,928	18,774	26,955
Japan	29,407	41,129	44,840	48,857	58,244
Korea South	9,146	8,599	8,242	10,703	19,695
Pakistan	4,436	5,006	5,620	7,753	8,219
Singapore	25,526	9,352	24,958	26,419	31,739
Other	16,741	18,916	24,277	22,979	30,453
Total	**166,515**	**204,256**	**284,870**	**293,251**	**399,195**
TOTAL, ASIA	**286,292**	**334,108**	**468,770**	**442,125**	**567,921**
AUSTRALIA & OCEANIC					
Australia	2,826	1,527	1,394	2,184	3,230
Other	266	344	398	2,169	676
TOTAL	**3,092**	**1,871**	**1,792**	**4,354**	**3,907**
All Other Countries N.E.S.	626	569	155	152	871
TOTAL	**626**	**569**	**155**	**152**	**871**
GRAND TOTAL	**521,484**	**605,112**	**770,651**	**788,097**	**947,382**

Source: Kenya National Bureau of Statistics/Kenya Revenue Authority

*Provisional

[1]See Table 7.14 for details

Table 7.14: Trade with African Countries, 2006-2010

KSh'000

ZONES/COUNTRIES	Total Exports					Total Imports				
	2006	2007	2008	2009	2010*	2006	2007	2008	2009	2010*
EAST AFRICAN COMMUNITY (EAC)										
Tanzania	18,288,422	22,325,810	29,223,947	30,086,582	33,211,132	4,514,229	6,677,909	7,265,089	7,809,234	10,548,967
Uganda	27,812,308	33,570,946	42,285,352	46,239,885	52,108,047	1,001,829	5,978,919	5,221,189	4,426,263	9,226,647
Rwanda[1]	4,765,033	5,801,234	8,953,198	9,535,976	10,535,164	210,230	88,696	25,327	240,070	430,122
Burundi[1]	2,184,269	2,423,978	3,479,476	4,597,172	5,458,274	338,764	152,770	78,159	92,653	144,855
Total, EAC	**53,050,032**	**64,121,968**	**83,941,972**	**90,459,615**	**101,312,617**	**6,065,052**	**12,898,294**	**12,589,764**	**12,568,221**	**20,350,591**
COMESA										
Comoros	384,249	224,138	391,642	437,716	467,055	-	7,070	-	-	113,734
Congo, D.R	7,626,944	8,307,968	9,852,453	11,323,667	12,791,841	923,241	1,526,791	985,009	879,448	1,330,290
Djibouti	851,451	2,264,322	799,248	711,718	926,041	713	1,797,904	1,525,001	44,305	3,214
Egypt	9,871,273	9,110,514	15,489,896	11,885,062	18,116,441	8,212,279	11,170,046	10,850,664	9,599,003	18,408,906
Eritrea	573,921	295,996	260,179	563,285	387,666	30,885	708	175,005	23,511	1,972
Ethiopia	3,670,951	3,434,281	4,362,771	4,318,774	4,384,942	119,300	141,605	201,348	237,896	247,569
Libya	2,502	616,399	32,754	76,144	17,856	100,017	3,713	7,499	11	1,995
Madagascar	521,842	627,347	418,646	705,457	342,650	61,244	60,662	29,271	477,999	475,833
Malawi	1,807,669	2,112,795	3,992,151	3,145,307	4,263,255	256,470	381,672	74,879	121,514	534,856
Mauritius	490,567	637,912	824,094	1,153,342	1,481,428	413,663	1,279,143	1,533,141	1,280,193	2,885,646
Namibia	11,293	31,186	106,462	76,860	141,073	22,388	23,870	19,433	328,097	345,986
Seychelles	281,784	286,667	238,964	248,562	274,507	320,897	214,869	385,765	309,526	105,876
Sudan	10,099,845	11,589,457	14,073,437	12,762,795	18,824,131	86,089	11,277	162,979	11,638	167,691
Swaziland	8,457	3,554	1,726	2,823	11,474	3,842,109	3,297,527	4,987,810	5,042,765	3,907,481
Zambia	4,042,931	4,989,945	5,496,235	4,829,710	4,688,273	1,430,964	2,028,439	1,853,541	1,571,485	2,458,857
Zimbabwe	119,558	219,364	179,077	356,551	742,218	204,968	434,644	156,030	601,291	572,047
Sub-Total	**40,365,236**	**44,751,844**	**56,519,736**	**52,597,771**	**67,860,851**	**16,025,228**	**22,379,940**	**22,947,377**	**20,528,683**	**31,561,954**
Total, COMESA[2]	**75,126,846**	**86,548,003**	**111,237,762**	**112,970,805**	**135,962,336**	**17,576,050**	**28,600,325**	**28,272,052**	**25,287,670**	**41,363,578**
OTHER COUNTRIES										
Algeria	4,701	2,043	6,118	1,704	3,560	-	1,235	385,994	3,635	6,472
Angola	311,890	290,132	157,650	123,116	251,867	89,354	829	297	6,830	1,289
Ghana	359,822	409,735	477,502	591,045	675,596	82,434	73,020	9,820	31,636	84,526
Nigeria	2,141,252	1,640,402	3,168,499	1,865,382	1,593,966	75,919	122,098	169,855	182,481	125,710
Lesotho	11,911	51,921	1,311	16,562	852	608,137	628,043	939	133,658	20,767
Mozambique	421,721	681,267	869,507	1,126,207	773,884	183,090	195,284	279,906	104,152	982,783
Reunion	720,094	295,645	122,629	80,033	93,590	-	-	-	18,261	270
Somalia	7,596,888	8,330,378	12,848,237	11,214,883	13,055,620	13,516	12,103	30,161	1,694	19,448
South Africa	2,411,118	2,346,677	3,641,006	3,579,505	2,443,737	33,933,051	35,355,424	46,690,926	70,561,130	59,781,318
All Other African Countries	602,269	816,488	629,025	953,469	867,146	6,448,146	372,317	2,885,967	525,025	1,961,414
Sub-Total	**14,581,666**	**14,864,688**	**21,921,482**	**19,551,906**	**19,759,819**	**41,433,647**	**36,760,353**	**50,453,866**	**71,568,502**	**62,983,997**
TOTAL AFRICA	**107,996,934**	**124,028,632**	**162,540,840**	**162,732,409**	**188,975,050**	**63,613,281**	**72,038,587**	**85,991,007**	**104,672,235**	**114,919,631**
Percentage of all Exports/Imports	43.0	45.2	47.4	47.5	46.1	12.2	11.9	11.2	13.7	12.1

Source: Kenya National Bureau of Statistics/Kenya Revenue Authority

* Provisional

'Rwanda and Burundi joined EAC in July 2007

[2] COMESA includes Uganda, Burundi and Rwanda

7.27. Table 7.14 shows figures on trade with African countries for the period 2006 to 2010. Common Market for Eastern and Southern Africa (COMESA) remained the leading destination of Kenya's exports accounting for 71.9 per cent of the total exports to Africa in 2010. The value of exports to COMESA increased from KSh 112,971 million in 2009 to KSh 135,962 million in 2010. The value of exports to Egypt increased by 52.4 per cent from KSh 11,885 million in 2009 to KSh 18,116 million in 2010 mainly driven by exports of tea. Total exports to Sudan increased by 47.5 per cent and stood at KSh 18,824 million in 2010. This was partly due to significant increases in tea exports which rose from KSh 3,607 million in 2009 to KSh 5,522 million in 2010.

7.28. Total value of exports to the East African Community (EAC) increased by 12.0 per cent accounting for 53.6 per cent of the total exports to Africa. The increase can be attributed to increases recorded in the exports of petroleum products, medicaments, sugar confectionery, packing containers, and animal/vegetable fats and oils. The value of exports to Burundi and Uganda increased by 18.7 and 12.7 per cent, respectively. The value of exports to Uganda alone accounted for 27.6 per cent of the total exports to the African region. The value of exports to Rwanda and Tanzania increased by 10.5 and 10.4 per cent, respectively during the review period.

7.29. Notable increases were recorded for exports to Somalia which rose by 16.4 per cent partly due to increased exports of horticultural products. The value of exports to South Africa declined by 31.7 per cent owing to a decrease in the value of carbonate and peroxocarbonate exports from KSh 1,815 million in 2009 to KSh 17 million in 2010. The value of exports to Mozambique also declined 31.3 per cent during the review period.

7.30. Total imports from COMESA increased by 63.6 per cent from KSh 25,288 million in 2009 to KSh 41,364 million in 2010. Notable increases were recorded for imports from Mauritius which went up from KSh 1,280 million to KSh 2,886 million in the same period. Imports from Egypt rose by 91.8 per cent to KSh 18, 409 million in 2010. This was mainly caused by the rise in the imports of beet sugar from KSh 758 million in 2009 to KSh 4,280 million in 2010. Other increases in imports were recorded for Zambia which rose by 56.5 per cent resulting from copper wire imports which shot up from KSh 976 million in 2009 to KSh 1,564 million in 2010. A significant decline in imports was recorded for South Africa (15.3 per cent) mainly due to a decline of 87.1 per cent in maize imports from KSh 23,506 million in 2009 to KSh 3,037 million in 2010. Similarly, a 22.5 per cent decline was recorded for Swaziland owing to a decline in cane/beet sugar imports.

Balance of Payments

7.31. Table 7.15 details Kenya's Balance of Payments estimates. In 2010, the current account deteriorated to a deficit of KSh 199,232 million from a deficit of KSh 129,239 million, in the previous year. This was mainly due to a widening visible trade deficit which worsened further to KSh 499,403 million from a deficit of KSh 383,859 in 2009. The visible trade deficit expanded as a result of a marked increase in the value of imports. However, the invisible trade recorded a surplus of KSh 300,172 million in 2010 up from a surplus of KSh 254,621 million in 2009. This is attributable to the increase in unilateral private current transfers which recorded a surplus of KSh 163,704 million and increased earnings from tourism.

Table 7.15: Balance of Payments, 2007-2010

KSh Million

	2007			2008+			2009+			2010*		
	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	278,174	564,680	-286,506	349,177	739,412	-390,235	350,285	734,145	-383,859	413,972	913,376	-499,403
2. Transportation	76,056	52,294	23,762	88,882	59,478	29,404	83,719	65,036	18,683	123,806	73,922	49,884
3. Foreign Travel	61,709	17,808	43,902	52,032	18,375	33,658	53,366	17,536	35,830	63,382	16,787	46,594
4. Other Services - Private	24,379	29,479	-5,099	33,396	37,183	-3,787	32,140	43,044	-10,904	44,134	53,210	-9,076
5. Government Services, n.i.e.	35,137	12,895	22,242	50,562	14,338	36,224	53,768	14,533	39,235	59,896	15,790	44,106
6. Income	10,812	20,518	-9,706	12,190	15,317	-3,127	13,500	16,426	-2,926	10,628	23,121	-12,493
7. Current Transfers	144,653	2,722	141,931	167,356	6,092	161,265	181,107	6,405	174,701	187,652	6,496	181,156
Government	14,819	1,621	13,198	15,239	1,630	13,609	26,242	1,702	24,540	19,361	1,910	17,452
Private	129,834	1,102	128,733	152,117	4,461	147,656	154,865	4,703	150,162	168,291	4,587	163,704
TOTAL CURRENT ACCOUNT	630,921	700,396	-69,476	753,596	890,195	-136,598	767,885	897,123	-129,239	903,471	1,102,703	-199,232
of which:												
Visible Balance	278,174	564,680	-286,506	349,177	739,412	-390,235	350,285	734,145	-383,859	413,972	913,376	-499,403
Invisible Balance	352,747	135,716	217,031	404,419	150,782	253,637	417,600	162,979	254,621	489,499	189,327	300,172
B. - CAPITAL & FINANCIAL ACCOUNT												
8.Capital Account	10,558	-	10,558	6,535	-	6,535	20,178	-	20,178	19,030	-	19,030
9.Direct Investment	49,078	2,426	46,652	6,612	3,028	3,585	8,993	3,557	5,436	14,721	125	14,596
10.Portfolio Investment	53	1,717	-1,665	681	2,486	-1,805	216	1,831	-1,616	2,657	4,054	-1,397
11.Other Investment	140,549	46,005	94,544	148,191	73,309	74,882	160,334	-15,698	176,032	182,558	27,381	155,177
Long Term	71,013	26,743	44,271	83,476	34,349	49,127	115,646	26,744	88,902	94,786	34,971	59,815
Short Term	69,536	19,262	50,274	64,714	38,960	25,755	44,688	-42,442	87,130	87,772	-7,590	95,362
TOTAL CAPITAL& FINANCIAL ACCOUNT	200,237	50,148	150,090	162,019	78,822	83,197	189,720	-10,309	200,030	218,966	31,561	187,405
C. -ERRORS AND OMISSIONS			-17,364			20,240			4,389			24,051
D. -RESERVE ASSETS[1]												
12.Special Drawing Rights	-	-	-	-	-	-	-	-	-	-	-	-
13.Reserve Position in the Fund	-68	-	-68	32	-	32	-34	-	-34	20	-	20
14.Foreign Exchange	-63,161	-	-63,161	33,127	-	33,127	-75,122	-	-75,122	-12,302	-	-12,302
15.Other claims	-21	-	-24	3	-	3	-24	-	-24	57	-	57
TOTAL MONETARY MOVEMENTS	-63,250		-63,250	33,161		33,161	-75,180		-75,180	-12,225		-12,225

* Provisiona.

\+ Revised

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

7.32. The capital and financial account recorded a surplus of KSh 187,405 million in 2010 down from a surplus of KSh 200,030 million recorded in 2009. This was mainly due to a decline in long term capital inflows. Other net long term investment capital inflows declined to a surplus of KSh 59,815 million in 2010 from a surplus of KSh 88,902 million registered in 2009. The net deficit in the portfolio investment account contracted to KSh 1,397 million in 2010 from a deficit of KSh 1,616 million in 2009.

7.33. Table 7.16 presents Balance of Payments magnitude changes. Adjusted export earnings magnitude increased by KSh 63,687 million in 2010 compared to an increase of KSh 1,108 million in 2009. Adjusted imports of goods bill increased by KSh 179,231 million in 2010 compared to a decline of KSh 5,268 million in 2009. Net services and income earnings increased by KSh 39,096 million in 2010 compared to an increase of KSh 440 million in 2009. The increase in magnitude of the net services and income earnings was partly due to the rise in net earnings from transportation and travel services. The current account deteriorated from a surplus of KSh 20,253 million in 2009 to a deficit of KSh 69,993 million in 2010. Similarly, the net long term capital flows declined to a deficit of KSh 29,087 million in 2010 compared to a surplus of KSh 39,774 million in 2009. These developments caused the basic balance to register a deficit of KSh 90,849 million in 2010 from a surplus of KSh 75,710 million in 2009.

Table 7.16: Changes in Balance of Payments, 2006-2010

KSh Million

	2006	2007	2008+	2009+	2010*
1. Exports Goods ……	-8,054	+24,650	+71,003	+1,108	+63,687
2 Imports Goods ……	-64,857	-76,594	-174,732	+5,268	-179,231
Transportation	-397	+719	+5,643	+2,173	+31,200
Travel	+2,351	+7,153	-10,244	+2,173	+10,764
Other Services	+8,804	+1,007	+1,313	-7,117	+1,828
Government services n.e.s.	+7,226	+1,807	+13,982	+3,011	+4,871
Income	+3,141	-4,653	+6,579	+201	-9,567
3. Services & Income (net) ……	+21,125	+6,033	+17,273	+440	+39,096
4. Current Transfers(net) ……	+34,047	+13,238	+19,334	+13,437	+6,455
5. Changes on current account ……	-17,739	-32,673	-67,122	+20,253	-69,993
6. Capital account ……	+4,335	-1,584	-4,023	+13,642	-1,148
7. Direct investment ……	+1,056	+44,726	-43,067	+1,851	+9,160
8. Portfolio investment ……	+3,789	+3,152	+3,470	+190	+218
9. Other investment - Long term	+1,343	+37,408	+4,857	+39,774	-29,087
10. Change on basic balance (net balance on lines 5-9)	-7,217	+51,029	-105,886	+75,710	-90,849
11. Other investment - Short term	-1,638	+5,937	-24,519	+61,376	+8,232
12. Errors and ommision (net) ……	+35,114	-34,833	+37,604	-15,851	+19,662
13. Net change on all above items (5 - 10) (Net changes on Reserves assets) ……	-23,285	-18,804	+96,412	-108,341	+62,955

* Provisional.

+Revised

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

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

International Liquidity

7.34. Table 7.17 presents foreign assets, including international reserves of the Monetary Authorities for the period 2006-2010. International reserve assets constitute foreign assets which are readily available to and controlled by Monetary Authorities (Central Bank of Kenya and Treasury) and are used for regulating Balance of payment imbalances. The reserve position in the fund rose by 2.1 per cent from KSh 1,489 million as at December, 2009 to KSh 1,521 million as at December, 2010. Special Drawing Rights (SDRs) increased tremendously from KSh 119 million as at December 2009 to KSh 24,829 million as at

December 2010. The total stock of foreign liabilities to the Central Bank comprising of the External Banks' Deposits and Use of Bank Credit decreased from KSh 37,862 million as at December, 2009 to KSh 35,952 million as at December, 2010. The foreign exchange holdings (cash and gold) of the Central Bank increased by 10.9 per cent from KSh 258,514 million as at December 2009 to KSh 286,602 million as at December 2010. These developments resulted in a 24.8 per cent increase in net foreign reserve assets of Central Bank from KSh 220,770 million as at December 2009 to KSh 275,479 million as at December 2010.

7.35. Total reserves of Central Government increased slightly from KSh 1,529 million as at December, 2009 to KSh 1,562 million as at December, 2010. Following the significant increase in the net foreign reserve assets of Central Bank, the total stock of international reserve assets of the Monetary Authorities increased by 20.3 per cent from KSh 260,161 million as at December, 2009 to KSh 312,993 million as at December 2010.

Table 7.17: Central Monetary Authorities – Foreign Exchange Reserves, 2006-2010

KSh million

	Official Foreign Assets and Liabilities								
	Central Bank Of Kenya					Central Government			Foreign
As at end of	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
2006..	61	166,985	934	12,729	153,383	1,357	36	1,393	168,439
2007..	47	224,467	3,879	19,519	201,116	1,267	64	1,331	225,845
2008..	238	219,757	2,355	19,535	198,105	1,512	40	1,553	221,548
2009..									
January ..	237	215,295	1,583	19,373	194,576	1,512	40	1,553	217,085
February ..	63	214,920	1,907	18,931	194,145	1,512	40	1,553	216,536
March	64	214,116	2,264	19,470	192,446	1,512	40	1,553	215,733
April	63	210,144	1,897	18,677	189,633	1,512	40	1,553	211,760
May	59	224,031	1,983	19,391	202,715	1,512	40	1,553	225,642
June	249	242,758	1,454	35,076	206,477	1,512	40	1,553	244,560
July	912	240,818	1,966	34,850	204,914	1,494	40	1,534	243,265
August ..	745	244,238	2,397	34,813	207,773	1,500	40	1,540	246,523
September ..	739	245,552	2,938	34,642	208,711	1,500	40	1,540	247,831
October ..	746	253,093	3,780	34,640	215,419	1,502	40	1,542	255,381
November ..	510	258,631	3,799	34,895	220,447	1,516	40	1,556	260,697
December ..	119	258,514	3,753	34,109	220,770	1,489	40	1,529	260,161
2010..									
January ..	118	254,413	3,933	33,838	216,761	1,521	40	1,561	256,093
February ..	-44	255,211	7,608	33,743	213,816	1,524	40	1,564	256,731
March	-44	254,487	4,046	33,529	216,869	1,514	40	1,554	255,998
April	-277	263,386	3,720	33,117	226,273	1,506	40	1,546	264,656
May	-282	254,951	3,559	33,357	217,753	1,517	39	1,557	256,226
June	26,272	279,724	3,763	34,061	268,172	1,508	40	1,548	307,544
July	25,928	280,403	3,504	33,639	269,188	1,508	40	1,548	307,879
August ..	25,818	284,340	4,335	33,615	272,208	1,508	40	1,548	311,706
September ..	26,457	288,788	4,018	34,539	276,688	1,508	40	1,548	316,793
October ..	26,465	289,054	4,266	34,632	276,621	1,521	41	1,562	317,081
November ..	25,913	287,418	4,552	33,702	275,077	1,521	41	1,562	314,893
December ..	24,829	286,602	2,330	33,622	275,479	1,521	41	1,562	312,993

Source: Central Bank of Kenya

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

S.D.R - Special Drawing Rights

7.36. Table 7.18 presents end year foreign exchange rates of Kenya Shilling vis-à-vis selected world currencies. Overall, the Kenya Shilling depreciated against world currencies as reflected by the trade weighted exchange rate index which rose by 2.4 per cent from 718.19

as at December 2009 to 735.13 as at December 2010. It weakened against Japanese Yen and the US Dollar by 16.6 and 2.9 per cent respectively. This was in contrast with the situation witnessed in December 2009 whereby the Kenya shilling strengthened against Japanese Yen and the US Dollar. During the period under review, the Kenya Shilling also weakened notably against the Australian Dollar, South Africa Rand, Canadian Dollar, Indian Rupee and Pakistan Rupee. However, the Kenya shilling appreciated against the Sterling Pound, Danish Kroner, Euro and Zambian Kwacha.

7.37. Within the East African Region, the Kenya Shilling gained substantially against the Uganda Shilling by 9.3 per cent but marginally against the 100 Rwandese Francs. However, it lost against the 100 Burundi Francs and the Tanzania shilling by 4.5 per cent and 0.5 per cent respectively, as at December, 2010.

Table 7.18: Foreign Exchange Rates of Kenya Shilling for Selected Currencies, 2006-2010

	31st Dec. 2006	31st Dec. 2007	31st Dec. 2008	31st Dec. 2009	31st Dec. 2010
1 US Dollar	69.3967	62.6750	77.7111	75.8200	78.0340
1 Pound Sterling	136.3157	124.3218	112.3472	121.8929	120.7020
Euro[3]	91.3873	90.1673	109.4822	108.9354	103.4070
1 Norwegian Kroner	11.0768	11.2411	11.0602	13.1188	13.2224
1 Zambian Kwacha[2] ..	0.0163	0.0174	0.0161	0.0163	0.0158
1 Danish Kroner	12.2609	12.0852	14.6826	14.6381	13.8827
1 Canadian Dollar	59.8229	63.1648	63.7463	71.9834	78.0161
1 Australian Dollar	53.7581	54.4865	53.7800	67.9916	79.2911
100 Japanese Yen	58.3452	54.9412	86.0654	82.0390	95.6847
1 Indian Rupee	1.5695	1.5880	1.6091	1.6245	1.7132
1 Pakistan Rupee[2]	1.2240	0.9973	1.0666	0.8916	0.9056
100 Burundi Francs[2] ..	7.1239	7.7566	6.9917	6.0088	6.2785
100 Rwanda Francs[2] ..	13.5821	8.6983	7.2000	13.0226	13.0176
1 SA Rand	9.9432	8.9502	8.2679	10.2225	11.7402
TSh/KSh	18.8945	17.9977	16.7931	17.6208	17.5414
USh/KSh	26.1541	27.0604	25.1252	25.0727	27.3976
Overall Weighted Index[1] 1982=100	639.61	604.01	712.85	718.19	735.13

Source: Central Bank of Kenya

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

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

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

Developments in International Trade

Trade point

7.38. The Export Promotion Council (EPC) was granted the operational status certificate by the World Trade Point Federation (WTPF) during the 10th General Meeting held in Argentina in December 2009. The certificate mandates the EPC to post SME companies' profiles, contacts and products on the WTPF website.

Export Market Development

7.39. The Export Promotion EPC organised and facilitated participation of Kenya's exhibitors in the international trade fairs and expos in Zambia, Malawi, Tanzania, Uganda, Egypt, Rwanda, Sudan, China, Democratic Republic of Congo, Zimbabwe, USA and Mozambique. These events assisted in the EPC's goal of consolidating and expanding the traditional markets and products, and diversification into emerging export markets and products. During the events, Kenyan exhibitors were able to gauge competitiveness of their products, appoint agents and distributors, study consumer trends and identify joint venture opportunities.

Market Research and Trade Policy Facilitation

7.40. Under policy and facilitation, the EPC focuses on improvement of internal and external trade policy environments, export procedures and incentives. In this regard, the EPC undertook flow analyses to establish the direction of bilateral trade with Kenya's partners and to evaluate potential trade with specific countries. These analyses provided comprehensive information and insights on potential for product and market diversification or expansion; and also intended to influence trade policy at bilateral and multilateral levels. The Council also reviewed and updated the roadmaps for exporters, importers, investors and incentives offered

under various export schemes.

Small Medium Enterprises Development

7.41. In pursuit of the Council's strategic objective of mainstreaming Medium and Small Medium Enterprises (MSMEs) into the export process, the Small and Medium Enterprise Development Division sought to enhance export supply base and competitiveness of SMEs through the establishment of Export Production Villages (EPVs) and capacity building programmes for MSME exporters.

Export Production Villages (EPVs):

7.42. Export Production Villages are organized community based production clusters that are linked to the international market either directly or indirectly through an established exporter. During the year under review, the Council established 6 Export Production Villages. In a bid to enhance export competitiveness, export business skills and entrepreneurship of the villages, the Council undertook various interventions in the areas of capacity building, outreach visits and local study tours.

SME Training

7.43. One of the objectives of the Export Promotion Council is to enhance the export supply base and competitiveness of SMEs through enterprise development and capacity building. In this regard, the EPC, in collaboration with JICA, conducted training seminars under the JICA/EPC Trade Training Programme for skill development and knowledge sharing. During the year, a total of 800 participants were trained on training of trainers; product development and adaptation for export; export marketing; and export logistics and finance. Phase II of the training programme commenced in September 2010.

Chapter 8

Agriculture

Overview

The favourable weather conditions that prevailed in most parts of the country resulted in impressive outputs from the agricultural sector in 2010. This was further supported by provision of subsidized fertiliser and certified seeds by the Government to the smallholder farmers aimed at boosting production levels. The Economic Stimulus Package (ESP) facilitated increased production especially through irrigation schemes. Consequently, the agricultural sector value added at constant prices, increased by 6.5 per cent from KSh 288,273 million in 2009 to KSh 307,083 million in 2010. The increased production translated into an improved food supply situation in the country as indicated by the Self-Sufficiency Ratio and the Per Caput supply of calories that rose to 75.4 per cent and 2,153 kilo calories, respectively, during the review period. Improved global demand resulted in higher prices for exports in 2010. Overall, the aggregate value of marketed crops increased by 17.9 per cent from KSh 153,055.4 million in 2009 to KSh 180,394.9 million in 2010. The value of marketed permanent and temporary industrial crops rose by 39.0 and 16.3 per cent, respectively, to account for a combined share of 67.0 per cent of the total crops. The value of marketed horticultural products declined by 18.6 per cent from KSh 49,352.2 million in 2009 to KSh 40,170.4 million in 2010. This was mainly due to reduced export volumes. Better prices for livestock and livestock products during the year under review resulted in their value increasing by 22.5 per cent from KSh 45,093.7 million in 2009 to KSh 55,260.2 million in 2010.

8.2**.** Maize production increased from 27.1 million bags in 2009 to 35.8 million bags in 2010. The bumper maize harvest was attributed to favourable weather, availability of low priced fertiliser and hybrid seeds to small-scale farmers. Consequently, the quantity of maize imports decreased from 1,508.4 thousand tonnes valued at KSh 33,944.8 million in 2009 to 229.6 thousand tonnes valued at KSh 5,471.2 million in 2010. During the year under review, wheat imports increased by 8.5 per cent from 781.7 thousand tonnes in 2009 to 848.1 thousand tonnes in 2010. Coffee production decreased by 22.2 per cent from 54.0 thousand tonnes in 2008/09 crop year to 42.0 thousand tonnes in 2009/10 crop year. Production of tea increased by 27.0 per cent from 314.1 thousand tonnes in 2009 to 399.0 thousand tonnes in 2010. The volume of marketed milk increased by 26.9 per cent from 406.5 million litres in 2009 to 515.7 million litres in 2010. The value of dairy produce however, decreased by 1.3 per cent from KSh 11,496.7 million in 2009 to KSh11,346.4 million in 2010. The abundant supply of milk resulted in a reduction in the average price paid to farmers.

Agricultural Output and Input

8.3 The negative performance of the agricultural sector observed in the previous two years was reversed in 2010 as the sector registered a positive growth of 6.5 per cent. This performance was mainly attributed to a combination of factors, included favourable weather, increased use of certified seeds and subsidized fertiliser. Consequently, the sector's output value at current prices increased by 2.1 per cent from KSh 667,168 million in 2009 to KSh 681,044 million in 2010, as shown in Table 8.1. The value of intermediate consumption over the same period increased by 17.8 per cent from KSh 130,383 million to KSh 153,648 million, respectively. However, due to increased costs of inputs and other services, value added at current prices decreased by 1.7 per cent from KSh 536,785 million in 2009 to KSh 527,396 million in 2010. Output value at constant (2001) prices increased by 7.1 per cent from KSh 375,864 million

in 2009 to KSh 402,606 million in 2010. The value of intermediate consumption over the same period increased by 9.1 per cent from KSh 87,591 million to KSh 95,523 million. Value added at constant prices increased by 6.5 per cent from KSh 288,273 million in 2009 to KSh 307,083 million in 2010. This level of growth represents a major turn-around in the agriculture sector's real output as seen in Figure 8.1. After recording a downward trend in production for two years, real output rose substantially to exceed the levels recorded four years ago, mainly supported by higher production of most major agricultural commodities.

Table 8.1: Agricultural Output and Input+, 2006– 2010

KSh million

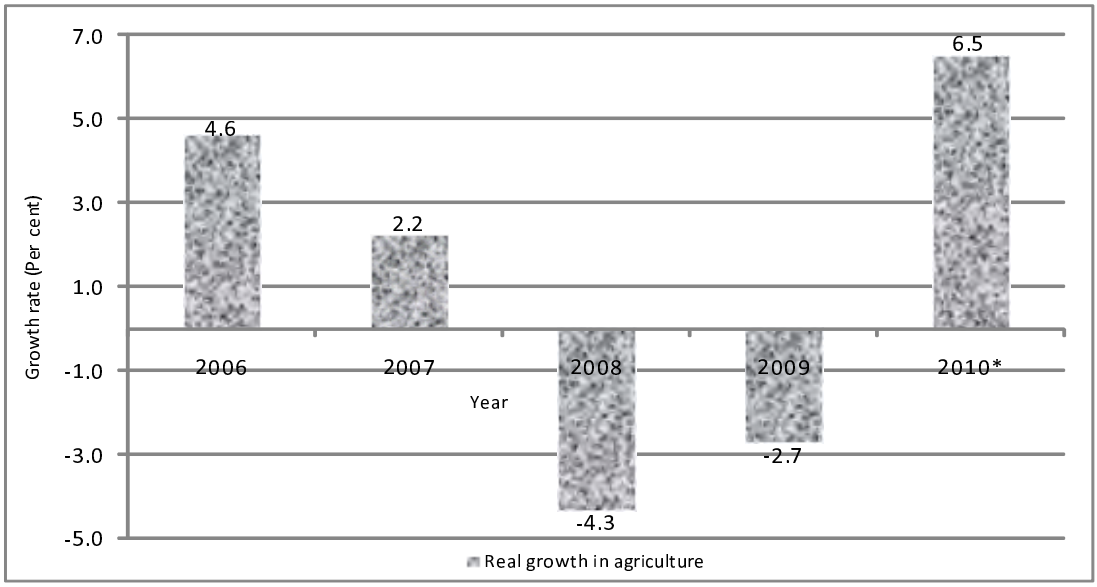
	2006	2007	2008	2009	2010*
PRODUCTION AT CURRENT PRICES					
Output at basic prices	472,513	500,370	600,880	667,168	681,044
Intermediate consumption	109,337	119,334	146,579	130,383	153,648
Value added at basic prices, gross	363,176	381,036	454,302	536,785	527,396
PRODUCTION CONSTANT PRICES[1]					
Output	389,899	400,160	384,278	375,864	402,606
Intermediate consumption	88,088	90,673	87,960	87,591	95,523
Value added, gross	301,811	309,487	296,319	288,273	307,083

* Provisional

+ Series revised

[1] Base: 2001 = 100

Figure 8.1: Trend in Agriculture Gross Value Added (GVA) Growth Rate, 2006-2010



Marketed Production

8.4. Table 8.2 shows the value of marketed production in the agricultural sector for the period 2006 to 2010. The total value of marketed production at current prices increased by 18.9 per cent from KSh 198,149.1 million recorded in 2009 to KSh 235,655.1 million in 2010. This was mainly driven by better prices of most marketed commodities coupled with increased production of maize, wheat, rice, tea and sugarcane. Horticulture and permanent crops such as coffee, tea and sisal contributed 80.4 per cent of the aggregate marketed crop output and 61.6 per cent of the total marketed output. The value of marketed crops increased by 17.9 per cent from KSh153,055.4 million in 2009 to KSh 180,394.9 million in 2010. The value of marketed

cereals rose by 37.9 per cent from KSh 11,604.0 million in 2009 to KSh 16,002.0 million in 2010 due to increased production of marketed cereals. The value of livestock and livestock products increased by 22.5 per cent from KSh 45,093.7 million in 2009 to KSh 55,260.2 million recorded in 2010.

8.5. The value of marketed maize increased by 11.0 per cent from KSh 4,566.4 million in 2009 to KSh 5,070.3 million in 2010 mainly as a result of increased production despite lower prices paid to farmers for the crop compared to the previous year. However, poor handling, drying and storage coupled with incidences of aflatoxin affected maize marketed in Eastern and Coast provinces. The value of marketed wheat increased by 53.3 per cent from KSh 3,614.9 million in 2009 to KSh 5,541.5 million in 2010, as a result of higher quantities of wheat bought from farmers during the year under review. The import duty levied on imported maize and wheat ensured ready market for the local produce although at lower prices. The value of marketed fresh horticultural produce declined by 18.6 per cent from KSh 49,352.2 million in 2009 to KSh 40,170.4 million in 2010 partly as a result of the temporary closure of the European airspace following the volcanic eruption in Iceland. The value of flowers exported declined by 20.9 per cent and therefore contributed most to the overall decline in horticultural export earnings in the year under review. Improved tea prices paid in 2010 resulted in the value of marketed tea increasing by 36.0 per cent from KSh 64,684.8 million in 2009 to KSh 87,960.1 million in 2010. Despite the increase in the quantity of marketed milk, the effect of lower milk price resulted in a 1.3 per cent decline in the value of dairy produce from KSh 11,496.7 million in 2009 to KSh 11,346.4 million in 2010.

Table 8.2: Recorded Marketed Production at Current Prices, 2006 - 2010

KSh million

	2006	2007	2008	2009	2010*
CEREALS-					
Maize	7,170.2	7,969.2	8,326.6	4,566.4	5,070.3
Wheat	2,073.4	3,074.1	2,613.8	3,614.9	5,541.5
Others	3,843.2	3,574.3	2,458.1	3,422.7	5,390.2
Total	13,086.8	14,617.6	13,398.4	11,604.0	16,002.0
HORTICULTURE[1]-					
Cut flowers	23,560.6	43,101.5	39,765.9	30,815.0	24,379.2
Vegetables	17,822.9	22,354.3	16,128.7	16,253.6	13,744.0
Fruits	1,737.3	1,797.9	2,071.2	2,283.5	2,047.2
Total	43,120.8	67,253.7	57,965.8	49,352.2	40,170.4
TEMPORARY INDUSTRIAL CROPS-					
Sugar-cane	9,998.9	11,704.3	12,291.1	15,367.7	17,665.5
Pyrethrum	74.1	98.6	91.9	51.6	63.8
Others	602.5	808.5	786.5	1,166.0	1,560.3
Total	10,675.5	12,611.4	13,169.5	16,585.3	19,289.6
PERMANENT CROPS-					
Coffee	10,023.6	9,089.9	6,859.3	9,563.7	15,449.9
Tea	45,162.0	43,887.0	55,383.1	64,684.8	87,960.1
Sisal	1,228.2	1,492.9	1,451.4	1,265.4	1,522.9
Total	56,413.8	54,469.8	63,693.8	75,513.9	104,932.9
TOTAL CROPS	123,296.9	148,952.5	148,227.5	153,055.4	180,394.9
LIVESTOCK AND PRODUCTS-					
Cattle and Calves+ ..	16,431.0	17,251.0	22,834.0	24,057.0	31,892.5
Dairy Produce ..	6,494.4	8,462.2	8,368.7	11,496.7	11,346.4
Chicken and eggs	2,186.7	2,575.5	2,788.8	4,344.6	5,011.9
Others	3,290.0	4,726.0	4,904.4	5,195.4	7,009.3
Total	28,402.1	33,014.7	38,895.9	45,093.7	55,260.2
GRAND TOTAL	151,699.0	181,967.2	187,123.4	198,149.1	235,655.1

* Provisional

\+ Data on cattle and calves prices revised from 2005-2009

[1] Data refers to fresh Horticultural exports only

8.6. The overall agricultural price index as shown in Table 8.3 increased from a revised 191.7 in 2009 to 201.3 in 2010. All crops except cereals such as maize and wheat recorded better prices. This is reflected in the upward movement of the price indices. The price index for permanent crops increased significantly from 162.5 in 2009 to 191.8 in 2010 in response to higher prices paid for coffee, tea and sisal. Similarly, the quantum index for crops increased from 101.1 in 2009 to 125.7 in 2010 due to an increase in tea and sisal production. The quantum index for horticulture decreased in 2010 partly due to adverse weather as well as the volcanic eruption in Iceland which resulted in cancellation of flights to Europe. The quantum index decreased from 197.3 in 2009 to 158.6 in 2010.

Table 8.3: Volume and Price Indices of Sales to Marketing Boards, 2006 -2010

Base: 2001=100

		2006	2007	2008	2009	2010*
QUANTUM	Cereals	115.6	117.8	81.0	65.9	92.7
INDICES	Temporary Industrial Crops ..	125.6	129.4	126.5	139.1	144.1
	Horticulture	182.4	213.2	214.1	197.3	158.6
	Permanent Crops	103.7	120.9	110.4	101.1	125.7
	TOTAL CROPS	78.9	88.6	79.2	74.1	90.2
	Livestock and Products	162.3	169.7	171.0	179.5	179.5
TOTAL GROSS MARKETED PRODUCTION		136.7	149.1	144.9	143.0	162.7
PRICE	Cereals	108.9	126.6	174.9	171.5	143.4
INDICES	Temporary Industrial Crops ..	97.4	108.2	115.1	132.5	149.4
	Horticulture	101.9	133.1	115.4	105.9	107.5
	Permanent Crops	119.2	99.9	127.0	162.5	191.8
	TOTAL CROPS	83.6	76.2	96.0	116.2	130.8
	Livestock and Products[1]	165.1	176.5	218.5	246.4	250.3
TOTAL GROSS MARKETED PRODUCTION		135.5	139.7	168.5	191.7	201.3

* Provisional

[1]Data on livestock is from slaughter houses

8.7. The average gross commodity prices paid to farmers for various commodities is shown in Table 8.4. Coffee prices more than doubled during the review period from KSh 19,544.4 registered in 2009 to KSh 39,677.9 per 100 kilogramme in 2010. This was attributed to low coffee supply in the world market which was partly as a result of coffee berry borer beetle and unfavourable weather in the world's coffee growing regions of Latin America, Ethiopia, Vietnam and India. Cereal prices declined in response to higher supply emanating from imports and increased production. Increased milk production resulted in a reduction in the price paid to farmers from KSh 28.3 per litre in 2009 to KSh 22.0 per litre in 2010.

Table 8.4: Average Gross Commodity Prices1 to Farmers, 2006 -2010

KSh per stated unit

	UNIT	2006	2007	2008	2009	2010*
Coffee	100 Kg	19,837.76	17,391.00	17,721.96	19,544.42	39,677.94
Tea	,,	14,541.27	11,874.01	16,015.17	21,264.05	22,044.78
Sisal	,,	4,812.50	6,068.11	6,539.59	5,886.93	6,672.07
Sugar-cane	Tonne	2,027.00	2,249.00	2,400.00	2,739.00	3,094.00
Pyrethrum (Pyrethrin equivalent	Kg	7,349.84	7,373.29	7,372.27	7,373.00	10,975.46
Seed Cotton	100 Kg	2,191.70	2,045.20	2,440.43	2,584.36	3,141.10
Maize	,,	1,535.35	1,566.35	2,445.37	2,391.33	1,721.35
Wheat	,,	1,949.55	2,858.90	3,183.24	2,936.83	2,913.76
Beef (third grade)	,,	12,101.20	14,546.28	15,334.80	15,609.26	16,273.10
Pig meat	,,	9,785.44	11,317.80	12,900.85	14,023.90	14,485.39
Milk	100 litres	1,800.00	2,000.00	2,100.00	2,828.00	2,200.00

* Provisional

[1] 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. Table 8.5 shows the share of sales by large and small farms for the last five years. The share of small farms to total marketed production reduced from 73.6 per cent in 2009 to 72.1 per cent in 2010. The large farms output value sold through marketing boards increased by 25.8 per cent from KSh 52,311 million in 2009 to KSh 65,795 million in 2010. Similarly, the share of small farms' sale to marketing boards increased by 16.5 per cent from KSh 145,838 million

in 2009 to KSh 169,860 million in 2010.

Table 8.5: Sale to Marketing Boards from Large and Small Farms+, 2006 -2010

YEAR	LARGE FARMS		SMALL FARMS		TOTAL		PERCENTAGE SHARE OF SMALL FARMS
	KSh mn.	Annual Percentage change	KSh mn.	Annual Percentage change	KSh mn.	Annual Percentage change	
2006	42,203	5.3	109,496	9.0	151,699	17.3	72.6
2007	46,766	10.8	135,202	23.5	181,967	20.0	74.6
2008	49,737	6.4	137,386	1.6	187,123	2.8	73.4
2009	52,311	5.2	145,838	6.2	198,149	5.9	73.6
2010*	65,795	25.8	169,860	16.5	235,655	18.9	72.1

* Provisional

+ Revised

8.9. Table 8.6 shows the input price and quantum indices for various agricultural inputs that are purchased by farmers. The overall price indices increased from 145.1 in 2009 to 158.3 in 2010. This is attributable to higher prices paid for most of the inputs. For example, due to higher electricity and fuel prices experienced in the year under review, the price index for fuel and power increased from 135.9 in 2009 to 147.5 in 2010. Similarly, higher prices for inputs of seed resulted in the rise of the price index of purchased seeds from 88.4 in 2009 to 90.6 in 2010. The overall quantum index for agricultural inputs increased marginally from 140.5 in 2009 to 141.3 in 2010. The main drivers of this change were fertilisers, bags, purchased seeds, fuel and power.

Table 8.6: Agricultural Input Indices, 2006 - 2010

Base: 2001=100

	2006	2007	2008	2009	2010*
QUANTUM INDICES-					
Fertilizers	181.7	216.6	189.5	162.5	205.8
Fuel and Power	60.8	70.7	71.8	49.3	61.6
Bags	82.8	66.9	52.1	72.7	103.7
Manufactured Feeds	194.8	296.3	341.9	367.7	270.2
Purchased Seeds	149.7	171.6	192.5	188.4	190.9
Other Material Inputs	112.9	129.5	145.3	142.1	144.0
Total Material Input	107.8	155.0	220.6	199.1	203.7
Service Inputs	118.7	147.5	264.9	217.3	218.5
TOTAL INPUTS	145.1	147.1	151.5	140.5	141.3
PRICE INDICES-					
Fertilizers	123.8	120.3	235.7	204.8	198.1
Fuel and Power	122.4	131.4	178.9	135.9	147.5
Bags	127.9	155.1	193.9	173.0	116.8
Manufactured Feeds	123.5	142.9	167.4	168.1	213.5
Purchased Seeds	74.6	96.5	92.3	88.4	90.6
Other Material Inputs	131.6	170.3	162.9	133.0	136.2
TOTAL MATERIAL INPUT	119.7	129.4	167.1	146.5	159.8
SERVICE INPUTS	128.2	145.2	187.5	159.2	173.7
TOTAL INPUTS	118.7	128.3	165.7	145.1	158.3

* Provisional

8.10 Table 8.7 shows the costs of various inputs used in the agricultural sector for the period 2006 to 2010. The total quantity of inputs purchased increased by 0.4 per cent from KSh 32,304.2 million in 2009 to KSh 32,422.7 million in 2010. As a result of increased quantity and prices of fuel and power consumed in the agricultural sector, the value of fuel and power consumed increased by 0.5 per cent from KSh 9,770.0 million in 2009 to KSh 9,818.3 million in 2010. The value of manufactured feeds declined by 19.7 per cent from KSh 5,543.5 million in 2009 to KSh 4,453.0 million in 2010. This is partly attributable to increased availability of pasture due to favourable weather during the review period. In 2010, farmers continued to benefit from the Economic Stimulus Package by the Government as well as through the provision of low priced maize seeds and fertiliser. Consequently, the value of fertiliser purchased increased by 6.0 per cent to KSh 6,021.9 million in 2010 while the value of purchased seeds increased by 32.8 per cent to KSh 4,227.0 million in 2010.

Table 8.7: Value of Purchased Agricultural Inputs[1], 2006 - 2010

KSh million

	2006	2007	2008	2009	2010*
MATERIAL INPUTS-					
Fertilizers	3,560.4	3,594.9	6,160.2	5,680.1	6,021.9
Other Agricultural Chemicals	1,204.2	1,389.0	1,258.4	3,941.0	4,307.0
Livestock Drugs and Medicines	1,438.7	942.0	857.4	1,856.0	1,467.2
Fuel and Power	3,497.0	5,399.8	7,262.0	9,770.0	9,818.3
Bags	544.0	604.0	428.8	520.8	425.0
Manufactured Feeds	2,241.6	2,038.0	4,849.0	5,543.5	4,453.0
Purchased Seeds	2,527.5	2,547.7	3,661.0	3,182.1	4,227.0
Other Material Inputs	404.8	453.0	651.0	565.8	536.2
Total	15,418.3	16,968.5	25,127.7	31,059.3	31,255.6
SERVICE INPUTS	608.3	680.5	1,007.7	1,244.9	1,167.1
TOTAL INPUTS	16,026.6	17,649.0	26,135.4	32,304.2	32,422.7

* Provisional

[1] Except labour

8.11. Table 8.8 provides the agriculture terms of trade for the period 2006 to 2010. In the year under review, agriculture output prices improved from 128.3 in 2009 to 134.7 in 2010, which implies that farmers obtained better prices for agricultural commodities. However, the purchased inputs price index increased from 145.1 in 2009 to 158.3 in 2010. This indicates that the farmers also purchased agricultural inputs at higher prices in 2010 compared to the previous year. As a result, the positive effect of better output prices was more than offset by high input prices resulting in the agriculture terms of trade deteriorating from 69.2 recorded in 2009 to 68.5 registered in 2010.

Table 8.8: Price and Terms of Trade Indices for Agriculture, 2006 - 2010

Base: 2001=100

	2006	2007	2008	2009	2010*
General Index of Agricultural Output Prices	105.9	108.4	113.5	128.3	134.7
PRICE PAID					
Purchased Inputs	118.7	123.9	143.7	145.1	158.3
Index of Purchased Consumer Goods-Rural Areas	147.8	162.2	205.3	225.9	235.0
INDICES OF PRICES PAID	133.2	143.1	174.5	185.5	196.7
Agricultural Sector terms of Trade	79.5	75.8	65.0	69.2	68.5

* Provisional

8.12. Table 8.9 shows estimates of production of major food security crops for the last five years. There was an improvement in the production of maize and potatoes. Production of maize increased by 35.7 per cent from a recorded production of 27.1 million bags in 2009 to 35.8 million bags in 2010. This was as a result of adequate and well distributed rains experienced in most parts of the country coupled with provision of affordable fertiliser and seeds to farmers. Potato production increased from 2.6 million tonnes in 2009 to 3.1 million tonnes in 2010. This increase was attributed to provision of disease free planting materials by Kenya Agricultural Research Institute (KARI) and Private Sector Development Authority

(PSDA) project and enough rainfall especially in Central province. However, production of beans decreased by 17.3 per cent from 5.2 million bags in 2009 to 4.3 million bags in 2010. This was as a result of the *La Nina* effect experienced in some parts of the country where beans are grown. There was also improved production of sorghum which recorded a 63.6 per cent increase in the year under review while production of millet remained unchanged.

Table 8.9: Estimated Production of Selected Agricultural Commodities, 2006 - 2010

Crop	Unit	2006	2007	2008	2009	2010*
Maize	million bags	36.1	32.5	26.3	27.1	35.8
Beans	"	5.9	3.5	2.9	5.2	4.3
Potatoes + ...	million tonnes	2.7	2.8	2.2	2.6	3.1
Sorghum	million bags	1.6	1.8	0.6	1.1	1.8
Millet	"	0.8	0.9	0.4	0.6	0.6

Source: Ministry of Agriculture

* Provisional

+ Revised

8.13. Table 8.10 shows the average retail prices for selected food crops for the last five years. During the year 2010, there was a notable decrease in the prices of maize in all the provinces compared to the previous year in response to increased supply. The price of maize in Eastern Province was recorded at KSh 33.5 per kilogramme in March 2009 while during the same month in 2010 it dropped to KSh 19.7 per kilogramme. In Nairobi, the price of maize during the month of September dropped by 53.1 per cent from KSh 35.0 per kilogramme in 2009 to KSh 16.4 per kilogramme in 2010. This decrease in maize prices was also noted in Central, Nyanza and Rift Valley provinces, at 48.0, 49.7 and 45.3 per cent, respectively, during the month of September. At the same time, the price of beans decreased in March and September 2010 in all the provinces except Nairobi and Nyanza where there was a slight increase of 18.4 and 5.6 per cent, respectively. Potato prices generally recorded a decrease in the month of March, the cheapest selling at KSh 11.9 per kilogramme in Western Province while Coast Province recorded a price of KSh 35.0 per kilogramme. Sorghum prices in Eastern, Nyanza and Western provinces were lower in March and September 2010 compared to the previous year while the price of finger millet went up in the month of March in Central, Eastern and Nyanza provinces.

8.14. Nationally, the price of maize decreased by KSh 19.4 per kilogramme in September 2010 from KSh 36.4 per kilogramme to KSh 17.0 per kilogramme while the decrease in the month of March was only KSh 10.6 per kilogramme. The price of beans generally decreased nationally especially in September 2010 from KSh 84.6 to KSh 56.4 per kilogramme though regionally it had increased slightly in Nyanza in March and September 2010. Potato prices decreased from KSh 31.4 per kilogramme in March 2009 to KSh 14.7 per kilogramme in March 2010 while there was an increase of 67.9 per cent in September 2010. Sorghum prices decreased at the national level in March and September while the price of millet slightly increased in September 2010.

Table 8.10: Retail Market Prices for Selected Food Crops+, 2006 - 2010

KSh per Kg.

CROP	PROVINCE	2006		2007		2008		2009		2010	
		Mar	Sept	Mar	Sept	Mar	Sept	Mar	Sept	Mar	Sept
MAIZE	Nairobi	19.3	18.3	16.3	14.8	18.5	32.3	29.0	35.0	25.0	16.4
	Central	16.6	16.0	15.8	18.4	18.8	27.4	34.9	35.0	28.5	18.2
	Coast	22.1	21.5	21.6	19.2	22.4	38.0	33.0	30.0	30.0	25.0
	Eastern	18.2	16.5	12.5	12.0	16.8	30.0	33.5	30.0	19.7	15.0
	Nyanza	17.4	15.2	13.0	13.2	18.8	26.1	31.8	31.8	25.1	16.0
	R/ Valley	16.9	12.5	14.3	14.7	19.3	24.6	32.8	30.0	24.5	16.4
	Western	21.1	21.2	18.9	17.6	23.4	32.2	45.4	38.2	29.6	20.6
	National	18.8	18.1	16.0	15.8	19.5	29.5	35.9	36.4	25.3	17.0
BEANS	Nairobi	45.6	34.0	38.5	42.5	53.5	73.6	55.9	62.5	66.2	61.9
	Central	39.8	36.0	37.1	34.3	53.3	58.7	70.2	67.2	63.8	55.3
	Coast	46.5	40.4	43.7	41.0	61.0	75.0	78.0	70.0	65.0	56.7
	Eastern	44.9	37.7	32.7	36.0	54.6	70.1	75.0	70.0	57.1	53.8
	Nyanza	42.7	37.2	32.6	42.7	59.0	71.7	59.1	45.5	62.4	53.2
	R/ Valley	43.3	31.5	34.5	37.0	60.4	63.2	78.4	70.0	63.8	48.6
	Western	55.0	45.1	45.7	38.6	59.7	84.3	86.5	88.5	73.0	65.5
	National	44.9	37.9	37.9	38.2	57.2	69.9	74.8	84.6	64.4	56.4
FINGER MILLET	Nairobi	43.1	47.8	42.0	50.0	46.3	31.0	81.8	78.5	65.8	56.7
	Central	36.1	43.5	40.7	40.2	51.6	49.5	60.2	65.7	64.0	51.9
	Eastern	44.4	40.0	36.9	39.6	36.3	50.4	56.5	69.8	72.3	56.1
	Nyanza	33.3	32.5	31.8	34.0	51.2	58.9	53.8	58.7	58.7	51.0
	R/ Valley	31.7	23.0	29.6	29.1	59.8	54.3	71.5	50.0	66.2	51.0
	Western	51.5	44.9	55.9	57.0	73.0	85.1	71.7	49.0	56.1	58.3
	National	39.5	39.2	36.2	41.0	49.8	56.4	64.3	49.1	62.7	53.7
SORGHUM	Nairobi	32.9	30.2	27.0	38.2	29.6	32.9	47.8	49.2	43.0	40.9
	Central	29.4	44.4	30.0	41.1	42.5	50.6	55.1	58.0	44.0	41.8
	Eastern	30.5	21.9	21.1	20.8	21.2	30.5	64.0	60.0	33.0	29.2
	Nyanza	20.5	16.0	15.8	16.9	28.0	27.5	39.5	38.5	29.1	22.8
	R/ Valley	20.0	14.7	20.9	20.5	30.2	33.3	42.7	35.0	33.8	30.3
	Western	37.7	32.3	30.0	32.4	33.4	33.2	38.3	37.0	37.6	38.0
	National	28.1	24.6	23.1	29.6	30.8	40.2	55.5	42.5	36.1	33.0
POTATOES	Nairobi	16.8	11.5	11.0	11.3	21.4	16.2	22.9	22.0	15.4	21.8
	Central	17.8	10.9	18.2	20.1	28.8	18.7	25.5	19.6	12.1	21.4
	Coast	36.4	24.0	28.3	29.5	38.0	34.6	37.4	36.0	35.0	36.7
	Eastern	23.9	16.2	18.3	16.9	24.4	23.2	29.8	20.0	16.8	29.7
	Nyanza	14.1	14.1	20.7	14.1	21.0	20.0	23.8	19.0	13.5	20.5
	R/ Valley	14.4	7.3	8.7	9.0	23.9	40.0	25.5	26.6	22.4	20.3
	Western	24.3	14.1	10.0	9.0	15.0	18.9	44.6	11.7	11.9	15.1
	National	22.4	16.2	18.6	17.7	27.4	24.5	31.4	13.7	14.7	23.0

+ Revised Estimates

8.15. Table 8.11 shows sales of agricultural produce to various marketing boards from 2006 to 2010. Generally, there was an improvement in the deliveries of most crops to the marketing boards due to increased production in 2010. The quantity of maize sold increased by 54.2 per cent from 191.0 thousand tonnes in 2009 to 294.6 thousand tonnes in 2010. Wheat sold increased by 54.5 per cent from 123.1 thousand tonnes in 2009 to 190.2 thousand tonnes in 2010. However, the sale of coffee decreased by 20.4 per cent to 38.9 thousand tonnes in

2010. This was as a result of the reduced production in the year 2010. Increased tea production contributed to 27.0 per cent increase in the sale of tea to marketing boards from 314.1 thousand tonnes in 2009 to 399.0 thousand tonnes in 2010. Sale of cotton and pyrethrum (extract) continued to decrease for the second year at 54.5 per cent and 17.1 per cent respectively while sugarcane and sisal deliveries increased slightly by 1.8 per cent and 6.0 per cent, respectively. During the review period the sale of rice paddy almost doubled.

Table 8.11: Sale of Selected Crops to Marketing Boards, 2006 - 2010

CROP	UNIT	2006	2007	2008	2009	2010*
Maize[1]	'000 tonnes	470.7	508.8	340.5	191.0	294.6
Wheat[2]	"	98.6	107.5	82.1	123.1	190.2
Coffee	"	50.5	52.3	38.7	48.9	38.9
Tea	"	310.6	369.6	345.8	314.1	399.0
Cotton[2]	"	3.2	3.3	2.7	2.2	1.0
Sugarcane[2]	mn. tonnes	4.9	5.2	5.1	5.6	5.7
Pyrethrum (extract equivalent)	tonnes	10.1	13.4	12.5	7.0	5.8
Sisal	'000 tonnes	25.5	24.6	22.2	21.5	22.8
Rice Paddy [2].	"	38.3	32.3	24.3	22.6	44.0

* Provisional

[1] Includes purchases by National Cerels and Produce Board and millers

[2] No purchases by boards

8.16. **Wheat:** Table 8.12 presents wheat production and imports from 2006 to 2010. Production of wheat increased by 54.6 per cent from129.2 thousand tonnes in the year 2009 to 199.7 thousand in 2010. This increase was attributed to good climatic conditions in wheat growing areas. Imports of wheat increased for the second year by 8.5 per cent from 781.7 thousand tonnes in 2009 to 848.1 thousand tonnes in 2010. The increase in wheat imports was as a result of rising demand for wheat products and shifting tastes.

Table 8.12: Production and Imports of Wheat, 2006 - 2010

'000 Tonnes

YEAR	PRODUCTION[1]	IMPORTS	TOTAL
2006	106.1	650.4	756.5
2007	112.9	564.3	677.2
2008	86.2	538.5	624.7
2009	129.2	781.7	910.9
2010*	199.7	848.1	1,047.8

* Provisional

[1] Includes retention for seed

8.17. **Coffee**: Table 8.13 shows production, area and average yield of coffee by type of grower from crop year 2005/06 to 2009/10. Production declined by 22.2 per cent, from 54 thousand tonnes to 42 thousand tonnes in 2009/10. Coffee production from co-operatives and estates recorded declines of 24.1 and 19.9 per cent, respectively over the same period. This was attributed to adverse weather conditions (cold conditions) which resulted in poor flowering in the major coffee growing districts. Other factors which contributed to poor production include high cost of inputs such as labour, electricity, spraying chemicals, processing materials and competition from other agricultural enterprises. During the 2009/10 crop year, the area under coffee bushes remained at 160 thousand hectares. The average yield for the co-operatives sub-

sector decreased by 31.1 per cent while that of the estates decreased by 20.0 per cent. For both sub-sectors, the yields were below the levels achieved during the last five years.

Table 8.13: Production, Area, and Average Yield of Coffee by Type of Grower, 2005/06 - 2009/10

	2005/06	2006/07	2007/08	2008/09	2009/10*
AREA (Ha) '000-					
Co-operatives	128	121	118	120	120
Estates	42	42	37	40	40
TOTAL	170	163	155	160	160
PRODUCTION (Tonnes) '000-					
Co-operatives	27.0	28.4	22.3	29.4	22.3
Estates	21.3	25.0	19.7	24.6	19.7
TOTAL	48.3	53.4	42.0	54.0	42.0
AVERAGE YIELD (Kg/Ha.)-					
Co-operatives	211	235	189	270	186
Estates	506	595	532	616	493

Source: Coffee Board of Kenya

* Provisional

8.18**. Tea:** Table 8.14 presents the performance of the tea sub-sector for the last five years. Tea production increased by 27.0 per cent from 314.1 thousand tonnes in 2009 to 399.0 thousand tonnes in 2010. This was mainly associated with a 30.4 per cent increase in production in the smallholder sub-sector, which contributed 56.4 per cent of total tea production from 55.0 per cent share during 2009. Production in the estates sub-sector registered a 23.0 per cent increase from 141.5 tonnes in 2009 to 174.0 tonnes in 2010. The higher tea production was also associated with good weather conditions experienced during the review period. This further resulted in the average yield for the smallholder sub-sector increasing from 1,862 kg/ha in 2009 to 2,291 kg/ha in 2010. Similarly, the average yield from the estates sub-sector increased from 2,909 kg/ha in 2009 to 3,412 kg/ha in 2010. The area planted with tea increased by 8.5 per cent from 158.4 thousand hectares in 2009 to 171.9 thousand hectares in 2010. The area under the small-holder sub-sector increased by 7.2 per cent from 107.3 thousand hectares in 2009 to 115.0 thousand hectares in 2010, to account for 66.9 per cent of the total area under tea during the review period. Over the same period, the area under the estates subsector expanded by 11.4 per cent.

Table 8.14: Production, Area and Average Yield of Tea by Type of Grower, 2006- 2010

	2006	2007	2008	2009	2010*
AREA (Ha) '000					
Smallholder	95.8	98.2	107.1	107.3	115.0
Estates	51.3	51.0	50.6	51.1	56.9
TOTAL	147.1	149.2	157.7	158.4	171.9
PRODUCTION (Tonnes) '000					
Smallholder	191.2	229.6	210.9	172.6	225.0
Estates	119.4	140.0	135.0	141.5	174.0
TOTAL	310.6	369.6	345.8	314.1	399.0
AVERAGE YIELD (Kg/Ha)[1]					
Smallholder	2,225.0	2,658.0	2,397.0	1,862.0	2,291.0
Estates	2,689.0	3,105.0	2,768.0	2,909.0	3,412.0

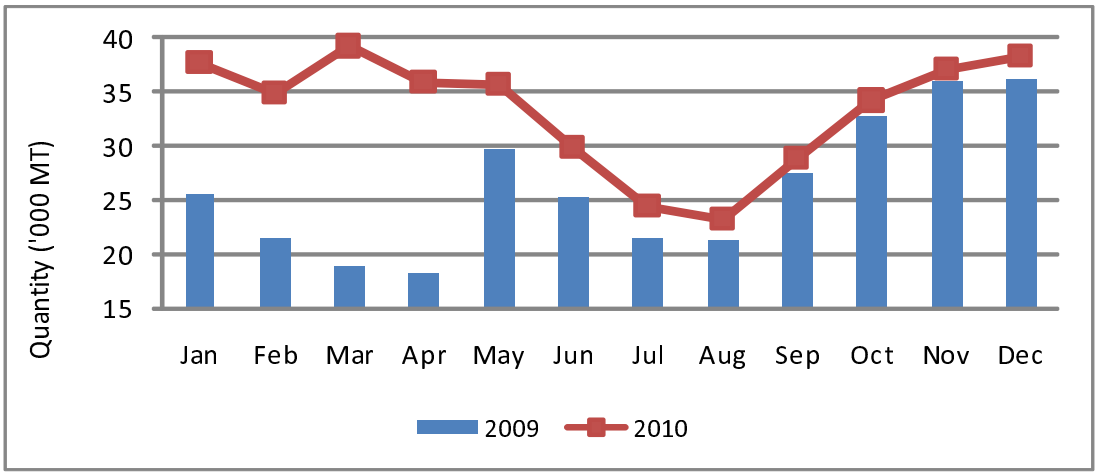
Source: Tea Board of Kenya

* Provisional

[1]Obtained by dividing current production by the area four years ago

8.19. Figure 8.2 depicts the monthly tea production in 2009 and 2010. During the first eight months of the year 2010, tea production was significantly above the 2009 levels. On the other hand, there was a marked decline in tea production from June to August, mainly associated with the cold season experienced during these months that affects the growth of tea bushes.

Figure. 8.2: Monthly Tea Production, 2009-2010



8.20. During the year under review, the volume of tea exports increased by 28.8 per cent from 342.4 thousand tonnes in 2009 to 441.0 thousand tonnes in 2010. Consequently, the increased export volume coupled with improved prices and depreciation of the Kenya Shilling to the US Dollar resulted in the total tea earnings rising by 40.6 per cent from KSh 69.0 billion in 2009 to KSh 97.0 billion in 2010.

8.21. **Sugarcane:** Details on sugarcane production are presented in Table 8.15. This sub-sector realized some growth, though depressed, during the year under review. The area under sugarcane increased by 2.1 per cent while the area harvested rose by 4.5 per cent. Similarly, the quantity of cane delivered for milling rose marginally from 5,610.7 thousand tonnes in 2009 to 5,709.6 thousand tonnes in 2010. The average yield of cane dropped for the second consecutive year as a result of harvesting immature cane.

Table 8.15: Area under Sugarcane, Area Harvested, Production, and Average Yield, 2006 - 2010

	2006	2007	2008	2009	2010*
Area under cane (Ha)	147,730	158,568	169,421	154,298	157,583
Area harvested (Ha)[1]	54,621	59,201	54,465	65,774	68,738
Production (Tonnes)	4,932,839	5,204,214	5,112,040	5,610,702	5,709,586
Average yield (Tonnes/Ha)	70.89	70.87	72.94	65.21	63.55

Source: Kenya Sugar Board

* Provisional

[1] Does not include area harvested by non-contracted farmers

8.22. Table 8.16 presents sugar statistics production values over the last five years. Domestic production of sugar decreased by 4.5 per cent from 548.2 thousand tonnes in 2009 to reach 523.7 thousand tonnes in 2010. The reduction was occasioned by the crushing of immature cane. Lower production in the local sugar industry led to a large increase in the imports of sugar in order to meet the country's demand for the commodity. Whereas the country recorded very low exports, domestic imports of sugar rose by 74.1 thousand tonnes to reach 258.6 thousand tonnes in 2010. Domestic consumption of sugar is estimated to have risen from 762.0 thousand tonnes in 2009 to 772.7 thousand tonnes in 2010, an outcome of both population increase and rising prosperity.

Table 8.16: Production, Imports and Consumption of Sugar, 2006 – 2010

'000 Tonnes

YEAR	PRODUCTION	IMPORTS	CONSUMPTION	EXPORTS
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	44.3
2009	548.2	184.5	762.0	2.0
2010*	523.7	258.6	772.7	0.1

Source: Kenya Sugar Board

* Provisional

8.23. **Horticulture:** The horticultural export industry suffered depressed performance for the third year running, largely due to the continued recession in the main export market. Overall, the quantity of horticultural exports fell by 33.7 thousand tonnes while the value for the same declined by KSh 9.2 billion. The quantity of flower exports dropped from 87.0 thousand tonnes in 2009 to 67.7 thousand tonnes in 2010, a reduction of 19.3 thousand tonnes. Similarly, vegetable exports recorded a reduction of 12.4 thousand tonnes while fruits recorded a reduction of 1.9 thousand tonnes in the same period. This poor performance in the horticulture sub-sector, in addition to the slow recovery in Europe can be attributed to interruptions in air traffic to European countries due to poor weather in early 2010. This hindered transportation of fresh produce to the region which is a major destination market for horticultural commodities.

Table 8.17: Exports of Fresh Horticultural Produce[1], 2006 – 2010

	CUT FLOWERS		FRUITS		VEGETABLES		TOTAL	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
YEAR	'000 Tonnes	KSh billion	'000 Tonnes	KSh billion	'000 Tonnes	KSh billion	'000 Tonnes	KSh billion
2006	86.5	23.6	15.4	1.7	61.3	17.8	163.2	43.1
2007	91.2	43.1	15.7	1.8	85.3	22.4	192.2	67.3
2008	93.7	39.8	17.1	2.1	82.4	16.1	193.1	58.0
2009	87.0	30.8	21.2	2.3	72.5	16.3	180.8	49.4
2010*	67.7	24.4	19.3	2.0	60.1	13.7	147.1	40.2

Source: Horticultural Crops Development Authority

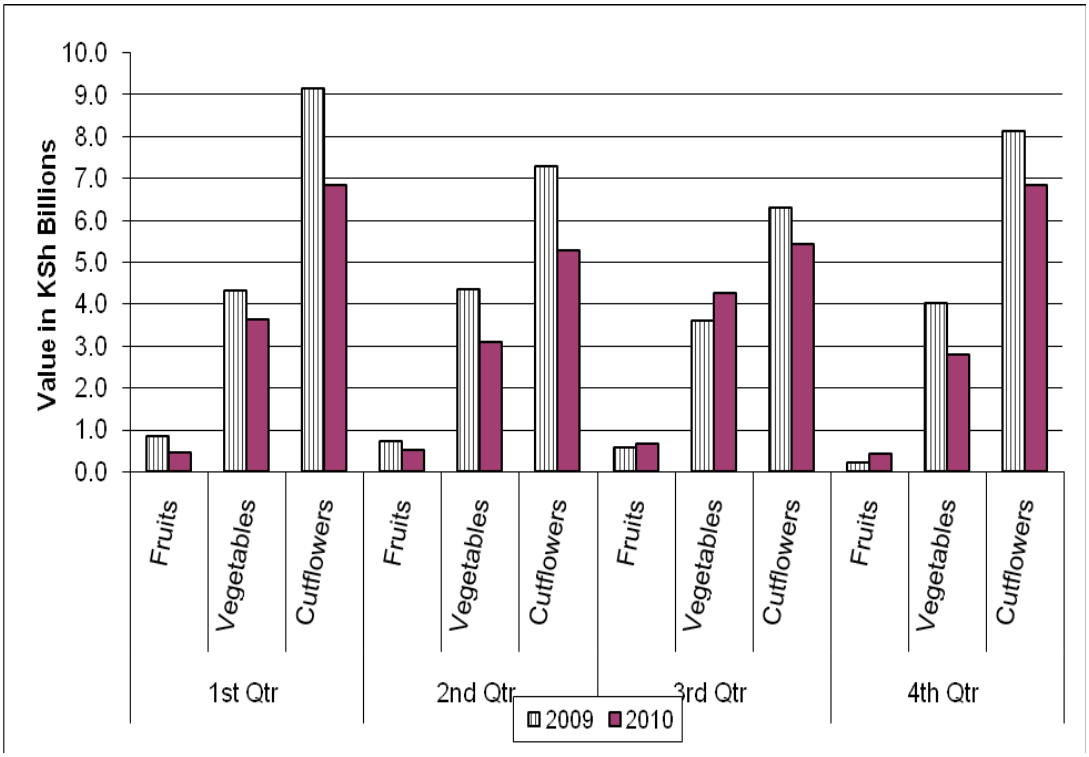
* Provisional

[1] Excludes exports of processed horticultural produce

8.24. As shown in Table 8.17, the reduction in export volumes was mainly driven by the large drop in export volume of cut flowers which comprise the largest share of horticulture exports. The volume of cut flower exports decreased by 22.2 per cent while that of vegetables reduced by 17.1 per cent. Fruits, had the lowest share of export volumes and recorded the least decline at 9.0 per cent. Given that unit prices for the three commodities remained similar between 2009 and 2010, the 18.6 per cent drop in export earnings is a direct result of the lower export quantities.

8.25. Figure 8.3 depicts comparison of quarterly export values of fruits, vegetables and cut-flowers between 2009 and 2010. Each of the three commodities recorded declines in export values in the first two quarters of the year. However, fruits and vegetables export values increased in the third quarter while that of cut flowers declined by a notable margin. In the year under review, both fruits and vegetables recorded their lowest export values in the last quarter of the year. Consistent with the large drop in the total value of cut flower exports, each of the four quarters registered substantial declines in the value of the commodity.

Figure 8.3: Quarterly Value of Fresh Horticultural Exports, 2009 – 2010



8.26**. Irrigation:** After a long period of sluggish performance, irrigation schemes in the country recorded large positive growths in all indicators during the year 2010. The area under cultivation almost doubled during the year, rising from 10,072 hectares in 2009 to 17,611 hectares in the review period. Over the same period, the number of farmers within the government-supported irrigation schemes went up by 73.8 per cent, rising from 8,931 to 15,518 farmers. Overall, both gross revenue and payments to plot holders doubled between 2009 and 2010 to stand at KSh 4,338 million and KSh 3,138 million, respectively. As seen in Table 8.18, the downward trend observed in Mwea paddy production over the last four years was reversed in the review period with production rising to 52,000 tonnes compared to 32,406 tonnes produced in the previous period. The resumption of rice production in South West Kano Scheme combined with major production increases in all the other schemes resulted in total paddy production almost doubling to reach 72,500 tonnes in 2010 up from 37,198 tonnes in 2009. This good performance follows increased investment in the sub-sector mainly through the Economic Stimulus Package (ESP). There was improvement in water distribution in the schemes through provision of resources to maintain irrigation infrastructure. Further, increased availability of irrigation water as a result of good weather during the year ensured a better crop yield.

Table 8.18: Progress and Production at Irrigation Scheme Areas, 2005/06 - 2009/10

	2005/06	2006/07	2007/08	2008/09	2009/10*
MWEA-					
Area cropped-Hectares	10,332	8,325	7,806	7,431	10,526
Plot-holders-Number[1]	5,400	7,267	7,257	4,936	7,178
Gross value of output-KSh million ..	1,775	1,544	2,121	1,782	2,860
Payments to plot-holders-KSh million ..	1,009	919	1,450	1,341	2,080
ALL SCHEME AREAS-					
Area cropped-Hectares	12,501	9,626	9,092	10,072	17,611
Plot-holders-Number	7,329	8,766	8,716	8,931	15,518
Gross value of output-KSh million ..	2,037	1,604	2,160	2,097	4,338
Payments to plot-holders-KSh million ..	1,131	941	1,457	1,535	3,138
CROPS PRODUCED - Tonnes					
Mwea-Paddy	57,422	51,458	38,560	32,406	52,000
Ahero-Paddy	3,779	851	0	2,939	6,000
W.Kano-Paddy	774	124	938	692	4,500
Bunyala-Paddy	1,010	682	567	1,161	3,200
Others (S.W. Kano)					6,800
TOTAL PADDY	62,986	53,113	40,065	37,198	72,500

Source: National Irrigation Board

*Provisional

[1]Includes farmers outside Mwea Scheme

8.27. **Dairy Produce:** Dairy and other livestock sub-sector statistics are presented in Table 8.19. The dairy sub-sector recorded major output increases during the year under review. The volume of formally marketed milk increased from 406.5 million litres in 2009 to 515.7 million litres in 2010. This was the largest percentage increase observed in milk deliveries over the last five years. This good performance in milk deliveries is attributed to good pasture following high rainfall in key milk producing areas. During the first quarter of the year, increased production led to a glut that surpassed processing capacity of the milk. This resulted in huge quantities of milk going to waste in these areas. Similar high deliveries of milk were also noted in the last quarter of the year following the onset of the short rains season. The increase in milk deliveries impacted positively on other products derived from processed milk, with each of the products recording significant production increases in 2010. During the year, butter and ghee, cheese; and whole milk and cream registered production growths of 82.2, 40.2 and 10.9 per cent, respectively.

8.28. **Livestock products**: Many parts of the country, except the North Eastern belt, experienced good rainfall patterns in the first half of the year leading to improved levels of pasture availability. Consequently, the number of cattle and calves slaughtered reduced by 6.5 per cent, declining from 2,057.0 thousand heads in 2009 to 1,923.5 thousand heads in the review period. However, the number of goats and sheep slaughtered houses increased by 7.8 per cent in the same period. The slaughter of pigs registered a slight decline in the review period with the number slaughtered dropping from 221.0 thousand in 2009 to 217.2 thousand in 2010.

Table 8.19: Production and Sale of Livestock and Dairy Products, 2006 - 2010

	UNIT	2006	2007	2008	2009	2010*
RECORDED MILK PRODUCTION	Mn. Litres	360.1	423.1	398.5	406.5	515.7
MILK PROCESSED:						
Wholemilk and cream	Mn. Litres	225.0	282.0	262.2	323.1	358.2
Butter and ghee	Tonnes	1,549.0	1,752.1	1,217.7	1,079.6	1,967.4
Cheese	"	243.0	215.0	154.7	187.7	263.2
LIVESTOCK SLAUGHTERED						
Cattle and Calves..	'000 Head	1,911.0	1,719.9	1,891.9	2,057.0	1,923.5
Sheep and Goats	"	4,774.9	5,013.7	5,424.8	5,716.0	6,162.8
Pigs	"	176.0	166.7	197.5	221.0	217.2

* Provisional

8.29**. Agricultural Training:** Agricultural training and research is a crucial component in the development of the agriculture sector. It provides knowledge and skills that are necessary in managing this sector efficiently. Table 8.20 outlines enrolment levels and trends prevailing in public institutions offering agricultural courses. Overall, there was a 28.2 per cent drop in the total number of students studying agricultural courses between 2009 and 2010. Out of the four public universities offering degree level agricultural courses, three registered sharp declines in their enrolment. The total number of trainees taking agriculture courses at Egerton University decreased from 3,101 in 2009 to 2,017 students in 2010. Similarly, Moi University recorded a decline from 1,437 to 821 students taking agriculture courses over the same period while Jomo Kenyatta University of Agriculture and Technology had a reduction of 230 students. Contrary to these trends, University of Nairobi had a slight increase in enrolment, with the total number of trainees pursuing agriculture courses rising from 1,306 in 2009 to 1,450 in 2010. As observed in previous years, the majority of degree level agriculture trainees are male, comprising more than two thirds of the total enrolment in the review period.

8.30**.** At diploma level, enrolment for agricultural courses at Egerton University rose by 14.5 per cent from 2,244 in 2009 to 2,570 students in 2010 while those at Bukura Institute of Agriculture, rose to 483 trainees in 2010. Enrolment for certificate courses in Naivasha Dairy Training Institute remained almost unchanged between 2009 and 2010 although there was a notable decline in the number of female trainees. Similarly, enrolment levels in the animal health training colleges remained at the levels recorded in the previous year due to the limitation in available places in the institutions. Registration for short term courses at Naivasha Dairy Training Institute reduced by about half while in Athi River Meat Training School, the number of trainees remained almost constant between 2009 and 2010.

Table 8.20: Enrolment in Agricultural Training Institutions, 2006 - 2010

Number

	2006			2007			2008			2009			2010*		
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
DEGREE LEVEL -Public Universities															
Nairobi	780	325	1,105	990	324	1,314	850	354	1,204	920	386	1,306	1,017	433	1,450
Moi	435	234	669	994	362	1,356	998	385	1,383	1,002	435	1,437	564	257	821
Jomo Kenyatta (JKUAT).	439	172	611	417	202	619	489	245	734	546	345	891	444	217	661
Egerton	1,820	845	2,665	1,856	856	2,712	1,905	884	2,789	2,045	1,056	3,101	1,378	639	2,017
Total	**3,474**	**1,576**	**5,050**	**4,257**	**1,744**	**6,001**	**4,242**	**1,868**	**6,110**	**4,513**	**2,222**	**6,735**	**3,403**	**1,546**	**4,949**
DIPLOMA LEVEL -Public Universities															
Egerton	1,319	536	1,855	1,330	657	1,987	1,210	634	1,844	1,410	834	2,244	1,543	1,027	2,570
Total	**1,319**	**536**	**1,855**	**1,330**	**657**	**1,987**	**1,210**	**634**	**1,844**	**1,410**	**834**	**2,244**	**1,543**	**1,027**	**2,570**
DIPLOMA LEVEL - MOA															
Bukura Institute of Agriculture	103	40	143	256	118	404	199	102	301	92	99	191	354	129	483
CERTIFICATE LEVEL-															
Kilifi Institute of Agiculture[1]	142	57	199	141	75	216	-	-	-	-	-	-	-	-	-
Naivasha Dairy Training Institute	65	50	115	69	37	106	58	43	101	55	47	102	70	34	104
Total	**207**	**107**	**314**	**210**	**112**	**322**	**58**	**43**	**101**	**55**	**47**	**102**	**70**	**34**	**104**
Animal Health Training Institutes-															
Kabete	84	35	119	104	33	137	90	26	116	90	26	116	92	28	120
Nyahururu	52	28	80	49	26	75	52	28	80	51	27	78	50	25	75
Ndomba	102	70	172	106	60	166	124	56	180	84	63	147	117	53	170
Total	**238**	**133**	**371**	**259**	**119**	**378**	**266**	**110**	**376**	**225**	**116**	**341**	**259**	**106**	**365**
SHORT-TERM VOCATIONAL COURSES-															
Naivasha Dairy Training School	19	8	27	95	36	131	63	17	80	69	43	112	46	4	50
Athi River M.T. School	74	26	100	47	26	73	67	19	86	66	28	94	68	30	98
Total	**93**	**34**	**127**	**142**	**62**	**204**	**130**	**36**	**166**	**135**	**71**	**206**	**114**	**34**	**148**

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

* Provisional

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

8.31. The Savings and Credit Co-operatives Societies Regulatory Authority was established in December 2008. The SACCO Societies Act came into operation in June 2010. This enabled, SACCOs to be licensed for Front Office Services. This implied running banking activities for their members. The total number of co-operative societies and unions rose significantly in the year 2010. As shown in Table 8.21, a total of 849 new societies and unions were registered during the year. This increase was mainly driven by savings and credit societies whose number rose from 5,628 in 2009 to 6,267 in 2010. The agricultural societies recorded modest increases with the total number rising by 102 from 4,584 in 2009 to 4,686 in 2010. During the same period, agricultural societies comprised slightly more than one third of all societies and unions while savings and credit societies accounted for almost half of all registered organizations in the cooperative movement. The number of unions remained almost unchanged over the five year period since 2006, with only two new unions registered in the review year. The number of pyrethrum and farm-purchase based societies has remained unchanged for several years.

Table 8.21: Number of Societies and Unions by Type, 2006 - 2010

Number

TYPE OF SOCIETY	2006	2007	2008	2009	2010*
Coffee	542	546	548	555	567
Sugarcane	152	152	152	159	162
Pyrethrum	146	146	146	146	146
Cotton	59	59	59	59	60
Dairy	252	258	264	273	278
Multi-produce	1,835	1,876	1,923	1,894	1,924
Farm Purchase	113	114	114	114	114
Fisheries	66	67	67	67	72
Other Agricultural Societies	1,188	1,196	1,204	1,317	1,363
TOTAL	**4,353**	**4,414**	**4,477**	**4,584**	**4,686**
Savings and Credit	4,876	5,122	5,350	5,628	6,267
Other Non-Agricultural Societies	1,941	2,000	2,041	2,094	2,200
TOTAL	**6,817**	**7,122**	**7,391**	**7,722**	**8,467**
Unions	99	99	100	101	103
GRAND TOTAL	**11,269**	**11,635**	**11,968**	**12,407**	**13,256**

Source: Ministry of Co-operative Development and Marketing

* Provisional

8.32. Table 8.22 gives trends in the sale value of selected agricultural commodities through cooperative societies and their contributions to gross farm revenues over the last five years. The total sale value by cooperative societies for the reported commodities recorded a growth of 16.4 per cent in 2010 to reach KSh 10,376 million up from KSh 8,915 million realized in the previous year. However, this growth was almost entirely driven by the sales of milk as all other reported commodities remained at the levels witnessed in the previous period. The value of milk sales increased by 41.0 per cent in the year under review, rising to KSh 5,221 million from KSh 3,704 million achieved in 2009. Cotton production has shown little response to various government initiatives to boost the crop, with its value remaining stagnant at KSh 2 million for the last five years. The share of co-operative sales in gross farm revenues decreased by 2 percentage points between 2009 and 2010. This decrease was driven by coffee and sugar-cane sales whose shares declined by 19.9 and 0.2 percentage points, respectively, over the same

period. However, the share contribution by co-operative sales of milk, cotton and pyrethrum grew by various margins between 2009 and 2010.

Table 8.22: Sale of Selected Agricultural Produce by Co-operatives and their Contribution to Gross Farm Revenue, 2006 - 2010

YEAR	COFFEE	SUGAR CANE	PYRETHRUM	COTTON	MILK	TOTAL
		Sale KSh million				
2006 ..	3,793.5	215.0	112.0	2.0	2,247.0	6,369.5
2007..	4,887.0	213.0	75.0	2.0	2,395.0	7,572.0
2008..	3,815.0	214.0	64.0	2.0	2,482.0	6,577.0
2009..	4,898.0	266.0	45.0	2.0	3,704.0	8,915.0
2010*..	4,839.0	267.0	47.4	2.1	5,221.0	10,376.5
			Percentage Share of sector total			
2006 ..	37.8	2.2	66.1	3.4	34.6	23.7
2007..	53.8	2.0	76.1	3.0	28.3	26.9
2008..	55.6	1.7	69.7	3.0	29.7	23.7
2009..	51.2	1.7	72.7	3.5	32.2	25.3
2010*..	31.3	1.5	74.3	6.9	46.0	23.3

* Provisional.

Analysis of the Food Balance sheet, 2006-2010

8.33. The country's food supply situation improved significantly in 2010 in response to various initiatives under taken the Government to boost agricultural productivity. This was complemented by favourable weather conditions in most parts of the country. As a result, most crops posted increased production levels compared to 2009. Similarly, increased rainfall resulted in improved availability of pasture and water giving rise to higher production of livestock and livestock products. This outcome is analysed through the Supply and Utilisation Account (SUA) that gives the Food Balance Sheet (FBS) of the country. The FBS gives an indication of a country's food supply situation by use of three key indicators namely per caput daily energy supply in terms of calories, proteins and fats; Self-Sufficiency Ratio (SSR) and Import Dependency Ratio (IDR).

Key SUA/ FBS indicators

8.34. Per caput daily energy supply is an average measure of the food available for human consumption during a specific reference period in terms of caloric value, protein and fat contents. A country's ability to satisfy its food requirement is measured by use of the SSR which compares quantities produced locally with the total food required. Reliance on imports to supplement domestic food deficit is represented by the IDR which measures the quantity of imports in relation to the total food supply.

8.35. Table 8.23 presents the trend of FBS indictors for the last five years. Per caput supply of calories, proteins and fats went up significantly during 2010 compared to 2009. The supply of calories increased from 1,954 kilo calories in 2009 to 2,153 kilo calories in 2010. Similarly, the supply of proteins and fats improved to 66 grams and 49 grams per person per day, respectively, in the review period.

8.36. The country's reliance on own production improved significantly as reflected by the SSR which rose from 63.7 per cent in 2009 to 75.4 per cent in 2010. This was mainly associated with increased production of vegetable products during the year. After suffering a substantial

decline, the SSR for vegetable products recovered to reach 72.1 per cent in 2010 from 58.9 per cent in 2009. The country has remained self sufficient in the supply of animal products, which have consistently registered an SSR above 100.0 per cent. Overall, the country's IDR reduced from 39.5 per cent in 2009 to 28.2 per cent in 2010, reflecting decreased reliance on imports.

Table 8.23: Food Balance Sheet indicators, 2006-2010

Indicator		2006	2007	2008	2009	2010*
Per Caput Daily Supply	Calories	1,999	1,885	1,983	1,954	2,153
	Vegetable Products	1,863	1,748	1,682	1,657	1,829
	Animal Products	136	137	301	297	325
	Cereals	937	901	854	941	976
	Proteins	57	53	58	60	66
	Fats	36	34	42	42	49
Self Sufficiency Ratio	Total	78.9	79.3	77.9	63.7	75.4
	Vegetable Products	77.6	77.8	74.3	58.9	72.1
	Animal Products	100.9	100.9	100.2	100.2	100.3
Import Dependency Ratio	Total	24.5	24.9	26.1	39.5	28.2
	Vegetable Products	25.9	26.5	30.2	44.7	32
	Animal Products	1.5	1.5	1	0.9	0.9

* Provisional

Caloric supply by main food groups

8.37. Figures 8.4 and 8.5 show the composition of food supply in the country during 2009 and 2010. Cereals formed the main source of energy, comprising 45.3 per cent of caloric supply in 2010. In comparison, cereals constituted a slightly higher proportion with a 48.3 per cent share in 2009. Pulses constituted 10.7 per cent of caloric supply, followed by milk with 10.4 per cent of total caloric supply during 2010. The share of milk during 2009 was slightly lower than in 2010. Other significant sources of energy are sugar and sweeteners, vegetable oils, meat and fruits with shares of 7.7, 6.5, 3.8 and 3.8 per cent, respectively, in 2010. Each of sugar and sweeteners, vegetable oils, pulses, meat and fruits recorded lower shares of energy supply in 2010.

Figure 8.4: Caloric Supply by Main Food Groups, 2010

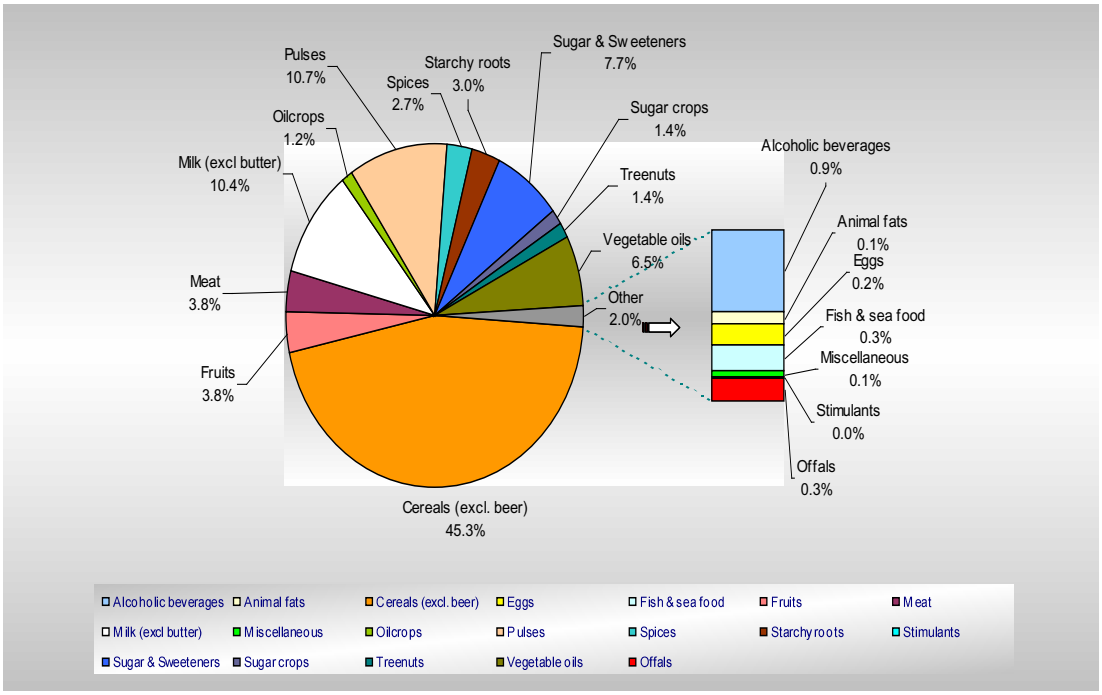
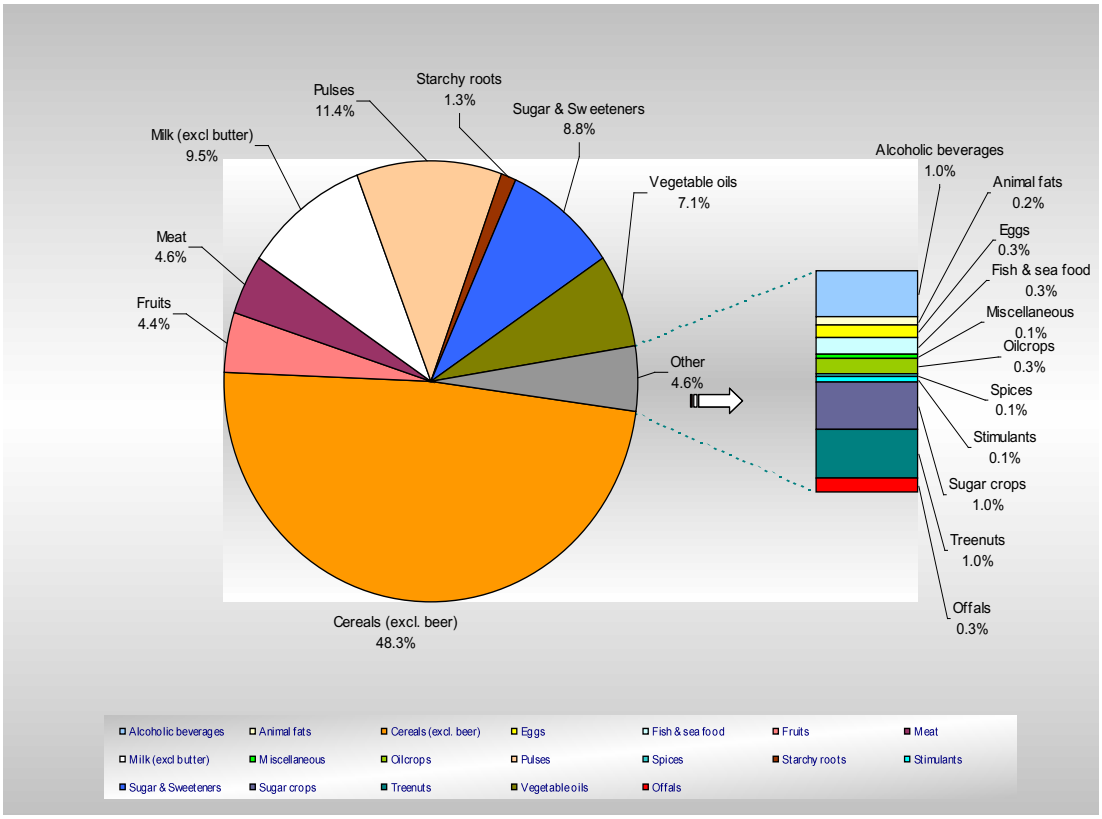


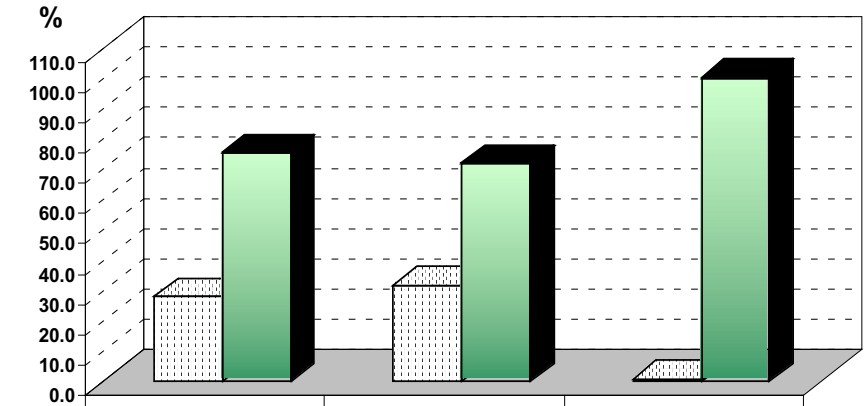
Figure 8.5: Caloric Supply by Main Food Groups, 2009



Self-Sufficiency Ratio and Import Dependency Ratio

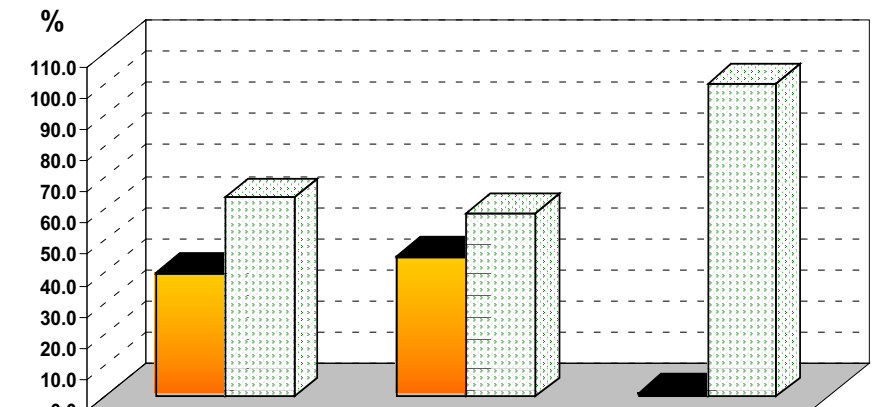
8.38. Figures 8.6 and 8.7, illustrate trends in the country's SSR and IDR while Table 8.24 presents the detailed Food Balance Sheet results.

Figure 8.6: Import Dependency and Self-Sufficiency Ratios, 2010



	Total Food Products	Vegetable Products	Animal Products
IDR	28.2	32.0	0.9
SSR	75.4	72.1	100.3

Figure 8.7: Import Dependency and Self-Sufficiency Ratios, 2009



	Total Food Products	Vegetable Products	Animal Products
IDR	39.5	44.7	0.9
SSR	63.7	58.8	100.2

Table 8.24: Food Balance Sheet, 2009-2010

Chapter 8

Agriculture

Overview

The favourable weather conditions that prevailed in most parts of the country resulted in impressive outputs from the agricultural sector in 2010. This was further supported by provision of subsidized fertiliser and certified seeds by the Government to the smallholder farmers aimed at boosting production levels. The Economic Stimulus Package (ESP) facilitated increased production especially through irrigation schemes. Consequently, the agricultural sector value added at constant prices, increased by 6.5 per cent from KSh 288,273 million in 2009 to KSh 307,083 million in 2010. The increased production translated into an improved food supply situation in the country as indicated by the Self-Sufficiency Ratio and the Per Caput supply of calories that rose to 75.4 per cent and 2,153 kilo calories, respectively, during the review period. Improved global demand resulted in higher prices for exports in 2010. Overall, the aggregate value of marketed crops increased by 17.9 per cent from KSh 153,055.4 million in 2009 to KSh 180,394.9 million in 2010. The value of marketed permanent and temporary industrial crops rose by 39.0 and 16.3 per cent, respectively, to account for a combined share of 67.0 per cent of the total crops. The value of marketed horticultural products declined by 18.6 per cent from KSh 49,352.2 million in 2009 to KSh 40,170.4 million in 2010. This was mainly due to reduced export volumes. Better prices for livestock and livestock products during the year under review resulted in their value increasing by 22.5 per cent from KSh 45,093.7 million in 2009 to KSh 55,260.2 million in 2010.

8.2**.** Maize production increased from 27.1 million bags in 2009 to 35.8 million bags in 2010. The bumper maize harvest was attributed to favourable weather, availability of low priced fertiliser and hybrid seeds to small-scale farmers. Consequently, the quantity of maize imports decreased from 1,508.4 thousand tonnes valued at KSh 33,944.8 million in 2009 to 229.6 thousand tonnes valued at KSh 5,471.2 million in 2010. During the year under review, wheat imports increased by 8.5 per cent from 781.7 thousand tonnes in 2009 to 848.1 thousand tonnes in 2010. Coffee production decreased by 22.2 per cent from 54.0 thousand tonnes in 2008/09 crop year to 42.0 thousand tonnes in 2009/10 crop year. Production of tea increased by 27.0 per cent from 314.1 thousand tonnes in 2009 to 399.0 thousand tonnes in 2010. The volume of marketed milk increased by 26.9 per cent from 406.5 million litres in 2009 to 515.7 million litres in 2010. The value of dairy produce however, decreased by 1.3 per cent from KSh 11,496.7 million in 2009 to KSh11,346.4 million in 2010. The abundant supply of milk resulted in a reduction in the average price paid to farmers.

Agricultural Output and Input

8.3 The negative performance of the agricultural sector observed in the previous two years was reversed in 2010 as the sector registered a positive growth of 6.5 per cent. This performance was mainly attributed to a combination of factors, included favourable weather, increased use of certified seeds and subsidized fertiliser. Consequently, the sector's output value at current prices increased by 2.1 per cent from KSh 667,168 million in 2009 to KSh 681,044 million in 2010, as shown in Table 8.1. The value of intermediate consumption over the same period increased by 17.8 per cent from KSh 130,383 million to KSh 153,648 million, respectively. However, due to increased costs of inputs and other services, value added at current prices decreased by 1.7 per cent from KSh 536,785 million in 2009 to KSh 527,396 million in 2010. Output value at constant (2001) prices increased by 7.1 per cent from KSh 375,864 million

in 2009 to KSh 402,606 million in 2010. The value of intermediate consumption over the same period increased by 9.1 per cent from KSh 87,591 million to KSh 95,523 million. Value added at constant prices increased by 6.5 per cent from KSh 288,273 million in 2009 to KSh 307,083 million in 2010. This level of growth represents a major turn-around in the agriculture sector's real output as seen in Figure 8.1. After recording a downward trend in production for two years, real output rose substantially to exceed the levels recorded four years ago, mainly supported by higher production of most major agricultural commodities.

Table 8.1: Agricultural Output and Input+, 2006– 2010

KSh million

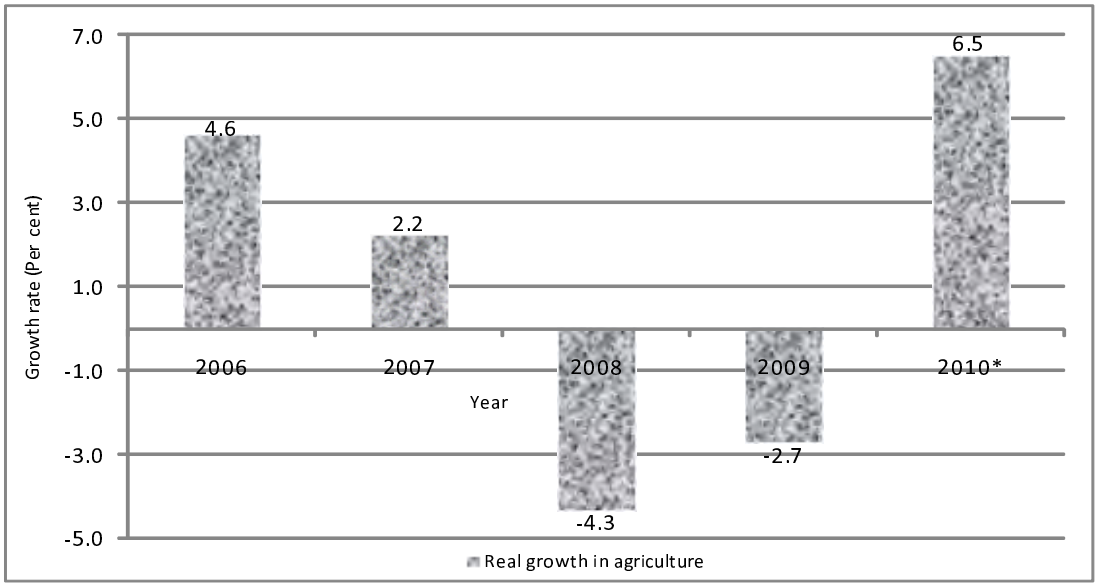
	2006	2007	2008	2009	2010*
PRODUCTION AT CURRENT PRICES					
Output at basic prices	472,513	500,370	600,880	667,168	681,044
Intermediate consumption	109,337	119,334	146,579	130,383	153,648
Value added at basic prices, gross	363,176	381,036	454,302	536,785	527,396
PRODUCTION CONSTANT PRICES[1]					
Output	389,899	400,160	384,278	375,864	402,606
Intermediate consumption	88,088	90,673	87,960	87,591	95,523
Value added, gross	301,811	309,487	296,319	288,273	307,083

* Provisional

+ Series revised

[1] Base: 2001 = 100

Figure 8.1: Trend in Agriculture Gross Value Added (GVA) Growth Rate, 2006-2010



Marketed Production

8.4. Table 8.2 shows the value of marketed production in the agricultural sector for the period 2006 to 2010. The total value of marketed production at current prices increased by 18.9 per cent from KSh 198,149.1 million recorded in 2009 to KSh 235,655.1 million in 2010. This was mainly driven by better prices of most marketed commodities coupled with increased production of maize, wheat, rice, tea and sugarcane. Horticulture and permanent crops such as coffee, tea and sisal contributed 80.4 per cent of the aggregate marketed crop output and 61.6 per cent of the total marketed output. The value of marketed crops increased by 17.9 per cent from KSh153,055.4 million in 2009 to KSh 180,394.9 million in 2010. The value of marketed

cereals rose by 37.9 per cent from KSh 11,604.0 million in 2009 to KSh 16,002.0 million in 2010 due to increased production of marketed cereals. The value of livestock and livestock products increased by 22.5 per cent from KSh 45,093.7 million in 2009 to KSh 55,260.2 million recorded in 2010.

8.5. The value of marketed maize increased by 11.0 per cent from KSh 4,566.4 million in 2009 to KSh 5,070.3 million in 2010 mainly as a result of increased production despite lower prices paid to farmers for the crop compared to the previous year. However, poor handling, drying and storage coupled with incidences of aflatoxin affected maize marketed in Eastern and Coast provinces. The value of marketed wheat increased by 53.3 per cent from KSh 3,614.9 million in 2009 to KSh 5,541.5 million in 2010, as a result of higher quantities of wheat bought from farmers during the year under review. The import duty levied on imported maize and wheat ensured ready market for the local produce although at lower prices. The value of marketed fresh horticultural produce declined by 18.6 per cent from KSh 49,352.2 million in 2009 to KSh 40,170.4 million in 2010 partly as a result of the temporary closure of the European airspace following the volcanic eruption in Iceland. The value of flowers exported declined by 20.9 per cent and therefore contributed most to the overall decline in horticultural export earnings in the year under review. Improved tea prices paid in 2010 resulted in the value of marketed tea increasing by 36.0 per cent from KSh 64,684.8 million in 2009 to KSh 87,960.1 million in 2010. Despite the increase in the quantity of marketed milk, the effect of lower milk price resulted in a 1.3 per cent decline in the value of dairy produce from KSh 11,496.7 million in 2009 to KSh 11,346.4 million in 2010.

Table 8.2: Recorded Marketed Production at Current Prices, 2006 - 2010

KSh million

	2006	2007	2008	2009	2010*
CEREALS-					
Maize	7,170.2	7,969.2	8,326.6	4,566.4	5,070.3
Wheat	2,073.4	3,074.1	2,613.8	3,614.9	5,541.5
Others	3,843.2	3,574.3	2,458.1	3,422.7	5,390.2
Total	13,086.8	14,617.6	13,398.4	11,604.0	16,002.0
HORTICULTURE[1]-					
Cut flowers	23,560.6	43,101.5	39,765.9	30,815.0	24,379.2
Vegetables	17,822.9	22,354.3	16,128.7	16,253.6	13,744.0
Fruits	1,737.3	1,797.9	2,071.2	2,283.5	2,047.2
Total	43,120.8	67,253.7	57,965.8	49,352.2	40,170.4
TEMPORARY INDUSTRIAL CROPS-					
Sugar-cane	9,998.9	11,704.3	12,291.1	15,367.7	17,665.5
Pyrethrum	74.1	98.6	91.9	51.6	63.8
Others	602.5	808.5	786.5	1,166.0	1,560.3
Total	10,675.5	12,611.4	13,169.5	16,585.3	19,289.6
PERMANENT CROPS-					
Coffee	10,023.6	9,089.9	6,859.3	9,563.7	15,449.9
Tea	45,162.0	43,887.0	55,383.1	64,684.8	87,960.1
Sisal	1,228.2	1,492.9	1,451.4	1,265.4	1,522.9
Total	56,413.8	54,469.8	63,693.8	75,513.9	104,932.9
TOTAL CROPS	123,296.9	148,952.5	148,227.5	153,055.4	180,394.9
LIVESTOCK AND PRODUCTS-					
Cattle and Calves+ ..	16,431.0	17,251.0	22,834.0	24,057.0	31,892.5
Dairy Produce ..	6,494.4	8,462.2	8,368.7	11,496.7	11,346.4
Chicken and eggs	2,186.7	2,575.5	2,788.8	4,344.6	5,011.9
Others	3,290.0	4,726.0	4,904.4	5,195.4	7,009.3
Total	28,402.1	33,014.7	38,895.9	45,093.7	55,260.2
GRAND TOTAL	151,699.0	181,967.2	187,123.4	198,149.1	235,655.1

* Provisional

\+ Data on cattle and calves prices revised from 2005-2009

[1] Data refers to fresh Horticultural exports only

8.6. The overall agricultural price index as shown in Table 8.3 increased from a revised 191.7 in 2009 to 201.3 in 2010. All crops except cereals such as maize and wheat recorded better prices. This is reflected in the upward movement of the price indices. The price index for permanent crops increased significantly from 162.5 in 2009 to 191.8 in 2010 in response to higher prices paid for coffee, tea and sisal. Similarly, the quantum index for crops increased from 101.1 in 2009 to 125.7 in 2010 due to an increase in tea and sisal production. The quantum index for horticulture decreased in 2010 partly due to adverse weather as well as the volcanic eruption in Iceland which resulted in cancellation of flights to Europe. The quantum index decreased from 197.3 in 2009 to 158.6 in 2010.

Table 8.3: Volume and Price Indices of Sales to Marketing Boards, 2006 -2010

Base: 2001=100

		2006	2007	2008	2009	2010*
QUANTUM	Cereals	115.6	117.8	81.0	65.9	92.7
INDICES	Temporary Industrial Crops ..	125.6	129.4	126.5	139.1	144.1
	Horticulture	182.4	213.2	214.1	197.3	158.6
	Permanent Crops	103.7	120.9	110.4	101.1	125.7
	TOTAL CROPS	78.9	88.6	79.2	74.1	90.2
	Livestock and Products	162.3	169.7	171.0	179.5	179.5
TOTAL GROSS MARKETED PRODUCTION		136.7	149.1	144.9	143.0	162.7
PRICE	Cereals	108.9	126.6	174.9	171.5	143.4
INDICES	Temporary Industrial Crops ..	97.4	108.2	115.1	132.5	149.4
	Horticulture	101.9	133.1	115.4	105.9	107.5
	Permanent Crops	119.2	99.9	127.0	162.5	191.8
	TOTAL CROPS	83.6	76.2	96.0	116.2	130.8
	Livestock and Products[1]	165.1	176.5	218.5	246.4	250.3
TOTAL GROSS MARKETED PRODUCTION		135.5	139.7	168.5	191.7	201.3

* Provisional

[1] Data on livestock is from slaughter houses

8.7. The average gross commodity prices paid to farmers for various commodities is shown in Table 8.4. Coffee prices more than doubled during the review period from KSh 19,544.4 registered in 2009 to KSh 39,677.9 per 100 kilogramme in 2010. This was attributed to low coffee supply in the world market which was partly as a result of coffee berry borer beetle and unfavourable weather in the world's coffee growing regions of Latin America, Ethiopia, Vietnam and India. Cereal prices declined in response to higher supply emanating from imports and increased production. Increased milk production resulted in a reduction in the price paid to farmers from KSh 28.3 per litre in 2009 to KSh 22.0 per litre in 2010.

Table 8.4: Average Gross Commodity Prices1 to Farmers, 2006 -2010

KSh per stated unit

	UNIT	2006	2007	2008	2009	2010*
Coffee	100 Kg	19,837.76	17,391.00	17,721.96	19,544.42	39,677.94
Tea	„	14,541.27	11,874.01	16,015.17	21,264.05	22,044.78
Sisal	„	4,812.50	6,068.11	6,539.59	5,886.93	6,672.07
Sugar-cane	Tonne	2,027.00	2,249.00	2,400.00	2,739.00	3,094.00
Pyrethrum (Pyrethrin equivalent)	Kg	7,349.84	7,373.29	7,372.27	7,373.00	10,975.46
Seed Cotton	100 Kg	2,191.70	2,045.20	2,440.43	2,584.36	3,141.10
Maize	„	1,535.35	1,566.35	2,445.37	2,391.33	1,721.35
Wheat	„	1,949.55	2,858.90	3,183.24	2,936.83	2,913.76
Beef (third grade)	„	12,101.20	14,546.28	15,334.80	15,609.26	16,273.10
Pig meat	„	9,785.44	11,317.80	12,900.85	14,023.90	14,485.39
Milk	100 litres	1,800.00	2,000.00	2,100.00	2,828.00	2,200.00

* Provisional

[1] 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. Table 8.5 shows the share of sales by large and small farms for the last five years. The share of small farms to total marketed production reduced from 73.6 per cent in 2009 to 72.1 per

cent in 2010. The large farms output value sold through marketing boards increased by 25.8 per cent from KSh 52,311 million in 2009 to KSh 65,795 million in 2010. Similarly, the share of small farms' sale to marketing boards increased by 16.5 per cent from KSh 145,838 million in 2009 to KSh 169,860 million in 2010.

Table 8.5: Sale to Marketing Boards from Large and Small Farms+, 2006 -2010

YEAR	LARGE FARMS		SMALL FARMS		TOTAL		PERCENTAGE SHARE OF SMALL FARMS
	KSh mn.	Annual Percentage change	KSh mn.	Annual Percentage change	KSh mn.	Annual Percentage change	
2006	42,203	5.3	109,496	9.0	151,699	17.3	72.6
2007	46,766	10.8	135,202	23.5	181,967	20.0	74.6
2008	49,737	6.4	137,386	1.6	187,123	2.8	73.4
2009	52,311	5.2	145,838	6.2	198,149	5.9	73.6
2010*	65,795	25.8	169,860	16.5	235,655	18.9	72.1

* Provisional

+ Revised

8.9. Table 8.6 shows the input price and quantum indices for various agricultural inputs that are purchased by farmers. The overall price indices increased from 145.1 in 2009 to 158.3 in 2010. This is attributable to higher prices paid for most of the inputs. For example, due to higher electricity and fuel prices experienced in the year under review, the price index for fuel and power increased from 135.9 in 2009 to 147.5 in 2010. Similarly, higher prices for inputs of seed resulted in the rise of the price index of purchased seeds from 88.4 in 2009 to 90.6 in 2010. The overall quantum index for agricultural inputs increased marginally from 140.5 in 2009 to 141.3 in 2010. The main drivers of this change were fertilisers, bags, purchased seeds, fuel and power.

Table 8.6: Agricultural Input Indices, 2006 - 2010

Base: 2001=100

	2006	2007	2008	2009	2010*
QUANTUM INDICES-					
Fertilizers	181.7	216.6	189.5	162.5	205.8
Fuel and Power	60.8	70.7	71.8	49.3	61.6
Bags	82.8	66.9	52.1	72.7	103.7
Manufactured Feeds	194.8	296.3	341.9	367.7	270.2
Purchased Seeds	149.7	171.6	192.5	188.4	190.9
Other Material Inputs	112.9	129.5	145.3	142.1	144.0
Total Material Input	107.8	155.0	220.6	199.1	203.7
Service Inputs	118.7	147.5	264.9	217.3	218.5
TOTAL INPUTS	145.1	147.1	151.5	140.5	141.3
PRICE INDICES-					
Fertilizers	123.8	120.3	235.7	204.8	198.1
Fuel and Power	122.4	131.4	178.9	135.9	147.5
Bags	127.9	155.1	193.9	173.0	116.8
Manufactured Feeds	123.5	142.9	167.4	168.1	213.5
Purchased Seeds	74.6	96.5	92.3	88.4	90.6
Other Material Inputs	131.6	170.3	162.9	133.0	136.2
TOTAL MATERIAL INPUT	119.7	129.4	167.1	146.5	159.8
SERVICE INPUTS	128.2	145.2	187.5	159.2	173.7
TOTAL INPUTS	118.7	128.3	165.7	145.1	158.3

* Provisional

8.10 Table 8.7 shows the costs of various inputs used in the agricultural sector for the period 2006 to 2010. The total quantity of inputs purchased increased by 0.4 per cent from KSh 32,304.2 million in 2009 to KSh 32,422.7 million in 2010. As a result of increased quantity and prices of fuel and power consumed in the agricultural sector, the value of fuel and power consumed increased by 0.5 per cent from KSh 9,770.0 million in 2009 to KSh 9,818.3 million in 2010. The value of manufactured feeds declined by 19.7 per cent from KSh 5,543.5 million in 2009 to KSh 4,453.0 million in 2010. This is partly attributable to increased availability of pasture due to favourable weather during the review period. In 2010, farmers continued to benefit from the Economic Stimulus Package by the Government as well as through the provision of low priced maize seeds and fertiliser. Consequently, the value of fertiliser purchased increased by 6.0 per cent to KSh 6,021.9 million in 2010 while the value of purchased seeds increased by 32.8 per cent to KSh 4,227.0 million in 2010.

Table 8.7: Value of Purchased Agricultural Inputs[1], 2006 - 2010

KSh million

	2006	2007	2008	2009	2010*
MATERIAL INPUTS-					
Fertilizers	3,560.4	3,594.9	6,160.2	5,680.1	6,021.9
Other Agricultural Chemicals	1,204.2	1,389.0	1,258.4	3,941.0	4,307.0
Livestock Drugs and Medicines	1,438.7	942.0	857.4	1,856.0	1,467.2
Fuel and Power	3,497.0	5,399.8	7,262.0	9,770.0	9,818.3
Bags	544.0	604.0	428.8	520.8	425.0
Manufactured Feeds	2,241.6	2,038.0	4,849.0	5,543.5	4,453.0
Purchased Seeds	2,527.5	2,547.7	3,661.0	3,182.1	4,227.0
Other Material Inputs	404.8	453.0	651.0	565.8	536.2
Total	15,418.3	16,968.5	25,127.7	31,059.3	31,255.6
SERVICE INPUTS	608.3	680.5	1,007.7	1,244.9	1,167.1
TOTAL INPUTS	16,026.6	17,649.0	26,135.4	32,304.2	32,422.7

* Provisional

[1] Except labour

8.11. Table 8.8 provides the agriculture terms of trade for the period 2006 to 2010. In the year under review, agriculture output prices improved from 128.3 in 2009 to 134.7 in 2010, which implies that farmers obtained better prices for agricultural commodities. However, the purchased inputs price index increased from 145.1 in 2009 to 158.3 in 2010. This indicates that the farmers also purchased agricultural inputs at higher prices in 2010 compared to the previous year. As a result, the positive effect of better output prices was more than offset by high input prices resulting in the agriculture terms of trade deteriorating from 69.2 recorded in 2009 to 68.5 registered in 2010.

Table 8.8: Price and Terms of Trade Indices for Agriculture, 2006 - 2010

Base: 2001=100

	2006	2007	2008	2009	2010*
General Index of Agricultural Output Prices	105.9	108.4	113.5	128.3	134.7
PRICE PAID					
Purchased Inputs	118.7	123.9	143.7	145.1	158.3
Index of Purchased Consumer Goods-Rural Areas	147.8	162.2	205.3	225.9	235.0
INDICES OF PRICES PAID	133.2	143.1	174.5	185.5	196.7
Agricultural Sector terms of Trade	79.5	75.8	65.0	69.2	68.5

* Provisional

8.12. Table 8.9 shows estimates of production of major food security crops for the last five years. There was an improvement in the production of maize and potatoes. Production of maize increased by 35.7 per cent from a recorded production of 27.1 million bags in 2009 to 35.8 million bags in 2010. This was as a result of adequate and well distributed rains experienced in most parts of the country coupled with provision of affordable fertiliser and seeds to farmers. Potato production increased from 2.6 million tonnes in 2009 to 3.1 million tonnes in 2010. This increase was attributed to provision of disease free planting materials by Kenya Agricultural Research Institute (KARI) and Private Sector Development Authority

(PSDA) project and enough rainfall especially in Central province. However, production of beans decreased by 17.3 per cent from 5.2 million bags in 2009 to 4.3 million bags in 2010. This was as a result of the *La Nina* effect experienced in some parts of the country where beans are grown. There was also improved production of sorghum which recorded a 63.6 per cent increase in the year under review while production of millet remained unchanged.

Table 8.9: Estimated Production of Selected Agricultural Commodities, 2006 - 2010

Crop	Unit	2006	2007	2008	2009	2010*
Maize	million bags	36.1	32.5	26.3	27.1	35.8
Beans	"	5.9	3.5	2.9	5.2	4.3
Potatoes + ...	million tonnes	2.7	2.8	2.2	2.6	3.1
Sorghum	million bags	1.6	1.8	0.6	1.1	1.8
Millet	"	0.8	0.9	0.4	0.6	0.6

Source: Ministry of Agriculture

* Provisional

\+ Revised

8.13. Table 8.10 shows the average retail prices for selected food crops for the last five years. During the year 2010, there was a notable decrease in the prices of maize in all the provinces compared to the previous year in response to increased supply. The price of maize in Eastern Province was recorded at KSh 33.5 per kilogramme in March 2009 while during the same month in 2010 it dropped to KSh 19.7 per kilogramme. In Nairobi, the price of maize during the month of September dropped by 53.1 per cent from KSh 35.0 per kilogramme in 2009 to KSh 16.4 per kilogramme in 2010. This decrease in maize prices was also noted in Central, Nyanza and Rift Valley provinces, at 48.0, 49.7 and 45.3 per cent, respectively, during the month of September. At the same time, the price of beans decreased in March and September 2010 in all the provinces except Nairobi and Nyanza where there was a slight increase of 18.4 and 5.6 per cent, respectively. Potato prices generally recorded a decrease in the month of March, the cheapest selling at KSh 11.9 per kilogramme in Western Province while Coast Province recorded a price of KSh 35.0 per kilogramme. Sorghum prices in Eastern, Nyanza and Western provinces were lower in March and September 2010 compared to the previous year while the price of finger millet went up in the month of March in Central, Eastern and Nyanza provinces.

8.14. Nationally, the price of maize decreased by KSh 19.4 per kilogramme in September 2010 from KSh 36.4 per kilogramme to KSh 17.0 per kilogramme while the decrease in the month of March was only KSh 10.6 per kilogramme. The price of beans generally decreased nationally especially in September 2010 from KSh 84.6 to KSh 56.4 per kilogramme though regionally it had increased slightly in Nyanza in March and September 2010. Potato prices decreased from KSh 31.4 per kilogramme in March 2009 to KSh 14.7 per kilogramme in March 2010 while there was an increase of 67.9 per cent in September 2010. Sorghum prices decreased at the national level in March and September while the price of millet slightly increased in September 2010.

Table 8.10: Retail Market Prices for Selected Food Crops+, 2006 - 2010

KSh per Kg.

CROP	PROVINCE	2006		2007		2008		2009		2010	
		Mar	Sept	Mar	Sept	Mar	Sept	Mar	Sept	Mar	Sept
MAIZE	Nairobi	19.3	18.3	16.3	14.8	18.5	32.3	29.0	35.0	25.0	16.4
	Central	16.6	16.0	15.8	18.4	18.8	27.4	34.9	35.0	28.5	18.2
	Coast	22.1	21.5	21.6	19.2	22.4	38.0	33.0	30.0	30.0	25.0
	Eastern	18.2	16.5	12.5	12.0	16.8	30.0	33.5	30.0	19.7	15.0
	Nyanza	17.4	15.2	13.0	13.2	18.8	26.1	31.8	31.8	25.1	16.0
	R/ Valley	16.9	12.5	14.3	14.7	19.3	24.6	32.8	30.0	24.5	16.4
	Western	21.1	21.2	18.9	17.6	23.4	32.2	45.4	38.2	29.6	20.6
	National	18.8	18.1	16.0	15.8	19.5	29.5	35.9	36.4	25.3	17.0
BEANS	Nairobi	45.6	34.0	38.5	42.5	53.5	73.6	55.9	62.5	66.2	61.9
	Central	39.8	36.0	37.1	34.3	53.3	58.7	70.2	67.2	63.8	55.3
	Coast	46.5	40.4	43.7	41.0	61.0	75.0	78.0	70.0	65.0	56.7
	Eastern	44.9	37.7	32.7	36.0	54.6	70.1	75.0	70.0	57.1	53.8
	Nyanza	42.7	37.2	32.6	42.7	59.0	71.7	59.1	45.5	62.4	53.2
	R/ Valley	43.3	31.5	34.5	37.0	60.4	63.2	78.4	70.0	63.8	48.6
	Western	55.0	45.1	45.7	38.6	59.7	84.3	86.5	88.5	73.0	65.5
	National	44.9	37.9	37.9	38.2	57.2	69.9	74.8	84.6	64.4	56.4
FINGER MILLET	Nairobi	43.1	47.8	42.0	50.0	46.3	31.0	81.8	78.5	65.8	56.7
	Central	36.1	43.5	40.7	40.2	51.6	49.5	60.2	65.7	64.0	51.9
	Eastern	44.4	40.0	36.9	39.6	36.3	50.4	56.5	69.8	72.3	56.1
	Nyanza	33.3	32.5	31.8	34.0	51.2	58.9	53.8	58.7	58.7	51.0
	R/ Valley	31.7	23.0	29.6	29.1	59.8	54.3	71.5	50.0	66.2	51.0
	Western	51.5	44.9	55.9	57.0	73.0	85.1	71.7	49.0	56.1	58.3
	National	39.5	39.2	36.2	41.0	49.8	56.4	64.3	49.1	62.7	53.7
SORGHUM	Nairobi	32.9	30.2	27.0	38.2	29.6	32.9	47.8	49.2	43.0	40.9
	Central	29.4	44.4	30.0	41.1	42.5	50.6	55.1	58.0	44.0	41.8
	Eastern	30.5	21.9	21.1	20.8	21.2	30.5	64.0	60.0	33.0	29.2
	Nyanza	20.5	16.0	15.8	16.9	28.0	27.5	39.5	38.5	29.1	22.8
	R/ Valley	20.0	14.7	20.9	20.5	30.2	33.3	42.7	35.0	33.8	30.3
	Western	37.7	32.3	30.0	32.4	33.4	33.2	38.3	37.0	37.6	38.0
	National	28.1	24.6	23.1	29.6	30.8	40.2	55.5	42.5	36.1	33.0
POTATOES	Nairobi	16.8	11.5	11.0	11.3	21.4	16.2	22.9	22.0	15.4	21.8
	Central	17.8	10.9	18.2	20.1	28.8	18.7	25.5	19.6	12.1	21.4
	Coast	36.4	24.0	28.3	29.5	38.0	34.6	37.4	36.0	35.0	36.7
	Eastern	23.9	16.2	18.3	16.9	24.4	23.2	29.8	20.0	16.8	29.7
	Nyanza	14.1	14.1	20.7	14.1	21.0	20.0	23.8	19.0	13.5	20.5
	R/ Valley	14.4	7.3	8.7	9.0	23.9	40.0	25.5	26.6	22.4	20.3
	Western	24.3	14.1	10.0	9.0	15.0	18.9	44.6	11.7	11.9	15.1
	National	22.4	16.2	18.6	17.7	27.4	24.5	31.4	13.7	14.7	23.0

+ Revised Estimates

8.15. Table 8.11 shows sales of agricultural produce to various marketing boards from 2006 to 2010. Generally, there was an improvement in the deliveries of most crops to the marketing boards due to increased production in 2010. The quantity of maize sold increased by 54.2 per cent from 191.0 thousand tonnes in 2009 to 294.6 thousand tonnes in 2010. Wheat sold increased by 54.5 per cent from 123.1 thousand tonnes in 2009 to 190.2 thousand tonnes in 2010. However, the sale of coffee decreased by 20.4 per cent to 38.9 thousand tonnes in

2010. This was as a result of the reduced production in the year 2010. Increased tea production contributed to 27.0 per cent increase in the sale of tea to marketing boards from 314.1 thousand tonnes in 2009 to 399.0 thousand tonnes in 2010. Sale of cotton and pyrethrum (extract) continued to decrease for the second year at 54.5 per cent and 17.1 per cent respectively while sugarcane and sisal deliveries increased slightly by 1.8 per cent and 6.0 per cent, respectively. During the review period the sale of rice paddy almost doubled.

Table 8.11: Sale of Selected Crops to Marketing Boards, 2006 - 2010

CROP	UNIT	2006	2007	2008	2009	2010*
Maize[1]	'000 tonnes	470.7	508.8	340.5	191.0	294.6
Wheat[2]	"	98.6	107.5	82.1	123.1	190.2
Coffee	"	50.5	52.3	38.7	48.9	38.9
Tea	"	310.6	369.6	345.8	314.1	399.0
Cotton[2]	"	3.2	3.3	2.7	2.2	1.0
Sugarcane[2]	mn. tonnes	4.9	5.2	5.1	5.6	5.7
Pyrethrum (extract equivalent)	tonnes	10.1	13.4	12.5	7.0	5.8
Sisal	'000 tonnes	25.5	24.6	22.2	21.5	22.8
Rice Paddy [2].	"	38.3	32.3	24.3	22.6	44.0

* Provisional

[1] Includes purchases by National Cerels and Produce Board and millers

[2] No purchases by boards

8.16. **Wheat:** Table 8.12 presents wheat production and imports from 2006 to 2010. Production of wheat increased by 54.6 per cent from129.2 thousand tonnes in the year 2009 to 199.7 thousand in 2010. This increase was attributed to good climatic conditions in wheat growing areas. Imports of wheat increased for the second year by 8.5 per cent from 781.7 thousand tonnes in 2009 to 848.1 thousand tonnes in 2010. The increase in wheat imports was as a result of rising demand for wheat products and shifting tastes.

Table 8.12: Production and Imports of Wheat, 2006 - 2010

'000 Tonnes

YEAR	PRODUCTION[1]	IMPORTS	TOTAL
2006	106.1	650.4	756.5
2007	112.9	564.3	677.2
2008	86.2	538.5	624.7
2009	129.2	781.7	910.9
2010*	199.7	848.1	1,047.8

* Provisional

[1] Includes retention for seed

8.17. **Coffee**: Table 8.13 shows production, area and average yield of coffee by type of grower from crop year 2005/06 to 2009/10. Production declined by 22.2 per cent, from 54 thousand tonnes to 42 thousand tonnes in 2009/10. Coffee production from co-operatives and estates recorded declines of 24.1 and 19.9 per cent, respectively over the same period. This was attributed to adverse weather conditions (cold conditions) which resulted in poor flowering in the major coffee growing districts. Other factors which contributed to poor production include high cost of inputs such as labour, electricity, spraying chemicals, processing materials and competition from other agricultural enterprises. During the 2009/10 crop year, the area under coffee bushes remained at 160 thousand hectares. The average yield for the co-operatives sub-

sector decreased by 31.1 per cent while that of the estates decreased by 20.0 per cent. For both sub-sectors, the yields were below the levels achieved during the last five years.

Table 8.13: Production, Area, and Average Yield of Coffee by Type of Grower, 2005/06 - 2009/10

	2005/06	2006/07	2007/08	2008/09	2009/10*
AREA (Ha) '000-					
Co-operatives	128	121	118	120	120
Estates	42	42	37	40	40
TOTAL	170	163	155	160	160
PRODUCTION (Tonnes) '000-					
Co-operatives	27.0	28.4	22.3	29.4	22.3
Estates	21.3	25.0	19.7	24.6	19.7
TOTAL	48.3	53.4	42.0	54.0	42.0
AVERAGE YIELD (Kg/Ha.)-					
Co-operatives	211	235	189	270	186
Estates	506	595	532	616	493

Source: Coffee Board of Kenya

* Provisional

8.18**. Tea:** Table 8.14 presents the performance of the tea sub-sector for the last five years. Tea production increased by 27.0 per cent from 314.1 thousand tonnes in 2009 to 399.0 thousand tonnes in 2010. This was mainly associated with a 30.4 per cent increase in production in the smallholder sub-sector, which contributed 56.4 per cent of total tea production from 55.0 per cent share during 2009. Production in the estates sub-sector registered a 23.0 per cent increase from 141.5 tonnes in 2009 to 174.0 tonnes in 2010. The higher tea production was also associated with good weather conditions experienced during the review period. This further resulted in the average yield for the smallholder sub-sector increasing from 1,862 kg/ha in 2009 to 2,291 kg/ha in 2010. Similarly, the average yield from the estates sub-sector increased from 2,909 kg/ha in 2009 to 3,412 kg/ha in 2010. The area planted with tea increased by 8.5 per cent from 158.4 thousand hectares in 2009 to 171.9 thousand hectares in 2010. The area under the small-holder sub-sector increased by 7.2 per cent from 107.3 thousand hectares in 2009 to 115.0 thousand hectares in 2010, to account for 66.9 per cent of the total area under tea during the review period. Over the same period, the area under the estates subsector expanded by 11.4 per cent.

Table 8.14: Production, Area and Average Yield of Tea by Type of Grower, 2006- 2010

	2006	2007	2008	2009	2010*
AREA (Ha) '000					
Smallholder	95.8	98.2	107.1	107.3	115.0
Estates	51.3	51.0	50.6	51.1	56.9
TOTAL	147.1	149.2	157.7	158.4	171.9
PRODUCTION (Tonnes) '000					
Smallholder	191.2	229.6	210.9	172.6	225.0
Estates	119.4	140.0	135.0	141.5	174.0
TOTAL	310.6	369.6	345.8	314.1	399.0
AVERAGE YIELD (Kg/Ha)[1]					
Smallholder	2,225.0	2,658.0	2,397.0	1,862.0	2,291.0
Estates	2,689.0	3,105.0	2,768.0	2,909.0	3,412.0

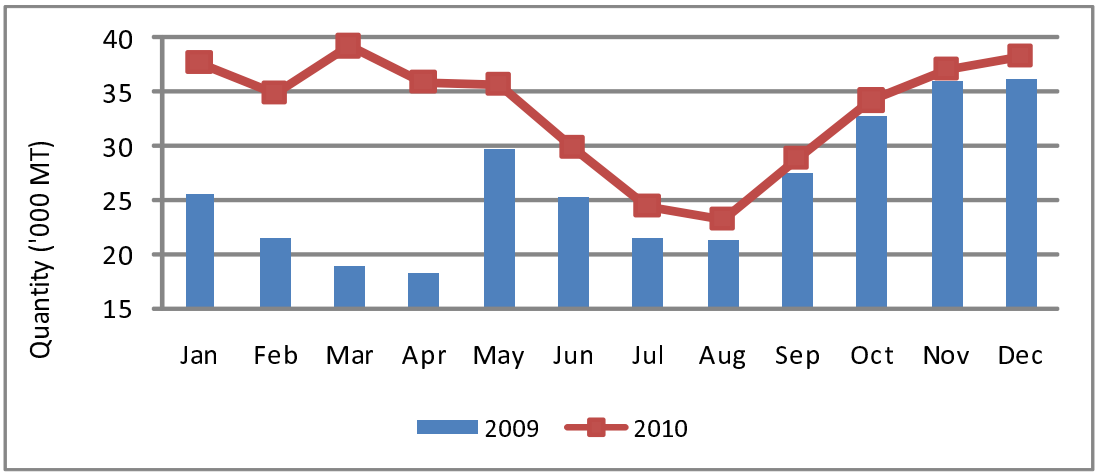
Source: Tea Board of Kenya

* Provisional

[1]Obtained by dividing current production by the area four years ago

8.19. Figure 8.2 depicts the monthly tea production in 2009 and 2010. During the first eight months of the year 2010, tea production was significantly above the 2009 levels. On the other hand, there was a marked decline in tea production from June to August, mainly associated with the cold season experienced during these months that affects the growth of tea bushes.

Figure. 8.2: Monthly Tea Production, 2009-2010



8.20. During the year under review, the volume of tea exports increased by 28.8 per cent from 342.4 thousand tonnes in 2009 to 441.0 thousand tonnes in 2010. Consequently, the increased export volume coupled with improved prices and depreciation of the Kenya Shilling to the US Dollar resulted in the total tea earnings rising by 40.6 per cent from KSh 69.0 billion in 2009 to KSh 97.0 billion in 2010.

8.21. **Sugarcane:** Details on sugarcane production are presented in Table 8.15. This sub-sector realized some growth, though depressed, during the year under review. The area under sugarcane increased by 2.1 per cent while the area harvested rose by 4.5 per cent. Similarly, the quantity of cane delivered for milling rose marginally from 5,610.7 thousand tonnes in 2009 to 5,709.6 thousand tonnes in 2010. The average yield of cane dropped for the second consecutive year as a result of harvesting immature cane.

Table 8.15: Area under Sugarcane, Area Harvested, Production, and Average Yield, 2006 - 2010

	2006	2007	2008	2009	2010*
Area under cane (Ha)	147,730	158,568	169,421	154,298	157,583
Area harvested (Ha)[1]	54,621	59,201	54,465	65,774	68,738
Production (Tonnes)	4,932,839	5,204,214	5,112,040	5,610,702	5,709,586
Average yield (Tonnes/Ha)	70.89	70.87	72.94	65.21	63.55

Source: Kenya Sugar Board

* Provisional

[1] Does not include area harvested by non-contracted farmers

8.22. Table 8.16 presents sugar statistics production values over the last five years. Domestic production of sugar decreased by 4.5 per cent from 548.2 thousand tonnes in 2009 to reach 523.7 thousand tonnes in 2010. The reduction was occasioned by the crushing of immature cane. Lower production in the local sugar industry led to a large increase in the imports of sugar in order to meet the country's demand for the commodity. Whereas the country recorded very low exports, domestic imports of sugar rose by 74.1 thousand tonnes to reach 258.6 thousand tonnes in 2010. Domestic consumption of sugar is estimated to have risen from 762.0 thousand tonnes in 2009 to 772.7 thousand tonnes in 2010, an outcome of both population increase and rising prosperity.

Table 8.16: Production, Imports and Consumption of Sugar, 2006 – 2010

'000 Tonnes

YEAR	PRODUCTION	IMPORTS	CONSUMPTION	EXPORTS
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	44.3
2009	548.2	184.5	762.0	2.0
2010*	523.7	258.6	772.7	0.1

Source: Kenya Sugar Board

* Provisional

8.23. **Horticulture:** The horticultural export industry suffered depressed performance for the third year running, largely due to the continued recession in the main export market. Overall, the quantity of horticultural exports fell by 33.7 thousand tonnes while the value for the same declined by KSh 9.2 billion. The quantity of flower exports dropped from 87.0 thousand tonnes in 2009 to 67.7 thousand tonnes in 2010, a reduction of 19.3 thousand tonnes. Similarly, vegetable exports recorded a reduction of 12.4 thousand tonnes while fruits recorded a reduction of 1.9 thousand tonnes in the same period. This poor performance in the horticulture sub-sector, in addition to the slow recovery in Europe can be attributed to interruptions in air traffic to European countries due to poor weather in early 2010. This hindered transportation of fresh produce to the region which is a major destination market for horticultural commodities.

Table 8.17: Exports of Fresh Horticultural Produce[1], 2006 – 2010

	CUT FLOWERS		FRUITS		VEGETABLES		TOTAL	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
YEAR	'000 Tonnes	KSh billion	'000 Tonnes	KSh billion	'000 Tonnes	KSh billion	'000 Tonnes	KSh billion
2006	86.5	23.6	15.4	1.7	61.3	17.8	163.2	43.1
2007	91.2	43.1	15.7	1.8	85.3	22.4	192.2	67.3
2008	93.7	39.8	17.1	2.1	82.4	16.1	193.1	58.0
2009	87.0	30.8	21.2	2.3	72.5	16.3	180.8	49.4
2010*	67.7	24.4	19.3	2.0	60.1	13.7	147.1	40.2

Source: Horticultural Crops Development Authority

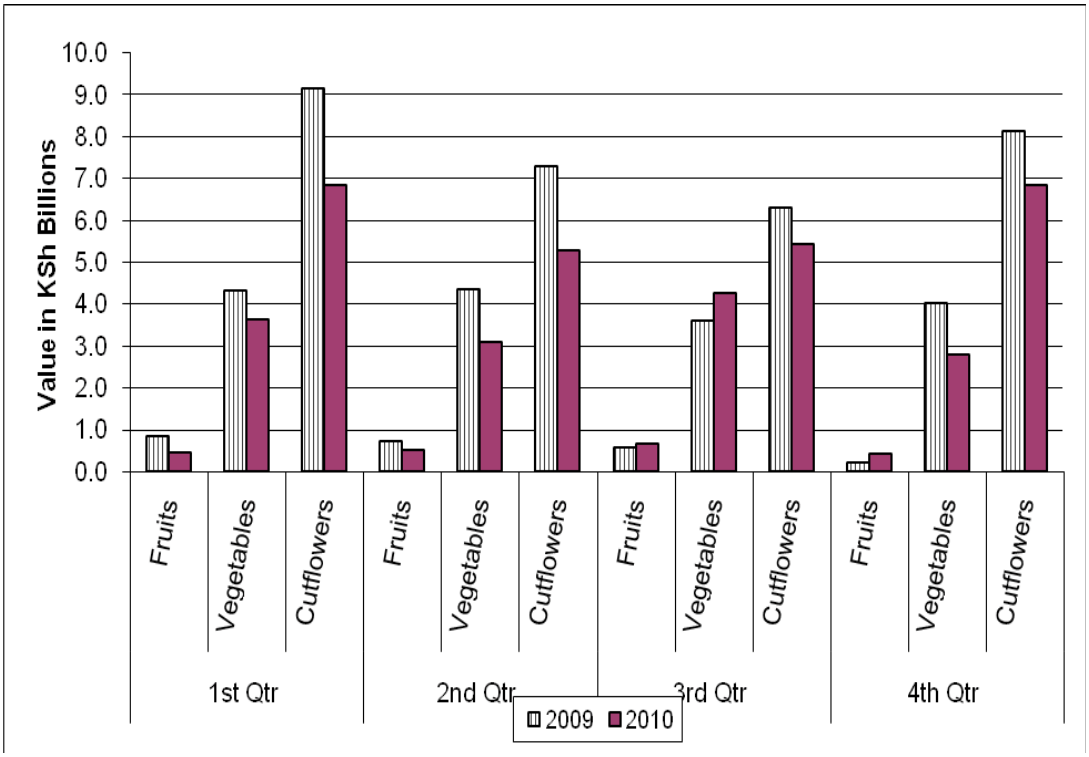
* Provisional

[1] Excludes exports of processed horticultural produce

8.24. As shown in Table 8.17, the reduction in export volumes was mainly driven by the large drop in export volume of cut flowers which comprise the largest share of horticulture exports. The volume of cut flower exports decreased by 22.2 per cent while that of vegetables reduced by 17.1 per cent. Fruits, had the lowest share of export volumes and recorded the least decline at 9.0 per cent. Given that unit prices for the three commodities remained similar between 2009 and 2010, the 18.6 per cent drop in export earnings is a direct result of the lower export quantities.

8.25. Figure 8.3 depicts comparison of quarterly export values of fruits, vegetables and cut-flowers between 2009 and 2010. Each of the three commodities recorded declines in export values in the first two quarters of the year. However, fruits and vegetables export values increased in the third quarter while that of cut flowers declined by a notable margin. In the year under review, both fruits and vegetables recorded their lowest export values in the last quarter of the year. Consistent with the large drop in the total value of cut flower exports, each of the four quarters registered substantial declines in the value of the commodity.

Figure 8.3: Quarterly Value of Fresh Horticultural Exports, 2009 – 2010



8.26**. Irrigation:** After a long period of sluggish performance, irrigation schemes in the country recorded large positive growths in all indicators during the year 2010. The area under cultivation almost doubled during the year, rising from 10,072 hectares in 2009 to 17,611 hectares in the review period. Over the same period, the number of farmers within the government-supported irrigation schemes went up by 73.8 per cent, rising from 8,931 to 15,518 farmers. Overall, both gross revenue and payments to plot holders doubled between 2009 and 2010 to stand at KSh 4,338 million and KSh 3,138 million, respectively. As seen in Table 8.18, the downward trend observed in Mwea paddy production over the last four years was reversed in the review period with production rising to 52,000 tonnes compared to 32,406 tonnes produced in the previous period. The resumption of rice production in South West Kano Scheme combined with major production increases in all the other schemes resulted in total paddy production almost doubling to reach 72,500 tonnes in 2010 up from 37,198 tonnes in 2009. This good performance follows increased investment in the sub-sector mainly through the Economic Stimulus Package (ESP). There was improvement in water distribution in the schemes through provision of resources to maintain irrigation infrastructure. Further, increased availability of irrigation water as a result of good weather during the year ensured a better crop yield.

Table 8.18: Progress and Production at Irrigation Scheme Areas, 2005/06 - 2009/10

	2005/06	2006/07	2007/08	2008/09	2009/10*
MWEA-					
Area cropped-Hectares	10,332	8,325	7,806	7,431	10,526
Plot-holders-Number[1]	5,400	7,267	7,257	4,936	7,178
Gross value of output-KSh million ..	1,775	1,544	2,121	1,782	2,860
Payments to plot-holders-KSh million ..	1,009	919	1,450	1,341	2,080
ALL SCHEME AREAS-					
Area cropped-Hectares	12,501	9,626	9,092	10,072	17,611
Plot-holders-Number	7,329	8,766	8,716	8,931	15,518
Gross value of output-KSh million ..	2,037	1,604	2,160	2,097	4,338
Payments to plot-holders-KSh million ..	1,131	941	1,457	1,535	3,138
CROPS PRODUCED - Tonnes					
Mwea-Paddy	57,422	51,458	38,560	32,406	52,000
Ahero-Paddy	3,779	851	0	2,939	6,000
W.Kano-Paddy	774	124	938	692	4,500
Bunyala-Paddy	1,010	682	567	1,161	3,200
Others (S.W. Kano)					6,800
TOTAL PADDY	62,986	53,113	40,065	37,198	72,500

Source: National Irrigation Board

*Provisional

[1]Includes farmers outside Mwea Scheme

8.27. **Dairy Produce:** Dairy and other livestock sub-sector statistics are presented in Table 8.19. The dairy sub-sector recorded major output increases during the year under review. The volume of formally marketed milk increased from 406.5 million litres in 2009 to 515.7 million litres in 2010. This was the largest percentage increase observed in milk deliveries over the last five years. This good performance in milk deliveries is attributed to good pasture following high rainfall in key milk producing areas. During the first quarter of the year, increased production led to a glut that surpassed processing capacity of the milk. This resulted in huge quantities of milk going to waste in these areas. Similar high deliveries of milk were also noted in the last quarter of the year following the onset of the short rains season. The increase in milk deliveries impacted positively on other products derived from processed milk, with each of the products recording significant production increases in 2010. During the year, butter and ghee, cheese; and whole milk and cream registered production growths of 82.2, 40.2 and 10.9 per cent, respectively.

8.28. **Livestock products**: Many parts of the country, except the North Eastern belt, experienced good rainfall patterns in the first half of the year leading to improved levels of pasture availability. Consequently, the number of cattle and calves slaughtered reduced by 6.5 per cent, declining from 2,057.0 thousand heads in 2009 to 1,923.5 thousand heads in the review period. However, the number of goats and sheep slaughtered houses increased by 7.8 per cent in the same period. The slaughter of pigs registered a slight decline in the review period with the number slaughtered dropping from 221.0 thousand in 2009 to 217.2 thousand in 2010.

Table 8.19: Production and Sale of Livestock and Dairy Products, 2006 - 2010

	UNIT	2006	2007	2008	2009	2010*
RECORDED MILK PRODUCTION	Mn. Litres	360.1	423.1	398.5	406.5	515.7
MILK PROCESSED:						
Wholemilk and cream	Mn. Litres	225.0	282.0	262.2	323.1	358.2
Butter and ghee	Tonnes	1,549.0	1,752.1	1,217.7	1,079.6	1,967.4
Cheese	"	243.0	215.0	154.7	187.7	263.2
LIVESTOCK SLAUGHTERED						
Cattle and Calves..	'000 Head	1,911.0	1,719.9	1,891.9	2,057.0	1,923.5
Sheep and Goats	"	4,774.9	5,013.7	5,424.8	5,716.0	6,162.8
Pigs	"	176.0	166.7	197.5	221.0	217.2

* Provisional

8.29**. Agricultural Training:** Agricultural training and research is a crucial component in the development of the agriculture sector. It provides knowledge and skills that are necessary in managing this sector efficiently. Table 8.20 outlines enrolment levels and trends prevailing in public institutions offering agricultural courses. Overall, there was a 28.2 per cent drop in the total number of students studying agricultural courses between 2009 and 2010. Out of the four public universities offering degree level agricultural courses, three registered sharp declines in their enrolment. The total number of trainees taking agriculture courses at Egerton University decreased from 3,101 in 2009 to 2,017 students in 2010. Similarly, Moi University recorded a decline from 1,437 to 821 students taking agriculture courses over the same period while Jomo Kenyatta University of Agriculture and Technology had a reduction of 230 students. Contrary to these trends, University of Nairobi had a slight increase in enrolment, with the total number of trainees pursuing agriculture courses rising from 1,306 in 2009 to 1,450 in 2010. As observed in previous years, the majority of degree level agriculture trainees are male, comprising more than two thirds of the total enrolment in the review period.

8.30**.** At diploma level, enrolment for agricultural courses at Egerton University rose by 14.5 per cent from 2,244 in 2009 to 2,570 students in 2010 while those at Bukura Institute of Agriculture, rose to 483 trainees in 2010. Enrolment for certificate courses in Naivasha Dairy Training Institute remained almost unchanged between 2009 and 2010 although there was a notable decline in the number of female trainees. Similarly, enrolment levels in the animal health training colleges remained at the levels recorded in the previous year due to the limitation in available places in the institutions. Registration for short term courses at Naivasha Dairy Training Institute reduced by about half while in Athi River Meat Training School, the number of trainees remained almost constant between 2009 and 2010.

'Table 8.20: Enrolment in Agricultural Training Institutions, 2006 - 2010

Number

	2006			2007			2008			2009			2010*		
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
DEGREE LEVEL -Public Universities															
Nairobi	780	325	1,105	990	324	1,314	850	354	1,204	920	386	1,306	1,017	433	1,450
Moi	435	234	669	994	362	1,356	998	385	1,383	1,002	435	1,437	564	257	821
Jomo Kenyatta (JKUAT).	439	172	611	417	202	619	489	245	734	546	345	891	444	217	661
Egerton	1,820	845	2,665	1,856	856	2,712	1,905	884	2,789	2,045	1,056	3,101	1,378	639	2,017
Total	**3,474**	**1,576**	**5,050**	**4,257**	**1,744**	**6,001**	**4,242**	**1,868**	**6,110**	**4,513**	**2,222**	**6,735**	**3,403**	**1,546**	**4,949**
DIPLOMA LEVEL -Public Universities															
Egerton	1,319	536	1,855	1,330	657	1,987	1,210	634	1,844	1,410	834	2,244	1,543	1,027	2,570
Total	**1,319**	**536**	**1,855**	**1,330**	**657**	**1,987**	**1,210**	**634**	**1,844**	**1,410**	**834**	**2,244**	**1,543**	**1,027**	**2,570**
DIPLOMA LEVEL - MOA															
Bukura Institute of Agriculture	103	40	143	256	118	404	199	102	301	92	99	191	354	129	483
CERTIFICATE LEVEL-															
Kilifi Institute of Agiculture[1]	142	57	199	141	75	216	-	-	-	-	-	-	-	-	-
Naivasha Dairy Training Institute	65	50	115	69	37	106	58	43	101	55	47	102	70	34	104
Total	**207**	**107**	**314**	**210**	**112**	**322**	**58**	**43**	**101**	**55**	**47**	**102**	**70**	**34**	**104**
Animal Health Training Institutes-															
Kabete	84	35	119	104	33	137	90	26	116	90	26	116	92	28	120
Nyahururu	52	28	80	49	26	75	52	28	80	51	27	78	50	25	75
Ndomba	102	70	172	106	60	166	124	56	180	84	63	147	117	53	170
Total	**238**	**133**	**371**	**259**	**119**	**378**	**266**	**110**	**376**	**225**	**116**	**341**	**259**	**106**	**365**
SHORT-TERM VOCATIONAL COURSES-															
Naivasha Dairy Training School	19	8	27	95	36	131	63	17	80	69	43	112	46	4	50
Athi River M.T. School	74	26	100	47	26	73	67	19	86	66	28	94	68	30	98
Total	**93**	**34**	**127**	**142**	**62**	**204**	**130**	**36**	**166**	**135**	**71**	**206**	**114**	**34**	**148**

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

* Provisional

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

8.31. The Savings and Credit Co-operatives Societies Regulatory Authority was established in December 2008. The SACCO Societies Act came into operation in June 2010. This enabled, SACCOs to be licensed for Front Office Services. This implied running banking activities for their members. The total number of co-operative societies and unions rose significantly in the year 2010. As shown in Table 8.21, a total of 849 new societies and unions were registered during the year. This increase was mainly driven by savings and credit societies whose number rose from 5,628 in 2009 to 6,267 in 2010. The agricultural societies recorded modest increases with the total number rising by 102 from 4,584 in 2009 to 4,686 in 2010. During the same period, agricultural societies comprised slightly more than one third of all societies and unions while savings and credit societies accounted for almost half of all registered organizations in the cooperative movement. The number of unions remained almost unchanged over the five year period since 2006, with only two new unions registered in the review year. The number of pyrethrum and farm-purchase based societies has remained unchanged for several years.

Table 8.21: Number of Societies and Unions by Type, 2006 - 2010

Number

TYPE OF SOCIETY	2006	2007	2008	2009	2010*
Coffee	542	546	548	555	567
Sugarcane	152	152	152	159	162
Pyrethrum	146	146	146	146	146
Cotton	59	59	59	59	60
Dairy	252	258	264	273	278
Multi-produce	1,835	1,876	1,923	1,894	1,924
Farm Purchase	113	114	114	114	114
Fisheries	66	67	67	67	72
Other Agricultural Societies	1,188	1,196	1,204	1,317	1,363
TOTAL	**4,353**	**4,414**	**4,477**	**4,584**	**4,686**
Savings and Credit	4,876	5,122	5,350	5,628	6,267
Other Non-Agricultural Societies	1,941	2,000	2,041	2,094	2,200
TOTAL	**6,817**	**7,122**	**7,391**	**7,722**	**8,467**
Unions	99	99	100	101	103
GRAND TOTAL	**11,269**	**11,635**	**11,968**	**12,407**	**13,256**

Source: Ministry of Co-operative Development and Marketing

* Provisional

8.32**.** Table 8.22 gives trends in the sale value of selected agricultural commodities through cooperative societies and their contributions to gross farm revenues over the last five years. The total sale value by cooperative societies for the reported commodities recorded a growth of 16.4 per cent in 2010 to reach KSh 10,376 million up from KSh 8,915 million realized in the previous year. However, this growth was almost entirely driven by the sales of milk as all other reported commodities remained at the levels witnessed in the previous period. The value of milk sales increased by 41.0 per cent in the year under review, rising to KSh 5,221 million from KSh 3,704 million achieved in 2009. Cotton production has shown little response to various government initiatives to boost the crop, with its value remaining stagnant at KSh 2 million for the last five years. The share of co-operative sales in gross farm revenues decreased by 2 percentage points between 2009 and 2010. This decrease was driven by coffee and sugar-cane sales whose shares declined by 19.9 and 0.2 percentage points, respectively, over the same

period. However, the share contribution by co-operative sales of milk, cotton and pyrethrum grew by various margins between 2009 and 2010.

Table 8.22: Sale of Selected Agricultural Produce by Co-operatives and their Contribution to Gross Farm Revenue, 2006 - 2010

YEAR	COFFEE	SUGAR CANE	PYRETHRUM	COTTON	MILK	TOTAL
		Sale KSh million				
2006 ..	3,793.5	215.0	112.0	2.0	2,247.0	6,369.5
2007..	4,887.0	213.0	75.0	2.0	2,395.0	7,572.0
2008..	3,815.0	214.0	64.0	2.0	2,482.0	6,577.0
2009..	4,898.0	266.0	45.0	2.0	3,704.0	8,915.0
2010*..	4,839.0	267.0	47.4	2.1	5,221.0	10,376.5
			Percentage Share of sector total			
2006 ..	37.8	2.2	66.1	3.4	34.6	23.7
2007..	53.8	2.0	76.1	3.0	28.3	26.9
2008..	55.6	1.7	69.7	3.0	29.7	23.7
2009..	51.2	1.7	72.7	3.5	32.2	25.3
2010*..	31.3	1.5	74.3	6.9	46.0	23.3

* Provisional.

Analysis of the Food Balance sheet, 2006-2010

8.33. The country's food supply situation improved significantly in 2010 in response to various initiatives under taken the Government to boost agricultural productivity. This was complemented by favourable weather conditions in most parts of the country. As a result, most crops posted increased production levels compared to 2009. Similarly, increased rainfall resulted in improved availability of pasture and water giving rise to higher production of livestock and livestock products. This outcome is analysed through the Supply and Utilisation Account (SUA) that gives the Food Balance Sheet (FBS) of the country. The FBS gives an indication of a country's food supply situation by use of three key indicators namely per caput daily energy supply in terms of calories, proteins and fats; Self-Sufficiency Ratio (SSR) and Import Dependency Ratio (IDR).

Key SUA/ FBS indicators

8.34. Per caput daily energy supply is an average measure of the food available for human consumption during a specific reference period in terms of caloric value, protein and fat contents. A country's ability to satisfy its food requirement is measured by use of the SSR which compares quantities produced locally with the total food required. Reliance on imports to supplement domestic food deficit is represented by the IDR which measures the quantity of imports in relation to the total food supply.

8.35. Table 8.23 presents the trend of FBS indictors for the last five years. Per caput supply of calories, proteins and fats went up significantly during 2010 compared to 2009. The supply of calories increased from 1,954 kilo calories in 2009 to 2,153 kilo calories in 2010. Similarly, the supply of proteins and fats improved to 66 grams and 49 grams per person per day, respectively, in the review period.

8.36. The country's reliance on own production improved significantly as reflected by the SSR which rose from 63.7 per cent in 2009 to 75.4 per cent in 2010. This was mainly associated with increased production of vegetable products during the year. After suffering a substantial

decline, the SSR for vegetable products recovered to reach 72.1 per cent in 2010 from 58.9 per cent in 2009. The country has remained self sufficient in the supply of animal products, which have consistently registered an SSR above 100.0 per cent. Overall, the country's IDR reduced from 39.5 per cent in 2009 to 28.2 per cent in 2010, reflecting decreased reliance on imports.

Table 8.23: Food Balance Sheet indicators, 2006-2010

Indicator		2006	2007	2008	2009	2010*
Per Caput Daily Supply	Calories	1,999	1,885	1,983	1,954	2,153
	Vegetable Products	1,863	1,748	1,682	1,657	1,829
	Animal Products	136	137	301	297	325
	Cereals	937	901	854	941	976
	Proteins	57	53	58	60	66
	Fats	36	34	42	42	49
Self Sufficiency Ratio	Total	78.9	79.3	77.9	63.7	75.4
	Vegetable Products	77.6	77.8	74.3	58.9	72.1
	Animal Products	100.9	100.9	100.2	100.2	100.3
Import Dependency Ratio	Total	24.5	24.9	26.1	39.5	28.2
	Vegetable Products	25.9	26.5	30.2	44.7	32
	Animal Products	1.5	1.5	1	0.9	0.9

* Provisional

Caloric supply by main food groups

8.37. Figures 8.4 and 8.5 show the composition of food supply in the country during 2009 and 2010. Cereals formed the main source of energy, comprising 45.3 per cent of caloric supply in 2010. In comparison, cereals constituted a slightly higher proportion with a 48.3 per cent share in 2009. Pulses constituted 10.7 per cent of caloric supply, followed by milk with 10.4 per cent of total caloric supply during 2010. The share of milk during 2009 was slightly lower than in 2010. Other significant sources of energy are sugar and sweeteners, vegetable oils, meat and fruits with shares of 7.7, 6.5, 3.8 and 3.8 per cent, respectively, in 2010. Each of sugar and sweeteners, vegetable oils, pulses, meat and fruits recorded lower shares of energy supply in 2010.

Figure 8.4: Caloric Supply by Main Food Groups, 2010

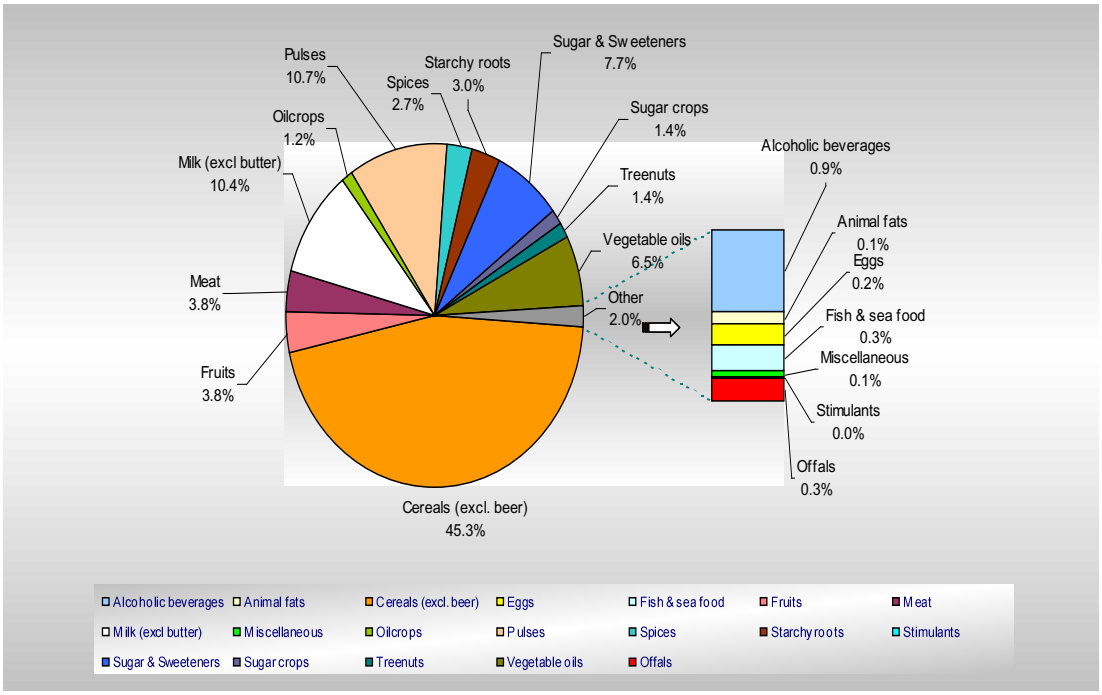
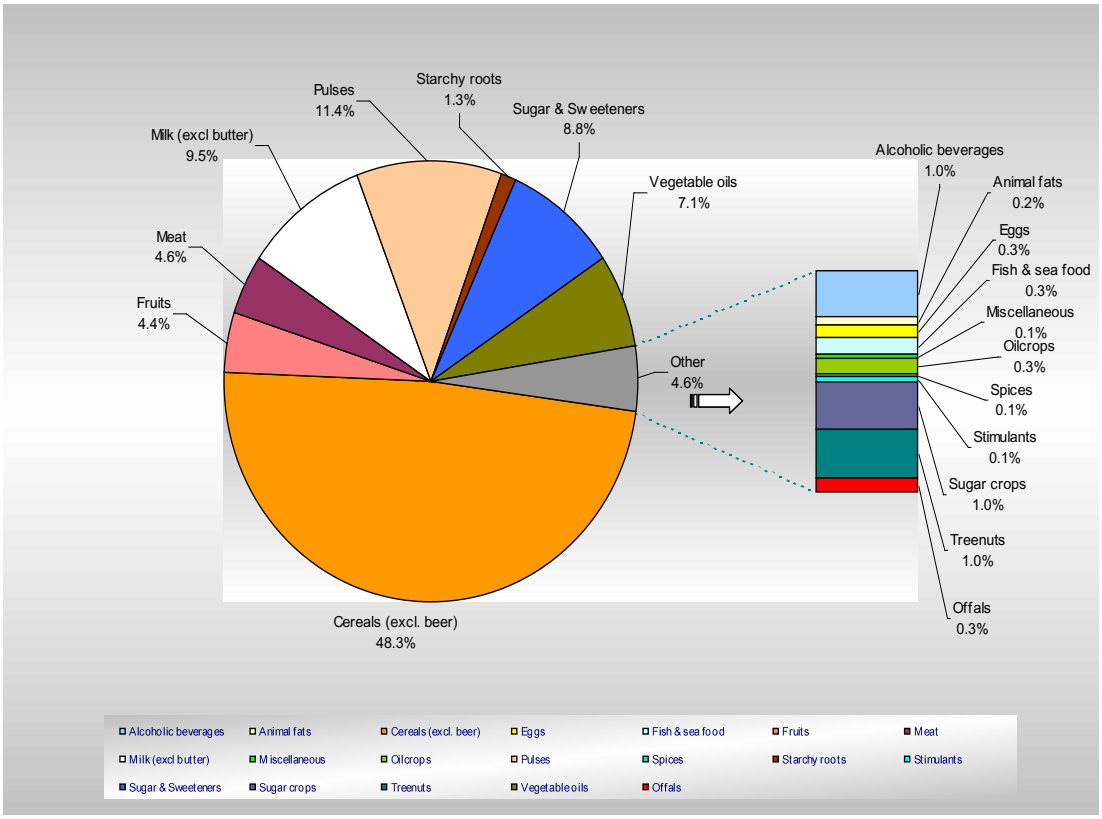


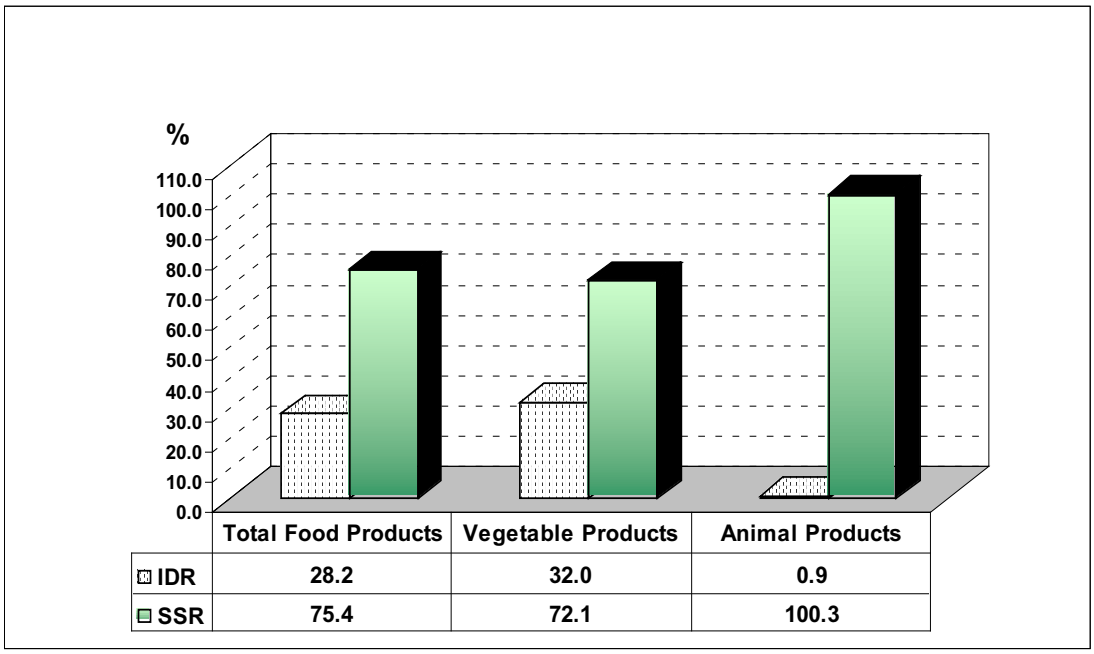
Figure 8.5: Caloric Supply by Main Food Groups, 2009



Self-Sufficiency Ratio and Import Dependency Ratio

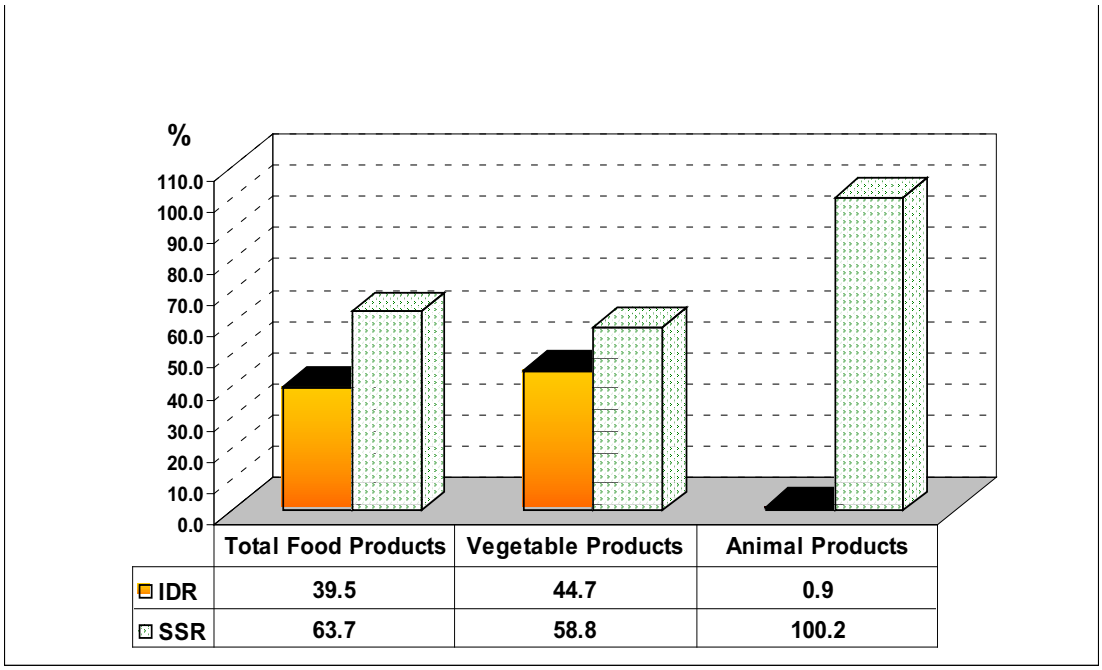
8.38. Figures 8.6 and 8.7, illustrate trends in the country's SSR and IDR while Table 8.24 presents the detailed Food Balance Sheet results.

Figure 8.6: Import Dependency and Self-Sufficiency Ratios, 2010



	Total Food Products	Vegetable Products	Animal Products
IDR	28.2	32.0	0.9
SSR	75.4	72.1	100.3

Figure 8.7: Import Dependency and Self-Sufficiency Ratios, 2009



	Total Food Products	Vegetable Products	Animal Products
IDR	39.5	44.7	0.9
SSR	63.7	58.8	100.2

Chapter 9

Environment and Natural Resources

Overview

The country's environment and natural resource sector is crucial for the realization of economic growth and reduction of poverty through adoption of sustainable livelihoods. It is therefore necessary to efficiently utilize and manage natural resources with which the country is endowed, given their finite nature. Towards this end, the Government through the Ministry of Environment and Mineral Resources continues to intensify environmental conservation efforts to ensure a clean, secure and sustainable environment without compromising economic growth.

9.2. Total development expenditure on water supplies and related services is expected to increase by 40.8 per cent from KSh 22,264.0 million in the financial year 2009/10 to KSh 31,338.9 million in 2010/11. Quantity of fish landed in 2010 increased by 8.3 per cent to 144.5 thousand tonnes from 133.6 thousand tonnes in 2009. Quantity of mineral production increased from 1,399 thousand tonnes in 2009 to 1,497 thousand tonnes in 2010, while the population of most wildlife species declined during the review period. The forest plantation stocking decreased from 112.7 thousand hectares in 2009 to 111.8 thousand hectares in 2010, mainly due to outbreak of fires in the forested areas.

Water Supply

9.3. The Ministry of Water and Irrigation in collaboration with other stakeholders develops, manages and maintains water resources in the country. The Government has over the years allocated substantial resources to the development and maintenance of water supply systems, and the provision of portable water for both domestic and industrial use.

9.4. In 2010/11, programme activities under the water sub-sector were geared towards expansion of water coverage and sewerage facilities, scaling up of water storage to improve water security, and development of irrigation and drainage infrastructure. Water and sewerage infrastructure in urban areas was carried out under the Urban Water Programme while construction of water and sanitation schemes in rural areas was implemented under the Rural Water Programme. During this period, the Ministry also undertook land reclamation in various parts of the country. The main impediments to the development of water and sewerage supply and irrigation development were poor infrastructure and degradation of water catchment areas.

9.5. The Government continued to increase access to safe drinking water through expansion and maintenance of Water Purification Points (WPP) as shown in Table 9.1. The total number of WPP is expected to increase to 209 in 2010/11 from 198 in 2009/10, as a result of completion of ten major water projects in Rift Valley, Central, Nyanza and Eastern provinces.

Table 9.1: Water Purification Points and Boreholes Drilled, 2006/07- 2010/11

Province	2006/07		2007/08		2008/09		2009/10		2010/11*	
	WPP	BH	WPP	BH	WPP	BH	WPP	BH	WPP	BH
Central	34	26	34	7	38	7	38	5	42	3
Coast	8	13	8	15	8	5	8	11	8	5
Eastern	28	79	28	36	29	32	31	29	32	18
N/Eastern	7	10	7	67	7	14	7	17	7	11
Nyanza	33	11	33	4	34	8	34	6	36	12
Rift Valley	43	56	43	32	43	34	45	26	49	31
Western	33	6	33	3	33	-	35	3	35	5
Nairobi	-	6	-	6	-	15	-	-	-	-
TOTAL	**186**	**207**	**186**	**170**	**192**	**115**	**198**	**97**	**209**	**85**

Source: Ministry of Water and Irrigation

* Provisional

BH - Borehole (drilled by Government in the year of reference)

WPP - Water Purification Points

9.6. During the year under review, a total of 85 boreholes are expected to be drilled compared to 97 boreholes in 2009/10. Increases in the number of boreholes drilled were noted in Rift Valley, Nyanza and Western provinces, while the rest of the provinces registered declines compared to 2009/10.

9.7. The key challenges facing the water sub-sector are limited water accessibility to all households and climatic variability. To increase water storage capacity, the Ministry with support from development partners, constructed large and medium sized dams across the country. The main dams under different phases of construction include Chemususu Dam in Koibatek, Badasa Dam in Marsarbit, Kiserian Dam in Kajiado and Umaa Dam in Kitui.

9.8. Total development expenditure on water supplies and related services over the financial period 2006/07 to 2010/11 is shown in Table 9.2. There has been a substantial increase in funding of the water sector over the last five years. These funds target major water infrastructure works and dams construction. The overall expenditure is expected to rise from KSh 22,264.0 million in 2009/10 to KSh 31,338.9 million in 2010/11, an increase of 40.8 per cent. The increase is mainly attributed to expenditure on water development which is expected to rise by 57.0 per cent to KSh 21,703.5 million in 2010/11.

Table 9.2: Development Expenditure on Water Supplies and Related Services, 2006/07 - 2010/11

KSh million

Item	2006/2007	2007/08	2008/09	2009/10	2010/11*
Water Development	3,368.0	4,448.5	9,989.0	13,822.0	21,703.5
Training of Water Development Staff	39.0	40.0	25.0	33.0	26.4
Rural Water Supplies	814.0	80.0	1,056.7	1,044.8	1,308.7
County Council and Urban Water Supplies [1]	300.2	-	-	-	-
Miscellaneous and Special Water Programmes	141.5	1,218.0	178.0	216.0	176.7
National Water Conservation and Pipeline Corporation	2,031.5	1,733.5	3,002.2	4,034.2	4,877.0
Irrigation Development	442.6	474.4	629.7	487.2	720.9
National Irrigation Board	455.3	420.0	410.0	2,626.7	2,525.7
TOTAL	**7,592.1**	**8,414.3**	**15,290.6**	**22,264.0**	**31,338.9**

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

* Provisional

[1]Funds re-allocated to water services boards since 2007/08

9.9. Expenditure on irrigation development, rural water supplies and National Water Conservation and Pipeline Corporation is expected to increase by 48.0, 25.3 and 20.9 per cent respectively in 2010/11. However, outlays to National Irrigation Board and training of water development Staff are expected to decline from KSh 2,626.7 million and KSh 33.0 million in 2009/10 to KSh 2,525.7 million and KSh. 26.4 million in 2010/11, respectively. The decline was attributed to reallocation of resources to the core priority areas of water infrastructure development.

Fisheries

9.10. The Government's policy for the fisheries sub-sector has been to maximize production by proper utilization of resources. In 2010, the Government through the Ministry of Fisheries Development adopted a strategy to expedite commercial aquaculture growth under the Economic Stimulus Package (ESP). In the same period, a total of 20,000 fish ponds were constructed across 160 constituencies. The increase in the area of farmed fish could also be attributed to more farmers engaging in the activity as well as practicing commercial aquaculture which utilizes bigger ponds hence resulting in higher yields.

9.11. The total quantity of fish landing in the country increased to 144.5 thousand tonnes from 133.6 thousand tonnes in 2009 as shown in Table 9.3. The quantity of fresh water fish, which constituted 94.0 per cent of the fish landed, increased by 8.0 per cent to 135.8 thousand tonnes in 2010 from 125.7 thousand tonnes in 2009. This increase was mainly attributed to improvement in fish landings from Lake Victoria and fish farming. Production from fish farming more than doubled in 2010 from 4.9 thousand metric tonnes in 2009 to 12.2 thousand metric tonnes. The increase was attributed to ESP which targeted fish farming as an alternative source of livelihood. Similarly, fish landings from marine waters increased to 7.6 thousand tonnes in 2010 from 7.0 thousand tonnes in 2009.

Table 9.3: Quantity and Value of Fish Landed, 2006 -2010

Quantities - Tonnes:	2006	2007	2008	2009	2010*
Freshwater fish					
Lake Victoria. ..	143,908	117,231	111,369	108,934	113,041
Lake Turkana . ..	4,559	5,122	8,070	9,445	8,123
Lake Naivasha	189	203	225	688	693
Lake Baringo	68	173	262	191	198
Lake Jipe	109	96	109	109	111
Tana River	1,024	1,112	1,302	584	596
Fish Farming	1,012	4,245	4,452	4,895	12,153
Other areas . ..	842	706	883	828	869
TOTAL . ..	**151,711**	**128,888**	**126,672**	**125,674**	**135,784**
Marine fish . ..	6,023	6,355	7,561	7,024	7600
Crustaceans	436	618	578	407	549
Other marine products.	500	494	597	495	572
GRAND TOTAL	**158,670**	**136,355**	**135,408**	**133,600**	**144,505**
Value - KSh million					
Freshwater fish .	8,071	8,029	10,718	12,274	16,905
Marine fish . ..	335	422	541	557	614
Crustaceans . ..	123	145	147	127	173
Other marine products	38	43	49	44	50
TOTAL ...	**8,567**	**8,640**	**11,455**	**13,002**	**17,742**

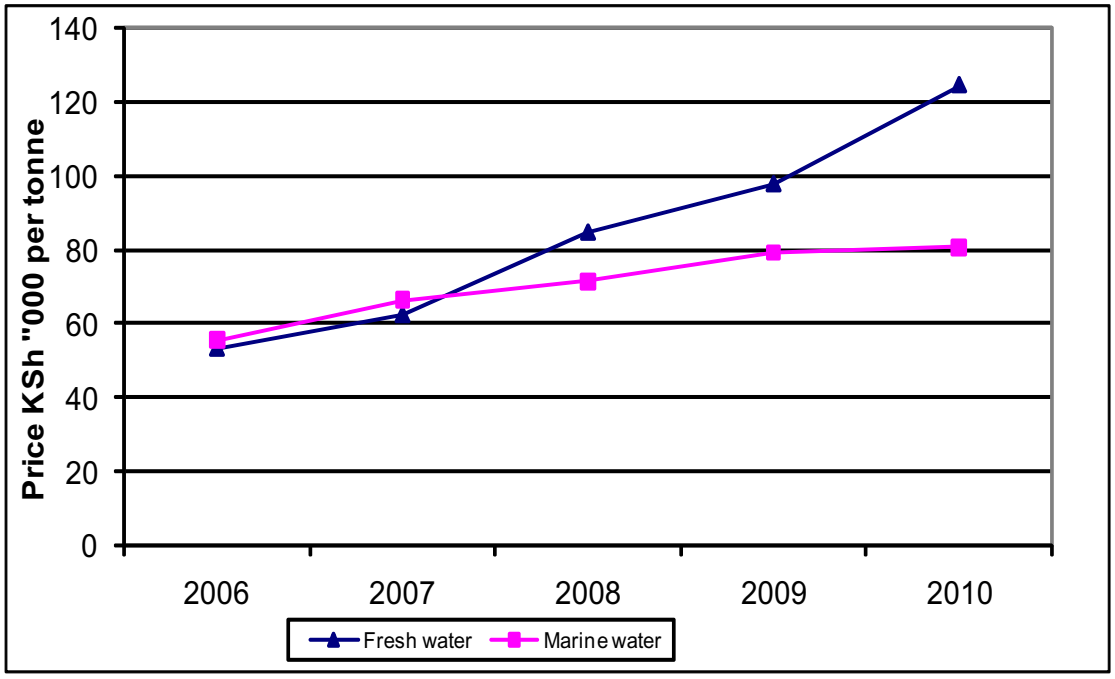
Source: Fisheries Department

* Provisional

9.12. During the review period, the fishing industry continued to record an improved performance in terms of earnings from fish landings. Total earnings rose from KSh 13,002.0 million in 2009 to KSh 17,742.0 million in 2010. A significant contribution to this rise was increased fish landings and favourable domestic and export market prices. The value of freshwater fish went up from KSh 12,274.0 million in 2009 to KSh 16,905.0 million in 2010, accounting for 95.3 per cent of the total value of fish landed.

9.13. The trend in average prices for fresh water and marine fish is shown in Figure 9.1. The average price per tonne, for both the fresh water and marine fish, has maintained an upward trend over the last five years. The favourable prices were attributed to increased demand for fish in both domestic and export markets.

Figure 9.1: Average Fish Price for Fresh water and Marine, 2006 -2010



Forestry

9.14. During the year under review, the Kenya Forest Service (KFS) continued to maintain and increase the existing forest cover by sensitizing Kenyans on the need for sustainable management of forest resources. As shown in Table 9.4, forest plantation stocking decreased marginally from 112.7 thousand hectares in 2009 to 111.8 thousand hectares in 2010. Area planted was 9.6 thousand hectares in 2010 compared to 3.5 thousand hectares in 2009. The increase was as a result of additional funding to the sub-sector through Kazi Kwa Vijana and enhanced rainfall received in the country during the year. Forest fires damaged a big portion of forest plantation in 2010, consuming 7.7 thousand hectares mainly in the Mau Conservancy. The area clear-felled was 2.8 thousand hectares compared to 1.8 thousand hectares in 2009, and may be attributed to high demand for timber.

Table 9.4: Forest Plantation Stocking, 2006-2010.

'000 Ha

Stocking	2006	2007	2008	2009	2010*
Previous Plantation Area.[1]	117.6	110.5	112.3	114.0	112.7
Area Planted.	6.0	5.5	5.7	3.5	9.6
Total	**123.6**	**116.0**	**118.0**	**117.5**	**122.3**
Area Clear felled	2.0	2.0	3.0	1.8	2.8
Planting failures/fire damages	11.1	1.7	1.0	3.0	7.7
Total Area	**110.5**	**112.3**	**114.0**	**112.7**	**111.8**

Source: Kenya Forest Service

* Provisional

[1] Opening stock at the beginning of the year

9.15. Table 9.5 shows the recorded sale of forest products from 2006 to 2010. Total sale of forest products increased by 16.9 per cent from 359.7 thousand true cubic metres in 2009 to 420.5

thousand true cubic metres in 2010. The rise in sale of timber is as a result of increased demand for softwood which rose from 347.0 thousand true cubic metres in 2009 to 401.2 thousand true cubic metres in 2010. Sale of hardwood increased to 19.3 thousand true cubic metres from 12.7 thousand true cubic metres in 2009, despite an enforced total ban on logging of this category. Sales of fuel wood and charcoal increased from 0.9 thousand stacked cubic metres in 2009 to 60.3 thousand stacked cubic metres in 2010. The sales of Power and Telegragh poles declined to 6.4 thousand stacked cubic metres in 2010 from 12.2 thousand stacked cubic metres in 2009.

Table 9.5: Recorded Sale of Forest Products, 2006 – 2010

Forest Products	2006	2007	2008	2009	2010*
Timber - '000 true cu. metres-					
Soft wood.	448.2	423.4	503.7	347.0	401.2
Hard wood	-	-	-	12.7	19.3
TOTAL	**448.2**	**423.4**	**503.7**	**359.7**	**420.5**
'000 stacked cu. metres-					
Fuel wood /Charcoal . ..	44.0	27.7	28.8	0.9	60.3
Power &Telegraph Poles	9.5	18.5	52.0	12.2	6.4

Source: Kenya Forest Service

* Provisional

Mining 9.16. In 2010, rising prices in the global market were favourable for most minerals. Demand for minerals like soda ash, fluorspar, and diatomite has firmed up since the global recession began to ease in the last quarter of 2009.

9.17. As shown in Table 9.6, the quantity of mineral production rose from 1,398.6 thousand tonnes in 2009 to 1,496.5 thousand tonnes in 2010. The increase was mainly as a result of high demand for most minerals in 2010. Production of soda ash and fluorspar increased from 404.9 thousand tonnes and 5.5 thousand tonnes in 2009 to 473.7 thousand tonnes and 40.8 thousand tonnes in 2010, respectively. Production of fluorspar rose as a consequence of resumption of production by the mining company after a temporary closure of the company in 2009. Production of crushed refined soda, carbon dioxide, gold and gemstones also increased in 2010 compared to the production in 2009. The high volume of gemstone produced in 2010 was mainly attributed to increased demand for low grade gemstones by Thailand and India. This resulted in a fourfold increase in the tonnage of gemstones compared to the production in 2009. However, salt mining declined due to accumulation of stocks in 2009 which were carried forward to 2010.

Tables 9.6: Quantity and Value of Mineral Production, 2006 -2010

Mineral	2006	2007	2008	2009	2010*
Quantities - Tonnes:					
Minerals-					
Soda Ash	374,210	386,578	502,846	404,904	473,689
Fluorspar.	132,030	85,115	130,100	5,500	40,750
Salt	35,024	11,596	24,345	24,125	6,194
Crushed Refined Soda. ..	662,939	843,043	865,788	948,076	959,160
Carbon Dioxide	9,359	11,028	22,030	15,711	16,345
Diatomite[1]	185	201	72	231	224
Gold[1]	0.4	3.0	0.3	1.1	2.0
Gemstones[1]	5	9	21	39	168
TOTAL	**1,213,752**	**1,337,573**	**1,545,202**	**1,398,587**	**1,496,532**
Value - KSh million					
Soda Ash	4,532	4,770	8,882	6,085	6,980
Fluorspar	1,156	996	1,949	123	789
Salt	164	58	139	155	35
Crushed Refined Soda. ..	45	430	442	484	467
Carbon Dioxide	67	79	118	84	98
Diatomite	8	9	4	14	9
Gold	584	3,923	593	2,284	6,217
Gemstones	94	111	179	141	226
TOTAL	**6,650**	**10,375**	**12,305**	**9,370**	**14,821**

Source: Department of Mines and Geology

* Provisional

[1] Quantities of production assummed to be equal to exports

9.18. Total earnings from mineral production increased from KSh 9,370.0 million in 2009 to KSh 14,821.0 million in 2010. The rise was attributed to increase in production of the main minerals coupled with good export prices. The values of soda ash and fluorspar rose to KSh 6,980.0 million and KSh 789.0 million, respectively in 2010 from KSh 6,085.0 million and KSh 123.0 million in 2009, respectively. Earnings from gold almost tripled from KSh 2,284.0 million in 2009 to KSh 6,217.0 million in 2010. The high gold price is likely to spur investor interest in mining, notably in Kakamega, Transmara and Migori Districts.

9.19. The average export prices of soda ash and fluorspar are shown in Table 9.7. Average price per tonne of soda ash increased to KSh 14,809.0 in 2010 from KSh 13,922.0 in 2009. However, the average price per tonne for fluorspar declined by 13.0 per cent to KSh 19.4 thousand in 2010 from KSh 22.3 thousand in 2009 on account of increased supply. However, this was still well above the 2008 price of KSh 15.0 thousand tonnes.

Table 9.7: Average Export Prices of Soda Ash and Fluorspar, 2006 -2010

KSh per tonne

Mineral	2006	2007	2008	2009	2010*
Soda Ash.....	12,740	12,812	18,541	13,922	14,809
Fluorspar.....	8,754	11,700	14,982	22,280	19,372

Source: Department of Mines and Geology

* Provisional

Refuse Management

9.20. Solid waste management services in Nairobi City are administered by the Nairobi City Council (NCC) through direct labour input from its employees and contracts awarded to private enterprises. The Council collects, supervises, transports and disposes solid waste from all parts of the city. It also carries out street and drains cleansing, litter collection and manages the City's waste dump site at Dandora.

9.21. Table 9.8 presents the public health expenditure by the Nairobi City Council for 2006/07 to 2010/11. Total expenditure is expected to increase from KSh 458.1 million in 2009/10 to KSh 499.8 million in 2010/11. The bulk of the expenditure is earmarked for refuse removal, accounting for 62.8 per cent of the total public health expenditure budget. Expenditure on general cleaning for 2010/11 is expected to more than double that of 2009/10.

Table 9.8: Expenditure on Public Health by the Nairobi City Council, 2006/07 -2010/11

KSh million

Expenditure category	2006/07	2007/08	2008/09	2009/10	2010/11*
Cleaning and Administration....	272.9	300.2	330.2	49.7	64.2
Cleaning - General. . . .	1.5	1.7	1.9	51.7	121.7
Refuse Removal	153.2	144.0	158.4	356.7	313.9
Total.	**427.6**	**445.9**	**490.5**	**458.1**	**499.8**

Source: Nairobi City Council

* Provisional

Wildlife

9.22. Wildlife is an important natural resource and a major foreign exchange earner for the country. Sustainable wildlife tourism requires adequate protection of these resources through effective management of the land use on which it is based. Wildlife population estimates derived from aerial sample survey data are given in Table 9.9. The dominant land-use in the Kenyan rangelands continues to be wildlife and livestock grazing. In the period under review, various wildlife herbivores indicated a decline in numbers. These species include: Buffalo, Burchell's Zebra, Kongoni, Waterbuck, Topi, Grant's gazelle, Greater kudu, Lesser kudu, Gerenuk, Eland, Wildebeest, Giraffe and Oryx. These declines may be attributed to land use changes leading to land fragmentation and consequently loss of habitat for the animals as well as predation, poaching of certain species and migration. Species that showed stability or an increase in population during the review period included Elephant, Warthog and Ostrich.

Table 9.9: Wildlife Population Estimates in the Kenya Rangelands, 2006 – 2010.

'000 Number

SPECIES	2006	2007	2008	2009	2010*
Elephant	17.5	19.7	19.4	20.9	22.6
Buffalo	22.1	20.1	18.1	17.8	16.0
Giraffe	31.7	29.3	27.5	25.4	24.0
Burchell's Zebra	115.4	109.0	107.0	103.4	102.1
Grevy's Zebra	4.1	4.0	3.8	3.8	3.6
Topi	27.3	28.5	27.0	24.0	22.5
Kongoni	9.1	9.7	7.4	8.7	7.0
Wildebeest	291.3	291.5	298.0	295.0	294.6
Oryx	22.4	20.0	18.8	18.8	17.0
Eland	8.0	8.9	7.7	8.5	7.2
H. Hartebeest	0.9	0.9	1.0	0.9	1.0
Waterbuck	4.1	4.4	3.7	3.9	3.0
Kudus	12.1	12.5	11.4	11.2	10.2
Gerenuk	26.5	25.0	23.0	21.0	20.0
Impala	62.5	63.4	63.9	63.8	62.6
Grant's Gazelle	117.5	115.0	114.0	113.3	112.4
Thomson's Gazelle	45.1	45.0	47.4	47.5	47.0
Warthog	15.8	16.0	17.5	18.0	18.7
Ostrich	25.4	26.5	26.9	28.0	28.5

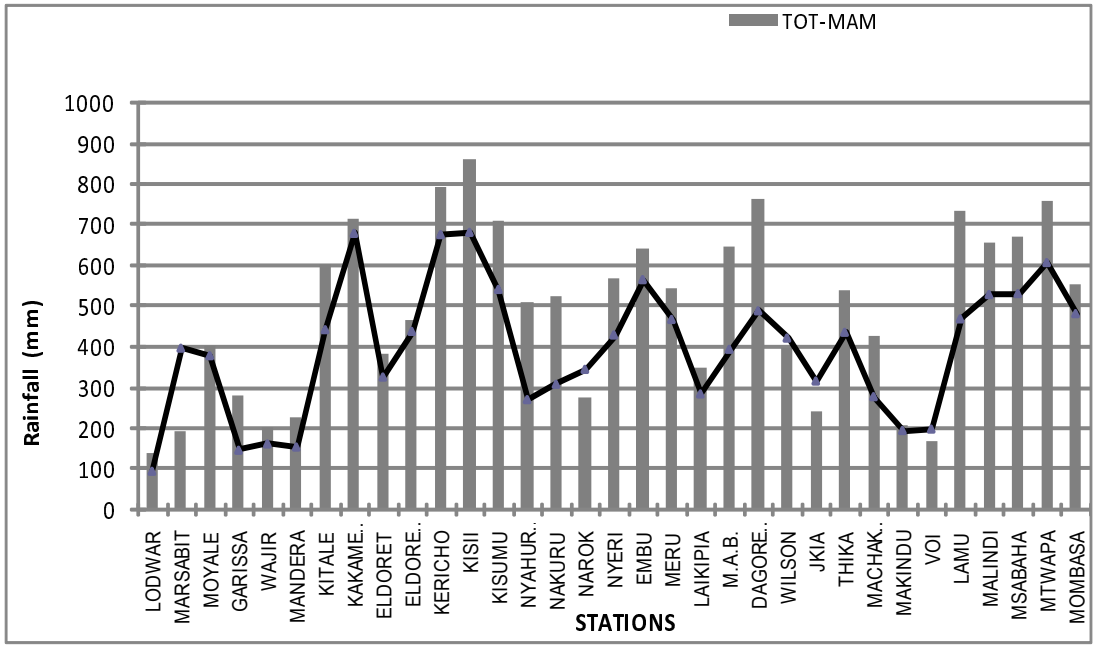
Source: Department of Resource Surveys and Remote Sensing

* Provisional

Weather Patterns

9.23. The long rains, March - April – May (MAM) 2010 analysis indicates that most parts of the country received favourable amounts of rainfall that were well distributed in time and space. The onset of the seasonal rainfall was timely and the total rainfall amounts received over most parts of the country exceeded 100 per cent of the Long-Term Means (LTMs). Garissa and Nyahururu stations for example recorded 191 per cent and 188 per cent of their seasonal LTMs respectively. The Northwestern, Western, Central and Northeastern regions recorded the most enhanced rainfall. However, Marsabit in northern Kenya recorded just 49 per cent of its LTM and was one of the areas in the country that recorded depressed rainfall as shown in Figure 9.2.

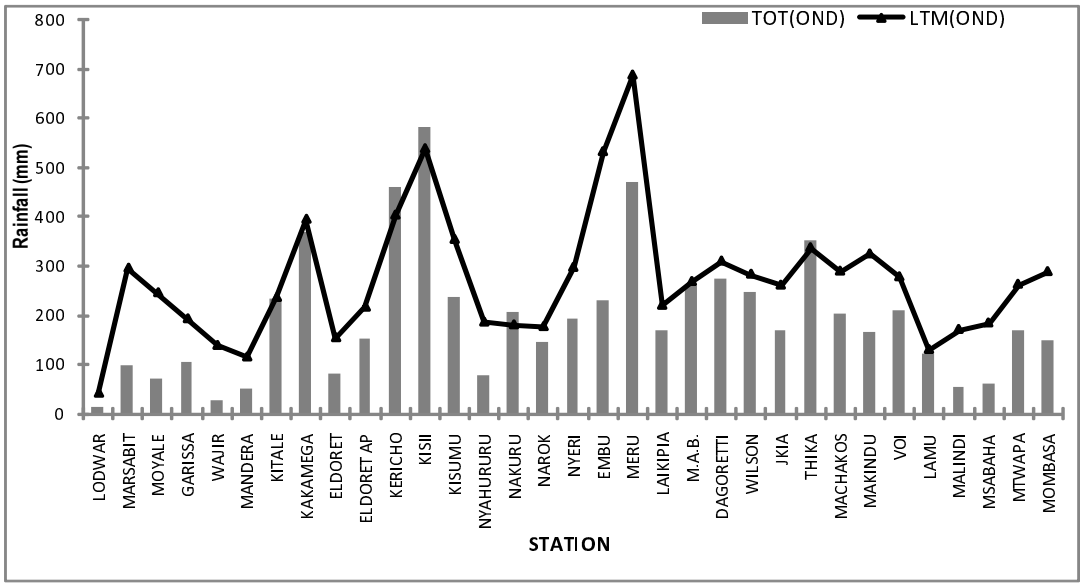
Figure 9. 2. Long Rains (March to May) Performance, 2010



Source: Kenya Meteorological Department
TOT – Total rainfall
LTM – Long Term Mean

9.24. The heavy rainfall experienced over most parts of the country during March-April-May 2010 period impacted positively with good foliage and crop performance in the Southeastern lowlands, Eastern highlands, Central Rift Valley and Western highlands; and with filling up to capacity of the Seven-Forks hydroelectric power generation dams. However, the heavy rainfall in the long rain season was also accompanied by negative effects including flooding, landslides/mudslides and infrastructure destruction in some areas.

Figure 9.3. Short Rains (October to December), Performance 2010



Source: Kenya Meteorological Department
TOT – Total rainfall

LTM – Long Term Mean

9.25. The short 2010 October to December (OND) rains analysis indicates that most parts of the country experienced poor rainfall performance. The total rainfall amounts received over most parts of the country were below 60 per cent of their seasonal Long Term Means (LTMs). Nakuru, Kisii, Kericho and Thika recorded more than 100 per cent of their seasonal LTM. The highest seasonal amount of rainfall was recorded at Kisii while the lowest rainfall was recorded at Lodwar. The Northern, Coastal and Southeastern parts of the country recorded the most depressed rainfall as shown in Figure 9.3. However, well distributed and significant rainfall amounts were recorded over the Western highlands. The Central highlands including Nairobi received a near normal rainfall.

9.26. Poor crop performance was recorded over most of the Central highlands and South-eastern Kenya. Scarcity of pasture for livestock was also noted in the pastoral areas of Northeastern and the regions that received highly depressed rainfall. Low water levels were recorded hampering hydroelectric power generation.

Development in Environment and Natural Resource

9.27. The National Environment Management Authority (NEMA) is charged with the responsibility of implementing all policies relating to the environment in the country. During the year under review, the organization issued new directives targeting Public Service Vehicles (PSVs). In an effort to ensure a clean and safe environment within PSVs, NEMA in partnership with Transport Licensing Board (TLB), instituted regulations requiring all PSVs to be fitted with waste disposal bins, monitor their fuel emissions and restrict playing loud music. In addition, NEMA is trying to combat the poor management of plastic bags and wrappers by encouraging the use of eco-friendly papers on sustainable basis.

9.28. In the year under review, restoration of the Mau Forest Complex which forms the largest closed-canopy forest ecosystem in Kenya, continued with the Government completing Phases I and II of repossession of over 20,000 hectares of forestland. Phase I concentrated on forestland that was excised in 2001, but had not been occupied or demarcated. This has resulted in the creation of eight Water Resource Users Associations (WRUAs) by the Ministry of Water and Irrigation. The WRUAs cover the entire forest zone and are currently involved in raising awareness on catchment restoration and equitable water allocations; pegging riparian reserves; and establishing tree nurseries to assist the restoration of the riparian reserves. The Ministry has also formulated Sub-Catchment Management Plans (SCMP), particularly focusing on seriously affected rivers feeding Lake Nakuru.

9.29. The Ministry of Environment and Mineral Resources also launched the rehabilitation of the watersheds of Makaria, Naishi, Nderit and Njoro rivers in 2010. These are the main rivers flowing in the catchment of Lake Nakuru. The project will rehabilitate the riparian reserves along the four rivers and promote sustainable rural development, in particular through alternative livelihoods that are compatible with conservation of natural resources.

Chapter 10

Energy

Overview

The world economy emerged from the recession experienced in 2009, recording a significant growth of 4.6 per cent in 2010. This influenced world oil demand and supply. Oil prices fluctuated between US Dollars 73 and US Dollars 86 per barrel most of the year but peaked at US Dollars 91.85 per barrel in December 2010. The high international oil prices translated to changes of petroleum prices in the domestic market.

10.2. The total quantity of petroleum products imported into the country dropped by 7.8 per cent from 4,168.9 thousand tonnes in 2009 to 3,844.6 thousand tonnes in 2010. The domestic petroleum products exported continued to decline for the third year running, from 97.4 thousand tonnes in 2009 to 95.1 thousand tonnes in 2010. During the same period, the total value of petroleum products exported, including re-exports, increased by 36.3 per cent while the total import bill of petroleum products rose by 25.3 per cent in 2010. Total domestic demand for petroleum products rose by 4.3 per cent in the same period.

10.3. During the year under review, installed capacity expanded by 7.7 per cent to 1,412.2 MW. Total electricity generation increased at accelerated growth of 7.2 per cent in 2010 compared to a marginal growth of 0.8 per cent in 2009. Similarly, consumption of electricity registered a growth of 6.0 per cent from 5,428.6 million KWh in 2009 to 5,754.7 million KWh in 2010. The number of customers connected under the Rural Electrification Programme (REP) rose by 22.3 per cent from 205,287 customers as at June 2009 to 251,056 customers as at June 2010.

Petroleum

10.4. Details of the quantity and value of imports and exports of petroleum products for the period 2006 to 2010 are presented in Table 10.1. The total quantity of petroleum products imported into the country declined by 7.8 per cent in 2010 compared to a growth of 15.5 per cent recorded in 2009. This was attributed to an 8.3 per cent decrease in the importation of petroleum fuels. Similarly, crude oil imported into the country declined by 4.7 per cent from 1,627.9 thousand tonnes recorded in 2009 to 1,551.5 thousand tonnes in 2010. The quantity of total exports increased by 2.6 per cent from 210.8 thousand tonnes in 2009 to 216.3 thousand tonnes in 2010. This was mainly driven by re-exports that went up by 7.0 per cent in 2010.

10.5. The total import bill of petroleum products increased by 25.3 per cent from KSh 160.2 billion in 2009 to stand at KSh 200.8 billion in 2010. The value of crude oil imported into the country went up by 33.2 per cent from KSh 54.5 billion in 2009 to KSh 72.6 billion in 2010, whereas the value of imported petroleum fuels increased by 23.6 per cent. Despite the decline in the quantity of petroleum imports, the value went up due to increased oil prices in the international market. The value of lubricating greases imported increased by 1.3 per cent in 2010. Total value of petroleum products exported rose significantly by 24.6 per cent to stand at KSh 4.6 billion in 2010, while that of re-exports increased by 46.8 per cent. The net balance of petroleum products increased by 24.8 per cent to attain a value of KSh 190.1 billion in 2010 compared to KSh 152.3 billion in 2009.

Table 10.1: Quantity and Value of Imports, Exports and Re-exports of Petroleum Products1, 2006 – 2010

	Quantity ('000 Tonnes)					Value (KSh Million)				
Year	2006	2007	2008+	2009+	2010*	2006	2007	2008	2009	2010*
IMPORTS										
Crude Petroleum	1,643.2	1,598.7	1,773.3	1,627.9	1,551.5	55,015.6	49,240.8	81,452.9	54,495.4	72,598.0
Petroleum Fuels	1,402.7	1,999.9	1,704.5	2,259.0	2,071.9	55,807.2	70,204.8	112,786.7	96,621.3	119,462.5
Lubricating Oils	2.6	0.0	12.4	17.0	3.0	73.1	10.8	614.1	588.2	123.4
Lubricating Greases	124.4	93.2	118.6	265.0	218.2	2,823.6	2,319.6	4,945.5	8,487.6	8,596.1
TOTAL	**3,172.9**	**3,691.8**	**3,608.8**	**4,168.9**	**3,844.6**	**113,719.5**	**121,776.0**	**199,799.2**	**160,192.5**	**200,780.0**
DOMESTIC EXPORTS										
Petroleum Fuels	44.7	67.4	19.2	20.7	29.4	2,220.8	3,098.4	1,350.2	1,102.0	1,835.2
Lubricating Oils	30.9	37.4	29.5	11.0	10.0	878.8	1,036.6	1,220.8	370.8	471.1
Lubricating Greases	94.7	111.3	51.1	65.7	55.7	2,459.8	2,627.3	1,893.9	2,230.5	2,308.0
TOTAL	**170.3**	**216.1**	**99.8**	**97.4**	**95.1**	**5,559.4**	**6,762.3**	**4,464.9**	**3,703.3**	**4,614.3**
RE-EXPORTS										
Petroleum Fuels	276.1	6.6	25.0	35.7	68.4	8,838.5	373.9	1,611.0	1,621.0	3,979.3
Lubricating Oils	25.9	1.1	7.6	11.1	1.1	601.4	29.1	371.6	460.7	50.7
Lubricating Greases	21.0	10.6	43.4	66.6	51.8	642.1	320.6	1,527.2	2,074.3	2,071.6
TOTAL	**323.0**	**18.3**	**76.0**	**113.4**	**121.3**	**10,082.0**	**723.6**	**3,509.8**	**4,156.0**	**6,101.6**
TOTAL EXPORTS	**493.3**	**234.4**	**175.8**	**210.8**	**216.3**	**15,641.4**	**7,485.9**	**7,974.7**	**7,859.3**	**10,715.9**
NET BALANCE						**98,078.1**	**114,290.1**	**191,824.5**	**152,333.2**	**190,064.1**

Source: Kenya Revenue Authority

*Provisional

+ Revised

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

10.6. Table 10.2 presents the volume of crude oil intake at the Kenya Petroleum Refineries Limited (KPRL) by type for the last five years. The two types of crude oil the country has been importing for the last five years recorded a marginal decline to 1,602.3 thousand tonnes in 2010. The intake of Arabian Medium declined slightly to 83.9 thousand tonnes while Murban crude oil intake dropped by 3.3 per cent to 1,495.1 thousand tonnes during the year. Murban crude oil intake continued to be the main import at the refinery accounting for 93.3 per cent of the intake in 2010 due to its high yield of white products. Slops which is a by product in the refining of crude oil, is used in blending high octane fuels. During the year under review, most of the slops were exported as opposed to 2009 when most of it was used in the blending process locally.

Table 10.2: Crude Oil Intake at the Refinery by Type, 2006- 2010

'000 Tonnes

Crude intake	A.P.I. Gravity	2006	2007	2008	2009	2010*
Arabian Medium	31.0	457.4	249.8	252.6	84.0	83.9
Murban	39.6	1,201.0	1,403.4	1,334.9	1,545.5	1,495.1
Slops[1]	-	(7.3)	9.6	(4.8)	(24.4)	23.3
TOTAL		**1,651.1**	**1,662.8**	**1,582.7**	**1,605.0**	**1,602.3**

Source: Kenya Petroleum Refineries Limited

*Provisional

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

A.P.I - American Petroleum Institute

10.7. Details of finished petroleum products processed by KPRL are presented in Table 10.3. Fuel oil, light diesel oil, and illuminating kerosene and jet /turbo fuel remained the main products processed at the refinery, accounting for 28.1, 22.9 and 21.8 per cent, respectively, of the total throughput. The production of heavy and marine diesel oil, and unleaded motor gasoline premium increased by 44.9 and 23.4 per cent respectively, in 2010. During the same period, bitumen production increased significantly, from 0.3 thousand tonnes to 15.9 thousand tonnes. This was attributed to high demand for bitumen due to on-going road

construction activities in the country.

The refinery usage increased from 171.5 thousand tonnes in 2009 to 183.9 thousand tonnes in 2010, registering a 7.2 per cent growth. This was partly attributable to existing refinery inefficiencies and power supply interruptions. The amount of additives remained the same for three consecutive years as almost the same amount of output was realized during the period.

Table 10.3: Finished Petroleum Products1, 2006 - 2010

'000 Tonnes

	2006	2007	2008	2009	2010*
OUTPUT-					
Liquefied petroleum gas	30.1	33.2	32.7	29.4	29.2
Motor gasoline premium (Unleaded	127.1	156.0	134.9	109.5	135.1
Motor gasoline regular					
Unleaded	51.4	50.7	46.7	47.7	46.3
Illuminating kerosene and					
Jet/turbo fuel	343.7	338.5	316.9	359.3	349.3
Light diesel oil	334.2	364.0	350.0	371.9	367.3
Heavy and Marine diesel oil	33.3	32.5	24.0	17.8	25.8
Fuel oil	596.2	534.2	515.2	497.9	449.6
Bitumen	17.4	16.6	12.4	0.3	15.9
Additives..	24.3	40.5	(0.2)	(0.2)	(0.2)
Refinery usage[2]	93.3	96.5	149.9	171.5	183.9
THROUGHPUT=TOTAL OUTPUT	**1,651.1**	**1,662.8**	**1,582.7**	**1,605.0**	**1,602.2**

Source: Kenya Petroleum Refineries Limited

* Provisional

1 Excludes lubricants

2 Includes Mogas blending component and fuel use and losses

10.8. Table 10.4 depicts the supply and demand balance for petroleum products. Total domestic demand for petroleum products grew by 4.3 per cent from 3,610.8 thousand tonnes in 2009 to 3,760.7 thousand tonnes in 2010. The demand for aviation spirit, motor spirit, liquefied petroleum gas, light and heavy diesel oil increased by 78.6, 29.3, 17.7, 7.1 and 4.6 per cent, respectively, in 2010. However, the demand for fuel oil, jet/turbo, and illuminating kerosene, registered declines of 6.7, 5.5 and 5.0 per cent, respectively. Light diesel oil continued to be the main type of fuel sold in the country, followed by fuel oil, motor spirit, and jet/turbo oil.

Table 10.4: Petroleum Supply and Demand Balance, 2006 - 2010

'000 Tonnes

	2006	2007	2008	2009	2010*
DEMAND-					
Liquefied petroleum gas	64.6	77.4	84.4	74.6	87.8
Motor spirit (premium and regular)	358.2	367.1	381.3	461.7	597.2
Aviation spirit	2.0	2.2	2.5	1.4	2.5
Jet/turbo fuel	593.3	638.5	559.2	570.9	539.6
Illuminating kerosene	279.2	265.2	244.7	332.8	316.0
Light diesel oil	1,035.6	1,116.5	1,141.1	1,416.1	1,517.3
Heavy diesel oil	40.7	40.1	30.0	23.9	25.0
Fuel oil	664.6	614.8	690.0	729.4	680.3
TOTAL	**3,038.2**	**3,121.8**	**3,133.2**	**3,610.8**	**3,765.7**
Refinery usage	93.3	96.5	149.9	171.5	183.9
TOTAL DOMESTIC DEMAND	**3,131.5**	**3,218.3**	**3,283.1**	**3,782.3**	**3,949.6**
Exports of petroleum fuels	44.7	67.4	19.2	20.7	29.4
TOTAL DEMAND	**3,176.2**	**3,285.7**	**3,302.3**	**3,803.0**	**3,979.0**
SUPPLY-					
Imports:					
Crude oil	1,643.2	1,598.7	1,773.3	1,627.9	1,551.5
Petroleum fuels	1,402.7	1,999.9	1,704.5	2,259.0	2,071.9
TOTAL	3,045.9	3,598.6	3,477.8	3,886.9	3,623.4
Adjustment[1]	130.3	(312.9)	(175.5)	(83.9)	355.7
TOTAL SUPPLY	**3,176.2**	**3,285.7**	**3,302.3**	**3,803.0**	**3,979.1**

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

* Provisional

[1] Adjustment for inventory changes and losses in production

10.10. Net domestic sales of petroleum fuels by consumer category for the last five years are presented in Table 10.5 and Figure 10.1. The sales recorded an increase of 4.3 per cent in 2010. The transport sector (mainly road and aviation) continued to be the main consumer of petroleum fuels, jointly accounting for 80.0 per cent of total domestic sales. Aviation category which is the second important sector, recorded increased consumption of 5.5 per cent from 592.4 thousand tonnes in 2009 to 625.1 thousand tonnes in 2010. This was as a result of increased business in the local and international air flights. Similarly, the agriculture consumer category recovered from a drop in 2009 to register a growth of 31.2 per cent in 2010, associated with the good performance in the sector. However, consumption by power generation category declined by 19.0 per cent in 2010, due to improved water level in the seven folks dams. This led to substitution of the expensive thermal by hydro power generation.

Table 10.5: Net Domestic Sale of Petroleum Fuels by Consumer Category, 2006–2010

'000 Tonnes

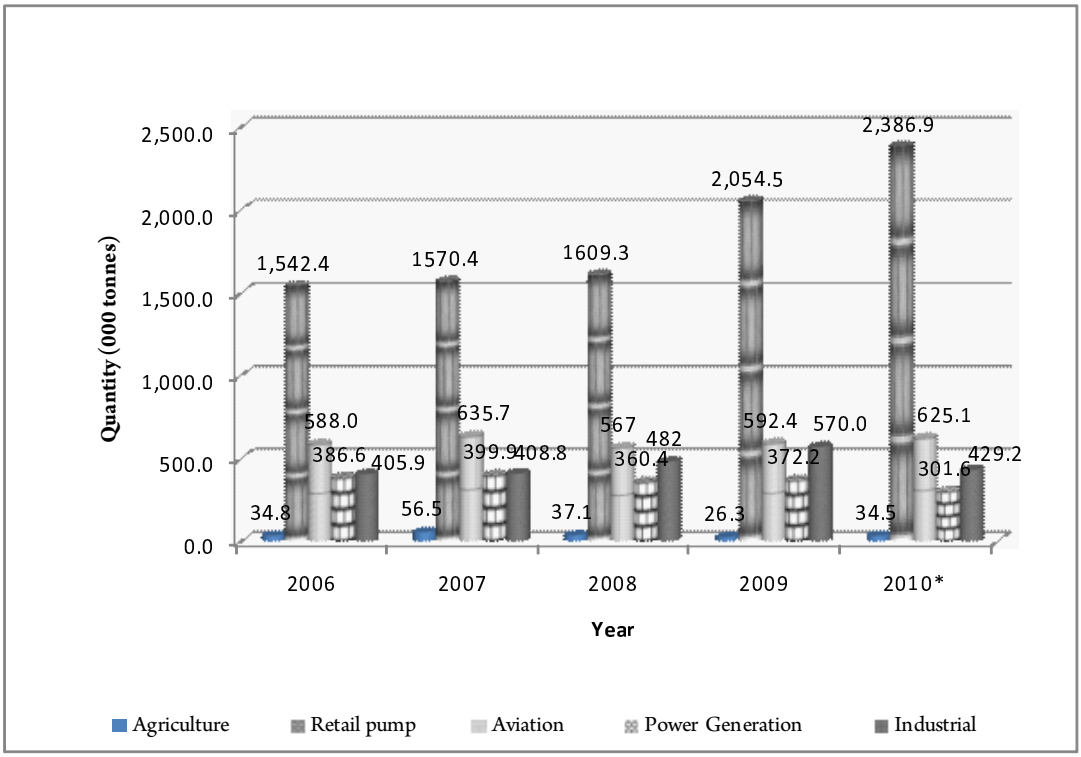
User	2006	2007	2008	2009	2010*
Agriculture	34.8	56.5	37.1	26.3	34.5
Retail pump outlets & road transport	1,542.4	1,570.4	1,609.3	2,054.5	2,386.9
Rail transport	20.5	16.4	13.5	8.5	0.8
Tourism[1]	8.9	11.6	8.1	8.3	7.4
Marine (excl. Naval Forces)	0.9	0.7	0.8	7.3	6.0
Aviation (excl. Government)	588.0	635.7	567.0	592.4	625.1
Power Generation	386.6	399.9	360.4	372.2	301.6
Industrial, Commercial and Other	405.9	408.8	482.0	570.0	429.2
Government	31.2	8.3	12.5	18.9	16.0
Balancing Item	19.0	13.5	42.5	(41.0)	(41.7)
TOTAL	**3,038.2**	**3,121.8**	**3,133.2**	**3,617.3**	**3,765.7**

Source: Ministry of Energy

*Provisional

[1] Comprises sales to tour operators

Figure 10.1: Sale of Petroleum fuels by Consumer Category, 2006-2010



10.11. Average wholesale prices of petroleum products in Mombasa for the months of December in the last five years are presented in Table 10.6. The wholesale prices of all petroleum products increased by various margins in 2010 compared to 2009. Wholesale prices for liquefied petroleum gas (LPG), light diesel oil, illuminating kerosene, and premium motor gasoline registered increases of 36.4, 15.8, 13.2 and 6.7 per cent, respectively. The increase in fuel prices in 2010 could partly be attributed to increased crude oil prices in the international market.

Table 10.6: Wholesale Prices1 of Petroleum Products in Mombasa, 2006 - 2010

KSh per Tonne

PRODUCT	Dec 06	Dec 07	Dec 08	Dec 09	Dec 10
Liquefied petroleum gas	71,794	73,187	79,168	68,983	94,114
Premium motor gasoline	75,399	80,602	104,652	100,989	107,794
Regular motor gasoline[2]	73,864	79,011	81,450	-	-
Illuminating kerosene	52,100	58,457	82,206	64,668	73,193
Light diesel oil	65,007	69,698	84,324	74,340	86,106
Industrial diesel oil	60,819	62,022	64,875	69,059	69,148
Fuel oil	33,631	34,941	48,671	47,841	48,711

Source: National Oil Corporation

[1] Including duties and VAT

[2] The products are no longer sold in the market

10.12. Details of Murban crude oil prices at the international market for the last five years are presented in Table 10.7. The prices for Murban crude oil, the main oil import to the country remained erratic during the year. The prices went up by 20.7 per cent from US Dollars 76.10 per barrel in December 2009 to a peak of US Dollars 91.85 per barrel in December 2010. The second and fourth quarters of 2010 recorded the highest international crude oil prices.

10.13. As shown in Figure 10.2, the downward adjustments of international oil prices were not reflected in the domestic fuel prices in 2010. Retail pump prices for premium, gas oil and kerosene generally maintained an upward trend. On the contrary, international murban oil prices were generally low except for April and the period October to December when they were on a steady rise.

Table 10.7: Murban Adnoc Prices1, 2006 - 2010

US$/bbl

Month/Year	2006	2007	2008	2009	2010*
January	62.15	54.85	92.25	48.85	77.50
February	60.95	58.75	95.10	44.95	74.20
March	60.85	62.10	102.20	47.55	78.30
April	67.50	67.60	109.35	45.85	84.80
May	68.50	68.40	125.75	60.15	77.85
June	68.85	69.70	134.00	71.65	74.80
July	73.00	73.70	137.35	66.95	73.00
August	72.70	71.75	117.50	72.75	74.60
September	63.25	78.55	98.05	69.10	75.90
October	59.35	81.80	69.25	69.25	81.50
November	59.70	91.75	51.40	78.60	85.65
December	62.05	90.60	42.10	76.10	91.85
Annual average	64.90	72.46	97.86	62.65	79.16

Source : Ministry of Energy

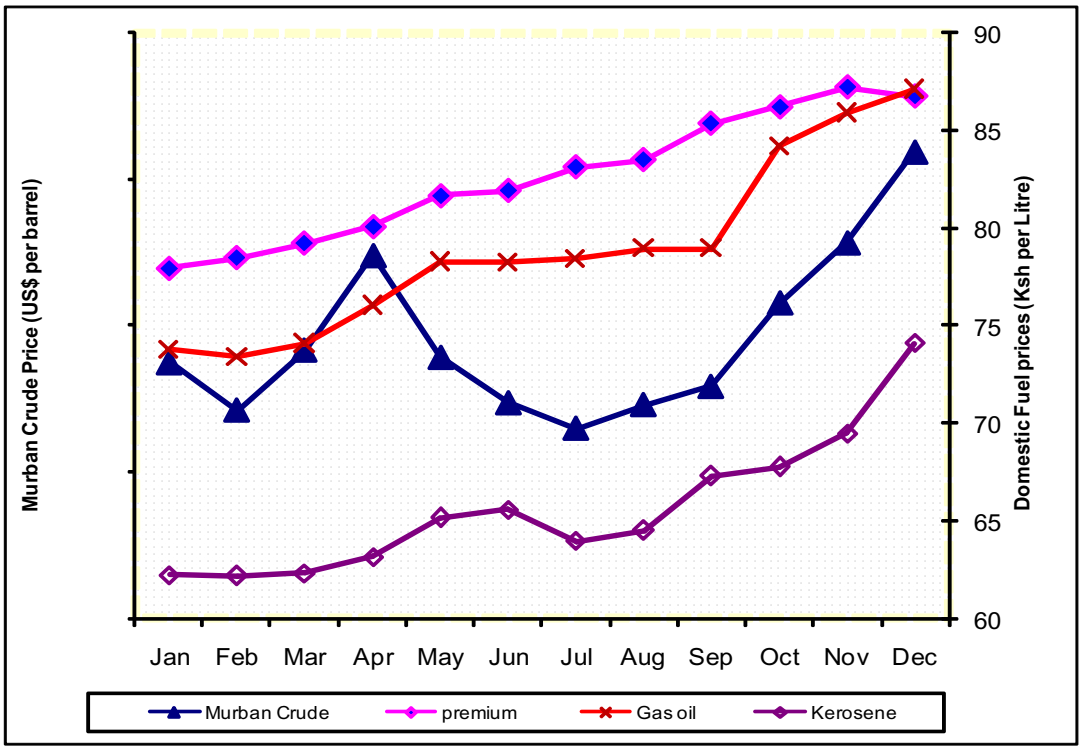
* Provisional

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, 2010



10.14. Table 10.8 gives details of average retail prices of selected petroleum products from January 2006 to December 2010. Retail prices increased in tandem with increased wholesale prices realized during the year under review. The domestic price for motor spirit premium

rose by 16.4 per cent from KSh 82.14 per litre in December 2009 to KSh 95.65 per litre in December 2010. Similarly, the price of diesel (gas oil) went up by 19.1 per cent from KSh 73.12 per litre to KSh 87.10 per litre during the same period. The prices of gas oil and illuminating kerosene peaked at KSh 87.10 per litre and KSh 74.12 per litre, respectively, in December 2010. The average retail price of LPG per 13 Kg cylinder rose by 13.1 per cent to KSh 2,191.00 in December 2010 from KSh 1,936.56 in December 2009.

Table 10.8: Average Retail Prices of Selected Petroleum Products in Kenya, 2006 – 2010

KSh per Litre						KSh per 13 Kg cylinder
		Motor Spirit				
Year	Month	Premium	Regular	Gas Oil	Illuminating Kerosene	Liquified Petroleum Gas (LPG)
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
	March	91.63	89.99	81.63	66.94	1,783.63
	June	100.43	98.73	93.18	75.45	1,810.07
	September	106.85	103.89	100.77	84.52	1,816.06
	December	82.16	82.73	73.12	61.08	1,845.46
2009	January	84.52	81.73	75.57	68.00	1,918.00
	March	80.64	79.41	72.59	63.26	1,913.00
	June	78.94	77.48	67.26	57.99	1,915.00
	September	79.49	80.26	68.71	59.73	1,907.00
	December	82.14	82.73	73.12	61.08	1,936.56
2010	January	83.95	83.71	73.78	62.27	1,913.29
	February	84.61	..	73.40	62.20	1,897.03
	March	85.61	..	74.10	62.36	1,970.54
	April	86.80	..	76.03	63.19	1,959.99
	May	88.92	..	78.26	65.18	2,095.90
	June	89.19	..	78.24	65.60	2,121.10
	July	90.83	..	78.44	63.98	2,046.00
	August	91.30	..	78.95	64.53	2,000.42
	September	93.82	..	78.95	67.32	1,986.04
	October	95.00	..	84.18	67.77	2,008.26
	November	96.30	..	85.88	69.50	2,045.87
	December	95.65	..	87.10	74.12	2,191.00

Source: Ministry of Energy/ Kenya National Bureau of Statistics

Electricity

10.15. Details of installed capacity and generation of electricity by different producers are shown in Table 10.9 and Figure 10.3. Total installed capacity expanded by 7.7 per cent in 2010 compared to an increase of 3.4 per cent in 2009, mainly as a result of increases in thermal, geothermal and cogeneration power installations. The commissioning of Olkaria II 3rd Unit geothermal power plant and Kipevu II thermal plant enhanced the power supply

capacity. Cogeneration installed capacity rose substantially to 26.0 Megawatts (MW) in 2010 from 2.0 MW maintained over the last four years. This was enhanced by a new cogeneration plant commissioned by Mumias Sugar Company in May 2009.

10.16. The total electricity generation increased by 7.2 per cent from 6,507.2 Gigawatt hours (GWh) in 2009 to 6,975.8 GWh in 2010. This was mainly due to a significant increase of 49.3 per cent in electricity production from hydro and a decline of 13.7 per cent from thermal sources. In contrast, total generation geothermal plants recorded a growth of 18.3 in 2010. Hydro power accounted for 46.2 per cent of total electricity generation while thermal and geothermal sources accounted for 37.2 and 15.2 per cent, respectively, during the period under review. Wind energy more than doubled from 7.2 GWh recorded in 2009 to 16.8 GWh realized in 2010.This is associated with the commissioning of wind power generation stations which boosted installed capacity from 0.4 MW in 2009 to 5.1 MW in 2010.

Table 10.9: Installed Capacity and Generation of Electricity1, 2006 – 2010

	INSTALLED CAPACITY MW [2]					GENERATION GWh [3]								
	Hydro	Thermal Oil	Geo thermal	Co-gene-ration	Total	Hydro [4]	Thermal oil				Geo thermal	Co-gene-ration	Wind	Total
							KenGen	IPP	EPP	Total				
2006	677.3	369.8	128.0	2.0	1,177.1	3,024.8	544.6	942.4	331.6	1,818.6	1,045.7	5.6	0.3	5,895.0
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	3,267.0	521.4	883.0	741.0	2,145.4	1,039.0	4.0	0.2	6,455.6
2009	730.0	421.5	158.0	2.0	1,311.5	2,160.0	654.0	1,208.0	1,135.0	2,997.0	1,293.0	50.0	7.2	6,507.2
2010*	728.0	469.2	189.0	26.0	1,412.2	3,224.0	291.0	1,755.0	540.0	2,586.0	1,057.0	92.0	16.8	6,975.8

Source: Kenya Power Lightining Company

* Provisional

IPP: Independent Power Producers

EPP: Emergency Power Producers

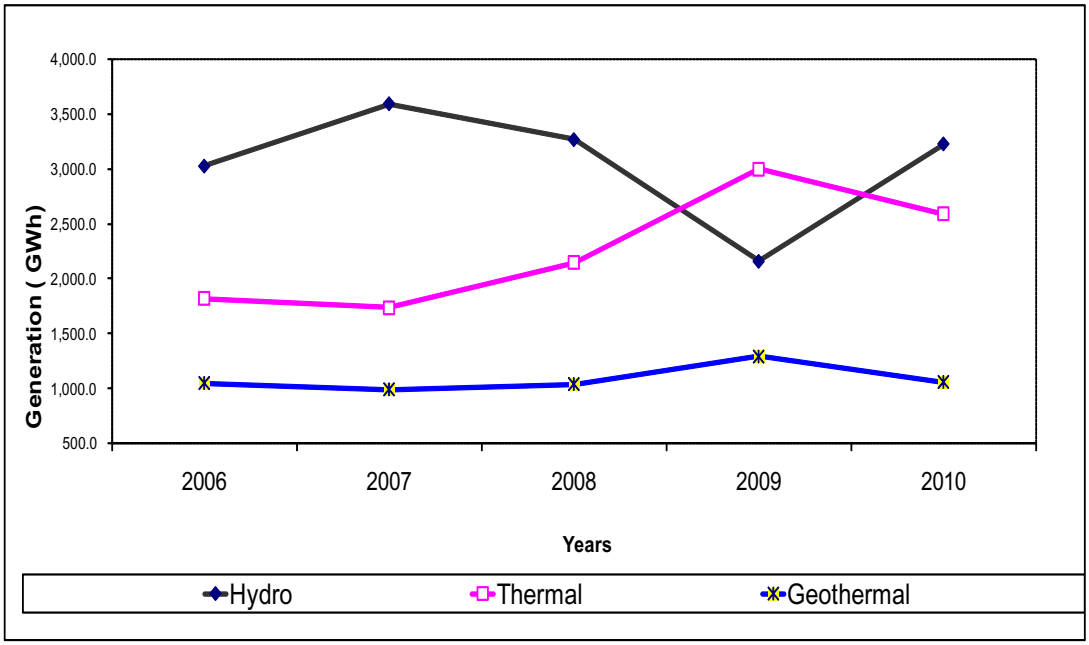
1 Includes generation for industrial establishment with generation capacity of over 100KVA plus emergency supply of 99 MW by contracted generators

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

3 Gigawatt hour = 1,000,000 kilowatt hours

4 Includes Imports from Uganda and Tanzania

Figure 10.3: Generation of Electricity by Source, 2006- 2010



10.17. Demand and supply balance details of electricity are shown in Table 10.10. As shown in Figure 10.4, the total electricity consumption during the last five years has been on an upward trend. The demand for electricity registered a growth of 6.0 per cent from 5,428.6 million KWh in 2009 to 5,754.7 million KWh in 2010. Large and medium commercial and industrial establishments continued being the largest consumers of electricity accounting for 55.7 per cent of the total domestic consumption. Domestic and small commercial consumption accounted for 37.7 per cent of the total demand while off-peak demand almost doubled from 36.7 GWh in 2009 to 69.2 GWh in 2010.

10.18. The demand for electricity by rural electrification registered a growth of 14.3 per cent in 2010 in line with the government policy of connecting 150 thousand households in rural areas annually. Electricity imports from Uganda and Tanzania dropped by 23.1 per cent from 39.0 GWh in 2009 to 30.0 GWh in 2010. However, exports to Uganda rose by 7.4 per cent to stand at 29.0 KWh during the same period. Transmission losses and unallocated demand registered a rise of 13.4 per cent and accounted for 17.1 per cent of the total demand in 2010.

Table 10.10: Electricity Supply and Demand Balance, 2006 - 2010

Million KWh

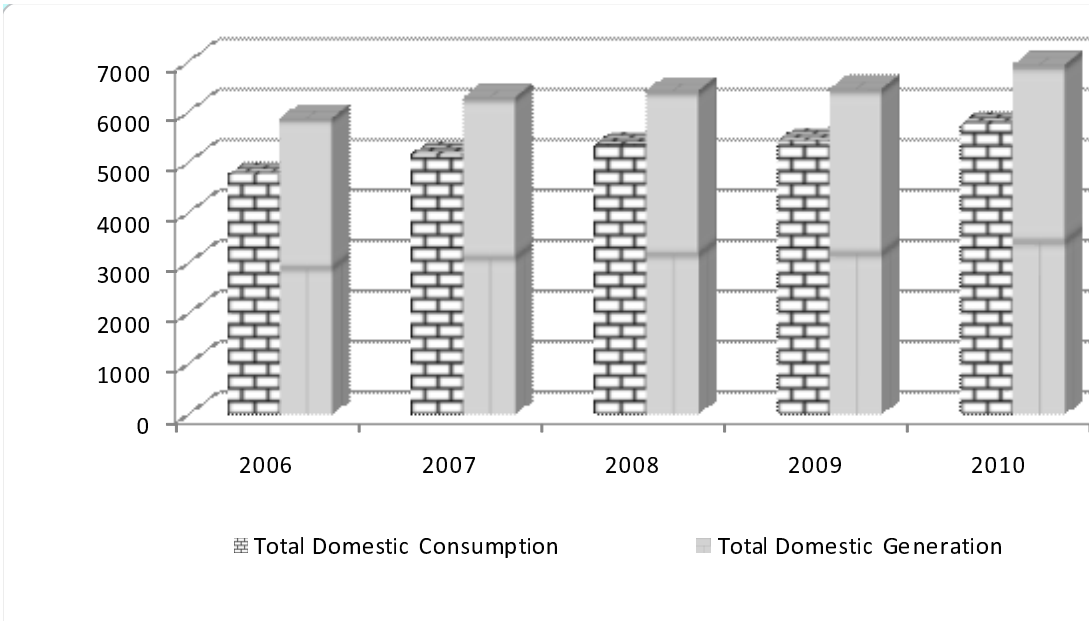
	2006	2007	2008	2009	2010*
Domestic and Small Commercial	1,572.4	1,741.8	2,000.8	2,058.1	2,169.3
Large & Medium(Commercial and Industrial).. ..	2,919.8	3,140.6	3,019.8	3,058.1	3,204.9
Off-peak	44.6	49.2	66.2	36.8	69.2
Street Lighting	10.0	12.2	26.3	21.3	20.5
Rural Electrification	205.6	212.8	239.1	254.4	290.8
TOTAL DOMESTIC DEMAND	**4,752.4**	**5,156.6**	**5,352.2**	**5,428.7**	**5,754.7**
Exports to Uganda	**46.7**	**58.3**	**41.0**	**27.0**	**29.0**
Transmission losses and unallocated demand	1,095.8	1,109.7	1,062.4	1,051.5	1,192.1
TOTAL DEMAND = TOTAL SUPPLY	**5,895.0**	**6,324.6**	**6,455.6**	**6,507.2**	**6,975.8**
of which imports from Uganda and Tanzania ..	10.8	22.6	25.0	39.0	30.0
Net generation	**5,884.1**	**6,302.0**	**6,430.6**	**6,468.2**	**6,945.8**

Source: Kenya Power and Lighting Company

* Provisional

[1] Figures are in calendar year

Figure 10.4: Electricity Supply and Demand, 2006-2010



10.19. Table 10.11 presents details of demand and supply of commercial energy expressed in terms of primary source. Consumption of coal and coke increased significantly by 74.6 per cent in 2010 to 165.2 thousand tonnes of oil equivalent. This is partly explained by the removal of import duty on coke coupled with increased usage of coal in cement production. Total consumption of hydro and geothermal energy rose by 22.4 per cent to 363.4 thousand tonnes of oil equivalent in 2010. This was mainly due to an increase in local production of hydro power by 48.0 per cent during the period. Total energy consumption rose by 6.2 per cent to 4,250.7 thousand tonnes of oil equivalent in 2010.

Table 10.11: Production, Trade and Consumption of Energy[1] expressed in terms of primary sources, 2006 - 2010.

'000 tonnes of Oil Equivalent

	2006	2007	2008	2009	2010*
COAL AND COKE CONSUMPTION	119.7	109.5	108.8	94.6	165.2
Imports of crude oil	1,643.2	1,598.7	1,773.3	1,627.9	1,551.5
Net exports of petroleum	1,264.7	1,836.0	1,902.8	2,565.6	2,662.8
Stock changes and balancing item	130.3	-312.9	-543.0	-582.7	-492.2
TOTAL CONSUMPTION OF LIQUID FUELS ..	**3,038.2**	**3,121.8**	**3,133.1**	**3,610.8**	**3,722.1**
HYDRO AND GEOTHERMAL ENERGY:-					
Local production of hydro power	260.1	308.8	280.9	182.4	269.9
Local production of geothermal power	89.9	85.0	89.3	111.2	90.9
Imports of hydro power	0.9	1.9	2.1	3.3	2.6
TOTAL CONSUMPTION OF HYDRO AND GEOTHERMAL ENERGY	350.9	395.7	372.3	296.9	363.4
TOTAL LOCAL ENERGY PRODUCTION	350.0	393.8	370.2	293.6	357.4
TOTAL NET IMPORTS	499.1	-125.9	-18.6	-839.8	-943.5
TOTAL ENERGY CONSUMPTION	**3,508.8**	**3,627.0**	**3,614.2**	**4,002.3**	**4,250.7**
LOCAL PRODUCTION AS PERCENTAGE OF TOTAL	10.0	10.9	10.2	7.3	8.4
PER CAPITA CONSUMPTION IN TERMS OF KILOGRAMS OF OIL EQUIVALENT ***..	97.2	97.5	97.5	94.4	107.3

Source: Kenya national Bureau of Statistics

* Provisional.

*** Revised series

10.20. Local production as a percentage of total energy consumption went up by 1.1 percentage points to 8.4 per cent in 2010. Per capita energy consumption in terms of kilograms of oil equivalent rose by 13.7 per cent from 94.4 kilograms of oil equivalent per person in 2009 to 107.3 kilograms of oil equivalent per person in 2010. The increase in consumption is mainly explained by increased demand for coke and coal, increased generation of hydro power and high consumption of petroleum products experienced during the review

Development in the Energy Sector

Rural Electrification

10.21. During the period under review, the Government through Kenya Power and Lightning Company (KPLC) and Rural Electrification Authority (REA) implemented a total of 980 projects. These were executed by 1,176 larger groups spread across the 210 constituencies at a total cost of KSh 3.5 billion. The projects benefited 377 market centres, 434 public schools, 145 health centres, 75 government/administrative centres, 10 coffee factories, 45 tea buying centres, 62 water projects and 14 youth groups among others.

10.22. The cumulative capital expenditure since inception of the REP in 1973 rose to KSh 30.2 billion during the financial year 2009/2010, from KSh 25.0 billion the previous financial year. A total of KSh 1.4 billion was collected from the Rural Electrification Levy during the financial year 2009/10 compared with KSh 1.6 billion the previous financial year.

10.23. The number of customers connected under the Rural Electrification Programme

(REP) rose significantly by 22.3 per cent to stand at 251,056 as at June 2010 from 205,287 customers as at June 2009. Units of electricity sold increased by 11.6 per cent from 250 million in 2008/2009 to 279 million KWh in 2009/2010, while revenue realised declined to KSh 4.3 billion in 2009/2010.

10.24. Major electricity projects with combined installation capacity of 960.1 MW are currently under implementation. The coal plant at Mombasa with capacity of 600 MW was the main thermal power generation project under implementation. Olkaria I unit 4 & 5 and Olkaria IV Projects, Eburru, and Pilot wellhead unit, with capacities of 280, 2.5,and 5 MW, respectively are the Geothermal power projects under construction. Sang'oro power project, raising of Masinga hydroelectric power, Kindaruma 3rd Unit and upgrading units 1&2 are the hydroelectric power projects under implementation.

Chapter 11

Manufacturing

Overview

Manufacturing, being a key sector in the economy contributes substantially to growth in output, exports and employment. Despite being hampered by high production costs, high taxes, poor infrastructure and cheap imports, the sector performed fairly well after two consecutive years of contracted output.

11.2. Given that the bulk of manufacturing sector is agricultural based; it benefited from the favourable rains experienced in early 2010 which led to an increase in availability of raw materials and reliable power supplies. The Government's favorable tax measures, including the removal of duty on capital equipment and some raw materials further strengthened the sector in the review period. The manufacturing sector growth rose by 4.4 per cent in 2010 compared to a revised growth of 1.3 per cent registered in 2009. The sub-sectors that registered impressive performance were meat and dairy products, miscellaneous manufacturers, grain mill products and miscellaneous foods. On the other hand, sub-sectors that registered declines in output include production of clay and other products, sugar and confectionery, electrical machinery, paper and paper products, printing and publishing and rubber products. Exports of manufactured goods rose marginally from 68.6 to 68.9 per cent of the total exports whereas the level of investment in the sector went up substantially. The continued easing of the global economic recession positively impacted on the total turnover for Export Processing Zones (EPZ) which rose by 21.3 per cent to stand at KSh 31,723 million in 2010.

Credit

11.3. Credit to the manufacturing sector received a boost of KSh 189.1 million above the amount advanced in 2009 to stand at KSh 300 million. Manufacturing projects worth KSh 300 million were approved by Government and quasi-government development institutions in 2010, which was an increment from KSh 110.9 million in 2009. Capital costs of projects under KenInvest are expected to rise by KSh 4.6 billion in 2010, generating approximately 1700 new jobs.

Employment

11.4. Direct formal employment in the manufacturing sector recorded a marginal growth from 266.4 thousand persons in 2009 to 268.1 thousand persons in 2010. Direct formal employment to Kenyans under the EPZ program increased by 566 persons to stand at 30,681 persons in 2010, representing a 1.9 per cent increase. Employment under African Growth and Opportunity Act (AGOA) initiative recorded a 26.5 per cent growth in 2010.

Manufacturing Output

11.5. Table 11.1 shows the value of output, intermediate consumption, value added, and compensation of employees in the manufacturing sector during the period 2006 to 2010. The value of manufacturing output rose by 11.9 per cent in 2010 compared to a revised growth of 3.7 per cent in 2009. The sector's value added increased by 8.5 per cent while intermediate consumption increased by 13.4 per cent in the year under review. Compensation of employees rose from KSh 74,990 million in 2009 to KSh million 83,456 in 2010.

Table 11.1 Manufacturing Sector – Output, Compensation of employees and Value Added, 2006 – 2010

Current Prices - KSh million

YEAR	Value of Output	Intermediate Consumption	Value Added	Compensation of Employees
2006	560,089	393,312	166,777	57,827
2007	626,494	436,030	190,464	59,789
2008+	742,160	513,856	228,304	62,828
2009+	769,624	535,201	234,423	74,990
2010*	861,130	606,670	254,461	83,456

* Provisional

+ Revised

11.6. Table 11.2 shows the quantum index of production in the manufacturing sector for the period 2006 to 2010. These Indices show the evolution of the volume of output in the manufacturing sector which covers the production of a wide range of goods. The overall quantum index in 2010 increased by 2.0 per cent compared to a marginal decline of 0.2 per cent in 2009. This was largely attributed to improved performance in food manufacturing, beverages and tobacco, non-metallic minerals products and metal products among others. Of the 26 sub-sectors, 20 reported positive growth during the review year while the rest recorded contractions.

Table 11.2: Quantum Index of Manufacturing Production, 2006 - 2010

Industry	2006	2007	2008	2009+	2010*	Percentage Change 2010/2009
Meat & Dairy Products	125.3	154.8	142.9	178.2	198.8	11.6
Canned Veg Fruits, Fish, Oils & Fats	556.0	680.5	649.7	680.1	690.7	1.6
Grain Mill Products	253.6	246.9	244.9	257.5	301.5	17.1
Bakery Products	212.8	204.6	194.6	207.0	225.2	8.8
Sugar & Confectionery	232.4	251.3	248.6	264.8	253.3	-4.3
Miscellaneous Foods	257.6	295.4	277.2	254.6	317.7	24.8
Food Manufacturing	**239.0**	**269.2**	**258.8**	**269.7**	**293.0**	8.6
Beverages	259.5	314.7	335.1	322.2	329.3	2.2
Tobacco	273.5	324.8	323.9	293.1	323.9	10.5
Beverages & Tobacco	**263.8**	**319.0**	**337.0**	**321.5**	**332.0**	3.3
Textiles	102.3	104.1	97.9	78.6	81.4	3.6
Clothing	379.1	396.6	428.4	328.5	350.1	6.6
Leather & Footwear	124.4	124.1	126.3	210.9	225.1	6.7
Wood & Cork Products	39.2	39.5	44.2	37.8	44.2	16.9
Furniture and Fixtures	58.1	58.7	64.0	66.2	68.0	2.7
Paper and Paper Products	414.2	403.4	522.6	247.9	156.3	-37.0
Printing and Publishing	286.8	295.1	240.7	123.8	64.3	-48.1
Basic Industrial Chemicals	108.8	78.2	52.2	50.7	52.3	3.2
Petroleum and Other Chemicals	1027.0	1237.3	1323.2	1440.7	1496.7	3.9
Rubber Products	816.5	725.8	558.3	640.5	611.2	-4.6
Plastic Products	1656.3	1674.8	1513.9	2063.4	2108.6	2.2
Clay and Glass Products	1836.1	1791.9	1751.6	1748.2	1707.0	-2.4
Non Metallic Minerals	222.2	237.0	347.6	394.1	428.0	8.6
Metals Products	282.1	314.5	320.6	345.8	378.8	9.5
Non Electrical Machinery	90.0	83.0	74.1	77.3	78.3	1.3
Electrical Machinery	245.5	180.2	140.5	134.9	132.1	-2.1
Transport Equipments	1281.7	1309.9	1106.7	1047.4	1079.0	3.0
Miscellaneous Manufactures	1442.6	1412.7	1811.1	3094.0	5160.4	66.8
Total Manufacturing	**355.3**	**378.4**	**376.5**	**375.7**	**383.4**	**2.0**

* Provisional

+ Revised

11.7. Production from food manufacturing sub-sector recorded a growth of 8.6 per cent in 2010 compared to a revised growth of 4.2 per cent registered in 2009. This growth was mainly attributed to increased production of grain mill products and, meat and milk products. Milk production rose by 11.0 per cent from 322,509 thousand litres in 2009 to 357,908 thousand litres in 2010. Butter production more than doubled from 697 tonnes in 2009 to 1,455 tonnes in 2010. Production of cheese and ice cream went up by 40.2 and 9.6 per cent, respectively, during the review period. Processing of pork, sausages; sheep, lamb and goats went up by 9.9, 9.7 and 7.8 per cent, respectively in the same year. Production of processed chicken rose by 14.5 per cent during the same period. However, beef production dropped by 6.5 per cent in

2010 after registering a growth of 13.7 per cent in 2009. This could partly be attributed to favourable climatic conditions leading to fewer disposals of livestock to avoid loses normally occasioned by drought.

11.8. The production of canned vegetables, fruits, fish, oil and fats sub-sector went up marginally in 2010. The production of vegetable fats and margarine grew from 207,871 tonnes in 2009 to 211,571 tonnes in 2010. Processing of canned fruits rose by 4.2 per cent from 208, 605 tonnes in 2009 to 217,432 tonnes in 2010. In addition, production of processed fish went up by 1.9 per cent. In contrast, there was a decline in the production of canned vegetables by 16.4 per cent, during the review period.

11.9. The grain mills products sub-sector registered a positive growth for the second consecutive year as shown in Table 11.3. A notable growth of 17.1 per cent was recorded in 2010 compared to a revised growth of 5.2 per cent in 2009. This was mainly driven by wheat production which rose by 27.6 per cent from 359.3 thousand tonnes in 2009 to 458.3 thousand tonnes in 2010. Production of maize meal went up slightly from 332.4 thousand tonnes in 2009 to 341.8 thousand tonnes in 2010. The quantity of milled rice almost doubled from 23,435 tonnes in 2009 to 45,675 tonnes in 2010. This was as a result of an innovative method of rice cultivation referred to as System of Rice Intensification (RSI) which was introduced in 2009 to boost rice production.

Table 11.3: Production of Grain Milling Products, 2006 – 2010

'000 Tonnes

YEAR	COMMODITY,		
	Sifted Maize meal	Wheat Flour	Rice
2006	322.8	392.8	39.7
2007	287.5	374.5	33.5
2008	351.2	310.7	26.8
2009+	332.4	359.3	23.4
2010*	341.8	458.3	45.7

* Provisional

+ Revised

11.10. Bakery products sub-sector recorded a growth of 8.8 per cent in 2010. Bread production increased by 14.0 per cent from 77.4 thousand tonnes in 2009 to 88.2 thousand tonnes in 2010. Cakes and biscuits production rose by 11.4 and 8.8 per cent, respectively, during the same period.

11.11. The production of sugar and confectionery products dropped by 4.3 per cent in 2010, mainly as a result of a 4.4 per cent decline in sugar production. Despite the increase in sugarcane production in 2010, sugar production dropped due to low quality of cane deliveries. Production of molasses dropped by 9.5 per cent in the same year while that of sweets and chewing gum went up marginally.

11.12. Miscellaneous food sub-sector registered a remarkable growth of 24.8 per cent in 2010 after declining for two consecutive years. This was mainly driven by production of black tea which rose from 314.2 thousand tonnes in 2009 to 399.0 thousand tonnes in 2010. Production of milled coffee dropped by 31.7 per cent from 57 thousand tonnes in 2009 to 38.9 thousand tonnes in 2010. Production of animal feeds dropped slightly from 338.6 thousand tonnes in

2009 to 334.4 thousand tonnes in 2010.

11.13. Production in the beverages and tobacco sub-sector rose by 3.3 per cent. Tobacco production rose by 10.5 per cent after recording a decline for two consecutive years. This was as a result of expanded manufacturing capacity which seeks to fully exploit the COMESA and East African Community (EAC) markets. Production of beverages went up by 2.2 per cent while that of beer rose marginally in 2010. Production of spirits went up by 53.7 per cent from 19,861.4 thousand litres in 2009 to 30,522.3 thousand litres in 2010. Similarly, production of soft drinks rose marginally from 359,089 thousand litres in 2009 to 365,867 thousand litres in the same period.

11.14. Production in the textile sub-sector recorded a growth of 3.6 per cent in 2010 after registering a decline for two years in a row. The growth was mainly driven by production of bed sheets, knitted fabrics, cotton woven fabrics and rope and twine which went up by 47.2, 12.2, 9.2 and 9.8 per cent, respectively. However, production of gunny bags, toweling materials and cardigans dropped by various margins during the review period.

11.15. The clothing sub-sector recorded a 6.6 per cent growth in 2010 after a declining by 19.6 per cent in 2009. Production of shirts, sport shirts and t-shirts went up by 4.8 per cent from 158.5 thousand dozens in 2009 to 166.2 thousand dozens in 2010. Production of trousers and suits grew by 20.5 and 21.1 per cent, respectively. The removal of the 16 per cent Value Added Tax (VAT) levied on locally produced and ginned cotton and the imposition of taxes on imported textiles, including second hand clothes could have spurred the increase in the production of textiles and clothing in 2010.

11.16. Leather and footwear sub-sector registered a growth of 6.7 per cent in 2010. This was caused by a 23.9 per cent increase in the production of finished leather and an increased production of leather in the same period.

11.17. Production of wood and cork products increased by 16.9 per cent in 2010. This was as a result of an increase in the production of saw timber from 226.6 thousand tonnes in 2009 to 264.9 thousand tonnes in 2010. Production of furniture and fixtures went up by 2.7 per cent during the review period.

11.18. Production in the paper and paper products sub-sector dropped by 37.0 per cent in 2010 as a result of closure of Pan African Paper Mill in Webuye which was the main producer of paper board and wrapping paper. However, production of exercise books almost doubled from 18.5 million dozens in 2009 to 34.6 million dozens in 2010. In addition, production of paper bags and sacks, toilet paper rolls and corrugated paper containers went up by 22.0, 31.9 and 6.3 per cent, respectively.

11.19. Production in printing and publishing sub-sector dropped by 48.1 per cent during the review period owing to the closure of Pan African Paper Mill. Consequently, the sector therefore relied mostly on imports of raw materials to bridge the gap. Production of newspapers went up by 5.2 per cent during the same period.

11.20. Basic industrial chemicals sub-sector registered a growth of 3.2 per cent in 2010. Production of oxygen and hydrogen went up by 7.6 per cent while that of electrodes and

acetylene dropped by 11.5 and 9.3 per cent, respectively. The country has recorded a notable decline in pyrethrum production over the years. Pyrethrum extracts production declined from 9 tonnes in 2009 to 6 tonnes in 2010.

11.21. Production of petroleum and other chemicals went up by 3.9 per cent. This was occasioned by the increased production of paints, drugs in tablet form; shoe polish; laundry soap and detergent powder which went up by 23.1, 16.6, 12.6, 11.7 and 8.4 per cent, respectively. The impressive growth in production of paints was attributed to the removal of the import duty on prepared driers and pigments used for the manufacture of paints. Similarly, production of fertilizers, pesticides, acaricides, insecticides and vaccines registered notable growths. Other products which registered growth are diesel, primers and under coats, bitumen and motor spirits. However, the refining of kerosene, fuel oil and gas oil dropped by 12.8, 10.2 and 1.2 per cent, respectively.

11.22. Production of rubber products dropped by 4.6 per cent in 2010. The tyre industry was adversely affected by the increase in price of raw materials, high energy costs and depreciation of the Kenya shilling. The sub-sector recorded declines in the production of motor vehicle tyres and rubber shoes. Conversely, the production of motor vehicle tubes and rubber soles went up by 4.9 and 21.0 per cent.

11.23. Production of plastic products recorded a marginal growth of 2.2 per cent. Production of PVC pipes and plastic shoes went up by 9.1 and 5.7 per cent, respectively, while that of polythene (film bags) dropped by 0.2 per cent during the review period.

11.24. The production of clay and glass products dropped for the fourth consecutive year. This was driven by a 2.7 percentage decline in the production of glass bottles in 2010. On the other hand, the production of floor and wall tiles increased by 6.2 per cent during the same period.

11.25. Non metallic minerals sub-sector recorded a growth of 8.6 per cent in 2010 compared to 34.4 per cent in 2009. The cement industry continued to record significant growth. This growth emanated from an expansion in investments in the industry as well as incentives from the Government through removal of import duty on petroleum coke which is a raw material used in cement production. Table 11.4 presents information on cement production, imports and utilisation. Cement production rose by 11.7 per cent from 3,320.3 thousand tonnes in 2009 to 3,709.8 thousand tonnes in 2010. The demand for cement went up by 16.2 per cent from 2,671.3 thousand tonnes in 2009 to 3,104.8 thousand tonnes in 2010. Cement imports increased by 32.7 per cent from 35.2 thousand tonnes in 2009 to 46.7 thousand tonnes in 2010. Exports of cement to Uganda and Tanzania dropped by 9.8 per cent whereas exports to all other countries rose by 36.1 per cent during the same period. Production of clinker and limestone went up by 8.3 and 3.1 per cent, respectively. However, production of roofing tiles and steel wool dropped by 6.7 and 1.4 per cent, respectively in 2010.

Table 11.4: Cement Production and Utilisation, 2006 - 2010

('000) Tonnes

YEAR	PRODUCTION	IMPORTS	CONSUMPTION AND STOCKS	EXPORTS TO	
				Uganda and Tanzania	All Other Countries
2006	2,405.9	3.8	1,765.8	406.1	237.8
2007	2,615.1	42.5	2,059.5	514.0	84.1
2008	2,829.6	18.7	2,155.8	626.5	66.0
2009+	3,320.3	35.2	2,671.3	608.2	76.0
2010*	3,709.8	46.7	3,104.8	548.3	103.4

* Provisional.

\+ Revised

11.26. Production of metal products registered a growth of 9.5 per cent in 2010. This was partly attributed to the removal of import duty on flat rolled products of iron or non alloy steel coated or plated with tin which are key inputs. Consequently, production of galvanized iron sheets rose by 16.2 per cent from 184.1 thousand tonnes in 2009 to 213.9 thousand tonnes in 2010, while that of nails went up by 8.7 per cent in the same period. Increased production in this sub-sector was also boosted by the entry of a new producer in the market.

11.27. Production of non electrical machinery went up by 1.3 per cent in 2010. However, production in the electrical machinery sub-sector's growth declined for the fifth year in a row. In 2010, the production dropped by 2.1 per cent mainly due to a 27.1 per cent decline in the manufacture dry cells. This decline was occasioned by increased global metal prices, counterfeit dry cells and cheap imports. However, the production of motor vehicle batteries went up by 19.0 per cent during the same period.

11.28. Production of transport equipment grew by 3.0 per cent after recording declines for two consecutive years. This growth was driven by the production of assembled vehicles which rose by 13.9 per cent during the review period.

11.29. The miscellaneous manufactures sub-sector registered a significant growth of 66.8 per cent in 2010. This was mainly driven by the production of mattresses which rose by 59.1 per cent. Similarly, production of industrial and paints brushes, household brushes and ball pens increased by 21.2, 19.7 and 15.3 per cent, respectively in 2010.

Credit to the Manufacturing Sector

11.30. Table 11.5 shows the number of industrial projects approved by selected Government and quasi-government development institutions in line with their role of fostering industrial expansion. Projects worth KSh 300 million were approved for various manufacturing projects in 2010, which was an increment from KSh 110.9 million in 2009. The increase in investment level could be attributed to improved economic performance and increased investor confidence. Industrial Development Bank (IDB) approved three projects in manufacturing sector worth KSh 175 million in 2010 compared to one project in 2009.

Table 11.5: Industrial Projects Approved By Selected Government or Quasi-Government, 2006-2010

INSTITUTION	Number of Projects					Approved Expenditure (KSh million)				
	2006	2007	2008	2009+	2010*	2006	2007	2008	2009+	2010*
Industrial Development Bank Limited (I.D.B Capital.)	1	1	2	1	3	37.4	20.0	47.8	55.0	175.0
Development Bank of Kenya (DBK)[1]	32	39	26	10	37	959.6	1800.0	1342.0	2200.0	2480.0
Development Bank of Kenya (DBK)[2]	-	-	-	2	4	-	-	-	28.6	116.0
Kenya Industrial Estates Limited (K.I.E.)	83	69	39	22	35	33.5	20.7	11.7	6.1	9.0
Industrial and Commercial Development Corporation (I.C.D.C.)	1	2	1	3	0	1.2	280.0	221.0	21.2	0.0
TOTAL	**117**	**111**	**68**	**38**	**79**	**1,031.7**	**2,120.7**	**1,622.5**	**2,310.9**	**2,780.0**

* Provisional

+ Revised

[1]Expenditure includes ICT,real estate,cut flowers, health services and manufacturing up to 2008

[2]Manufacturing

11.31. The Development Bank of Kenya (DBK) reported a marginal increase in demand for loans and advances in 2010 that were mainly intended for expansion and product diversification. The bank approved a total of KSh 116.0 million in 2010 to four projects namely; manufacture of plastic tanks and related products; zip fasteners, labels and other textile accessories; industrial spares and fabrication of steel structures, and growing and processing of tea. The projects were expected to create an estimated 165 new employment opportunities. However, Industrial and Commercial Development Corporation (I.C.D.C) did not approve any industrial loans in 2010.

11.32. Kenya Industrial Estates (KIE) approved funding for 35 projects out of which 29 were expansion projects in 2010 at a cost of KSh 9 million and are estimated to create 182 employment opportunities.

11.33. In 2010, Kenya Investment Authority (KenInvest) processed a total of 32 projects up from 27 projects in 2009. The capital cost of the projects are expected to increase from KSh 3.0 billion in 2009 to KSh 7.6 billion in 2010, while employment to locals is expected to increase from 1,922 to 3,602 in the same period.

Export Processing Zones

11.34. Most of the key indicators under the Export Processing Zones (EPZ) programe recorded improved performances in 2010. This was partly as a result of easing of global economic recession in the core EPZ export market, especially the USA. The impact of unfavourable local business environment, characterized by high cost of production, still remains a challenge towards realization of the EPZ programe potential. Expansion of the domestic market to include East African Community (EAC) had a negative impact on the programe since EPZ firms are required a maximum of only 20.0 per cent of their annual production to the domestic market. The situation was compounded by unstable oil prices in addition to competition by more efficient apparel exporting Asian countries.

11.35. Table 11.6 shows the trends of some selected EPZ performance indicators. During the year under review, the number of enterprises operating under the EPZ decreased from 83 to 75. Nevertheless, the programe recorded a positive growth in most of the other indicators which included sales, purchases, imports, employment, number of gazetted zones and expenditure

on local goods and services. Major investors in the programme are from Sri Lanka, India, China, Taiwan, South Korea, Belgium, USA, Qatar, Belgium, Netherlands, UK, New Zealand, Australia and Tanzania among other countries.

Table 11.6: Selected EPZ Performance Indicators, 2006-2010

	2006	2007	2008	2009	2010*
Unit- Number					
Gazetted Zones	39	41	38	41	42
Enterprises Operating	71	72	74	83	75
Employment – Locals	36,767	34,452	30,183	30,115	30,681
- Expatriates	649	511	469	508	476
Total Workers	**37,416**	**34,963**	**30,652**	**30,623**	**31,157**
Unit- KSh Million					
Export Sales	22,893	27,308	28,052	23,351	28,609
Domestic Sales[1]	2,459	2,012	3,150	2,808	3,114
Total Sales	**25,352**	**29,320**	**31,202**	**26,159**	**31,723**
Foreign Imports	12,674	17,263	16,151	16,420	15,928
Local Purchases of Goods and Services	3,253	3,450	4,476	3,942	4,561
Investment	20,320	19,103	20,122	21,366	22,660

Source: Export Processing Zones Authority (EPZA)

* Provisional

[1] Domestic sales includes sales to duty free shops and agencies

11.36. The number of gazetted zones as at end of December 2010 increased by one to stand at 42 zones. Out of these, 40 zones are privately owned while only 2 are publicly owned. These zone are distributed across the country with 21 zones in Mombasa, 9 in Nairobi, 3 in Athi River, 2 in Kilifi, one each in Voi, Kerio Valley, Thika, Isinya, Ruiru, Malindi and Eldoret. Two new zones were gazetted in the course of 2010 while one was degazetted.

11.37. Total EPZ turnover rose by 21.3 per cent to stand at KSh 31,723 million in 2010 from KSh 26,159 million in 2009, while value of exports increased by 22.5 per cent to stand at KSh 28,609 million in 2010. EPZ is implementing the Incubator (export accelerator) project in order to attract and nurture indigenous local business to venture into the export market. Domestic sales increased by 10.9 per cent to KSh 3,114 million in 2010 from KSh 2,808 million in the previous year. Value of imports of goods decreased by 3.0 per cent to stand at KSh 15,928 million in 2010, while local purchases increased by 15.7 per cent.

11.38. Despite a reduction in the number of operational enterprises under EPZ in 2010, the cumulative capital investment in form of equipment, machinery and other funds increased from KSh 21,366 million in 2009 to KSh 22,660 million in 2010.

11.39. Direct employment of Kenyans in the EPZ expanded marginally to stand at 30,681 persons in 2010. The garment/apparel enterprises continued to generate the bulk of the employment accounting for 77.6 per cent of the total employment in the EPZ.

11.40. AGOA is an initiative established to increase exports from accredited Sub Saharan Africa (SSA) countries to the USA. This agreement promotes labour intensive production and hence a suitable industry for Kenya which has a high unemployment rate. Some selected EPZ garment / apparel performance indicators under AGOA are as shown in Table 11.7. The value of exports of articles of apparel to the USA increased by 26.5 per cent from KSh 12,699 million recorded in 2009 to KSh 16,065 million in 2010. During the year under review, there was notable market diversification to markets other than the US. These new markets include Europe, Canada, Panama, Mexico, Honduras, Zimbabwe and South Africa. In 2010, these alternative markets were the destination of KSh 106.4 million worth of apparel.

Table 11.7: Selected EPZ Garment / Apparel Performance Indicators under AGOA, 2006-2010

	2006	2007	2008	2009	2010*	% Growth
Number of Enterprises	25	22	18	19	17	-10.5
Employment	31,813	28,006	25,766	24,359	23,815	-2.2
Capital Investment (KSh Million)	10,317	8,314	7,578	5,490	6,242	13.7
Exports (KSh Million)	14,774	13,768	15,811	12,699	16,065	26.5

Source: EPZA

*Provisional

11.41. During the year under review, direct employment in the garment/apparel sub-sector contracted by 2.2 per cent to stand at 23,815 in 2010. This was as a result of some firms scaling down their operations while others closed down. Investment on the other hand registered an increase of 13.7 per cent as a result of the enterprises expanding operations.

Chapter 12

Building and Construction

Overview

Provision of cost-effective world-class infrastructure facilities and services is a pre-requisite to the realization of Vision 2030. Hence, the development and maintenance of physical infrastructure is crucial for rapid economic growth and poverty reduction, as it impacts positively on production costs, employment creation, access to markets and investment, among others. Towards this, the government increased budgetary allocations to support various infrastructure projects spread across the country. In 2010/2011, a total of KSh 78.6 billion which represents an increase of KSh 20 billion or 34.0 per cent over and above the amount allocated in 2009/10 was allocated for road construction and a further KSh 23.5 billion for road maintenance.

12.2. During the period under review, cement consumption went up by 16.2 per cent to 3,104.8 thousand tonnes in 2010 compared to 2,671.2 thousand tonnes in 2009. Loans and advances from commercial banks to the construction sector grew by 7.3 per cent from KSh 30,414.0 million in 2009 to KSh 32,637.0 million in 2010. The index of Government expenditure on roads increased from 312.9 in 2009 to 394.8 in 2010. The total value of reported private building works completed in selected main towns went up significantly from KSh 21,752.0 million in 2009 to KSh 37,261.5 million in 2010. The total estimated cost of reported new private buildings completed in selected main towns more than doubled from Ksh 16,542.5 million in 2009 to KSh 33,623.8 million in 2010. The total value of building plans approved registered a growth of 18.4 per cent from KSh 94,192.1 million in 2009 to KSh 111,567.7 million in 2010.

12.3. The Ministry of Road's overall expenditure is expected to rise by 33.6 per cent to KSh 91,017.9 million in the 2010/11 financial year**.** Disbursement of funds by the Kenya Roads Board for road construction, rehabilitation and maintenance activities increased by 3.5 per cent from KSh 22.6 billion in 2009/10 to KSh 23.4 billion in 2010/11 financial year. The sector's total wage employment went up by 8.5 per cent in 2010.

Key Economic Indicators

12.4. Selected key economic indicators under the building and construction sector are shown in Table 12.1. Cement consumption rose by 16.2 per cent from 2,671.2 thousand tonnes in 2009 to 3,104.8 thousand tonnes in 2010.As a result, the index of cement consumption rose from 461.0 in 2009 to 535.9 in 2010. This was as a result of several road projects being undertaken by the Government across the country and increased real estate development. The index of reported private building works completed in selected main towns increased from 142.2 in 2008 to 203.0 in 2009 largely on account of houses constructed and completed by the private sector. The index of Government expenditure on roads increased from 312.9 in 2009 to 394.8 in 2010. The index of reported public building works completed in selected main towns increased from 5.1 in 2008 to 7.6 in 2009, mainly attributed to the many housing projects completed by the National Housing Corporation (NHC). Growth in the building and construction sector was boosted by loans and advances from commercial banks which increased by 7.3 per cent from KSh 30,414 million in 2009 to KSh 32,637 million in 2010.

Table 12.1: Selected Key Economic Indicators in Building and Construction[1], 2006 – 2010

1982=100

Indicator/Year	2006	2007	2008	2009	2010*
"Index" of reported private building work completed in main towns[2].....	61.0	108.2	142.2	203.0	
"Index" of reported public building work completed in main towns[2] .	3.4	4.5	5.1	7.6	
"Index" of government expenditure on roads	201.1	219.4	223.8	312.9	394.8
Cement consumption ('000 tonnes)	1,765.80	2,061.40	2,205.80	2,671.20	3,104.80
"Index" of Cement consumption..	304.8	355.8	380.7	461	535.9
Employment ('000)	79.9	81.3	84.8	93.4	101.3
"Index" of Employment	132.3	134.6	140.4	154.6	167.7
Loans and Advances from Commercial Banks to the sector (KSh mn) .	30,277.0	31,576.0	29,247.0	30,414.0	32,637.0

* 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

12.5. Total wage employment in building and construction sector rose by 8.5 per cent from 93.4 thousand persons in 2009 to 101.3 thousand persons in 2010. This was mainly driven by private sector employment which expanded by 11.6 per cent to 82,042 persons in 2010. Public sector employment went down by 3.4 per cent from 19,902 persons in 2009 to 19,218 persons in 2010.

12.6. The annual percentage change in building and construction cost indices from 2008 to 2010 are shown in Table 12.2. The overall cost index of materials went up by 0.1 percentage point to 3.2 per cent in 2010. This is an indication that the cost of materials went up at a slightly higher rate in 2010 compared to 2009. The cost index of 'other' construction materials grew by 4.9 per cent in the reference year in comparison to a slower growth of 1.6 per cent registered in 2009. The rate of change of the cost index of non-residential buildings slowed down to 1.7 per cent in 2010. The overall total cost index increased by 4.4 per cent in 2010 compared to a growth of 4.9 per cent in 2009. This may be attributed to slowed rate of compensation of employees in 2010 compared to the previous year.

Table 12.2: Annual Percentage change in Building and Construction Cost Indices[1], 2008 – 2010

	Materials			Labour			Total Cost		
	2008	2009	2010*	2008	2009	2010*	2008	2009	2010*
Residential Buildings....	7.3	2.4	3.3	6.1	8.8	6.9	7.0	3.8	4.1
Non-Residential Buildings ...	6.7	5.1	1.7	6.1	8.8	6.9	6.6	6.1	3.2
All Buildings	7.0	3.6	2.6	6.1	8.8	6.9	8.9	4.9	3.6
"Other" Construction	9.2	1.6	4.9	6.1	8.8	6.9	7.8	4.9	5.9
Overall Cost Index	7.6	3.1	3.2	6.1	8.8	6.9	7.1	4.9	4.4

* Provisional.

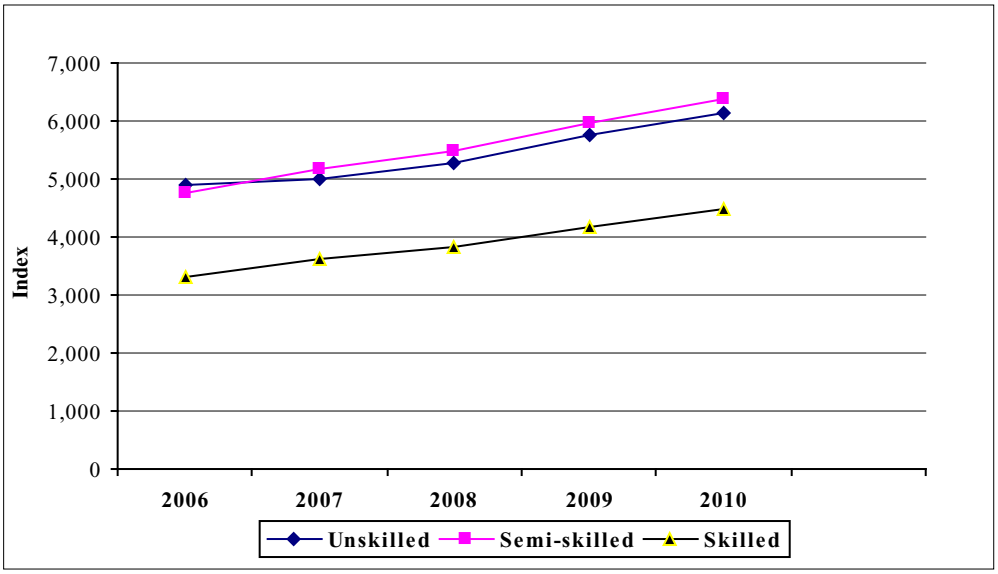
[1] From December to December.

Note: Labour cost figures are obtained annually from Ministry of Labour

12.7. The trend in overall labour construction cost indices for the years 2006 to 2010 is depicted in Figure 12.1. Overall labour construction cost indices for all cadres continued on an upward trend in 2010. Wages for unskilled, semi-skilled and skilled labour went up by 5.8, 6.2 and 6.4 per cent, respectively in 2010.

Figure 12.1: Trend in Overall Labour Construction Cost Indices, 2006 – 2010

Base 1982 = 100



12.8. Table 12.3 highlights the value of building plans approved for Nairobi and other towns for the period 2006 to 2010. Nairobi City Council (NCC) recorded an increase of 19.5 per cent in the value of building plans approved to KSh 93,574.8 million in 2010. The value of building plans approved by other towns registered a growth of 13.2 per cent from KSh 15,888.4 million in 2009 to KSh 17,992.9 million in 2010. The total value of building plans approved went up by 18.4 per cent to KSh 111,567.7 million in 2010. This could be attributed to rural-urban migration which has caused high demand for housing units in urban areas, especially Nairobi.

Table 12.3: Value of Building Plans Approved By Nairobi and Other Towns, 2006 – 2010

KSh Million

Year	Nairobi	Other Towns	Total
2006	21,143.0	5,816.7	26,962.7
2007	59,765.1	7,322.7	67,087.8
2008	52,073.0	17,248.7	69,321.7
2009	78,303.7	15,888.4	94,192.1
2010*	93,574.8	17,992.9	111,567.7

Source: Local Authorities

* Provisional.

12.9. The value of reported private building works completed in selected main towns are shown in Table 12.4. All the selected main towns recorded increases in the values of reported private building works completed. The NCC registered a significant growth in the value of completed building works from KSh 20,600.5 million in 2009 to KSh 35,593.1 million in 2010. As a result, the total value of reported private building works completed in the selected main towns went up to KSh 37,261.5 million in 2010 from KSh 21,752.0 million in 2009. Value of works completed in Kisumu city nearly quadrupled to KSh 464.2 million in 2010, due to the increase in the number of extensions and alterations.

Table 12.4: Value of Reported Private Building[1] Works Completed in Selected Main Towns, 2006 – 2010

KSh Million

Year	Nairobi	Mombasa	Kisumu	Nakuru	Malindi	Total
2006 ..	2,317.6	170.9	60.2	145.6	123.6	2,817.8
2007 ..	9,786.7	831	52.5	166.3	132.6	10,969.2
2008 ..	11,018.2	787	42.1	332.1	143.8	12,323.2
2009 ..	20,600.5	530.8	124.5	289.6	206.7	21,752.0
2010* ..	35,593.1	615.4	464.2	329.5	259.3	37,261.5

Source: Local Authorities

* Provisional.

[1] Including the value of extension.

12.10. Reported completions of new private buildings in selected main towns are analysed in Table 12.5. The number of reported residential and non-residential units completed increased to 4,606 and 409, with corresponding values of KSh 28,022.1 and KSh 5,601.7 million respectively, in 2010. The total estimated cost of the reported completions of new private buildings more than doubled to KSh 33,623.8 million in 2010.

Table 12.5: Reported Completions of New Private Buildings[1] in Selected Main Towns[2], 2006 – 2010

Year	Number			Estimated Cost (KSh Million)		
	Residential	Non-Residential	Total	Residential	Non-Residential	Total
2006	1,903	31	1,934	2,241.20	457.5	2,698.70
2007	2,350	52	2,402	4,773.30	1,124.80	5,898.10
2008	2,401	55	2,456	4,923.70	1,374.50	6,298.10
2009	3,557	103	3,660	13,435.30	3,107.20	16,542.50
2010*	4,606	409	5,015	28,022.10	5,601.70	33,623.80

Source: Local Authorities

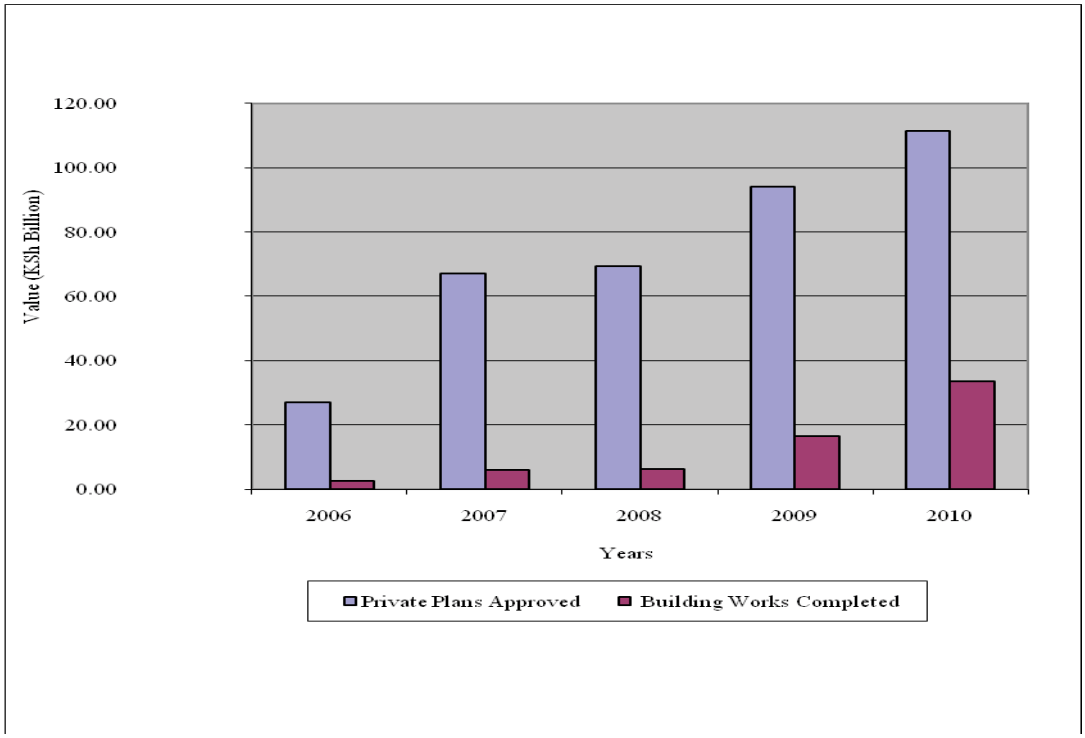
* Provisional

[1] Excluding the value of extensions

[2] Nairobi, Mombasa, Kisumu, Nakuru, Malindi

12.11. The value of new private buildings approved and reported completed in main urban areas is shown in Figure 12.2. The ratio of reported new private buildings completed to approved plans still remains very low. Non-reporting of buildings completed and enhanced enforcement of building plans approved by-laws could explain the above scenario.

Figure 12.2: Comparison of value of new private buildings approved and reported in main urban areas, 2006-2010



12.12. Table 12.6 depicts the number of reported completions of new public buildings in selected main towns for the period 2006 to 2010. The number of residential units increased significantly from 116 units in 2009 to 390 units in 2010 while the corresponding value rose to KSh 1,041.0 million. During the year under review, there were no reported completions of new non-residential units, hence the decline in total estimated cost.

Table 12.6: Reported Completions of New Public Buildings[1] in Selected Main Towns[2], 2006 – 2010

	Number			Estimated Cost (KSh Million)		
Year	Residential	Non-Residential	Total	Residential	Non-Residential	Total
2006	20	13	33	30.0	20.6	50.6
2007	309	7	316	507.7	16.1	523.8
2008	88	73	161	210.2	232.8	443.0
2009	116	24	140	938.5	108.5	1,047.0
2010*	390	0	390	1,041.0	0	1,041.0

Source: Local Authorities, National Housing Corporation & Ministry of Public Works

* Provisional.

[1] Including the value of extensions.

Housing

12.13. Improved macro-economic environment and the associated availability of credit resulted in positive developments in the housing sector during 2010. This was further aided by the Government through improved provision of financial resources for housing development under the Civil Servants Housing Scheme (CSHS) development fund. Under this scheme, the Government constructs housing units for sale to civil servants. A total of 20 four-bedroom houses were completed in Nairobi (Kilimani phase I). Other units in progress as from the 2009/10 financial year in Nairobi were: Ngara I (654 units), Nyeri road (40 units), Makueni road (22 units) and Shauri Moyo (315 units).

12.14 The National Housing Corporation (NHC) continued with its principal mandate of implementing Government's housing policies and programmes in 2010**.** The corporation increased the number of units completed from 341 in 2009 to 390 in 2010. These include 310 and 80 tenant purchase flats in Nairobi (Langata Phase II) and Kakamega, respectively, at a total cost of KSh 1,041.1 million. Nine housing projects were under construction as at 31st December 2010. These were: 40 flats in Kisii, 45 mortgage houses in Nyeri, 105 apartments in Nairobi and 530 flats (Sectors A,B,C,D & E) all in Madaraka, Nairobi. Upon completion, these are estimated to cost KSh 4,852.6 million. In addition, the Corporation advanced rural housing loans amounting to KSh 150.9 million to 132 individuals in 2009/10 financial year.

12.15. Approved and actual Central Government expenditure for the 2006/07 to 2010/11 financial years is detailed in Table 12.7. Actual expenditure on housing dropped drastically from KSh 3,333.9 million in 2008/09 to KSh 656.0 million in 2009/10. Actual expenditure as a percentage of approved expenditure also decreased from 88.2 per cent in 2008/09 to 66.9 per cent in 2009/10. Approved expenditure on housing is expected to go up significantly by 42.7 per cent from KSh 981.0 million in 2009/10 to KSh 1,400.0 million in 2010/11.

Table 12.7: Approved and Actual[1] Central Government Expenditure on Housing, 2006/07 – 2010/11

Year	Expenditure in KSh Million		Actual Expenditure as Percentage of Approved Expenditure
	Approved	Actual	
2006/07 .. .. ……	1,992.1	1,969.9	98.9
2007/08 .. .. ……	3,130.1	2,853.5	91.2
2008/09 .. .. ……	3,781.6	3,333.8	88.2
2009/10* .. .. ……	981.0	656.0	66.9
2010/11** .. .. ……	1,400.0		

Source: Ministry of Housing

* Provisional

** Estimates

[1] Actual has a lag of one year

Roads

12.16. The Kenya Roads Board (KRB) coordinates and funds road maintenance in Kenya. In 2010/11 financial year, the KRB disbursed a total of KSh 23.4 billion from the Roads Maintenance Levy Fund (RMLF) to the various roads agencies compared to KSh 22.6 billion disbursed in 2009/10.

12.17. The total expenditure on roads by the Ministry of Roads is shown in Table 12.8. Overall expenditure for the Ministry of Roads is expected to rise significantly from KSh 68,147.4 million in 2009/10 financial year to KSh 91,017.9 million in 2010/11 financial year. Trunk roads took the highest proportion of the total expenditure (42.3 per cent) since several trunk roads were being rehabilitated/constructed across the country. The total development expenditure on roads is expected to go up by 33.7 per cent to KSh 70,478.7 million in 2010/11 financial year. Recurrent expenditure on roads is expected to increase by 33.0 per cent to KSh 20,539.1 million in 2010/11 financial year from KSh 15,446.2 million in 2009/10 financial year.

Table 12.8: Total Expenditure on Roads, 2006/07 - 2010/11

KSh Million

	2006/07	2007/08	2008/09	2009/10*	2010/11**
Development:					
Trunk Roads	14,472.9	16,605.3	20,126.6	28,514.6	38,516.2
Primary Roads	5,377.7	7,988.3	7,433.8	11,579.1	14,645.2
Secondary Roads	1,546.9	2,898.4	7,770.7	7,877.6	11,540.8
Miscellaneous Roads..	2,958.3	2,973.1	948.4	4,730.0	5,776.6
Total	**24,355.8**	**30,465.2**	**36,279.6**	**52,701.3**	**70,478.7**
Recurrent (maint. & repair)	6,122.0	11,795.4	10,163.8	15,446.2	20,539.1
Grand Total	**30,477.8**	**42,260.6**	**46,443.3**	**68,147.4**	**91,017.9**

Source: Ministry of Roads

* Provisional

** Estimates

12.18. The status of Roads 2000 Programme as at June 2010 by province is as shown in Table 12.9. Since 2004, a total of 7,277 kilometres of road were earmarked for construction under the programme. Out of these, 6,351 kilometres have so far been completed accounting for 87.3 per cent. During the 2009/10 financial year, a total of KSh 2,472 million was utilized with various amounts spent, spread across the provinces.

Table 12.9: Status of Roads 2000 Programme as at June 2010

Province	Planned (Km)	Km completed since 2004	Percentage completed	2009/10 (KSh Million)	Status
North Rift	993	934	94.1	352	Ongoing
South Rift	1,637	1,399	85.5	318	Ongoing
Central	1,015	864	85.1	1,000	Ongoing
Eastern	1,128	959	85.0	242	Ongoing
Nyanza	2,504	2,195	87.7	560	Ongoing
Total	7,277	6,351	87.3	2,472	

12.19. Table 12.10 presents road system by type and classification. Roads under earth/gravel increased by 410 kilometres to 54.77 in thousand kilometres in 2010 from 54.36 thousand kilometres in 2006. In 2010, a total of 9.15 thousand kilometres of road was under tarmac compared to 8.94 thousand kilometres in 2006. This is as a result of the Government's enhanced investment in infrastructure developments.

Table 12.10: Kilometres of Road as at 1st July, 2006 and 1st July, 2010 by Type and Classification

'000 Km

Type of Road	2006		2010*	
	Bitumen	Earth/ Gravel	Bitumen	Earth/ Gravel
A - International Trunk ..	2.89	0.87	3.04	0.84
B - National Trunk	1.43	1.37	1.49	1.66
C - Primary	2.49	5.18	2.7	5.66
D - Secondary	1.17	10.05	1.24	10.17
E - Minor	0.75	25.8	0.57	26.07
F - Special Purpose[1]	0.21	11.09	0.11	10.37
TOTAL	8.94	54.36	9.15	54.77

Source: Ministry of Roads

*Provisional

[1]Special purpose roads include Government access, settlement, rural access, sugar, tea and wheat roads

12.20. Information on road works constructed, maintained and rehabilitated is presented in Table 12.11. A total of KSh 33,672.9 million was used to construct 719.4 kilometres, while KSh 86,173.2 million was used to rehabilitate 1,001.7 kilometres of roads in 2010. Further, KSh 501.9 million was used to gravel 104.0 kilometres of roads over the same period. Overall, a total of KSh 120,348.0 million was used on the three different types of road works covering a total distance of 1,825.1 kilometres.

Table 12.11: Major Road Works in Progress[1] in 2010/11

Activity	Length(Km)	Contract Amount KSh Million
Roads constructed		
Owimbi-Luanda Kotieno	25.0	1,049.5
Dundori-Olkalou-Njabini	100.3	4,809.3
Ebuyango-Ekero	31.0	1,180.4
Emali-Loitokitok	100.0	4,236.2
Ena-Ishiara-Meru	60.0	3,212.3
Ndori-Ngiya	20.0	1,363.8
Isiolo-Merille river	136.0	4,875.4
Londiani-Fort Ternan	63.0	4,356.4
Mpaka road, Nairobi	0.6	23.0
Oginga Odinga road, Nakuru	12.0	369.9
Rangala-Siaya-Bondo	42.5	1,528.7
Kendu Bay-Homa Bay	48.0	3,359.6
Stand Khisa-Khumusalaba	25.0	743.7
Mariakani-Kilifi	56.0	2,564.7
Sub-Total	719.4	33,672.9
Roads rehabilitated		
Athi River-Namanga	136.0	6,208.7
Njoro Turn Off-Timboroa	83.5	6,199.7
Mau Summit-Kericho-Kisumu (0422(AI/	76.0	8,069.5
Mau Summit-Kericho (0421(BI)	58.0	6,835.5
Kisii-Kilgoris	74.0	1,873.7
Machakos Turn off-JKIA	33.4	5,973.9
Maai Mahiu-Narok	89.4	4,471.6
Machakos Turn off-Sultan Hamud	55.0	4,103.4
Lanet-Nakuru-Njoro turn off	16.5	3,363.8
Lewa-Isiolo	29.5	1,801.2
Maji Ya Chumvi-Miritini	5.0	2,596.5
Bomet-Litein	42.0	1,692.8
Rongo-Homa Bay	39.5	1,110.0
Nairobi-Thika (Lot I)	12.4	8,030.4
Nairobi-Thika (Lot II)	14.0	8,690.6
Nairobi-Thika (Lot III)	23.9	9,938.6
Muranga-Sagana	55.0	1,613.3
Road to State House, Eldoret	0.8	22.8
Milimani-State House, Nairobi	0.6	33.0
Langata south road, Nairobi	2.7	42.0
Kiganjo-Mundoro road	50.0	1,375.7
Mukuyu-Githambo-Kiruri road	50.0	1,384.2
Kibunja-Molo-Olenguruone road	54.5	742.3
Sub-Total	1,001.7	86,173.2
Roads graveled		
Syokimau-Katani road,Mavoko	8.0	27.0
Wamwagi-Karatu-wanugu road	22.0	39.5
Gatundu-Karinga-Fly over road	45.0	204.7
Olkokwe-Muchongoi	29.0	230.7
Sub-Total	**104.0**	**501.9**
Total	**1,825.1**	**120,348.0**

[1] Includes works Completed

Chapter 13

Tourism

Overview

Tourism remains one of the key sources of foreign exchange earnings in the country. The overall tourism earnings inclusive of domestic tourism improved significantly from KSh 62.5 billion in 2009 to KSh 73.7 billion in 2010. This translated to a growth of 17.9 per cent which surpassed the 2007 best year benchmark. The number of international arrivals increased by 8.0 per cent from 1,490.4 thousand in 2009 to 1,609.1 thousand in 2010. These arrivals were less than 2007 but they were paying more.

13.2. Bed-nights occupancy increased by 6.7 per cent from 6,242.8 thousand in 2009 to 6,662.3 thousand in 2010. Visitors to national parks and game reserves increased by 15.7 per cent from 2,385.1 thousand in 2009 to 2,758.8 thousand in 2010. This was as a result of aggressive marketing in the new markets in Asia.

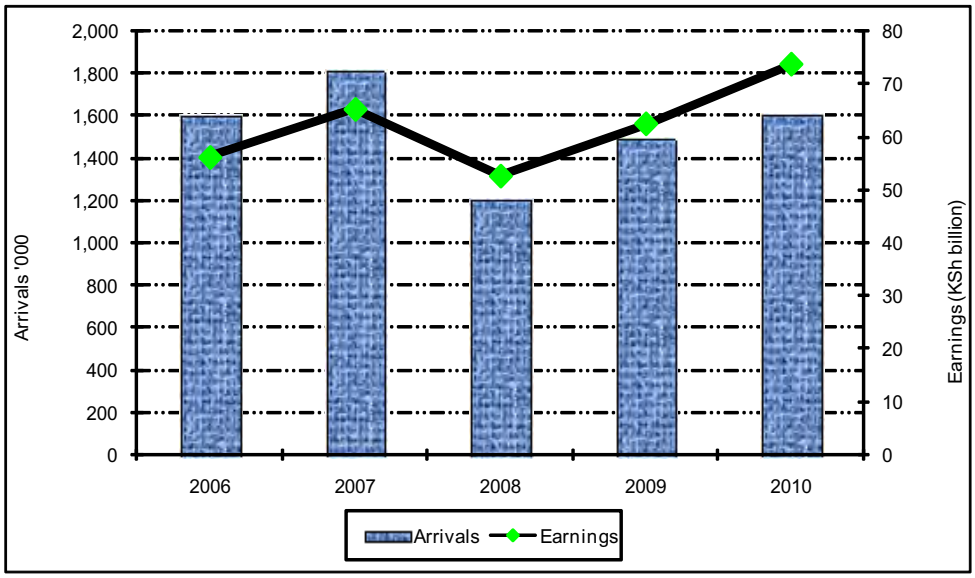
13.3. Museums, snake parks and other historical sites reported a 23.4 per cent increase in the number of visitors recording 942.0 thousand in 2010 compared with 763.1 thousand in 2009. Conference tourism activities also increased. Local and international conferences held grew by 12.0 and 29.6 per cent respectively, in 2010.

13.4. The survey of villas, cottages, campsites and apartments was conducted nationwide between 26th July and 30th August, 2010 and covered all the major tourism circuits. The survey data covered 6 months from January to June, 2010. The survey objective was to establish the number of bed-nights spent in these facilities and form an input to the Tourism Satellite Account (TSA) tables. Specifically, the survey determined: the available capacity in the villas, cottages, campsites and apartments; the turnovers in the facilities; seasonality in occupancy; the number of employees (citizen/non-citizen) and residency of guests, whether local or international.

Arrivals and Departures

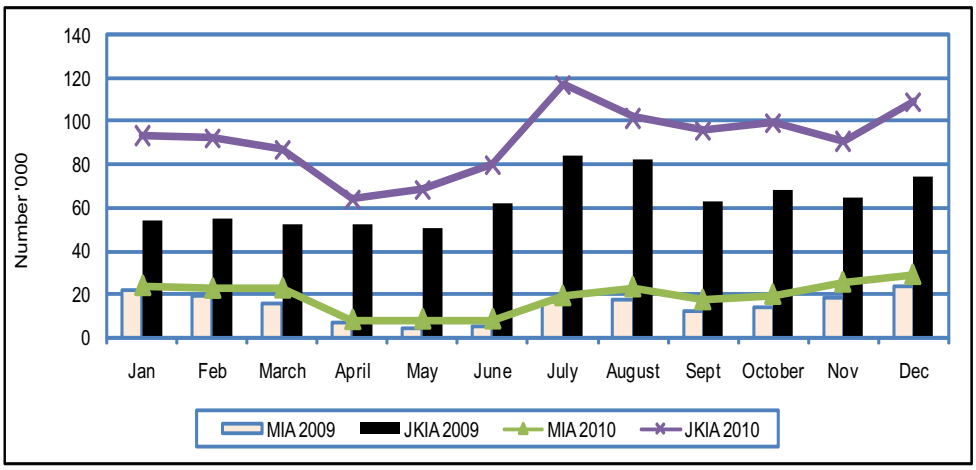
13.5. The Government has continued to reposition the country as a high value destination for high spending tourists since 2009. As a result, visitor arrivals have improved recording 8.0 per cent growth from 1,490.4 thousand in 2009 to 1,609.1 thousand in 2010. This was achieved despite cancellation of aircraft flights over Europe's airspace following the spreading of clouds of the volcanic ashes in April 2010, due to fears of the effect on aircrafts' safety. Trends in visitor arrivals and tourism earnings for the last five years are depicted in Figure 13.1.

Figure 13.1: Trends in Visitor Arrivals and Tourism Earnings, 2006 – 2010



13.6. The monthly visitor arrivals through the country's major international airports for the period 2009 and 2010 are shown in Figure 13.2. The number of tourists who arrived through Jomo Kenyatta International Airport (JKIA) in Nairobi and Moi International Airport (MIA) in Mombasa grew by 13.9 and 27.2 per cent, respectively in 2010. High arrivals were realised between July and August while low arrivals between March and May, 2010.

Figure 13.2: Visitor Arrivals through JKIA and MIA, 2009 -2010



13.7. Table 13.1 shows the number of international visitor arrivals by purpose of visit on a quarterly basis. The number of arrivals went up by 10.3, 6.0, 8.0 and 7.4 per cent in the first, second, third and fourth quarters, respectively. The number of international visitor arrivals on transit increased by 41.8 per cent from 98.4 thousand in 2009 to 139.5 thousand in 2010. This was due to visitors preferring JKIA and MIA as safe and reliable for their flight connections.

Table 13.1: Quarterly Visitor Arrivals by Purpose of Visit, 2006-2010

'000

Quarter	Purpose	2005	2006	2007	2008	2009	2010*
1st Qtr.	Holiday	264.6	275.8	298.4	201.6	248.6	261.2
	Business	51.8	61.7	75.8	20.4	44.1	59.7
	Transit	22.2	36.0	41.2	5.8	21.8	34.2
	Other	37.6	48.2	59.2	6.9	37.8	33.5
	TOTAL	**375.6**	**421.7**	**474.6**	**234.7**	**352.4**	**388.6**
2nd Qtr.	Holiday	213.4	219.2	263.0	205.6	211.6	228.7
	Business	41.9	45.5	51.6	18.6	46.4	48.6
	Transit	17.9	28.4	31.3	13.5	23.8	32.2
	Other	30.3	23.4	37.9	20.2	34.6	25.9
	TOTAL	**303.5**	**316.5**	**383.9**	**257.9**	**316.4**	**335.5**
3rd Qtr.	Holiday	288.6	289.2	380.6	243.7	294.7	302.6
	Business	56.6	59.4	64.7	33.1	46.4	62.0
	Transit	24.2	38.5	28.2	20.8	29.3	40.0
	Other	41.0	46.6	37.8	44.0	50.2	49.8
	TOTAL	**410.5**	**433.7**	**511.2**	**341.6**	**420.7**	**454.4**
4th Qtr.	Holiday	296.5	303.2	336.5	285.2	306.3	308.2
	Business	55.8	59.6	50.1	37.2	43.6	58.6
	Transit	15.5	34.2	30.2	21.8	23.4	33.2
	Other	21.0	31.7	30.3	24.7	27.7	30.7
	TOTAL	**388.8**	**428.7**	**447.2**	**369.0**	**401.0**	**430.7**
Year	Holiday	1,063.1	1,087.4	1,278.5	936.1	1,061.2	1,100.7
	Business	206.1	226.2	242.3	109.4	180.6	228.9
	Transit	79.8	137.2	130.9	62.0	98.4	139.5
	Other	129.9	149.8	165.2	95.8	150.2	140.0
	TOTAL	**1,478.9**	**1,600.5**	**1,817.0**	**1,203.2**	**1,490.4**	**1,609.1**

*Provisional

13.8. Table 13.2 shows that the number of international departures grew from 1,468.2 thousand in 2009 to 1,502.4 thousand in 2010, representing 2.3 per cent rise. This was in line with the improved level of arrivals during 2010. Departures went up by 4.0, 1.7, 3.6 and 0.1 per cent in the first, second, third and fourth quarters of 2010, respectively.

Table 13.2: Quarterly Visitor Departures by Purpose of Visit, 2006-2010

'000

Quarter	Purpose	2006	2007	2008	2009	2010*
1st Qtr.	Holiday	285.3	314.2	210.1	258.7	265.6
	Business	56.7	65.5	18.9	38.0	40.0
	Transit	29.9	35.4	10.1	22.9	25.5
	Other	46.2	58.9	11.9	39.4	42.3
	TOTAL	**418.1**	**474.0**	**251.0**	**359.0**	**373.3**
2nd Qtr.	Holiday	232.9	270.2	193.4	217.5	220.2
	Business	47.9	49.1	19.9	44.4	45.3
	Transit	18.3	20.8	14.1	17.2	17.6
	Other	31.4	32.6	21.6	23.3	24.5
	TOTAL	**330.6**	**372.7**	**249.1**	**302.5**	**307.6**
3rd Qtr.	Holiday	274.9	352.6	251.5	282.0	290.3
	Business	59.9	63.8	31.9	40.1	41.6
	Transit	27.5	33.0	17.7	32.1	34.6
	Other	45.8	48.1	15.5	44.0	45.9
	TOTAL	**408.0**	**497.5**	**316.7**	**398.1**	**412.5**
4th Qtr.	Holiday	284.9	295.0	236.6	306.7	309.0
	Business	55.0	53.9	38.1	46.8	46.2
	Transit	41.2	35.4	23.3	25.3	24.5
	Other	40.6	43.7	28.3	29.9	29.2
	TOTAL	**421.7**	**427.9**	**326.3**	**408.6**	**408.9**
Year	Holiday	1,077.9	1,232.0	891.7	1,064.9	1,085.1
	Business	219.5	232.3	108.9	169.3	173.1
	Transit	116.8	124.6	65.2	97.4	102.2
	Other	164.1	183.2	77.3	136.6	141.9
	TOTAL	**1,578.4**	**1,772.1**	**1,143.1**	**1,468.2**	**1,502.4**

*Provisional

13.9. Table 13.3 presents the volume of visitors leaving by country of residence and purpose of visit, (excluding visitors whose purpose of visit is "Other") that went up by 2.2 per cent from 1,331.6 thousand in 2009 to 1,360.4 thousand in 2010. Visitors destined for Asia recorded the highest percentage increase in 2010. Departures to the African continent grew by 2.0 per cent, mainly as a result expansion of the Jomo Kenyatta International Airport as a business hub. The year under review experienced holiday and business visitor departures growth of 1.9 and 2.2 per cent, respectively.

Table 13.3: Departing Visitors by Country of Residence and Purpose of Visit[1], 2008-2010

'000

Country of Residence	Holiday			Business			Transit			Total		
	2008	2009	2010*	2008	2009	2010*	2008	2009	2010*	2008	2009	2010*
Germany	115.0	121.0	125.1	14.9	20.3	20.5	7.4	8.4	9.2	137.3	149.7	154.8
United Kingdom	185.8	204.2	205.0	18.6	30.3	30.5	12.3	11.5	11.6	216.7	245.9	247.1
Switzerland	32.5	36.4	37.2	3.1	3.3	3.4	2.1	3.4	3.5	37.7	43.1	44.1
Italy	64.0	85.7	85.8	11.7	22.7	23.0	4.5	3.7	3.8	80.2	112.1	112.6
France	36.5	38.9	39.2	4.7	9.3	9.4	1.9	3.0	3.3	43.1	51.3	52.0
Scandinavia	26.8	33.3	34.7	2.5	4.8	4.9	1.6	3.4	3.5	30.9	41.5	43.1
Other Europe	84.7	103.9	103.9	8.1	14.2	14.4	3.7	6.6	6.8	96.5	124.7	125.1
TOTAL EUROPE	**545.2**	**623.3**	**630.8**	**63.6**	**105.0**	**106.1**	**33.5**	**40.0**	**41.8**	**642.3**	**768.3**	**778.8**
USA	71.7	107.1	111.1	12.2	13.7	13.8	5.5	6.4	6.6	89.4	127.2	131.5
Canada	15.4	23.0	23.5	1.8	2.6	2.7	1.7	2.5	2.6	18.9	28.1	28.9
TOTAL NORTH AMERICA	**87.1**	**130.1**	**134.6**	**14.0**	**16.3**	**16.5**	**7.2**	**8.9**	**9.2**	**108.3**	**155.3**	**160.4**
Uganda	16.6	32.6	32.8	3.2	5.8	6.0	3.0	4.3	4.6	22.8	42.7	43.4
Tanzania	17.7	33.7	33.8	2.9	6.5	6.8	2.6	5.9	6.0	23.2	46.1	46.6
Other Africa	95.1	111.7	114.0	9.6	11.9	11.9	10.2	22.7	23.8	114.9	146.2	149.8
TOTAL AFRICA	**129.3**	**178.0**	**180.7**	**15.7**	**24.2**	**24.7**	**15.8**	**32.9**	**34.3**	**160.8**	**235.0**	**239.7**
India	28.7	29.3	31.8	4.5	5.5	5.7	2.1	3.4	3.6	35.3	38.2	41.2
Japan	9.6	13.5	13.7	3.8	4.0	5.0	0.8	1.2	1.3	14.2	18.8	20.1
Israel	10.4	7.4	8.2	1.7	2.1	2.5	0.5	1.2	1.4	12.6	10.8	12.0
Other Asia	46.9	47.3	47.4	3.7	7.0	7.1	1.7	4.2	4.4	52.3	58.5	58.9
TOTAL ASIA	**95.5**	**97.4**	**101.2**	**13.7**	**18.7**	**20.3**	**5.1**	**10.1**	**10.7**	**114.3**	**126.2**	**132.2**
Australia and New Zealand	17.0	17.7	18.4	1.1	3.3	3.6	1.1	1.9	2.0	19.2	22.8	24.0
All Other Countries	17.6	18.4	19.3	0.8	1.8	1.9	2.5	3.7	4.0	20.9	24.0	25.3
TOTAL	**891.7**	**1,064.9**	**1,085.1**	**108.9**	**169.3**	**173.1**	**65.2**	**97.4**	**102.2**	**1,065.8**	**1,331.6**	**1,360.4**

* Provisional

[1]Excludes visitors whose purpose of visit is "Other"

13.10. The number of days stayed by purpose of visit together with average length of stay in days is shown in Table 13.4. The total number of days stayed rose by 14.0 per cent from 15,616.5 thousand days in 2009 to 17,797.3 thousand days in 2010 mainly because of increase in holiday and business visitors. Likewise, the average length of stay increased from 11.7 days in 2009 to 13.4 days in 2010. This may be attributed to improvement in infrastructure and security within the country.

Table 13.4: Number of Days Stayed[1] by Purpose of Visit, 2006-2010

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Purpose	2006	2007	2008	2009	2010*
Holiday	14,186.8	15,754.4	9,721.9	13,563.0	15,237.4
Business	2,724.4	2,803.6	1,182.8	1,845.5	2,303.6
Transit	257.0	281.1	135.1	208.0	256.3
TOTAL	**17,168.3**	**18,839.0**	**11,039.8**	**15,616.5**	**17,797.3**
Average length of stay in days	12.1	11.9	10.4	11.7	13.4

* Provisional

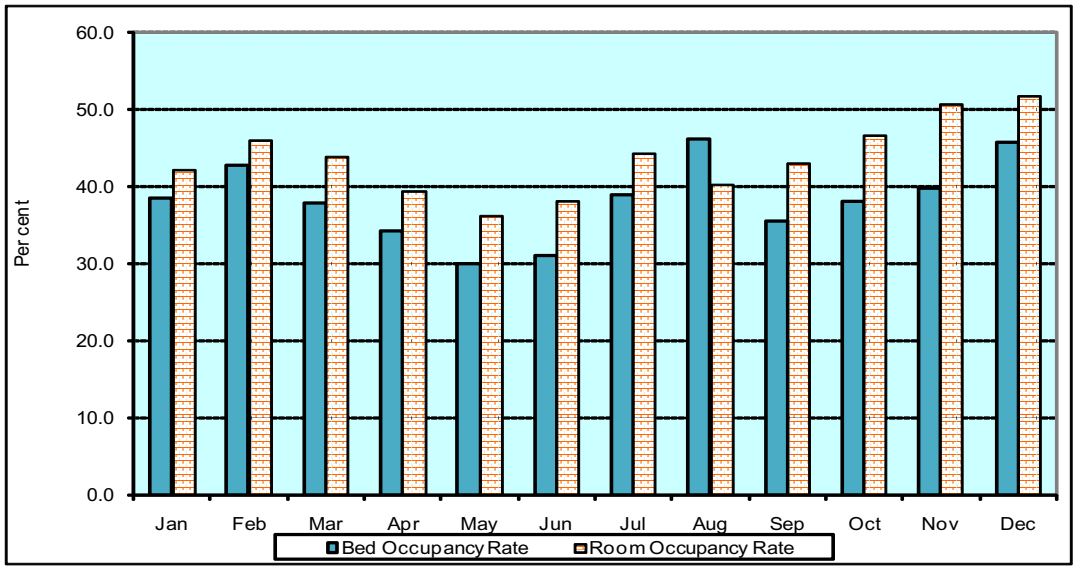
[1]Excludes days stayed by "Other Visitors" Category

Hotel Occupancy by Country of Residence

13.11. Aggressive marketing in the new markets in Asia and utilization of the resources availed by the Government has improved occupancy in the hotels. With the promotion in the domestic market, local tourism business has also increased.

13.12. The overall rate of beds occupancy went up from 36.5 per cent in 2009 to 38.8 per cent in 2010. However, the mean occupancy rate for bed-rooms occupied contracted from 48.2 per cent in 2009 to 43.2 per cent in 2010. Trends in both bed and bedroom occupancy rate are depicted in Figure 13.3 for the year under review showing a general increase since May 2010.

Figure 13.3: Monthly Bed and Room Occupancy Rates, 2010



13.13. Table 13.5 shows the hotel bed-nights occupancy by country of residence. The number of bed-nights occupied in hotels, lodges and other rooming houses rose from 6,242.8 thousand in 2009 to 6,662.3 thousand in 2010, representing a 6.7 per cent increase. Bed-nights occupied by residents from Italy rose from 383.2 thousand in 2009 to 651.0 thousand in 2010, reflecting a 69.9 per cent increase. Occupancy by residence from the African continent increased by 6.2 per cent from 2,636.6 thousand in 2009 to 2,800.6 thousand in 2010. This was dominated by East African residents with Kenyans taking the lead. Bed-nights by nationals from the USA expanded by 8.7 per cent. Similarly, occupancy by residence from Asia grew by 12.7 per cent with China leading at 52.7 per cent.

Table 13.5: Hotel Bed - Nights Occupancy by Country of Residence, 2006-2010

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Country of Residence	2005	2006	2007	2008	2009	2010*
Permanent Occupants[1]	44.9	23.5	25.0	52.4	29.7	52.9
Germany	689.9	917.2	926.1	339.5	685.6	563.2
Switzerland	164.3	191.8	174.2	66.8	127.5	83.1
United Kingdom	628.4	1,029.4	1,223.1	486.6	909.7	964.7
Italy	353.1	479.3	536.5	158.2	383.2	651.0
France	183.5	320.4	304.3	63.8	231.8	222.7
Scandinavia	88.8	114.8	129.8	48.7	97.3	84.1
Other Europe	346.5	487.1	543.7	160.0	363.0	364.6
EUROPE	**2454.6**	**3,540.1**	**3,837.8**	**1,323.7**	**2,798.1**	**2,933.4**
Kenya Residents	1,129.6	1,374.8	1,869.8	1,566.6	2,150.9	2,348.9
Uganda	37.0	49.2	52.2	43.2	103.0	67.9
Tanzania	44.1	55.9	54.7	43.1	71.1	61.5
East and Central Africa	55.7	71.6	67.3	41.5	87.1	84.6
West Africa	30.2	36.0	35.6	26.3	45.4	55.1
North Africa	18.9	25.5	43.9	17.0	25.4	28.3
South Africa	51.1	67.8	73.6	52.6	87.8	88.1
Other Africa	52.8	56.5	71.8	59.9	65.9	66.2
AFRICA	**1,419.5**	**1,737.4**	**2,268.8**	**1,850.1**	**2,636.6**	**2,800.6**
U.S.A	206.8	242.2	270.9	148.1	233.8	254.2
Canada	35.8	48.5	64.0	32.2	58.5	59.8
Other America	23.8	24.3	34.2	16.7	33.4	33.1
AMERICA	**266.4**	**315.1**	**369.2**	**196.9**	**325.7**	**347.2**
Japan	34.6	37.0	45.7	18.2	37.8	40.8
India	44.6	50.8	60.5	51.2	83.3	91.1
Middle East	31.3	33.5	38.0	20.0	37.5	36.6
China	...	25.0	43.2	20.7	33.2	50.7
Other Asia	63.2	35.3	41.7	26.4	41.0	42.9
ASIA	173.8	181.6	229.2	136.5	232.8	262.3
Australia and New Zealand	40.6	45.5	56.9	42.3	54.9	60.2
All Other Countries	76.8	78.8	152.5	97.1	165.0	205.6
TOTAL-OCCUPIED .. .	**4,476.6**	**5,922.1**	**6,939.4**	**3,699.0**	**6,242.8**	**6,662.3**
TOTAL-AVAILABLE .. .	**10,845.6**	**13,003.5**	**14,711.6**	**14,233.6**	**17,125.3**	**17,161.8**
Occupancy rate %	**41.3**	**45.5**	**47.2**	**26.0**	**36.5**	**38.8**

*Provisional

[1]Persons staying one month or more in one hotel-includes some block bookings for air crew

13.14. Kenya's tourism sector is a thriving industry. In the recent past there have been diversifications of her tourism product by seeking and promoting investment into a varied range of tourism products and services in equally diverse zones.

13.15. Occupancy in the coastal beach zone increased by 7.7 per cent from 3,011.4 thousand in 2009 to 3,243 thousand in 2010 as presented in Table 13.6. Bed-nights occupied in the Nairobi-high class decreased from 1,164.1 thousand in 2009 to 1,123.6 thousand in 2010, a drop of 3.5 per cent. Occupancy in Nairobi-other also decreased during 2010. However,

bed-nights occupied in Masailand increased by 51.1 per cent from 312.8 thousand in 2009 to 472.6 thousand in 2010. Due to diverse range of locations, some other areas equally reported improved performance, which was more pronounced in the Western, Central and Nyanza Basin zones.

Table 13.6: Hotel Bed-Nights by Zone, 2006-2010

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Zone	2006	2007	2008	2009	2010*
Coastal-Beach	3,228.8	3,768.1	1,643.7	3,011.4	3,243.0
Coastal-Other	108.6	153.5	118.1	152.5	151.1
Coastal Hinterland	83.7	210.5	93.9	210.9	119.6
Nairobi-High Class	946.8	1,028.4	716.2	1,164.1	1,123.6
Nairobi-Other	257.2	302.7	224.5	498.1	410.7
Central	300.3	388.9	255.1	347.5	463.5
Masailand	460.9	519.9	231.8	312.8	472.6
Nyanza Basin	284.4	246.6	185.4	213.2	301.2
Western	167.7	234.4	224.6	319.0	364.1
Northern	83.7	86.3	5.7	13.3	12.9
TOTAL-OCCUPIED	**5,922.1**	**6,939.4**	**3,699.0**	**6,242.8**	**6,662.3**
TOTAL-AVAILABLE	**13,003.5**	**14,233.6**	**14,233.6**	**17,125.3**	**17,161.8**

*Provisional

13.16. The share of bed-nights occupied by area along the coastal strip in the last two years is presented in Figures 13.4a and 13.4b. The North Coast remained the most preferred followed by South Coast. The proportion of bed-nights occupied in North Coast, Kilifi, Malindi and Lamu increased marginally while those in South Coast and Mombasa Island decreased in the year under review.

Figure 13.4a: Bed-Nights Occupancy at the Coast, 2009

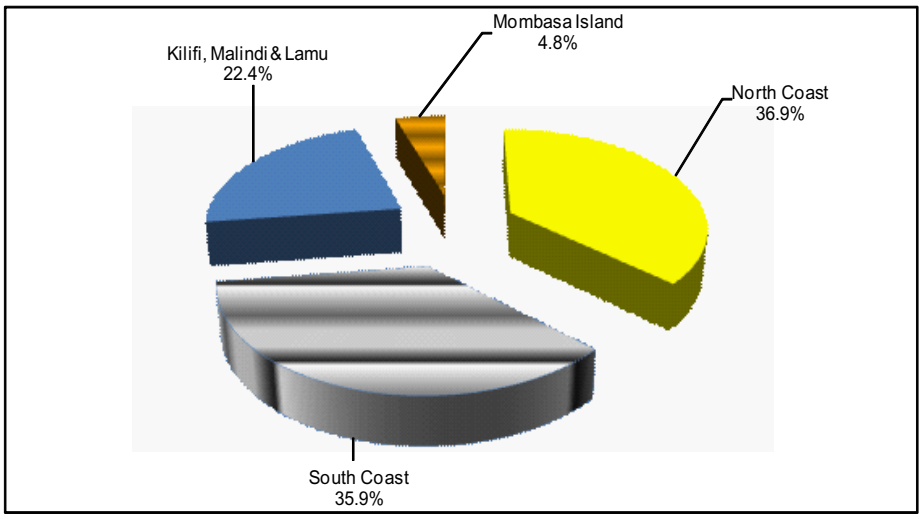
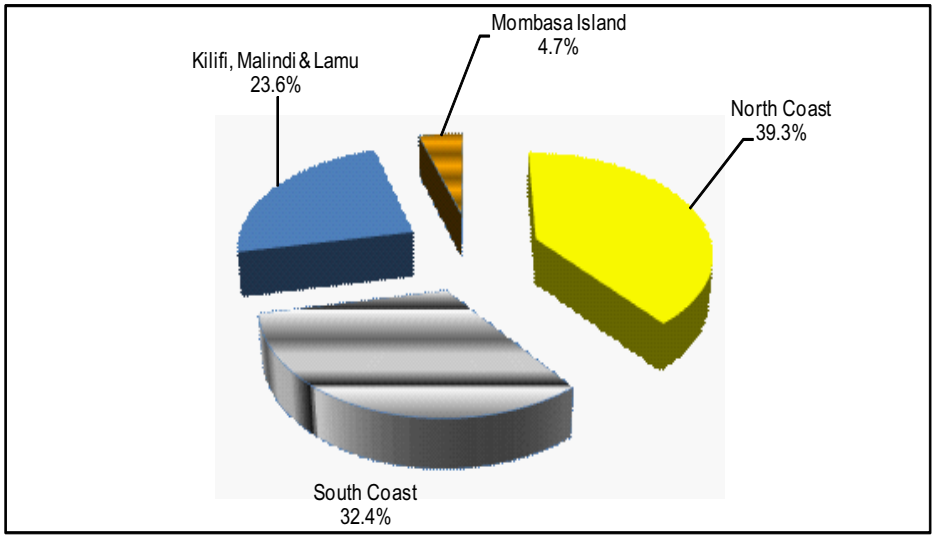


Figure 13.4b: Bed-Nights Occupancy at the Coast, 2010



13.17. Table 13.7 presents the analysis of bed-nights occupied by area and country of residence. Coast and Nairobi continue being the preferred areas during 2010. The share of bed-nights occupied at the Coast went up from 50.7 per cent in 2009 to 52.7 per cent in 2010. On the contrary, bed-nights occupied in Nairobi contracted from 26.6 per cent in 2009 to 23.0 per cent in 2010. The share of bed-nights in "Others" areas increased to 16.9 per cent in 2010. Residents of Africa, America and Asia occupied most of the beds in Nairobi while along the Coast, was dominated by residents of Kenya and Europe.

Table 13.7: Hotel Bed-Nights by Area and Country of Residence, 2009 and 2010

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Country of Residence	Nairobi		Coast		Lodges		Others		Total	
	2009	2010*	2009	2010*	2009	2010*	2009	2010*	2009	2010*
Permanent Occupants[1] ..	4.3	10.3	7.2	9.6	0.7	1.9	17.5	31.2	29.7	52.9
Germany	40.8	32.8	587.5	487.5	49.5	32.9	7.8	10.0	685.6	563.2
Switzerland	15.8	11.3	104.1	63.7	6.4	6.4	1.3	1.7	127.5	83.1
United Kingdom	118.9	114.1	693.7	750.3	83.5	74.2	13.5	26.1	909.7	964.7
Italy	13.2	11.8	342.7	627.8	25.3	8.6	2.0	2.9	383.2	651.0
France	39.0	35.1	139.3	143.2	49.9	34.9	3.6	9.5	231.8	222.7
Scandinavia	32.0	26.2	43.3	34.4	16.9	18.6	5.0	4.9	97.3	84.1
Other Europe	67.9	79.3	238.6	226.6	43.5	41.0	13.0	17.8	363.0	364.6
Kenya	552.4	484.4	716.5	838.0	85.1	98.2	796.9	928.3	2,150.9	2,348.9
Uganda	62.8	37.3	26.6	22.7	1.0	0.3	12.6	7.6	103.0	67.9
Tanzania	45.5	38.9	20.4	17.9	0.7	0.9	4.4	3.7	71.1	61.5
East & Central Africa	65.8	67.3	15.9	14.5	2.0	0.6	3.5	2.1	87.1	84.6
West Africa	37.5	44.7	5.8	8.0	0.5	0.9	1.6	1.5	45.4	55.1
North Africa	21.7	22.6	2.4	4.7	0.6	0.5	0.7	0.6	25.4	28.3
South Africa	58.5	61.4	23.1	21.5	3.3	3.3	2.9	1.9	87.8	88.1
Other Africa	37.9	36.6	20.3	22.7	4.4	1.6	3.3	5.3	65.9	66.2
U.S.A.	130.3	128.0	41.3	39.8	42.2	57.9	20.0	28.5	233.8	254.2
Canada	36.0	34.3	12.1	11.0	7.7	9.8	2.7	4.8	58.5	59.8
Other America	14.4	14.6	10.5	9.6	6.1	6.5	2.3	2.4	33.4	33.1
Japan	17.9	16.8	4.1	2.9	13.8	16.5	1.9	4.6	37.8	40.8
India	42.0	45.6	27.0	19.0	10.3	19.0	4.0	7.6	83.3	91.1
Middle East	27.4	21.1	7.1	7.3	2.1	6.5	0.9	1.8	37.5	36.6
China	18.0	22.2	4.6	4.7	8.2	15.8	2.4	8.1	33.2	50.7
Other Asia	25.1	26.2	10.1	5.9	3.7	7.7	2.0	3.1	41.0	42.9
Australia & New Zealand	22.9	27.1	22.4	16.7	7.0	11.7	2.6	4.8	54.9	60.2
All Other Countries..... ..	114.4	84.2	37.2	103.8	8.4	9.4	5.3	8.2	165.2	205.6
TOTAL	**1,662.2**	**1,534.3**	**3,163.9**	**3,513.7**	**482.9**	**485.5**	**933.8**	**1,128.8**	**6,242.9**	**6,662.3**
PERCENTAGE SHARE	**26.6**	**23.0**	**50.7**	**52.7**	**7.7**	**7.3**	**15.0**	**16.9**	**100.0**	**100.0**

* Provisional

[1]Persons staying one month or more in one hotel-includes some block bookings for air crew

13.18. Table 13.8 shows bed-nights occupancy in game lodges and type of catering offered to Foreign and East African residents. The lodges are located within the national parks and game reserves. Bed-nights occupied by East African residents increased by 14.4 per cent from 86.9 thousand in 2009 to 99.4 thousand in 2010. The share of East African residents that opted for self service went up from 7.1 per cent in 2009 to 39.3 per cent in 2010, with less preference for full catering. Bed-nights occupied by Foreign residents went down by 2.5 per cent to stand at 386.1 thousand in 2010.

Table 13.8: Game Lodges1 Occupancy, 2008 – 2010

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	Bed-Nights Occupied					
	Foreign Residents			E.A. Residents		
	2008	2009	2010*	2008	2009	2010*
Game Reserves	124.1	167.9	105.5	31.6	22.3	24.0
National Parks	123.9	228.1	280.5	51.1	64.6	75.4
TOTAL	**248.0**	**396.0**	**386.1**	**82.7**	**86.9**	**99.4**
Of which full Catering ..	211.4	379.2	357.4	71.9	80.7	60.2
Self Service	36.6	16.8	28.7	10.8	6.2	39.1

*Provisional

[1]Lodges in National Parks and Game Reserves

National Parks and Game Reserves

13.19. Kenya's national parks and game reserves are major tourist destinations. Kenya is the "*home of the safari*" and offers 37 national parks and game reserves throughout the country. Kenya's national parks are the choice for those wanting to experience the top class Kenyan safaris**.**

13.20. Table 13.9 presents the number of visitors to national parks and game reserves for the last five years. The number of visitors increased by 15.7 per cent from 2,385.1 thousand in 2009 to 2,758.8 thousand in 2010. Most of the visitors were destined to Nairobi Mini Orphanage, Tsavo East, Lake Nakuru and Amboseli National Parks. Majority of visitors to parks and reserves in 2010 continued to be adult non-residents and citizens as shown in Figure 13.5. Adult visitors are the majority due to increased number of international arrivals as well as accessibility by locals to the tourism products. In addition, Kenyans have gained from publicity of the country's tourism attractions and products.

Table 13.9: Number of Visitors to National Parks and Game Reserves, 2006-2010

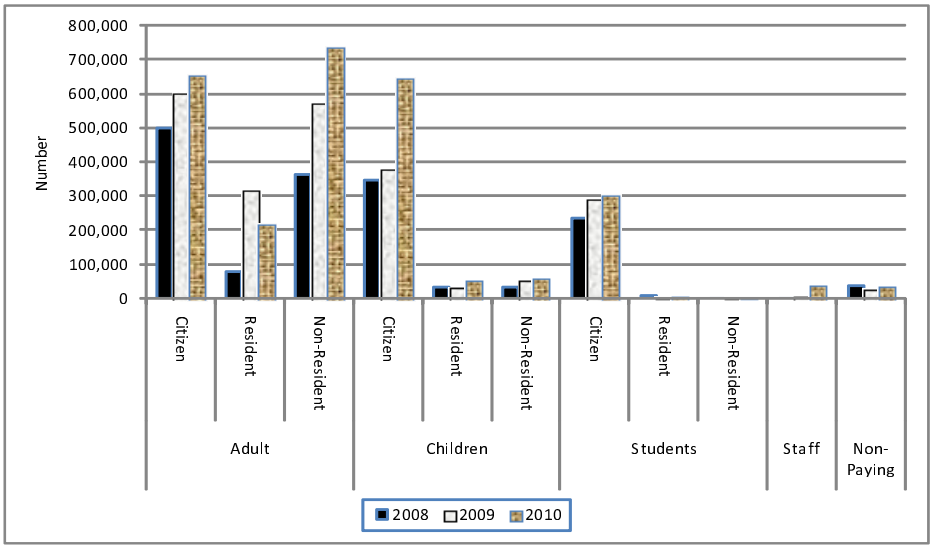
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Park/Reserve	2006	2007	2008	2009	2010*
Nairobi	101.8	93.0	91.8	102.7	120.8
Nairobi Safari Walk	170.8	205.8	202.1	258.5	201.1
Nairobi Mini Orphanage	227.9	264.8	284.5	450.4	490.2
Amboseli	153.2	156.4	84.7	133.0	209.0
Tsavo (West)	130.9	134.8	71.2	102.7	138.1
Tsavo (East)	223.3	237.1	110.9	203.8	264.2
Aberdare	54.5	50.4	26.2	36.7	42.8
Lake Nakuru	327.0	346.8	137.7	189.3	241.2
Maasai Mara	316.5	311.8	59.6	157.9	187.3
Haller's Park	128.4	140.9	135.2	137.3	120.4
Malindi Marine	38.3	40.3	29.7	43.4	46.9
Lake Bogoria	68.7	64.9	50.8	79.5	94.4
Meru	12.6	12.8	15.9	15.2	20.4
Shimba Hills	23.7	22.5	13.5	19.4	21.2
Mt. Kenya	43.8	39.6	21.7	25.0	29.2
Samburu	8.2	24.9	17.1	18.9	13.1
Kisite/Mpunguti	66.4	59.7	28.1	40.0	50.6
Mombasa Marine	33.2	39.2	26.6	27.9	37.9
Watamu Marine	40.8	32.2	17.4	16.5	25.4
Hell's Gate	61.7	91.2	80.0	87.4	121.8
Impala Sanctuary(Kisumu)	84.3	72.2	79.8	174.6	195.2
Mt. Longonot	22.6	24.7	27.8	30.8	39.1
Other[1]	25.2	29.0	21.5	34.4	48.7
TOTAL	**2,363.7**	**2,495.1**	**1,633.9**	**2,385.1**	**2,758.8**

* Provisional

[1]Other includes Arabuko Sokoke, Ol-Donyo Sabuk, Marsabit, Saiwa swamp, Sibiloi, Bamburi, Chyulu, Ruma National Park, Mwea National Reserve, Central lsland National Park, Kiunga, Mt.Elgon, Nasolot, Ndere and Kakamega.

Figure 13.5: Visitors to National Parks and Game Reserves, 2008-2010



Museums, Snake Parks and Historical Sites

13.21. The number of visitors to museums, snake parks and historical sites is presented in Table 13.10. Visitors to these facilities increased from 763.1 thousand in 2009 to 942.0 thousand in 2010, representing a growth of 23.4 per cent. This was partly as a result of the accessibility of the snake parks and increased visits to the Nairobi Museum. Visitors to Meru Museum expanded by 50.5 per cent from 19.2 thousand in 2009 to 28.9 thousand in 2010. The number of visitors to Kisumu Museum increased from 89.7 thousand in 2009 to 104.1 thousand in 2010, representing a growth of 16.1 per cent. Figure 13.6 depicts that the number of visitors to museums, snake parks and historical sites were highest in October, 2010.

Figure 13.6: Monthly Number of Visitors to the Museums, Snake Parks and Historical Sites, 2010

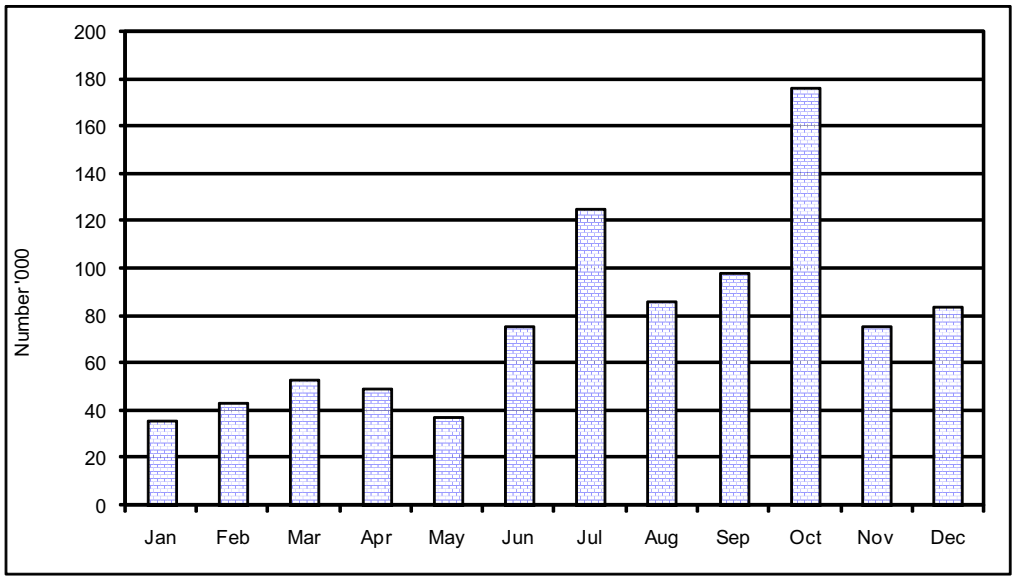


Table 13.10: Number of Visitors to Museums, Snake Parks and Historical Sites, 2006-2010

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Name of Museums	2006	2007	2008	2009	2010*
National Museum:(Main Gate)	..	..	164.1	232.7	284.4
National Museum:(Snake Park)	127.1	145.8	12.9	69.1	154.7
Fort Jesus	147.3	145.3	115.5	167.7	184.5
Kisumu Museum	83.0	90.0	75.3	89.7	104.1
Kitale Museum	36.9	36.2	23.5	30.6	32.0
Gedi	35.5	38.7	31.0	44.5	47.6
Meru Museum	16.6	18.2	14.3	19.2	28.9
Lamu	4.5	4.6	3.3	4.2	4.5
Jumba la Mtwana	4.9	7.1	7.0	9.8	8.8
Olorgessaile	1.3	1.7	1.5	1.1	..
Kariandusi	7.6	10.9	7.9	10.9	12.4
Hyrax Hill	5.9	7.5	5.0	7.7	2.1
Karen Blixen	55.9	56.2	13.5	40.2	46.7
Malindi Museum	19.7	24.1	9.9	22.9	21.4
Kilifi Mnarani	0.7	0.5	0.8	1.8	1.2
Kabarnet	2.7	2.2	1.5	2.3	1.2
Kapenguria	3.9	4.4	3.8	5.8	5.0
Pete Sites	0.0	0.0	0.1	0.1	0.1
Swahili House	4.1	0.7	0.4	0.6	0.6
Narok Museum	0.5	2.3	0.5	0.8	0.3
German Post	0.1	0.2	0.1	0.1	0.1
Takwa Ruins	1.6	1.8	1.3	1.5	1.4
Koobi Fora	..	..	..	..	0.1
TOTAL	**558.7**	**598.6**	**493.2**	**763.1**	**942.0**

* Provisional

.. not available/closed

Conference Tourism

13.22. Conference tourism sub-sector is one of the extensive and rapidly growing sub-sectors within the tourism industry, and is largely associated with travel for business purposes. The related events include meetings, incentives travel, conferences, congresses, expositions, conventions and exhibitions. The Kenyatta International Conference Centre attracts these services and its growth has been as a result of improved client retention, increased marketing and promotional activities. Many hotels and resorts throughout the country offer corporate rates and discounts and have modern, efficient business centers and conference halls complete with computer, telecommunication and internet services.

13.23. The number of local and international conferences held in Kenya went up by 12.0 and 29.6 per cent respectively in 2010. Similarly, the number delegates attending local and international conferences increased by 68.1 and 5.3 per cent respectively. The overall conferences percentage occupancy rose from 11.3 per cent in 2009 to 11.6 per cent in 2010. This was partly due to the conferences held during the Constitution Referendum exercise that was held in August, 2010.

Table 13.11: Reported Conferences, 2008-2010

Number

	2008		2009		2010*	
	Local	International	Local	International	Local	International
No.of conferences	2,107	189	2,258	196	2,529	254
No.of delegates	135,833	12,024	228,165	29,025	383,441	30,554
No.of delegate days	5,807	871	459,512	137,804	467,781	153,081
No.of delegate days available	5,145,153	5,145,153	5,255,810	5,255,810	5,368,174	5,368,174
Percentage Occupancy	0.1	0.0	8.7	2.6	8.7	2.9

*Provisional

Training

13.24. The Kenya Utalii College (KUC) has had a long standing bond with the tourism industry and its players, which has enabled the College remain abreast of the prevailing and fast changing trends in the hospitality and tourism sector. Indeed, this is the bond that has put it ahead of the pack in the field of training in which it offers students a unique and splendid blend of theory and practice. It has established a Satellite Campus in the coastal town of Mombasa with first intake in May 2010. Progress is still being made with regard to the establishment of a KUC Kisumu Branch in line with the Medium Term Plan 2010-2012.

13.25. The number of students pursuing various courses at KUC from 2006 to 2010 is shown in Table 13.12. The number of graduates reduced from 3,228 in 2009 to 2,985 in 2010, a 7.5 per cent drop. This was mainly attributed to a decrease in the number of in-service for refresher categories from 1,818 in 2009 to 1,178 in 2010. In 2010, graduates for pioneer course increased by 45.7 per cent as a result of need for quick and reliable labour force to the hospitality industry.

Table 13.12: Kenya Utalii College Graduates, 2006-2010

Number

Year	Pioneer Course[2]	In- Service		Professional Courses			Grand Total
		Refresher	MDP[1]	Ordinary	Service Advance	Sub-Total	
2006	770	1,611	276	311	18	329	2,986
2007	1,296	1,808	236	384	35	419	3,759
2008	720	1,119	166	371	40	411	2,416
2009	722	1,818	191	469	28	497	3,228
2010*	1,052	1,178	192	533	30	563	2,985

Source: Kenya Utalii College

* Provisional

[1]MDP - Management Development Programmes

[2]Pioneer is 3 month course

Recent Developments in the Tourism Sector

13.26. The Tourism Bill 2010 was published in Kenya Gazette Supplement Bills 2010 dated 17th November, 2010 for introduction to Parliament. The Bill is set to revolutionise the administration and structure of all the institutions under Tourism, and thereby enhancing Sustainable Tourism in Kenya in order to achieve the targets set out in the *Vision 2030*. It seeks to provide for the development, management, marketing and regulation of sustainable tourism, tourism-related activities and services, and for associated purposes. The Bill provides for the establishment of eight institutions/agencies and a tribunal to resolve conflicts within the sector. Institutions currently operational include; Tourism Regulatory Authority (currently Hotel and Restaurant Authority), Kenya Utalii College, Kenya Tourism Board, Tourism Protection Service (currently Tourist Police Unit), Kenyatta International Conference Centre, Tourism Fund (currently CTDLT), Tourism Finance Corporation (currently KTDC), proposed Tourism Research Institute and Tourism Tribunal. Most of these institutions are in existence partly through gazette notices and the Bill when enacted will provide a full legal framework.

Preliminary Findings of the Survey of Villas, Campsites, Cottages and Apartments

Background

13.27. Tourists have traditionally spent their nights in hotels and lodges located in various parts of the country. However, some alternative accommodation avenues namely villas, cottages, campsites and apartments have come into existence.

13.28. The number of villas, cottages, campsites and apartments has continued to grow thereby offering a different kind of accommodation set up with its own uniqueness. Long staying foreign tourists as well as the domestic ones with families are the main users of these facilities as they offer competitive prices and suitable accommodation. Unfortunately, statistics on the number of such establishments, their capacities and occupancy status is

currently not being collected. A number of these establishments, though known to offer accommodation besides competing with the hotels for a share of the market, are not even registered. Indications are that the volume of tourists, domestic and foreign, preferring this type of accommodation may be increasing at a faster rate than that of the hotels.

Objectives

13.29. The survey sought to establish the number of bed-nights spent in these facilities and form an input to the Tourism Satellite Account (TSA) tables. Specifically, the survey determined: the available capacity in the villas, cottages, campsites and apartments; the turnovers in the facilities; seasonality in occupancy; the number of employees (citizen/non-citizen) and residency of guests, whether local or international.

Coverage and Period

13.30. The survey was administered mainly in major urban centers, along the coastal strip, in selected national parks and game reserves, and ranches known to harbour villas, cottages, apartments and campsites for accommodating visitors. The survey strove to cover all the facilities in selected zones. The survey of villas, cottages, apartments and campsites was a nationwide exercise covering all the major tourism circuits in the country between 26th July and 30th August, 2010. The data collected covered 6 months from January to June, 2010.

Terminologies

13.31. ***Villa***: is an upper-class country house or, in modern times, a specific type of detached suburban dwelling, and more specifically to provide vacation accommodation for the more affluent in society. ***Campsite***: is a place that offers secluded and simple accommodation and recreation during adventure or vacation/holiday to people while enjoying nature. A tourist camp may be tented or not. ***Cottage***: is a small vacation house often found in a village, in the countryside, in a suburb, or at the seashore. ***Apartment***: is a house or a flat that is rented out to tourists to stay. Holiday apartment is mainly found in big town such as Nairobi, Mombasa, Kisumu, etc. ***Stay Unit***: is the unit of accommodation which is available to be charged out to guests. It can be one bedroom, two bedroom, etc.

Findings

13.32. Table 13.13 presents the number of types of accommodation facilities by zone from January to June 2010. The villas take 68.8 per cent of the total accommodation facilities while apartments being the least with 7.4 per cent. Most of these accommodation facilities were found in Malindi accounted for 59.4 per cent and Tana River having the least shares of 0.2 per cent of the total accommodation facilities. The coastal region had more than a half of all the accommodation facilities in the country.

Table 13.13: Type of Accommodation Facility by Zone, January – June 2010

Number

Zone	Villas	Cottages	Campsites	Apartments	TOTAL
Kwale	33	24	3	5	**65**
Mombasa	14	4	2	13	**33**
Kilifi	89	3	-	6	**98**
Malindi	662	20	4	47	**733**
Tana River	-	-	2	-	**2**
Lamu	46	2	-	1	**49**
Tsavo	-	8	35	-	**43**
Central Province, Embu, Meru, Laikipia	4	22	29	2	**57**
Western Province	-	4	18	-	**22**
Nakuru and Upper Rift excluding Laikipia, Samburu	-	14	8	3	**25**
Kericho, Nyanza province	1	6	5	5	**17**
Upper Eastern (Isiolo,Marsabit, Samburu)	-	2	12	-	**14**
Kajiado	-	5	20	-	**25**
Narok, Transmara	-	1	39	-	**40**
Nairobi	-	1	1	9	**11**
TOTAL	**849**	**116**	**178**	**91**	**1,234**

13.33. Table 13.14 shows the number of bed-nights occupied by county of residence and type of accommodation facility from January to June 2010. The analysis reveals Kenyans occupied 25.2 per cent of the total beds with the highest in campsites. Besides the villas taking a lead in the number of accommodation facilities, the beds occupied in the campsites were 54.7 per cent compared to 20.8 per cent for the villas. The share of bed-nights in villas by Italian residents was highest at 36.2 per cent, with Chinese being the lowest.

Table13.14: Bed-Nights by Country of Residence and Type of Accommodation Facility, January-June 2010

Number

Country of Residence	Villas	Cottages	Campsites	Apartments	TOTAL
Permanent Occupants	38,037	2,151	6,490	16,197	**62,875**
Kenya	29,367	55,653	82,646	21,445	**189,111**
Uganda	912	216	384	660	**2,172**
Tanzania	716	149	1,018	965	**2,848**
North Africa	116	62	149	69	**396**
Central & East Africa	401	141	398	390	**1,330**
West Africa	181	178	628	640	**1,627**
South Africa	452	570	850	5,012	**6,884**
Other Africa	156	348	1,948	84	**2,536**
United Kingdom	7,879	8,162	69,227	2,782	**88,050**
German	6,186	2,559	57,287	1,563	**67,595**
France	4,675	2,455	39,317	757	**47,204**
Italy	56,609	6,272	7,311	8,919	**79,111**
Switzerland	1,904	958	1,890	710	**5,462**
Scandinavia	1,429	1,296	4,213	823	**7,761**
Other Europe	3,150	1,759	50,937	578	**56,424**
USA	1,496	6,304	35,497	9,706	**53,003**
Canada	346	1,117	4,090	2,015	**7,568**
Other America	75	349	2,068	114	**2,606**
Janpan	66	902	15,192	193	**16,353**
India	144	2,378	4,339	280	**7,141**
Middle East	208	149	470	425	**1,252**
China	37	1,581	1,714	1,113	**4,445**
Other Asia	424	276	1,036	181	**1,917**
Australia & New Zealand	977	769	2,910	666	**5,322**
All other countries	313	10,756	19,050	260	**30,379**
TOTAL BEDS - OCCUPIED	**156,256**	**107,510**	**411,059**	**76,547**	**751,372**
TOTAL BEDS- AVAILABLE	**744,321**	**529,804**	**804,075**	**328,861**	**2,407,061**
TOTAL STAY UNITS - OCCUPIED	**89,992**	**100,578**	**103,042**	**55,072**	**348,684**
TOTAL STAY UNITS - AVAILABLE	**353,245**	**266,175**	**389,010**	**167,157**	**1,175,587**

13.34. Detailed analysis of the number of bed-nights and persons spending in the various types of accommodation for all tourist zones is provided in Table 13.15. Kajiado attracted the highest number of persons with 55,171, accounting for 19.2 per cent of the total residents. This was followed by Samburu, Laikipia and Malindi, with 17.2, 15.6 and 12.3 per cent of the visitors, respectively. Tana River zone received the least number of visitors to these facilities, having only 199 during the period under review.

13.35. Malindi recorded the largest share of visitors to villas, with 30,890 of the total 43,340 visitors, reflecting 71.3 per cent. This number also accounted for 87.3 per cent of all the visitors in Malindi, for the four types of facilities. This was in proportion to the high number of villas in the zone as compared to other zones. In the cottages category, Samburu was the preferred destination, witnessing over half of all visitors to the cottages. This was followed by neighbouring Laikipia zone, which received 23.3 per cent of all the visitors to cottages. Visitors to campsites preferred Kajiado zone, with 51,851 of the total 126,594 visitors to campsites preferring the zone. This number accounted for an outstanding 94.0 per cent of all visitors to the zone. Nairobi zone took the highest share of visitors to apartments, with 28,290 of the total 36,594 visitors. The number of visitors in the other facilities in Nairobi accounted for merely 2.4 per cent.

Table 13.15: Persons and Bed-Nights by Zone and Type of Accommodation Facility, January-June 2010

Number

Zone	Villas		Cottages		Campsites		Apartments		TOTAL	
	Persons	Bed-Nights	Persons	Bed-Nights	Persons	Bed-Nights	Persons	Bed-Nights	Persons	Bed-Nights
Kwale	6,626	18,331	5,151	5,251	568	4,458	233	1,839	12,578	29,879
Mombasa	3,544	10,874	270	1,567	510	645	3,520	14,785	7,844	27,871
Kilifi	801	13,501	94	453	-	-	1,364	6,780	2,259	20,734
Malindi	30,890	108,000	2,079	9,487	520	969	1,884	18,012	35,373	136,468
Tana River	-	-	-	-	199	540	-	-	199	540
Lamu	988	4,192	4	63	-	-	81	219	1,073	4,474
Tsavo	-	-	2,943	4,287	19,216	37,941	-	-	22,159	42,228
Central Province, Embu, Meru, Laikipia...	371	1,216	18,751	31,935	25,253	55,998	327	406	44,702	89,555
Western Province	-	-	649	980	2,314	5,838	-	-	2,963	6,818
Nakuru and Upper Rift excluding Laikipia, Samburu...	-	-	45,156	46,524	3,848	5,417	510	1,382	49,514	53,323
Kericho, Nyanza province	106	106	1,472	2,039	278	845	370	2,340	2,226	5,330
Upper Eastern (Isiolo,Marsabit, Samburu)...	-	-	73	129	6,297	6,440	-	-	6,370	6,569
Kajiado	-	-	3,305	3,359	51,851	266,902	15	15	55,171	270,276
Narok, Transmara	14	36	186	630	15,477	24,774	-	-	15,677	25,440
Nairobi	-	-	438	806	263	292	28,290	30,769	28,991	31,867
TOTAL	**43,340**	**156,256**	**80,571**	**107,510**	**126,594**	**411,059**	**36,594**	**76,547**	**287,099**	**751,372**

13.36. Table 13.16 gives a breakdown of the mean cost of varied bedrooms by type of accommodation facility. During the period under review, the mean rate for all types of bedrooms was highest in cottages at KSh 12,809.7 and lowest in apartments, at KSh 9,223.3. The mean rate for bedrooms per night varied from KSh 6,539.7 to KSh 15,099.4 between one bedroom and other bedrooms during the same period. The tourists paid more when using "Other bedrooms" in the cottages to the tune of KSh 21,313.3. The cost of one bedroom in villas was the cheapest overall costing around KSh 4,336. In the campsites it costed more when using three bedrooms.

Table 13.16: Mean Cost of Bedroom by Types of Accommodation Facility, January- June 2010

KSh

Number of Bedrooms	Villas	Cottages	Campsites	Apartments	Mean Rate
One bedroom	4,336.0	7,334.2	9,215.4	5,273.4	6,539.7
Two bedrooms	7,208.2	11,143.0	11,363.9	9,279.2	9,748.6
Three bedrooms	18,828.3	11,448.5	17,013.6	13,107.1	15,099.4
Other bedrooms	15,025.5	21,313.3	5,811.6	9,233.3	12,845.9
Mean rate	**11,349.5**	**12,809.7**	**10,851.1**	**9,223.3**	**11,058.4**

13.37. The number of personnel employed by the various types of facilities is provided in Table 13.17. The results show that despite the number of villas being more, cottages were the main employers compared to the other facilities, with a total of 27,946 employees out of the 64,626 employed in the sub-sector. There were more male employees compared to female across all facilities, with a ratio of 5:2. For instance, among the campsites, there were only 3,205 female employees out of a total of 19,142 employees, reflecting a 16.7 per cent share. The results reveal that Nakuru and Upper Rift employees had the highest work force in cottages representing 28.6 per cent, followed by Malindi in villas of the total manpower. Kenyan citizens occupy 98.2 per cent while non-citizens 1.8 per cent of the labour force with

cottages having a highest share of non-citizens at 3.2 per cent of the total working in cottages.

Table 13.17: Employees by Type of Accommodation Facility, Zone, Sex and Citizenship, January-June 2010

Number

		Citizen		Non-Citizen		Total		
Type	**Zone**	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**	**TOTAL**
Villas	Kwale	1,637	611	6	-	1,643	611	**2,254**
	Mombasa	717	303	-	-	717	303	**1,020**
	Kilifi	1,757	446	-	-	1,757	446	**2,203**
	Malindi	4,836	1,237	19	4	4,855	1,241	**6,096**
	Lamu	796	39	-	-	796	39	**835**
	Central Province, Embu, Meru, Laikipia	80	37	2	-	82	37	**119**
	Kericho, Nyanza province	12	6	-	-	12	6	**18**
	Narok, Transmara	22	-	-	-	22	-	**22**
Cottages	Kwale	914	290	-	6	914	296	**1,210**
	Mombasa	85	12	-	-	85	12	**97**
	Kilifi	48	24	-	-	48	24	**72**
	Malindi	1,625	262	4	-	1,629	262	**1,891**
	Lamu	55	20	-	-	55	20	**75**
	Tsavo	905	349	2	2	907	351	**1,258**
	Central Province, Embu, Meru, Laikipia	2,257	989	13	19	2,270	1,008	**3,278**
	Western Province	49	49	-	-	49	49	**98**
	Nakuru and Upper Rift excluding Laikipia, Samburu	9,651	7,971	570	262	10,221	8,233	**18,454**
	Kericho, Nyanza province	204	59	4	-	208	59	**267**
	Upper Eastern (Isiolo,Marsabit, Samburu)	228	69	-	-	228	69	**297**
	Kajiado	455	164	12	1	467	165	**632**
	Narok, Transmara	236	26	-	-	236	26	**262**
	Nairobi	45	5	-	5	45	10	**55**
Campsites	Kwale	256	52	-	-	256	52	**308**
	Mombasa	150	42	-	-	150	42	**192**
	Malindi	49	23	2	-	51	23	**74**
	Tana River	48	9	-	-	48	9	**57**
	Tsavo	1,868	354	11	14	1,879	368	**2,247**
	Central Province, Embu, Meru, Laikipia	3,729	1,038	18	13	3,747	1,051	**4,798**
	Western Province	293	126	7	-	300	126	**426**
	Nakuru and Upper Rift excluding Laikipia, Samburu	339	121	6	-	345	121	**466**
	Kericho, Nyanza province	92	11	1	-	93	11	**104**
	Upper Eastern (Isiolo,Marsabit, Samburu)	1,012	232	28	13	1,040	245	**1,285**
	Kajiado	3,742	735	18	21	3,760	756	**4,516**
	Narok, Transmara	4,154	338	26	19	4,180	357	**4,537**
	Nairobi	84	44	4	-	88	44	**132**
Apartments	Kwale	90	10	-	-	90	10	**100**
	Mombasa	507	255	6	-	513	255	**768**
	Kilifi	80	99	-	-	80	99	**179**
	Malindi	602	419	8	-	610	419	**1,029**
	Lamu	72	4	-	-	72	4	**76**
	Central Province, Embu, Meru, Laikipia	245	65	-	-	245	65	**310**
	Nakuru and Upper Rift excluding Laikipia, Samburu	103	97	-	-	103	97	**200**
	Kericho, Nyanza province	45	27	-	-	45	27	**72**
	Kajiado	27	22	-	-	27	22	**49**
	Nairobi	1,440	740	7	1	1,447	741	**2,188**
TOTAL		**45,641**	**17,831**	**774**	**380**	**46,415**	**18,211**	**64,626**

Chapter 14
Transport, Storage and Communications

Overview

The Transport, Storage and Communication sector realised improved performance over the review period. The sector recorded a decelerated growth of 5.9 per cent in 2010 compared to a growth of 6.4 per cent in 2009. The telecommunications sub-sector continued to post considerable growth spearheaded mainly by the mobile telephony segment. The segment posted a growth of 15.9 per cent in subscriber base from 17.4 million subscribers recorded in 2009 to 20.1 million subscribers during the period. The road transport sub-sector maintained a steady growth with an output value of KSh 331.9 billion in 2010 up from KSh 285.3 billion in 2009. The newly registered motor vehicles maintained an upward trend in 2010 with total registered units standing at 196,456 compared to 161,813 in 2009, an increase of 21.4 per cent.

14.2. The total traffic throughput handled at the Port of Mombasa declined by 0.4 per cent over the review period, partly due to decreased importation of maize. The total pipeline throughput of white petroleum products registered a 2.8 per cent decline from 4,326.2 thousand cubic metres in 2009 to 4,203.5 thousand cubic metres in 2010. Performance of the passenger and mail traffic at the main airports continued to improve in 2010, partly due to the domestic and global economic recovery.

14.3. Despite continued Road Safety Education and Awareness programmes by the Government and other stakeholders, the level of road carnage still remains high. In 2010, the road safety measures led to a drop of reported road traffic accidents by 21.0 per cent to 9,771.

Value of Output

14.4. Table 14.1 presents output values for various transport and communications sub-sectors for the period 2006 to 2010. The total output value for the sector grew by 9.5 per cent from KSh 542.7 billion in 2009 to KSh 594.2 billion in 2010. The output values of Road Transport, Services Incidental to Transport and Communications sub-sectors maintained an upward trend over the last five years posting increases of 16.4, 23.3 and 1.8 per cent, respectively, during the review period. On the other hand, output values of Railway and Pipeline Transport sub-sectors declined by 49.3 and 43.7 per cent, respectively, over the same period.

Table 14.1: Transport and Communications - Value of Output, 2006 - 2010

KSh Million

	2006	2007	2008+	2009+	2010*
Road Transport	205,305	233,224	273,047	285,250	331,948
Railway Transport	4,553	4,550	4,449	4,356	2,208
Water Transport	21,408	23,233	21,868	21,039	21,488
Air Transport	71,301	80,254	83,010	80,519	80,935
Services Incidental to Transport	29,194	33,971	38,823	40,016	49,348
Pipeline Transport	8,846	8,736	9,222	11,481	6,463
Communications	68,702	86,189	93,466	100,009	101,773
Total	**409,308**	**470,157**	**523,884**	**542,670**	**594,162**

* Provisional.

\+ Revised

Road Transport

Roads

14.5. The national roads continued to benefit from the Roads Maintenance Levy Fund (RMLF) as evidenced by increased receipts as shown in Table 14.2. During the reference period, fuel levy collections accounted for 97.9 per cent of the total funds. Total collections from the fund for roads maintenance in the country grew by 3.5 per cent to KSh 23.4 billion in 2010/2011 financial year from KSh 22.6 billion in 2009/2010 financial year.

Table 14.2: Roads Maintenance Funds, 2006/07 - 2010/11

KSh Million

Type	2006/07	2007/08	2008/09	2009/10	2010/11*
Fuel Levy	14,814	17,999	19,000	22,180	22,918
Transit Toll	327	270	357	425	487
Total	**15,141**	**18,269**	**19,357**	**22,605**	**23,405**

Source: Kenya Roads Board

* Provisional

14.6. Earnings from road transport sub-sector are displayed in Table 14.3. Total earnings went up by 16.4 per cent to KSh 332.0 billion in 2010 from KSh 285.3 billion in 2009. However, the share of passenger traffic to the total earnings reduced from 54.7 per cent in 2009 to 50.4 per cent in 2010. Over the years, earnings from freight traffic have been on an increase, registering a growth of 27.3 per cent in 2010.

Table 14.3: Earnings from Road Traffic, 2006 - 2010

KSh Million

Type	2006+	2007+	2008+	2009+	2010*
Passenger Traffic	114,880	126,814	146,072	155,909	167,320
Freight Traffic	90,424	106,410	126,975	129,341	164,628
Total Road Traffic Earnings	**205,304**	**233,224**	**273,047**	**285,250**	**331,948**

* Provisional.

+ Revised

New Registration of Motor Vehicles

14.7. The total number of newly registered motor vehicles maintained the upward trend in 2010 as shown in Table 14.4. The total units registered in 2010 reached 196,456 compared to 161,813 registered in 2009, an increase of 21.4 per cent. The motor and auto cycles remained the main contributor to the growth in new registrations, accounting for 59.7 per cent of the total units. The massive increase has been occasioned partly by the Government's policy that waived import duty on them, paving way for an avalanche of cheap motor cycles. New registration of the three wheelers category recorded 76.2 per cent growth. The new registration of minibus/*matatus* fell in 2010 by a substantial 19.7 per cent. The drop is attributable to the Government's directive to phase out 14-seater Public Service Vehicle (PSV) vans commonly known as *matatus* as a means of public transport with effect from 2011. Consequently, the number of newly registered buses and coaches went up by 19.6 per cent. The preference of station wagons over salon cars resulted in a significant growth of the former by 36.1 per cent during the review period. ''Other vehicles'' category has increased significantly over the past two years on account of increased machinery and equipment for road work construction.

Table 14.4: New Registration of Road Motor Vehicles, 2006 - 2010

Number

Type of Vehicle	2006	2007	2008	2009	2010*
Saloon Cars	14,829	17,893	18,686	16,930	16,165
Station Wagons	12,631	24,115	24,747	27,599	37,553
Panel Vans, Pick-ups, etc	6,721	9,470	8,983	7,120	6,975
Lorries/Trucks	3,610	6,329	6,691	6,037	4,924
Buses and Coaches	856	2,006	1,243	1,057	1,264
Mini Buses/Matatu	3,714	4,252	5,206	4,483	3,600
Trailers	1,706	2,193	2,100	2,883	2,379
Wheeled Tractors	920	1,213	1,262	1,115	1,161
Motor and Auto Cycles	6,250	16,293	51,412	91,151	117,266
Three Wheelers	1,075	1,072	704	863	1,521
Other vehicles	505	488	797	2,575	3,648
Total Units Registered	**52,817**	**85,324**	**121,831**	**161,813**	**196,456**

Source: Kenya Revenue Authority

* Provisional.

Road Licenses

14.8. The number of licenses issued by Transport Licensing Board (TLB) and various categories of driving licenses issued are presented in Table 14.5. Since 2009, the board adopted a new licensing procedure hence, the significant change in trend observed in 2009 and 2010. Total TLB licenses issued rose by 82.1 per cent to 28,840 in 2010 from 15,835 licenses issued in 2009. The increases were mainly on accounts of PSV *matatus* and buses. The number of licenses issued to buses more than trebled in 2010.

14.9. The total number of driving licenses issued dropped from 198,553 in 2009 to 168,191 in 2010, representing a decline of 15.3 per cent. This unprecedented downward trend in the issuance of driving licenses during the review period was mainly attributed to a delay in printing, hence, a backlog of applicants. Issuance of original and foreign driving licenses dropped by 19.9 and 22.2 per cent respectively, while the duplicate driving licenses issued rose by 9.5 per cent.

Table 14.5: Road Transport Licenses Issued, 2006 - 2010

Number

	2006	2007	2008	2009+	2010*
TLB Licenses					
PSV Matatus.	37,065	41,219	55,042	11,668	16,199
PSV Buses	7,559	8,545	10,219	1,826	6,676
Freight Transport Vehicles[1]	26,881	30,128	33,407	-	-
PSV Mini Buses	-	-	-	2,341	5,965
Total	**71,505**	**79,892**	**98,668**	**15,835**	**28,840**
Driving Licenses					
Original	126,555	148,485	166,715	164,299	131,556
Duplicate..	35,267	34,960	34,500	31,529	34,514
Foreign.....	1,618	1,738	1,625	2,725	2,121
Total.	**163,440**	**185,183**	**202,840**	**198,553**	**168,191**

Source: Kenya Revenue Authority

* Provisional

+ Revised

[1] Issuance of TLB licenses to Freight Transport Vehicles stopped from 2009

Road Traffic Accidents

14.10. In May 2010, the United Nations Launched the Global Decade of Action for Road safety. At the country level, Road Safety Education and Awareness campaigns were stepped up. As a result, the number of reported road traffic accidents dropped by 21.0 per cent having reduced from 12,369 in 2009 to 9,771 in 2010 as shown in Table 14.6. Similarly, the number of persons killed through roads accidents reduced from 4,072 in 2009 to 3,055 in 2010. The number of fatal and non-fatal injuries reduced from 26,622 in 2009 to 22,121 in 2010. The relatively high number of road accidents was associated with increased use of motorcycles (*boda-boda*), coupled with flouting of traffic rules. This has necessitated Government hospitals in major towns to dedicate most of the wards specifically to cater for motorcycle accident victims.

Table 14.6: Road Traffic Accidents, 2006 - 2010

Number

	2006	2007	2008	2009	2010*
Total Number of reported Traffic Accidents	12,201	10,225	9,093	12,369	9,771
Persons Killed or Injured					
Killed	2,715	2,530	2,463	4,072	3,055
Seriously Injured	8,722	10,658	9,481	10,644	9,327
Slightly Injured	11,828	10,327	9,476	11,906	9,739
Total	**23,265**	**23,515**	**21,420**	**26,622**	**22,121**

Source: Kenya Police

* Provisional.

Railway Transport

14.11. The poor performance of the railway transport sub-sector remains a challenge to the management of the Rift Valley Railways (RVR) since the concessionaire took over in 2006. This is associated with aging rail infrastructure and equipment. In view of this, the concession agreement was amended during the first quarter of 2010 to allow restructuring in the shareholding and management of the RVR in order to improve efficiency and service delivery and revitalize the railway network. The revised shareholding agreement signed in August 2010 saw the entry of *Citadel Capital*, an Egyptian investment company, which acquired a 49 per cent stake in Sheltam Railway Company of South Africa, the lead investor in the RVR Consortium.

14.12. The performance of the railway transport sub-sector is shown in Table 14.7. Freight traffic slightly improved as evidenced by 2.6 per cent increase in tonnage transported from 1,532 thousand tonnes in 2009 to 1,572 thousand tonnes in 2010. However, revenue earned from cargo transportation decreased by 4.8 per cent from KSh 4,317 million in 2009 to KSh 4,108 billion in 2010. Revenue earned from passenger traffic grew marginally by 0.4 per cent in the review period.

Table 14.7: Railway Traffic, 2006 - 2010

	Unit	2006	2007	2008	2009	2010*
Freight:						
Tonnes	000	1,891	2,304	1,628	1,532	1,572
Tonne-km	million	1,313	5,606	1,109	1,060	1,105
Revenue	KSh. mill.	4,177	4,448	4,266	4,317	4,108
Revenue per tonne-Km.	Cts	318	79	385	407	372
Passenger:						
Journeys	000	4,348	4,500	3,226	8,861	6,049
Passenger-Km	million	369	148	105	389	270
Revenue	KSh. mill.	160	103	76	251	252
Revenue per passenger-Km.	Cts	43	70	72	65	93

Source: Kenya Railways Corporation/Rift Valley Railways

* Provisional.

Water Transport

14.13. Analysis of port traffic handled at the Port of Mombasa is shown in Table 14.8. The port witnessed increased growth in container traffic handled over the years from 2006 to 2010. The container traffic rose from 618,816 Twenty-foot Equivalent Units (TEUs) in 2009 to 695,600 TEUs in 2010, a growth of 12.4 per cent. Overall, traffic including imports, exports and trans-shipment recorded a marginal decline in 2010, to 18,977 thousand tonnes from 19,062 thousand tonnes recorded in 2009. This partly resulted from a drop in the number of docking ships, which reduced by 9.7 per cent from 1,748 in 2009 to 1,579 in 2010.

14.14. Total imports handled at the port made a marginal reduction from 16,508 thousand tonnes in 2009 to 16,244 thousand tonnes in 2010. This resulted partly from the reduction in importation of maize and the slow off-take of refined petroleum products from the pipeline during the period. Over the same period, exports grew by 5.1 per cent, from 2,449 thousand tonnes in 2009 to 2,575 thousand tonnes in 2010. The improved performance in exports could be attributed to increased exports of tea and fluorspar.

Table 14.8: Traffic handled at Mombasa Port, 2006 - 2010

	Unit	2006	2007	2008	2009	2010*
Containers Traffic	TEUs	479,355	585,367	615,733	618,816	695,600
Ships Docking	No.	1,857	1,811	1,686	1,748	1,579
Imports	000' DWT					
Dry General	"	4,099	4,866	4,979	5,435	5,987
Dry Bulk	"	2,344	2,722	2,891	4,641	3,871
Bulk Liquids	"	5,403	5,474	5,441	6,432	6,386
Total Imports	"	**11,846**	**13,062**	**13,311**	**16,508**	**16,244**
Of which Transit In	"	3,473	4,042	4,471	4,612	5,004
Motor Vehicles landed	No.	65,348	73,818	87,284	95,798	95,604
Exports	000' DWT					
Dry General	"	1,810	2,102	2,295	2,220	2,410
Dry Bulk	"	313	205	200	62	70
Bulk Liquids	"	132	167	190	167	95
Total Exports	"	**2,255**	**2,474**	**2,685**	**2,449**	**2,575**
Of which Transit Out	"	335	381	404	368	377
Total Imports and Exports	"	**14,101**	**15,536**	**15,996**	**18,957**	**18,819**
Transhipment	"	318	426	419	105	158
Grand Total	"	**14,419**	**15,962**	**16,415**	**19,062**	**18,977**

Source: Kenya Ports Authority

* Provisional.

DWT - Deadweight Tonnes

Pipeline Transport

14.15 Table 14.9 presents the pipeline throughput of white petroleum products for the last five years. The pipeline experienced a 2.8 per cent decline in throughput in 2010 to 4,203.5 thousand cubic metres compared with 4,326.2 thousand cubic metres in 2009. This was mainly on account of capacity constraints experienced on the Western Kenya pipeline, which has reached its maximum flow rate. The Kenya Pipeline Company (KPC) is constructing a parallel pipeline along Nairobi-Eldoret line which is expected to bring an additional flow rate of 378 cubic metres per hour upon commissioning in 2011. The higher throughput is expected to improve the supply chain of petroleum products and also reduce road transportation and demurrage costs incurred by oil marketers due to delays at the Port of Mombasa.

14.16. The volume of exports dropped from 1,169.5 thousand cubic metres in 2009 to 1,153.0 thousand cubic metres in 2010. This was on account of 7.6 per cent drop in motor spirit and 4.6 per cent decline in kerosene exports. A total throughput of 3,050.5 thousand cubic metres was recorded through domestic consumption of petroleum products in the reference year which was 3.4 per cent below the 2009 realised volume of 3,156.7 thousand cubic metres. This was partly due to reduced thermal power generation, a major consumer of oil, as a result of improved rainfall levels in the country in 2010.

Table 14.9: Pipeline Throughput of White Petroleum Products, 2006 - 2010

'000 Cu. Metres

	2006	2007	2008	2009	2010*
Exports					
Motor Spirit (Premium)..	424.2	381.8	417.1	419.0	387.3
Kerosene Illuminating Oil..	112.8	116.0	110.0	103.8	99.0
Light Diesel Oil..	555.7	488.9	534.7	485.5	505.7
Jet Fuel..	143.9	144.9	153.2	161.2	161.0
Sub-Total	**1236.6**	**1131.6**	**1215.0**	**1169.5**	**1153.0**
Domestic Consumption[1]					
Motor Spirit (Premium)..	375.1	487.3	456.5	601.4	693.8
Motor Spirit (Regular)..	71.4	66.4	66.0	60.9	65.7
Kerosene Illuminating Oil..	245.1	247.1	218.8	248.5	264.8
Light Diesel Oil..	1164.5	1220.2	1178.6	1479.4	1253.0
Jet Fuel..	733.4	809.9	713.7	766.5	773.2
Sub-Total	2589.5	2830.9	2633.6	3156.7	3050.5
Grand Total	**3826.1**	**3962.5**	**3848.6**	**4326.2**	**4203.5**

Source: Kenya Pipeline Company

* Provisional.

[1]Figures do not include volume carried through by Kenya Railways and consumption in the Coastal area

Air Transport

14.17 **Passenger Traffic:** A detailed analysis of the commercial traffic at the main airports is shown in Table 14.10. The year 2010 registered a 9.1 per cent growth in passenger traffic, up from 6,888 thousand passengers in 2009 to 7,516 passengers. This growth was largely attributed to the global economic recovery in 2010 especially in Europe. In 2010 all airports recorded improved performance in passenger traffic handled as compared to the previous year, with 8.0, 14.1 and 9.1 per cent increases at Jomo Kenyatta International Airport (JKIA), Moi International Airport (MIA) and Other Airports, respectively.

14.18. **Cargo and Mail Traffic:** Total cargo handled at the Airports continued to decline further recording 12.1 per cent drop in 2010 to stand at 247.0 million tonnes. Both landed and loaded cargo at JKIA declined by 33.1 per cent and 8.3 per cent respectively, in the review period. Mail traffic increased from 1,581 tonnes in 2009 to 1,610 tonnes in 2010, reflecting a marginal increase of 1.8 per cent. An increase in mails handled was posted in JKIA whereas those at MIA recorded declines. Construction work aimed at increasing the capacity of the freight terminal at JKIA by providing additional parking bays to accommodate large aircrafts and provide sufficient large space for freight handling is currently on-going.

Table 14.10: Commercial Traffic at Main Airports, 2006 - 2010

'000

			2006	2007	2008	2009	2010*
Passengers	JKIA	Arrivals	2,244.2	2,471.6	2,390.2	2,555.7	2,793.3
(No)	**Nairobi**	Departures	1,262.2	1,438.9	1378.4	1,516.2	1,596.6
		In Transit	942.6	951.2	982.6	1,006.2	1,095.9
		Sub-Total	4,449.0	4,861.7	4,751.2	5,078.1	5,485.8
	MIA	Arrivals	558.7	620.9	401.6	502.1	578.4
	Mombasa	Departures	568.8	633.4	404.3	512.2	584.7
		In Transit	76.9	91.5	80.8	99.6	108.0
		Sub-Total	1,204.4	1,345.8	886.8	1,113.9	1,271.1
		Arrivals	337.6	397.6	349.0	325.7	354.0
	Other Airports	Departures	311.4	399.3	349.6	316.5	342.9
		In Transit	21.6	34.7	39.4	54.0	62.6
		Sub-Total	670.6	831.6	738.0	696.2	759.5
	Total Passenger Traffic		**6,324.0**	**7,039.1**	**6,376.0**	**6,888.2**	**7,516.4**
Cargo	JKIA	Landed	54,223.2	59,496.1	59,218.6	46,949.4	31,416.3
(Tonnes)	**Nairobi**	Loaded	186,897.6	216,286.8	240,091.6	214,583.9	196,854.1
		Sub-Total	241,120.8	275,782.9	299,310.2	261,533.3	228,270.4
	MIA	Landed	1,552.2	1,393.9	1,047.0	1,489.2	1,245.6
	Mombasa	Loaded	7,924.8	7,832.1	5,065.3	4,943.2	6,715.3
		Sub-Total	9,477.0	9,226.0	6,112.3	6,432.4	7,960.9
	Other Airports	Landed	10,112.6	12,247.3	9,079.8	7,472.7	4,219.3
		Loaded	17,746.0	9,005.5	5,837.9	5,649.0	6,506.3
		Sub-Total	27,858.6	21,252.8	14,917.7	13,121.7	10,725.6
	Total Cargo Traffic		**278,456.4**	**306,261.7**	**320,340.2**	**281,087.4**	**246,956.9**
Mail	JKIA	Landed	1,005.2	629.0	907.8	966.0	1,392.8
(Tonnes)	**Nairobi**	Loaded	367.6	469.4	519.0	570.0	187.1
		Sub-Total	1,372.8	1,098.4	1,426.8	1,536.8	1,579.9
	MIA	Landed	58.3	28.9	23.2	18.2	10.0
	Mombasa	Loaded	62.1	41.3	25.2	25.7	19.9
		Sub-Total	120.4	70.2	48.4	43.9	29.9
	Total Mail Traffic		**1,493.2**	**1,168.6**	**1,475.2**	**1,580.7**	**1,609.8**

Source: Kenya Airports Authority

* Provisional

Communications

14.19. **Postal Services:** Table 14.11 presents the performance of the postal services sub-sector. The number of post offices dropped from 701 in 2009 to 698 in 2010. Likewise private courier operator outlets and licensed courier operators declined by 3.4 and 11.7 per cent, respectively, during the review period. This could be attributed to increased use of email and mobile phones.

14.20. The number of installed private letter boxes rose by 3,000 to 415 thousand in 2010 from 412 thousand in 2009. The number of rented private letter boxes grew marginally by 0.3 per cent from 350 thousand in 2009 to 351 thousand in 2010, while private bags rented remained constant at 2009 levels. Total Expedited Mail Service (EMS) items handled decreased from 1,589 thousand in 2009 to 1,524 thousand in 2010, registering a decline of 4.1 per cent.

14.21. Total registered and insured items posted for both local and international destinations recorded a decline of 3.7 per cent from 1,368 thousand in 2009 to 1,317 thousand in 2010. However, the volume of domestic and international unregistered correspondence handled posted a growth of 29.2 per cent. The total parcels handled declined by 19.1 per cent in 2010.

14.22. Money orders issued continued to decline further during the year under review. The number of money orders issued decreased by 25.4 per cent from 838 thousand in 2009 to 625

thousand in 2010. This was mainly due to increased mobile money transfers and continued decentralisation of banking services.

Table 14.11: Postal Services, 2006 - 2010

Item	Unit	2006	2007	2008	2009	2010*
Post Offices..	No.	761	719	707	701	698
Private Courier Operator Outlets..	No.	521	554	606	622	601
Licensed Courier Operators..	No.	105	134	148	180	159
Total Private Letter Boxes:						
Installed..	'000	410	412	414	412	415
Rented..	'000	323	338	339	350	351
Private Bags Rented..	No.	909	843	892	846	846
Total EMS Items Handled:	**'000**	**628**	**826**	**1345**	**1,589**	**1,524**
Accepted..	'000	325	446	803	859	772
Delivered..	'000	303	380	542	730	752
Total Registered and Insured Items Posted:	**'000**	**1,680**	**1,679**	**1,736**	**1,368**	**1,317**
Domestic	'000	1,569	1,583	1,646	1,259	1,227
International	'000	111	96	90	109	90
Unregistered correspondence handled :	**Millions**	**84**	**92**	**96**	**89**	**115**
Domestic..	Millions	69	79	85	80	108
International..	Millions	15	13	11	9	7
Parcels handled :	**'000**	**162**	**150**	**136**	**69**	**52**
Domestic..	'000	78	72	61	25	25
International..	'000	84	78	75	44	27
Money Orders Issued:	**'000**	**2,323**	**2,261**	**1,733**	**838**	**625**
Ordinary..	'000	937	563	439	318	377
Express..	'000	1,384	582	172	54	28
EFT/PostaPay	'000	-	1,003	1,121	466	203
Interstate (E.A.)..	'000	2	2	1	0.4	17
Postal Orders Issued:	**'000**	0.50	0.25	0.13	0.02	0.04

*Provisional.

Telecommunications

14.23. The telecommunications sub-sector has witnessed sustained growth over the years. As reflected in Table 14.12, the mobile telephony segment registered a 15.9 per cent growth in subscriber base in 2010. The Communications Commission of Kenya (CCK) continued to play a major role in regulating the services in the sub-sector during the review period. The CCK reduced the interconnection tariff for fixed and mobile communication services by 50 per cent during the period making operators to reduce retail price of telephone calls across the networks. The country is currently served by three Sub-marine Fibre Optic cables namely, The East African Marine System (TEAMS), East African Sub-marine Cable System (EASSY) and Sea Submarine Communications (SEACOM) Limited. The availability of the cables has resulted in increased speed of internet and amount of broadband available for users, hence, attracting more investors in the sector.

Fixed Line and Wireless Telephone

14.24. The total fixed lines (including wireless) subscribers declined from 696 thousand in 2009 to 460 thousand subscribers in 2010, leading to a decrease in tele-density from 1.8 per cent to 1.2 per cent over the same period. The overall decline in total fixed line connections could be partly due to increased accessibility of mobile service coverage.

Table 14.12: Telecommunications Traffic, 2006 -2010

	Unit	2006	2007	2008	2009	2010*
Fixed Lines, CDMA, and other Wireless						
Capacity	'000	533	837	612	731	800
Connections	'000	291	339	527	696	460
Public Call boxes (Telephone Booths):						
Coin Phones	'000	5.0	5.0	6.0	5.0	5.0
Card/Prepaid Phones	'000	1.0	1.0	0.5	0.5	0.5
Mobile Telephony+						
Mobile Telephone Capacity	'000	10,600	18,200	25,965	29,000	46,629
Connections	'000	6,485	9,305	12,934	17,362	20,119
Licensed Internet Services Providers (ISPs)	No.	51	50	56	52	57
Tele - Density %	-	0.9	1.4	1.4	1.8	1.2
Tele-Accessibility %	-	19.9	35.0	36.4	46.8	51.2

* Provisional

+Series revised

CDMA - Code Division Multiple Access

Mobile Telephony

14.25. The mobile telephony market sub-sector registered significant growth, with 20,119 thousand subscribers by 2010 up from 17,362 thousand subscribers attained by 2009, a growth of 15.9 per cent. The number of pre-paid subscriptions continued to outweigh the post-paid subscriptions. During the year under review, there were 180,613 post-paid subscriptions against 19.9 million pre-paid subscriptions. The post-paid subscriptions accounted for only 0.9 per cent of the total subscriptions. The high proportion of pre-paid subscriptions could be due to low value of prepaid calling cards which are as low as KSh 5, thus, making the service affordable to majority of the population. The volume of Short Messaging Service (SMS) decreased by 2.4 per cent from 2,728.9 million in 2009 to 2,662.6 million in 2010. This reduction may be attributed to reduced calling tarrifs and promotional/special offers on voice services.

14.26. During the period under review, CCK initiated the process of developing guidelines for Mobile Number Portability (MNP) framework to facilitate provision of the services in the country. Mobile Number Portability is a feature that gives subscribers the freedom to switch their service providers without having to change their mobile phone numbers. Upon implementation, MNP will enable subscribers retain their subscriber numbers when changing service providers. As this service rolls out, it will enhance consumer choice and competition in a multi-operator environment and level the playing ground for operators in the market. Currently, there are four licensed mobile operators, namely, Safaricom Limited, Airtel Kenya, Essar Telecoms Kenya Limited (Yu) and Telkom Kenya Limited (Orange).

Internet Penetration

14.27. Internet penetration in the country recorded an impressive growth during the year under review. The estimated number of internet users more than doubled to stand at 7.8 million by June, 2010 compared to 3.6 million in June, 2009. The growth is attributed to price reduction following aggressive promotions especially by mobile phone operators coupled with increased access to social networking sites through mobile handsets, a practice that has become popular among the youth. The number of active licensed internet service providers in 2010 was 57 compared to 52 in 2009.

Information and Mass Media

14.28. **Broadcasting:** The CCK continued to receive applications for Frequency Modulation (FM) radio and television broadcast frequency licenses. As shown in Table 14.13, CCK assigned 11 additional FM radio frequencies in 2010 bringing the number of FM frequencies in use to 314. In preparation for transition to digital broadcasting, CCK assigned two digital television (TV) broadcasting frequencies to Kenya Broadcasting Corporation (KBC) in Nairobi for digital TV signal distribution. KBC has since established a digital TV broadcasting signal distribution platform with 13 TV broadcasters being accommodated. This will enhance the process of migration from analogue to digital TV broadcasting nationwide which is expected to be achieved by June, 2012.

Table 14.13: Radio and TV Frequencies Utilized, 2006 - 2010

Number

Frequencies	2006	2007	2008	2009	2010*
TV Frequencies.....	123	127	81	81	83
FM Frequencies.....	348	368	268	303	314

Source: Communications Commission of Kenya

* Provisional

14.29. **Print Media:** The number of local daily and weekly newspapers circulated in the country is shown in Table 14.14. The circulated copies of English daily newspapers registered a growth of 3.4 per cent from 101,853 thousand copies in 2009 to 105,300 thousand copies in 2010 while Swahili daily newspapers in circulation increased by 360 thousand copies over the same period. Copies of English and Swahili weekly newspapers circulated increased by 30.2 and 16.3 per cent respectively, in the review period. The increased circulation of the newspapers could partly be attributed to interests in developments towards the constitutional review, world cup in South Africa and the International Criminal Court processes.

Table 14.14: Local Daily/Weekly Newspapers in Circulation, 2006 - 2010

'000 Copies

	2006	2007	2008	2009	2010*
Morning Newspapers-					
English	89,402	98,479	99,369	101,853	105,300
Swahili	6,603	7,510	7,852	8,190	8,550
Other Newspapers-					
English Weeklies	1,156	9,340	12,601	16,282	21,200
Swahili Weeklies[1]	-	902	1,060	1,223	1,422

* Provisional

[1] New product introduced in 2007

Chapter 15

Governance

Overview

During the period under review the Government continued to implement governance reforms in line with Agenda 4 of the Kenya National Dialogue and Reconciliation process established to seek solutions to the 2007/08 Post Election Violence (PEV). The enactment of the new constitution which was promulgated in August 2010 was a milestone in the implementation of Agenda 4.

15.2. The number of crimes reported to the Police declined by 2.0 per cent from 72,255 in 2009 to 70,779 in 2010. Rift Valley province accounted for the largest share contributing 26.9 per cent of all the crimes reported in the country. The highest increase in criminal incidences in the period under review was recorded in Nairobi province at 29.5 per cent. Overall the number of persons reported to police to have committed crimes decreased by 10.8 per cent to 67,362 in 2010. There was a decline of 21.1 per cent in the number of males reported to have committed crime while that of females increased significantly by 51.4 per cent. Total number of cases reported to KACC increased by 34.5 per cent from 4,473 in 2009 to 6,018 in 2010. The number of firearms surrendered increased tremendously from 163 in 2009 to 1,064 in 2010 while those recovered reduced by 40.4 per cent from 423 to 252 in the same period.

Public Safety, Law and Order

15.3. Public safety, security and access to justice present a challenge to attainment of **Vision 2030** and Millennium Development Goals (MDGs). Table 15.1 presents the number of crimes reported to the Police from 2006 to 2010. The total number of crimes reported decreased by 2 .0 per cent from 72,255 in 2009 to 70,779 in 2010. Other offences against persons and stealing accounted for 28.3 and 16.9 per cent of the total crimes reported, respectively. During the review period traffic offences, crimes against morality and economic crimes increased by 74.6, 18.4 and 14.5 per cent, respectively. However, corruption cases reported to police and offences involving theft of stock declined by 60.8 and 22.0 per cent, respectively.

Table 15.1: Number of Crimes Reported to Police Stations, 2006- 2010

Number

Crimes	2006	2007	2008	2009	2010*
Homicide	2,090	1,912	2,037	2,214	2,239
Offences against morality	3,525	3,673	3,116	4,068	4,817
Other offences against persons	18,723	17,831	16496	20,539	20,012
Robbery	5,234	3,492	3,401	2,938	2,843
Breakings	7,420	6,337	6,626	7,053	6,453
Theft of stock	2,209	1,568	2,269	2,876	2,244
Stealing	10,874	10,749	11,435	11,972	11,986
Theft by servant	2,700	2,169	2,387	2,732	2,591
Vehicles and other thefts	1,660	1,221	1,387	1,439	1,365
Dangerous drugs	5,821	5,401	4,407	5,541	5,081
Traffic offences[1]	62	46	120	59	103
Criminal damage	3,518	2,770	3,760	3,417	3,327
Economic crimes	1,873	1,908	1,898	2,324	2,662
Corruption	252	177	133	158	62
Offences involving police officers	76	32	33	56	37
Offences involving tourists	84	10	6	5	1
Other penal code offences	6,104	3,732	3,994	4,864	4,956
Sub –Total	**72,225**	**63,028**	**63,476**	**72,255**	**70,779**

Source: Kenya Police Department

* Provisional

[1]Refer to the classification of the crimes in appendix 15.1

15.4. Table 15.2 presents the number of crimes reported to police by province from 2006 to 2010. Rift Valley province accounted for 26.9 per cent of all the crimes reported in the country. Nairobi province recorded the highest increase in criminal incidences from 4,712 in 2009 to 6,102 in 2010, while Nyanza province registered the highest decline.

Table: 15.2: Number of Crimes Reported to Police by Province, 2006– 2010

Number

Province	2006	2007	2008	2009	2010*
Nairobi	11,302	6,395	4,667	4,712	6,102
Rift Valley	14,730	12,590	9,945	19,716	19,056
Central	10,900	10,187	12,130	9,929	9,215
Eastern	9,812	9,615	9,704	10,003	9,203
Nyanza	7,962	7,756	8,739	8,721	7,859
Coast	8,601	8,182	9,639	9,291	9,458
Western	7,600	7,088	7,402	8,610	8,305
North Eastern	949	786	849	1,020	1,216
Railways[1]	204	148	279	149	140
KAPU[1]	165	281	122	104	225
Total	**72,225**	**63,028**	**63,476**	**72,255**	**70,779**

Source: Kenya Police Department

* Provisional

[1]Kenya Police Services considers KAPU and Railways as provinces

KAPU means Kenya Airports Police Unit

15.5. One of the factors exacerbating insecurity is the widespread proliferation of small arms. In response to this challenge the Government continued to intensify efforts aimed at containing smuggling small arms into the country. Details on the number of firearms and ammunitions recovered and surrendered are presented in Table 15.3. Firearms surrendered increased tremendously from 163 in 2009 to 1,064 in 2010 while those recovered dropped by 40.4 per cent from 423 to 252 in the same period. Similarly, ammunitions recovered and those surrendered reduced by 63.8 per cent from 114,527 in 2009 to 41,500 in 2010, while rifles recovered increased by 33.9 per cent. Both toy pistols and pistols recovered declined by 37.5 and 94.3 per cent, respectively. In the period under review, no rifles were surrendered.

Table 15.3: Firearms and Ammunitions Recovered/Surrendered, 2006-2010

Number

Firearms/Ammunitions	2006	2007	2008	2009	2010*
Firearms					
Recovered					
Rifles	516	186	238	121	162
Pistols	619	261	252	128	80
Toy Pistols	-	-	226	174	10
Total	**1,135**	**447**	**716**	**423**	**252**
Surrendered					
Rifles	39	206	332	163	-
Pistols	-	-	-	-	1,064
Toy Pistols	-	-	2	-	-
Total	**39**	**206**	**334**	**163**	**1,064**
Ammunitions					
Recovered[1]	3,346	7,084	8,081	110,047	38,127
Surrendered	264	204	1,540	4,480	3,373
Total	**3,610**	**7,288**	**9,621**	**114,527**	**41,500**

Source: Kenya Police Department

* Provisional

[1] The figure for 2009 includes over 100,000 ammunitions recovered in Narok during a Police operation.

15.6 Table 15.4 presents the number of persons reported to police to have committed offences by sex, from 2006 to 2010. The number of persons reported to have committed offences declined by 10.8 per cent from 75,501 in 2009 to 67,362 in 2010. The number of males reported to have committed crime declined by 21.1 per cent while that of females increased by 51.4 per cent. Central and North Eastern provinces reported increases of 47.8 and 17.1 per cent, respectively in the number of persons reported to have committed crime. Nyanza and Eastern provinces registered substantial declines in the number reported to have committed crime in the period under review.

Table 15.4: Number of Persons Reported to Police to have Committed Offences by Sex, 2006-2010

Number

Year	Sex	Nairobi	Central	Coast	Eastern	N/Eastern	Nyanza	R/Valley	Western	KAPU	Railways	Total
	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
2006	**Total**	13,300	9,706	9,845	8,884	816	5,793	16,378	9,947	137	357	75,163
	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
2007	**Total**	9,868	9,012	9,452	9,522	908	7,849	15,276	7,143	192	262	69,484
	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
2008	**Total**	4,135	10,366	9,516	11,093	896	9,498	8,100	7,357	151	326	61,438
	Male	8,673	7,886	8,123	10,605	886	8,443	11,741	8,078	132	215	64,782
	Female	1,667	1,894	1,577	1,817	88	1,114	1,484	1,032	8	18	10,719
2009	**Total**	10,360	9,780	9,700	12,422	974	9,557	13,225	9,110	140	233	75,501
	Male	4,788	10,077	5,916	6,340	923	5,550	11,388	5,810	137	201	51,130
	Female	5,189	4,373	1,116	1,014	218	1,095	2,091	1,109	18	9	16,232
2010*	**Total**	9,977	14,450	7,032	7,354	1,141	6,645	13,479	6,919	155	210	67,362

Source: Kenya Police Department

* Provisional

Note: The number of persons reported to the Police to have committed offences may differ with that of crimes reported to the Police (Table 15.1) because a person may commit more than one crime one crime may be committed by more than one person

15.7. Table 15.5 shows the number of persons who committed offences against morality and other offences against persons by sex from 2006 to 2010. Overall, the number of persons who committed offences against morality increased from 3,777 in 2009 to 4,935 in 2010. Cases of rape, defilement, incest and abduction increased by 48.3, 22.9, 96.2 and 11.8 per cent, respectively. The number of persons who committed other offences against persons registered a minor decrease of 5.7 per cent. The number of offences relating to affray/scuffle more than doubled to stand at 1325, while assault offences decreased by 20.3 per cent.

Table 15.5: Number of Persons reported to have committed Offences against Morality and Other Offences against Persons by Sex, 2006-2010

Numbers

Offences	2006			2007			2008			2009			2010*		
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
Against morality															
Rape	1,295	0	1,295	1,149	2	1,151	812	222	1,034	939	4	943	561	138	1,398
Defilement	1,273	0	1,273	1,779	3	1,782	1,396	232	1,628	2,234	51	2,285	2,202	606	2,808
Incest	112	10	122	158	10	168	85	15	100	181	4	185	326	37	363
Unnatural/sodomy	128	0	128	147	0	147	113	8	121	126	0	126	88	4	92
Bestiality	4	11	15	10	1	11	21	1	22	9	0	9	17	32	49
Indecent assault	288	1	289	138	0	138	133	19	152	120	3	123	101	11	112
Abduction	176	10	186	104	8	112	49	12	61	87	6	93	71	33	104
Bigamy	5	0	5	7	1	8	4	4	8	12	1	13	6	3	9
Sub- total	**3,281**	**32**	**3,313**	**3,492**	**25**	**3,517**	**2,613**	**513**	**3,126**	**3,708**	**69**	**3,777**	3,372	864	4,935
Other offences against persons															
Assault	10,823	3,017	13,840	10,454	2,862	13,316	9,414	2,518	11,931	11,700	3,093	14,793	8,710	3,074	11,784
Creating disturbance	3,718	1,039	4,757	4,781	1,064	5,845	3,921	827	4,748	5,024	1,102	6,126	5,014	2,107	7,121
Affray (scuffle)	312	244	556	387	258	645	298	138	436	306	228	534	1000	325	1,325
Sub- total	**14,853**	**4,300**	**19,153**	**15,622**	**4,184**	**19,806**	**13,633**	**3,483**	**17,115**	**17,030**	**4,423**	**21,453**	**14,724**	**5,506**	**20,230**
Total	**18,134**	**4,332**	**22,466**	**19,114**	**4,209**	**23,323**	**16,246**	**3,996**	**20,241**	**20,738**	**4,492**	**25,230**	**18,096**	**6,370**	**25,165**

Source: Kenya Police Department

*Provisional

Note: The number of persons reported to the Police to have committed offences may differ with that of crimes reported to the Police (Table 15.1) because a perosn may commit more than one crime or one crime may be committed by more than one person

15.8. Information on persons reported to police to have committed homicide offences by sex from 2006 to 2010 is shown in Table 15.6. During the period under review, the number of persons reported to have committed homicide declined by 29.1 per cent from 2,310 in 2009 to 1,637 in 2010. Offences of concealing birth, suicide, causing death by dangerous driving and murder decreased by 30.3, 70.4, 45.5 and 30.6 per cent, respectively. The number of persons reported to have committed manslaughter increased from 68 in 2009 to 268 in 2010 with the majority being males. Overall, the persons who committed various offences by sex dropped proportionately though females declined at a faster rate than the males.

Table 15.6: Persons Reported to Police to have Committed Homicide Offences by Sex, 2006-2010

Number

Offences	2006			2007			2008			2009			2010*		
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
Murder	713	143	856	1,135	156	1,291	1,346	170	1,516	1,304	142	1,446	819	184	1,003
Manslaughter	260	29	289	16	0	16	51	10	61	54	14	68	249	19	268
Infanticide	5	38	43	5	21	26	2	17	19	0	31	31	8	19	27
Procuring abortion	8	39	47	3	36	39	9	36	45	2	32	34	5	25	30
Concealing birth	7	64	71	3	38	41	24	68	92	7	69	76	14	1	15
Suicide	141	56	197	294	75	369	234	33	267	212	41	253	11	64	75
Causing death by dangerous driving	268	19	287	225	12	237	271	16	287	372	30	402	215	4	219
Total	**1,402**	**388**	**1,790**	**1,681**	**338**	**2,019**	**1,937**	**350**	**2,287**	**1,951**	**359**	**2,310**	**1,321**	**316**	**1,637**

Source: Kenya Police Department

*Provisional

Note: The number of persons reported to the Police to have committed offences may differ with that of crimes reported to the Police (Table 15.1) because a perosn may commit more than one crime or one crime may be committed by more than one person

15.9. Table 15.7 presents the number of persons reported to have committed robbery and theft by sex from, 2006 to 2010. The number of persons who were reported to have committed offences related to vehicles and other thefts rose from 1,203 in 2009 to 1,578 in 2010, while those who committed offences related to robbery increased by 6.4 per cent. The number of persons reported for offences of breakings, theft of stock, stealing and theft by servants declined.

Table 15.7: Persons Reported to have Committed Robbery and Theft by Sex, 2006-2010

Number

Offences	2006			2007			2008			2009			2010*		
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
Robbery															
Robbery	1,662	148	1810	1,177	6	1,183	900	76	976	862	38	900	952	368	1320
Robbery with violence	3,101	140	3,241	2,327	47	2,374	1,823	124	1,947	1,929	87	2,016	1417	491	1908
Carjacking	215	10	225	76	0	76	182	0	182	65	1	66	14	4	18
Robbery of m/vehicle	159	10	169	46	1	47	47	1	48	104	2	106	2	0	2
Cattle rustling	92		92	4	0	4	23	0	23	13	0	13	11	39	50
Sub -total	**5,229**	**308**	**5,537**	**3,630**	**54**	**3,684**	**2,975**	**201**	**3,176**	**2,973**	**128**	**3,101**	**2,396**	**902**	**3,298**
Breakings															
House breaking	3,259	147	3406	3,009	177	3,186	2,794	188	2,982	2,518	131	2,649	1506	561	2067
Burglary	2,204	92	2,296	2,353	41	2,394	1,635	43	1,678	1,773	78	1,851	1355	380	1735
Other breaking	2,017	288	2,305	2,791	176	2,967	1,987	128	2,115	2,412	69	2,481	1672	496	2168
Sub -total	**7,480**	**527**	**8,007**	**8,153**	**394**	**8,547**	**6,416**	**359**	**6,775**	**6,703**	**278**	**6,981**	**4,533**	**1,437**	**5,970**
Theft of stock	2,069	13	2,082	1,797	63	1,860	1,854	52	1,906	2,772	83	2,855	1,762	327	2,089
Sub -total	**2,069**	**13**	**2,082**	**1,797**	**63**	**1,860**	**1,854**	**52**	**1,906**	**2,772**	**83**	**2,855**	**1,762**	**327**	**2,089**
Stealing															
Handling stolen property	480	93	573	506	94	600	454	34	488	361	43	404	309	50	359
Stealing from person	916	119	1,035	1,096	102	1,198	818	117	935	1049	130	1179	817	229	1046
Stealing by lodgers/tenants	384	63	447	254	42	296	163	12	175	92	40	132	109	33	142
Stealing from buildings	625	96	721	353	45	398	719	64	783	275	188	463	108	30	138
General stealing	6,772	1707	8,479	6,308	973	7,281	6,864	1,065	7,929	8,939	1,461	10,400	**6,911**	**2,032**	**8,943**
Sub -total	**9,177**	**2078**	**11,255**	**8,517**	**1256**	**9,773**	**9,018**	**1,292**	**10,310**	**10,716**	**1,862**	**12,578**	**8,254**	**2,374**	**10,628**
Theft by servant															
Stealing by directors	849	124	973	130	28	158	37	12	49	28	7	35	51	6	57
Stealing by agents	290	177	467	230	50	280	183	53	236	219	243	462	147	87	234
Stealing by employee/servant	1465	560	2,025	1,476	519	1,995	1,207	396	1,603	1,763	781	2,544	1959	735	2694
Sub -total	**2,604**	**861**	**3,465**	**1,836**	**597**	**2,433**	**1,427**	**461**	**1,888**	**2,010**	**1031**	**3,041**	**2,157**	**828**	**2,985**
Vehicle and other thefts															
Theft of m/vehicle	717	84	801	475	3	478	461	87	548	515	6	521	358	162	520
Theft from m/vehicle	258	7	265	182	4	186	154	34	188	175	1	176	206	112	318
Theft of m/vehicle parts	332	8	340	264	3	267	221	48	269	242	0	242	264	111	375
Theft of motor cycle	205	2	207	150	0	150	213	18	231	247	17	264	356	9	365
Sub -total	**1,512**	**101**	**1,613**	**1,071**	**10**	**1,081**	**1,049**	**187**	**1,236**	**1,179**	**24**	**1,203**	**1,184**	**394**	**1,578**

Source: Kenya Police Department

*Provisional

Note: The number of persons reported to the Police to have committed offences may differ with that of crimes reported to the Police (Table 15.1) because a person may commit more than one crime or one crime may be committed by more than one person

15.10 Table 15.8 shows the number of persons reported to have committed offences related to dangerous drugs and criminal damage by sex from 2006 to 2010. There were declines of 35.3 and 35.8 per cent in the number of persons reported to have committed offences related to dangerous drugs and criminal damage, respectively. All categories of crimes related to dangerous drugs recorded declines in numbers between 2009 and 2010. Similarly the number of persons reported to have committed offences related to criminal damage reduced except those who committed negligent acts.

Table 15.8: Persons Reported to have Committed Offences Related to Dangerous Drugs and Criminal Damage by Sex, 2006– 2010

Number

Offences	2006			2007			2008			2009			2010*		
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
Dangerous Drugs															
Possession	4,052	650	4,702	4,614	277	4,891	3,463	332	3,795	4,613	370	4,983	3299	320	3619
Handling	92	40	132	112	11	123	27	2	29	102	22	124	25	3	28
Trafficking	255	93	348	196	28	224	106	30	136	359	53	412	100	71	171
Cultivating	287	26	313	138	24	162	187	62	249	74	9	83	43	2	45
Usage	247	54	301	106	11	117	50	9	59	379	53	432	24	16	40
Sub- Total	**4,933**	**863**	**5,796**	**5,166**	**351**	**5,517**	**3,833**	**435**	**4,268**	**5,527**	**507**	**6,034**	**3,491**	**412**	**3,903**
Criminal Damage															
Malicious damage	2,109	462	2,571	2,128	371	2,499	2,020	332	2,352	2,707	465	3,172	1689	414	2103
Arson	555	83	638	326	52	378	532	66	598	477	58	535	315	35	350
Negligent acts	93	14	107	13	3	16	74	18	92	54	25	79	70	16	86
Other criminal damage	42	5	47	118	28	146	42	11	53	115	89	204	17	5	22
Sub – Total	**2,799**	**564**	**3,363**	**2,585**	**454**	**3,039**	**2,668**	**427**	**3,095**	**3,353**	**637**	**3,990**	**2,091**	**470**	**2,561**

Source: Kenya Police Department

*Provisional

Note: The number of persons reported to the Police to have committed offences may differ with that of crimes reported to the Police (Table 15.1) because a perrosn may commit more than crime or more than one crime or one crime may be committed by more than one person

15.11. The number of persons reported to have committed economic crimes increased by 31.4 per cent from 2,576 in 2009 to 4,446 in 2010, as presented in Table 15.9. Those reported to have committed economic crimes by false pretence increased by 44.1 per cent from 1,777 to 2,561 in the same period. Those who committed crimes of currency forgery increased by more than five times from 288 to 1,472 in the period under review. The number of persons reported to have committed corruption declined from 210 in 2009 to 64 in 2010. Those reported for soliciting bribe increased from 26 to 30. The number of persons reported to have committed economic crimes and corruption involving police officers declined from 140 to 49 during the same period.

Table 15.9: Persons Reported to have Committed Economic Crimes and Corruption by Sex, 2006-2010

Number

Offences	2006			2007			2008			2009			2010*		
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
Economic crimes															
Obtaining by false pretence	919	207	1,126	1,191	215	1,406	985	228	1,213	1548	229	1,777	2091	470	2,561
Currency forgery	189	20	209	181	8	189	60	17	77	248	40	288	947	525	1,472
False accounting	24	4	28	21	1	22	32	12	44	18	3	21	156	58	214
Other fraud/forgery	141	32	173	221	15	236	146	35	181	441	49	490	190	9	199
Sub – Total	**1,273**	**263**	**1,536**	**1,614**	**239**	**1,853**	**1,223**	**292**	**1,515**	**2,255**	**321**	**2,576**	**3,384**	**1,062**	**4,446**
Corruption															
Soliciting for bribes	66	12	78	74	8	82	20	4	24	22	4	26	24	6	30
Accepting bribes	41	3	44	5	1	6	5	0	5	14	0	14	10	0	10
Accepting free gifts	5		5	7	0	7	0	1	1	1	0	1	0	3	3
Demanding by false pretence	13	5	18	31	1	32	1	2	3	13	0	13	10	2	12
Other corruption offences	86	2	88	48	5	53	6	4	10	155	1	156	9	0	9
Sub – Total	**211**	**22**	**233**	**165**	**15**	**180**	**32**	**11**	**43**	**205**	**5**	**210**	**53**	**11**	**64**
Offences involving Police officers															
Soliciting for bribes	85	8	93	17	2	19	2	0	2	13	2	15	19	1	20
Accepting bribes	6	4	10	3	0	3	0	0	0	3	1	4	12	2	14
Accepting free gifts	2	2	4	1	0	1	0	0	0	0	0	0	0	0	0
Demanding by false pretence	18	3	21	0	0	0	0	0	0	3	2	5	0	0	0
Other corruption offences	6	1	7	29	1	30	35	21	56	105	11	116	14	1	15
Sub – Total	**117**	**18**	**135**	**50**	**3**	**53**	**37**	**21**	**58**	**124**	**16**	**140**	**45**	**4**	**49**

Source: Kenya Police Department

* Provisional

Note: The number of persons reported to the Police to have committed offences may differ with that of crimes reported to the Police (Table 15.1) because a person may commit more than one crime or one crime may be committed by more than one person

Cases handled by Kenya Anti-Corruption Commission

15.12. During the period under review, the Kenya Anti – Corruption Commission (KACC) intensified its efforts in the fight against corruption, which resulted in a 28.7 per cent increase in the number of cases received for investigation as shown in Table 15.10. The total number of cases reported to KACC increased by 34.5 per cent from 4,473 in 2009 to 6,018 in 2010. Similarly, the number of corruption cases registered increased by 32.7 per cent from 4,474 in 2009 to 5,935 in 2010. There was an increase of 34.4 per cent in the number of cases referred to public service organizations for administrative intervention. In the period under review, cases forwarded to Attorney General and convictions obtained declined by 49.0 and 37.2 per cent, respectively.

Table 15.10: Number of Cases handled by KACC by type and action taken, 2006 - 2010

Number

Type of cases	2006	2007	2008	2009	2010*
No. of corruption cases for investigation	1,447	1,527	1,038	1,395	1,796
Criminal cases referred to other investigative agencies	1,075	554	171	170	196
Cases referred to public service organizations for administrative intervention	1,548	865	445	605	813
Pending more information	88	92	61	84	59
Complainants advised on the right authority to report	3,517	2,441	1,576	1,558	2025
Complainants advised to seek civil redress	638	1,124	473	537	950
No further action	262	125	104	124	179
Total	**8,575**	**6,728**	**3,868**	**4,473**	**6,018**
Corruption cases registered	102	93	76	4,474	5,935
Cases forwarded to AG	128	122	126	202	103
Convictions obtained	28	22	11	43	27

Source: Kenya Anti-Corruption Commission

* Provisional

Cases handled by Public Prosecutions

15.13 Table 15.11 shows the number of registered murder cases and convictions obtained by the Department of Public Prosecutions by station from 2006 to 2010. The number of registered murder cases increased by 14.6 per cent from 893 in 2009 to 1,023 in 2010. The number of convictions obtained decreased from 204 in 2009 to 90 in 2010.

Table 15.11: Registered Murder Cases and Convictions obtained by Station, 2006-2010

Number

	2006		2007		2008		2009		2010*	
Station	**R**	**C**	**R**	**C**	**R**	**C**	**R**	**C**	**R**	**C**
Nairobi	116	28	92	20	111	8	111	34	108	14
Mombasa	26	3	31	0	35	1	54	1	37	-
Kisumu	41	4	39	1	54	9	48	11	52	-
Eldoret	43	3	49	0	46	7	63	12	79	5
Kitale	42	1	26	0	41	18	44	19	66	2
Kakamega	53	11	41	8	51	3	60	6	51	3
Bungoma	61	6	75	7	52	3	22	10	45	3
Meru	76	10	86	1	88	7	92	44	81	45
Machakos	63	28	77	5	112	15	72	12	90	8
Kericho	0	0	20	7	50	23	37	14	28	-
Nyeri	36	9	54	5	70	21	62	7	53	2
Kisii	48	5	45	2	59	3	78	2	123	2
Embu	7	4	9	2	12	3	24	1	41	2
Malindi	20	5	16	0	26	1	21	4	36	-
Nakuru	100	40	121	20	132	19	105	27	133	4
Total	**732**	**157**	**781**	**78**	**939**	**141**	**893**	**204**	**1,023**	**90**

Source: Department of Public Prosecutions

* Provisional

R - Registered murder cases

C - Murder convictions obtained

Cases handled by the Judiciary

15.14 The judiciary embarked on various projects aimed at speeding up delivery of justice and facilitating ease of access to court records. This was achieved through digitization of court records in the high court divisions of Nairobi law court and Milimani commercial courts.

15.15 Table 15.12 shows the number of cases handled by Magistrates' Courts, Court of Appeal, High Court and Kadhi Court from 2006 to 2010. There were declines in the number of filed and pending cases by Magistrates' Courts by 10.6 and 18.1 per cent, respectively in the period under review. However, the number of cases disposed of by Magistrates courts increased by 12.8 per cent from 431,429 in 2009 to 486,599 in 2010. The total number of cases filed in Kadhi Courts more than doubled from 1,086 in 2009 to 2,432 in 2010. Similarly, the number of cases disposed of in Kadhi Courts increased from 792 in 2009 to 1,786 in 2010. The total number of cases filed by High Courts reduced by 25.6 per cent from 27,440 in 2009 to 20,428 in 2010. Similarly, the period under review witnessed a reduction of 6.2 per cent in the total number of cases disposed of. The total number of pending cases handled by the High Courts increased slightly by 0.8 per cent from 106,898 in 2009 to 107,748 in 2010.

Table 15.12: Summary of Cases handled by Various Courts, 2006-2010

Number

Year	Status of case	Magistrate's court	Court of Appeal	High courts	Kadhi's Court	Total
2006	Filed	423,639	..	..	..	423,639
	Pending	814,137	..	..	..	814,137
	Disposed of	396,084	..	..	..	396,084
2007	Filed	408,097	..	..	..	408,097
	Pending	780,772	..	..	..	780,772
	Disposed of	500,788	..	..	..	500,788
2008	Filed	347,169	1,003	..	..	348,172
	Pending	788,595	2,098	..	..	790,693
	Disposed of	358,244	677	..	..	358,921
2009	Filed	413,092	1,143	27,440	1,086	442,761
	Pending	727,470	2,416	106,898	2,150	838,934
	Disposed of	431,429	825	21,251	792	454,297
2010*	Filed	369,325	1,186	20,428	2,432	393,371
	Pending	576,107	2,575	107,748	2,330	688,760
	Disposed of	486,599	1,027	19,942	1,786	509,354

Source: Judiciary

*Provisional

Notes:

.. Data not available

Filed refers to all cases brought before the magistrates' courts during the year under reference

Pending cases refer to the cases which had not been arbitrated on by 31st December during the year under refere

Disposed of cases refer to cases that judgment was entered by 31st December during the year under reference

15.16. The distribution of Magistrates and Judges in Law Courts by cadre from 2006 to 2010 is presented in Table 15.13. The number of Judicial officers increased by 22.5 per cent from 338 in 2009 to 414 in 2010. There was a 27.4 per cent increase in the number of magistrates from 281 to 358 in the same period. The number of Principal Magistrates increased by 32.7 per cent from 52 in 2009 to 69 in 2010.

Table 15.13: Distribution of Magistrates and Judges in Law Courts by Cadre, 2006 – 2010

Number

Category of Magistrates	2006	2007	2008	2009	2010*
Chief Magistrate	8	14	14	22	22
Senior Principal Magistrate	15	18	17	25	26
Principal Magistrates	35	34	35	52	69
Senior Resident Magistrates	78	100	100	87	93
Resident Magistrates	119	74	116	95	74
District Magistrate (II)	10	12	5	0	74
Sub-total	265	252	287	281	358
Category of Judges					
Court of Appeal Judges	9	11	10	11	11
High Court Judges	49	49	48	46	45
Sub-total	**58**	**60**	**58**	**57**	**56**
Grand Total	**323**	**312**	**345**	**338**	**414**

Source: Judiciary

* Provisional

15.17. Table 15.14 shows the number of convicted prison population by age and sex from 2006 to 2010. In the period under review convicted prison population declined by 18.0 per cent from 108,032 to 88,631. Notable increases were recorded for female aged 16 – 17 years, those aged 50 years and above and for males below 16 years.

Table 15.14: Convicted Prison Population by Age and Sex, 2006 – 2010

Number

Year	Sex	Under 16	16 -17	18-20	21-25	26-50	50+	Total
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**
2009	Male	24	2,890	21,770	30,822	32,970	8,286	**96,762**
	Female	25	207	2,453	4,247	3,856	482	**11,270**
	Total	49	3,097	24,223	35,069	36,826	8,768	**108,032**
2010*	Male	43	2,139	17,605	24,499	27,519	6,557	**78,362**
	Female	17	413	1,784	3,526	3,901	628	**10,269**
	Total	60	2,552	19,389	28,025	31,420	7,185	**88,631**

Source: Kenya Prisons Service Department

* Provisional

15.18. Table 15.15 shows the Daily Average Population (DAP) of prisoners by sex from 2006 to 2010. The DAP declined by 5.0 per cent from 52,142 in 2009 to 49,549 in 2010. Whereas the DAP of convicted prisoners increased by 5.1 per cent from 30,431 in 2009 to 31,994 in 2010, that of remand prisoners reduced by 19.1 per cent from 21,711 in 2009 to 17,555 in 2010. The DAP of convicted male prisoners increased by 5.8 per cent, while that of females reduced by 7.6 per cent in the review period.

Table 15.15: Daily Average Population of Prisoners by Sex, 2006 - 2010

Number

Daily Average Population	2006	2007	2008	2009	2010*
Convicted Prisoners					
Males	24,084	21,373	24,420	29,002	30,674
Females	1,276	876	1,009	1,429	1,320
Sub-Total	**25,360**	**22,249**	**25,429**	**30,431**	**31,994**
Remanded Prisoners					
Males	20,609	17,299	20,231	20,619	16,467
Females	1,186	2,369	943	1,092	1,087
Sub -Total	**21,795**	**19,668**	**21,174**	**21,711**	**17,555**
Total	**47,155**	**41,917**	**46,603**	**52,142**	**49,549**

Source: Kenya Prison Service Department

* Provisional

15.19 Table 15.16 presents prison population by sentence duration from 2006 to 2010. The prison population per 100,000 is on the increase from 523.7 to 633.8, while that of convicted

prisoners declined by 17.9 per cent from 107,987 in 2009 to 88,631 in 2010. Similarly, the total population of remandees decreased by 14.0 per cent from 191,706 in 2009 to 164,893 in 2010. People sentenced from 1 month to 2 years accounted 68.8 per cent of the total prison population, most of whom were men. The number of persons previously convicted increased by 17.8 per cent from 25,931 in 2009 to 30,547.

Table 15.16: Prison Population by Sentence Duration, 2006 – 2010

Number

Convicted prison	2006		2007		2008		2009		2010*	
	M	F	M	F	M	F	M	F	M	F
Sentenced to 2 yrs or more	11,001	362	9,968	416	4,431	158	6,248	251	5,700	333
Sentenced to 1 Month -2yrs	60,329	9,285	60,567	10,118	56,627	5,959	67,533	7,941	53,367	7,069
Less than 1 Month	26,415	3,702	28,549	4,006	17,486	2,836	22,123	3,073	18,556	2,858
Committed for debt	703	139	934	111	619	126	858	5	739	9
Total Convicted Prisoners	**98,448**	**13,488**	**100,018**	**14,651**	**79,163**	**9,079**	**96,762**	**11,270**	**78,362**	**10,269**
Committed for safe custody (remands)	211,406	13,214	24,457	12,337	59,595	11,816	178,171	13,535	151,688	13,205
Total	**309,854**	**26,702**	**124,475**	**26,988**	**138,758**	**20,895**	**274,933**	**24,805**	**230,050**	**23,474**
Number Previously convicted	35,871	3,923	30,914	3,610	24,656	1,780	24,906	1,025	28,058	2,489
Daily Average Population in Prison	44,074	2,419	38,672	2,191	44,650	1,952	49,621	2,520	47,141	2,407
Deaths (Excluding Executions)	503	13	465	10	751	12	328	2	194	8
Prison population (per 100,000 population)	**931.3**		**407.3**		**417.1**		**523.7**		**633.8**	

Source: Kenya Prisons Service Department

* Provisional

M: male

F: female

15.20 The number of convicted prisoners by type of offences is presented in Table 15.17. High declines were noted for offences related to liquor Act, order and administration of lawful authority, property and drugs 36.8, 27.8, 19.6 and 18.4 per cent, respectively. The number of convicted male and female prisoners reduced by 19.0 and 8.9 per cent, respectively.

Table 15.17: Convicted Prisoners by Type of Offences 2006 - 2010

Number

Type of Offences[1]	2006		2007		2008		2009		2010*	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Order & administration of lawful authority	12,975	835	18,600	885	9,369	726	12,318	1,023	8,980	652
Injurious to public	4,309	401	3,550	215	2,787	190	3,654	180	3,026	216
Against person	5,092	615	4,508	509	4,669	612	5,683	630	4,977	555
Related to property	10,540	605	9,285	502	10,446	423	11,355	505	8,975	566
Attempts & conspiracies	5,400	163	3,892	176	3,636	73	3,816	100	3,354	229
Employment Act	135	1471	95	1,073	1,301	1,172	2,451	1,301	2,138	1,142
Liquor Act	27,208	5,449	21,596	3,522	19,335	2,957	23,287	4,095	13,295	4,007
Drugs related	6,165	531	4,060	299	4,543	1,187	5,447	159	4,365	152
Various cases	25,921	3,279	14,502	2,501	23,209	1,625	28,751	3,277	29,252	2,750
Total	**97,745**	**13,349**	**80,088**	**9,682**	**79,295**	**8,965**	**96,762**	**11,270**	**78,362**	**10,269**

Source: Kenya Prison Service Department

* Provisional

[1] Type of offences are discussed in appendix 2 at the end of this chapter

15.21 Table 15.18 shows the number of police, prison and probation officers by sex from 2006 to 2010. The number of police officers declined marginally by 1.3 per cent from 41,252 in 2009 to 40,708 in 2010, while that of prison officers increased by 7.9 per cent from 18,521 in 2009 to 19,993 in 2010.

Table 15.18. The number of Police, Prison and Probation Officers by Sex, 2006– 2010

Number

	Type of Personnel	Police Officers	Prison Officers	Probation Officers
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**
2009	Male	37,342	15,569	357
	Female	3,910	2,952	260
	Total	**41,252**	**18,521**	**617**
2010*	Male	36,792	16,966	390
	Female	3,916	3,027	234
	Total	**40,708**	**19,993**	**624**

Source: Police, Prisons service and Probation and Aftercare Departments

* Provisional

15.22. Table 15.19 shows the number of offenders serving probation sentence, community service and aftercare by sex and type of offence, from 2009 to 2010. The number of offenders serving probation sentence increased from 13,788 in 2009 to 15,933 in 2010, representing an increase of 15.6 per cent. There was an increase in the number of persons serving probation service who committed offences related to corruption, theft of motor vehicle, theft of motor parts, theft of bicycle, dangerous drugs and theft of stocks. Offenders serving community service orders declined by 49.5 per cent, while aftercare rehabilitation offenders increased by 29.6 per cent in the same period.

Table 15.19: Number of Offenders Serving Probation Sentence, community service and aftercare by Sex and Type of offence, 2009-2010

Offence	offenders Serving Probation Sentence						Offenders Serving Community Service						Offenders Serving Aftercare					
	2009			2010*			2009			2010*			2009			2010*		
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
Murder (including attempt)	9	90	99	61	34	95	-	-	-	-	-	-	33	1	34	33	4	37
Manslaughter	78	105	183	65	60	125	8	-	8	6	-	6	15	-	15	15	2	17
Rape (including attempt)	128	3	131	88	-	88	15	2	17	50	-	50	12	7	19	19	-	19
Assault	1,278	533	1,811	1,601	558	2,159	531	122	653	390	97	487	32	2	34	45	10	55
Other offences against the person	1,223	255	1,478	1,268	482	1,750	1,040	168	1,208	8,448	194	8,642	53	10	63	53	12	65
Robbery and Allied offences	74	56	130	97	50	147	44	-	44	58	-	58	32	-	32	35	-	35
Breakings	753	18	771	771	44	815	279	9	288	260	16	276	124	3	127	156	6	162
Theft of Stock	245	15	260	417	20	437	138	3	141	306	20	326	28	2	30	31	-	31
General stealing	2,263	237	2,500	2,191	323	2,514	1,209	175	1,384	2,866	113	2,979	175	20	195	190	25	215
Theft of M/vehicle	9	1	10	22	5	27	2	-	2	68	2	70	1	-	1	1	-	1
Theft of M/vehicles parts	15	2	17	32	-	32	6	-	6	-	-	-	-	-	-	1	-	1
Theft from m/vehicles	14	2	16	16	-	16	4	-	4	8	-	8	4	-	4	10	-	10
Theft of bicycles	37	1	38	54	3	57	5	-	5	24	6	30	1	-	1	4	-	4
Theft by servant	295	98	393	304	118	422	110	18	128	1,264	87	1,351	7	-	7	7	4	11
Dangerous drugs	1,043	108	1,151	1,576	192	1,768	2,358	679	3,037	1,702	142	1,844	24	6	30	80	15	95
Handling stolen property	178	24	202	213	43	256	103	6	109	429	22	451	7	-	7	8	2	10
Corruption	4	10	14	43	17	60	-	-	-	4	1	5	-	-	-	-	-	-
Causing death by dangerous driving	51	10	61	33	15	48	17	-	17	3	-	3	-	-	-	-	-	-
Other offences against property	783	109	892	799	169	968	1,350	191	1,541	1,141	190	1,331	21	2	23	33	6	39
All other penal code offences	2,860	771	3,631	3,259	890	4,149	22,767	4,129	26,896	-	-	-	55	1	56	70	2	72
TOTAL	11,340	2,448	13,788	12,910	3,023	15,933	29,986	5,502	35,488	17,027	890	17,917	624	54	678	791	88	879

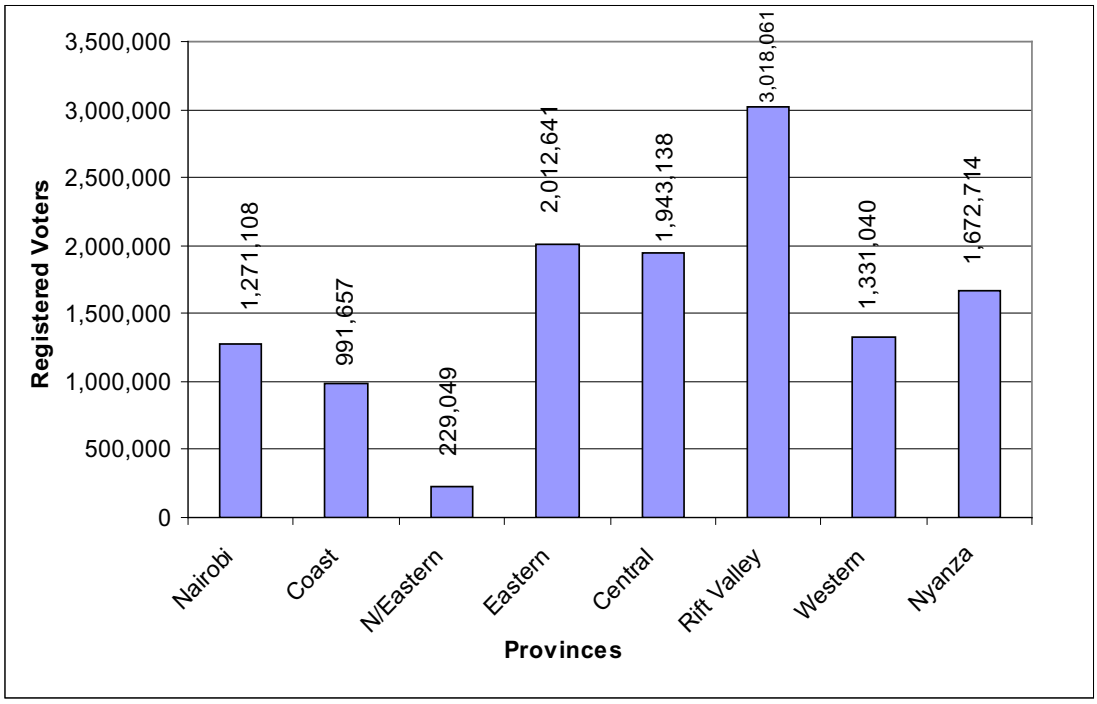
Source: Probation and Aftercare Department

* Provisional

Voters Registration

15.23 The Interim Independent Electoral Commission (IIEC) registered 12,469,408 voters in 2010 in readiness for the 2010 referendum for the new constitution. Out of the total registered voters, males comprised of 6,390,372 while females were 6,079,035. As shown in figure 15.1, the highest number of voters was registered in Rift Valley accounting for 24.2 per cent of the total voters, followed by Eastern and Central provinces which accounted for 16.1, 15.6 per cent of the total votes, respectively.

Figure 15.1: The number of registered voters, 2010



Immigration Data handled by Department of Immigration

15.24 Table 15.20 presents the number of registered aliens, entry permits issued/renewed and passports issued in the period 2006 to 2010. The number of entry permits issued dropped by 13.8 per cent from 11,096 in 2009 to 9,561 in 2010. Similarly, entry permits renewed declined by 17.5 per cent, while number of passports issued increased by 4.9 per cent.

Table 15.20: Number of Aliens Registered and Passports and Entry Permits Issued, 2006-2010

Number

Category	2006	2007	2008	2009	2010
Entry Permits Issued	8,452	10,812	11,530	11,096	9,561
Passports Issued	94,156	126,213	128,345	153,266	160,767
Entry Permits Renewed	4,016	4,743	3,302	5,953	4,911
Aliens Registered	26,250	21,365	17,451	18,751	187,203

Source: Department of Immigration

* Provisional

National Identity Cards handled by National Registration Bureau

15.25 Tables 15.21 presents applications, processing and collection of New Identity cards (Not Previously Registered) by province, 2008 - 2010. The number of applications of new identity cards, processed and those collected increased by 52.2, 9.3 and 16.9 per cent, respectively in the year under review. Overall, the processing rate was 67.9 per cent. Nairobi Province registered the highest rate at 93.2 per cent, followed by Central Province with 78.5

per cent. The provinces with the lowest processing rate were Western and North Eastern at 54.6 and 43.2 per cent, respectively.

Table 15.21: Applications, Processing and Collection of New Identity cards by province, 2008 - 2010

	Application			Applications processed			Processing rate 2010	Identity cards collected		
	2008	2009	2010*	2008	2009	2010*		2,008	2009	2010*
CENTRAL	129,873	75,849	112,122	67,760	71,408	87,989	78.5%	48,012	67,835	82,212
COAST	42,355	50,085	62,960	49,304	67,052	41,205	65.4%	45,337	53,612	40,024
EASTERN	58,046	100,897	177,157	67,206	93,004	104,985	59.3%	53,230	92,528	96,927
NAIROBI	58,361	62,681	69,950	38,169	60,926	65,204	93.2%	40,935	62,742	55,878
N/EASTERN	5,625	1,691	17,745	6,745	5,169	7,669	43.2%	5,911	4,424	6,254
NYANZA	51,765	85,873	168,341	61,151	83,033	104,765	62.2%	50,543	84,570	103,306
RIFT VALLEY	92,885	151,346	192,114	100,366	131,394	149,273	77.7%	86,756	115,827	175,205
WESTERN	48,438	83,320	130,379	45,235	66,548	71,129	54.6%	43,295	65,560	79,538
TOTAL.	487,348	611,742	930,768	435,936	578,534	632,219	67.9%	374,019	547,098	639,344

Source: National Registration Bureau

*** Provisional**

Appendix 15.1: Police department reclassified offences reported to Police

in view of new Legislations such as the Economic Crimes, starting from 2008 Economic Survey

CODE	OFFENCES	CATEGORY OF OFFENC	COD	OFFENCES	CATEGORY OF OFFENCES
1	HOMICIDE	a) Murder	8	THEFT BY SERVANT	c) Stealing by employee/servant
		b) Manslaughter	9	VEHICLE AND OTHER	a) Theft of M/V
		c) Infanticide		THEFTS	b) Theft from M/V
		d) Procuring Abortion			c) Theft of M/V part
		e) Concealing Birth			d) Theft of M/Cycle
		f) Suicide	10	DANGEROUS DRUGS	a) Possession
		g) Causing Death by			b) Handling
		dangerous Driving			c) Trafficking
					d) Cultivating
2	OFFENCES	a) Rape			e) Usage
	AGAINST MORALITY	b) Defilement			
		c) Incest			
		d) Unnatural			
		Offences(Sodomy)	11	TRAFFIC OFFENCES	a) Taking and Driving Motor
		e) Bestiality			Vehicle without Authority
		f) Indecent assault			b) Driving under influence of
		g) Abduction			alcohol
		h) Bigamy			
			12	CRIMINAL DAMAGE	a) Malicious Damage
3	OTHER OFFENCES	a) Assault			b) Arson
	AGAINST PERSONS	b) Creating Disturbance			c) Negligent Acts
		c) Affray			
			13	ECONOMIC CRIMES	a) Obtaining by False Pretense
4	ROBBERY	a) Robbery			b) Currency Forgery
		b) Robbery with Violence			c) Other Fraud/Forgery Offences
		c) Carjacking			
		d) Robbed of M/V	14	CORRUPTION	a) Soliciting for Bribe
		e) Cattle Rustling			b) Accepting Bribe
					c) Accept Free Gifts
5	BREAKING	a) House Breaking			d) Demanding by false pretence
		b) Burglary			e) Other Corruption Offences
		e) Other Breakings			
				OFFENCES	
			15	INVOLVING	a) Soliciting for Bribe
6	THEFT STOCK			POLICE OFFICERS	b) Accepting Bribe
		a) Handling Stolen			
7	STEALING	Property			c) Accept Free Gifts
		b) Stealing from Person			d) Demanding by false pretence
		c) Stealing by			
		Tenants/lodgers			e) Other Criminal Offences
		d) Stealing from a building			
				OFFENCES	
		e) General Stealing	16	INVOLVING	a) Bag Snatching
				TOURIST	b) Other offences Against Tourists
8	THEFT BY SERVANT	a) Stealing by Directors			c) Other Offences involving Tourist

Appendix 15.2: Description of type of offences Convicted

Order & administration of lawful authority	Treason, incitement to mutiny, and aiding civil disobedience
Injurious to public	Stealing govt. property, stealing by person in public service, stealing from state corporations
Against person	Assault, grievous harm, murder etc
Related to property	Theft, robbery with violence, arson
Attempts & conspiracies	Attempts to commit offences, neglect to prevent offence, conspiracies to commit offences
Employment act	Employment of aliens without permit
Drugs related	Possession, manufacture, trafficking etc of any quantity
Various cases	By- laws under the local govt. act, traffic act, tax act et

Chapter 16

Highlights of Foreign Investment Survey, 2010

Overview

Foreign investment is recognized worldwide as a major contributor to economic development through employment creation, growth of fixed capital, knowledge transfer and other linkages. In Kenya, economic analysts hold the view that emerging markets and liberalization of economies prompted large inflows of underreported private capital into the country. Foreign Direct Investment (FDI), a component of foreign investment constitutes a major source of financing that provides the much needed capital to expand economic opportunities in the country. FDI inflows constitute a stable source of current account financing and enhance the growth potential through the multiplier effects of technology transfer and increased competition. With limited data on the level and composition of these flows, policy makers are constrained in making timely and appropriate policy responses. This motivated the Kenya National Bureau of Statistics in partnership with other key stakeholders to carry out the survey on foreign investment in Kenya. The main objective of Foreign Investment Survey (FIS) was to capture data on foreign private capital flows and stocks more accurately in order to improve the quality of Balance of Payments statistics and to enable compilation of International Investment Position (IIP).

16.2. Overall, FIS 2010 the stock of foreign liabilities increased from KSh 340,128 million in 2007 to KSh 429,585 million in 2008. The stock of FDI increased by 21.5 per cent from KSh 225,603 million in 2007 to KSh 274,004 million in 2008, while inflows in the form of FDI decreased to KSh 44,469 million in 2008. The total stock of Kenya's investments abroad (foreign assets), declined by 35.0 per cent from KSh 64,555 million in 2007 to KSh 41,935 million in 2008. Europe accounted for 69.7 per cent with European Union's contributing 67.1 per cent of the total stock of liabilities while Asia, America and Africa accounted for 18.5, 6.2 and 5.6 per cent, respectively. In 2008, the leading source of inflows was Europe accounting for 59.6 per cent of the total inflows, with the European Union countries accounting for 56.6 per cent of the total inflows. Asia contributed 30.3 per cent of the total investment liabilities inflows mainly from the Far East countries. The manufacturing sector had the highest stock of FDI liabilities accounting for 28.4 per cent of the total stock. The Stock of Private Sector External Debt (PSED) increased by 39.4 per cent from KSh 159,170 million by end of 2007 to KSh 221,827 million by end of 2008. The EAC region was the preferred destination of foreign direct investment by Kenyan enterprises, accounting for 86.2 per cent of the total stock of FDI abroad in 2008.

Survey Methodology

16.3. In carrying out the Foreign Investment Survey, a purposive sample of 900 enterprises was drawn from administrative records from the various government institutions namely; KNBS, Kenya Revenue Authority, Export Processing Zones Authority (EPZA), Export Promotion Council (EPC), Kenya Investment Authority (Ken Invest), Central Bank of Kenya, Commissioner of Insurance, some foreign embassies, the Nairobi Stock Exchange and Communications Commission of Kenya. The harmonized list then formed the Foreign Assets and Liabilities (FAL) sampling frame of 3,500 enterprises. Out of the 900 enterprises surveyed, about 500 or 56 per cent reported that they had FAL. Of the 500 enterprises with FAL, 393 completed the questionnaires, representing a response rate of 78.6 per cent. The 400 enterprises without FAL were only required to complete the investor perception section only. The main analytical tool for the survey was a questionnaire administered to companies

with foreign assets and liabilities. Additional information was sought from banks and other financial institutions to collect data on foreign exchange transactions through financial institutions. The survey was designed to capture data on foreign capital for the reference period 2007 and 2008 as well as assessing investor perceptions on the business environment in Kenya.

Stocks and Flows of Foreign Liabilities

16.4. The stock of foreign liabilities increased by 26.3 per cent from KSh 340,128 million in 2007 to KSh 429,585 million in 2008, as presented in Table 16.1. The stock of foreign liabilities comprised 63.8 per cent Foreign Direct Investment (FDI), 0.4 per cent Portfolio Investment (PI) and 35.8 per cent Other Investment (OI), in 2008. The stock of FDI increased by 21.5 per cent from KSh 225,603 million in 2007 to KSh 274,004 million in 2008. The total Stock of Foreign Direct Equity Investment (FDEI) stood at KSh 140,978 million and accounted for 51.5 per cent of the total Direct Investment in 2008, while Other Capital (OC) mainly made up of long term loans and supplier credits from related companies accounted for 24.6 per cent. The stock of PI rose by 10.8 per cent from KSh 1,513 million in 2007 to KSh 1,677 million in 2008. Portfolio equity stocks accounted for 71.5 per cent of the total stock of Portfolio Investment during the same period. In 2008, the stock of OI increased by 36.2 per cent to KSh 153,904 million from KSh 113,011 million in 2007. This was occasioned by a 31.7 per cent increase in commercial loans in the same period.

Table 16.1: Stocks and Flows of External Liabilities, 2007-2008

KSh million

Components	2007			2008		
	Inflows	Outflows	Stocks	Inflows	Outflows	Stocks
Direct Investment	**60,410.74**	**8,884.29**	**225,603.23**	**44,468.62**	**11,261.86**	**274,003.58**
Equity	21,757.50	-	125,578.51	1,040.04	14.75	140,977.94
Reinvested Earnings	13,035.61	-	54,428.96	7,067.29	-	65,580.07
Other Capital	25,617.63	8,884.29	45,595.76	36,361.29	11,247.11	67,445.57
Long-Term Inter-company loans	17,429.71	3,239.71	34,241.38	23,073.97	3,238.87	49,885.09
Short-term Inter-company loans	826.50	503.69	889.34	4,137.88	2,569.60	2,689.63
Supplier credits-related companies	7,361.42	5,140.89	10,465.04	9,149.45	5,438.63	14,870.85
Portfolio Investment	**564.32**	**-**	**1,513.22**	**371.19**	**78.60**	**1,677.36**
Equity	0.71	-	949.60	96.69	-	1,199.65
Bonds	563.61	-	563.61	194.50	78.60	397.71
Money market instruments	-	-	-	80.00	-	80.00
Other Investment	**49,504.76**	**19,107.28**	**113,011.11**	**47,413.11**	**27,458.31**	**153,903.85**
Commercial Loans	47,652	18,612	96,766.07	39,551	27,066	127,447.91
Long-term	32,442.94	3,585.26	74,070.36	18,316.46	5,975.75	93,742.50
Short-term	10.52	101.03	14,767.14	24.84	243.45	23,925.85
Trade Credits	15,198.79	14,925.36	7,928.56	21,210.13	20,846.79	9,779.56
Currency and Deposits	1,852.51	495.63	16,245.05	7,861.69	392.32	26,455.94
Total Foreign Liabilities	**110,479.83**	**27,991.57**	**340,127.56**	**92,252.93**	**38,798.77**	**429,584.79**

16.5. Total foreign liability inflows declined by 16.5 per cent from KSh 110,480 million in 2007 to KSh 92,253 million in 2008. Inflows in the form of direct investments decreased by 26.4 per cent from KSh 60,411 million in 2007 to KSh 44,469 million in 2008 and accounted for 48.2 per cent of the total inflows in 2008. These inflows were mainly in the form of equity investments and long term intercompany loans. Other Investment inflows declined to KSh 47,418 million in 2008 from KSh 49,505 million recorded in 2007.This component of inflows accounted for 51.4 per cent of the total inflows and were mainly made up of trade credits and long term loans.

16.6. Total outflows of foreign liabilities increased by 26.8 per cent from KSh 27,992 million

in 2007 to KSh 38,799 million, in 2008, with trade credits recording the highest growth. FDI outflows rose by 26.8 per cent from KSh 8,884 million in 2007 to KSh 11,262 million in 2008, accounting for 29.0 per cent of the total outflows. Outflows of OI increased by 43.7 per cent from KSh 19,107 million in 2007 to KSh 27,458 million in 2008 and accounted for 70.8 per cent of the total outflows.

Stock and Flows of External Liabilities by Economic Bloc, 2007-2008

16.7. The stock and flows of external liabilities are analysed by regional economic bloc in Table 16.2. Europe accounted for 69.7 per cent with European Union's contributing 67.1 per cent of the total liabilities. Asia, America and Africa accounted for 18.5, 6.2 and 5.6 per cent, respectively. Africa recorded an overall decline of 13.4 per cent, although there was an increase of 14.2 per cent in liabilities for COMESA countries. The share of Asian investments was 18.5 per cent in 2008 compared to a 13.5 per cent in 2007 while the shares of all the other economic blocs declined.

16.8. In 2008, the leading source of inflows was Europe accounting for 59.6 per cent of the total inflows, with the European Union countries accounting for 56.6 per cent of total inflows. Asia contributed 30.3 per cent of the total investment liabilities inflows mainly from the Far East countries. America (mainly US) and Africa accounted for 5.4 per cent and 4.6 per cent of the total inflows, respectively. Inflows from Asia more than doubled from KSh 12,782 million in 2007 to KSh 27,955 million in 2008. Inflows from America also increased during this period; mainly on account of an increase of 35.8 per cent from the U.S. Significant declines of 54.2 per cent and 34.2 per cent in inflows from Africa and Europe respectively were recorded during the same period.

16.9. During the review period, outflows of investment liabilities were mainly to Asia and Europe, each accounting for 42.0 per cent and 40.9 per cent, respectively. Outflows to America and Africa accounted for 10.5 per cent and 6.7 per cent of the total outflows, respectively. Outflows to Europe increased by 17.6 per cent to KSh 15,857 million in 2008 while those to Asia increased by 48.9 per cent from KSh 10,932 million in 2007 to 16,280 million in 2008.

Table 16.2: Stock and Flows of External Liabilities by Economic Bloc, 2007-2008

KSh million

Region	2007			2008		
	Inflows	Outflows	Stock	Inflows	Outflows	Stock
Africa	**9,413.82**	**1,745.30**	**27,144.40**	**4,256.79**	**2,604.39**	**23,911.90**
EAC	836.88	17.94	2,247.85	1,131.46	423.81	2,283.20
COMESA	2,106.22	1,148.90	16,583.46	2,016.75	1,233.24	19,263.90
Other Africa	6,470.72	578.46	8,313.09	1,108.58	947.35	2,364.79
Europe	**83,555.27**	**13,484.46**	**242,363.08**	**54,990.79**	**15,857.27**	**299,622.86**
European Union	82,472.70	13,154.96	232,136.25	52,200.40	14,775.28	288,374.78
Western Europe	837.84	305.11	9,552.81	2,623.70	1,081.12	10,178.43
Eastern Europe	244.73	24.39	674.02	166.69	0.87	1,069.64
Asia	**12,782.43**	**10,932.10**	**45,951.95**	**27,955.04**	**16,279.96**	**79,290.97**
Far East	10,801.36	9,895.94	39,709.69	23,108.77	12,099.93	70,830.92
Middle East	1,981.07	1,036.16	6,242.26	4,846.27	4,180.02	8,460.05
America	**4,712.15**	**1,829.71**	**24,501.95**	**5,000.70**	**4,057.09**	**26,454.34**
Canada	0.00	0.00	2.14	0.05	0.00	5.25
US	3,783.76	1,713.40	16,790.14	5,138.28	3,804.35	19,503.85
Other America	928.39	116.31	7,709.67	(137.63)	252.73	6,945.24
Oceanic	**16.15**	**0.00**	**166.17**	**49.61**	**0.06**	**304.73**
Grand Total	**110,479.83**	***27,991.57***	**340,127.56**	**92,252.93**	**38,798.77**	**429,584.79**

Stock of External Liabilities by Source Country

16.10. An analysis of the stock of external liabilities by source country is presented in Table 16.3. The United Kingdom remains the major source of foreign investment in Kenya accounting for 41.9 per cent of all liabilities, in 2008. This could partly be explained by the long standing trade and investment relationship between the two countries. Other major sources were; France (11.4 per cent), Netherlands (8.8 per cent), Japan (6.7 per cent) and India (6.0 per cent). During the period under review, the stock of investments from the US, Mauritius, Sweden and Egypt accounted for 4.5, 2.3 and 2.1 per cent, respectively, of the total stock of foreign liabilities. The stock of Foreign Liabilities from Sweden more than tripled from KSh 2,774 million in 2007 to KSh 9,948 million while those from India and China more than doubled over the same period.

Table 16.3: Stock of External Liabilities by Source Country, 2007-2008

Countries	2007		2008	
	KSh million	% Share	KSh million	% Share
United Kingdom	142,478.95	41.9	180,003.61	41.9
France	42,599.00	12.5	49,090.36	11.4
Netherlands	34,971.31	10.3	37,846.41	8.8
Japan	18,224.17	5.4	28,599.89	6.7
US	16,790.14	4.9	19,503.85	4.5
Mauritius	8,884.47	2.6	10,046.59	2.3
India	8,809.78	2.6	25,799.84	6.0
Switzerland	8,750.19	2.6	9,372.82	2.2
South Africa	8,115.60	2.4	2,330.20	0.5
Egypt	7,236.99	2.1	8,828.03	2.1
British Virgin Island	5,744.00	1.7	5,040.75	1.2
Malaysia	5,656.38	1.7	6,226.03	1.4
United Arab Emirates	4,235.95	1.2	7,008.80	1.6
Luxembourg	3,901.45	1.1	4,417.53	1.0
Sweden	2,773.96	0.8	9,947.55	2.3
Belgium	2,323.79	0.7	2,453.88	0.6
Pakistan	2,243.08	0.7	2,244.45	0.5
Germany	2,169.20	0.6	3,453.56	0.8
Uganda	1,568.84	0.5	377.59	0.1
China	1,398.62	0.4	3,888.46	0.9
Saudi Arabia	1,321.57	0.4	378.02	0.1
Korea - South	1,159.27	0.3	957.29	0.2
Other Countries	**8,770.85**	**2.6**	**11,769.30**	2.7
Grand Total	**340,127.56**	**100.0**	**429,584.79**	**100.0**

Flows of External Liabilities by Economic Bloc

16.11. The flows of external liabilities analysed by country of origin are presented in Table 16.4. Total inflows decreased by 16.5 per cent from KSh 110,480 million in 2007 to KSh 92,253 million in 2008. In 2008, the United Kingdom, Japan and France jointly accounted for 47.0 per cent of the total external liability inflows. Inflows from Japan increased more than tenfold from KSh 725 million in 2007 to KSh 7,860 million in 2008 while those from Sweden, India and the United Arab Emirates grew by more than five times. Inflows from South Africa, France, Netherlands and the United Kingdom however shrunk by 82.0, 66.0, 54.6 and 31.3 per cent in 2008, respectively.

16.12. Outflows of external liabilities increased by 38.6 per cent from KSh 27,992 million in 2007 to KSh 38,799 million in 2008. The United Kingdom and Malaysia accounted for 15.3 per cent and 14.8 per cent of the total outflows, respectively. The US, United Arab Emirates and Germany contributed 9.8, 9.3 and 9.1 per cent of the total outflows, respectively. Outflows to Netherlands, US, United Arab Emirates, Mauritius and Switzerland increased significantly during the period, while those to France, Belgium and Pakistan declined, significantly.

Table 16.4: Flows of External Liabilities by Country 2007-2008

KSh Million

Countries	2007			2008		
	Inflows	Outflows	Net	Inflows	Outflows	Net
United Kingdom	40,723.39	5,624.54	35,098.85	27,994.03	5,931.30	22,062.73
France	22,153.67	2,267.03	19,886.63	7,540.07	2,022.01	5,518.06
Netherlands	15,244.09	111.34	15,132.74	6,921.67	631.26	6,290.42
South Africa	6,450.97	578.46	5,872.51	1,161.10	947.35	213.75
Malaysia	5,052.00	4,877.00	175.00	5,943.00	5,738.00	205.00
US	3,783.76	1,713.40	2,070.36	5,138.28	3,804.35	1,333.93
India	1,745.23	1,341.72	403.51	5,035.22	2,489.71	2,545.51
China	1,673.16	1,323.28	349.88	2,615.87	1,376.68	1,239.19
Germany	1,430.47	2,543.34	(1,112.86)	2,777.91	3,548.54	(770.63)
United Arab Emirates	1,338.74	604.72	734.02	4,612.79	3,604.23	1,008.56
Mauritius	1,238.98	81.84	1,157.14	1,318.53	554.25	764.28
Sweden	1,125.23	837.36	287.88	4,540.48	1,045.97	3,494.51
Italy	883.18	896.57	(13.40)	941.89	891.63	50.26
Pakistan	881.07	280.51	600.56	209.51	179.09	30.41
Switzerland	763.72	258.87	504.85	2,572.23	1,038.38	1,533.86
Zambia	725.75	640.19	85.55	507.68	568.04	(60.36)
Japan	725.26	1,667.72	(942.46)	7,859.91	1,657.19	6,202.71
Uganda	651.52	3.35	648.17	28.16	173.66	(145.51)
Belgium	816.79	862.91	(46.13)	1,414.83	685.29	729.54
Saudi Arabia	479.32	371.29	108.03	128.11	529.75	(401.64)
Barbados	455.73	-	455.73	1.12	155.45	(154.33)
British Virgin Island	423.65	96.84	326.81	(214.96)	88.77	(303.74)
Others	1,714.17	1,009.29	704.88	3,205.51	1,137.85	2,067.66
Grand Total	**110,479.83**	**27,991.57**	**82,488.25**	**92,252.93**	**38,798.77**	**53,454.17**

Distribution of FDI Liabilities by Industrial Classification of Activities

16.13. Table 16.5 provides an analysis of FDI liabilities by International Standard Industrial Classification (ISIC Rev.4) of economic activities. In 2008, Manufacturing had the highest stock of FDI liabilities accounting for 28.4 per cent of the total stock. This was closely followed by Information and Communications and Financial and Insurance Sectors with 24.6 per cent and 20.1 per cent, respectively. Stock of FDI in the Electricity, Gas, Steam and Air conditioning increased by 83.0 per cent from KSh 5,057 million in 2007 to KSh 9,256 million in 2008. Major increases were also recorded in the stock of FDI in Financial and Insurance, Construction and Manufacturing sectors which rose by 42.5, 33.7 and 31.6 per cent respectively during the same period. Declines were however recorded for the FDI stocks in the Transportation and Storage; and Mining and Quarrying sectors, during the period under review.

Table 16.5: Stock and Flows of FDI by Industrial Classification of Activities

KSh Million

Industrial Classification by Activities	2007			2008		
	Inflows	Outflows	Stock	Inflows	Outflows	Stock
Agriculture, Forestry and Fishing	807.73	157.70	14,341.86	1,144.56	172.06	14,950.79
Mining and Quarrying	-	-	1,467.99	-	-	1,315.70
Manufacturing	9,823.01	5,222.50	59,220.39	18,340.30	7,990.90	77,936.02
Electricity, Gas, Steam and Air Conditioning Supply	825.84	26.29	5,056.87	3,160.43	1,279.85	9,256.19
Construction	533.41	-	2,561.40	539.99	7.92	3,423.89
Wholesale and Retail Trade; repair of motor vehicles and motorcycles	1,659.63	1,068.58	20,472.07	2,536.38	678.73	26,551.71
Accommodation and Food Service Activities	641.87	19.31	5,145.13	1,292.70	151.93	6,178.57
Transportation and Storage	2,128.14	79.33	14,206.17	(650.08)	155.45	9,072.35
Information and Communication	34,155.05	1,797.06	61,278.42	8,747.57	2.83	67,435.04
Financial and Insurance Activities	9,200.89	110.00	38,673.69	8,094.94	130.64	55,120.18
Real Estate Activities	632.04	403.52	2,225.00	1,259.55	691.54	2,640.53
Human Health and Social Work Activities	4.17	-	8.39	5.20	-	18.52
Other Service Activities	(1.04)	-	945.88	(2.92)	-	104.09
Grand Total	**60,410.74**	**8,884.29**	**225,603.23**	**44,468.62**	**11,261.86**	**274,003.58**

Distribution of FDI Liabilities by Industrial Classification of Activities

16.14. Manufacturing, Information and Communication, and Financial and insurance sectors were the leading beneficiaries of FDI inflows accounting for 41.2, 19.7 and 18.2 per cent, respectively, of the total FDI inflows into the country in 2008. Inflows to manufacturing sector increased by 86.7 per cent from KSh 9,823 million in 2007 to KSh 18,340 million in 2008. However, FDI inflows to Transportation and Storage, and Information and Communication dropped significantly. In 2008, FDI outward investments from Manufacturing accounted for 71.0 per cent of the total FDI outflows compared to 58.8 per cent in 2007. This was followed by outflows from Electricity, Gas, Steam and Air conditioning Supply, and Real Estate sectors that accounted for 11.4 and 6.1 per cent, respectively, of the total FDI outflows.

Stock of Private Sector External Debt

16.15. The Stock of Private Sector External Debt (PSED) increased by 39.4 per cent from KSh 159,170 million by end of 2007 to KSh 221,827 million by end of 2008 as presented in Table 16.6. The stock of long term loans stood at KSh 144,025 million as at the end of 2008 accounting for 64.9 per cent of the total PSED in 2008 compared to 68.4 per cent in 2007. This was mainly due to commercial loans which increased by 42.3 per cent to stand at KSh 93,743 million as at end of 2008. On the other hand, the stock of short term loans as at end of 2008 was KSh 77,802 million, representing 35.1 per cent of the total PSED. Likewise, short term commercial loans took the largest share of the short term loans category, accounting for 30.8 per cent and 29.4 per cent of the total short term loans as at end of 2008 and 2007 respectively.

16.16. Total loan disbursements into the country rose marginally to stand at KSh 84,049 million in 2008 from KSh 75,686 million in 2007. Trade credits accounted for half of the total short-term loan disbursements. On the other hand, total loan repayments increased substantially from KSh 27,992 million in 2007 to KSh 38,784 million in 2008. This was mainly

due to short-term loan repayments which increased from KSh 21,167 million in 2007 to KSh 29,491 million in 2008.

Table 16.6: The Stock and Flows Private Sector External Debt, 2007-2008

KSh million

Components	2007			2008		
	Inflows	Outflows	Stock	Inflows	Outflows	Stock
Loan-term Loans	**50,436.27**	**6,824.96**	**108,875.36**	**41,584.92**	**9,293.22**	**144,025.31**
Inter-company Loans	17,429.71	3,239.71	34,241.38	23,073.97	3,238.87	49,885.09
Commercial Loans	32,442.94	3,585.26	74,070.36	18,316.46	5,975.75	93,742.50
Bonds	563.61	-	563.61	194.50	78.60	397.71
Short-term Loans	**25,249.74**	**21,166.61**	**50,295.13**	**42,463.98**	**29,490.79**	**77,801.83**
Intercompany Loans	826.50	503.69	889.34	4,137.88	2,569.60	2,689.63
Supplier credit			10,465.04			14,870.85
(related companies)	7,361.42	5,140.89		9,149.45	5,438.63	
Commercial Short-term	10.52	101.03	14,767.14	24.84	243.45	23,925.85
Trade Credits	15,198.79	14,925.36	7,928.56	21,210.13	20,846.79	9,779.56
Money market instruments	-	-	-	80.00	-	80.00
Currency and Deposits	1,852.51	495.63	16,245.05	7,861.69	392.32	26,455.94
Total Foreign Liabilities	**75,686.01**	**27,991.57**	**159,170.49**	**84,048.91**	**38,784.02**	**221,827.13**

Stock and Flows of Kenya's External Assets

16.17. Foreign assets consist of shares held in other countries, long term and short term lending and investments in securities abroad. Table 16.7 presents the stock and flows of external assets in the period 2007-2008. The total stock of Kenya's investments abroad declined by 32.9 per cent from KSh 66,746 million in 2007 to KSh 44,792 million in 2008. This was mainly due to a 47.6 per cent drop in other investments from KSh 54,847 million in 2007 to KSh 28,767 million in 2008. Major causes of the deterioration in this component were currency and deposits and short-term commercial loans which declined by 51.9 and 51.5 per cent, respectively. However, direct investment abroad increased by 33.5 per cent from KSh 11,841 million in 2007 to KSh 15,803 million in 2008.

Table 16.7: Stock and Flows of External Assets, 2007-2008

KSh million

Components	2007			2008		
	Inflow	Outflow	Stock	Inflow	Outflow	Stock
Direct Investment	**6,322.34**	**969.01**	**11,840.59**	**5,889.22**	**1,295.34**	**15,803.43**
Foreign Direct Equity Investment at book value	628.11	41.55	5,667.13	431.90	37.48	8,748.18
Reinvested/Retained Earnings	2,191.07	-	2,191.07	2,856.87	-	2,856.87
Other Capital	3,503.17	927.45	3,982.39	2,600.45	1,257.86	4,198.38
Long-Term Inter-company loans	535.47	160.91	594.67	557.94	371.52	578.53
Short-term Inter-company loans	626.73	235.76	1,480.71	782.22	279.44	1,977.15
Supplier credits from related companies	2,340.96	530.78	1,907.01	1,260.29	606.91	1,642.70
Portfolio Investment	**59.14**	**-**	**59.14**	**162.72**	**-**	**221.86**
Foreign Portfolio Equity Investment	-	-	-	-	-	-
Bonds	-	-	-	-	-	-
Money market instruments	59.14	-	59.14	162.72	-	221.86
Financial derivatives	-	-	-	-	-	-
Other Investment	**7,507.52**	**2,086.52**	**54,846.58**	**5,557.12**	**4,000.74**	**28,767.07**
Loans	2,425.11	1,887.56	28,319.16	2,845.11	2,094.76	16,001.12
Long-term	-	-	349.38	-	-	1,299.29
Short-term	14.22	11.40	27,016.96	12.28	14.14	13,102.48
Trade Credits	2,410.88	1,876.16	952.82	2,832.83	2,080.63	1,599.35
Currency and Deposits	5,082.41	198.96	26,527.42	2,712.00	1,905.98	12,765.95
Total Foreign Liabilities	**13,888.99**	**3,055.53**	**66,746.30**	**11,609.06**	**5,296.08**	**44,792.36**

16.18. Outgoing private investments declined from KSh 13,889 million in 2007 to KSh 11,609 million in 2008. This decline may be largely due to the global economic and financial crisis that started in 2007 and peaked in 2008. The decline was driven by a fall of 26.0 per cent and 6.9 per cent in other investment and direct investment categories, respectively. Further analysis shows that other investments accounted for 54.1 per cent of the total outgoing investments, followed by direct investment at 45.5 per cent in 2007. However, in 2008, direct investment accounted for 50.7 per cent of the total outgoing investments, followed by other investments at 47.9 per cent. Disinvestment abroad rose by 73.3 per cent from KSh 3,056 million in 2007 to KSh 5,296 million in 2008.

Destination of Investment Abroad

16.19. The composition of FDI remained unchanged between 2007 and 2008. However, that of Other Investments (OI) changed significantly in the same period. Africa especially the EAC region (particularly, Uganda and Tanzania) was the preferred destination of foreign direct investment by Kenyan enterprises, accounting for 86.2 per cent of the total stock of FDI abroad in 2008. With regard to other forms of investments, Europe (in particular the European Union) was the major destination for investment accounting for 66.4 per cent of the total stock of other investments in 2008. The share of stock of other investments in the US fell significantly from 70.0 per cent in 2007 to 19.1 per cent, partly due to adverse effects of the global economic and financial crisis. These details are shown in Figures 16.1 and 16.2

Figure 16.1: Stock of External Assets (FDI) by Economic Bloc, 2007 and 2008

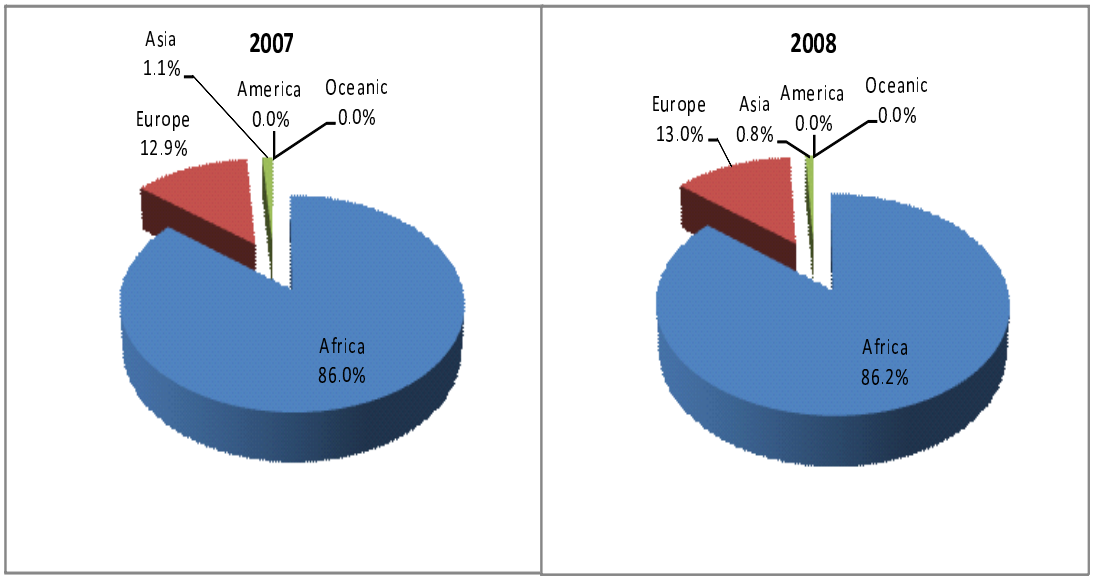
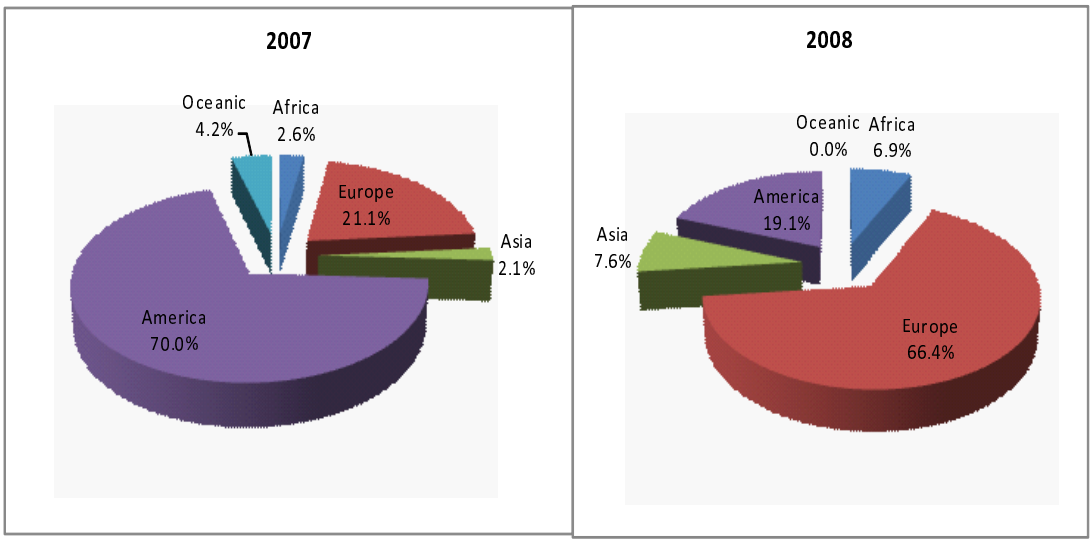


Figure 16.2: Stock of External Assets (OI) by Economic Bloc, 2007 and 2008



Returns on Equity

16.20. Overall profitability attributable to foreign direct investment and portfolio equity investment declined by 16.1 per cent from KSh 20,268 million in 2007 to KSh 17,010 million in 2008 as shown in Table 16.8. Similarly, the overall return on equity (i.e. the amount of net income returned as a percentage of shareholders' equity) dropped from 14.5 per cent in 2007 to 11.4 per cent in 2008.

Table 16.8: Return on Equity

	Net Profit attributable to FDI & FPI in KSh Million	Stock of FDI & FPI Equity in KSh Million	Return on Equity
2007	20,267.56	139,563.72	**14.52**
2008	17,010.44	149,244.88	**11.40**
% Change	**-16.07**	**6.94**	

Employment

16.21. The survey sought to establish the contribution of foreign investment to employment. Information on the level of employment by skill category that was collected in the survey reveal that among the surveyed enterprises, there was an increase of 13.1 per cent in the overall level of employment from 213,425 persons in 2007 to 241,314 persons in 2008 as shown in Table 16.9. Over the same period, the total financial resources committed to wages by the foreign investment enterprises declined from KSh 107,330 million to KSh 84,082 million. The number of managerial employees increased from 19,072 in 2007 to 28,484 in 2008, an increase of 49.3 per cent. The number of skilled employees increased by 6.0 per cent while that of unskilled labour increased by 11.2 per cent over the same period. In both 2007 and 2008, the unskilled category was the dominant level of employment, accounting for over 60 per cent of the total employment.

16.22. In 2008, all categories of employment were dominated by Kenyans. This indicates that foreign private capital contributes significantly to job creation for the locals. The number of foreign employees tended to be positively correlated with the skill level, accounting for 3.8, 2.5 and 0.7 per cent of total employment for the managerial, skilled and unskilled categories,

respectively.

16.23. Analysis of employment by sex for 2008 show that male employees dominated all categories of employment. The proportion of female employees was much higher in the skilled and unskilled categories compared to the managerial category at 32.8, 38.6 and 15.5 per cent, respectively, in 2008.

Table 16.9: Wage Employment by Skill Category, Nationality and Sex

Skill Category	Nationality	2007			2008		
		Male	Female	**Total**	Male	Female	**Total**
Managerial	Local	13,629	3,781	**17,410**	23,117	4,276	**27,393**
	Foreign	1,113	549	**1,662**	943	148	**1,091**
Skilled	Local	39,974	22,080	**62,054**	44,087	21,883	**65,970**
	Foreign	1,521	259	**1,780**	1,367	329	**1,696**
Unskilled	Local	75,802	54,694	**130,496**	88,227	55,928	**144,155**
	Foreign	23	-	**23**	866	143	**1,009**
Total		**132,062**	**81,363**	**213,425**	**158,607**	**82,707**	**241,314**
Wage (KSh Million)				**107,229.6**			**84,082.1**

International Investment Position (IIP) Statement

16.24. The International Investment Position is a statistical statement that shows the value and composition of financial assets of residents of an economy that are claims on non-residents and liabilities of an economy to non-residents at a point in time. A country's international investment position is like a balance sheet that shows the total holdings of foreign assets by domestic residents and the total holdings of domestic assets by foreign residents at a point in time. The difference between a country's external financial assets and liabilities is the net international investment position. The net position reflects the level of indebtedness of a country.

16.25. Table 16.10 presents a partial IIP statement as derived from the survey results in addition to other data sources such as Bank for International Settlement (BIS) estimates of currency and deposits assets of other sectors, monetary and financial statistics. The statement shows a net liability International Investment Position (IIP) of KSh 159,584 million in 2008, an increase from a net liability position of KSh 63,468 million in 2007. This comprised total asset stocks of KSh 276,660 million and KSh 270,000 million for 2007 and 2008 respectively, and total liabilities of KSh 340,128 million and KSh 429,584 million for 2007 and 2008 respectively. Development in the IIP shows that Kenya attracted and retained a considerable amount of cross border capital in 2008 attributable to FDI and debt.

Table 16.10: International Investment Statement Position, 2007-2008

KSh Million

Standard components (BPM5)	Stock as at December 2007	Net Transactions[1] in 2008	Revaluations and other adjustments	Stock as at December 2008
Assets (+ = increase)	**276,660**	**41,202**	**-47,863**	**270,000**
Direct investment abroad	*11,721*	*7,281*	*-1,127*	*17,875*
Equity capital	5,667	3,081	0	8,748
Reinvested earnings	2,072	2,857	0	4,929
Other capital	3,982	1,343	-1,127	4,198
Portfolio investment	*59*	*162*	*0*	*222*
Equity securities	0	0	0	0
Debt securities	59	162	0	222
Other investment	*54,847*	*598*	*-26,678*	*28,767*
Trade credits	953	752	-106	1,599
Loans	27,366	-2	-12,963	14,401
Long-term	349	0	950	1,299
Short-term	27,017	-2	-13,913	13,102
Currency and deposits	26,528	-152	-13,609	12,767
Reserve assets	*210,033*	*33,161*	*-20,058*	*223,136*
Special Drawing Rights			0	
Reserve Position in the Fund	1,267	32	235	1,534
Foreign Exhange	208,702	33,127	-20,302	221,526
Other claims	64	3	9	76
Liabilities (+ = increase)	**340,128**	**64,443**	**25,013**	**429,584**
Direct investment in Kenya	*225,603*	*51,665*	*-3,264*	*274,004*
Equity capital	125,579	15,399	0	140,978
Reinvested earnings	54,429	11,151	0	65,580
Other capital	45,596	25,114	-3,264	67,446
Portfolio investment	*1,513*	*293*	*-129*	*1,677*
Equity securities	950	97	153	1,200
Debt securities	564	196	-282	478
Other investment	*113,011*	*12,485*	*28,407*	*153,903*
Trade credits	7,929	363	1,488	9,780
Loans	88,838	12,122	16,708	117,667
Long-term	74,070	12,341	7,331	93,742
Short-term	14,767	-219	9,377	23,925
Currency and deposits	16,245	0	10,211	26,456
IIP NET	**-63,468**	**-23,240**	**-72,876**	**-159,584**

[1]Net transactions may not be the same as the ones reported in other tables due to revaluation and other adjustments.

A Comparison of BOP Financial Account Data with the FIS 2010

16.26. At national level, foreign capital data are primarily collected to record BOP transactions and to secure information for computing, analysing and monitoring the BOP impact of FDI. This data is also useful for macroeconomic studies, which are concerned with the causes of payment imbalances and the implementation of appropriate adjustment measures. Two different methods are currently in use by most countries for collecting foreign capital data. These are the traditional BOP transaction recordings which are reports of related cash-flows through the banking system and statistical surveys of investing companies. In Table 16.11 presents a comparison of both methods in detail of the major components of the financial account.

16.27. No record is made on Retained earnings from the official BOP statement while FIS2010 data reveal substantial values. This is because, according to IMF standards, FDI is recorded in the Current Account of the BOP as investment income and in the Capital and Financial Account as direct investment. Income on equity is divided into distributed income (dividends and distributed branch profits) and retained earnings (earnings that foreign affiliates do not remit to the parent. Differences occur also on the Capital and Financial Account on direct investment capital transactions. These transactions are recorded separately for FDI inflows (FDI that occurs in the reporting economy) and FDI outflows (FDI abroad) and reflect changes in the ownership positions of affiliates that are controlled by direct investors. FDI capital transactions contain equity capital (owner's equity), intercompany loans and retained earnings as principal components.

16.28. Comparison of survey based data vis-à-vis current BOP estimates of financial account are shown in Table 16.15. In 2007 the net direct investment abroad recorded a surplus of KSh 7,099 million as per the survey data against a deficit of KSh 2,426 million as per the official BOP statement. Likewise, in 2008, the net direct investment abroad recorded a surplus of KSh 7,281 million according to the survey data compared to a deficit of KSh 3,028 million as per the official BOP statement. The net direct investment inflows worth KSh 78,861 million were recorded in the survey data against KSh 49,078 million registered in the official BOP statement, in 2007. On the other hand, net direct investment inflows worth KSh 51,664 million were recorded in the survey data against KSh 6,612 million registered in official BOP statement, in 2007. In the category of direct investment, no data is available in official BOP statement for reinvested earnings compared to the survey data which collected data on the same. The same scenario is witnessed for other capital in the direct investment abroad. This is an indication of under-coverage. This clearly shows that the use of survey to collect data enhances the quality, reliability, completeness and accuracy of BOP statement by filling the existing gaps.

16.29. Net portfolio investment inflows in 2007 were KSh 564 million in relation to FIS 2010 data, higher than net portfolio investment inflows recorded in the official BOP statement which stood at KSh 53 million. In 2008, net portfolio investment inflows as per survey data were KSh 293 million, lower than net portfolio investment inflows recorded in the official BOP statement which were worth KSh 681 million. Net portfolio investment abroad recorded deficits of KSh 1,717 million and KSh 2,486 million in 2007 and 2008 respectively, in the official BOP statement. Whilst net portfolio investment abroad recorded surpluses of KSh 59 million and KSh 162 million in 2007 and 2008 respectively, as per survey data. This shows that for this category the data furnished by Nairobi Stock Exchange (NSE) is more reliable than the survey data. This could be attributed to the fact that NSE has access to the information

pertaining to the listed enterprises.

16.30. Net other investment inflows in 2007 were KSh 140,549 million with regard to the official BOP statement, far much higher than net other investment inflows recorded in the survey data which stood at KSh 30,397 million. Similarly, in 2008, net other investment inflows as per survey data were KSh 19,955 million, far much lower than net other investment inflows recorded in the official BOP statement which were worth KSh 148,191 million. Net other investment abroad recorded deficits of KSh 46,004 million and KSh 73,309 million in 2007 and 2008 respectively, in the official BOP statement. However, as per survey data, net other investment abroad recorded surpluses worth KSh 5,421 million and KSh 1,556 million in 2007 and 2008, respectively. The scenario where the official BOP statement records have extremely higher values compared to the survey is attributable to misclassification of data coupled with erroneous reporting by the commercial banks through the Monthly Foreign Exchange Statistics (FXS-M) returns. Thus, some financial transactions which cannot be readily classified are included under 'other' capital receipts/or payments in the other investments component. Hence, the survey to a large extent s addresses this problem.

Table 16.11: A Comparison of survey based and current BOP estimates of Financial Account, 2007 – 2008

KSh Million

Standard components (BPM 5 Financial Account)	BOP Financial Account Transactions		FIS Net Transactions	
	2007	2008	2007	2008
Direct Investment Abroad	-2,426	-3,028	7,099	7,281
Equity capital	-2,426	-3,028	2,332	3,081
Reinvested earnings	0	0	2,191	2,857
Other capital	0	0	2,576	1,343
Direct Investment in Kenya	49,078	6,612	78,861	51,664
Equity capital	44,787	1,579	49,745	15,399
Reinvested earnings	0	0	12,343	11,151
Other capital	4,291	5,033	16,773	25,114
Portfolio Investment in Kenya	53	681	564	293
Equity securities	31	347	1	97
Debt securities	22	334	563	196
Portfolio Investment Abroad	-1,717	-2,486	59	162
Other Investment in Kenya	140,549	148,191	30,397	19,955
Trade credits	0	0	273	363
Long-term loans	37,912	32,850	28,858	12,341
o/w other sectors	7,429	10,123	28,858	12,341
Short-term loans	0	0	-91	-219
o/w other sectors	0	0	-91	-219
Currency and deposits	21,853	37,828	1,357	7,470
Other liabilities	80,784	77,513	0	0
o/w other sectors	79,389	75,440	0	0
Other Investment Abroad	-46,004	-73,309	5,421	1,556
Trade credits	0	0	535	752
Long-term loans	-22,667	-29,617	0	0
Short-term loans	0	0	3	-2
Currency and deposits	-19,262	-38,960	4,883	806
Other assets	-4,075	-4,732	0	0

Investor Perceptions

16.31. The tax regime, particularly tax administration; insecurity and corruption; cost and efficiency of road and inland transport; cost and supply of electricity had a significant negative effect on business operations. The results of the survey also revealed that interest rates, inflation rate and exchange rates were perceived to have a net negative effect on investment decisions. However, access to international markets; regional finance and internal finance was perceived to have a net positive effect. This suggests that apart from the domestic market, investors still place great importance to international markets. The survey findings indicate that both telecommunications and internet use had a significant positive impact on investment decisions.

16.32. Enterprises reported that they were likely to increase the range of products and services, staff training, recruitment of local staff, investment in technology, export of products

and improvement of existing facilities in the medium term. Those who planned to expand investment in technology comprised of 78.1 per cent of the respondents while those intending to improve existing facilities and staff training were 72.9 per cent and 72.8 per cent of the enterprises, respectively. More than half of the enterprises plan to expand their businesses in the next three years.

Conclusion

16.33. It is evident from the survey findings that as a result of increased globalization and liberalization, the size and role of Foreign Private Capital with regard to investment and growth of the economy has gained significance, and is expected to continue playing an important role in the economy. From investors' comments, corruption led to delays in product registration, port clearance and overall increase in cost of doing business. The survey findings with regard to insecurity and crime suggest that policy measures should be targeted at creating a safe and secure environment for business and investment. The survey revealed that investors perceived interest rates to be high and thus the need for the monetary and fiscal policies to address the issue of cost of credit to investors. The significance of technology on businesses as evidenced by the high number of investors planning to expand investments in technology is consistent with the historical relationship between technology and business operations.