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ECONOMIC SURVEY 1995

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UNITS AND SYMBOLS USED

1. *K£ (Kenya Pound) = 20 Kenya Shillings*
2. *Tonnes are metric tons = 1,000 Kg.*
3. *1 Hectare = 2.47 acres*
4. *Totals may not add up due to rounding*
5. *"-" means nil or negligible*
6. *".." means figures not available*
7. *mm = million.*

SUMMARY AND OUTLOOK

Overview

The world economy showed signs of recovery from a recession which began in 1991. The overall Gross Domestic Product (GDP) for countries of the Organization of Economic Co-operation and Development (OECD) grew by 2.8 per cent compared to 1.1 per cent in 1993. Inflation rates did not recede, recording 4.1 per cent increase in 1994 compared to 3.3 per cent in 1993. This nonetheless is expected to decline in 1995 and 1996. The unemployment rate stagnated at 8.2 per cent but is projected to decline to 7.5 per cent by 1996.

Kenya recorded a commendable performance in the year 1994 as it recovered from the 1992-93 drought. All the sectors of the economy showed recovery in the real value added. Real GDP grew by 3.0 per cent compared to a revised GDP growth of 0.2 per cent recorded in 1993. Sufficient rains, high prices in the world coffee market accompanied by producer price incentives, especially in the cereal sector, resulted in a rebounding growth of 2.8 per cent in the agricultural sector.

Real value added in the manufacturing sector rose by only 1.9 per cent compared to 1.8 in 1993. This sluggish performance is largely attributable to the stiff competition from imported finished goods, hence a fall in demand for domestically produced goods. The building and construction sector recorded a mere 1.1 per cent growth in value added. The sector is yet to recover from the slump in 1993.

Finance, insurance and business and trade restaurant and hotels sectors experienced commendable growth performance of 6.1 per cent and 5.1 per cent, respectively. Inflation rate was brought down to 28.8 per cent as compared to 46.0 per cent recorded in 1993.

Gross fixed capital formation rose by 13.39 per cent in real terms. The investment was particularly vibrant in transport and communication and plant machinery,mainly due to extension work done on the pipeline in Western Kenya.

International Scene

Internationally, economic conditions were favourable for growth, especially in the OECD countries. World trade rose by 8.9 per cent in 1994 as a result of buoyant activities in the OECD countries.

The USA economy recovered strongly to record a growth of 3.9 per cent. The Japanese economy recorded a growth of only 1 per cent with inflation rate declining to 0.6 per cent. Germany's export sector boosted its growth substantially from negative 1.5 in 1993 to 2.8 per cent in 1994.

Real GDP growth in the Dynamic Asian Economies, increased to above 7.5 per cent while that of China recorded 12 per cent. In Africa, many of the countries have not realised full potential due to obstacles to growth including large budget deficits,

high and volatile rates of inflation financial repression, and excessive government intervention in the economy. The continents economy was estimated to have recorded a growth of *3.4* per cent in 1994.

Domestic Economy

The performance of Kenya's economy in 1994 was significantly better than the previous four years from 1990 to 1993. The implementation of appropriate macro-economic reforms, such as tight monetary policy, liberalization of the foreign exchange and trade regimes, deregulation of cereal marketing and petroleum prices, augumented by favourable weather were major factors that boosted economic activities. Real GDP expanded by 3.0 per cent compared to a meagre revised GDP growth of 0.2 per cent in 1993. Inflation rate dropped to 28.8 per cent after rising rapidly to 46.0 per cent in 1993.

Agriculture registered a growth rate of 2.8 per cent while manufacturing grew by a relatively low 1.9 per cent, owing to stiff competition from finished imported goods. The financial, insurance and business sector recorded a substantial growth of 6.1 per cent, partially owing to spill ove[r] effects of the financial activity in 1994. The trade restaurant and hotel sector experienced a boom, as the market was opened to imports, with real value added recording a growth of 5.1 per cent.

Welfare Monitoring - Fifth Child Nutrition Survey 1994

The fifth nutrition survey was included as a module of the second round of the Welfare Monitoring Survey conducted in June/July, 1994. The Survey covered about 8,900 eligible children aged 6 to 60 months from 10,000 households in 47 districts. Both urban and rural clusters from arid and semi-arid districts of Garissa, Mandera, Wajir, Isiolo, Samburu and Turkana were included for the first time.

The height-for-age index showed that about 34 per cent of the children surveyed were moderately and/or severely stunted (shortness) while 15 per cent were severely stunted. It was also noted that stunting was highly prevalent in the 12 to 23 month olds and less prevalent among the under one month olds. The weight- for- height index showed that 8 per cent of the under fives were moderately and/or severely wasted (thinness) whereas 2 per cent were severely wasted. Wasting was also higher among the 12 to 23 month olds.

Around 90 per cent of the children had attended growth monitoring facilities, while crude immunization coverage at the national level stood at over 90 per cent. Data on maternal delivery showed that 48 per cent of the children were born in hospitals and/or health facilities whereas 51 per cent were delivered at home. It was also noted that rural mothers breastfed for longer periods, with an average of 15 months as compared to 13 months in Nairobi and Mombasa. Overall, the national mean length of breastfeeding stood at 15.8 months. The duration of exclusive breastfeeding varied across districts with the national average standing at 2.6 months.

Employment, Earnings and Consumer Prices

In 1994, total employment outside rural small-scale agriculture and pastoralist activities was estimated at 3.4 million persons. Employment in the modern sector expanded by 2.1 per cent to 1,562,700 persons in 1994. The expansion was mainly in employment within the private sector, occasioned by a modest recovery of the economy in 1994. As a result of the public sector reform programme, employment in the public sector was constrained to 687.600 persons, with an annual growth of 0.3 per cent in 1994. Consequently, the public sector's share of total employment declined from 46.5 per cent in 1993 to 45.7 per cent in 1994. Employment in the expanding informal sector rose by 22.2 per cent to 1,792,400 persons, and accounted for 53.4 per cent of total employment outside rural small-scale agriculture and pastoralist activities in 1994.

The overall nominal wage bill increased by 20.5 per cent, rising from K£ 3,496.6 million in 1993 to K£ 4,213.8 million in 1994. In the course of 1994, several measures were taken to cushion workers against the rise in the cost of living that prevailed in 1993. As a result, total average earnings per person expanded by a significant 18.2 per cent in 1994. The ebbing of inflationary pressures, coupled with upward wage adjustments, led to the recovery of overall real average earnings from a significant decline of 22.1 per cent to a modest decline of 8.3 per cent. The number of collective agreements registered with the industrial court declined from 337 in 1993 to 307 in 1994.

Inflation, as measured by Nairobi Consumer Price Indices, declined by 17.2 percentage points from 46.0 per cent in 1993 to 28.8 per cent in 1994. The easing of inflationary pressures is ascribed to a number of factors, among them the appreciation of the Shilling against major currencies, the good weather conditions that prevailed during the year after prolonged droughts, and the austerity measures pursued by the monetary authorities to contain expansion in domestic money supply and the budget deficit.

Money, Banking and Finance

Money supply expanded by 31 per cent while net foreign assets declined by 32 per cent in 1994. Domestic credit, on the other hand, increased by 46 per cent from K£ 5,011 million in 1993 to K£ 7,416 in 1994. Low interest rates prevailed over the period except for building societies.

The liquidity ratio of commercial banks and non-bank financial institutions (NBFIs) stood at 53 per cent and 51 per cent respectively in December 1994. Over the period, the Central Bank of Kenya successfully exercised moral suasion to bring down interest rates. Two NBFIs converted into commercial Banks while three others closed business.

Over the year, the activities in the Capital Market remained high. The Capital Market continued to expand as seven more stock brokers were registered and foreign investors allowed to participate in the Nairobi Stock Exchange (NSE). The year witnessed the deregistration of one insurance company and registration of the third re-insurance company.

Public Finance

The Government's efforts to improve revenue collection has so far yielded positive results. This is reflected in the continuous growth of current revenue since 1990/1991. Estimates indicate that current revenue will grow from K£ 5,051 million in 1993/94 to K£ 6,317 million in 1994/95. Similarly, current expenditure will increase from K£ 5,822 million to K£ 6,615 million, while current deficit will correspondingly fall from K£ 771 million to K£ 99 million.

Public debt redemption is set to decline from K£ 2,461 million to K£ 1,623 million. Labour costs on the other hand, are expected to increase by K£ 267 million between 1993/94 and 1994/95 due to increased salaries and allowance for civil servants, teachers and medical personnel.

The inelasticity of revenue resources required to finance the increasing demand for various services continue to hinder effective operations of most local authorities. According to estimates, total expenditure by local authorities will increase from K£ 471 million to K£ 606 million between 1993/94 and 1994/95 while revenue is expected to increase from K£ 405 million to K£ 415 million over the same period.

International Trade and Balance of Payments

Kenya's international trade and balance of payments performance in 1994 shows some contrast to that of 1993. The balance of trade deficit increased from K£ 1,378 million in 1993 to K£ 1,472 million in 1994. The current account balance registered a surplus of K£ 291 million and the balance of payments overall balance recorded a surplus of K£ 265 million .

The year witnessed high export unit prices and low import unit prices resulting in favourable terms of trade. There was a decrease in capital inflows coupled with increase in capital outflow, which resulted in the capital account registering a deficit of K£ 35 million. All these developments were due to the appreciation of the Kenya Shilling, low interest rate that prevailed over the period, and exchange control liberalization.

Government Capital account, which increased by K£ 393 million in 1993, decreased by K£ 760 million in 1994. Official capital inflows amounted to K£ 689 million while outflows amounted to K£ 1,289 million.

Agriculture

The agricultural sector recorded growth after four successive years of decline. At constant prices, the sector's contribution to G.D.P grew by 2.8 per cent compared to a decline of 4.1 per cent in 1993. This commendable performance was generally attributed to favourable weather conditions especially during the second half of 1994, declining inflation and domestic macro economic stability.

Increased production was recorded for maize, wheat, rice, beans, potatoes and milk. Production for tea, sugar-cane, pyrethrum, sisal and cotton was, however, below

the 1993 levels. Coffee production increased in 1994 after a considerable decline over time. The observed increase in horticultural exports is a reflection of the continued expansion of the sub-sector.

As a result of increased agricultural output and increased prices paid to farmers by marketing boards, the corresponding value of marketed production increased by 21.1 per cent in 1994. However, the agricultural terms of trade continued to show a downward trend in 1994.

Environment and Natural Resources

The development expenditure on water supplies and related services grew by 74.5 per cent from K£ 88,364 thousand in 1993 to K£ 154,192 thousand in 1994. The increase was mainly due to increased financial support to rural water projects in western Kenya and North Eastern province. The National Water Conservation and Pipeline Corporation remained the highest contributor, accounting for 69.2 per cent of the total development expenditure.

The fisheries and forestry sub-sectors continued to perform poorly relative to the past years. From an impressive increase of 12.7 per cent in 1993, the volume of fish landed only increased by 0.8 per cent, while the corresponding value in real terms went up by 12 per cent from K£ 188.3 million in 1993 to K£ 212.1 million in 1994.

The forestry sub-sector, too, showed no improvements. The depletion of forest plantation area that started in 1990 continued through 1994, while the area clear-felled went up twofold from 4.1 thousand hectares in 1993 to 8.2 thousand hectares in 1994. The poor performance is mainly due to continued pressure on forest land for settlement and farming. Total mineral production in 1994 grew by 4.4 per cent while wildlife population dropped by 6.8 per cent, from 1,051.2 thousand in 1993 to 979.9 thousand in 1994.

Energy

The organisation of Petroleum Exporting Countries (OPEC) held two conferences in 1994 with the aim of supporting oil market stability and price recovery. The members decided to maintain the same production ceilings and quotas as those of 1993. At the beginning of the year, the price of crude oil was low at US$ 13.29 per barrel, but at the end of the year it rose to an average of US$ 15.36 per barrel. The Government liberalised the petroleum sector at the end of the year. However, imports of crude oil and refined petroleum products and exports of petroleum products declined.

During the year, the installed electricity capacity and electricity generation went up. The Government and the African Development Bank signed a memorandum of understanding for a grant to finance the National Rural Electricity Masterplan study. Some eight rural electricity schemes were completed and a further 125 schemes are at various stages of implementation. The extension of the oil pipeline to western Kenya was commissioned in the first half of the year while the official inauguration took place in December 1994.

Manufacturing

The manufacturing sector is being transformed from import oriented to export oriented. Various export incentives have been offered, among them the establishment of the Export Promotion Council and establishment of regional markets in which Kenyan exports enjoy preferential treatment.

At the same time the liberalisation of the manufacturing sector resulted in massive importation of goods, thus challenging locally manufactured goods. As a result the sector recorded a growth of 1.9 per cent in 1994 compared to 1.8 per cent in 1993. Value of manufactured imports increased by 13.8 per cent while manufactured exports increased by 18.6 per cent.

Employment in the sector increased by 2.1 per cent to 197,648 persons as earnings increased by 19.8 per cent. Manufactured sales revenue increased by 33.7 per cent to K£ 15,207 million. The Industrial Finance Institutions refinanced 219 projects worth K£ 33.2 million in 1994. The Export Processing Zones Authority established in 1990 has approved 40 enterprises, 16 of them in 1994. Their labour force increased to nearly 3,000 people. Total export turnover in 1994 in the EPZ's stood at Ksh 9 billion.

Building and Construction

The unsatisfactory performance that the building and construction sector recorded in 1993 continued through 1994. This was due to a lack of adequate funds for public projects, high interest rates on loans and high import costs prevailing in 1993 and 1994. The sector however benefited from the shilling's dramatic recovery in trading against the hard currencies and the price reduction in cement and petroleum fuels during the second half of the year, leading to a significant drop in building and construction cost indices.

Cement consumption, a major indicator in construction, recorded a decline of 4.0 per cent in 1994 compared to decline of 20 per cent recorded the previous year. The number of persons engaged in modern building and construction sector stagnated at around 73 thousand people. In the informal sector, building and construction sector engaged a total of 26 thousand people in 1994 up from 21 thousand people in 1993.

Tourism

Indicators of tourism in Kenya presented a contrasting scenario in 1994. On the one hand, visitor arrivals, departures and days stayed by purpose of visit registered growths in 1994 and on the other, visitors to various tourist attraction sites including game parks as well as hotel bed-nights remained unchanged between 1993 and 1994. Hotel occupancy rate declined by 17.4 per cent, the worst ever recorded . Visitor arrivals increased by 4.5 per cent. Visitors to national parks, game reserves, snake parks, museums and other historic sites remained unchanged over the two years. The average number of days stayed fell by 2.2 per cent from the 1993 level. Earnings from Tourism increased from K£ 1,222 million in 1993 to K£ 1,405 million in 1994.

Transport, Storage and Communications

The sector recorded 17.5 per cent growth of output in nominal terms in 1994, the highest recorded since 1991. This performance was boosted by completion of the oil pipeline extension to western Kenya, the drought relief programme and increased activity at the Mombasa harbour owing to trade liberalisation. Total imports handled through the Mombasa harbour, increased by 28.5 percent in 1994, while the appreciation of the Kenya shilling against international trading currencies adversely affected volume of exports through the seaport and the airlines industry.

The Kenya Posts and Telecommunications Corporation initiated moves to separate the postal and telecommunications activities into separate business entities in 1994, amidst substantial rapid technological transformations in the industry. Structural constraints in the domestic railway industry and increased competition in transport business, adversely affected performance of the Kenya Railways in 1994.

Sluggish domestic economic growth in the past few years has contributed towards constrained demand for radios and television sets, while increased production costs in the printing and publishing industry significantly curtailed circulation of local newspapers.

Social Scene

Central Government expenditure estimates on social services rose remarkably by 46.0 per cent from K£ 1,319.17 million in 1993/94 to K£ 1,925.74 million in 1994/95 fiscal year. The education sector received 78.7 per cent, the largest share of the recurrent budget allocation, while the Health sector had the highest share of development budget, accounting for 56.7 per cent. Local Government expenditure on social services almost doubled to K£ 58.96 million in 1994/95 fiscal year. The health sector continued to have the biggest share of the total allocation, receiving 53.7 per cent. The Ministry of Education's total estimated expenditure increased significantly by 44.5 per cent in 1993/94, while that Ministry of Health rose by 48.3 per cent in the same period.

Enrolment in pre-primary education increased from 844,796 in 1990 to 951,997 in 1994, a 12.7 per cent rise. Primary schools enrolment rose by 3.6 per cent while that of secondary schools rose by 20.9 per cent.

Prevention and control of diseases such as meningitis, cholera, diarrhoea and malaria remained one of the greatest concerns of the Ministry of Health. Sporadic outbreaks were experienced during 1994, with nearly 880 cases of cholera and 262 cases of meningitis being recorded mainly in the Lake region, North Eastern and parts of Rift Valley provinces. Due to increasing outbreaks of water borne bacterial diarrhoea, the Ministry has formed control task forces with an overall aim of training local health teams at the district level on how to investigate and manage disease outbreaks.

Outlook

The agricultural sector faces a crisis this year following a successful farming year and the liberalization of grain imports. This has resulted in farmers being stuck with millions of bags of maize either harvested or yet to be harvested which could not be sold because there are no buyers willing to offer a high price.

Several trends that have emerged in the past few years are expected to continue. Donor support is unlikely to return to the levels of the 1980's given the increased competition from within the region and from Eastern Europe. The liberalization process is expected to continue. So far in 1995, some textile clothing and leather factories have already closed due to stiff competition from imported goods. South Africa's influence in the region will increase in terms of increased competition as their goods enter the market.

In agriculture, policy reforms to accelerate growth and productivity have been prepared. This move aims at increasing rural incomes and rural off farm employment. On top of the agenda is the restructuring plan for the Ministry of Agriculture, Livestock Development and Marketing. It will proceed in four stages:-

Reviewing the role and strategic functions of the Ministry with a view to effectively facilitating private sector initiative;

Strengthening the management of the ministry's technical units responsible for providing essential and strategic services to farmers such as research and extension services;

Privatising services such as tractor and veterinary services;

For services that cannot be privatised cost recovery will be implemented as close to full cost as possible;

A number of parastatals including Kenya Posts and Telecommunications and Kenya Railways, together with the civil service will be entering the second phase of employee retrenchment as a requirement of the structural adjustment programme.

The decision to license foreign exchange bureaux to deal in buying and selling foreign currency is expected to inject stiff competition in the forex market. High competition is expected against commercial banks. The reduction of interest rates by commercial banks is set to boost the local industry. This will stimulate credit to the private sector hence boosting the economy.

The manufacturing sector is expected to face stiff competition from imports of finished goods from the international market; although it may greatly benefit from imports of intermediate goods. Subsequently, the sector may not perform as expected.

The stability of the Kenya Shilling against major trading currencies will be an important determinant to the performance of a number of sectors, for example, manufacturing, tourism, the trade restaurant and hotels and the energy sector. By may

1995, the shilling had depreciated from shs 44 to the Dollar to Shs 57 to the dollar. While this augurs well for tourism, the instability may dampen investment. The overall GDP growth is projected to about 4 per cent.

KEY ECONOMIC AND SOCIAL INDICATORS, 1990 - 1994*

Table 1

		1990	1991	1992	1993	1994**	
1	Population	(million)	22.2	22.9	23.7	24.5	25.4	
2	Growth of GDP at constant prices ..	(per cent)	4.3	2.1	0.5	0.2	3.0	
3	GDP at market prices	(K£mn)	9,777	11,062	12,807	16,004	19,493	
4	Net cost of petroleum products ..	(K£mn)	318	213	389	872	620	
5	Trade balance	(K£mn)	-1,302	-1,094	-1,213	-1,378	-1,472	
6	Money Supply	(K£mn|	3,075	3,716	4,965	6,241	8,163	
7	Total domestic credit	(K£mn)	3,618	4,330	4,993	5,011	7,316	
8	Balance of payments (current account)	(K£mn)	-596	-290	-157	288	291	
9	Coffee marketed production ..	('000 tonnes)	104	86	85	75	80	
10	Tea marketed production	('000 tonnes)	197	204	188	211	209	
11	Maize marketed centrally	('000 tonnes)	528	304	324	242	316	
12	Wheat marketed centrally	('000 tonnes)	190	195	126	77	108	
13	Sugar-cane production	('000 tonnes)	4,200	4,048	3,657	3,957	3,308	
14	Milk sold centrally	(mn litres)	392	359	220	249	258	
15	Manufacturing output	(K£mn)	8,816	10,818	11,877	15,908	19,428	
16	Construction output	(K£mn)	927	1,005	1,066	1,293	1,456	
17	Cement Consumption ..	('000 tonnes)	1,182	1,119	1,118	894	859	
18	Petroleum Consumption	('000 tonnes)	1,830	1,755	1,839	1,826	2,009	
19	Electricity consumption	(mn Kwh)	2,732	2,854	2,915	3,074	3,205	
20	Tourism earnings	(K£mn)	533	594	713	1,222	1,405	
21	New registration of vehicles ..	(number)	18,023	15,516	14,784	12,420	15,613	
22	Rail freight	(mn tonnes-Km)	1,808	1,865	1,627	1,312	1,172	
23	Air passengers handled	('000)	2,654	2,617	2,582	2,721	2,768	
24	Wage employment	('000)	1,409	1,442	1,462	1,475	1,504	
25	Education-primary enrolment	('000)	5,392	5,456	5,530	5,429	5,557	
26	Education-secondary enrolment ..	('000)	618	614	629	531	620	
27	Education-post secondary enrolment ..	('000)	79	82	83	80	82	
28	Hospital beds and cots	(number)	33,086	33,926	34,360	38,137	37,271	
29	Registered doctors and dentists ..	(number)	3,953	4,088	4,218	4,458	5,188	
	INDEX NUMBERS: (1982 = 100)							Annual % Rate of change 1990-94
	Export volumes		122	126	126	148	167	8.2
	Import volumes		119	111	107	116	144	4.9
	Terms of trade		71	82	79	90	101	9.2
	Consumer prices * * *		163	195	248	363	468	30.2
	Real wages		94	92	89	78	92	-0.5
	Agricultural terms of trade ..		95	93	90	87	87	-2.2

* More precise measures are given in individual chapters.

** Provisional.

** * Weighted Revised Index (Feb/March 1986 = 100)

CHAPTER 1 - INTERNATIONAL SCENE

Introduction

Global economic performance was more favourable in 1994, especially in the Organisation for Economic Co-operation and Development (OECD) countries. Their growth in output terms rose by 2.8 per cent in 1994, up from 1.1 per cent in 1993. This marked growth was widespread among all member countries which recorded growth rates of over 2.0 per cent, except for Japan which recorded a growth of 1.0 per cent. Prices of non-oil primary commodities recorded mixed performances while oil prices fell by a further 4.8 per cent per barrel. World trade rose by 8.9 per cent as a result of the strenghthened economic activity of the OECD countries. African economies continued to perform below expectation. However, the pursuit of comphrehensive Structural Adjustment Programmes are likely to improve their performance in the near future. In 1994, Africa was estimated to have recorded a growth of 3.4 per cent.

1.2. The Organization for Economic Co-operation and Development (OECD) economies have come out of recession and a number of them have been growing sufficiently rapidly to bring down unemployment. World merchandise trade has been concentrated on manufactures and has been dominated by OECD countries. A large proportion of OECD merchandise trade is currently taking place between member countries. While the share of non-OECD countries in world merchandise trade remained broadly constant, a number of countries in Asia have emerged as important trading partners of OECD countries for both exports and imports.

1.3. World trade grew by 8.9 per cent in 1994, a growth that is well above the projected 5.4 per cent. This increased trade has meant increased export and import volumes throughout the the world. World merchandise trade has been dominated by the OECD countries which accounted for 62.0 per cent of the total trade. Until the sharp fall in oil prices in 1986, the Organisation of Oil Exporting Countries (OPEC) was by far the largest non-OECD exporter. With the lowering of oil prices, OPEC's importance in world trade has diminished substantially. In contrast, the Dynamic Asian Economies (DAE's) have emerged as an important world trading partner. By the close of 1994, estimated combined DAE's exports as a percentage of world totals were similar to or just below those of the United States.

Country/Region Analysis

1.4. The **USA:** the economy recovered strongly in 1994 to record a growth of 3.9 per cent compared to 2.8 per cent in 1993. Consumption remained buoyant as the savings rate edged down. Higher taxes enacted in 1993 appear to have had little dampening effect. The contribution from real net exports is expected to be positive as exports respond strongly to the lower dollar rate. This is in turn expected to help the current external deficit to stop growing by 1996 for the first time since 1991. Real total domestic demand recorded a growth of 4.6 per cent or one percentage point higher than in 1993. The increase in demand was a result of lower inflation, which stood at 2.0 per cent in 1994 compared to 2.6 per cent in 1993.

KEY ECONOMIC INDICATORS AND PROJECTIONS FOR WESTERN INDUSTRIAL COUNTRIES (OECD)*

(SEASONALLY ADJUSTED ANNUAL RATES)

Table 1.1

	1993	1994	1995	1996
	(percentage changes from preceding period)			
Real GDP -				
United States	2.8	3.9	3.1	2.0
Japan	-0.5	1.0	2.3	3.4
Germany***	-1.5	2.8	2.8	3.5
OECD Europe ..	-0.2	2.3	3.0	3.2
Total OECD ..	1.1	2.8	3.0	2.9
Real total domestic demand -				
United States	3.6	4.6	2.8	1.6
Japan	-0.4	1.7	3.2	4.0
Germany***	-1.5	2.7	2.4	3.6
OECD Europe ..	-1.3	1.6	2.6	3.2
Total OECD ..	0.9	2.9	2.9	2.8
Inflation (GDP deflators)				
United States	2.6	2.0	2.5	3.2
Japan	1.0	0.6	0.6	0.6
Germany***	4.0	2.3	2.0	2.2
OECD Europe	3.2	2.5	2.5	2.6
Total OECD ..	3.3	4.1	3.1	3.0
	(US $billion)			
Current balances-				
United States	-104	-154	-173	-169
Japan	131	140	145	140
Germany* * *	-20	-25	-13	-13
OECD Europe	-21	-40	-74	90
Total OECD	-9	-34	-20	-9
	(per cent of labour force)			
Unemployment-				
United States	6.9	6.1	5.6	5.6
Japan	2.5	2.9	3.0	2.9
Germany***	8.9	9.6	9.1	8.6
OECD European members	10.7	11.6	11.3	10.9
Total OECD membership	8.2	8.2	7.9	7.7
	(percentage changes from preceding period)			
WorldTrade**	2.4	8.9	8.2	7.8

Source: OECD Economic Outlook no. 56,December, 1994

** Assumptions underlying the 1995 and 1996 projections include:*

no change in actual and announced policies;

unchanged exchange rates from 2nd November 1994, in particular $ 1 = ¥96.4 DM1.50;

Dollar price (OECD fob imports) for internationally traded oil of US$ 15.60 per barrel for 94 II and rise in line with OECD manufactured export prices thereafter;

** * Arithmetic average of the growth rates of the world import volume and the world export volume.*

** * * The Federal Republic of Germany after unification is referred to as 'Germany'.*

Cut off date for other information used in the compilation of the projections was 9th November 1994

1.5. Japan: the Japanese economy is now recovering in response to a continued easing of the monetary situation and the implementation of a series of fiscal measures. Many indicators point to an acceleration of domestic demand and output growth from the second half of 1994 and by the end of 1995 growth may be back to its medium term trend, with a sustained strengthening of consumption followed by a gradual

recovery of business investment. In 1994 the Japanese economy recorded a GDP growth rate of 1.0 per cent compared to the negative 0.5 per cent recorded in 1993. The strength of the world economy brought about a rise in Japan's volume of exports, despite the continued loss of market share due to the appreciation of the Yen. Productivity in the industrial sector improved markedly and resulted in a decline in unit labour cost. Inflation declined by 0.6 per cent and is projected to stabilize throughout 1995 and 1996.

1.6. **Germany** : the German economy is expected to have expanded substantially in 1994 to record a growth rate of 2.8 per cent in contrast to a negative 1.5 in 1993. The recovery in Germany originated with the export sector and is gradually spreading to other sectors. This expansion was caused by buoyant export markets and the improvement in cost competitiveness. While exports have accelerated, import growth has shown a slower acceleration. Unemployment recorded a high rate of 9.6 per cent in 1994 but its projected rate shows a slight decline to 9.1 in 1995.

1.7. **South and Central America** : real GDP in South and Central America increased by 4.5 per cent, an increase slightly less than that of 1993. Major contributors to this growth were the recovery of the OECD countries, continued capital inflows and productivity gains associated with restructuring. The slight decline in the growth rate was mostly a result of restrictive macro-economic policies in the context of anti-inflationary programmes. These programmes generally resulted in a reduction of inflation. Import volumes grew by less than 10.0 per cent, while export volume growth picked up to above 7.0 per cent as a result of productivity gains and higher foreign demand, while terms of trade improved slightly due to an increase in commodity prices. In July 1994, Brazil introduced a new currency the "real", which led to a sharp fall in inflation. The combined effect of exchange rate appreciation and import liberalisation led to an increase in imports which reduced the trade surplus. In Argentine, Chile, Columbia and Peru, restrictive fiscal and monetary policies have succeeded in reducing inflation, although investment demand has increased substantially.

1.8. **Central and Eastern Europe** : the countries of Central and Eastern Europe (Bulgaria, Czech Republic, Hungary, Poland, Romania, Russian Federation and Slovak Republic) are now experiencing positive output growth. However in Bulgaria, Hungary and Romania, the need to maintain (and in Hungary the need to tighten) stabilization policies will mean that such growth will remain modest. Exports to the OECD area have been expanding strongly and this is expected to persist, given the policy intentions to focus on export led growth. Domestic demand in most of these countries is driven by consumption.

1.9. Industrial production has shown strong growth in Hungary, Poland and Slovakia. Agriculture has rebounded in most countries from the declines induced by drought in 1992 and 1993. The exception is Poland where poor weather conditions will lead to a fall in output.

1.10. **Asia** : during 1994, economic activity in the Dynamic Asian Economies accelerated (DAE's include Hong Kong, Korea, Malaysia, Singapore, Taiwan and Thailand). Real GDP growth increased to above 7.5 per cent against 6.5 per cent in

1993. DAE's growth in the 1990's was largely self sustaining. The importance of South East Asian countries as exporters to OECD countries has been rising despite a marked deterioration in international competitiveness in the Newly Industrialised Economies (NIEs) as a result of rapidly rising wages and appreciating currencies.

1.11. Most economies in Asia have seen spectacular growth in recent years. In China, South Korea and Thailand, output has doubled since 1985. Measured on the basis of purchasing power parity, which takes into account of what money actually buys in different countries, China now has the worlds third biggest economy; India, the world's fifth biggest economy, has seen the slowest growth of all Asian economies. Adjustments in China are proceeding more slowly than had been initially planned. This is mainly because of the difficulties the authorities have experienced in implementing a tight monetary policy stance while faced with risks of social unrest. Real GNP for China grew at around 12 per cent in 1994, marginally lower than in 1993, while gross investment increased by more than 40 per cent in the first eight months of 1994, compared with the same period a year earlier.

1.12. **Africa** : many countries have not realised their full economic potential. These countries are characterised by many obstacles to growth, including large budget deficits, high and volatile rates of inflation, financial repression and excessive government intervention in the economy. In many countries growth is also impeded by protection from foreign competition, over-valued exchange rates, unsustainable population growth, and the recent widespread drought. However, there is evidence of improved growth performance in sub Sahara Africa countries that are pursuing comprehensive programmes supported by the International Monetary Fund's (IMF's) Enhanced Structural Adjustment Facility (ESAF). Development in South Africa could have beneficial spill-over effects on Southern Africa.

1.13. Trade barriers between potential markets have also hampered export growth and many developing countries in Africa have been adversely affected by the agricultural policies of the industrial countries which have tended to lower world food prices. The lower world prices reduce the incentives for production by domestic farmers in developing countries. Real GDP for Africa is estimated to have grown at 3.4 per cent in 1994.

Commodity Prices

1.14. World oil prices dropped further to US$ 15.36 per barrel compared to US$ 16.13 per barrel in 1993. Tea and sugar prices fell marginally by 1.0 and 2.0 per cent respectively. The spill-over effect of the drought and frost in Brazil in 1993 contributed to the more than doubling of coffee prices. These prices are expected to decline as the country recovers from the frost catastrophe.

1.15. Africa's maize crop is projected to fall by nearly 6.0 per cent, which means the continent will have little to export. China, the biggest wheat producer, is expected to import 12 million tonnes in 1994-95 against 4.5 million tonnes in 1993/94.

SELECTED WORLD COMMODITY PRICE INDICES, 1990-1994
(1990 = 100)

Table 1.2

Year	Other milds" Coffee *	Tea**	Sisal***	Sugar +	Petroleum + +	All+ + + Commodities	Industrial Countries	Developing Countries
1990	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1991	95.4	90.7	93.6	105.0	83.0	95.6	94.7	96.8
1992	71.4	98.3	70.7	107.8	82.6	95.4	95.9	94.6
1993	78.5	91.4	86.1	106.2	73.2	91.8	92.5	90.8
1994	153.9	90.7	86.8	104.6	69.2	101.2	98.0	105.6

Source: IMF International Financial Statistics, (February. 1995).
Indices are based on prices in US dollar.
** Other wilds (New York).*
** * Average Auction (London).*
** * * East African (Europe).*
+ E.E.C. Import Price.
+ + Average crude price(Spot) (US $ per barrel).
+ + + World (non-fuel commodities).

Outlook

1.16. In the short term, the OECD economies are projected to record growth of 3.0 per cent and 2.9 per cent in 1995 and 1996 respectively. Inflation on the other hand is expected to decline steadily from 4.1 per cent in 1994 to 3.0 per cent in 1996. The economic prospect for the OECD areas are better than they have been for several years. Employment is likely to rise for the first time since 1990. There is uncertainty about the effect of monetary tightening already achieved in the United States. Overall GDP for the USA may decline from 3.9 per cent in 1994 to 3.1 per cent in 1995 and 2.0 per cent 1996. Long term interest rates have been on the increase through most of 1994, and if these trends persist they will affect prospects for business investment, especially in Europe, while household spending in Europe and Japan could be more cautious than forecast.

1.17. In Japan, projected output will be entirely driven by domestic demand as the net foreign balance will continue to act as a drag on the expansion of GDP. It is only in 1996 that business investment is expected to recover to any significant extent.

1.18. In Germany, the continued healthy market will help the expansion of German exports which should also continue to benefit both from a favourable product composition of export demand and from the effects of recent and prospective improvements in cost competitiveness. Wages are likely to begin to accelerate as unemployment rates begin to fall. Real GDP is projected to remain at the 1994 level of 2.8 per cent in 1995.

1.19. The successful conclusion of the Uruguay Round Negotiations is particularly significant and may considerably enhance trading opportunities for all countries. The agreement will give new impetus to world trade in both manufactures and services sectors. The creation of the World Trade Organization (WTO) is expected to strengthen the institutional basis for trade relations among countries and will help sustain the achievement of the Uruguay Round Negotiations and provide a forum for future multilateral trade negotiations.

1.20. Emerging economies of Asia and South and Central America are expected to register growth rates significantly higher than the OECD average between 1994 and 1996. This sustained growth is largely based on strong domestic demand and on the dynamics of intra-regional trade. In Asia, inflationary pressures are likely to pose problems as demand is growing at or above potential in many countries. It is projected that with restrictive macro-economic policies in South and Central America, inflation will decline; although the external current account will continue to be affected by increased debt servicing.

1.21. In December 1994, Mexico devalued the Peso. As a result of this devaluation, the nominal interest rates experienced a four-fold rise which caused an increase in loan defaults. The loan defaults in turn affected commercial banks solvency, as well as other sectors, to such an extent that the monthly inflation was accelerating at an estimated 6.0 per cent by March 1995 Also, by March 1995, the interbank exchange rates had been pushed to 114.0 per cent. This state of affairs has forced the Mexican authorities to formulate a rescue plan which will be made possible by aid from USA.

CHAPTER 2 - DOMESTIC ECONOMY

Overview

In 1994, the Kenyan economy recorded a Gross Domestic Product (GDP) growth of 3 per cent compared to a revised GDP growth of 0.2 per cent in 1993. The economic recovery can be attributed to two major reasons. Firstly, there was good weather which resulted in a good crop harvest compared to 1993. This triggered the improved performance of the food manufacturing sector especially in the grain milling industry. Secondly, the implementation of appropriate macro-economic reforms, such as tight monetary policy, liberalisation of the foreign exchange and trade regimes, deregulation of cereal marketing activity and lately the deregulation of the petroleum industry, resulted in:

a decline in the annual inflation rate from 46.0 per cent in 1993 to 28.8 in 1994;

a drop in treasury bill yield from 70.0 per cent in 1993 to 14 per cent in 1994;

commercial bank interest rates falling by over 8 percentage points in 1994 over 1993; and,

an increase in imports of raw materials and machinery and transport equipment.

The increase in forex reserves enabled the manufacturing, transport and communication and agricultural sectors to perform reasonably well in terms of domestic products and gross investment. All the above developments stand in marked contrast to the economic performance in 1993, which was characterised by excessive money supply, high inflation, massive depreciation of the shilling and low aggregate domestic demand. Investor confidence was then at its lowest, abetted in part by the tumult surrounding the transition to plural politics.

2.2. The major sectors of the economy recorded mixed performances, but overall, they recorded higher growths than during the slump experienced in 1993. The agricultural sector rebounded to record a growth of 2.8 per cent in real value added. Major food crops, especially maize, recorded substantial growth. Coffee recorded slight growth in output but tea output declined by 1 per cent.

2.3. The manufacturing sector had to contend with full liberalization of the economy enhancing the import of finished goods. Highest benefits were recorded in the grain milling and metal industry sub-sectors, where most imported items comprised intermediate inputs. The textile and clothing sub-sector stalled largely as a result of stiff competition from imported garments. This mixed ability to take advantage of liberalisation constrained growth of the sector to 1.9 per cent.

2.4. The financial sector continued to record buoyant activity, recording 6.1 per cent in GDP growth in real terms, although this was slower growth than 1993. The liberalised foreign exchange markets were major contributors to the performance.

Inflation

2.5. A remarkable achievement for the economy in 1994, was the control of inflation which had plagued the country in 1993. Annual inflation, which had been 27 per cent in 1992 shot up to 46 per cent in 1993, but gradually dropped to 28.8 per cent in 1994. The decline in inflation was due to various reasons:

- the appreciation of the shilling which led to reduced import prices;

- pursuit of measures to contain the expansion of domestic money supply;

- lowering of excise duties in the 1994/95 budget on agricultural machinery and tools, illuminating kerosene, drinks and cigarettes;

- improved weather conditions which led to ample food supply and resulted in decrease of basic food prices; and,

- substantial decreases in commercial bank and treasury bills interest rates.

The fall in the inflation rate was more pronounced during the second half of 1994, mainly because of the appreciation of the Kenya Shilling, the slightly above average long rains crop harvest and substantial tax and import duty exemptions effected during the period. By December 1994 the month-on-month inflation rate had attained a single digit level of 6.6 per cent.

Sectoral Contributions

2.6. Sectoral contribution and growth rates on the GDP components are shown in Tables 2.1 and 2.2. The overall performance was that of recovery compared to 1993. One noticeable sector that recorded substantial activity was the trade, hotel and restaurant sector which recorded 5.1 per cent growth compared to only 0.1 per cent in 1993.

Agriculture

2.7. Agriculture continued to make up the largest portion of Kenya's economy, contributing approximately 25 per cent of the total GDP. Between 1990 and 1994, the sector's value added dropped by 1.6 per cent per year compared with 4.2 per cent recorded in the previous five years, between 1985 and 1989. The growth rate of real GDP fell steeply from 3.4 per cent in 1990 to negative 4.1 per cent in 1993. In 1994, as a result of sufficient rainfall and high prices in the world coffee market, the sector recovered to record 2.8 per cent growth in real GDP.

2.8. Other factors that led to the increase in output of the agriculture sector include falling inflation and better prices paid to farmers for most agricultural commodities like sugarcane, milk and coffee. In the early part of the year, the Government increased floor prices of strategic cereals between 24 and 119 per cent. Other incentives were: the reduction of import duties on major agricultural farm inputs such as fertilizers and green house sheeting; and the creation of foreign exchange retention accounts and foreign currency accounts which motivated farmers to increase coffee production.

2.9. ***Maize:*** maize production in the 1994/95 crop year was estimated to be around 24 million bags. Favourable weather, low prices of fertilizers, and the liberalization of the grain sector were the major reasons for this improved output. The bumper harvest, coupled with large stocks of imported maize, reduced prices of the crop to as little as Shs 450 per 100kg. bag.

2.10. ***Wheat:*** wheat production in 1994 was estimated at 108 thousand tonnes. Higher producer prices coupled with the good weather led to the increase. However, the production could not meet the aggregate domestic demand/consumption, resulting in imports of 353 thousand tonnes. The bulk of the wheat imports were made during the first half of the year when the domestic harvest had not yet begun.

2.11. ***Milk:*** the liberalization of the dairy industry, which began in late 1993, opened up the market for several new entrants. This resulted in a substantial proportion of farmers selling their milk to private firms who pay promptly. Although records indicate that milk production recorded a growth of 3.6 per cent, from 249 million litres to 258 million litres, milk processed, especially through the Kenya Co-operative Creameries (KCC), recorded a substantial decline. Delayed payments to farmers has adversely affected the volume of milk handled by KCC.

2.12. ***Coffee:*** the coffee industry improved in 1994 with overall deliveries to the Coffee Board of Kenya increasing from 77.8 thousand tonnes in 1993 to 81.5 thousand in 1994. This was still much lower than the 1991 production of 87.1 thousand tonnes. Gradual improvement of world coffee prices from 1991, the high premium prices fetched for Kenya coffee, and prompt payments initiated under the Second Coffee Improvement Project (SCIP II) helped revive the Kenyan coffee industry. Coffee price in the world market was recorded at K£ 7,214 per tonne compared to K£ 5,037 and K£ 2,773 in 1993 and 1992, respectively. High prices of coffee were largely a result the shortfall caused by bad weather in Brazil and the failure of producers to negotiate a new coffee agreement. The good international prices resulted in local weekly auction prices nearly doubling from US$ 93.45 per bag in 1993 to US$ 177 in 1994.

2.13. ***Tea:*** production of tea was affected by the dry weather continuing from 1993 to March 1994. The improved weather conditions towards the end of year resulted in heavy cropping. As at the end of 1994, recorded production was 1 per cent lower than that of 1993 from 211 thousand tonnes to 209 thousand. The average export prices of tea went up from US$ 1,454 per tonne in 1993 to US$ 2,154 in 1994. However, the volume of exported tea in 1994 was 13,000 tonnes lower than in 1993.

GROSS DOMESTIC PRODUCT, 1990 - 1994

Table 2.1 K£million

	Current Prices					Constant (1982) Prices				
	1990	1991	1992*	1993*	1994**	1990	1991	1992*	1993*	1994**
A. NON-MONETARY ECONOMY										
Forestry	62.83	68.04	71.95	77.14	81.93	31.37	32.19	33.04	33.90	34.99
Fishing	3.01	3.28	3.42	4.17	4.83	1.49	1.39	1.27	1.21	1.26
Building and Construction	90.78	92.67	101.40	103.15	104.90	72.93	74.39	75.45	76.37	78.66
Water Collection	46.13	49.04	53.08	56.350	60.00	24.14	24.87	25.33	25.51	26.55
Ownership of Dwellings	218.93	245.42	262.04	281.640	309.2	99.71	101.70	102.34	110.37	114.18
TOTAL NON-MONETARY ECONOMY	421.68	458.45	491.89	522.450	560.86	229.64	234.54	237.43	247.36	255.64
MONETARY ECONOMY										
1. Enterprises and Non-Profit Institutions										
Agriculture	2,235.46	2,337.69	2,681.94	3583.110	4344.21	1,192.04	1,178.93	1,134.83	1088.49	1118.97
Forestry	107.43	131.07	140.44	168.080	190.48	42.65	46.23	48.16	53.11	57.78
Fishing	32.59	37.48	45.16	53.89	62.98	13.39	13.10	12.24	12.60	13.11
Mining and Quarrying	22.96	28.03	30.28	35.22	35.68	11.25	11.97	11.01	11.23	11.41
Manufacturing	987.40	1,167.40	1,230.73	1419.68	1696.52	560.34	581.63	588.61	599.21	610.59
Building and Construction	376.80	477.10	579.60	655.20	742.80	134.30	129.30	122.20	111.61	112.85
Electricity and Water	79.40	92.11	100.33	126.90	164.06	43.69	45.97	45.11	45.52	46.50
Trade, Restaurants and Hotels	947.63	1,133.37	1,517.10	1920.65	2400.81	465.95	472.05	478.94	479.56	504.02
Transport, Storage& Communications	598.17	681.91	908.70	991.91	1263.00	249.74	259.10	263.60	265.71	273.68
Finance, Insurance, Real Estate and Business Services	686.69	865.43	1,081.34	1398.17	2015.65	333.15	353.47	377.94	405.15	429.87
Ownership of Dwellings	480.52	545.97	575.95	625.71	667.34	229.35	235.31	238.98	239.46	243.10
Other Services	251.48	292.22	368.65	477.87	578.20	135.93	141.11	144.50	145.68	149.90
Less:Imputed Bank Service Charges	-262.50	-328.08	-643.03	-725.37	-1392.28	-134.03	-138.59	-142.03	-156.30	-169.17
TOTAL	6,544.03	7,461.70	8,617.19	10,731.02	12,769.45	3,277.75	3,329.58	3,324.09	3,301.03	3,402.61
2.PRIVATE HOUSEHOLDS (DOMESTIC SERVICES)	1 13.56	132.40	154.57	180.58	211.13	70.52	78.28	85.26	94.58	102.45
3.Producers of Government Services										
Public Administration	317.07	379.95	443.32	569.80	782.71					
Defence	42.03	39.76	38.15	41.70	51.46					
Education	590.31	717.78	849.19	945.60	1079.32					
Health	134.79	148.08	171.89	215.60	284.89					
Agricultural Services	59.34	53.85	55.80	72.17	95.91					
Other Services	154.97	148.36	163.99	230.17	276.20	**				
TOTAL	1,298.51	1,487.78	1,722.34	2,075.04	2,570.49	645.72	669.10	685.43	699.82	710.32
TOTAL MONETARY ECONOMY	7,956.10	9,081.88	10,494.10	12,986.64	15,551.07	3,993.99	4,076.96	4,094.78	4,095.43	4215.39
TOTAL NON-MONETARY AND MONETARY ECONOMY	8,377.78	9,540.33	10,985.99	13,509.09	16,111.93	4,223.63	4,311.50	4,332.21	4,342.79	4473.69
GROSS DOMESTIC PRODUCT PER CAPITA K£	378.13	416.68	464.31	552.68	637.65	190.63	188.31	183.10	177.61	177.05

* Revised

* * Provisional

GROWTH OF GROSS DOMESTIC PRODUCT, 1990 - 1994

Table 2.2 Percentages

	Current Prices				Constant (1982) Prices					
	1990-91	1991-92*	1992-93*	1993-94**	1990-94***	1990-91	1991-92*	1992-93*	1993-94**	1990-94***
A. NON-MONETARY ECONOMY										
Forestry	8.3	5.7	7.2	6.2	6.9	2.6	2.7	2.6	3.2	2.8
	8.9	4.3	21.9	15.8	12.5	-6.7	-8.7	-4.7	4.1	-4.1
Building and Construction	2.1	6.4	1.7	1.7	3.6	2.0	1.4	1.2	3.0	2.8
Water Collection	6.3	11.5	6.2	6.5	6.8	3.0	1.8	0.7	4.1	2.4
Ownership of Dwellings	12.1	3.9	7.5	9.8	9.5	2.0	0.6	7.8	3.5	3.4
TOTAL NON-MONETARY ECONOMY ..	8.7	5.5	6.2	7.4	7.4	2.1	1.2	4.2	3.3	2.4
B. MONETARY ECONOMY										
1 .Enterprises and Non-Profit Institutions										
	4.6	14.7	33.6	21.2	18.1	-1.1	-3.7	-4.1	2.8	-1.6
	22.0	28.6	19.7	13.3	15.4	8.4	4.2	10.3	8.8	7.9
	15.0	20.5	19.3	16.9	17.9	-2.2	-6.9	2.9	4.0	-0.5
Mining and Quarrying	22.1	8.0	16.3	1.3	11.7	6.4	-8.0	2.0	1.6	0.4
	18.2	5.4	15.4	19.5	14.5	3.8	1.2	1.8	1.9	2.2
Building and Construction	26.6	13.2	13.0	13.4	18.5	-3.7	-5.5	-8.7	1.1	-4.3
Electricity and Water.	16.0	8.9	26.5	29.3	19.9	5.2	-1.9	0.9	2.2	1.6
Trade, Restaurants and Hotels	19.6	33.9	26.6	25.0	26.2	1.3	1.5	0.1	5.1	2.0
Transport, Storage and Communications	14.0	33.3	9.2	27.3	20.5	3.7	1.7	0.8	3.0	2.3
Finance, Insurance, Real Estate and Business Services	26.0	25.0	29.3	44.2	30.9	6.1	6.9	7.2	6.1	6.6
Ownership of Dwellings	13.6	5.5	8.6	6.7	8.6	2.6	1.6	0.2	1.5	1.4
Other Services	16.2	26.2	29.6	21.0	23.1	3.8	2.4	0.8	2.9	2.5
Less:Imputed bank service charges.	25.0	96.0	12.8	91.9	51.9	3.4	2.5	10.0	8.2	6.0
TOTAL	14.0	15.3	24.5	19.0	18.2	1.6	-0.2	-0.7	3.1	0.9
2.Private Households (Domestic Services) ..	16.6	16.7	16.8	16.9	16.8	11.0	8.9	10.9	8.3	9.7
3.Producers of Government Services										
Public Administration	19.8	16.7	28.5	37.4	25.3					
Defence	-5.4	-4.1	9.3	23.4	6.5					
	21.6	18.3	11.4	14.1	16.3					
Health	9.9	16.1	25.4	32.1	20.6					
Agricultural Services	-9.3	3.6	29.3	32.9	12.8					
Other Services	-4.3	10.5	40.4	20.0	15.5					
TOTAL	14.6	15.8	20.5	23.9	18.6	3.6	2.4	2.1	1.5	2.4
TOTAL MONETARY ECONOMY	14.2	15.4	23.8	19.7	18.2	2.1	0.4	0.0	2.9	1.4
TOTAL NON-MONETARY AND MONETARY ECONOM	13.9	15.0	23.0	19.3	17.8	2.1	0.5	0.2	3.0	1.5
GROSS DOMESTIC PRODUCT PER CAPITA ..	10.2	11.2	19.0	15.4	14	-1.2	-2.8	0.2	-0.3	-1.8

* Revised

** Provisional

*** Cummulative

PRODUCTION ACCOUNTS, 1993 AND 1994

Table 2.3 K£million

	1993*					1994*				
			Gross Domestic Product (at Factor Cost)					Gross Domestic Product (at Factor Cost)		
	Gross Output at approx. Basic Prices +	Inter-mediate Con-sumption	Total	Labour Costs	Operating Surplus***	Gross Output at approx. Basic Prices +	Inter-mediate Con-sumption	Total	Labour Costs	Operating Surplus***
A. NON-MONETARY ECONOMY	622.59	100.14	522.45	10.28	512.17	712.76	151.90	560.86	5.40	555.46
B. MONETARY ECONOMY										
1 .Enterprises and Non-Profit Institutions										
Agriculture	3,958.00	374.89	3,583.11	300.19	3,282.92	4,789.55	445.34	4,344.21	363.95	3,980.26
Forestry	233.76	65.68	168.08	107.38	60.70	194.03	3.55	190.48	175.01	15.47
Fishing	57.00	3.11	53.89	14.79	39.10	66.04	3.06	62.98	16.51	46.47
Mining and Quarrying	116.01	80.79	35.22	18.32	16.90	117.53	81.85	35.68	18.56	17.12
Manufacturing	15,122.60	13,702.92	1.419.68	467.78	951.90	1,846.97	150.45	1,696.52	560.46	1,136.06
Building and Construction	1,293.24	638.04	655.20	483.72	171.48	1,455.60	712.80	742.80	519.96	222.84
Electricity and Water	389.90	263.00	126.90	102.10	24.80	509.70	345.64	164.06	127.96	36.10
Trade, Restaurants and Hotels	2,637.32	716.67	1,920.65	742.64	1,178.01	4,385.48	1.984.67	2,400.81	921.57	1.479.24
Transport, Storage and Communications	2,164.64	1,172.73	991.91	380.92	610.99	2,543.32	1,280.32	1,263.00	381.51	881.49
Finance, Insurance, Real Estate		0.00	0.00		0.00					
and Business Services	2,650.65	1,252.48	1,398.17	432.57	965.60	2,720.15	704.50	2,015.65	567.25	1,448.40
Ownership of Dwellings	699.91	74.20	625.71	0.00	625.71	734.80	67.46	667.34	0.00	667.34
Other Services	901.77	423.90	477.87	340.50	137.37	1,086.65	508.45	578.20	406.70	171.50
Less: Imputed Bank Service Charges ..	-725.37	0.00	-725.37	0.00	-725.37	-1,392.28	0.00	-1,392.28	0.00	-1,392.28
	29,499.43	18,768.41	10,731.02	3,390.91	7,340.11	19.057.54	6.288.09	12,769.45	4,059.44	8,710.01
2.Private Households (Domestic Services)..	180.58	0.00	180.58	180.58	0.00	211.13	0.00	211.13	211.13	0.00
3.Producers of Government Services	2,966.10	891.06	2,075.04	2,045.12	29.92	3,634.12	1,063.63	2,570.49	2,539.87	30.62
TOTAL MONETARY ECONOMY	32,646.11	19,659.47	12,986.64	5,616.61	7,370.03	22,902.79	7,351.72	15,551.07	6,810.44	8,740.63
TOTAL MONETARY AND NON-MONETARY ECONOMY	33,268.70	19,759.61	13,509.09	5,626.89	7,882.20	23,615.55	7,503.62	16,111.93	6,815.84	9,296.09

* Revised

**Provisional

*** Including consumption of fixed capital.

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

Manufacturing Sector

2.14. The manufacturing sector in Kenya is highly dependant on the performance of the agricultural sector. This is because of the backward and forward linkages that exist between the two sectors. In 1994, there were two opposing forces that the manufacturing sector experienced which led to the sector to record stagnant growth of 1.9 per cent. Firstly, the good performance in agricultural sector triggered off the increase in performance of the sector, especially in the food manufacturing sub-sector. This was augmented by the mass importation of grain intended for drought recovery which provided intermediate inputs into the food manufacturing sub-sector. These factors acted positively on the grain milling industry which recorded 32 per cent growth rate in 1994. This in turn had a positive impact on bakery products, which recorded a growth rate of 53.8 per cent. Secondly, the other opposing force was the liberalisation process which introduced stiff competition for domestically produced goods from finished imported goods which are much cheaper. This has threatened the future of industries such as textiles and clothing which registered drops of 26 per cent and 35 per cent respectively.

Finance, Insurance, Real Estate and Business Services

2.15. The finance, insurance, real estate and business services sector continued to be one of the leading sectors in terms of GDP growth. It recorded a growth of 6.1 per cent in 1994. Its share of the overall GDP has risen from 7.9 per cent in 1990 to 9.6 per in 1994. This is a major structural change for the sector in the economy. This proportional rise is mirrored by a decline in the agricultural sector from 28.2 per cent to 25 per cent of total GDP in 1994.

2.16. In the year, the number of operational banks increased from 33 in 1993 to 36 in 1994 while non-bank financial institutions (NBFI) decreased from 51 to 43 in the period under review. The cash ratio of commercial banks and non-bank financial institutions stood at 53 per cent and 51 per cent in December 1994, respectively. In view of the total liberalisation of exchange control, the foreign exchange retention account was raised from 50 per cent to 100 per cent.

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2.17. Tight monetary policies were pursued to counter the inflationary pressures experienced in 1993 and spilling over into 1994. Moral suasion, a rarely used yet important instrument of monetary policy, was successfully used to bring down interest rates. Other instruments of monetary policy were successfully used to bring down interest rates; these included open market operations, sales of Treasury Bills and the restriction of commercial bank access to credit from the Central Bank. Discount rates of Treasury Bills dropped from 39.3 per cent in 1993 to 17.9 per cent in 1994. The inter-bank rate dropped from 36.8 per cent in 1993 to 8.9 per cent in 1994. The drop in interest rates encouraged borrowing. Total credit by the commercial banks increased from K£ 3,365 million in 1993 to K£ 4,524 million in 1994, while lending to the public sector expanded by 40 per cent. Credit to manufacturing and agriculture recorded increases of 24 per cent, while credit to trade increased by 42 per cent.

Transport and Communication

2.18. The transport, storage and communication sector recorded an improved performance, with output at current prices increasing by 17.5 per cent. New motor vehicle registration went up by more than 3,000 units due to the strengthening of the Kenya shilling which made it cheaper to purchase complete knock down kits as well as importation of second-hand reconditioned cars. Imports at the port of Mombasa increased by 28.5 per cent while exports dropped by 40.2 per cent. The overall performance was due primarily to imports for drought relief programme and secondarily to the liberalised process allowing more imports. The road freight transport sub sector benefited immensely from ferrying imports of drought relief materials throughout the year, both to the hinterland and to neighbouring countries. Reduced jet fuel prices provided incentives to the airline industry which experienced record profit margins.

2.19. The Kenya Pipeline recorded a satisfactory performance with full commissioning of the Western Kenya Pipeline extension to include Eldoret, Kisumu and Nakuru depots. In 1994, the operation of the Kenya Railways continued to decline significantly, both in terms of freight tonnage and passenger journeys. In compliance with the requirements of the parastatal reform programme, the process of separating the Kenya Posts and Telecommunication into two business entities was initiated. The overall performance of recorded value added in real terms was 3 per cent.

Building and Construction

2.20. In the four years, 1990 to 1993, the building and construction sector recorded consistent declines. The sector was constrained by high input prices, high inflationary pressures and high interest rates borrowed on loans. In 1994, the sector remained depressed largely due to inadequate funds for public sector projects. Although the production of cement rose by 2.5 per cent in 1994, domestic consumption declined by 4.0 per cent. The recovery of the Kenya shilling against hard currencies and the price reduction of cement and petroleum fuels in the second half of 1994, led to significant drop in building and construction cost indices. The Gross Domestic Product in the sector recorded a slight improvement of 1.1 per cent.

Electricity and Water

2.21. The sub-sector performed relatively better in 1994 when compared to 1993. It recorded a real growth rate of 2.2 per cent. Electricity generated went up by 4.2 per cent while consumption by the large and industrial consumer registered modest growth of 1.8 per cent. In the year, three upward tariff adjustments were made precipitating an increase of revenue earned.

Public Sector

2.22. The contribution to GDP of Producers of Government Services continued to increase at a rate of 19.7 per cent at current prices. Public administration grew by 37 per cent on account of salary increases and allowances notably for doctors and university lecturers. Education and Health recorded growths of 14 and 32.1 per cent

respectively. These increased expenditures are a result of increased Government allocations to these services which directly affect the poor as a result of implementation of the Structural Adjustment Programme. Expenditures rose from K£ 1,059 million to K£ 1,535 million for education and from K£ 324 million to K£ 480 million for health. In 1994 the Government recorded high increases in current revenue. Some of the major policies put in place that led to this growth were: the imposition of 10 per cent with-holding tax on treasury bills; imposition of road maintenance levy on petrol fuels; introduction of transit toll levies; and, the expansion of value added tax to cover the service sector.

GROSS DOMESTIC PRODUCT
SECTOR SHARES AT CONSTANT (1982) PRICES, 1990 - 1994

Table 2.4 Percentage

	1990	1991	1992*	1993"	1994**
A. NON-MONETARY ECONOMY					
Forestry	. 0.7	0.7	0.8	0.8	0.8
Fishing	0.0	0.0	0.0	0.0	0.0
Building and Construction	1.7	1.7	1.7	1.8	1.8
Water Collection	0.6	0.6	0.6	0.6	0.6
Ownership of Dwellings	2.4	2.4	2.4	2.5	2.6
TOTAL NON-MONETARY ECONOMY	5.4	5.4	16.9	5.7	5.7
B. MONETARY ECONOMY					
1. Enterprises and Non-Profit Institutions					
Agriculture	28.2	27.3	26.2	25.1	25.0
Forestry	1.0	1.1	1.1	1.2	1.3
Fishing	0.3	0.3	0.3	0.3	0.3
Mining and Quarrying	0.3	0.3	0.3	0.3	0.3
Manufacturing	13.3	13.5	13.6	13.8	1 3.6
Building and Construction	3.2	3.0	2.8	2.6	2.5
Electricity and Water	1.0	1.1	1.0	1.0	1.0
Trade, Restaurants and Hotels	11.0	10.9	11.1	11.0	11.3
Transport, Storage and Communications	5.9	6.0	6.1	6.1	6.1
Finance, Insurance, Real Estate and Business Services	7.9	8.2	8.7	9.3	9.6
Ownership of Dwellings	5.4	5.5	5.5	5.5	5.4
Other Services	3.2	3.3	3.3	3.4	3.4
Less: Imputed Bank Service Charges	-3.2	-3.2	-3.3	-3.6	-3.8
TOTAL	77.5	77.3	76.7	76.0	76.1
2. Private Households (Domestic Services) .	1.7	1.8	2.0	2.2	2.3
3. Producers of Government Services					
Public Administration					
Defence					
Education					
Health					
Agricultural Services					
Other Services					
TOTAL	15.3	15.5	15.8	16.1	15.9
TOTAL MONETARY ECONOMY	94.6	94.6	94.5	94.3	94.2
TOTAL MONETARY & NON-MONETARY ECONOMY	100.0	100.0	100.0	100.0	100.0

* Revised
* * Provisional

Terms of Trade

2.23. The effect of terms of trade on the real incomes of Kenyans is illustrated in Table 2.5. Compared with 1992 and 1993, 1994 witnessed higher world prices for

coffee while prices of oil dropped by 3.2 per cent from US$ 16.13 per barrel to US$ 15.36. Consequently, terms of trade increased by 21 per cent over 1993 (see table 7.3). These favourable terms of trade movements had the welcome effect of increasing real per capita incomes by 5.1 per cent, up from 0.7 per cent in 1993. As a result, the adjustment for changes in terms of trade on real GDP improved from negative K£ 203.9 million in 1992 to a positive K£ 20.3 million.

IMPACT OF COMMODITY TERMS OF TRADE ON PER CAPITA GDP, 1990 - 1994

Table 2.5

		1990	1991	1992*	1993*	1994**
1	Unadjusted GDP at constant Factor Cost (K£mn.)	4,223.63	4,311.50	4,332.21	4,342.79	4,473.69
2	Adjustment for changes in terms of trade (K£mn.)	-523.61	-306.80	-356.10	-203.90	20.30
3	Adjusted GDP (K£mn.)	3,700.00	4,004.70	3,976.11	4,138.89	4,493.99
4	Growth in unadjusted per capita GDP ..	0.80	-1.20	-2.80	-3.00	-0.30
5	Growth in adjusted per capita GDP	-3.80	4.70	-3.90	0.70	5.10

* Revised

* * Provisional.

TOTAL USE OF RESOURCES AT CURRENT PRICES, 1990 - 1994

Table 2.6 K£mlllion

	1990	1991	1992*	1993*	1994**
G.D.P. at Factor Cost	8,377.78	9,540.33	10,985.99	13,509.09	16,111.93
Of which:					
Non-Monetary	421.68	458.45	491.89	522.45	560.86
Monetary	7,956.11	9,081.88	10,494.10	12,986.64	15,551.07
Indirect Taxes	1,399.14	1,522.22	1,821.17	2,495.30	3,381.57
Subsidies	0.10	0.06	0.05	0.07	0.08
G.D.P. at Market Prices ..	9,776.82	11,062.49	12,807.11	16,004.32	19,493.42
+ Import of goods and non-factor services***	3,069.54	3,166.33	3,452.07	5,947.90	6,782.06
Export of goods and services ..	2,559.28	3,025.58	3,464.37	6,745.91	7,411.24
= Import Surplus	510.26	140.75	-12.30	-798.01	-629.18
+ Total Resources available for Domestic Investment and Consumption ..	10,287.08	11,203.24	12,794.80	15,208.31	18,864.24
= Gross Fixed Capital Formation ..	2,028.00	2,133.54	2,188.84	2,825.26	3,928.58
Change in Stocks	345.32	217.55	44.89	112.23	84.17
Gross Investment	2,373.32	2,351.09	2,233.73	2,937.49	4,012.75
Public Consumption	1,831.00	1,880.32	2,073.76	2,415.34	3,407.96
Private Consumption	6,082.76	6,971.85	8,487.31	9,853.48	11,443.53
TOTAL CONSUMPTION	7,913.76	8,852.15	10,561.07	12,268.82	14,851.49

* Revised

* * Provisional.

Resource Allocation

2.24. The total resources available for domestic consumption are shown in Table 2.6. GDP at market prices, which had risen by 25 per cent in 1993, recorded a growth of 21.8 per cent in 1994. Private consumption grew by 16.1 per cent which was similar to the one recorded in 1993. Changes in stocks declined in 1994 by 25 per cent after experiencing accumulation in 1993, mainly for speculative purposes due to the fluctuating shilling. Total domestic demand recorded a growth 21 per cent. Much

of this was due to public consumption whose share of total GDP at market prices increased from 15.1 to 17.5 in 1994. A notable structural change is the share of non-monetary GDP which has fallen below the 3 per cent mark. This is an indication that the non-monetary economy is gradually moving towards monetization.

2.25. Table 2.7 presents expenditure on gross investment and its source of finance. For the second year running, the Kenya economy lent K£ 291.1 million to the rest of the world, a growth of 1.1 per cent over 1993. Although factor incomes paid abroad nearly doubled from K£ 627.4 in 1992 to K£ 1,153.7 in 1994, the economy was still with-holding arrears in terms of interest payments which resulted in unusually high domestic savings. However, the growth rate of factor incomes paid abroad slightly decreased from K£ 1,219.0 in 1993 to K£ 1,153.7 in 1994. There was marked growth in Gross Investments of 39 per cent, while the overall share of GDP at market prices stood at 20 per cent up from 17 per cent in 1993. This was mainly attributable to the good performance in transport equipment, plant and machinery largely on account of the construction of the Western Kenya Pipeline extension.

FINANCING OF CAPITAL FORMATION, 1990 - 1994

Table 2.7 K£million

	1990	1991	1992"	1993**	1994**
GROSS CAPITAL FORMATION:					
Gross Fixed Capital Formation	2,028.00	2,133.54	2188.84	2,825.26	3,928.58
Changes in Stocks	345.32	217.55	44.89	112.23	84.17
TOTAL	2,373.32	2,351.09	2,233.73	2,937.49	4,012.75
FINANCING:					
Grants from Abroad	296.10	330.12	314.01	484.62	522.32
Net borrowing from Abroad* * *	572.53	289.51	157.28	-287.82	-291.06
Domestic Saving	1,508.01	1,731.46	1,762.44	2,740.69	3,781.49
TOTAL	2,376.64	2,351.09	2,233.73	2,937.49	4,012.75

* Revised.

* * Provisional

Factor Incomes and National Product

2.26. Estimates of the Gross National Product (GNP) at current prices is detailed in Table 2.8. This measure of National Income differs from GDP at factor cost presented in Table 2.1 in that it takes into account the impact of indirect taxes, subsidies and net factor payments from abroad. At market prices the GNP is lower than GDP by the amount of net factor incomes paid abroad. These incomes are basically interest payments and dividend remittances to foreign investors. Incomes received from abroad increased from K£ 9.7 million in 1993 to K£ 58.6 million in 1994. This was the highest recorded since 1987 which stood at K£ 30.8 million. The complete liberalisation of foreign exchange control allowed increased outflows of factor payments to non-resident investors in 1993 and in 1994.

2.27. Labour costs (remuneration of employee) recorded a growth of 21.3 per cent, representing increases in salary adjustments by employers, and the raising of minimum wage payable to Kenyan workers. Rental surplus and other operating surplus, which includes depreciation, rose by 6.7 and 19.7 per cent respectively.

GROSS NATIONAL PRODUCT AT CURRENT PRICES 1990 - 1994

Table 2.8 K£million

	1990	1991	1992*	1993"	1994**
FACTOR INCOMES:					
A. Non-Monetary Economy	421.68	458.45	491.89	522.45	560.86
B. 1. Remuneration of Employees :					
Enterprises	2,123.67	2,391.34	2,800.90	3,390.91	4,059.44
Private Households	1 13.56	132.40	154.57	180.58	211.13
Producers of Government Services	1,286.44	1,481.51	1,717.33	2,045.12	2,539.87
TOTAL	3,523.67	4,005.25	4,672.80	5,616.61	6,810.44
2. Rental Surplus (including depreciation)	480.52	545.97	575.95	625.71	667.34
3. Other Operating Surplus (including depreciation)	3,951.92	4,530.66	5,245.35	6,744.32	8,073.29
TOTAL MONETARY ECONOMY	7,956.11	9,081.88	10,494.10	12,986.64	15,551.07
TOTAL FACTOR INCOMES = GROSS DOMESTIC PRODUCT (AT FACTOR COST)	8,377.79	9,540.33	10,985.99	13,509.09	16,111.93
Add:lndirect Taxes	1,399.14	1,522.22	1,821.17	2,495.30	3,381.57
Deduct:Subsidies	0.10	0.06	0.05	0.07	0.08
GROSS DOMESTIC PRODUCT AT MARKET PRICES	9,776.83	1 1,062.49	12,807.1 1	16,004.32	19,493.58
Add: Factor Incomes Received From Abroad	5.54	8.18	2.75	9.70	58.60
Deduct: Factor Incomes Paid Abroad	514.50	636.80	627.42	1,218.99	1,153.72
GROSS NATIONAL PRODUCT ..	9,267.87	10,433.87	12,182.44	14,795.03	18,398.46

* Revised

* * Provisional.

Trends in Gross Fixed Capital Formation

2.28. Gross Fixed Capital Formation (GFCF) by asset and industry is set out in Table 2.9 and 2.10, respectively, The annual growth rate in GFCF has been 0.4 per cent in real terms while at current prices growth rate was 17.9 per cent between 1990 and 1994. Most of the growth recorded took place towards the end of 1993 and during 1994, mainly as a result of import liberalisation policies. The agricultural sector benefited in 1994/95 when duties were removed on imports of tractors and farm machinery. Overall investment grew from K£ 2,825.3 million in 1993 to K£ 3,928.6 million. The influence of Kenya's liberalisation of both foreign exchange policy and trade is clearly reflected in the increase of acquisition of new plant and machinery and transport related equipment. From Table 2.9, it is evident that transport equipment and machinery and other equipment, recorded the largest growth rates of 84 per cent and 15.8 per cent respectively. The rise in transport equipment was mainly a result of opening up of the market allowing for more imports of passenger motor vehicles, parts and accessories. The construction of the oil pipeline to Western Kenya accounted for major growth in plant machinery and equipment. Overall import index in quantity terms rose from 84 in 1993 to 111 in 1994.

GROSS FIXED CAPITAL FORMATION BY TYPE OF ASSET, 1990 - 1994

Table 2.9 K£million

	CURRENT PRICES					CONSTANT (1982) PRICES				
	1990	1991	1992 *	1993*	1994**	1990	1991	1992 *	1993 *	1994**
DWELLINGS:										
PRIVATE:										
Non-Monetary	114.51	101.45	108.95	135.65	133.25	48.55	39.63	35.10	28.56	26.65
Monetary	53.48	69.32	69.72	40.35	44.58	22.66	27.08	22.46	8.49	8.92
TOTAL	167.99	170.77	178.67	176.00	177.83	71.21	66.71	57.56	37.05	35.57
PUBLIC	94.93	75.55	51.02	90.8	121.1	40.22	29.51	16.43	19.16	24.22
TOTAL	262.92	246.32	229.69	266.80	298.93	111.43	96.22	73.99	56.21	59.79
NON-RESIDENTIAL BUILDINGS:										
PRIVATE	56.77	64.21	53.10	38.27	47.84	23.85	24.89	17.10	7.59	8.73
PUBLIC	188.21	203.54	178.73	201.06	264.53	79.08	78.89	55.43	53.77	55.70
TOTAL	244.98	267.75	231.83	239.33	312.37	102.93	103.78	72.53	61.36	64.43
OTHER CONSTRUCTION WORKS:										
PRIVATE	47.00	40.02	28.48	156	165.35	20.89	16.74	10.65	41.34	41.41
PUBLIC	355.01	406.41	487.42	612.6	588.85	157.78	170.04	211.62	162.93	147.21
TOTAL	402.01	446.43	515.90	768.60	754.20	178.67	186.78	222.27	204.27	188.62
LAND IMPROVEMENT AND PLANTATION DEVELOPMENT										
PRIVATE	18.99	15.51	11.16	10.65	11.05	9.41	8.08	11.18	10.65	11.05
PUBLIC	1.68	0.09	0.07	1.14	0.25	0.02	0.03	0.07	1.14	0.25
TOTAL	20.68	15.60	11.23	11.79	11.30	9.43	8.11	11.25	11.79	11.30
TRANSPORT EQUIPMENT:										
PRIVATE	181.37	226.49	215.47	247.34	310.9	61.27	61.88	54.10	48.21	84.86
PUBLIC	133.95	84.24	71.18	94.52	118.82	45.25	23.02	20.12	18.43	37.72
TOTAL	315.32	310.73	286.65	341.86	429.72	106.52	84.90	74.22	66.64	122.58
MACHINERY AND OTHER EQUIPMENT:										
PRIVATE	595.92	656.48	727.02	975.61	1236.88	209.09	218.10	232.70	244.75	250.89
PUBLIC	182.41	187.67	184.45	219.24	885.28	64.00	62.35	40.05	56.51	97.87
TOTAL	778.33	844.15	911.47	1,194.85	2,122.16	273.09	280.45	272.75	301.26	348.76
BREEDING STOCK AND DAIRY CATTLE:										
PRIVATE	3.77	2.58	2.07	2.00	1.90	3.05	2.09	2.07	2.0	1.9
TOTAL:										
Non-Monetary Dwellings	114.51	101.45	108.95	135.65	133.25	48.55	39.63	35.10	28.26	26.65
Other	957.30	1,074.61	1,107.02	1,470.22	1,818.50	350.22	358.86	350.26	363.03	407.76
TOTAL PRIVATE	1,071.81	1,176.06	1,215.97	1,605.87	1,951.75	398.77	398.49	385.36	391.29	434.41
TOTALPUBLIC***.	956.19	957.50	972.87	1,219.36	1,978.83	386.35	363.84	343.72	311.94	362.97
TOTAL PRIVATE AND PUBLIC	2,028.00	2,133.56	2,188.84	2,825.23	3,930.58	785.12	762.33	729.08	703.23	797.38

• Revised

** Provisional.

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

GROSS FIXED CAPITAL FORMATION BY INDUSTRY, 1990 - 1994

Table 2.10 K£million

	CURRENT PRICES					CONSTANT (1982) PRICES				
	1990	1991	1992*	1993*	1994**	1990	1991	1992*	1993*	1994**
A. NON MONETARY ECONOMY:										
Non-Monetary Dwellings	114.53	101.45	108.95	135.65	133.25	49.93	39.63	35.10	28.56	26.65
MONETARY ECONOMY:										
Enterprises and Non-Profit Institutions:										
Agriculture	142.83	140.99	137.34	153.35	225.07	55.11	51.18	52.87	48.57	51.48
Forestry	1.54	2.63	5.42	4.85	5.33	0.55	0.87	2.25	1.14	1.28
Fishing	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Mining and Quarrying	15.67	14.16	20.62	14.71	13.96	5.50	4.70	5.15	3.72	3.53
Manufacturing	363.28	341.64	307.32	414.94	612.16	130.90	111.47	96.36	103.61	116.04
Building and Construction	173.29	254.07	209.28	142.94	193.10	75.19	98.67	74.80	44.18	49.92
Electricity and Water	111 .64	90.63	143.51	233.15	178.61	40.26	32.18	39.82	58.32	45.91
Trade, Restaurants and Hotels	40.21	136.60	94.36	186.09	123.56	14.65	47.24	37.79	45.41	29.56
Transport,Storage and Communications	321.48	420.65	451.46	797.12	1,422.63	113.62	138.43	141.96	196.49	259.37
Finance,Insurance,Real Estate and Business Services	69.07	69.49	40.34	91.88	142.60	27.26	26.60	20.50	20.92	29.67
Ownership of Dwellings	154.18	146.37	125.57	140.57	172.68	64.91	57.09	40.01	29.01	31.91
Other Services	72.87	44.39	77.05	128.49	152.78	27.22	15.74	24.55	32.57	30.91
TOTAL	1,466.06	1,661.62	1,612.27	2,308.09	3,242.48	555.17	584.17	536.06	583.94	649.59
Producers of Government Services										
Public Administration	162.05	170.26	183.09	163.11	230.63	62.23	62.76	60.96	38.88	52.07
Defence	0.02	0.02	0.02	0.01	0.00	0.01	0.01	0.05	0.00	0.00
Education	88.64	80.19	74.26	49.91	90.38	36.42	30.38	23.76	10.52	17.59
Health	20.08	30.20	37.19	54.68	60.66	8.08	10.90	12.01	13.39	12.63
Agricultural Services	28.07	30.31	45.27	35.94	65.64	11.11	11.22	14.63	8.39	13.82
Other Services	148.55	59.49	127.79	77.87	105.54	63.57	23.26	46.51	19.55	25.03
TOTAL	447.41	370.47	467.62	381.52	552.85	181.42	138.53	157.92	90.73	121.14
NON-MONETARY ECONOMY	114.53	101.45	108.95	135.65	133.25	48.53	39.63	35.10	28.56	26.65
MONETARY ECONOMY	1,913.47	2,032.09	2,079.89	2,689.61	3,795.33	736.59	722.70	693.98	674.67	770.73
TOTAL	2,028.00	2,133.54	2,188.84	2,825.26	3,928.58	785.12	762.33	729.08	703.23	797.38
C. PERCENTAGE RATES OF GROWTH:										
Non-Monetary Economy	4.60	-11.42	7.39	24.51	-1.77	7.42	-18.34	-11.43	-18.63	-6.69
Monetary Economy	23.58	6.20	2.35	29.32	41.11	4.33	-1.89	-3.97	-2.78	14.24
TOTAL	22.33	5.20	2.59	29.08	39.05	3.49	-3.08	-4.36	-3.55	13.39

* Revised

* * Provisional.

CHAPTER 3 - WELFARE MONITORING SURVEY - FIFTH CHILD NUTRITION SURVEY, 1994

Introduction

One of the major goals of the Kenya Government is to improve the quality of life of its population. It is Government's policy that nutrition objectives be considered in development projects and that priority be given to collection and analysis of information on nutritional status of the population so that programmes to eliminate nutritional deficiencies may be designed. This is in line with the objectives of Sessional Paper No.4 of 1981 on National Food Policy, and the National Food and Nutrition policy of Sessional paper No. 2 of 1994 (draft). The policy paper stresses the need for Government input for attainment of food security at household level by reducing problems relating to production, distribution and consumption. This is further emphasised in the National Plan of Action for Nutrition (December, 1994) which underscores the need for regular monitoring and provision of nutritional data for assessing impacts of national and sectoral programmes aimed at improving nutrition status of population.

Nutrition Surveys

3.2. Between 1977 and 1994 the Central Bureau of Statistics conducted five National Nutrition Surveys using the National Sample Survey and Evaluation Programme (NASSEP). The first nutrition survey was conducted in February/March 1977 and covered 1,400 rural children aged 12 to 48 months. The second nutrition survey was carried out between December, 1978 and January, 1979 and included 3,529 children aged 6 to 60 months from both urban and rural households. For the third nutrition survey 5,400 children aged 3 to 60 months were measured from approximately 3,000 rural households. The fourth nutrition survey was conducted from November 1987 to January 1988. A total of about 8,000 households were interviewed from 29 districts and included about 6,900 eligible children aged 6 to 60 months.

3.3. The second phase of the Welfare Monitoring Survey (WMS **II)** was undertaken in June/August 1994 and included the fifth national nutrition survey as a module. The survey results are the subject of this chapter. Approximately 10,000 urban and rural households with 8,944 children aged 6 to 60 Months from 47 districts were surveyed. Children from Nairobi and Mombasa were sampled from urban households while in other districts at least one urban cluster was chosen from district headquarters and/ or from other urban centres in the district. The survey covered both urban and rural clusters in all arid and semi arid districts for the first time. These included the districts of Wajir, Mandera and Garissa in North Eastern Province; Isiolo and Marsabit districts in Eastern province; and Samburu and Turkana districts in the Rift Valley province. These areas were included to give a national outlook of the welfare situation in the country and also to study specific characteristics exhibited by the arid and semi arid districts, given their pastoral and nomadic lifestyles. The drought of earlier years had adversely affected not only crops and livestock but also led to severe famine which affected mostly women and children. This is evident from the analysis of nutritional status of children under five years as presented in the following sections.

Nutritional Status of Children

3.4. Nutritional status of young children is a sensitive indicator of health status and nourishment levels of a population. Nutrition status gives current health status of the child in terms of immediate (acute) factors such as inadequate current food intake, childhood diseases and diarrhoea. Acute diarrhoea leads to wasting while the accumulated impact of chronic deprivation leads to stunting. Monitoring of child nutrition therefore provides an early indicator of distress and ill health within a community.

Nutritional Status Indicators

3.5. To assess nutritional status at household level weights and heights of children aged 6 to 60 months were taken and compared with heights and weights of well fed children of the same age, using the international reference population as defined by the U.S. National Centre for Health Statistics (NCHS) and the Centre for Disease Control (CDC). Three nutritional indicators were used for comparing Kenyan children to those of the reference population. The indices chosen were height-for-age (HA), weight-for-height (WH) and the weight-for-age (WA). Measures of disparity (Z-scores or standard deviations from the reference population median) were also calculated to determine the extent of malnutrition among Kenyan children. A child's height (or length) compared with the median height (or length) of the reference children of the same age and sex gives the height-for-age index. Children falling below the cut-off point of minus two standard deviations (-2SD) from the median of the reference population are classified as **stunted or short for their ages;** and chronically undernourished. Children who are below minus three standard deviations (-3SD) are considered severely stunted.

3.6. The weight of a child compared with the weight of reference children of the same height (or length) and sex gives the weight-for-height index. It is largely independent of age and is useful where the exact ages of children are difficult to determine. This index measures current nutritional status or wasting. Wasting is a nutritional deficiency of recent onset (usually a few weeks to few months) and is directly related to seasonal changes of low weight-for-height as a result of inadequate food intake, incorrect feeding practices and ill health. Children whose Z-scores are below minus two standard deviations (-2SD) from the median of the reference population are classified as **wasted or acutely undernourished,** while children whose weight-for-height fall below minus three standard deviations (-3SD) are **severely wasted.**

3.7. The weight-for-age index is a composite of height-for-age and weight-for-height indices and consequently, does not distinguish between wasting and stunting. Children whose weight-for-age index falls below minus two standard deviations from the median are classified as **underweight.** In a healthy, well fed population of children, it is expected that for each of the three indices only 2 to 3 per cent of children would fall below minus two standard deviations from the median of the reference population and less than one per cent of the children would be below minus three standard deviations.

Results of the Survey

3.8. Table 3.1 below gives the proportions of the children under five who fall below -3SD and -2SD from the median of the reference population for each of the three indicators by provinces and districts.

DISTRIBUTION OF TARGET CHILDREN (6 - 60 months) BY Z-SCORES BY PROVINCE AND DISTRICT, 1994

Table 3.1

Province/District	Height for Age		Weight for Height		Weight tor Age		Number
	below -3SD	Below -2SD*	Below -3SD	Below -2SD *	Below -3SD	Below -2SD"	of Children
NAIROBI	12.8	30.2	0.9	5.5	6.4	22.0	109
CENTRAL	10.5	28.7	1.6	4.9	2.4	13.9	2,095
Kiambu	15.2	32.1	3.2	5.6	3.2	15.4	534
Kirinyaga	3.9	16.7	0.7	5.0	0.7	11.7	281
Murang'a	12.4	32.4	2.1	6.0	4.3	17.1	485
Nyandarua	9.7	30.6	1.2	5.3	1.2	14.1	340
Nyeri	7.9	27.2	0.0	2.4	11.5	10.1	455
COAST	18.1	38.3	1.8	7.4	7.6	27.0	568
Kilifi	27.2	49.5	1.9	6.8	11.7	35.0	103
Kwale	29.9	53.0	0.0	5.2	9.0	29.1	134
Lamu	5.1	24.3	0.0	1.3	1.3	15.4	78
Mombasa	17.9	36 9	4.8	9.6	8.3	27.3	84
Taita Taveta	5.7	23.6	0.9	7.5	2.8	18 8	106
Tana River	15.9	33.4	4.8	17.5	12.7	36.5	63
EASTERN	16.8	38.5	1.9	7.8	5.9	26.7	1,635
Embu	14.0	35.5	0 5	6.4	4.5	22.7	335
Isiolo	13.2	29.0	1.3	9 2	7 9	23.7	76
Kitui	17.5	45.8	0 9	4.0	6.3	28.3	223
Machakos	19.2	39.7	2.0	11.3	7.3	31.1	151
Marsabit	18.7	39.0	4.9	13.0	8 9	34 9	123
Meru	16.3	37.7	0.3	3.8	4.3	23.6	374
Makueni	20.3	50.0	0.0	2.7	2.7	22.3	148
Tharaka-Nithi	13.8	24.1	2 6	12 9	5.2	23.3	116
NORTH EASTERN	19.5	26.4	8.7	25.4	11.0	30.0	390
Garissa	33.3	36.0	18 7	33 4	14.7	41.4	75
Mandera	13.1	20 4	6.3	27.7	10.2	28.2	206
Wajir	22.0	29 2	6.4	5.6	10.1	29 4	109
NYANZA	15.5	36.4	1.6	5.5	6.3	20.0	1,047
Kisii	17.6	40.6	0.8	6.2	5.4	23.4	261
Kisumu	11.5	31.6	2.1	8.7	5.2	15.3	288
Siaya	9.0	33.8	1.5	3.8	5.3	15.8	133
Homa Bay	20.2	41.6	4.8	6.0	6.0	19.1	84
Migori	21.1	44.8	0.0	6.1	13.2	29.9	114
Nyamira	18.0	31.8	1.8	6.0	6.0	19.8	167
RIFT VALLEY	14.3	32.4	2.3	8.2	6.0	24.6	2,349
Kajiado	14.7	31 8	1.6	9.1	7.9	25.6	129
Kericho	17.8	39.3	1.9	2 8	5.6	17.7	107
Laikipia	14.4	32 4	2.4	7.3	6.8	24.9	673
Nakuru	13.9	38.7	2.9	5.8	6.6	27.0	137
Nandi	9.3	29.4	0.5	5.2	2.3	19.1	214

Table 3.1 (cont.)

Province/District	Height lor Age		Weight for Height		Weight for Age		Number of Children
	Below -3SD	Below -2SD	Below -3SD	Below -2SD	Below -3SD	Below -2SD	
Narok	21.3	40.4	6.4	11.7	10.6	29.7	94
Bomet	14.4	38.0	1.0	2.0	1.0	17.5	97
Baringo	14.1	33.1	0.7	11.3	5.6	31.0	142
Elgeyo Marakwet	14.9	30.9	0.0	8.0	3.4	20.6	174
Samburu	21.3	40.4	1.2	30.3	15.7	46.2	89
Trans-Nzoia	18.3	29.8	3.8	9.1	6.1	23.7	131
Turkana	13.2	27.7	6.6	15.2	10.5	34.2	152
Uasin-Gishu	12.8	23.5	2.1	10.1	3.2	17.1	187
West Pokot	13.5	41.4	1.8	9.0	8.1	36.0	111
WESTERN	17.0	37.0	1.5	8.0	7.3	26.3	751
Bungoma	20.7	41.7	0.3	6.3	7.3	25.3	300
Busia	10.8	38.7	1.6	9.2	5.4	23.2	185
Kakamega	20.1	40.7	3.1	7.7	9.8	31.9	194
Vihlga	9.7	26.4	1.4	12.5	5.6	26.4	72
NATIONAL	14.7	33.6	2.1	7.8	5.6	22.5	8,944

Note: Proportions for children 6-60 months at the time of the survey. Each index is expressed in terms of the number of standard deviation (SD) units from the median of the NCHS/CDC/WHO international reference population. Children classified as undernourished have Z scores below minus two or three standard deviations (-2SD or -3SD) from the median of the reference population.

Below - 2SD also Includes children who arc below -3SD.

Height-for-Age

3.9. Overall, 34 per cent of the children who were measured were moderately and severely stunted while 15 per cent were severely stunted. Stunting levels at provincial levels were highest in Eastern province (38.5 per cent), followed by Coast (38.3 per cent) and Nyanza (36.4 per cent). These levels of stunting are similar to those observed in the 1993 Kenya Demographic and Health Survey. Children in Garissa district were most severely stunted with 33.3 per cent falling below minus three standard deviations of the reference population, followed by Kwale with 30 per cent and Kitui with 27 per cent. Children falling below two standard deviations of the median height-for-age of the reference population are considered to be moderate and/or severely stunted. Districts reporting to have more than 40 per cent of the children in moderate and severe stunting included Kilifi, Kwale, Kitui, Makueni, Kisii, Homa Bay, Migori, Narok, Samburu, West Pokot, Bungoma and Kakamega. Districts having moderate stunting levels with proportion of under fives ranging from 29 to 40 per cent were Nairobi, Kiambu, Muranga, Nyandarua, Mombasa, Tana river, Embu, Isiolo, Machakos, Marsabit, Meru, Garissa, Wajir, Kisumu, Siaya, Nyamira, Kajiado, Kericho, Nakuru, Bomet, Baringo, Elgeyo Marakwet, Busia and Vihiga. Other districts had moderate stunting levels of under fives ranging between 20 and 29 per cent. Only Kirinyaga district had less than 20 per cent of under fives with moderate stunting levels.

3.10. Table 3.2 reveals further that stunting is highly prevalent in the 12 to 23 month olds and less prevalent among the under one month olds. A slight difference in stunting is noted between the sexes; boys have higher stunting levels (35.5 per cent) compared to girls (32.0 per cent).

Weight-for-Height

3.11. It is further observed from Tables 3.1 and 3.2 that overall 8.0 per cent of under fives are moderately and severely wasted whereas 2.0 per cent are severely wasted. Wasting is highest in the North Eastern Province followed by Coast and Eastern Provinces. Garissa district reported a high wasting of 33.0 per cent, followed by Mandera (28.0 per cent) and Samburu (30.0 per cent). Other districts having more than 10.0 per cent wasted children are Tana River, Machakos, Marsabit, Tharaka Nithi, Wajir, Narok, Baringo, Turkana, Uasin Gishu and Vihiga. Wasting is higher among the 12 to 23 months olds. Overall, 8.9 per cent of the boys are wasted compared to 6.7 per cent of the girls.

COMPARISON OF INDICATORS OF NUTRITION STATUS BY AGE AND SEX

Table 3.2

Demographic Characteristics	Height for Age		Weight for Height		Weight for Age		Number of Children
	% Below -3SD	% Below -2SD *	% Below -3SD	% Below -2SD"	% Below -3SD	% Below -2SD *	
AGE IN MONTHS							
6 - 11	9.7	25.8	2.0	7.8	4.5	16.9	931
12 - 23	18.3	41.4	2.4	9.6	7.2	25.8	1,881
24 - 35	13 8	31.6	2.5	7.5	6.6	25.9	2,129
36 - 47	14.5	33.6	1.7	6.9	4.6	20.9	2,137
48 - 60	14.9	32.1	1.9	7.3	4.6	22.0	1,866
SEX							
Male	15.7	35.3	2.5	8.9	6.0	24.3	4,521
Female	13.7	32.0	1.8	6.7	5.3	20.7	4,421
NATIONAL	14.7	33.6	2.1	7.8	5.6	22.5	8,944

* per cent Below -2SD - includes children who are below -3SD

Weight-for-Age

3.12. Weight-for-age is widely used for monitoring growth of individual children. Prevalence of underweight (children falling below minus two standard deviations of the median weight for age of the reference population) is highest in the Coastal districts of Kilifi, Tana River, Kwale and Mombasa and also in North Eastern districts of Garissa, Mandera and Wajir. Other districts reporting high prevalence of underweights include Nairobi, Embu, Isiolo, Kitui, Machakos, Marsabit, Meru, Makueni, Tharaka Nithi, Kisii, Migori, Nyamira, Kajiado, Laikipia, Nakuru, Narok, Baringo, Elgeyo Marakwet, Samburu, Trans Nzoia, Turkana, West Pokot, Bungoma, Busia, Kakamega and Vihiga.

3.13. At the national level 22.5 per cent of the under fives are underweight compared to the reference population while 6.0 per cent of them are severely underweight. As with the other anthropometric indicators more of the 12 to 23 months olds are in the underweight category. Overall, more boys are underweight compared to girls.

3.14. Table 3.3 below shows a comparison of nutrition status indicators by province and district for three surveys conducted in 1982, 1987 and 1994. Stunting levels have decreased marginally at the national level while wasting was highest in the 1994 survey.

DISTRIBUTION OF NUTRITION STATUS INDICATORS IN 1982, 1987 AND 1994
BY PROVINCE AND DISTRICT

Table 3.3

Province/District	Per cent stunted < -2SD HA Median			Per cent stunted < -2SD WH Median		
	1982	1987	1994	1982	1987	1994
NAIROBI	.	.	30.2		.	5.5
CENTRAL	33.6	25.0	28.7	4.0	2.5	4.9
Kiambu	31.0	17.9	32.1	1.9	1.1	5.6
Kirinyaga	39.9	15.3	16.7	3.7	2.7	5.0
Murang'a	35.8	24.9	32.4	5.2	5.3	6.0
Nyandarua	27.9	37.0	30.6	3.7	1.1	5.3
Nyeri	32.5	32.6	27.2	4.8	2.7	2.4
COAST	48.6	49.5	38.3	3.5	3.7	7.8
Kilifi *	52.9	51.7	49.5	7.7	4.5	6.8
Kwale	54.8	56.1	53.0	6.1	6.7	5.2
Lamu *	52.9	.	24.3	7.7	.	1.3
Mombasa	.	.	36.9	.	.	9.6
Taita Taveta	30.0	41.2	23.6	6.7	4.6	7.5
Tana River*	52.9	.	33.4	7.7	.	17.5
EASTERN	39.0	38.5	38.5	3.5	3.7	7.8
Embu	41.3	30.1	35.5	3.0	5.4	6.4
Isiolo	.	.	29.0	.	.	9.2
Kitui	45.8	37.8	45.8	2.6	4.7	4.0
Machakos	39.4	45.9	39.7	3.2	2.1	11.3
Marsabit	.	.	39.0	.	.	13.0
Meru	32.7	38.0	37.7	4.6	3.9	3.8
Makueni	.	.	50.0		.	2.7
Tharaka-Nithi	.	.	24.0		.	2.9
NORTH EASTERN	.	.	26.4		.	25.4
Garissa	.	.	36.0			33.4
Mandera	.	.	20.4		.	27.7
Wajir	.	.	29.2	.	.	15.6
NYANZA	43.1	41.3	36.4	5.5	6.2	5.5
Kisii	50.8	44.4	40.6	5.0	3.4	6.2
Kisumu	30.8	38.2	31.6	7.2	6.3	8.7
Siaya	49.7	33.7	33.8	8.4	11.7	3.8
Homa Bay	37.6	44.8	41.6	4.4	7.8	6.0
Migori	.	.	44.8	.	.	6.1
Nyamira	.	.	31.8	.	.	6.0
RIFT VALLEY	31.4	26.9	31.8	5.4	4.6	8.2
Kajiado	31.0	24.7	31.8	5.0	9.9	9.1
Kericho	32.0	45.8	39.3	5.9	1.8	2.8
Laikipia	31.1	25.7	32.4	9.9	8.2	7.3
Nakuru	50.9	37.3	39.7	3.1	3.7	5.8
Nandi	19.1	22.8	29.4	5.7	2.6	5.2

Table 3.3 (cont.)

Province/District	Per cent stunted < -2SD HA Median			Per cent stunted < -2SD WH Median		
	1982	1987	1994	1982	1987	1994
Narok	31.0	59.7	40.4	5.0	6.4	1.7
Bomet			38.0			2.0
Baringo	31.1	24.9	33.1	9.9	5.9	11.3
Elgeyo Marakwet*	27.9	15.0	30.9	4.0	2.9	8.0
Samburu	-	-	40.4	-		30.3
Trans-Nzoia	32.4	11.5	29.8	6.5	5.0	9.1
Turkana			27.7	-		15.2
Uasin-Gishu	27.0	7.9	23.8	4.2	5.8	10.1
West Pokot*	27.9		41.4	4.0		9.0
WESTERN	40.5	22.4	37.0	3.0	3.5	8.0
Bungoma	38.4	22.8	41.7	2.0	1.7	6.3
Busia	42.2	27.0	38.7	4.4	6.4	9.2
Kakamega	40.9	18.4	40.7	3.2	2.8	7.7
Vihiga			26.4			12.5
NATIONAL	37.1	32.1	33.6	4.5	4.0	7.8
Number of Children	5,323	6,957	8,944	5,323	6,597	8,944

* 1982 Kilifi, Lamu and Tana River - one stratum, Elgeyo Marakwet and West Pokot one stratum.

This could be attributed to the prolonged drought experienced in the years preceding the survey.

3.15. The three surveys suggest that stunting is prevalent in Coast, Eastern, Nyanza, Rift Valley and Western provinces. Stunting has persistently remained high in coastal districts of Kilifi and Kwale. However, some districts have showed an improvement in stunting rates. Kiambu and Muranga districts in Central province reported an increase in number of stunted children in 1994 compared to 1987, while marginal decreases were noted for Nyandarua and Nyeri districts. The following districts showed little or no significant improvement in percentage of stunted children: Embu, Kitui, Machakos, Meru in Eastern province; Kisii, Kisumu, Siaya and South Nyanza in Nyanza province; Kajiado, Kericho, Laikipia, Nakuru, Nandi, Narok, Baringo Elgeyo- Marakwet, Trans Nzoia, Uasin Gishu and West Pokot in Rift Valley province; Bungoma, Busia and Kakamega in Western province.

3.16. The data shows that the 1994 levels for wasting are high in all the provinces with North Eastern province recording the highest prevalence (25.4 per cent) of wasted children. High levels of wasting were also noted in some arid and semi arid districts with Garissa and Samburu reporting 30 per cent of the children wasted compared to 27.7 per cent, 17.5 per cent, 15.6 per cent, and 15.2 per cent in Mandera, Tana river, Wajir and Turkana districts, respectively. This can be explained by the effects of prolonged drought experienced in the years preceding the survey.

Immunization

3.17. Malnutrition is often accompanied by early childhood diseases. In support of the Government's initiatives on health for all, the Kenya Expanded Programme on Immunization (KEPI) has addressed the problems of early childhood morbidity, mortality

and disability by providing vaccinations for infants against measles, polio, tuberculosis, tetanus, diphtheria and pertussis at various community levels. The objectives of the programme is to ensure that all young born children receive the six antigens by the second year of life. Primary health care facilities are widespread in all the districts to ensure delivery of quality immunization services throughout the country. Table 3.4, shows that at the time of launching Welfare II survey 66 per cent of all under ones had been fully immunised. A fully immunized child is one who has received all the required doses. However, coverage for measles for this age group was low compared to other vaccines registering a mere 26 per cent. By the second year of life 94 per cent of the children had received all the required vaccines. No differences were observed in vaccination coverage by gender.

DISTRIBUTION OF CRUDE IMMUNIZATION COVERAGE BY AGE, SEX AND ANTIGEN

Table 3.4

Vaccine	Age			Sex	
	Less than a year	12 to 23 months	More than 2 Years	Male	Female
BCG	85.3	93.6	93.0	91.5	91.8
DPT 1	70.5	94.0	92.8	88.5	89.0
DPT 2	62.6	93.1	92.2	86.4	87.2
DPT 3	54.2	91.8	91.3	84.1	84.6
POLIO AT BIRTH	80.5	92.2	91.5	81.5	89.6
POLIO 1	73.6	94.5	93.1	89.4	89.8
POLIO 2	65.2	93.0	92.2	89.0	87.4
POLIO 3	58.6	92.1	91.3	89.8	89.5
MEASLES	26.4	86.6	89.3	77.2	76.4
All Vaccinations	65.7	94.5	93.5	91.2	91.3
Number of children	1,921	1,868	6,288	5,054	5,023

Differentials in Attendance of Growth Monitoring and Vaccination Coverage

3.18. To assist in the evaluation of performance of growth monitoring facilities and KEPI's activities the survey sought supplementary information on utilization of the centres by children aged five years and below. Table 5 below shows the percentage distribution of children who attended growth monitoring facilities and their immunization status by district. Around 90 per cent of eligible children had attended growth monitoring clinics while 75.4 per cent of the children retained their immunization cards. Crude immunization coverage at national level was estimated at over 90 per cent. Crude coverage is calculated from information on child health cards or mother's history if the card is not available. It includes all doses given on schedule and those wrongly administered. The table also indicates that the lowest attendance was recorded in Garissa district (20 per cent), followed by Wajir (22.0 per cent). The proportion of children receiving the required antigens is also low in the two districts. Other districts depicting low childhood vaccination coverage during 1994 include Marsabit (48 per cent), Mandera (56 per cent), Migori (75 per cent) and Narok (78 per cent) compared to over 80 per cent recorded in other districts. Low attendance to growth monitoring and vaccination clinics in North Eastern Provinces may be attributed to the poor infrastructure in the areas.

Maternal Delivery Care Services

3. 19. The survey also sought information on type of delivery services' available to mothers since proper maternal attention and hygienic conditions can reduce the risk of complications and infections at birth. Table 3.6 shows the percentage distribution of children by place of delivery by district. Overall, the data shows that 48 per cent of the children were delivered in hospitals or in health facilities and that a larger proportion of the children (51 per cent) were delivered at home. Over 80 per cent of the children in Kiambu, Nyeri and Tharaka-Nithi districts were born in hospitals or in health facilities as compared to over 90 per cent of the children in North Eastern province who were born at home. This is consistent with the high infant mortality rates observed in the region. Inter -provincial comparisons show Nairobi and Central province to have lower proportion of children delivered at home compared to other provinces. Proximity to health facilities and ability to pay for the services may help explain the observed differences.

Assistance During Delivery

3.20. The kind of assistance a mother receives during the birth of a child is dependent on the place of delivery. Most of the deliveries at home are likely to be aided by Traditional Birth Attendants (TBA's) or close relatives while births in hospitals or health facilities are assisted by medical personnel. From Table 3.7 it is observed that 49.6 per cent of the children born to mothers were assisted by medically trained personnel (doctors and/or midwives and/or nurses), 26 per cent by trained birth attendants as compared to 9 per cent that were self delivered. The data shows that 65 per cent of the births in North Eastern province were assisted by traditional birth attendants. Inter district comparisons for children delivered in hospitals and health facilities also show the dominance of midwives relative to doctors in all the districts. The proportion of children delivered by self is rather high in Turkana accounting for 52.1 per cent followed by Kwale with 39.4 per cent of the cases. Self delivery in Western province is also high relative to other provinces and accounts for 23.2 per cent of the cases.

Table 3.6

Province/District	Number of children (N)	Place of Delivery		
		Health facility	At Home	Other
NAIROBI	147	80.3	19.7	-
CENTRAL	2,360	75.5	24.0	0.5
Kiambu	615	81.6	18.2	0.2
Kirinyaga	314	72.9	25.8	1.3
Murang'a	532	67.5	32.0	0.6
Nyandarua	403	65.3	34.7	.
Nyeri	496	83.3	12.9	0.8
COAST	718	32.7	66.7	0.6
Kilifi	150	33.3	66.7	
Kwale	165	15.8	83.0	1.2
Lamu	92	39.1	60.9	
Mombasa	96	63.5	36.5	
Taita Taveta	118	42.4	55.9	1.7
Tana River	97	12.4	87.6	-
EASTERN	1,866	50.6	48.6	0.8
Embu	331	64.4	35.0	
Isiolo	118	32.2	67.8	
Kitui	275	32.7	66.9	0.4
Machakos	162	42.0	58.0	
Marsabit	154	14.3	81.2	4.5
Meru	428	79.7	19.6	0.7
Makueni	166	30.1	69.9	
Tharaka-Nithi	130	83.8	16.2	-
NORTH EASTERN	567	2.8	96.3	0.9
Garissa	157	3.8	93.6	2.5
Mandera	240	2.9	97.1	-
Wajir	170	1.8	97.6	0.6
NYANZA	1,189	47.9	51.1	1.0
Kisii	292	54.1	44.9	1.0
Kisumu	337	60.2	38.9	0.9
Siaya	142	47.2	51.4	1.4
Homa Bay	100	39.0	61.0	
Migori	130	23.1	74.6	2.3
Nyamira	188	38.8	60.6	0.5
RIFT VALLEY	2,397	37.3	62.5	0.3
Kajiado	144	32.6	67.4	
Kericho	125	38.4	61.6	-
Laikipia	387	47.5	52.5	0.3
Nakuru	178	50.6	49.4	
Nandi	240	28.8	70.4	0.8

Table 3.3 (cont.)

Province/District	Number of children (N)	Place of Delivery		
		Health facility	At Home	Other
Narok	131	28.2	71.8	
Bomet	114	22.8	77.2	-
Baringo	175	44.6	55.4	-
Elgeyo Marakwet	197	50.3	48.7	1.0
Samburu	102	13.7	85.3	1.0
Trans-Nzoia	169	32.0	68.0	-
Turkana	188	16.5	83.5	-
Uasin-Gishu	214	44.4	55.6	-
West Pokot	135	25.9	73.3	-
WESTERN	836	32.2	67.0	0.8
Bungoma	326	24.2	75.8	–
Busia	216	39.8	59.3	0.9
Kakamega	211	34.6	63.5	1.9
Vihiga	83	37.3	61.4	1.2
NATIONAL	10,080	47.9	51.3	0.6

PERCENTAGE DISTRIBUTION OF ATTENDANTS ASSISTING DURING DELIVERY BY PROVINCE AND DISTRICT

Table 3.7

Province/District	N	Attendant Assisting During Delivery				
		Self	Doctor	Midwife	Trained Birth Attendant	Other
NAIROBI	147	3.4	47.6	36.1	6.1	6.8
CENTRAL	2,360	6.0	34.3	41.1	7.1	11.4
kiambu		3.1	37.7	42.9	4.6	11.7
Kirinyaga	314	1.3	44.9	29.0	16.6	8.3
Murang'a	532	5.8	35.3	32.7	8.1	18.0
Nyandarua	403	19.6	15.9	48.9	7.4	8.2
Nyeri	496	1.8	37.3	49.4	3.0	8.5
COAST	718	11.0	12.5	21.4	37.0	18.0
Kilifi	150	–	6.0	29.3	64.0	0.7
Kwale	165	39.4	4.8	11.5	20.0	24.2
Lamu	92	2.2	13.0	23.9	57.6	3.3
Mombasa	96	10.4	31.3	31.3	19.8	7.3
Taita Taveta	118	17	23.7	22.0	34.7	17.8
Tana River	97	–	3.1	13.4	24.7	58.8
EASTERN	1,866	4.6	7.7	42.5	29.7	15.5
Embu	331	6.0	4 5	58.6	8.5	22.4
Isiolo	118	0.8	0.8	33.1	15.3	50.0
Kitui	275	0.7	6.9	26.5	56.4	9.5
Machakos	162	2.5	17.3	19.1	54.3	6.8
Marsabit	154	1.3	0.6	20.1	46.1	31.8
Meru	428	11.0	11.7	66.1	5.4	5.8
Makueni	166	2.4	10.2	19.3	46.4	21.7
Tharaka-Nithi	130	2.3	3.8	76.9	10.0	6.9
NORTH EASTERN	567		1.2	12.2	65.6	21.0
Garissa	157	–	3.2	37.6	17.2	42.0
Mandera	240		0.4	3.3	74.2	22.1
Wajir	170	–	0.6	1.2	98.2	
NYANZA	1,189	9.4	9.7	30.8	28.9	20.2
Kisii	292	15.4	5.8	49.7	13.0	16.1
Kisumu	337	1.8	27.9	35.0	26.1	9.2
Siaya	142	9.9	7.0	40.1	20.4	22.5
Homa Bay	100	8.0	4.0	33.0	33.0	22.0
Migori	130	7.7	1.5	22.3	58.5	10.0
Nyamira	188	15.4	9.0	32.4	30.3	12.8
RIFT VALLEY	2,397	10.5	9.7	30.8	28.9	20.2
Kajiado	144		9.0	24.3	62.5	4.2
Kericho	125		15.2	35.2	20.8	28.8
Laikipia	387	12.0	10.1	40.6	23.0	14.2
Nakuru	178	3.4	2.2	48.9	15.7	29.8
Nandi	240	6.7	12.1	22.9	21.7	36.7

Table 3.7 (cont.)

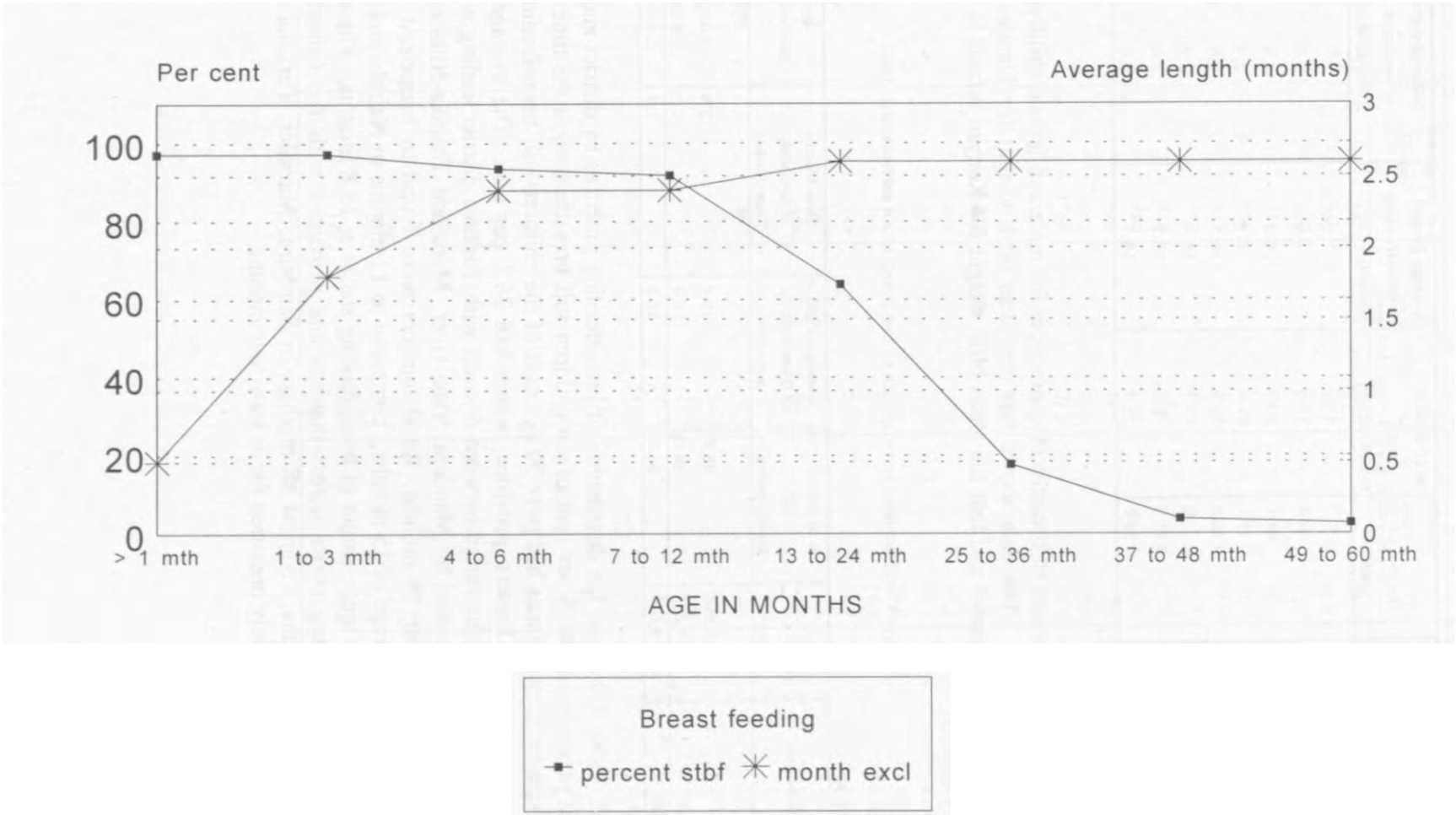
Province/District	N	Attendat Assisting During Delivery				
		Self	Doctor	Midwife	Trained Birth Attendant	Other
Narok	131	26.7	12.1	14.9	45.0	1.5
Bomet	114	7.0	13.2	13.2	37.7	28.9
Baringo	175	-	17.1	29.7	50.3	2.9
Elgeyo Marakwet	197	1.0	8.1	46.2	21.3	23.4
Samburu	102	2.0	6.9	9.8	80.4	1.0
Trans-Nzoia	169	21.9	1.2	35.5	18.9	22.5
Turkana	188	52.1	1.6	.17.0	23.4	5.9
Uasin-Gishu	214	0.9	15.9	31.3	32.2	19.6
West Pokot	135	-	8.9	17.8	23.0	50.4
WESTERN	**836**	**23.2**	**2.6**	**32.4**	**27.6**	**14.4**
Bungoma	326	23.9	2.8	23.0	34.7	15.6
Busia	216	21.4	0.5	52.3	17.1	8.3
Kakamega	211	28.9	4.3	26.5	26.1	14.2
Vihiga	83	9.6	2.4	32.5	30.1	25.3
NATIONAL	**10,080**	**8.6**	**15.0**	**34.6**	**25.9**	**15.8**

Infant Feeding Patterns

3.21. The understanding of current feeding practices and trends can provide useful information for assessing the determinants of nutritional status of infants and young children. Breastfeeding influences a child's growth and development, and thus affects the child's exposure to the risk of morbidity and mortality. Exclusive breastfeeding for the first four to six months of an infant's life generally enhances its nutrition levels and in turn its health status. An early supplementation, especially under unhygienic conditions, can result in infections. Delayed or poor supplementation also inhibits the normal growth in infants, particularly supplements and weaning foods of poor nutritive value. Small children need repeated feeding of energy-loaded foods with high digestibility. It is important to note that mothers reporting to have fed fortified porridge to a child as a first supplement refer to additives such as margarine, oil, sugar and milk. Semi-solids in the context of supplementary feeding in Kenyan households are cooked foods such as potatoes or the regular meals consumed in the household, or fruits such as bananas and avocados that are mashed and softened before being fed to a child. Commercial infant formulas are milk formulas sold on the shelves and substitutes for breastmilk. Both imported and local milk formulas are choices open to mothers especially in urban areas.

3.22. Figure 3.1 and Table 3.8a show that 97 per cent of infants are breastfed from birth and that the mean number of months of exclusive breastfeeding nationally stands at 2.6 months. Over 90 per cent of the children are still breastfeeding after one year of life. The proportion declines up to about 16 months when most of children are weaned off the breast.

fig 3.1 BREASTFEEDING PRACTICES
BY AGE OF CHILD, 1994



BREASTFEEDING PRACTICES, BY AGE AND SEX OF CHILD, 1994

Table 3.8a

Age in months	Number of children	% of children still breastfeeding	Average length of Breastfeeding in months	Mean Months of exclusive Breastfeeding
Less than 1	315	97.2	0.8	0.5
1 to 3	343	97.3	3.0	1.8
4 to 6	461	93.5	5.2	2.4
7 to 12	801	91.8	8.9	2.4
1 3 to 24	1,868	63.9	15.1	2.6
25 to 36	2,116	17.7	18.9	2.6
37 to 48	2,208	3.8	18.9	2.6
49 to 60	1,966	2.7	19.1	2.6

There are no differences in breastfeeding practices for male and female children as can be seen in Table 3.8b. The data shows that the mean birth weight for females is slightly higher than that of males and that the mean birth weight for Kenyan infants is around 3.4 Kilogrammes.

BREASTFEEDING PRACTICES, BY SEX OF CHILD AND MEAN BIRTHWEIGHT, 1994

Table 3.8b

Age in months	Number of children	% of children still breastfeeding	Average length of Breastfeeding in months	Mean Months of exclusive Breastfeeding	Mean Birthweight (N)
SEX					
Male	5,055	35.0	15.8	2.5	3.3 (2.704)
Female	5,022	34.0	15.7	2.5	3.6 (2,647)
National	1,077	34.7	15.8	2.6	3.4 (5,351)

3.23. Table 3.9 shows the distribution of breastfeeding practices by district and province. Coast province had 41.8 per cent of the children still breastfeeding at the time of survey. The rest of the provinces had over 30 per cent of the children still breastfeeding with the exception of North Eastern province, which had 26.1 per cent. The average length of breastfeeding in months varied between districts with Turkana district leading with a mean of 19.2 months, followed by Mandera, Tana river, Meru and Tharaka-Nithi each with a mean of slightly over 18 months. Rural mothers were found to breastfeed for longer periods, with an average of 15 months, compared to 13 months in Nairobi and Mombasa. Overall, the national mean length of breastfeeding stands at 15.8 months. The duration of exclusive breastfeeding varies across districts and provinces with the national average standing at 2.5 months. Almost all mothers in Samburu, Marsabit, Turkana and Homa Bay districts exclusively breastfed for at least four months.

BREASTFEEDING PRACTICES BY PROVINCE AND DISTRICT. 1994

Table 3.9

Province/District	Number of Children	% of Children still breastfeeding	Average Length of Breastfeeding in months	No. of months children exclusively Breastfed
NAIROBI	147	34.0	13.7	2.9
CENTRAL	2,360	37.7	14.9	2.1
Kiambu	615	37.7	13.9	2.3
Kirinyaga	314	35.0	16.8	2.1
Murang'a	532	29.1	14.8	1.7
Nyandarua	403	23.8	14.6	2.4
Nyeri	496	30.0	15.1	1.8
COAST	718	41.8	15.4	2.7
Kilifi	150	41.3	14.2	3.6
Kwale	165	49.7	16.6	2.9
Lamu	92	22.8	15.0	2.6
Mombasa	96	37.5	13.3	2.7
Taita Taveta	118	38.1	15.0	2.5
Tana River	97	55.7	18.3	2.1
EASTERN	1,866	39.5	17.1	2.6
Embu	331	38.4	17.7	2.0
Isiolo	118	37.3	13.9	4.0
Kitui	275	46.2	16.0	2.9
Machakos	162	33.3	16.6	2.6
Marsabit	154	29.9	17.7	4.2
Meru	428	41.1	18.2	1.5
Makueni	166	36.1	17.4	2.5
Tharaka-Nithi	130	49.2	18.2	2.7
NORTH EASTERN	567	26.1	16.4	2.8
Garissa	157	24.2	14.5	2.5
Mandera	240	26.3	18.6	2.9
Wajir	170	27.6	15.0	2.8
NYANZA	1,189	33.5	15.8	3.1
Kisii	292	29.8	16.9	2.8
Kisumu	337	34.1	15.5	3.5
Siaya	142	35.2	16.5	2.7
Homa Bay	100	38.0	16.4	4.1
Migori	130	43.8	15.0	3.7
Nyamira	188	26.1	14.3	2.2
RIFT VALLEY	2,396	35.4	15.5	2.9
Kajiado	144	31.3	15.5	2.9
Kericho	125	33.6	16.5	1.6
Laikipia	387	32.6	14.9	2.2
Nakuru	178	39.3	13.8	2.6
Nandi	240	31.7	16.8	2.0

Table 3.3 (cont.)

Province/District	Number of Children	% of Children still breastfeeding	Average Length of Breastfeeding in months	No. of months children exclusively Breastfed
Narok	131	45.0	15.9	2.5
Bomet	114	36.8	15.8	2.3
Baringo	175	35.4	14.8	1.6
Elgeyo Marakwet	197	31.5	14.6	2.4
Samburu	102	38.2	15.7	4.0
Trans-Nzoia	169	33.1	14.5	2.6
Turkana	188	37.8	19.2	4.0
Uasin-Gishu	214	37.9	15.1	2.3
West Pokot	135	42.2	14.5	1.9
WESTERN	836	33.3	15.9	2.8
Bungoma	326	35.9	15.8	3.2
Busia	216	31.5	16.9	2.8
Kakamega	211	31.3	15.5	2.1
Vihiga	83	32.5	14.4	3.7
NATIONAL	10,080	34.7	15.8	2.5

Supplementary Feeding

3.24. Table 3.10 shows the percentage distribution of children by age group and type of first supplement given. The data shows that 29.4 per cent of the children were given some milk other than breast milk at less than one month old while 12 per cent of infants had been fed with supplements of water and sugar from birth in the first three months of life. Milk other than breast milk, maize and millet porridge were popular first supplements in all age groups followed by fortified porridge. The data also shows that in districts like Kwale, Kisii, Kirinyaga, Murang'a, Meru and Kakamega, mmilk was not the first choice for mothers. Porridge made from maize and/or millet was very popular with mothers in these districts. The proportion of infants introduced to semi solid foods at less than one month old accounted for 7.8 per cent of the cases. Semi solids were the first choice for mothers in all districts in central province. Other districts where semi-solids were preferred to other supplements include Isiolo, Kisii and Kajiado, each with slightly over 40.0 per cent of the children being fed on semi-solids. There were no differences observed in supplementary feeding practices between males and females. The proportion of infants fed with commercial infants formula at national level stood at 3.1 per cent. Commercial infant formula is gaining popularity among mothers in both urban and rural areas.

FREQUENCIES OF TYPE OF FIRST SUPPLEMENT BY AGE AND SEX OF CHILD, 1994

Table 3.10

Age in months	Number of children	Nothing	Milk other than breast	Commercial Infant formula	Porridge maize/millet	Porridge Fortified	Semi-solids	Water and Sugar	Other
Lass than 1	102	8.9	29.4		26.0	6.6	7.6	15.7	5.5
1 to 3	251	2.0	34.3	2.0	19.5	14.3	10.8	12.0	4.8
4 to 6	437		34.6	2.3	25.6	16.9	11.2	5.3	4.1
7 to 12	796		26.3	2.1	28.6	21.5	13.6	4.9	3.0
13 to 24	1,866	0.1	29.2	3.1	26.8	18.8	13.2	5.6	3.2
25 to 36	2,113	0.1	20.3	3.4	26.4	21.8	11.6	4.8	3.7
37 to 48	2,208		22.9	3.0	25.4	20.8	11.9	5.3	3.2
49 to 60	1,966		22.9	3.7	27.6	17.5	10.6	5.1	2.5
SEX									
Male	4,880	0.1	29.6	3.0	27.0	19.5	12.2	5.3	3.3
Female	4,859	0.2	30.8	3.1	26.0	19.6	11.5	5.6	3.3
NATIONAL		0.2	30.2	3.1	26.5	15.6	11.9	5.4	3.3

DISTRIBUTION OF CHILDREN BY TYPE OF FIRST SUPPLEMENT BY DISTRICTS

Table 3.11

Province/District	Milk other than breast	Commercial Infant formula	Porridge maize/millet	Porridge Fortified	Semi-solids	Water and Sugar	Other
NAIROBI	11.9	5.9	13.9	18.5	18.5	3.0	10.4
CENTRAL	11.3	3.4	20.9	21.5	31.6	1.3	9.9
Kiambu	16.0	7.3	34.9	8.6	38.6	0.8	2.2
Kirinyaga	3.8	7.3	5.2	17.6	32.4	1.6	6.1
Murang'a	5.8	2.2	26.6	17.5	37.3	1.0	3.3
Nyandarua	16.5	1.9	17.1	35.3	16.5	0.5	1.3
Nyeri	12.0	3.3	67.6	32.6	28.5	2.9	5.7
COAST	28.3	5.4	44.7	10.5	2.0	6.0	2.9
Kilifi	15.1	1.2	58.6	3.6	2.9	2.2	0.7
Kwale	9.6	7.9	38.9	22.9	0.6	1.9	.
Lamu	40.0	6.4	29.5	4.4	5.6	.	2.2
Mombasa	44.3	8.9	46.6	14.8	2.3	3.4	.
Taita Taveta	19.0	5.7	5.3	6.9	.	25.9	0.9
Tana River	64.2	0.9	36.7	6.3	2.1	2.1	16.8
EASTERN	27.0	2.7	34.4	10.0	6.5	18.7	0.8
Embu	0.1	2.1	25.9	16.5	3.7	27.8	2.8
Isiolo	16.1	2.4	43.9	8.9	42.0	6.3	.
Kitui	39.4	0.9	26.1	2.3	1.1	11.7	0.8
Machakos	47.1	0.8	40.6	12.1	7.0	2.5	1.3
Marsabit	44.8	3.8	25.5	2.1	6.3	1.4	.
Meru	3.1	4.9	30.1	15.0	6.4	46.2	0.2
Makueni	57.1	3.6	72.5	7.7	2.6	2.6	-
Tharaka-Nithi	9.2	.	2.6	10.0	.	0.8	.
NORTH EASTERN	88.7	1.3	3.4	0.7	2.9	1.3	1.8
Garissa	86.3	7.5	5.4	0.7	0.7	2.0	5.9
Mandera	85.8	2.0	1.2	.	5.9	1.7	0.4
Wajir	95.1	0.8	1.1	1.8	0.6	.	.
NYANZA	25.0	2.5	35.2	30.7	2.5	2.9	0.1
Kisii	1.8	1.2	32.4	36.7	43.4	2.1	2.5
Kisumu	24.2	12.5	32.6	28.7	5.8	.	0.3
Siaya	16.7	7.3	35.9	37.7	1.4	10.9	.
Homa Bay	33.7	0.7	31.9	26.1	.	4.3	.
Migori	41.2	.	19.3	31.1	1.7	5.0	.
Nyamira	37.4	0.5	50.0	11.5	.	0.5	.
RIFT VALLEY	46.0	2.9	20.1	17.3	9.4	3.0	1.3
Kajiado	29.9	3.0	9.7	8.2	41.0	6.0	2.2
Kericho	71.8	2.4	25.8	.	.	.	.
Laikipia	13.4	4.0	35.8	16.9	29.3	.	0.5
Nakuru	25.9	2.4	22.9	25.9	17.6	1.8	3.5
Nandi	43.6	3.4	19.1	21.2	1.3	11.4	.
Narok	59.1	3.1	25.2	5.5	2.4	3.9	0.8
Bomet	42.5	.	44.2	8.0	.	.	5.3
Baringo	86.1	2.3	4.6	2.9	1.7	1.7	0.6
Elgeyo Marakwet	41.5	3.6	10.9	40.9	.	2.1	1.0
Samburu	81.3	1.0	12.5	.	4.2	1.0	.
Trans-Nzoia	26.4	5.5	30.1	32.5	4.9	.	-
Turkana	88.1	.	3.0	6.5	.	.	2.4
Uasin-Gishu	44.4	3.9	11.7	28.3	2.4	7.3	2.0
West Pokot	79.1	0.8	9.3	7.0		3.9	.
WESTERN	17.7	2.8	30.3	46.7	1.1	1.1	0.2
Bungoma	15.8	2.5	26.9	57.6	1.9	0.9	0.3
Busia	31.6	4.3	37.3	24.4	1.4	1.0	.
Kakamega	8.6	2.4	29.7	56.9	.	1.9	0.5
Vihiga	12.8	1.3	26.9	59.0			
NATIONAL	30.2	3.1	26.5	19.6	11.9	5.4	3.3

CHAPTER 4 - EMPLOYMENT, EARNINGS AND CONSUMER PRICES

Overview

Available data show a significant expansion in employment in the private sector, mainly due to the improved economic conditions that prevailed in 1994 compared to the previous year. On the other hand, employment in the public sector has been declining steadily as a result of the ongoing public sector reforms. Against this scenario, a large proportion of the surplus labour force in the economy has continued to join the expanding informal sector of the economy, which created 325,862 additional jobs in 1994. The inflation rate, according to the Nairobi Consumer Price Indices, declined significantly from 46.0 per cent in 1993 to 28.8 per cent in 1994. The ebbing of inflationary pressures, coupled with upward wage adjustments, led to a recovery of real average earnings, from a decline of 22.1 per cent in 1993 to a modest decline of 8.3 per cent in 1994.

Employment

4.2. In 1994, total employment outside rural small-scale agriculture and pastoralist activities was estimated at 3.4 million persons. As shown in Table 4.1, employment in the modern sector stood at 1,562,700 persons in 1994. Employment in the expanding informal sector rose by 22.2 per cent to 1,792,400 persons, and accounted for 53.4 per cent of total employment in 1994.

4.3. *Modern Sector* - As shown in Table 4.1, wage employment in the modern sector stood at 1,504.400 persons in 1994, with growth accelerating from 0.9 per cent in 1993 to 2.0 per cent in 1994. The growth in employment within the modern sector is largely attributed to a modest recovery of the economy in 1994. The number of self-employed and non-wage employees within the modern sector rose by 3.7 per cent from 56,200 in 1993 to 58,300 in 1994.

PERSONS ENGAGED: RECORDED TOTALS, JUNE, 1991 - 1994

Table 4.1 '000's

	1991	1992	1993	1994*
Modern Establishments - Urban and Rural Areas:				
	1,441.7	1,462.1	1,474.9	1,504.4
Self-employed and unpaid family workers	52.2	53.8	56.2	58.3
Informal Sector * *	1,063.2	1,237.5	1,466.5	1,792.4
TOTAL	2,557.1	2,753.4	2,997.6	3,355.1

* Provisional.

* * Revised Series

4.4. Table 4.2 presents a sectoral analysis of wage employment in the modern sector. The noted increase in wage employment was mainly in the private sector. The sector's employment grew by 3.5 per cent to 816,800 persons, compared with a growth of 2.7 per cent recorded in 1993. In 1994, the private sector contributed 54.3 per cent of total wage employment in the modern sector of the economy, compared with a corresponding share of 53.5 per cent recorded in 1993. The growth is attributed to good performance in the agricultural, financial and the trades industries of the economy.

4.5. In the course of 1994, wage employment in agricultural activities in the private sector grew by 3.4 per cent to 212,800 persons and absorbed 26.1 per cent of total private sector wage employment. This significant growth was largely due to improved weather conditions and an improvement of producer prices for major export crops. Of the other leading sectors of the economy, wage employment in manufacturing activities within the private sector expanded by 2.6 per cent to 158,300 persons, while employment in the trades and financial activities grew by 4.9 per cent to 119,700 persons and by 4.1 per cent to 57,100 persons, respectively.

WAGE EMPLOYMENT BY INDUSTRY AND SECTOR, 1990 - 1994

Table 4.2 '000's

	1990	1991	1992	1993	1994*	% change
PRIVATE SECTOR:						
Agriculture and Forestry	202.5	200.9	203.0	205.9	212.8	3.4
Mining and Quarrying	3.4	3.6	3.7	3.8	3.9	2.6
Manufacturing	146.1	149.8	151.0	154.3	158.3	2.6
Electricity and Water	0.5	0.5	1.1	1.2	1.2	0.4
Building and Construction	36.8	40.7	42.0	42.4	44.0	3.7
Wholesale and Retail Trade, Restaurants and Hotels	104.6	108.8	111.0	114.1	119.7	4.9
Transport and Communications	26.1	27.3	33.8	36.4	37.2	2.2
Finance,Insurance, Real Estate and Business services	47.1	47.3	51.5	54.8	57.1	4.1
Community, Social and Personal Services	142.5	147.7	171.3	176.6	182.6	3.4
TOTAL PRIVATE SECTOR	709.6	726.6	768.4	789.5	816.8	3.5
PUBLIC SECTOR:						
Agriculture and Forestry	67.3	71.1	70.9	68.4	67.9	-0.7
Mining and Quarrying	0.7	0.8	0.7	0.7	0.7	0.0
Manufacturing	41.6	39.1	39.3	39.3	39.3	0.0
Electricity and Water	21.9	21.9	21.3	20.9	20.8	-0.5
Building and Construction	34.6	31.7	31.2	30.2	29.3	-3.0
Wholesale and Retail Trade, Restaurants and Hotels	9.3	7.9	7.5	7.0	6.9	-1.4
Transport and Communications	48.4	48.9	43.1	40.9	40.7	-0.5
Finance, Insurance, Real Estate and Business services	18.2	19.0	19.1	17.8	17.9	0.6
Community, Social and Personal Services	457.8	474.7	460.6	460.2	464.1	0.8
TOTAL PUBLIC SECTOR	699.8	715.1	693.7	685.4	687.6	0.3

* Provisional.

4.6. As a result of the public sector reform programme, employment in the sector was limited to 687,600 persons, with an annual growth of 0.3 per cent in 1994. Consequently, the public sector's share in total employment declined from 47.4 per cent in 1992 to 46.5 per cent in 1993 and to 45.7 per cent in 1994. Most of the industries falling under the public sector recorded negative growth rates in employment, partly due to the Government divesting in some non-strategic companies coupled with restrictive policies on employment in public institutions. Institutions under the public sector engaged in building and construction activities suffered a 3.0 per cent decline in employment; while the size of employment in manufacturing, and mining and quarrying sub-sectors almost stagnated at 1993 levels.

4.7. Table 4.3 presents data on employment in the public sector by type of employer. After declining by 1.0 per cent and 1.2 per cent in 1992 and 1993 respectively, employment in the Central Government declined further by 3.1 per cent to 259,300 persons in 1994. The declining trend is mainly attributed to the on going Retrenchment Scheme aimed at trimming the Civil Service. The number of persons employed by the Teachers' Service Commission rose by 5.1 per cent from 211,700 persons in 1993 to 222,600 persons in 1994, mainly due to demand for teachers caused

by opening of new schools. After declining by 7.2 per cent in 1993, employment in the parastatals declined slightly by 0.7 per cent to 106,900 persons in 1994. Also employment in those institutions with a majority control by the public sector declined by 0.2 per cent to 48,800 persons after declining by 3.0 per cent in the previous year. These developments are ascribed to privatization and restructuring programs being undertaken by the Government. Employment in the local authorities expanded by 1.2 per cent to 50,000 persons in 1994 mainly due to creation of the new districts, hence creation of new county councils and elevation of some town councils to municipal councils.

WAGE EMPLOYMENT IN THE PUBLIC SECTOR, 1990 - 1994

Table 4.3 '000's

	1990	1991	1992	1993	1994*	Annual Percentage Change 1994/1993
Central Government	273.7	273.7	269.0	267.7	259.3	-3.1
Teachers Service Commission	203.0	219.2	208 6	211.7	222.6	5.1
ParastatalBodies**.	117.4	117.3	115.3	107.7	106.9	-0.7
Majority Control by the Public Sector***	54.0	52.8	50.0	48.9	48.8	-0.2
Local Government	51.7	52.1	50.8	49.4	50.0	1.2
TOTAL	699.8	715.1	693.7	685.4	687.6	0.3

* Provisional.

* * Refers to Government wholly-owned corporations.

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

4.8. Table 4.4 sets out data on modern sector wage employment by province. Nairobi Province, with the highest share in wage employment of 26.1 per cent, had wage employment expand by 4.6 per cent to 393,400 persons in 1994. Rift Valley Province with 320,100 paid employees, absorbed the second largest share of 21.3 per cent of wage employment in the modern sector in 1994. On the other hand, North Eastern Province with the smallest share of only 0.9 per cent of total wage employment, registered a significant growth of 3.0 per cent in wage employment in 1994.

WAGE EMPLOYMENT BY PROVINCE, 1991 - 1994

Table 4.4 '000's

Province	1991	1992	1993	1994*	Percentage Change 1994/1993
Nairobi	374.4	375.2	376.1	393.4	4.6
Coast	181.6	186.3	187.3	189.5	1.2
North Eastern	12.9	13.1	13.4	13.8	3.0
Eastern	123.4	125.5	127.3	129.1	1.4
Central	205.8	206.3	208.9	212.2	1.6
Rift Valley	307.6	312.4	316.6	320.1	1.1
Nyanza	142.3	144.6	146.1	146.6	0.3
Western	93.7	98.7	99.2	99.7	0.5
TOTAL	1,441.7	1,462.1	1,474.9	1,504.4	2.0

* Provisional

WAGE EMPLOYMENT BY MAJOR TOWNS AND SELECTED INDUSTRIES, 1989 AND 1994

Table 4.5 '000's

	Manufacturing		Construction		Wholesale and Retail Trade, Restaurants and Hotels		Transport and Communica-tions		Finance, Insurance, Real Estate and Business Services		Community, Social and Personal Services		Total Six Industries	
Towns	1989	1994*	1989	1994*	1989	1994*	1989	1994*	1989	1994*	1989	1994*	1989	1994*
Nairobi	67.3	72.1	33.0	38.4	44.9	50.0	26.5	29.8	41.0	44.0	131.8	147.7	344.5	382.0
Mombasa	23.9	28.6	5.5	5.3	15.9	18.6	23.7	28.7	8.6	12.0	35.7	45.2	113.3	138.4
Kisumu	4.2	6.0	2.3	2.0	2.6	3.4	1.5	1.5	2.0	2.1	15.9	17.3	28.5	32.3
Nakuru	5.9	7.0	2.2	2.1	3.5	4.6	1.1	1.2	1.1	1.6	8.6	9.9	22.4	26.4
Thika	10.0	13.9	0.3	0.5	1.5	2.4	0.2	0.3	0.8	1.3	3.4	5.1	16.2	23.5
Eldoret	8.8	10.5	1.4	1.2	2.2	3.4	0.8	0.8	1.6	2.3	3.1	3.3	17.9	21.5
Malindi	0.3	0.4	0.4	0.2	1.7	2.3	0.2	0.2	0.3	0.3	2.1	2.7	5.0	6.1
Kericho	2.4	3.3	0.8	0.9	0.8	1.0	0.2	0.2	0.2	0.3	4.4	5.2	8.8	10.9
Others	17.0	20.5	9.9	15.5	11.5	17.5	4.9	6.8	3.6	4.2	63.0	71.3	109.9	135.8
TOTAL	139.8	162.3	55.8	66.1	84.6	103.2	59.1	69.5	59.2	68.1	268.0	307.7	666.5	776.9

* Provisional.

4.9. Table 4.5 presents wage employment in major towns by six dominant industries for both 1989 and 1994. Over the last five years some 110,400 modern sector jobs were generated in the urban areas, giving an overall increase of 16.6 per cent Of the six main urban-based industries, community, social and personal services commanded the biggest share of 39 6 per cent of urban employment in 1994. Second largest was manufacturing with a share of 20.9 per cent; followed by trades, restaurants and hotels with a share of 13.3 per cent of total urban employment. Of the major towns Nairobi City had the highest wage employment of 382,000 persons representing 49 2 per cent of the urban work force. Mombasa and Kisumu were next with corresponding shares of 17.8 per cent and 4.2 per cent. However, between 1989 and 1994 employment in Nairobi for the six industries expanded by only 10.9 per cent, a growth rate lower than that of Mombasa, Kisumu and Nakuru.

4.10. Wage employment by industry and gender is set out in Table 4.6 The number of females in wage employment rose by 1.9 per cent to 347,600 persons in 1994 with their respective share remaining at the 1993 level of 23.1 per cent. Educational services, followed by agricultural activities remained the major female employer The former industry engaged 94,400 females and absorbed 27.2 per cent of all females in wage employment, while the latter engaged 65,300 females, with a share of 18 8 per cent of females in wage employment. The proportion of females employed in industries traditionally dominated by males, such as building and construction and manufacturing remained low at 5.0 per cent and 12.2 per cent, respectively Further analysis of employment status shows that there were 1,332,800 regular employees of which 311,000 were females.

WAGE EMPLOYMENT BY INDUSTRY AND SEX. 1993 AND

Table 4.6

'000's

INDUSTRY	MALE S		FEMALES		TOTAL	
	1 993	1994*	1993	1994*	1993	1994*
Agriculture and Forestry	209.7	215.4	64.6	65.3	274.3	280.7
Mining and Quarrying	3.5	3.4	1.0	1.2	4.5	4.6
Manufacturing	170.2	173.5	23.3	24.1	193.5	1 97 6
Electricity and Water	19.0	19.0	3.1	3.0	22.1	22.0
Building and Construction	68.8	69.6	3.9	3.7	72.7	73.3
Trade, Restaurants and Hotels	99.7	104.3	21.4	22.3	121.1	126.6
Transport and Communications	66.4	66.7	10.9	11.2	77.3	77.9
Finance, Insurance, Real Estate and Business Services	56.2	57.6	16.4	17.4	72.6	75.0
Community, Social and Personal Services-						
Public Administration	140.6	154.1	40.4	39.6	181.0	193.7
Education Services	165.7	163.7	92.1	94.4	257.8	258.1
Domestic Services	56.1	40.3	21.1	21.8	77.2	62.1
Other Services	78.0	89.2	42.8	43.6	120.8	132.8
TOTAL	1,133.9	1,156.8	341.0	347.6	1,474.9	1,504.4
	999.4	1,020.9	304.3	311.9	1,303.7	1,332.8
Casual	134.5	135.9	36.7	35.7	171.2	171.6

* Provisional

Wage Earnings in the Modern Sector

4.11. Total wage payments by industry and sector are presented in Table 4.7. The overall nominal wage bill increased by 20.5 per cent, rising from K£ 3,496.6 million in 1993 to K£ 4,213.8 million in 1994. The significant increase is largely attributed to a general upward adjustments in wages and a significant expansion in wage employment within the private sector. Total wage payments in the private sector rose by 22.0 per cent to K£ 2,313.3 million. Within the private sector, wage earnings in the manufacturing industry controlled a lion's share of 21.0 per cent, rising by 20.3 per cent to K£ 485.5 million in 1994. In contrast with recent past trends, the public sector wage bill has been lower than that of the private sector since 1992, and amounted to K£ 1,900.5 million, absorbing 45.1 per cent of total earnings in 1994. This is due to a significant slowdown in wage employment in the sector. However, as a result of salary adjustments the public sector's wage bill expanded by 18.8 per cent in 1994 compared to a modest growth of 8.5 per cent in 1993.

ESTIMATED TOTAL WAGE PAYMENTS BY INDUSTRY AND SECTOR, 1991 - 1994

Table 4.7 K£million

	1991	1992	1993	1994*
PRIVATE SECTOR:				
Agriculture and Forestry	130.1	160.0	197.4	255.5
Mining and Quarrying	4.7	5.4	6.5	7.7
Manufacturing	308.3	345.7	403.5	485.5
Electricity and Water	1.1	2.1	2.8	2.9
Building and Construction	64.3	75.8	91.4	113.5
Wholesale and Retail Trade, Restaurants and Hotels	291.9	333.0	396.7	495.1
Transport and Communications	84.2	102.7	143.2	174.6
Finance, Insurance,Real Estate and Business Services	194.0	239.5	287.3	339.3
Community, Social and Personal Services	217.3	309.3	367.4	439.2
TOTAL PRIVATE SECTOR	1,295.9	1,573.5	1,896.2	2,313.3
PUBLIC SECTOR:				
Agriculture and Forestry	69.9	74.9	78.2	94.5
Mining and Quarrying	2.0	2.0	2.2	2.4
Manufacturing	68.3	75.5	82.5	97.8
Electricity and Water	64.7	67.9	75.9	88.9
Building and Construction	49.6	55.3	57.5	70.6
Wholesale and Retail Trade, Restaurants and Hotels	20.2	21.6	21.7	24.1
Transport and Communications	131.3	136.6	140.0	152.6
Finance, Insurance .Real Estate and Business Services	100.1	107.1	108.8	120.3
Community, Social and Personal Services	847.0	934.5	1,033.6	1,249.3
TOTAL PUBLIC SECTOR	1,353.1	1,475.4	1,600.4	1,900.5
TOTAL PUBLIC AND PRIVATE	2,649.0	3,048.9	3,496.6	4,213.8

* Provisional.

4.12. Table 4.8 summaries the total wage payments in the public sector by type of employer. In 1994, the wage bill of the Teachers Service Commission rose by 26.2 per cent to K£ 501.5 million, largely due to increase in wage employment and a significant improvement in average earnings. Despite the decline in wage employment, the Central Government wage bill increased by 12.3 per cent to K£ 741.2 million in

1994, due to an upward adjustment of salaries and allowances. The wage bill for Government fully-owned corporations and institutions under Government majority control grew by 20.4 per cent to K£ 368.9 million and by 21.8 per cent to K£ 173.7 million, respectively.

TOTAL WAGE PAYMENTS IN THE PUBLIC SECTOR, 1991 - 1994

Table 4.8 K£million

	1991	1992	1993	1994*
Central Government	556.2	619.8	660.0	741.2
Teachers Service Commission	334.1	356.3	397.4	501.5
Parastatal Bodies**	260.0	281.7	306.3	368.9
Majority Control by the Public Sector***	119.2	128.5	142.6	173.7
Local Government	83.6	89.1	94.1	115.2
TOTAL	1,353.1	1,475.4	1,600.4	1,900.5

* Provisional.

* * Refers to Government wholly-owned corporations.

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

4.13. Table 4.9 sets out average nominal wage earnings per employee by industry and sector. In the course of 1994, several measures that included revision of wage guidelines, revision of collective agreements, and general adjustments in wages were taken to cushion workers against rise in the cost of living that prevailed in 1993. As a result, total average earnings per person expanded by a significant 18.1 per cent, from K£ 2,370.7 per annum in 1993 to K£ 2,801.0 per annum in 1994. Average earnings in the private sector increased by 17.9 per cent to K£ 2,832.1 per annum in 1994, and were higher than the corresponding earnings for workers in the public sector. In the private sector, average earnings within the finance, insurance, real estate and business services were higher than those in other activities. The high increase was mostly in the banking sub-sector due to a high increase offered to the bank workers through collective agreements to compensate for the 1993 inflation that stood at 46.0 per cent. On the other hand, average earnings from wage employment in primary activities of agriculture, mining and quarrying, were below the national average.

4.14. Average earnings in the public sector rose by 18.4 per cent to K£ 2,763.9 per annum. Average earnings in the financial, and electricity and water activities were higher than those in the other activities in the public sector. On the other hand, average earnings in agriculture within the public sector were significantly low.

4.15. Of the public sector employers, average earnings for employees of the Teachers Service Commission rose by 20.0 per cent to K£ 2,252.9 per annum, while those for Central Government employees rose by 15.9 cent to K£ 2,858.4 per annum. The noted growths in average earnings for the two categories are due in part to an upward revision of wages and other employee benefits effected during the year. Average earnings for employees in parastatals stood at K£ 3,450.9 per annum; and recorded a high growth rate of 21.3 per cent in 1994 compared with 17.2 per cent growth in 1993. Average earnings for employees of institutions under Governments majority control were higher than average earnings for other categories of public employees.

4.16. Table 4.10 presents changes in employment and average earnings. Between 1989 and 1994, total wage employment in the modern sector rose by 9.9 per cent, with wage employment in the private sector rising by 19.6 per cent. On the other hand,

public sector employment level in 1994 was only 0.3 per cent above the 1989 level. In 1994, wage employment in the central Government and parastatal bodies declined by 7.7 per cent and 0.9 per cent from the 1989 levels, respectively. Over the same period, total average earnings rose by 82.5 per cent, partly due to the indexing of wages to inflation. Average earnings in the private sector rose by 93.2 per cent; while earnings within the public sector increased by 72.3 per cent within the same period.

AVERAGE WAGE EARNINGS PER EMPLOYEE. 1991 - 1994

Table 4.9 K£ per annum

	1991	1992	1993	1994*
PRIVATE SECTOR:				
Agriculture and Forestry	647.8	788.3	958.5	1,200.8
Mining and Quarrying	1,297.4	1,465.9	1,709.5	1,974.8
Manufacturing	2,058.5	2,289.3	2,616.0	3,065.9
Electricity and Water	2,122.3	2,134.2	2,384.0	2,485.8
Building and Construction	1,580.2	1,805.2	2,154.1	2,580.7
Trade, Restaurants and Hotels	2,682.0	2,997.9	3,476.6	4,135.5
Transport and Communications	3,088.7	3,562.2	3,932.4	4,694.9
Finance, Insurance .Real Estate and Business Services	4,100.0	4,655.3	5,239.5	5,945.5
Community, Social & Personal Services	1,470.8	1,806.1	2,080.4	2,404.2
TOTAL PRIVATE SECTOR	1,783.5	2,061.6	2,401.6	2,832.1
PUBLIC SECTOR:				
Agriculture and Forestry	982.1	1,056.5	1,144.5	1,390.7
Mining and Quarrying	2,655.6	2,773.6	2,998.2	3,311.2
Manufacturing	1,749.4	1,920.9	2,098.2	2,487.7
Electricity and Water	2,953.8	3,192.7	3,627.8	4,269.1
Building and Construction	1,564.2	1,774.0	1,903.3	2,409.5
Trade, Restaurants and Hotels	2,548.9	2,894.4	3,118.8	3,477.8
Transport and Communications	2,683.7	2,839.7	3,421.8	3,754.1
Finance, Insurance ,Real Estate and Business Services	5,265.6	5,589.3	6,110.8	6,724.1
Community, Social & Personal Services	1,784.3	2,028.9	2,246.3	2,692.3
TOTAL PUBLIC SECTOR	1,892.1	2,111.7	2,335.2	2,763.9
TOTAL PRIVATE AND PUBLIC SECTOR	1,837.4	2,085.5	2,370.7	2,801.0
MEMORANDUM ITEMS IN PUBLIC SECTOR:				
Central Government	2,032.2	2,287.6	2,465.5	2,858.4
Teachers Service Commission	1,523.7	1,695.8	1,877.8	2,252.9
Parastatal Bodies**.	2,216.5	2,426.8	2,844.7	3,450.9
Majority Control by the Public Sector	2,257.3	2,549.6	2,915.2	3,559.4
Local Government	1,605.0	1,741.3	1,903.9	2,304.0
TOTAL PUBLIC SECTOR	1,892.1	2,111.7	2,335.2	2,763.9

* Provisional.

* * Refers to Government wholly-owned corporations.

4.17. Real average earnings per employee by sector and industry are shown in Table 4.11 and 4.12. The ebbing of inflationary pressures, coupled with upward wage adjustments, led to recovery of overall real average earnings from a significant decline of 22.1 per cent to a modest decline of 8.3 per cent. Real average earnings in the private sector declined by 8.5 per cent to K£ 606.2 per annum in 1994; while average earnings in the public sector declined by 8.1 per cent to stand at K£ 591.6 per annum.

PERCENTAGE CHANGES IN WAGE EMPLOYMENT AND AVERAGE EARNINGS, 1993/88 - 1993/92

Table 4.10

	EMPLOYMENT		AVERAGE EARNINGS	
	1994 */1989	1994 */1993	1994 */1989	1994*/1993
PRIVATE SECTOR:				
Agriculture and Forestry	9.1	3.4	135.5	25.3
Mining and Quarrying	14.7	2.6	73.6	15.5
Manufacturing	11.6	2.6	78.6	17.2
Electricity and Water	450.0	0.4	38.9	4.3
Building and Construction	31.7	3.7	93.8	19.8
Trade, Restaurants and Hotels	18.0	4.9	84.4	19.0
Transport and Communications	51.8	2.2	83.6	19.4
Finance, Insurance ,Real Estate and	26.0	4.1	78.7	13.5
Business Services	32.7	3.5	94.7	15.6
Community, Social & Personal Services				
TOTAL PRIVATE SECTOR	19.6	3.5	93.2	17.9
PUBLIC SECTOR:				
Agriculture and Forestry	1.8	-0.6	63.8	21.5
Mining and Quarrying	16.7	0.0	28.7	10.4
Manufacturing	-4.1	0.0	61.0	18.6
Electricity and Water	-6.3	-0.5	78.7	17.7
Building and Construction	-17.0	-3.0	125.0	26.6
Trade, Restaurants and Hotels	-22.5	0.0	57.5	11.5
Transport and Communications	-20.7	-0.5	63.8	9.7
Finance, Insurance ,Real Estate and				
Business Services	-2.7	0.6	61.5	10.0
Community, Social and Personal Services	5.2	0.8	76.3	19.9
TOTAL PUBLIC SECTOR	0.3	0.3	72.3	18.4
TOTAL PUBLIC AND PRIVATE	9.9	2.0	82.5	18.2
MEMORANDUM ITEMS IN PUBLIC SECTOR:				
Central Government	-7.7	-3.1	56.2	15.9
Teacher's Service Commission	14.1	5.1	84.5	20.0
Parastatal Bodies**	-0.9	-0.7	70.2	21.3
Majority Control by the Public Sector	0.6	-0.2	80.4	22.1
Local government	3.5	1.2	83.4	21.0
TOTAL PUBLIC SECTOR	1.0	0.3	69.1	18.4

* Provisional.

* * Refers to Government wholly-owned corporations

ESTIMATED REAL AVERAGE WAGE EARNINGS" PER EMPLOYEE, 1991 - 1994

Table 4.11 K£ per annum

	1991	1992	1993**	1994***
PRIVATE SECTOR:				
Agriculture and Forestry	332.0	317.3	264.3	257.0
Mining and Quarrying	664.9	590.0	471.3	422.7
Manufacturing.	1,055.0	921.4	721.3	656.2
Electricity and Water	1,087.7	859.0	657.3	532.1
Building and Construction	809.9	726.6	593.9	552.4
Trade, Restaurants and Hotels	1,374.6	1,206.6	958.6	885.2
Transport and Communications	1,575.0	1,433.8	1,084.2	1,004.9
Finance, Insurance ,Real				
Estate & Business Services	2,101.3	1,873.7	1,444.6	1,272.6
Community, Social & Personal Services	753.8	726.9	573.6	514.6
TOTAL PRIVATE SECTOR	914.1	829.8	662.2	606.2
PUBLIC SECTOR:				
Agriculture and Forestry	503.3	425.2	318.8	297.7
Mining and Quarrying	1,361.0	1,164.4	835.1	708.7
Manufacturing	896.6	773.2	584.4	532.5
Electricity and Water	1,513.9	1,285.1	1,010.5	913.8
Building and Construction	801.7	714.0	530.1	515.7
Trade, Restaurants and Hotels .. .	1,306.3	1,165.0	868.7	744.4
Transport and Communications	1,375.4	1,143.0	842.8	803.5
Finance, Insurance .Real				
Estate & Business Services	2,698.7	2,249.7	1,702.1	1,439.3
Community, Social & Personal				
Services	914.5	816.6	625.7	576.3
TOTAL PUBLIC SECTOR	969.7	850.0	643.9	591.6
TOTAL PRIVATE AND PUBLIC	941.7	839.4	653.6	599.5
MEMORANDUM ITEMS IN PUBLIC SECTOR:				
Central Government	1,041.5	920.8	679.8	611.8
Teacher's Service Commission	780.9	682.6	517.7	482.2
Parastatal Bodies***.	1,136.0	976.8	784.3	738.7
Majority Control by the Public				
Sector +	1,156.9	1,026.2	803.8	761.9
Local government	822.6	700.9	524.9	493.2
TOTAL PUBLIC SECTOR	969.9	850.0	643.9	591.6

* Average current earnings adjusted for the rise in consumer prices. Real Earnings and the consumer price indices, are based on January-June, 1986. Revised Series.

* * Provisional.

* * * Refers to Government wholly-owned corporations.

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

CHANGES IN WAGE EMPLOYMENT, PRICES AND REAL EARNINGS, 1991 - 94

Table 4.12 Percentage

	1991	1992	1993	1994*
Wage employment	2.3	1.4	0.9	2.0
Average earnings at current prices	9.7	13.5	13.7	18.2
Consumer prices (Inflation rates)* * ..	19.6	27.3	46.0	28.8
Real average earnings	-8.3	-10.9	-22.1	-8.3

* Provisional.

* * Inflation rates are derived from revised Nairobi consumer price indices and are a weighted average of the three income groups.

Employment in the Informal Sector

4.18. The term informal sector, also referred to as *"Jua Kali"*, covers all semi-organized and unregulated activities undertaken largely by self-employed persons or employers of a few workers in open markets, in market stalls, in undeveloped plots or on street pavements. Though unregistered with the Registrar of Companies, they may or may not have licenses from local authorities for carrying out such activities as tailoring, carpentry, black-smithing, grocery, kiosks, meat and maize roasting, sale of clothing and shoes, open-air restaurants, repair of footwear, car repair, shoe shining, hair-cutting, newspaper vending, minibus transport, etc. The Government has recognized the sector as a major source of employment and income, and has promoted the sector by, among other things, the provision of electricity in rural service centres, constructing rural access roads, allocating or setting aside land for carrying out informal activities, providing of financial support, and sensitizing the public on the significance of the sector to the Kenyan Economy.

4.19. As shown in Table 4.13, the expansion of the sector has been so spectacular that its employment grew by 68.6 per cent during the last four years, from an estimated 1,063,218 persons in 1991 to 1,792,373 persons in 1994. The period presents serious contraction of employment in the formal or modern sector, and the informal sector has

INFORMAL SECTOR, 1991 - 1994
NUMBER OF PERSONS ENGAGED BY PROVINCE

Table 4.13 Number

Province	1991	1992	1993	1994*
Nairobi	251,068	298,890	366,332	433,016
Central	173,455	196,886	226,305	281,643
Nyanza	126,975	149,418	177,921	213,642
Western	73,428	84,400	98,254	131,472
Rift Valley	198,912	234,020	279,260	332,256
Eastern	107,626	121,065	138,852	164,340
Coast	127,727	148,342	174,582	229,905
North Eastern	4,027	4,459	5,006	6,101
TOTAL	1,063,218	1,237,480	1,466,512	1,792,375
Of which				
Urban	709,034	817,106	960,801	1,165,043
Rural	354,184	420,374	505,711	627,332

* Provisional

definitely played a vital role in absorbing surplus labour; for the sector requires little capital and equipment, relies on local resources, and uses simple labour-intensive adopted technology.

4.20. The urban areas have continued to dominate, and absorbed 65.0 per cent of informal sector employment in 1994. Geographical distribution shows that Nairobi Province had the highest informal sector employment of 433,016 persons, and absorbed 24.2 per cent of total employment in the informal sector in 1994. Rift Valley and Central Provinces occupied the second and third positions in providing employment in the sector, with 332,256 and 281,643 persons engaged, respectively.

4.21. Distribution of informal sector employment by industry is presented in Table 4.14. In the hotels and distributive trades industry employment grew by 23.8 per cent to 1,126,217 persons in 1994, which was 62.8 per cent of total employment in the sector. Manufacturing industry was the second leading employer with 492,439 persons, and a share of 27.4 per cent of total employment in the informal sector in 1994. On the other hand, the construction industry had the smallest share of persons engaged in the informal sector, but the highest growth rate of 26.3 per cent.

INFORMAL SECTOR, 1991 - 1994

NUMBER OF PERSONS ENGAGED BY ACTIVITY

Table 4.14 Number

Activity	1991	1992	1993	1994
Manufacturing	286,628	342,653	418,252	492,439
Construction	15,690	17,884	20,591	26,015
Wholesale and Retail Trade, Hotels and Restaurants	673,391	777,263	909,879	1,126,217
Transport and Communications*	16,050	18,961	23,642	28,861
Community, Social and Personal Services	71,459	80,719	94,148	118,841
TOTAL	1,063,218	1,237,480	1,466,512	1,792,373

* Includes mainly support services to transport activity

Wage Awards and Registered Collective Agreements

4.22. The labour market underwent some structural adjustments in 1994. In particular, wage guidelines have been extensively liberalized since the middle of 1994 allowing workers and employers greater freedom in wage negotiations for maximum compensation for the rise in the cost of living. The Government has also encouraged continued dialogue between concerned parties on worker's issues. In the 1994 Labour day, the Government announced a general minimum wage increase of 15 per cent for agricultural workers who fall under the Agricultural Wages Order. The previous year's increase was 11 per cent. As shown in Table 4.15, the overall minimum wage, on average, rose from Kshs 941 per month in 1993 to Kshs 1,050 per month in 1994.

Basic Gazetted Minimum Monthly Wages for Rural Agricultural Industry

Table 4.15 Kshs.

Type of Employee	1992	1993	1994*
UNSKILLED EMPLOYEES			
18 years & above	577	756	869
Under 18 years	412	539	620
STOCKMAN, HERDSMAN AND WATCHMAN			
18 year & above	477	625	719
Under 18 years	665	872	620
SKILLED AND SEMI-SKILLED EMPLOYEES			
House servant or cook	659	863	992
Farm foreman	1,040	1,363	1,567
Farm clerk	1,040	1,363	1,667
Section foreman	647	883	1,015
Farm artisan	690	904	1,040
Tractor driver	731	958	1,102
Combined harvester driver	805	1,055	1,213
Lorry driver or car driver	845	1,107	1,273
AVERAGE	716	941	1,050

* Provisional

4.23. Table 4.16 presents gazetted monthly basic minimum wages in urban areas. In May, 1994, the Government announced a general minimum wage increase of 20.0 per cent for other categories of workers whose wages fall under the regulations of the Wages General Order. The previous year's increase was 12 per cent. Minimum wages for workers falling under this category in Nairobi and Mombasa were on the average raised from Kshs 2,227 per month in 1993 to Kshs 2,677 per month. The average minimum wage for workers in all other municipalities were raised from Kshs 2,066 per month in 1993 to Kshs 2,479 per month in 1994. The workers in all other towns had their minimum wages in general raised by 21.1 per cent to Kshs 2,132 per month in 1994.

4.24. The number of collective agreements registered with the Industrial Court declined from 337 in 1993 to 307 in 1994. As shown in Table 4.17, these agreements benefitted some 109,916 unionisable employees, the majority being in the transport and communications industry; compared with 78,014 employees who benefitted from previous agreements registered in 1993. The agreements registered in 1994 offered an average basic minimum wage of Kshs 3396 per month against Kshs 2,779 per month offered through registered agreements in 1993. The agreements offered an average housing allowance of Kshs 705 in 1994 compared with Kshs 523 per month offered in 1993.

Gazetted Monthly Basic Minimum Wages in Urban Areas (Excluding Housing Allowance)

Table 4.16 Kshs.

Occupation	Nairobi Area & Mombasa			Other Municipals plus Mavoko & Ruiru Town Councils			All other towns		
	1992	1993	1994*	1992	1993	1994*	1992	1993	1994*
General Labourer	1,080	1,416	1,700	996	1,306	1,567	608	796	955
Miner, stone cutter, turnboy, waiter, cook	1,167	1,526	1,835	1,036	1,357	1,628	666	873	1,048
Night watchman	1,205	1,580	1,896	1,118	1,465	1,758	688	902	1,082
Machine attendant	1,224	1,604	1,925	1,139	1,493	1,792	924	1,211	1,453
Machinist	1,398	1,832	2,198	1,308	1,714	2,057	1,070	1,402	1,973
Plywood machine operator	1,458	1,911	2,293	1,346	1,764	2,117	1,113	1,459	1,751
Pattern designer	1,665	2,182	2,681	1,521	1,994	2,393	1,297	1,700	2,040
Tailor, Driver (medium vehicle)	1,935	2,404	2,885	1,687	2,210	2,652	1,503	1,969	2,363
Dyer, Crawler, Tractor driver, Salesman	2,025	2,654	3,185	1,889	2,476	2,971	1,705	2,235	2,682
Saw doctor, Caretaker (building)	2,241	2,937	3,524	2,093	2,742	3,290	1,950	2,555	3,066
Cashier, Driver (heavy commercial)	2,439	3,196	3,835	2,295	3,007	3,608	2,152	2,820	3,384
Artisan (Upgraded)	1,458	1,911	2,293	1,346	1,764	2,117	1,113	1,459	1,751
Artisan Grade III	1,835	2,404	2,885	1,687	2,210	2,652	1,503	1,969	2,363
Artisan Grade II	2,025	2,654	3,185	1,889	2,476	2,971	1,705	2,235	2,682
Artisan Grade 1	2,439	3,196	3,835	2,295	3,007	3,608	2,152	2,820	3,384
AVERAGE	1,706	2,227	2,677	1,576	2,066	2,479	1,343	1,760	2,132

* Provisional

Collective Agreements Registered by the Industrial Court

Table 4.17

Industry	No. of Agreements		No. of Unionisable Employees		Monthly Basic Wage Offered (Kshs)		Monthly Basic Housing Allowance Offered (Kshs)	
	1993	1994*	1993	1994*	1993	1994*	1993	1994
Agriculture Hunting Forestry & Fishing	15	28	1,720	1,773	2,115	3,022	579	759
Mining & Quarrying	1	3	384	159	2,360	2,717	455	877
Food, Beverage & Tobacco	53	32	7,494	8,611	2,845	418	533	587
Textile, Wearing Apparels & Leather Industry	32	20	8,597	6,172	2,096	3,370	472	663
Wood & Wood Industry	6	9	711	419	2,187	2,356	343	332
Paper & Paper Products, Printing & Publishing	16	4	1,182	329	3,851	2,521	497	593
Chemical Petroleum Rubber & Plastic Product	28	21	1,580	1,659	3,572	3,852	578	642
Glass, Ceramic & Cement	7	3	992	349	3,195	3,659	325	608
Motor Mechanic & Engineering Products	2	-	61	-	2,645	-	410	-
Electronics & Electrical Products	43	34	2,003	2,600	2,442	2,854	459	605
Other Manufacturing Products	2	3	82	152	2,542	3,746	469	623
Electricity and Water	-	-	-	-	-			-
Building & Construction	5	5	84	148	1,832	2,266	323	544
Wholesale & Retail Trade, Restaurant & Hotels	40	54	10,286	7,179	2,469	4,020	568	726
Transport and Communication	35	34	37,732	74.698	3,584	3,313	894	941
Finance, Insurance. Real Estate & Business Services	19	25	1,984	2,751	3,990	5,554	886	1285
Community & Social Services	33	32	3,122	2.917	2,745	3,377	580	795
Total	337	307	78,014	109,916	2,779	3,396.3	523	705

Consumer Prices

4.25. Inflation, as measured against the Nairobi Consumer Price Indices, is presented in Table 4.18. Inflation declined by 17.2 percentage points from 46.0 per cent in 1993 to 28.8 per cent in 1994. The high inflationary pressures witnessed in 1993 started declining rapidly during the latter half of the year to the extent that month-on-month inflation rates for November and December 1994 attained a single digit level. The easing of inflationary pressures was more pronounced in the upper income group, mainly because of the appreciation of the Kenya Shilling against major currencies as the group is the major user of imported consumer goods. The inflation rate for the upper income group dropped by 22.6 percentage points to 30.6 per cent in 1994, compared with an increase of 36.9 percentage points recorded in 1993. Inflation rate for lower income group declined by 16.8 percentage points to 29.0; while the rate for middle income group declined by 18.0 percentage points to 27.9 per cent.

PERCENTAGE INCREASES IN NAIROBI CONSUMER PRICES *, 1990/89 - 1994/93

Table 4.18

Income Group * *	1990/89	1991/90	1992/91	1993/92	1994/93*
Nairobi Lower Income Index	15.6	19.8	29.5	45.8	29.0
Nairobi Middle Income Index	16.5	18.9	21.1	45.9	27.9
Nairobi Upper Income Index	14.5	19.9	16.3	53.2	30.6
Weighted Average Increases for 12 Months (Inflation rates)***	15.8	19.6	27.3	46.0	28.8

* Provisional

* * The Income Groups are re - defined as :

1. The lower income group comprises households with monthly earnings below KSh 2,000.
2. The middle income group comprises households with monthly earnings between KSh 2,000 - KSh 7,999.
3. The upper income group comprises households with monthly earnings of KSh 8,000 and above.

* * * The annual average increases are weighted as 0.768 for lower income group, 0.209 for middle income group, and 0.023 for upper income group.

4.26. The first quarter of 1995 registered further declines in consumer prices as prices for both food items, imported goods and goods manufactured using imported raw materials continued to decline. As a result, the month-on-month rate of inflation, which was recorded at 3.6 per cent in January, 1995 decelerated to negative 0.7 per cent in March, 1995.

4.27. The easing inflationary pressures can be ascribed to a number of factors, among them the appreciation of the Kenya Shilling against major currencies, mainly due to increased inflow of forex in response to improved economic and political environment in the country, high interest rates, coffee and tea auctions, as well as relief activities in the neighbouring countries. In addition, the good weather conditions that prevailed during the year after prolonged droughts of the recent past resulted in an abundant supply of agricultural produce. Other factors were the measures announced in 1994/95 budget to lower excise duties on beer and stout, soft drinks, matches and other items, as well as austere measures pursued by the monetary authorities to contain expansion in domestic money supply and the budget deficit and stabilization of retail prices following price decontrols. Further, the 1994/95 Government budget speech reduced duty on raw materials, capital equipment and spare parts leading to declines in prices for the most of consumer items that use imported inputs.

4.28. Tables 4.19, 4.20, and 4.21 show a six year series of Nairobi consumer price indices for lower, middle and upper income groups, respectively. Movements in the indices underscores the declining trend in the rate of inflation since the second half of 1994. The lower income group index declined from 477.63 level in May, 1994 to 446.25 in December, 1994, representing a decline of 6.57 per cent. Also, the middle income index started declining in May, 1994 from 494.73 level to 476.70 in December, 1994; while the upper income group declined from 504.78 in May, 1994 to 493.14 in December, 1994.

NAIROBI REVISED LOWER INCOME GROUP CONSUMER PRICE INDEX, 1989–1994

Table 4.19 Base: Feb/March 1986 = 100

Months	1989	1990	1991	1992	1993	1994
January	129.23	146.99	175.01	203.90	276.24	445.59
February	129.92	147.95	180.50	205.39	302.41	463.17
March	132.42	151.21	183.74	224.17	305.73	473.19
April	133.90	153.22	183.36	226.36	327.72	486.58
May	135.73	154.11	188.61	235.06	338.77	477.63
June	137.00	156.98	189.77	265.74	363.32	469.96
July	138.10	157.13	192.61	261.84	367.00	474.18
August	138.76	158.91	193.40	262.51	381.46	464.91
September	141.22	163.98	197.81	267.00	405.93	457.36
October	142.92	166.83	198.05	262.62	409.28	459.31
November	143.66	172.57	199.41	267.10	414.51	443.56
December	145.12	174.97	200.15	275.13	418.55	446.25
Annual average	137.33	158.74	190.20	246.40	359.24	463.47

NAIROBI REVISED MIDDLE INCOME GROUP CONSUMER PRICE INDEX. 1989–1994

Table 4.20 Base: Feb/March 1986 100

Months	1989	1990	1991	1992	1993	1994*
January	144.46	166.94	196.45	228.91	280.27	452.67
February	145.15	168.05	198.63	232.64	289.73	455.60
March	148.04	170.49	202.89	250.80	318.34	476.44
April	149.42	172.09	204.58	251.54	335.82	487.90
May	151.03	172.88	208.33	255.47	349.50	494.73
June	153.47	176.32	211.91	259.93	380.05	481.28
July	154.24	176.51	213.09	259.37	397.85	482.44
August	154.96	177.62	213.38	261.87	405.42	486.54
September	156.76	182.68	221.78	266.13	423.08	479.11
October	157.65	186.58	222.16	266.67	430.58	484.30
November	158.88	189.71	222.36	269.60	432.21	487.81
December	165.31	196.01	224.81	276.26	449.03	476.70
Annual average	153.28	177.99	211.70	256.60	374.32	478.79

* Provisional

4.29. Table 4.22 sets out the revised Nairobi indices for food, rent and all other groups combined. Adequate supplies of farm produce during the second half of 199 4, mainly occasioned by adequate rains and liberalization of grain movement and marketing, stabilized the food market. As a result, there was a substantial slowdown in increase of the food index during the year for all the three income groups. Staple items such as rice, maize flour, wheat and wheat products, cooking fat, meat, milk, beans and sugar recorded lower price increases compared to the previous year; partly due to price liberalization and good weather conditions. The lowering of the indices

was mostly in the lower income group since expenditures on food account for 44 per cent of their total budget. Consequently, the food index for the lower income group, which had increased by 60.97 points between December 1993 and March 1994, dropped by 57.27 points from 478.48 in March to 421.21 in December, 1994.

NAIROBI REVISED UPPER INCOME GROUP CONSUMER PRICE INDEX, 1989 – 1994

Table 4.21 Base: Feb/March 1986 = 100

Months	1989	1990	1991	1992	1993	1994*
January	142.26	163.46	195.14	223.61	265.85	452.29
February	143.43	165.39	196.25	224.33	270.12	459.92
March	145.92	166.16	199.45	233.95	309.89	481.99
April	147.88	167.05	201.08	235.65	330.23	483.37
May	149.02	167.83	207.76	239.53	356.54	504.78
June	152.37	171.57	211.12	244.27	385.09	494.96
July	153.39	171.97	211.27	246.02	393.02	493.05
August	154.36	173.49	211.84	246.36	400.62	489.82
September	156.61	178.83	214.99	250.73	431.86	495.94
October	157.49	183.91	215.72	251.81	434.68	488.25
November	160.01	185.79	217.78	254.54	438.59	492.39
December	161.66	192.85	221.52	262.86	449.17	493.14
Annual average	152.03	174.03	208.66	242.81	371.90	485.83

4.30. The lower income group rent index went up during the first quarter of 1994. Housing rental costs for the middle income group went up significantly during the first quarter of the year, with the index rising from 570.03 in December, 1993 to 604.83 in March, 1994. However, the index maintained almost the same level during the second half of the year. The rent index for the upper income group was estimated at 576.07 at the end of the year, representing an increase of 9.8 per cent during the year.

4.31. As shown in Table 4.23, the declining inflationary pressures prevailing in Nairobi were spread over the other major urban centers. Annual changes in Mombasa price indices decelerated from 55.08 per cent in 1993 to 23.12 per cent in 1994; while that for Kisumu dropped from 55.85 per cent in 1993 to 26.20 per cent in 1994. Annual changes in Nakuru price indices decelerated from 55.54 per cent in 1993 to 25.35 per cent in 1994. Among the broad categories for the three towns, there was substantial decline in the food index as food supply increased due to good harvest in most parts of the country. However, during the first quarter of 1994, the three towns experienced slight growths in the education indices, largely due to increases in educational costs.

REVISED NAIROBI CONSUMER PRICE INDICES

Table 4.22 — Base: Feb/March 1988 = 100

Year	Income Group		Food	Rent	Others	All Groups
	LOWER INCOME	Weights	0.442	0.250	0.308	1.000
1993		March	297.21	373.13	263.25	305.73
		June	350.98	443.41	316.02	363.32
		September	403.81	495.37	336.37	405.93
		December	417.51	510.77	345.19	418.55
1994*		March	478.48	577.45	380.97	473.19
		June	474.25	573.52	379.75	469.96
		September	453.25	558.14	381.46	457.36
		December	421.21	544.58	402.37	446.25
	MIDDLE INCOME	Weights	0.21	0.30	0.48	1.00
1993		March	287.04	404.13	285.05	318.34
		June	352.54	482.46	336.00	380.05
		September	397.60	537.09	371.79	423.08
		December	434.70	570.03	389.03	449.03
1994*		March	473.58	604.83	397.91	476.44
		June	445.98	610.98	416.08	481.28
		September	452.94	608.22	410.29	479.11
		December	437.18	605.16	414.11	476.70
	UPPER INCOME	Weights	0.14	0.32	0.54	1.00
1993		March	280.01	361.99	286.76	309.89
		June	360.66	449.84	353.05	385.09
		September	405.82	504.48	395.58	431.86
		December	437.14	524.69	407.54	449.17
1994*		March	538.18	563.04	418.54	481.99
		June	488.05	578.18	446.54	494.96
		September	486.62	579.33	448.08	495.94
		December	494.59	576.07	442.75	493.15

* Provisional

CONSUMER PRICE INDICES * * FOR MOMBASA, KISUMU AND NAKURU, 1988-1993

Table 4.23 — Base: 1976 = 100

YEAR		Mombasa	Kisumu	Nakuru
1989	Annual Average	393.20	378.20	361.90
1990	Annual Average	454.60	429.20	411.90
1991	Annual Average	503.60	476.20	461.60
1992	Annual Average	593.20	563.40	627.70
1993	Annual Average	919.95	878.04	976.34
1994*	March	1099.60	1140.56	1208.43
	June	1095.06	1115.19	1238.16
	September	1164.47	1095.49	1204.66
	December	1171.49	1080.94	1244.23
	Annual Average	1132.66	1108.05	1223.87

* Provisional

* * These indices refer to households in the lower/middle income groups and exclude rent

CHAPTER 5 - MONEY, BANKING AND FINANCE

Overall Trends

In 1994, the monetary authorities pursued tight monetary policy in order to counter the inflationary pressure experienced in 1993, to stabilise the value of the shilling and ensure positive real rates of interest. These objectives were pursued through active open market operations, sales of treasury bills, frequent upward review of the cash ratio, and restriction of commercial bank access to Central Bank credit. Net foreign assets decreased by 32 per cent while domestic credit and money supply increased by 46 per cent and 31 per cent, respectively. Liquidity ratio of commercial banks and Non-bank Financial Institutions (NBFIs) stood at 53 per cent and 51 per cent, respectively in December, 1994. The principal interest rates fell and the inflation rate declined to 29 per cent.

5.2. Table 5.1 summarizes monetary indicators. Net foreign assets held by the banking system decreased by K£ 320 million from K£ 1,010 million in 1993 to K£ 690 million in 1994. Despite the decline, the position of net foreign assets holding by the banking system remained positive throughout the period however, the peaked at K£ 1,297 million in February 1994 but decreased gradually to level at K£ 690 million in December, 1994. These developments are reflected in the overall balance of payments position which recorded a surplus of K£ 265 million in 1994.

MONETARY INDICATORS, 1990 - 1994

Table 5.1

As at end of		Net Foreign Assets K£m	DOMESTIC CREDIT K£m			Money** Supply K£m	Commercial Bank Liquidity Ratio per cent	Advances/ Deposits Ratio Per cent
			Private*	Gover-nment	Total			
1990	December	-265.16	2,147.16	1,471.08	3,618.24	3,074.68	30	82
1991	December	-403.07	2,702.77	1,627.36	4,330.13	3,716.31	22	85
1992	December	-329.14	3,377.34	1,615.54	4,992.88	4,964.59	31	79
1993	December	1,010.03	3,480.13	1,531.26	5,011.39	6,241.42	50	61
1994	March	1,243.09	3,557.40	1,488.08	5,045.48	6,588.58	56	57
	June	1,170.89	3,893.29	999.28	4,892.57	6,317.78	49	68
	September	1,098.26	4,016.87	1,716.41	5,733.28	6,900.04	53	66
	December	689.67	4,553.34	2,762.83	7,316.17	8,162.89	53	64

Source: Central Bank of Kenya.

* Includes parastatal bodies.

** See Table 5.2 for Coverage.

5.3. Total credit by the banking system grew by 46 per cent, from K£ 5,011 million in 1993 to K£ 7,316 million in 1994. The growth in domestic credit is largely attributed to 80 per cent expansion in credit to the Government provided by the Central Bank in the form of overdrafts to finance the budget deficit. Borrowing by the private sector (including other public bodies) from the banking system also increased substantially to register 31 per cent growth in 1994 compared with only 3 per cent increase in 1993. The lower interest rates which prevailed over the year encouraged borrowing and hence an increasing in economic activities of the total credit extended to the economy, Government's share increased to 38.0 per cent in 1994, compared with 32 per cent and 31 per cent recorded in 1992 and 1993, respectively.

5.4. The average liquidity ratio for commercial banks, which improved considerably in 1993, continued to show further improvements. The ratio stood at 53 per cent in 1994, 30 percentage points above the minimum requirement. The commercial banks holding of treasury bills increased and their share in the total commercial banks liquid assets stood at 62 per cent in 1994. As indicated by the liquidity position in the year, the operations of commercial banks remained fairly stable reflecting the Central Bank's effort to maintain public confidence in the banking system, given the role the banking sector plays in the smooth running of the economy. The advances/deposits ratio which stood at 61 per cent in 1993, rose over the year to peak at 68 per cent in June before dropping to 64 per cent in December, 1994.

5.5. Money supply (M2), defined as narrow money and quasi-money, grew from K£ 6,241 million in 1993 to K£ 8,161 million in 1994, or an increase of 31 per cent in 1994 compared with 26 per cent in 1993. Over the year, the fourth quarter recorded the highest growth in money supply as a result of two non-banks converted into commercial banks. In general, the high growth in money supply was due to the increase in domestic credit.

5.6. Table 5.2 summarizes the components of money supply. Growth in narrow money (M1) decelerated to 11 per cent in 1994 compared with 23 per cent in 1993. On the other hand, quasi-money increased by 49 per cent in 1994 compared with 25 per cent and 29 per cent in 1992 and 1993, respectively. The share of (M1) in the total money supply (M2) dropped to 41 per cent in 1994 from 49 per cent in the previous year.

MONEY AND QUASI-MONEY SUPPLY, 1990 - 1994

Table 5.2 K£million

As at end of		Money*	Quasi-Money**	Total
1990	December	1,474.55	1,600.13	3,074.68
1991	December	1,716.97	1,999.34	3,716.31
1992	December	2,470.16	2,494.43	4,964.59
1993	December	3,028.92	3,212.50	6,241.42
1994	December	3,365.66	4,797.23	8,162.89
1994	January	3,121.93	3,281.93	6,403.86
	February	3,186.76	3,428.76	6,615.52
	March	3,107.39	3,481.19	6,588.58
	April	3,105.52	3,403.12	6,508.64
	May	3,059.44	3,338.76	6,398.20
	June	2,999.54	3,318.24	6,317.78
	July	3,042.53	3,342.11	6,384.64
	August	3,060.78	3,616.73	6,677.51
	September	3,206.29	3,693.75	6,900.04
	October	3,281.18	4,149.12	7,430.30
	November	3,275.90	4,413.23	7,689.13
	December	3,365.66	4,797.23	8,162.89

Source: Central Bank of Kenya.

* Currency outside banks plus all demand deposits except those of Central Government and Non-Resident Banks

* * All other deposits except those of Central Government and Non-Resident Banks

5.7. Consolidated accounts of the banking system are summarized in Table 5.3. Over the last three years, the banking system realised a steady growth in total assets and liabilities. Total assets and liabilities of the banking system rose from K£ 6,021 million in 1993 to K£ 8,006 million in 1994; recording a growth of 33 per cent compared with 19 per cent and 29 per cent in 1992 and 1993, respectively. The high increase in money supply (M2) was mainly due to 49.0 per cent increase in quasi-money, 45 per cent increase in saving and time which more than doubled the 1993 level. The increase in money supply (M2) is reflected in increases in total domestic credit.

CONSOLIDATED ACCOUNTS OF THE BANKING SYSTEM, 1990 - 1994

Table 5.3 K£Milllon

	AS AT THE END OF							
					1994			
	1990	1991	1992	1993	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
LIABILITIES-								
1. Money:								
1.1 Demand Deposits	933.08	1,078.95	1,609.89	1,961.17	2,015.74	1,977.64	2,125.02	2,124.81
1.2 Currency outside banks .	541.47	638.02	860.27	1,067.75	1,091.65	1,021.88	1,081.25	1,240.85
Sub-Total	1,474.55	1,716.97	2,470.16	3,028.92	3,107.39	2,999.52	3,206.27	3,365.66
2. Quasi-Money:								
2 Call + 7 days Notice Deposit	299.75	347.48	570.08	857.58	842.86	601.45	769.75	637.74
2.2 Savings Deposits	798.79	891.19	1,090.70	1,420.27	1,542.99	1,651.15	1,695.39	2,063.03
2.3 Time Deposits	426.84	760.67	833.65	934.65	1095.35	1065.64	1228.61	2096.46
Sub-Total	1,523.38	1,999.34	2,494.43	3,212.50	3,481.20	3,318.24	3,693.75	4,797.23
3. Other Items (Net)	355.15	210.75	-300.86	-220.00	-300.03	-296.50	-68.49	-157.55
TOTAL	3,353.08	3,927.06	4,663.73	6,021.42	6,288.56	6,021.26	6,831.53	8,005.34
ASSETS-								
4. Net Foreign Assets	-266.16	-403.07	-329.14	1010.03	1243.09	1170.89	1098.26	689.17
5. Domestic Credit								
5.1 Central Govern-ment(Net)	1,471.08	1,627.36	1,615.53	1,531.26	1,488.08	957.08	1,716.41	2,762.83
5.2 Private Sector	1,985.70	2,499.16	3,177.43	3,279.56	3,352.46	3,666.52	3,811.19	4,269.42
5.3 Other Public Bodies ..	161.46	203.61	199.91	200.57	204.93	226.77	205.67	283.92
TOTAL	3,353.08	3,927.06	4,663.73	6,021.42	6,288.56	6,021.26	6,831.53	8,005.34

Source:Central Bank of Kenya.

5.8. Analysis of changes in the money supply and sources of these changes is presented in Table 5.4. An increase in domestic credit by K£ 2,305 million was the main source of changes in money supply. The decrease in net foreign assets by K£ 320 million was more than offset by the large increase in domestic credit.

CHANGES IN MONEY SUPPLY AND SOURCES OF CHANGES, 1990 - 1994

Table 5.4 K£million comparing year-end values

	1990	1991	1992	1993	1994
MONEY SUPPLY—					
1. Currency plus demand deposits	+ 209.99	+ 242.42	+ 753.19	+ 558.76	+ 336.74
2. Quasi-money	+ 191.49	+ 475.96	+ 495.09	+ 718.07	+ 1,574.73
3. Total money supply	+ 401.48	+ 718.38	+ 1,248.28	+ 1,270.83	+ 1,921.47
SOURCES OF CHANGES—					
4. Net foreign assets	-140.22	-137.91	+ 73.93	+ 1,339.17	-320.36
5. Domestic credit —					
(a) to Central Government(net)	+ 510.18	+ 156.28	-11.83	-84.27	+ 1,231.57
(b) to other public sector	+ 23.60	+ 42.15	-3.70	+ 0.60	+ 83.35
(c) to private sector	+ 210.12	+513.46	+ 678.27	+ 102.13	+ 989.86
(d) all domestic credit	+ 743.90	+ 711.89	+ 002.74	-18.55	+ 2,304.78
6. Other Items (Net)	+ 202.20	-144.40	-511.01	+ 80.80	+ 02.95
7. Total sources of changes	+ 401.48	+ 718.38	+ 1,248.28	+ 1,270.83	+ 1,921.47

5.9. Table 5.5 presents real values of selected financial aggregates obtained by deflating the nominal values by the weighted Consumer Price Index (CPI). The drop in inflation from 46 per cent in 1993 to 29 per cent in 1994 resulted in remarkable changes in financial aggregates. In real terms, narrow money decreased by 14 per cent while quasi-money increased by 16 per cent in 1994. Total liabilities of the banking system increased by 3 per cent while both commercial bank credit to private sector and total commercial bank credit increased by 4 per cent. Total assets and liabilities of the NBFIs declined by 11 per cent in 1994 in real terms.

TRENDS IN THE REAL VALUE OF CERTAIN FINANCIAL AGGREGATES", 1990 - 1994

Table 5.5 K£million at constant (1986) prices

	1990	1991	1992	1993	1994
1. Money	900.1	880.8	994.2	835.2	720.4
2. Quasi-money	976.8	1,024.7	1,004.0	885.9	1,026.8
3. Total liabilities of banking system	2,046.8	2,012.6	1,877.1	1,660.4	1,713.6
4. Commercial bank credit to private sector	1,131.4	1,208.7	1,195.1	864.1	898.7
5. Total commercial bank credit	1,265.5	1,347.3	1,297.5	928.4	968.3
6. Total liabilities of non-bank financial institutions	1,298.1	1,251.8	1,142.7	939.7	836.0
Memorandum Item:					
7. Line 6 as per cent of lines 3 and 6	63.4	62.2	60.9	56.6	48.8

* Deflated by average Consumer Price Indices.

Interest Rates

5.10. Interest rates, which had dropped by the end of December 1993, continued their downward trend in 1994 as shown in Table 5.6. These developments are in line with the fall in inflation rates from 46 per cent in 1993 to 29 per cent in 1994. The discount rate on treasury bills dropped from 39.34 per cent in 1993 to 17.9 per cent in 1994 and consequently the yield dropped by more than 100 per cent. On the other

hand, the coupon rates on treasury bonds have remained at the same level for the last five years. The discount rate on other Government securities and the direct advances to commercial banks against government securities all decreased by 24 percentage points.

PRINCIPAL INTEREST RATES, 1992 - 1994

Table 5.6 Percentage

	1992	1993	1 9 94	
			June	December
CENTRAL BANK OF KENYA				
Discount Rate for 90 day Treasury Bills	16.96	39.34	30.37	17.90
Advances against Treasury Bills	19.46	44.50	33.50	20.50
Bills and Notes under Crop Finance Scheme:				
Discounts	20.46	45.50	34.50	21.50
	20.46	45.50	34.50	21.50
Other Bills and Notes:				
Discounts	20.46	45.50	34.50	21.50
Advances	20.46	45.50	34.50	21.50
Treasury Bonds (Coupon Rates):				
One Year	15.00	15.00	15.00	15.00
Two Years	16.50	16.50	16.50	16.50
Five Years	17.00	17.00	17.00	17.00
KENYA COMMERCIAL BANKS				
Time Deposits:* *				
0 3 Months	8.50 - 22.00	9.00 - 60.00		9.51-16.54
3 6 Months	9.00 - 22.00	9.00 - 60.00	13.82-21.29	11.20 - 15.87
6 9 Months	9.00 - 22.00	9.00 - 45.00	13.66-20.16	11.35 - 15.79
9 12 Months	9.00 - 21.00	9.00 - 55.00	13.99-21.53	11.80 - 16.82
Over 12 Months	9.00 - 21.00	9.00 - 40.00	-	12.94 - 17.97
Savings Deposits	12.50 - 17.00	5.00 - 40.00	10.31-21.91	8.56- 15.73
Loans and Advances(Maximum)*.	30.00	72.00	36.59	30.93
Inter-bank Rate	26.91	36.79	16.48	8.90
OTHER FINANCIAL INSTITUTIONS				
Kenya Post Office Savings Bank deposits	10.00	10.00	10.00	10.00
Agricultural Finance Corporations, Loans:				
(a) Land Purchase	12.00	20.00	20.00	20.00
(b) Seasonal Crop Loan	17.00	20.00	20.00	20.00
(c) Other	13.00	20.00	20.00	20.00
HIRE-PURCHASE COMPANIES AND				
MERCHANT BANKS				
Deposits(time)	13.50 - 19.00	14.00 - 52.00	13.50-45.00	8.00 - 17.50
Loans	19.00 - 21.00	19.00 - 43.00		19.00 - 27.00
Building Societies:				
Deposits	13.00 - 15.00	15.00 - 19.00	15.00 - 19.00	11.50 - 30.00
Loans	21.00	29.00		29.00

Source: Central Bank of Kenya.

* Loans and advances for less than 3 years.

* * For all commercial banks consolidated

5.11. All commercial banks interest rates recorded decreases in 1994, subsequently narrowing the interest rate differentials for both savings and time deposits. The inter-bank rate dropped from 36.79 per cent in 1993 to 8.90 per cent in 1994. Maximum interest rate on loans and advances (for less than 3 years) declined from 72.0 per cent in 1993 to 36.59 per cent in June 1994 before settling at 30.93 per cent at the end of

the year. On the other hand, interest rates offered by other financial institutions remained constant. Hire purchase companies and merchant banks' interest rates also dropped substantially. The interest rates differentials decreased from 38.0 percentage points to 9.5 percentage points for time deposits and 24.0 percentage points to 8.0 percentage points for loans. Building societies' interest rate on time deposits (maximum) increased from 19.0 per cent in 1993 to 30.0 per cent in 1994, while the interest rate on loans remained unchanged.

5.12. Interest rates adjusted for inflation rate as measured by the Nairobi Consumer Price Index (CPI) are presented in Table 5.7. Although the inflation dropped by 17.2 percentage points, most interest rates remained below the inflation rate, rendering them negative in real terms.

TRENDS IN SELECTED REAL INTEREST RATES, 1992 - 1994

Table 5.7 Percentage

		Year	Nominal Interest	Inflation Rate *	Real Interest**
1	Discount Rate for Treasury Bills				
		1992	17.0	27.5	-10.5
		1993	39.3	46.0	-6.7
		1994	17.9	28.8	-10.9
2	Advances against Treasury Bills				
		1992	19.5	27.5	-8.0
		1993	44.5	46.0	-1.5
		1994	20.5	28.8	-8.3
3	Commercial bank savings deposits (ave) .. .				
		1992	14.8	27.5	-12.7
		1993	22.5	46.0	-23.5
		1994	12.1	28.8	-16.7
4	Commercial bank loans and advances (max)				
		1992	30.0	27.5	2.5
		1993	72.0	46.0	26.0
		1994	30.9	28.8	2.1
5	Inter-Bank Rate				
		1992	26.9	27.5	-0.6
		1993	36.8	46.0	-9.2
		1994	8.9	28.8	-19.9
6	POSBdeposits***.				
		1992	10.0	27.5	-17.5
		1993	10.0	46.0	-36.0
		1994	10.0	28.8	-18.8
7	Building society loans (max)				
		1992	21.0	27.5	-6.5
		1993	29.0	46.0	-17.0
		1994	29.0	28.8	0.2

* Taken from Table 4.15.

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

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

Central Bank of Kenya - Assets and Liabilities

5.13. Assets and liabilities of the Central Bank are summarized in Table 5.8. The assets and liabilities declined by 36 per cent in 1994, from K£ 5,894 million in 1993 to K£ 4,369 million in 1994. Under assets, foreign exchange reserves of the Central Bank dropped by 18 per cent from K£ 1,652 million in 1993 to K£ 1,360 million in 1994. The contraction was mainly due to 13 per cent decline in balances with external banks. Securities issued and guaranteed by the Kenya Government, advances and discounts declined by almost over 300 per cent, while direct advances to the Kenyan Government increased from K£ 10 million in 1993 to K£ 1,037 million in 1994. On the other hand, other assets, including Kenyan treasury bills and bonds which almost tripled in 1993, declined by 42 per cent in 1994.

CENTRAL BANK OF KENYA - ASSETS AND LIABILITIES, 1990 - 1994

Table 5.8 K£million

ASSETS	1990	1991	1992	1993	1994			
					1st Qr	2nd Qr	3rd Qr	4th Qr
1. Foreign Exchange-								
1.1 Balances with External Banks	268.85	185.70	235.02	1,500.32	2,046.44	1,993.33	1,927.83	1,312.75
1.2 Treasury Bills	3.41	13.16	1.74	92.29	50.22	3.05	25.83	0.45
1.3 Other Investments	24.30	30.28	33.04	48.80	48.80	43.18	37.50	37.50
1.4 Special Drawing Rights	4.22	4.50	8.73	10.32	12.23	0.88	0.54	3.05
TOTAL	300.78	233.64	278.53	1,651.73	2,157.69	2,040.44	1,991.70	1,360.35
2. Securities issued or Guaranteed by Kenya Government Advances & Discounts	172.00	204.82	788.71	1,697.10	1,857.40	1,736.62	552.40	503.00
3. Advances to Kenya Government	814.34	945.45	503.70	10.00	10.00	10.00	135.05	1,037.75
4. Other Assets including Kenya Treasury Bills & Bonds	305.59	512.63	922.31	2,534.80	2,569.11	2,626.81	1,303.42	1,407.00
TOTAL ASSETS	1,592.71	1,896.54	2,493.25	5,893.63	6,594.20	6,413.87	4,042.57	4,308.70
LIABILITIES :								
1. Capital and General Resources Fund	62.95	79.97	102.88	25.00	25.00	29.65	29.65	29.05
2. Currency in Circulation-								
2.1 Notes	620.23	729.90	981.66	1,216.51	1,187.50	1,142.74	1,195.87	1,432.90
2.2 Coins	17.49	19.15	21.24	22.35	22.65	22.83	23.90	25.30
TOTAL CURRENCY	637.72	749.05	1,002.90	1,238.86	1,210.15	1,165.57	1,219.77	1,458.20
3. Deposits-								
3.1 Kenya Government				1,914.46	2,416.85	2,559.00		
3.2 Kenya Banks	149.09	151.20	283.74	867.75	1,067.05	873.70	1,040.65	1,307.60
3.3 External Banks	563.72	666.06	707.51	1,301.61	1,286.35	1,144.70	982.75	967.65
3.4 Other	94.43	121.18	278.85	277.95	263.35	218.55	238.95	158.75
TOTAL	807.24	938.44	1,270.10	4,361.77	5,033.60	4,795.95	2,202.35	2,434.00
4. Revaluation Account								
5. Other Liabilities	84.80	129.08	117.37	268.00	325.45	422.70	530.80	446.85
TOTAL LIABILITIES	1,592.71	1,896.54	2,493.25	5,893.63	6,594.20	6,413.87	4,042.57	4,308.70

Source: Central Bank of Kenya.

5.14. On the liabilities side, capital and general reserve fund increased slightly by K£ 5 million. Currency in circulation increased by 18 per cent mainly due to a corresponding increase in notes. Total deposits declined by 44 per cent as a result of a large decrease in Government deposits. On the other hand, deposits of Kenya banks registered a growth rate of 51 per cent in 1994 while external bank deposits declined

by 26 per cent. Revaluation account has maintained zero balances for the last five years. Other liabilities realized remarkable growth, increasing from K£ 268 million in 1993 to K£ 447 million in 1994 or 67 per cent increase.

Commercial Banks - Credit and Liquidity

5.15. Table 5.9 presents commercial banks' bills, loans and advances for the past five years. Total credit by the commercial banks increased from K£ 3,365 million in 1993 to K£ 4,524 million in 1994 or by 34 per cent as compared with a growth of 4 per cent in 1993. Lending to the public sector which recorded a decline of 9 per cent in 1993, expanded by 40 per cent in 1994. Credit to Central Government and to parastatal bodies and other public entities increased by 43 per cent and 41 per cent in 1994, respectively. The share of the public sector in total credit by the commercial banks remained at 7 per cent, same as last year.

COMMERCIAL BANKS - BILLS, LOANS AND ADVANCES*, 1990 - 1994

Table 5.9 K£million

	1990 Dec.	1991 Dec.	1992 Dec.	1993 Dec.	1994 Dec.
PUBLIC SECTOR:					
Central Government	58.98	68.61	71.21	39.47	56.43
	3.12	4.03	7.40	10.97	12.46
Enterprises, Parastatal bodies and other Public entities	157.50	197.91	175.69	181.53	256.00
TOTAL PUBLIC SECTOR	219.60	270.55	254.30	231.97	324.89
PRIVATE ENTERPRISES:					
Agriculture	300.73	340.09	412.19	478.79	594.52
Mining and Quarrying	9.80	23.58	18.15	12.18	50.52
	450.97	563.80	581.03	775.47	960.91
Building and Construction	121.71	142.77	212.42	177.89	210.86
Transport, Storage and Communication ..	84.01	109.12	115.34	136.25	205.67
Trade	355.68	439.26	491.16	461.75	654.03
Financial Institutions	49.75	108.55	63.70	94.83	76.89
Other Business	422.88	562.77	982.26	873.90	1,288.67
TOTAL PRIVATE ENTERPRISES	1,795.53	2,289.94	2,876.25	3,011.06	4,042.07
COMMUNITY AND PERSONAL SERVICES (including non-profit making institutions)	57.95	68.42	93.04	122.33	156.77
TOTAL BILLS, LOANS AND ADVANCES ..	2,073.08	2,628.91	3,223.59	3,365.36	4,523.73

Source: Central Bank of Kenya.

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

5.16. Credit to the private sector by commercial banks increased from K£ 3,133 million in 1993 to K£ 4,199 million in 1994, or by 34 per cent. Credit to both agriculture and manufacturing sector recorded increases of 24 per cent, while credit to the trade sector increased by 42 per cent. Of the total lending to private sector, the share of credit to agriculture and manufacturing dropped from 15.0 per cent and 25 per cent in 1993 respectively to 14 per cent and 23 per cent in 1994. On the other hand, the share received by trade increased from 15 per cent in 1993 to 16 per cent in 1994.

Lending to financial institutions decreased by 19 per cent while lending to other business increased by 47 per cent.

5.17. Table 5.10 summarizes deposit liabilities and liquid assets of commercial banks. Deposit liabilities increased from K£ 4,708 million in 1993 to K£ 6,813 million in 1994, or by 45 per cent in 1994 compared with 29 per cent in 1993. On the other hand, liquid assets, which had more than doubled in 1993, increased by 52 per cent in 1994. The liquidity ratio of the commercial banks remained stable during the period under review and rose from 50 per cent in 1993 to 53 per cent in 1994. The high liquidity ratio was mainly due to increases in both commercial banks' treasury bill holdings and balances at the Central Bank. The minimum liquidity ratio requirement which was fixed at 20 per cent since 1983, was raised to 25 per cent in March and later fixed at 23 per cent in September 1994. Also, the cash ratio which had remained fixed at 14 per cent since December 1993, was increased to 16 per cent and then to 20 per cent in February and March 1994, respectively. In September 1994, the cash ratio was fixed at 18 per cent where it remained until the end of 1994. These developments were deliberate attempts by the monetary authorities improved the liquidity position of the commercial banks.

COMMERCIAL BANKS - DEPOSIT LIABILITIES AND LIQUID ASSETS *, 1991 - 1994

Table 5.10

		Deposit Liabilities K£mn	Liquid Assets** K£mn	Current Liquidity Ratio*** per cent
1991	December	2,703.19	607.11	22
1992	December	3,642.21	1,128.25	31
1993	December	4,708.29	2,376.58	50
1994	December	6,813.19	3,606.86	53
1994 -				
	January	4,949.01	2,629.70	53
	February	5,257.30	2,852.66	54
	March	5,346.83	3,007.78	56
	April	5,354.10	3,011.37	56
	May	5,915.01	3,157.58	53
	June	5,329.02	2,627.11	49
	July	5,303.30	2,628.51	50
	August	5,504.51	2,746.79	50
	September	5,974.97	3,153.25	53
	October	5,905.95	3,203.01	54
	November	6,832.51	3,739.58	55
	December	6,813.19	3,606.86	53

Source: Central Bank of Kenya.

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

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

*** The ratios given in this column are not quite consistent with figures in the other two columns because of the inclusion of certain other minor items in the denominator. From 9th February, 1983 the prescribed minimum was fixed at 20 per cent.

Non-Bank Financial Institutions

5.18. Table 5.11 analyses of assets and liabilities of Non-Bank Financial Institutions (NBFIs). Assets and liabilities of the NBFIs increased by 15 per cent from K£ 3,408 million in 1993 to K£ 3,906 million in 1994 compared with 16 per cent and 20 per cent in 1992 and 1993, respectively. Over the period, total assets and liabilities of the NBFIs fluctuated to peak at K£ 4,037 million in the third quarter. They stood at K£ 3,906 million in December 1994. The drop in the fourth quarter was mainly due to two NBFIs which converted into commercial banks. These developments are reflected in the ratio of total liabilities of the NBFIs to total liabilities of the banking system which declined from 57 per cent in 1993 to 48 per cent in 1994. The declining trend may continue as more NBFIs are expected to convert to commercial banks. Thus, as a source of domestic credit, unless new institutions are licensed as NBFIs, they will no longer play a significant role in mobilization of resources.

ASSETS AND LIABILITIES OF NON-BANK FINANCIAL INSTITUTIONS, 1990 - 1994

Table 5.11 K£million

	AS AT END OF							
					1994			
	1990	1991	1992	1993	1st Qr	2nd Qr	3rd Qr *	4th Qr *
LIABILITIES:								
Deposits-								
Central & Local Government	62.34	45.93	36.37	36.56	28.19	25.57	34.64	36.21
Other Public Sector	296.95	330.02	370.88	368.70	446.48	410.71	420.27	336.39
Other Depositors	1,301.93	1,460.86	1,675.00	1,924.39	2,194.16	2,148.97	2,449.59	2,480.67
Other Liabilities	465.39	605.79	756.89	1,078.03	1,082.19	1,142.64	1,132.38	1,052.24
TOTAL LIABILITIES	2,126.61	2,442.60	2,839.14	3,407.68	3,751.02	3,727.89	4,036.88	3,905.51
ASSETS:								
Cash and Banks	201.65	209.78	275.12	289.05	266.39	185.81	269.08	438.14
Other Financial Institutions	145.08	158.53	171.89	149.85	148.74	101.27	119.96	119.25
Associated Companies	58.20	59.37	50.35	44.10	26.91	27.45	39.81	23.02
Investments, Bills,								
Loans & Advances:-								
Public Sector	189.45	262.67	401.42	949.17	1,229.06	1,270.80	1,390.77	1,125.51
Private Sector	1,423.71	1,594.52	1,765.88	1,803.73	1,874.89	1,948.04	2,018.45	1,974.54
Other Assets	108.52	157.73	174.48	171.78	205.03	194.52	198.81	225.05
TOTAL ASSETS	2,126.61	2,442.60	2,839.14	3,407.68	3,751.02	3,727.89	4,036.88	3,905.51

Source: Central Bank of Kenya

* Provisional

5.19. Liabilities of the NBFIs show that the Central Government and local Government deposits have remained almost at the same level for the past three years. Deposits from other public sector institutions declined by 9 per cent in 1994, while other deposits registered a remarkable growth of 29 per cent. Other liabilities which grew by 42 per cent in 1993, decreased by 2 per cent in 1994.

5.20. On the assets side, cash in hand and balances with banks grew by 52 per cent, increasing from K£ 289 million in 1993 to K£ 438 million in 1994. Balances with other financial institutions and associated companies declined by 20 per cent and 48 per cent, respectively. Public sector borrowing in the form of investments, bills, loans and advances increased from K£ 949 million in 1993 to K£ 1,126 million in 1994 or by 19 per cent. The share total lending by NBFIs stood at 36 per cent in 1994 or 2 percentage points above 1993 ratio. On the other hand, lending to private sector

increased from K£ 1,804 million in 1993 to K£ 1,975 million in 1994 or by 9 per cent increase. Other assets rose from K£ 172 million in 1993 to K£ 225 million in 1994, recording 31 per cent increase.

Developments in the Financial Sector in 1994
Money Market Developments

5.21. In 1994, three NBFIs closed business, two converted into commercial banks and three others were placed under Central Bank management. The total number of operational NBFIs therefore decreased from 51 one in 1993 to 43 by the end of 1994. On the other hand, the total number of operational commercial banks increased from 33 in 1993 to 36 in 1994, while the number of building societies remained at 5.

5.22. Maintenance of stability in the financial system remained the top priority of the monetary authorities. To add to the measures already in place, the Central Bank in 1994 streamlined the conditions and terms for rediscounting treasury bills and over-night loans to commercial banks. Treasury bills that qualify for re-discounting must have been held for not less than 75 per cent of their life to maturity. On the other hand, overnight loans to commercial banks can only be secured through Treasury bills that have been held for at least 50 per cent of their life. Commercial banks' cash ratio was raised to 20 per cent in March 1994 and reduced to 18 per cent in September 1994.

5.23. Towards total liberalization of the exchange control, foreign exchange retention account was raised from 50 per cent to 100 per cent. Both residents and foreigners are now allowed to open foreign currency accounts with banks in Kenya and residents further allowed to borrow from abroad with no limits to finance investment in the country. On the other hand, restriction on local borrowing by foreign controlled companies was removed and foreigners are now allowed to pay hotel bills and air tickets in either foreign or local currency.

Capital Market Developments

5.24. The level of activity in the Capital Market remained high in 1994. A total of 43 million shares worth K£ 153.8 million were traded in the Nairobi Stock Exchange (NSE) compared with 27 million shares worth K£ 44.5 million in 1993. The Market capitalization stood at K£ 6,842 million in 1994 compared with K£ 3,620 million in 1993 and a total of 34,842 deals were recorded . Under the on-going privatization programme, Government shares worth K£ 4 million in two companies were sold to the public. The NSE price index maintained it's upward trend rising from 2,513.7 in 1993 to 4,559.4 in December, 1994.

5.25. In October 1994, the Second African Stock Exchange Conference co-sponsored by Nairobi Stock Exchange and Johannesburg Stock Exchange was held in Johannesburg South Africa. The conference attracted more than 200 participants from Africa and outside the continent. The Capital Market Authority amendment bill aims at transforming the structure of the NSE and to give participants an equal opportunity in terms of available market information and also providing easy access to the stock market by interested investors. Under the liberalization programme, foreign investors

for the first time were allowed to participate in the NSE. In 1994, 7 more stock brokers were licensed increasing the total number to 13 while the number of listed companies reached 54. All these led to expansion and development of a sound and efficient capital market.

Insurance Sector Developments

5.26. In 1994, a third re-insurance company was registered and marked the end of the re-insurance monopoly in Kenya. The three re-insurance firms will save Kenya substantial amount of scarce foreign exchange spent on off-shore re-insurance. The year witnessed deregistration of one insurance company decreasing the total number of operational insurance companies to 43.

CHAPTER 6 - PUBLIC FINANCE

Overview

During 1993/94 fiscal year, the Government put into place policy instruments to redress economic problems encompassing a large budget deficit, soaring prices, excess liquidity and escalating inflation. Among the measures taken were imposition of tight control on expenditures, improved revenue collection, and the reduction of domestic borrowing by the Central Government which consequently freed resources for private investments. Revenue collection has since improved considerably although budget deficit still remains substantial. Further achievements during the current fiscal year include reduced inflation rate to single digit level, stable general price levels and the strengthening of the shilling against major international currencies. Some of the factors that have worked against the Government's restraint on expenditure are drought and importation of relief food.

Central Government

Overall Results

6.2. Table 6.1 presents the budget out-turn of revenue and expenditure between 1990/91 and 1994/95. Overall current revenue rose by 82.8 per cent between 1992/93 and 1994/95. This increase was attributed to:

a) Improved collection of income tax, customs and excise duties;
b) Higher external grants;
c) Imposition of 10.0 per cent withholding tax on Treasury Bills;
d) Introduction of road maintenance levy funds;
e) Introduction of transit toll levies;
f) Expansion of VAT to cover service sector;
g) Increase of VAT and duties on petroleum and products;
h) Imposition of 25.0 per cent duty on all imports (this was lifted in September 1994);
i) High tax collection from financial sector resulting from high profits made on Treasury bills in 1993;
j) Collection of tax arrears from parastatals.

Current expenditure increased by 70.3 per cent during 1992/93 to 1994/95. The increase may be attributed to:

i) increased allocation to food relief and water supplies to drought-affected districts;
ii) increased expenditure on security in the North and North-Eastern parts of the country, and areas affected by ethnic clashes;
iii) increased expenditure on development projects;
iv) Salary increases for civil servants, teachers, doctors and members of parliament;
v) Repayment of domestic interest rates charged on high yielding Treasury bills.

It should be noted that expenditure growth during 1992/93 to 1994/95 fiscal years was about 12.5 per cent below that revenue. This slow growth may be a consequence of disciplined fiscal budget management that involved reduced

Government expenditure and improved revenue collection. Between 1993/94 and 1994/95 current revenue is expected to grow by 25.1 per cent from K£ 5,051 million to K£ 6,317 million. This is mainly due to the Tax Modernisation Programme being implemented by the Government to improve revenue collection from taxes. Current expenditure is to increase modestly by 13.6 per cent from K£ 5,822 million to K£ 6,615 million during the same period. Current revenue exceeded current expenditure in 1991/92 resulting in a surplus of K£ 38 million. Capital expenditure registered a decline of K£ 131 million from K£ 555 million to K£ 424 million between 1990/91 and 1992/93, and is expected to grow from K£ 569 million in 1993/94 to K£ 1,014 million in 1994/95 External grants are expected to record a positive growth from K£ 458 million in 1993/94 to K£ 802 million in 1994/95. The overall deficit averaged K£ 599 million over the five year period.

CENTRAL GOVERNMENT OUT-TURN OF REVENUE AND EXPENDITURE*, 1990/91 - 1994/95

Table 6.1 K£million

	1990/91	1991/92	1992/93	1993/94**	1994/95 +	Percentage Increases 1990/91 to 1994/95
Current Revenue	2,420.36	2,852.04	3,454.71	5,050.85	6,316.63	160.98
CurrentExpenditure***.	2,722.96	2,814.54	3,884.17	5,822.31	6,615.27	142.94
Current Surplus	-302.60	37.50	-429.46	-771.46	-298.64	-1.31
Capital Revenue	16.19	1.99	21.37	10.92	12.01	-25.82
Capital Expenditure***	554.86	453.78	423.71	569.25	1,013.80	82.71
Net Lending***	79.28	24.02	76.28	35.90	204.59	158.06
External Grants	208.25	231.85	440.40	458.54	802.35	285.28
OVERALL DEFICIT	-712.30	-206.46	-467.68	-907.15	-702.67	-1.35
FINANCING OF DEFICIT:						
External Loans (Net)	206.50	11.50	318.00	-56.75	384.30	86.10
Total Domestic Borrowing	530.05	344.90	751.70	1,341.15	-241.65	-145.59
Long-term(net)	248.75	346.45	66.00	-151.05	-60.30	-124.24
Short-term(net)	281.30	-1.55	685.70	1,492.20	-181.35	-164.47
CHANGES IN CASH BALANCES:						
Increase = (-)	-24.52	-149.94	-602.02	-376.86	-560.02	2,183.93
MEMORANDUM ITEMS:						
Public Debt Redemption	741.74	1,140.11	1,672.45	2,461.36	1,623.48	118.87
(a) External	391.25	360.05	269.56	1,018.70	954.07	143.85
(b) Internal	350.49	780.06	1,402.89	1,442.65	669.41	90.99

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

Basic aggregates in the Table can be reconciled as follows:

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

** Provisional.

*** For details, see Table 6.9.

+ Preliminary

6.3. Table 6.2 gives an analysis of key fiscal indicators between 1990/91 and 1994/95. There were major fluctuations in Government finances and expenditures. The ratio of current deficit to current revenue is expected to decrease from 15.3 per cent to 4.7 per cent between 1993/94 and 1994/95. Although the ratio of capital expenditure to current expenditure has been on a downward slide since 1990/91, it is

expected to pick up from a low 9.8 per cent in 1993/94 to 15.3 per cent in 1994/95. This implies that consumption expenditure is falling compared to capital expenditure.

ANALYSIS OF KEY FISCAL TRENDS, 1990/91 - 1994/95

Table 6.2

	1990/91	1991/92	1992/93	1993/94*	1994/95 +
1. Current Surplus/Deficit as % of Current Revenue	-12.5	1.3	-12.4	-15.3	-4.7
2. Current Surplus/Deficit as % of Capital Expenditure plus Net Lending	-47.7	7.9	84.5	-21.5	-20.6
3. Ratio of Capital Expenditure to Current Expenditure	20.4	16.1	10.9	9.8	15.3
4. Overall Deficit as % of Current Revenue ..	-29.4	-7.2	-13.5	-18.0	-11.1
5. Overall Deficit as % of Total Expenditure ..	-17.4	-4.7	-7.7	-10.2	-7.4
6. External Grants and Loans as % of Capital Expenditure plus Net Lending	65.4	50.9	149.3	63.2	61.4
7 Net Short-Term Borrowing as % of Capital Expenditure plus Net Lending	44.4		134.8	235.0	12.5
8. Current Revenue as % of GDP at Current Market Prices	24.8	25.8	27.0	31.4	32.4
9. Total Government Expenditure as % of GDP at Current Market Prices	41.9	40.1	48.2	55.8	48.6
10. Overall Deficit as % of GDP at Current Market Prices	-7.3	-1.9	-3.6	-5.6	-3.6

* Provisional

\+ Preliminary

6.4. Table 6.3 compares the budget estimates with actual out-turns for the period from 1991/92 to 1994/95. Apart from the fiscal year 1991/92 when actual recurrent revenue was less than budget estimates, the converse applies to the other years. Actual expenditure has consistently surpassed the budget estimates. The difference was K£ 268 million, K£ 1,000 million, K£ 1,311 million and K£ 504 million for the years 1991/92 through 1994/95. The difference between budget estimates and actual out-turn in 1994/95 was due to extra funds needed to pay early retirees in the civil servants retrenchment programme and increased allowances for civil servants.

6.5. Sources of gross receipts on recurrent account are outlined in Table 6.4. Revenue from income tax is expected to show a modest increase of K£ 29 million during the 1994/95 fiscal year. Similarly, all major indirect taxes are expected to continue showing an upward trend. It is expected that the major sources of indirect taxes will be VAT, import duties and excise duties and will contribute 40.5 per cent, 26.8 per cent, and 28.8 per cent, respectively.

6.6. Import duty collections by end-use category are presented in Table 6.5. Total import duty increased by K£ 279 million from K£ 643 million in 1993/94 to K£ 922 million in 1994/95. Fuels category led in import duty collection, contributing 21.2 per cent followed by transport equipment, machinery and chemicals each contributing 16.4 per cent, 15.1 per cent and 12.5 per cent, respectively. Factors that led to the rise in imports and hence increased duty collections include introduction of variable tax on maize and sugar, market liberalisation and the strong Kenya shilling which made imports cheaper.

CENTRAL GOVERNMENT

COMPARISON OF BUDGET ESTIMATES WITH ACTUAL OUT-TURNS, 1991/92 - 1994/95

Table 6.3. K£million

	1991/92			1992/93		
	Budget	Actual	Difference	Budget	Actual	Difference
Recurrent Revenue	2,887.52	2,854.03	-33.49	3,263.46	5,881.31	2,056.91
Recurrent Expenditure	3,526.70	3,794.98	268.28	4,503.78	5,213.32	999.91
Recurrent Balance	-639.18	-940.95	-301.77	-1,240.32	667.99	1,057.00
Development Expenditure + Net Lending	807.26	477.80	-329.46	802.21	8,514.03	7,323.68
External Financing (Net)**	768.46	243.35	525.11	815.33	758.40	56.93
Balance for Domestic Financing (Net)	677.98	1,175.40	497 42	1,227.20	7,087.64	5,860.44
	1993/94*			1994/95 +		
	Budget	Actual	Difference	Budget	Actual	Difference
Recurrent Revenue	4,525.04	5,535.63	333.61	7,403.89	7,542.62	138.73
Recurrent Expenditure	6,613.51	7,893.74	1,310.57	6,855.49	7,359.26	503.77
Recurrent Balance	-2,088.47	-2,358.11	-876.96	548.40	183.36	-365.04
Development Expenditure + Net Lending	1,004.90	1,060.55	55.65	2,031.58	2,113.28	81.70
External Financing (Net)**	1,056.00	401.40	-654.61	1,186.65	329.40	-857.25
Balance for Domestic Financing (Net)	2,037.37	3,017.26	1,587.22	296.53	1,600.52	1,303.99

* Provisional.

* * Includes external grants.

\+ Preliminary

6.7. Presented in Table 6.6 is an analysis of excise revenue by some selected locally manufactured commodities. More collections were made from beer and spirits, and cigarettes than the other commodities combined in both 1993 and 1994. Their combined contribution to the total excise revenue collected was 88.4 per cent in 1993 and 92.7 per cent in 1994. Excise revenue maintained a positive trend of growth between 1991 and 1994 despite the lifting of duty on locally produced sugar.

6.8. Sources used to finance the capital expenditure including deficit on current account are illustrated in Table 6.7. Total expenditure on capital account declined from K£ 634 million in 1990/91 to K£ 478 million in 1991/92, and thereafter increased steadily to K£ 605 million in 1993/94. It is expected to more than double to K£ 1,218 million in 1994/95 fiscal year. Net external loans and external grants are expected to contribute a total of K£ 1,187 million to the capital expenditure in 1994/95 fiscal year.

Analysis of Government Expenditure

6.9. The Government has been implementing structural adjustment policies in tandem with provision of essential services to its citizens. These structural adjustments have adversely affected the poor. To redress this, the Government has given priority to expenditure aimed at maximising productivity and also on those services that benefit the poor. This resulted into an increase in expenditure on education, health and other social services from K£ 1,059 million to K£ 1,535 million, K£ 324 million to K£ 480 million, and K£ 108 million to K£ 194 million respectively, between 1993/94 and 1994/95 as shown in Table 6.8. More is yet to be spent on provision of water to arid and semi arid areas and on community welfare during 1994/95 fiscal year. Due to costs of paying early retirees, food and rations to refugees and assistance to drought affected areas there was a two-fold increase in general administration expenditure. Most economic services showed substantial increases in expenditure, with transport

and communication rising by K£ 160 million from K£ 7.0 to K£ 167.0 million. Most of this went into improving civil aviation infrastructure through the Kenya Airports Authority. A big decrease in expenditure is expected in other economic services (including export compensation) from K£ 79.0 million to K£ 50.0 million. The other category of economic services that showed remarkable increases in expenditure were mining, manufacturing and construction which included a loan of K£ 112.0 million to Kenya Posts and Telecommunications corporation for clearing equipment. In summary total expenditure on the main services increased by 113.1 per cent between 1991/92 and 1994/95.

CENTRAL GOVERNMENT

GROSS RECEIPTS ON RECURRENT ACCOUNT*, 1990/91 - 1994/95

Table 6.4 K£million

	1990/91	1991/92	1992/93	1993/94**	1994/95 +
DIRECT TAXATION:					
Income Tax	713.08	851.39	998.52	1,838.37	1,867.49
Other					
Total	713.08	851.39	998.52	1,838.37	1,867.49
INDIRECT TAXATION:					
Sales Tax/VAT on Domestic Manufacture	421.85	335.63	406.54	651.25	824.66
Sales Tax /VAT on imports	344.22	592.14	700.60	798.47	703.47
ImportDuties***.	334.68	255.93	459.15	781.09	1,012.02
Excise Duties	185.16	340.46	418.35	556.27	1,090.75
Export Duties	0.07	0.74	0.22	0.13	-
Trading Licences ..	10.25	13.57	11.28	11.01	19.26
Licences and Fees Under Traffic Act	16.09	16.31	16.26	19.53	19.75
Other Taxes, Licences and Duties ..	77.48	70.28	59.78	88.91	106.37
TOTAL	1,389.80	1,625.06	2,072.18	2,906.66	3,776.28
OTHER REVENUE AND INCOME:					
Compulsory Fees, Fines and Penalties	43.82	32.96	40.56	76.17	85.98
Income From Property	149.51	186.24	241.86	58.91	71.93
Current Transfers	18.02	10.77	8.74	9.64	15.54
Sales of Goods and Services	83.11	74.37	78.85	101.47	433.65
Other	39.48	7.27	35.37	70.55	*77.77*
TOTAL	333.94	311.61	405.38	316.74	684.87
TOTAL	2,436.82	2,788.06	3,476.08	5,061.77	6,328.64
MEMORANDUM ITEM:					
Loan Repayments to Government	7.53	12.41	8.08	29.69	11.39

* This is the name of the account used to cover current receipts. It includes internal A in A both recurrent and development. However, it is not possible to identify A in A separately from this table because it is distributed under various heads including sales of goods and services.

* * Provisional.

* * * Gross collections before Export Compensation Payments.

\+ Preliminary

CENTRAL GOVERNMENT

IMPORT DUTY COLLECTIONS. 1990 - 1994

Table 6.5 K£million

END-USE CATEGORY	1990	1991	1992	1993	1994*
Food, drinks and tobacco	12.63	6.82	5.59	17.88	56.35
Basic materials	13.30	20.17	33.41	69.95	77.91
Fuels	34.00	32.19	1.51	102.34	195.13
Chemicals	60.57	62.73	50.83	108.80	115.29
Textiles	6.04	5.63	4.97	27.53	29.24
Semi-manufactures	24.86	26.14	20.49	38.02	45.06
Metals	34.58	30.10	29.34	57.05	73.23
Transport Equipment	53.79	41.20	19.08	80.54	151.45
Machinery	65.94	50.19	47.84	113.25	139.48
Miscellaneous commodities	12.04	9.16	9.63	27.49	39.09
TOTAL	317.75	284.33	222.69	642.85	922.23

* Provisional.

CENTRAL GOVERNMENT

EXCISE REVENUE BY COMMODITIES, 1990 - 1994

Table 6.6 K£'000

	1990	1991	1992	1993	1994*
Beer and spirits	23,781	54,581	194,849	255,923	289,585
Sugar	19,392	17,844	16,150	18,505	
Cigarettes	108,540	91,321	117,651	164,764	193,873
Other commodities * *	252	6,385	35,832	36,537	38,250
TOTAL	151,965	170,131	364,482	475,729	521,708

* Provisional.

* * Includes transfer adjustments not allocated by commodity.

6.10. Table 6.9 depicts an economic analysis of expenditure between 1990/91 and 1994/95. Both current and capital expenditures have grown steadily between 1990/91 and 1994/95 rising by 142.9 per cent and 82.7 per cent, respectively. Labour costs rose from K£ 1,054.0 million in 1993/94 to K£ 1,322.0 million in 1994/95. The savings from civil service reform programme were eroded by improved salaries and medical allowances for civil servants. While there has been a continuous increase in interest payments on foreign loans, that on domestic loans fell markedly from K£ 2,222.0 million to K£ 1,371 million. The ratio of capital expenditure to current expenditure has been rising since 1992/93 fiscal year. The ratio was 10.9 per cent in 1992/93, 9.8 per in 1993/94 and is expected to be 15.3 per cent in the current fiscal year.

Public debt

6.11. Table 6.10 presents a break down of public debt into funded and unfunded debts. For the period under consideration, there has been no external funded debt. Internally funded debt has been declining since 1991, but grew by more than three times in 1994. Total unfunded debt which grew steadily between 1990 and 1993 fell from K£ 15,542 million in 1993 to K£ 14,354 million in 1994.

CENTRAL GOVERNMENT

FINANCING OF CAPITAL EXPENDITURE AND NET LENDING, 1990/91 - 1994/95

Table 6.7 K£million

	1990/91	1991/92	1992/93	1993/94*	1994/95 +
EXPENDITURE:					
Capital Expenditure	554.86	453.78	423.71	569.25	1,013.80
Net Lending	79.28	24.02	76.28	35.69	204.59
TOTAL	634.14	477.80	499.99	604.94	1,218.39
FINANCING:					
Surplus on Current Account ..	-302.33	37.50	-429.46	-771.25	-298.64
Capital Revenue	16.19	1.99	21.37	10.92	12.01
External Loans (Net)	206.50	11.50	318.00	-56.75	384.30
External Grants	208.25	231.85	440.40	458.15	802.35
Long-Term Domestic Borrowing (Net)	248.75	346.45	66.05	-151.05	-60.30
SHORT TERM BORROWING:					
Cereals and Sugar Finance Corporation (Net)					
Treasury Bills (Net)	-168.50	21.50	1,217.50	1,410.40	-128.20
Other Short-Term Borrowing (Net) ..	449.80	-23.05	-531.85	81.80	-53.15
Change in Cash Balances(decrease = +)	-24.52	-149.94	-602.02	-377.28	560.02
TOTAL	634.14	477.80	499.99	604.94	1,218.39

* Provisional.

\+ Preliminary

6.12. Table 6.11 gives a breakdown of the unfunded debt by source between 1990 and 1994. Total debt from bilateral donors increased by about 250.0 per cent, from K£ 1,598 million in 1990 to K£ 5,604 million in 1994. Japan, France and Netherlands took the lead among bilateral donor nations and each contributed 35.2 per cent, 7.6 per cent and 5.0 per cent respectively. During the period under review two international lending bodies, the I.D.A (International Development Association) and I.B.R.D (International Bank for Reconstruction and Development) provided the biggest share of the unfunded debt from multilateral donors, both accounting for 81.4 per cent of the funds. These were followed by the African Development Bank and the European Union.

6.13. Table 6.12 illustrates the holders of public funded debt. The Central Bank superseded the National Social Security Fund as the largest holder of public funded debt in 1994. The two, together with the Central Government, accounted for 97.8 per cent of the total debt. The N.S.S.F share remained constant at K£ 188 million between 1993 and 1994 while that of Central Government increased marginally from K£ 59 million to K£ 61 million over the same period. The Central Bank acquired additional stocks in September 1993, hence the remarkable increase from K£ 154 million in 1993 to K£ 1,123 million in 1994.

CENTRAL GOVERNMENT EXPENDITURE ON MAIN SERVICES, 1991/92-1994/95

Table 6.8 K£million

	1991/92			1992/93			1993/94*			1994/95 +		
	Recurrent Account	Development Account	Total	Recurrent Account	Development Account	Total	Recurrent Account	Development Account	Total	Recurrent Account	Development Account	Total
GENERAL PUBLIC ADMINISTRATION:												
General Administration	177.57	147.85	325.42	243.13	189.75	432.88	276.56	236.37	512.93	514.99	658.00	1,172.99
External Affairs	61.27	1.34	62.61	68.26	5.27	73.53	118.16	3.43	121.59	90.67	5.84	96.51
Public Order and Safety	182.78	15.46	198.24	213.96	17.65	231.61	280.68	9.14	289.82	381.16	22.77	403.93
TOTAL	421.62	164.65	586.27	525.35	212.67	738.02	675.40	248.94	924.34	986.82	686.61	1,673.43
Defence	206.52	25.86	232.38	243.70	26.61	270.31	253.18	12.81	265.99	346.43	21.90	368.33
Education	663.16	59.06	722.22	783.78	71.01	854.79	998.21	60.76	1,058.97	1,390.15	145.69	1,535.84
Health	152.44	37.58	190.02	175.30	56.95	232.25	227.11	97.77	324.88	312.32	167.45	479.77
Housing and Community Welfare	4.66	9.49	14.15	4.37	4.76	9.13	4.51	6.54	11.05	8.18	14.47	22.65
Social Welfare	46.88	31.49	78.37	51.96	43.23	95.19	57.67	39.71	97.38	77.47	94.03	171.50
ECONOMIC SERVICES:												
General Administration	26.61	75.36	101.97	31.29	43.44	74.73	40.51	87.54	128.05	59.01	72.85	131.86
Agriculture, Forestry and Fishing	101.29	110.71	212.00	129.80	201.10	330.90	157.72	303.12	460.84	199.28	304.18	503.46
Mining,Manufacturing & Construction	40.83	8.82	49.65	47.00	17.40	64.40	60.82	27.92	88.74	79.01	163.87	242.88
Electricity, Gas, Steam and Water	27.46	41.01	68.47	33.14	41.34	74.48	44.30	38.82	83.12	59.66	149.87	209.53
Roads	15.34	84.18	99.52	18.05	116.14	134.19	54.75	99.96	154.71	126.46	185.65	312.11
Other Transport & Communications	10.56	0.21	10.77	11.14	15.43	26.57	6.28	0.38	6.66	61.10	105.69	166.79
Other Economic Services**	106.03	1.46	107.49	137.44	1.33	138.77	79.02	0.59	79.61	49.54	1.00	50.54
TOTAL ECONOMIC SERVICES	328.12	321.75	649.87	407.86	436.18	844.04	443.40	558.33	1,001.73	634.06	983.11	1,617.17
OTHER SERVICES; INCLUDING PUBLIC DEBT	1,971.58	0.00	1,971.58	3,123.21	0.00	3,123.21	5,274.90	0.00	5,274.90	3,603.82	0.00	3,603.82
TOTAL***.	3,794.98	649.88	4,444.86	5,315.53	851.41	6,166.94	7,934.38	1,024.86	8,959.24	7,359.25	2,113.26	9,472.51

* Provisional.

* * Includes Export Compensation.

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

\+ Preliminary

CENTRAL GOVERNMENT
ECONOMIC ANALYSIS OF EXPENDITURE, 1990/91 - 1994/95

Table 6.9 K£million

	1990/91	1991/92	1992/93	1993/94*	1994/95
CURRENT EXPENDITURE:					
CONSUMPTION EXPENDITURE ON GOODS AND SERVICES:					
Labour Costs	635.92	691.75	800.70	1,054.43	1,321.61
Other Goods and Services	726.32	620.35	1,345.84	1,710.95	1,890.66
TOTAL	1,362.24	1,312.10	2,146.54	2,765.38	3,212.27
SUBSIDIES**.	82.82	78.20			2.03
INTEREST:					
Foreign	223.00	238.85	203.87	515.54	526.50
Domestic	523.12	546.01	1,188.79	2,222.44	1,371.23
TRANSFERS TO:					
Households and Unincorporated Enterprises including Private Non-profit Institutions	72.87	102.95	75.39	} 97.17	}
Financial and Non-Financial Enterprises				} 1.55	}
General Government	444.39	563.17	164.61	} 184.55	} 1,498.2
Rest of the World	11.05	9.07	9.14	} 25.94	}
Funds	2.61	4.16	88.05	} 9.68	
TOTAL TRANSFERS	530.92	679.35	337.19	318.89	1,498.24
OTHERS	0.86	0.03	7.78	0.06	5.00
1. TOTAL CURRENT EXPENDITURE	2,722.96	2,854.54	3,884.17	5,822.31	6,615.27
2. CAPITAL EXPENDITURE:					
Gross Fixed Capital Formation	495.38	391.58	384.79	466.80	936.20
Capital Transfers	59.48	62.20	38.92	102.45	77.60
TOTAL	554.86	453.78	423.71	569.25	1,013.80
3. NET LENDING:					
Purchase of Equity in Enterprises	4.60	3.78	3.45	3.45	3.50
Loans to Households, Enterprises and General Government Agencies	82.21	32.65	80.91	62.14	212.48
Less Loan Repayments to Government	-7.53	-12.41	-8.08	-29.69	-11.39
TOTAL	79.28	24.02	76.28	35.90	204.59
4. PUBLIC DEBT REDEMPTION	741.74	1,140.11	1,672.45	2,461.36	1,623.48
5. Total Expenditure (1+2+3+4)	4,098.84	4,432.45	6,056.61	8,888.82	9,457.14
MEMORANDUM ITEM:					
Export Compensation	82.80	78.10	102.20	40.65	

* Provisional.
* * Includes Export Compensation.
\+ Preliminary

6.14. Information on annual debt servicing charges from 1990 to 1994 is presented in Table 6.13. Both external and internal debt servicing charges increased remarkably over the previous year from K£ 473 million to K£ 1,534 million and from K£ 2,592 million to K£ 3,665 million in 1994, respectively. Similarly, net servicing charges increased by K£ 2,104 million. This was due the weak shilling during the first half of 1994 making servicing of external debt expensive and also due to increased internal borrowing in 1993. Consequently, as shown in Table 6.14, external debt service charges as a percentage of goods and services rose by 14.0 per cent between 1993 and 1994.

CENTRAL GOVERNMENT

PUBLIC DEBT, 1990 - 1994

Table 6.10

K£ million

As at 30th June	Funded			Public Debt** Unfunded			Total		
	External	Internal	Total	External	Internal***	Total	External	Internal	Total
1990		555.59	555.59	3,419.00	783.55	4,202.55	3,419.00	1,339.14	4,758.14
1991		525.10	525.10	4,458.95	1,066.79	5,525.74	4,458.95	1,591.89	6,050.84
1992		474.12	474.12	6,112.98	1,759.50	7,872.48	6,112.98	2,233.62	8,346.60
1993		432.60	432.60	13,604.71	1,937.56	15,542.27	13,578.41	2,370.16	15,948.57
1994* ..		1,402.59	1,402.59	11,807.15	2,546.40	14,353.55	11,807.15	3,948.99	15,756.14

• Provisional

* * Excludes Short Term Borrowing.

* * * Includes Treasury bonds.

CENTRAL GOVERNMENT

SOURCES OF UNFUNDED DEBT, 1990 - 1994

Table 6.11

K£million

Outstanding as at 30th June	1990	1991	1992	1993	1994
EXTERNAL DEBT:					
Lending Countries:					
Germany	15.44	30.74	56.96	111.23	240.97
Japan	428.03	702.38	929.61	2,165.40	1,971.72
France	61.91	25.97	213.22	661.23	428.03
	120.42	126.46	141.79	285.90	
Netherlands	120.94	133.84	176.16	321.70	279.65
Denmark	74.99	85.68	100.28	185.95	181.73
Finland	5.89	6.74	6.53	9.55	8.87
Other	771.05	877.75	1,445.68	3,341.57	2,492.72
Total	1,598.67	1,989.56	3,070.23	7,082.53	5,603.69
International Organizations:					
I.D.A	1,018.17	1,519.04	2,001.46	4,470.40	4,384.25
I.B.R.D	493.20	526.55	523.96	765.26	663.26
African Development Bank	156.28	233.42	279.43	609.92	520.45
O.P.E.C	16.19	20.01	20.32	45.18	26.28
E.E.C	74.06	91.58	118.00	294.21	255.80
I.M.F	0.41	-	-	-	-
Arab League	,2.50	2.75	2.71	5.86	3.69
Badea	5.01	5.87	4.54	40.78	25.59
I.F.A.D	9.27	16.14	26.25	59.96	63.55
C.D.C	7.90	7.21	7.11	7.59	6.67
A.D.F	37.34	46.82	58.97	223.02	253.92
Total	1,820.33	2,469.39	3,042.75	6,522.18	6,203.46
Total External	3,419.00	4,458.95	6,112.98	13,604.71	11,807.15
INTERNAL DEBT:					
Central Bank of Kenya ..	10.00	10.00	10.00	10.00	10.00
Other	773.55	1,056.79	1,749.50	1,927.56	2,536.40
TOTAL INTERNAL	783.55	1,066.79	1,759.50	1,937.56	2,546.40
TOTAL UNFUNDED DEBT ..	4,202.55	5,525.74	7,872.48	15,542.27	14,353.55

ANALYSIS OF PUBLIC FUNDED DEBT AT BOOK VALUE BY HOLDERS
ON LOCAL REGISTER AS AT 30TH JUNE, 1990 - 1994

Table 6.12 K£million

	1990	1991	1992	1993	1994
PUBLIC BODIES:					
National Social Security Fund	263.28	245.08	211.57	188.08	188.08
Central Government	72.20	69.42	65.36	59.58	60.69
Local Government	0.25	0.22	0.22	0.22	0.22
Kenya Post Office Savings Bank ..	4.47	4.37	4.37	2.30	2.30
Former E.A. Community Institutions *	15.37	15.37	14.77	8.70	8.70
Central Bank	162.76	162.76	154.41	154.04	1122.92
Other Public Sector	1.11	1.10	1.10	1.10	1.10
OTHER INTERNAL:					
Commercial Banks	5.43	5.03	5.03	4.99	4.99
Insurance Companies	8.84	8.46	7.47	4.43	4.43
Other Companies	21.79	13.20	9.74	9.08	9.08
Private Individuals	0.09	0.09	0.08	0.08	0.08
TOTAL	555.59	525.10	474.12	432.60	1402.59

* And their successors

Source: Central Bank of Kenya.

CENTRAL GOVERNMENT
DEBT SERVICING CHARGES *, 1990 - 1994

Table 6.13 K£million

Year ending	ANNUAL DEBT SERVICING CHARGES			INTEREST AND LOAN REPAYMENT RECEIPTS			NET SERVICING CHARGES		
30th June	External	Internal	Total	External	Internal	Total	External	Internal	Total
1990	373.04	580.52	953.56		7.01	7.01	373.04	573.51	946.55
1991	614.25	873.61	1,487.86		30.85	30.85	614.25	842.76	1,457.01
1992	598.90	1,326.07	1,924.97		20.24	20.24	598.90	1,305.84	1,904.74
1993	473.43	2,591.68	3,065.11		12.24	12.24	473.43	2,579.44	3,052.87
1994	1,534.24	3,665.10	5,199.34		42.10	42.10	1,534.24	3,623.00	5,157.24

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

Local Authorities

6.15. The task of the Local Authorities to match the provision of social services and infra structural facilities to their ever growing population has been hampered by their inability to raise sufficient revenue to meet these costs. The creation of more local authorities many of which still financially depend on their parent councils has also continued to undermine this effort. In majority of the local authorities, expenditure exceeds revenue, resulting in a deficit in their accounts.

6.16. Table 6.15 gives expenditure for the period 1990/91 to 1994/95 for all the local authorities. It shows erratic growth in the total expenditure due to capital projections undertaken in some of the years. Total expenditure of all local authorities increased from K£ 337 million in 1991/92 to K£ 606 million in 1994/95.

6.17. An illustration of current and capital expenditure by municipalities on main services between 1990/91 and 1994/95 is given in Table 6.16. There was a substantial increase in total expenditure between 1991/92 and 1992/93 because of projects undertaken to improve economic and community services, especially water supply and

sanitation. The 1994/95 estimates indicate a substantial expenditure on improvement of roads, sanitation and water supply.

CENTRAL GOVERNMENT
DEBT SERVICE CHARGES ON EXTERNAL DEBT RELATED TO EXPORT
OF GOODS AND SERVICES, 1990 - 1994

Table 6.14

	Debt Service Charges on External Debt* (Financial Year)	Export of Goods and Services (Calender Year)	External Debt Service Charges as a Percentage of Export of Goods and Services
	K£million	K£million	
1990	373.04	2,553.25	14.61
1991	614.25	3,022.63	20.32
1992	598.90	3,464.37	17.29
1993	473.43	6,745.00	7.02
1994**	1,534.24	7,411.24	20.70

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

* * Provisional.

EXPENDITURE ON LOCAL AUTHORITIES, 1990/91 - 1994/95

Table 6.15 K£million

	MUNICIPALITIES			Town, Urban and County Councils	Total
	Nairobi City Council	Other Municipal Councils	Sub-Total		
1990/91	179.39	100.65	280.04	57.05	337.09
1991/92	126.77	171.33	298.10	66.15	364.25
1992/93	456.27	99.00	555.27	44.76	600.03
1993/94*.	161.94	217.04	378.98	91.81	470.79
1994/95+	209.54	327.49	537.03	69.35	606.38

* Provisional

+ Preliminary

6.18. The economic analysis of expenditure and revenue for municipal council are presented in Table 6.17 and Table 6.18, respectively. Gross fixed capital formation dominated capital expenditure and total expenditure constituting 94.0 per cent and 61.0 per cent of total capital expenditure and overall expenditure, respectively in 1994/95. The municipalities continue to spend more on labour and on goods and services. On average, for the period under review, the two grew by 31.5 per cent and 14.8 per cent, respectively. Overall, expenditure in municipalities has fluctuated in growth showing substantial increases in expenditure on gross fixed capital formation during 1992/93 and 1994/95 compared to the preceding years. Sales of goods and services (including service charge) dominated as a source of revenue from which Municipalities are expected to raise K£ 152 million during 1994/95. Capital revenue grew marginally by about 1.2 per cent from K£ 106.9 million in 1993/94 to K£ 108.2 million in 1994/95.

6.19. An economic analysis of expenditure and revenue by town and urban councils is shown in Table 6.19. Current expenditure exhibited a marked growth from K£ 33 million in 1990/91 to K£ 54 million in 1994/95. This was mainly as a result of continued growth in labour cost over the years. Capital expenditure recorded a mixed

performance between 1990/91 and 1994/95 hitting a low level of K£ 45 million in 1992/93 and peaking at K£ 92 million in the following year. This was mainly due to changes in gross fixed capital formation over those years. Capital revenue followed an almost similar pattern. Indirect taxes and sales of goods and services dominated as the main source of current revenue. Like municipalities, these local authorities also run on deficits.

MUNICIPAL COUNCILS: CURRENT AND CAPITAL EXPENDITURE ON MAIN SERVICES, 1990/91 - 1994/95

Table 6.16 K£ million

	1990/91	1991/92	1992/93	1993/94*	1994/95 +
ADMINISTRATION	42.57	63.95	47.68	76.95	84.76
COMMUNITY SERVICES:					
	30.33	29.65	15.59	36.06	141.04
	39.50	21.03	72.91	25.74	59.69
Other	3.10	3.75	2.62	6.56	3.74
Total	72.93	54.43	91.12	68.36	204.47
SOCIAL SERVICES					
	9.68	13.02	10.30	14.04	19.90
Health	15.04	16.86	18.02	25.94	31.68
Other	0.89	1.11	1.90	0.79	3.21
Total	25.61	30.99	30.22	40.77	54.79
ECONOMIC SERVICES:					
General Administration	3.69	4.52	6.96	5.83	10.65
Water Undertaking	95.01	44.94	329.67	62.39	106.06
Housing Estates(including staff housing)	32.53	54.21	33.80	67.66	38.78
Other	7.70	45.06	15.82	57.02	37.52
Total	138.93	148.73	386.25	192.90	193.01
TOTAL EXPENDITURE	280.04	298.10	555.27	378.98	537.03

* Provisional

\+ Preliminary

MUNICIPAL COUNCILS: ECONOMIC ANALYSIS OF EXPENDITURE, 1990/91 - 1994/95

Table 6.17 K£million

	1990/91	1991/92	1992/93	1993/94*	1994/95 +
CURRENT EXPENDITURE:					
Labour Cost	61.08	67.59	70.67	75.72	99.57
Other Goods and Services	44.55	42.57	46.70	71.83	82.48
Transfer to Households & Enterprises	0.59	2.25	0.08	5.77	0.14
Transfer to Funds (Current) ..	0.01	0.59	0.80	0.62	6.53
Total	106.23	113.00	118.25	153.94	188.72
CAPITAL EXPENDITURE:					
Gross Fixed Capital Formation ..	167.51	177.06	425.91	208.54	327.44
LoanRepayment. . . . . .**	6.49	7.87	11.00	16.31	16.34
Transfer to Funds (capital)	0.17	0.17	0.11	0.19	4.53
Total	174.17	185.10	437.02	225.04	348.31
TOTAL EXPENDITURE	280.40	298.10	555.27	378.98	537.03

* Provisional.

* * Includes interest.

\+ Preliminary

MUNICIPAL COUNCILS: ECONOMIC ANALYSIS OF REVENUE, 1990/91 - 1994/95

Table 6.18 K£million

	1990/91	1991/92	1992/93	1993/94*	1994/95 +
CURRENT REVENUE:					
Direct Taxes (Rates* *)	32.83	43.55	51.57	58.96	60.24
Indirect Taxes (Licences and cesses)	2.17	9.82	10.76	1 8.00	7.47
Income from Property	9.16	9.84	12.92	1 6.01	23.08
Current Transfers	0.19	0.01	0.01	0.03	0.03
Sale of Goods and Services* * *	56.16	73.08	89.89	139.16	152.23
TOTAL	100.51	136.30	165.15	232.1 6	243.05
CAPITAL REVENUE:					
Loans Raised	118.71	101.40	361.62	106.84	107.73
	0.00	0.00	0.53	0.07	0.51
TOTAL	118.71	101.40	362.1 5	106.91	108.24
TOTAL REVENUE	219.22	237.70	527.30	339.07	351.29

* Provisional.

* * Paid by households and enterprises.

* * * Includes service charge.

\+ Preliminary

TOWN, URBAN AND COUNTY COUNCILS:

ECONOMIC ANALYSIS OF EXPENDITURE AND REVENUE, 1990/91 - 1994/95

Table 6.19 K£million

	1990/91	1991/92	1992/93	1993/94*	1994/95 +
CURRENT EXPENDITURE:					
Labour Cost	22.06	25.14	25.76	32.30	34.67
Other Goods and Services	10.80	12.25	14.11	21.68	18.54
Transfer to households & Enterprises	0.02	3.16	0.18	7.42	0.93
Transfer to Funds (Current)	0.25	0.15	0.15	0.48	0.15
Interest		..	..		
Total	33.13	40.70	40.20	61.88	54.29
CAPITAL EXPENDITURE:					
Gross Fixed Capital Formation	23.42	24.91	3.64	29.16	12.13
Loan Repayments* *	0.50	0.52	0.24	0.77	0.46
Transfer to Funds (capital)	0.00	0.02	0.68	0.00	2.47
Total	23.92	25.45	4.56	29.93	15.06
TOTAL EXPENDITURE	57.05	66.15	44.76	91.81	69.35
CURRENT REVENUE:					
Direct Taxes (Rates* * *)	1.78	1.68	1.68	3.95	5.12
Indirect Taxes (Licences and cesses)	6.13	6.19	7.76	10.72	15.20
Income from Property	0.23	0.34	1.78	0.63	2.22
Current Transfers	0.10	0.05	0.15	0.11	0.18
Sale of Goods and Services +	26.73	27.57	25.97	38.90	37.41
Total	34.97	35.83	37.34	54.31	60.13
CAPITAL REVENUE:					
Loans Raised	2.50	11.36	0.31	12.11	3.45
Loans Repayments	0.01	0.01	0.00	0.00	0.01
Total	2.51	11.37	0.31	12.11	3.46
TOTAL REVENUE	37.48	47.20	37.65	66.42	63.59

* Provisional.

* * Includes Interest.

* * * Paid by households and enterprises.

\+ Preliminary

CHAPTER 7 - INTERNATIONAL TRADE AND BALANCE OF PAYMENT

Overview

Major indicators of international trade for 1994 show that Kenya did not perform better than the previous year. On the one hand, there was acceleration of volume of trade but on the other, there was deceleration in the balance of payments surplus. Although overall balance of payments recorded a surplus of K£ 265 million, there was a large decrease in capital inflows and an increase in capital outflow. This was due to increased debt service obligations and partly due to decline in programme finance inflow. In addition, high interest rates, which attracted foreign capital the previous year, had fallen and stabilised in 1994.

7.2. The balance of trade deficit increased from K£ 1,378 million in 1993 to K£ 1,472 million in 1994, a growth of 7 per cent. In 1994, exports rose by 16.4 per cent when compared to 1993 while imports grew by 13.8 per cent. This was well below the respective exports and imports growth of 111.1 per cent and an 71.1 per cent recorded in 1993. The slowdown in exports may be attributed to the appreciation of the Kenya Shilling which dampened demand for Kenyan exports. Exports increased from K£ 3,625 million in 1993 to K£ 4,172 million in 1994, while imports increased from K£ 4,845 million to K£ 5,556 million over the same periods.

7.3. Current account performance improved marginally by 1.0 per cent with a surplus balance of K£ 291 million in 1994 compared to K£ 288 million in 1993. The capital account deteriorated from a surplus of K£ 987 million in 1993 to a deficit of K£ 35 million in 1994. Under exchange control liberalization regime, these are encouraging developments.

Balance of Trade

7.4. International trade continued to increase in 1994, albeit slowly, as shown in Table 7.1. Domestic exports increased by 15 per cent, re-exports by more than twofold and imports by 13.7 per cent during the year. The low growth in exports in 1994 compared to 1993 may be attributed to the gradual appreciation of the Kenya shilling against major world trading currencies. The various export promotion policies in place resulted in increased trade with African countries especially the Common Market for Eastern and Southern Africa (COMESA).

7.5. The increase in export earnings resulted from a rise in the export value of coffee, pyre thrum products, cement and horticulture as well as petroleum products. On the other hand the rise in imports may be attributed to the liberalisation of trade and the availability of foreign exchange.

Price Changes

7.6. Table 7.2 presents exports and imports price indices by commodity groups for the last five years. The overall export index which had shown significant growth since 1990, only recorded a marginal 2.7 per cent growth in 1994, which is a reflection of poor prices for majority of the commodities. The overall import index registered a

decline of 8.4 per cent in 1994 compared to 1993, a reflection of falling prices for imported goods attributed to the appreciation of the Kenya Shilling against currencies of trading partners.

BALANCE OF TRADE, 1990 - 1994

Table 7.1 K£million

		1990	1991	1992	1993	1994*
EXPORTS	(f. o. b) :					
	Domestic Exports	1,232.36	1,533.83	1,708.08	3,625.21	4,170.72
	Re-exports	11.65	18.29	34.18	53.04	111.41
	Total	1,244.01	1,552.12	1,742.26	3,678.25	4,282.13
IMPORTS	(c.i.f) :					
	Commercial	2,397.55	2,500.91	2,828.85	4,845.06	5,556.16
	Government	148.08	145.00	126.01	211.36	197.83
	TOTAL ..	2,545.63	2,645.91	2,954.86	5,056.42	5,753.99
BALANCE OF TRADE ..		-1,301.62	-1,093.79	-1,212.60	-1,378.17	-1,471.86

* Provisional

PRICE INDICES, 1990 - 1994

Table 7.2 1982 =100

	1990	1991	1992	1993	1994
EXPORTS:					
Food and live animals	167	218	240	475	534
Beverages and tobacco	256	300	327	737	401
Crude materials, inedible	213	244	260	465	561
Mineral fuels	136	184	207	276	297
Animal and vegetable oils and fats	284	323	325	344	727
Chemicals	212	234	264	516	491
Manufactured goods	155	213	265	458	497
Machinery and transport equipment	365	368	404	436	204
Miscellaneous manufactured articles	224	257	431	527	488
All Exports	169	216	244	438	450
Non-oil Exports	178	227	254	483	486
IMPORTS:					
Food and live animals	176	188	331	551	369
Beverages and tobacco	381	484	456	821	677
Crud,materials, inedible	237	262	300	480	472
Mineral fuels	144	163	211	309	257
Animals and vegetable oils and fats	179	243	327	527	571
Chemicals	357	393	444	776	743
Manufactured goods	329	340	371	613	634
Machinery and transport equipment	289	321	341	569	589
Miscellaneous manufactured articles	278	307	318	565	492
All imports	238	265	307	486	445
Non-oil Imports	287	318	359	594	536

7.7. The index of non-oil exports which had increased by 90.2 per cent in 1993, grew marginally by 0.6 per cent in 1994. The export index for food, crude inedible materials, animals and vegetable oils and fats and manufactured goods are some of the

groups where substantial growth in prices were registered in 1994. Notable declines in price indices were in beverages and tobacco as well as machinery and transport equipment.

7.8. All imports price index which grew by 58.3 per cent in 1993, recorded a drop of 8.4 per cent in 1994. Low import prices for food, beverages and tobacco, miscellaneuos manufactured articles and mineral fuels mainly accounted for the drop in the overall import prices index. Import price rises were, however, noted in the category for oils and fats as well as machinery and transport equipment.

Terms of Trade

7.9. The better export performance compared to imports is depicted in the terms of trade as presented in Table 7.3. Terms of trade is measured by the ratio of export price index to imports price index. In 1994, terms of trade for all items increased by 12.2 per cent while that of non-oil items increased by 12.3 per cent. Terms of trade for all items was in favour of Kenya, for the first time since 1986.

TERMS OF TRADE, 1990-1994

Table 7.3 1982 = 100

	1990	1991	1992	1993	1994
All Items	71	82	79	90	101
Non-oil Items	62	71	71	81	91

Volume Changes

7.10. Quantum indices, which measures changes in the volume of trade, are presented in Table 7.4. The overall index for all exports increased by 12.8 per cent while non-oil exports index increased by 19.5 per cent in 1994. The rise was mainly due to substantial increases in exports of fuel and animal and vegetable oils and fats to Somalia. These were mainly imported by world relief agencies for Somalia and Rwanda. Hides and skins and cement continued to maintain high export volume levels while exports of soda ash and horticulture dropped substantially.

7.11. Reduced imports of beverages and tobacco, mineral fuels and chemicals in 1994 resulted in the decline of associated indices, while other commodity groups registered some increase. The most notable growth in import index was in the category of food and live animals which recorded 311.8 per cent increase due to large imports of wheat, maize and rice in the review period. Other substantial import index growth was recorded in animal and vegetable oils and fats and miscellaneous manufactured articles. Consequently, the quantum index for all imports increased by 24.1 per cent and for non-oil imports by 40.7 per cent.

7.12. Quantities of principal exports are presented in Table 7.6. There were notable declines by volume of the three leading export earning products namely coffee, tea and horticulture. With the exception of meat, cement, raw maize and hides and skins, all other agricultural exports recorded a fall in quantities. The appreciation of the shilling may have dampened demand for these products.

QUANTUM-INDICES, 1990 - 1994

Table 7.4 1982 =100

	1990	1991	1992	1993	1994
EXPORTS:					
Food and live animals	154	132	134	142	132
Beverages and tobacco	275	302	565	723	1,823
Crude materials, inedible	111	120	125	97	133
Mineral fuels	75	96	80	89	67
Animal and vegetable oils and fats .. .	146	183	428	1,088	3,617
Chemicals	100	137	131	165	267
Manufactured goods	170	162	180	290	310
Machinery and transport equipment	25	34	67	110	394
Miscellaneous manufactured articles ..	181	233	118	358	1,067
All Exports	122	126	126	148	167
Non-oil Exports	143	135	141	164	196
IMPORTS:					
Food and live animals	217	148	211	136	560
Beverages and tobacco	62	85	85	121	118
Crude materials, inedible	158	176	194	179	177
Mineral fuels	104	94	91	123	110
Animals and vegetable oils and fats	150	154	176	138	176
Chemicals	97	113	115	131	124
Manufactured goods	108	112	99	114	114
Machinery and transport equipment	135	95	92	84	111
Miscellaneous manufactured articles ..	98	114	112	118	153
All imports	119	111	107	116	144
Non-oil Imports	126	119	114	113	159

Composition of Exports

7.13. Total exports classified by Broad Economic Category (BEC) are presented in Table 7.5. Food and beverages continued to be the main export earner as reflected by its share of total export earnings despite declining from 54.8 per cent in 1993 to 51.5 per cent in 1994. The share of industrial products increased from 24.2 per cent in 1993 to 26.4 per cent in 1994 while the share of fuel and lubricants declined from 9.8 per cent to 6.5 per cent.

7.14. Total export earnings from food and beverages increased by 8.2 per cent from K£ 1,986 million in 1993 to K£ 2,148 million in the review period. Earnings from exports of primary products associated with edible products grew marginally by K£ 24 million in 1994. Exports of processed products increased by 36.4 per cent. Non-food industrial exports earnings increased by 25.3 per cent mainly due to 30 per cent increase in exports of processed non-food industrial products. Consumer goods not elsewhere classified, which increased by 15.1 per cent in 1993, recorded 60 per cent growth in 1994.

TOTAL EXPORTS [x] BY BROAD ECONOMIC CATEGORY, 1990 - 1994

Table 7.5 K£million

	1990	1991	1992	1993	1994**
1. FOOD AND BEVERAGES	744.06	817.73	929.12	1,986.10	2,147.65
Primary	637.74	678.06	758.14	1,608.13	1,632.07
For Industry	226.27	228.93	210.51	559.74	656.12
For Household Consumption	411.47	449.13	547.63	1,048.38	975.95
Processed	106.32	139.67	170.98	377.97	515.58
For Industry	4.41	9.26	10.14	21.91	79.46
For Household Consumption	101.91	130.41	160.84	356.06	436.12
2. INDUSTRIAL SUPPLIES (Non-Food) ..	245.59	320.58	371.51	877.68	1,099.54
Primary	118.59	121.46	127.99	224.60	248.96
Processed	127.00	199.12	243.52	653.08	850.58
3. FUEL AND LUBRICANTS	150.42	266.09	246.50	353.85	272.54
Primary	0.03	0.01	0.02	0.01	0.02
Processed	150.39	266.08	246.48	353.84	272.52
Motor Spirit	18.24	28.82	34.09	57.04	41.31
Other	132.15	237.26	212.39	296.80	231.21
4. MACHINERY & OTHER CAPITAL EQUIPMENT	6.90	10.52	13.76	23.43	37.30
Machinery & Other Capital Equipment .	5.79	9.34	12.14	18.74	31.40
Parts and Accessories	1.11	1.18	1.63	4.69	5.90
5. TRANSPORT EQUIPMENT	2.62	4.35	8.06	30.59	47.00
Passenger Motor Vehicles	0.15	0.40	0.08	12.42	19.45
Other	0.39	0.26	1.44	8.34	10.82
For Industry	0.36	0.20	1.39	8.31	10.44
Non-Industrial	0.03	0.06	0.05	0.03	0.38
Parts and Accessories	2.07	3.69	6.54	9.83	16.73
6. CONSUMER GOODS NOT ELSEWHERE SPECIFIED	82.23	1 13.45	139.13	353.56	566.56
Durable	9.11	1.68	2.07	5.04	8.39
Semi-Durable	18.54	28.61	35.76	1 15.17	199.18
Non-Durable	54.57	83.15	101.31	233.35	358.99
7. GOODS NOT ELSEWHERE SPECIFIED ..	0.56	1.11			0.13
TOTAL	1,232.38	1,533.83	1,708.08	3,625.21	4,170.72
PERCENTAGE SHARES:					
1. Food and Beverages	60.36	53.31	54.40	54.79	51.49
2. Industrial Supplies (Non-Food)	19.93	20.90	21.75	24.21	29.36
3. Fuel and Lubricants	12.21	17.35	14.43	9.76	6.54
4. Machinery and other Capital Equipment .	0.56	0.70	0.81	0.65	0.90
5. Transport Equipment	0.21	0.28	0.47	0.84	1.13
6. Consumer Goods not elsewhere specified	6.67	7.40	8.14	9.75	13.58
7. Goods not elsewhere specified	0.05	0.06	-	-	-
TOTAL	100.00	100.00	100.00	100.00	100.00

* Excluding Re-exports.

* * Provisional.

Export Prices

7.15. Table 7.7 presents unit prices of selected export commodities. Coffee, the second most important foreign exchange earner after tea recorded a 31.3 per cent unit price rise. Horticulture recorded the highest unit price of 70.4 per cent, while animal

feeds recorded a rise of 32.4 per cent. Pyrethrum extract unit price which nearly doubled in 1993, realised a growth of 19.4 per cent in 1994, while price of cement increased by 10 per cent. These improved prices should be viewed against a stable shilling particularly in the second half of 1994.

QUANTITIES OF PRINCIPAL EXPORTS, 1990 - 1994

Table 7.6

Commodity	unit	1990	1991	1992	1993	1994 *
Coffee	Tonnes	114,384	84,191	78,147	88,356	79,679
Tea		166,405	175,557	166,518	188,435	174,926
Petroleum Products	Mn. Lt	638	767	769	723	540
Pyre thrum Products	Tonnes	453	442	241	749	399
Meat products		1,585	2,153	401	740	911
Sisal	..	30,125	27,743	32,026	27,000	25,354
Hides and Skins		1,093	274	410	748	2,704
Soda Ash	..	185,179	197,427	163,521	215,024	178,312
Fluorspar		88,229	55,679	66,538	71,040	62,202
Cement	..	329,539	304,917	392,144	522,125	595,777
Maize(raw)		159,883	18,720	417	111	1,685
Horticulture**		188,825	169,292	154,112	265,305	165,481
Butter and ghee		418	49	75	100	70
Cotton(raw)	..					
Wool	..		2	983	399	301
Animal feeds		7,938	34,692	14,219	13,361	12,269

* Provisional.

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

7.16. Changes in quantity, value and prices of selected exports are summarised in Table 7.8. The value of tea exported in 1994 dropped by 9.6 per cent but remained the top contributor to export earnings, with a 20.2 per cent share of the total export earnings. Coffee which responded to better world market prices earned the country K£ 653 million an improvement of 18.3 per cent over 1993 export value of K£ 552 million. Horticulture and petroleum products exports accounted for 9.9 per cent and 6.1 per cent of the total export earnings, respectively. Unfavourable export prices for meat and undressed hides and skins attracted higher quantities resulting in improved export value for hides and skins of 136 per cent.

Composition of Imports

7.17. Table 7.9 presents imports classified by Broad Economic Categories (BEC). Imports of food and beverages during 1994 increased by 83 per cent mainly due to substantial imports of processed products for industrial use which grew by 258 per cent. Imports of non-food industrial products increased by 17.8 per cent. This improved the share of industrial supplies of the total imports by 1.4 percentage points in 1994. This category has for a long time been the greatest consumer of import expenditure. There was a fall in imports of fuels and lubricants by 25.9 per cent caused by a decline in imports of both crude and refined products.

EXPORT PRICES. 1990-1994

Table 7.7 KSh./Unit

Commodity	Unit of Quantity	1990	1991	1992	1993	1994 *
Coffee, unroasted	Kg.	38.64	51.94	52.81	1 24.93	164.01
Tea	Kg.	37.80	43.48	57.04	99.10	96.51
Petroleum Products	1,000 Lt.	4,398.86	6,644.80	6,130.00	9,291 .15	9.391 .63
Maize(raw)	100Kg.	258.56	513.23	3,631.22	5,501.11	1,007.83
Meat and meat products	Kg.	70.45	39.67	104.70	151 .20	117.1 7
Pyrethrum Extract	Kg.	1.936.82	2,214.15	3,035.78	5,368.33	6,409.33
Sisal	100Kg.	1,257.49	1.273.51	1.089.04	2,657.00	2,612.62
Hides and Skins(undressed)	Kg.	21.71	46 22	46.07	160.78	105.00
Wattle extract	Kg.	17.52	21.77	24.63	47.67	39.51
Soda Ash	100Kg.	263.04	313.72	333.35	571 .38	544.95
Fluorspar	100Kg.	190.88	251.01	212.11	360.63	376.93
Cement	100Kg.	76.60 .	106.65	1 24.60	249.10	274.12
Horticulture	Kg.	16.94	21.84	27.15	29.42	50.14
Wool	Kg.		93.84	29.06	37.64	66.44
Animal feeds	100Kg.	189.31	193.05	282.86	404.30	535.16
Cotton(raw)	Kg.	38.00	25.41	60.00	94.34	
Butter and ghee	Kg.	32.15	32.33	49.55	59.55	53.82
Wattle bark	100Kg.	339.29	403.67	-		3,620.57

* Provisional.

EXPORT CHANGE IN VALUE. QUANTITY AND PRICE *. 1993-1994

Table 7.8

Commodity	VALUE K£'000			PERCENTAGE CHANGE IN		
	1993	1994**	Changes	Value	Quantity	Price
Coffee, unroasted	551,510.2	652,896.9	101,386.7	18.38	-9.82	31.28
Tea	933,659.4	844,068.8	-89,590.6	-9.60	-7.17	-2.61
Petroleum products	335,717.7	253,431.6	-82,286.1	-24.51	-25.31	1.08
Meat and meat products	5,597.7	5,335.0	262.7	-4.69	23.1 1	-22.51
Pyrethrum extract	49,607.4	78,330.0	28,722.6	57.90	32.25	1 9.39
Sisal	35.869.7	33,1 20.1	-2.749.6	-7.67	-6.10	-1.67
Hides and skins (undressed)	6,015.7	14,193.8	8,178.1	135.95	261 .50	-34 69
Wattle extract	19,434.4	1 4,698.3	-4,736.1	-24.37	-8.76	-17.12
Soda ash	61.429.7	48,585.8	-12.843.9	-20.91	-17.07	-4 62
Fluorspar	12.809.7	11,706.0	-1,103.7	-8.62	-12.44	4.37
Cement	65,030.2	81,656.2	1 6,626.0	25.57	14.1 1	10.04
Horticulture	390,228.4	414.853.6	24,625.2	6.31	-37.63	76.50
Animal feeds	2,701.0	3.283.0	582.0	21.55	-8.17	32.36
Cotton (raw)	0.3	-	-0.3	-100.00	-	-
Wood carvings	9,139.8	10,706.0	1,566.2	17.14	12.19	4.41
Metal scrap	5,450.8	7.212.4	1,761.6	32.32	8.08	22.43
All other Commodities	1,141,004.1	1.696,646.3	555,642.2	48.70		
TOTAL	3,625,206.2	4,170,723.8	545,517.6	15.05	•	-

* Excluding Re-exports

** Provisional

TOTAL IMPORTS BY BROAD ECONOMIC CATEGORY, 1990-1994

Table 7.9 K£million

	1990	1991	1992	1993	1994*
1. FOOD AND BEVERAGES	179.58	119.76	225.07	315.61	577.83
Primary	68.74	54.38	49.42	169.81	146.89
For Industry	68.32	53.44	47.13	163.75	138.21
For Household Consumption	0.42	0.94	2.29	6.06	8.68
Processed	110.84	65.39	175.65	145.80	430.94
For Industry	77.85	24.51	107.44	84.81	303.60
For Household Consumption	32.98	40.87	68.21	60.99	127.34
2. INDUSTRIAL SUPPLIES (Non-Food)	812.68	994.98	1,109.97	1,922.24	2,265.32
Primary	33.84	43.85	173.71	99.96	382.27
Processed	778.83	951.13	936.26	1,822.28	1,883.05
3. FUEL AND LUBRICANTS	489.74	494.66	627.59	1,254.44	929.14
Primary	430.90	449.25	563.64	966.69	729.07
Processed	58.84	45.41	63.95	287.75	200.07
Motor Spirit	5.83	9.09	12.28	75.95	31.92
Other	53.01	36.31	51.67	211.80	168.15
4. MACHINERY AND OTHER CAPITAL EQUIPMENT	634.14	608.65	599.65	739.42	883.43
Machinery and Other Capital Equipment	476.14	460.77	453.15	533.38	622.81
Parts and Accessories	158.00	147.88	146.50	206.04	260.62
5. TRANSPORT EQUIPMENT	315.50	293.03	237.98	461.80	705.96
Passenger Motor Vehicles	69.57	80.46	79.36	122.34	222.02
Other	142.89	118.73	92.57	197.26	299.14
Industrial	136.01	108.73	82.28	181.90	267.44
Non-Industrial	6.88	10.00	10.29	15.36	31.69
Parts and Accessories	103.04	93.84	66.05	142.20	184.80
6. CONSUMER GOODS NOT ELSEWHERE SPECIFIED	110.51	132.55	149.07	357.89	385.08
Durable	22.13	24.11	20.68	42.88	53.99
Semi-Durable	19.63	20.20	22.50	32.75	46.25
Non-Durable	68.75	88.25	105.90	282.26	284.84
7. GOODS NOT ELSEWHERE SPECIFIED	3.49	2.28	5.53	5.02	7.23
TOTAL	2,545.64	2,645.91	2,954.86	5,056.42	5,753.99
PERCENTAGE SHARES:					
1. Food and Beverages	7.05	4.53	7.62	6.24	10.04
2. Industrial Supplies (Non-Food)	31.93	37.60	37.56	38.02	39.37
3. Fuel and Lubricants	19.24	18.70	21.24	24.81	16.15
4. Machinery and other Capital Equipment ..	24.91	23.00	20.29	14.62	15.35
5. Transport Equipment	12.39	11.07	8.05	9.13	12.27
6. Consumer Goods not elsewhere specified	4.34	5.01	5.05	7.08	6.69
7. Goods not elsewhere specified	0.14	0.09	0.19	0.10	0.13
TOTAL	100.00	100.00	100.00	100.00	100.00

* Provisional.

7.18. Table 7.9 and 7.10 show that non-food industrial products imports maintained the lead and accounted for 39.4 per cent of total import expenditures. Fuel and lubricants accounted for 16.1 per cent in 1994, a decline from 24.8 per cent recorded in 1993, while machinery and other capital equipment accounted for 15.4 per cent. Food imports which increased mainly due to increased imports of maize and rice, accounted for 10 per cent of the total imports expenditure.

SELECTED IMPORTS, 1990-1994

Table 7.10 K£million

	1990	1991	1992	1993	1994*
Crude Petroleum	421.97	441.71	549.39	946.53	720.38
Industrial Machinery (including Electrical)	596.77	569.97	506.35	653.28	811.93
Iron and Steel	164.82	177.20	182.87	300.93	310.58
Motor Vehicle and Chassis	195.16	184.46	144.51	276.29	475.76
Petroleum Products refined	55.61	44.12	62.49	284.88	197.26
Artificial Resins and Plastic Materials, and Cellulose Esters and Ethers ..	83.46	105.90	108.98	194.60	213.24
Pharmaceauticals	57.61	75.38	96.95	273.55	173.03
Fertilizers	33.28	62.63	75.13	166.60	170.60
Agricultural Machinery and Tractors ..	27.99	33.83	37.09	53.97	49.17
Wheat	62.68	48.70	34.09	152.01	125.88
Paper and Paper Products	40.95	46.38	48.03	75.35	80.27
Rice	9.03	29.36	28.46	23.30	09.05

* Provisional

Direction of Trade

7.19. For the first time, exports to the African region were far in excess of the traditional European markets. There was a significant improvement in exports to African countries, especially to COMESA countries, which increased from K£ 1,274 million in 1993 to K£ 1,909 million in 1994. These accounted for 44.6 per cent of total export earnings, indicating further improvement in intra African trade which is in line with the regional intergration policy. The European Union, which has traditionally been the main market for Kenya's exports followed Africa and accounted for 31.9 per cent of the total export earnings in 1994.

7.20. Table 7.13 summarises trade within COMESA countries and the rest of Africa. The former East African Community Countries continue to be the main Kenyan trading partners. In 1994, exports to these countries accounted for 52.3 per cent of total exports to African countries while COMESA countries accounted for 83.3 per cent. Exports to Rwanda increased more than threefold from K£ 68 million in 1993 to K£ 250 million in 1994 mainly because of UN relief aid. Exports to Somalia grew by 7.1 per cent, while exports to Egypt which had increased considerably in 1993 declined by 19.2 per cent.

7.21. Exports to Middle East countries declined by 29.2 per cent mainly due to the 36.9 per cent reduction in exports to Saudi Arabia. Exports to these countries accounted for 1.7 per cent of total export receipts. Trade with United States and "Canada continued to expand. Exports to USA amounted to K£ 149 million while imports from the same country amounted to K£ 382 million.

7.22. Imports from European Union accounted for 33.6 per cent of the total import payments. Imports from the Middle East, Japan and USA accounted for 15.4 per cent, 8.6 per cent and 6.6 per cent, respectively. Imports from African countries increased from K£ 122 million in 1993 to K£ 791 million in 1994, mainly due K£ 622 imports from South Africa. Trade with Pakistan and Japan has improved considerably in 1994 but with trade a balance in favour of those countries.

DESTINATION OF TOTAL EXPORTS *, 1990 - 1994

Table 7.11 K£million

	1990	1991	1992	1993	1994**
E.E.C:					
United Kingdom	218.34	266.88	319.22	590.18	496.61
West Germany	137.87	123.54	1 13.32	267.78	332.67
Italy	27.83	39.20	55.51	66.23	78.82
France	30.37	40.35	46.23	72.93	82.11
Netherlands	69.92	66.38	70.94	145.69	182.01
Other	67.07	96.27	86.09	177.40	193.28
TOTAL	551.40	632.62	691.31	1,320.21	1,365.50
Other Western Europe, Total	52.80	59.42	53.36	131.22	112.77
Eastern Europe, Total	19.78	2.92	0.97	6.65	7.05
U.S.A	42.60	57.83	63.29	137.18	146.83
CANADA	10.85	10.33	11.49	29.81	28.92
AFRICA:					
Tanzania	32.26	54.13	80.99	270.48	454.78
Uganda	64.04	107.25	122.84	325.98	544.27
Zambia	3.29	4.02	5.76	8.52	8.90
Other	170.24	214.89	259.90	669.48	901.11
TOTAL	269.83	380.29	469.49	1,274.46	1,909.06
MIDDLE EAST:					
Saudi Arabia	10.51	1 1.04	11.91	26.28	16.57
United Arab Emirates ..	5.67	5.04	4.69	16.02	13.45
Iran	3.40	5.01	0.82	0.02	0.39
Other	28.67	25.76	33.14	62.65	43.92
TOTAL	48.25	46.85	50.56	104.97	74.33
FAR EAST AND AUSTRALIA:					
Australia	4.35	6.84	6.63	12.83	16.22
Japan	15.13	15.85	23.77	33.39	33.30
India	19.46	9.07	11.25	29.57	25.73
China(Mainland) ..	0.46	1.12	3.13	4.01	2.12
Other	116.29	142.00	191.47	367.09	407.15
TOTAL	155.69	174.88	236.25	446.89	484.52
ALL OTHER COUNTRIES ..	1.77	6.72	11.84	29.79	24.17
Aircraft and Ships Stores	91.04	180.26	153.70	197.07	128.98
ALL EXPORTS	1,244.01	1,552.12	1,742.26	3,678.25	4,282.13

* Excluding gold and currency but including Re-Exports.

* * Provisional.

Balance of Payments

7.23. The balance of payments performance in 1994 decelerated compared to 1993. This is reflected in the overall balance which recorded a surplus of K£ 265 million in 1994 compared to a surplus of K£ 1,284 million in 1993. The reduction in the surplus in 1994 was mainly attributed to the weakening of the capital account which recorded a deficit of K£ 35 million in 1994 compared to a surplus of K£ 987 million in 1993. The decrease in the capital account was mainly due to a decline in official capital inflows and increase in capital outflows. Programme loans decreased from K£ 795 million in

1993 to K£ 62 million in 1994, while the official capital outflow amounted to K£ 689. On the other hand, capital outflows increased from K£ 1,099 million in 1993 to K£ 1,289 million in 1994. These details are presented in Table 7.14.

ORIGIN OF TOTAL IMPORTS, 1990-1994

Table 7.12 K£million

	1990	1991	1992	1993	1994"
E.E.C:					
United Kingdom	466.71	430.33	338.37	602.38	757.63
West Germany	199.69	228.99	199.66	361.52	357.56
France	141.79	150.71	154.95	212.45	232.22
Italy	119.59	91.92	87.83	228.09	175.33
Netherlands	87.48	60.43	75.23	123.16	163.93
Other	129.10	148.99	139.39	218.90	249.69
TOTAL	1,144.36	1,111.37	995.43	1,746.50	1,936.36
Other Western Europe, Total	138.33	111.06	124.82	177.08	214.25
Eastern Europe, Total	17.95	24.09	18.18	38.63	65.57
U.S.A	114.36	132.06	243.43	293.40	381.60
CANADA	15.71	24.41	21.30	40.17	26.55
AFRICA:					
Tanzania	12.51	11.29	14.45	24.44	54.54
Uganda	1.31	2.65	7.77	15.98	9.29
Zambia	10.42	11.03	15.65	17.64	7.12
Other	51.42	54.04	56.19	63.57	719.97
TOTAL	75.66	79.01	94.06	121.63	790.92
MIDDLE EAST:					
United Arab Emirates	339.24	328.84	482.08	759.07	643.63
Saudi Arabia	123.35	133.03	71.51	233.85	136.46
Iran	36.16	39.84	53.16	61.89	48.12
Other	25.39	26.63	37.85	97.23	57.56
TOTAL	524.14	528.34	644.60	1,152.04	885.77
FAR EAST AND AUSTRALIA:					
Japan	228.51	303.55	278.49	383.01	496.77
Australia	8.15	9.75	10.53	12.84	17.30
India	44.99	50.35	85.55	136.47	217.07
China(Mainland)	22.15	24.85	29.36	68.69	76.40
Other	160.33	209.19	272.02	347.96	585.93
TOTAL	464.13	597.69	675.95	948.97	1,393.47
ALL OTHER COUNTRIES	50.99	37.88	137.09	538.00	59.50
Parcel Post and Special Transactions			-	-	
TOTAL	2,545.63	2,645.91	2,954.86	5,056.42	5,753.99

Provisional.

7.24. The Current Account improved to record a surplus of K£ 291 million in 1994 compared to a surplus of K£ 288 million in 1993. The adjusted merchandise account balance measured on f.o.b basis improved from a deficit of K£ 891 million to a deficit of K£ 785 million over the same period. The improvement in the current account was mainly due to the increased in exports of coffee, pyrethrum, horticultural products and cement.

TRADE WITH AFRICAN COUNTRIES, 1990 - 1994

Table 7.13 K£'000

	EXPORTS					IMPORTS				
	1990	1991	1992	1993	1994*	1990	1991	1992	1993	1994*
Preferential Trade Area										
P T A										
Uganda	64,043	107,250	122,844	325,976	544,267	1,314	2,651	7,765	15,985	9.292
Tanzania	32,264	54,126	80,985	270,477	454,776	12,508	11,286	14,448	24,440	54,536
Zambia	3,292	4.023	5,763	8,516	8,905	10,419	11,034	15,647	17,642	7,117
Ethiopia	11,762	14,192	18,581	84,521	103,682	57	72	136	72	480
Burundi	7,938	14,548	10,875	22,294	32,728	1,050	139	1,104	2,305	1,401
Somalia	23,433	17,554	49,124	117,543	125,941	62	69	226	48	267
Rwanda	18,259	29,347	22,468	68,217	249,934	431	59	30	115	85
Malawi	1,667	2,425	2,421	6,295	7,267	743	217	54	2,500	661
Mauritius ..	8,823	6,258	9,847	27,731	24.818	373	2,585	1,624	8,822	2,482
Swaziland ..	1,280	2,437	268	138	58	9,167	8,173	14,377	356	145
Zimbabwe ..	12,566	6,796	14,086	11,150	12.561	26,839	19,545	25,671	41,610	64,403
Comoros	2,385	5,952	6,960	15,158	7,959	.	.	26	.	.
Djibouti ..	1,089	4,899	5,914	9,797	15,722	1,095	183	10	9	89
Mozambique	1,378	2,132	506	1,610	1,223	4,321	1,667	37	200	44
Angola	8,649	28	434	68	67	.	1	3	104	62
Lesotho ..	47	48	271	6	15	1,561	37	13	.	2
TOTAL PTA * *. .	198,875	272,015	351,347	969,497	1,589,923	69,940	57,718	81,171	114,208	141,066
Other African Countries:										
Sudan	20,110	28,848	20,382	82,320	72,624	62	83	2,531	3	115
Zaire	6.365	16,251	13,086	28,760	68,799	419	3,177	1,189	3,328	3.989
Egypt	27,224	46.151	66,901	156,548	126,525	69	8,549	169	880	4,256
Algeria & Libya	400	367	32	122	192	5	63	.	9	27
Ghana & Nigeria	3,060	3,563	6,485	7,593	5,071	4,450	537	1,016	1,224	2,183
Reunion	7,024	5,521	5,445	5,676	6,147	139	.	1	.	.
Madagascar and Seychelles	2,659	2,711	3,065	7,979	7,933	145	244	153	93	213
All Other African Countries ..	4,109	4,859	2,749	15,965	31,848	429	8,642	7,835	1,884	639,071
TOTAL	70,951	108,271	118,145	304,963	319,139	5,718	21,295	12,894	7,421	649,854
TOTAL AFRICA	269,826	380,286	469,492	1,274,460	1,909,062	75,658	79.013	94,065	121,629	790,920
Percentage of all Exports/Imports	21.7	24.5	26.9	34.6	44.6	3.0	3.0	3.2	2.4	13.7

* Provisional.

* * The Eastern and Southern Africa Preferential Trade Area became operational on 1st July 1984.

7.25. The summary of changes in Kenya's Balance of Payments Magnitudes is detailed in Table 7.15. Adjusted exports increased by K£ 713 million while adjusted imports rose by K£ 607 million in 1994. Net service earnings decreased by K£ 160 million mainly due to a decline in earnings from other goods and services while grants increased by K£ 58 million or 8 per cent.

7.26. Net official capital inflow decreased by K£ 759 million. Changes on the long-term capital inflow together with changes on the current accounts led to a mild increase in surplus in the basic balance of K£ 851 million in 1994, slightly above a surplus of K£ 837 million recorded in 1993.

KENYA BALANCE OF PAYMENTS, 1992 -1994

Table 7.14

K£million

	1992			1993			1994 *		
	Debits/ Assets	Credits/ liabilities	Net	Debits/ Assets	Credits/ liabilities	Net	Debits/ Assets	Credits/ liabilities	Net
A. -CURRENT ACCOUNT									
1. Merchandise (f.o.b.)	2,568.51	1,617.31	Dr 951.20	4,329.16	3,438.32	Dr 890.84	4,936.21	4,150.89	Dr 785.32
2. Shipment	411.20	88.48	Dr 322.72	693.07	188.72	Dr 504.35	790.25	152.49	Dr 637.76
3. Other Transportation	168.23	474.64	306.41	339.13	800.52	461.39	279.59	670.62	391.03
4. Foreign Travel	46.06	712.71	666.65	138.91	1,222.40	1,083.49	319.03	1,404.80	1,085.77
5. International Investment Income	573.40	2.75	Dr 570.65	1,137.51	9.70	Dr 1,127.81	1,075.01	58.60	Dr 1,016.41
income : Government	124.83	473.30	348.47	203.38	877.97	674.59	241.33	848.12	606.79
Private	187.26	97.93	Dr 89.33	325.73	217.98	Dr 107.75	294.36	184.32	Dr 110.04
8. Unrequited transfers-Government	7.30	352.40	345.10	7.65	280.10	272.45	7.03	351.52	344.49
9. Unrequited transfers-Private	305.01	415.00	109.99	176.25	602.90	426.65	171.12	583.63	412.51
TOTAL CURRENT ACCOUNT	4,391.80	4,234.52	Dr 157.28	7,350.79	7,638.61	287.82	8,113.93	8,404.99	291.06
of which: Visible Balance ..	2,568.51	1,617.31	Dr 951.20	4,329.16	3,438.32	Dr 890.84	4,936.21	4,150.89	Dr 785.32
Invisible Balance	1,823.29	2,617.21	793.92	3,021.63	4,200.29	1,178.66	3,177.72	4,254.10	1,076.38
B. -CAPITAL ACCOUNT									
10.Government Long-term		Dr 104.35	Dr 104.35		442.69	442.69		Dr 317.49	Dr 317.49
11 .Private Long-term	5.11	Dr 19.52	Dr 24.63	0.10	Dr 25.54	Dr 25.64	0.17	Dr 120.47	Dr 120.64
12.Parastatals Long-term		Dr 132.15	Dr 132.15		Dr 286.50	Dr 286.50		Dr 285.85	Dr 285.85
13.Short-term		Dr 6.90	Dr 6.90		856.83	856.83		688.70	688.70
TOTAL CAPITAL ACCOUNT	5.11	Dr 262.92	Dr 268.03	0.10	987.48	987.38	0.17	Dr 35.11	Dr 35.28
C. -ERRORS AND OMISSIONS			Dr 7.71			8.90			9.05
D. -OVERALL BALANCE			Dr 433.02			1,284.10			264.83
E. -MONETARY MOVEMENTS									
14.Change in reserves**	240.17	59.66	Dr 240.17	2,312.46	674.95	Dr 2,312.46	448.67		Dr 448.67
15.Transactions with I.M.F		41.65	41.65		593.12	593.12		46.64	46.64
16.Change in other liabilities..		631.54	631.54		435.24	435.24		137.20	137.20
TOTAL MONETARY MOVEMENTS.. ..	240.17	673.19	433.02	2,312.46	1,028.36	Dr 1,284.10	448.67	183.84	Dr 264.83

* *Provisional.*

** *Reserves are now defined to include Commercial Banks' foreign assets.*

\+ *Revised.*

CHANGES IN KENYA BALANCE OF PAYMENTS MAGNITUDES *, 1992 - 1994

Table 7.15 K£million

		1992	1993	1994
1.	Exports(f.o.b.)**	+ 167.87	+ 1,821.01	+ 712.57
2.	Imports(f.o.b.)**	-233.57	+ 1,760.65	+ 607.05
3.	Services(net)	+ 222.71	+ 140.73	-160.18
4.	Transfers (net)	-24.78	+ 244.01	+ 57.90
5.	Change on current account	+ 138.23	+ 445.10	+ 3.24
6.	Private long term capital (net)	-78.17	-1.01	-95.00
7.	Public long term capital (net)	-371.05	+ 392.69	-759.53
8.	Change on basic balance (net balance on lines 5-7)	-316.99	+ 836.78	-851.29
9.	Short term capital, errors and omissions (net)	+ 27.26	+ 886.34	-167.98
10.	Net change on all above items (Monetary movements)	-192.85	+ 1,717.12	-1,019.27

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

* * Derived from Merchandise Account and hence some adjustments have been effected.

International Liquidity

7.27. Table 7.16 summarises details of the foreign exchange reserves of the central monetary authorities. Total net foreign reserves of the Central Bank of Kenya which rose six-fold in 1993, decreased by 15.9 per cent in 1994 from K£ 1,645 million in 1993 to K£ 1,384 million in 1994. The decrease resulted from valuation changes affecting the unit of account in which the reserves are denominated. The other factor which affected the reserves is the reduction in debt services arrears.

7.28. On the other hand, net foreign liabilities other than those to the International Monetary Fund (IMF) increased by 66.2 per cent in 1994. The subscription to the Fund which almost doubled in 1993, contracted by 30.8 per cent in 1994. The Fund's holding of Kenya currency decreased from K£ 881 million to K£ 609 million. Net use of Fund Credit which remained positive throughout the review period, registered 30.5 per cent decrease. All decreases in the, accounts above are wholly attributed to the valuation changes sighted above. Central Bank SDR holdings decreased from K£ 10 million in 1993 to K£ 4 million in 1994.

7.29. Table 7.17 presents end of year exchange rates of the Kenya Shilling vis-a-vis other selected world currencies. The shilling which depreciated against all selected currencies in 1993, made a remarkable turn-around and appreciated against all those currencies in 1994. This is reflected in the trade weighted exchange rate index which decreased by 30 per cent from 600.0 in 1993 to 419.8 in 1994. The shilling appreciated against the Preferential Trade Area Unit of Account (UAPTA) from Ksh. 94 in 1993 to Ksh. 65 in 1994. On average, during the period ending December 1994, the Kenya Shilling appreciated against all the selected currencies by 43 per cent.

CENTRAL MONETARY AUTHORITIES:FOREIGN EXCHANGE RESERVES, 1990 - 1994

Table 7.16 K£million

As at end of	Central Bank Of Kenya				Total Net Foreign Reserves of Central Government Authorities	Total Net Foreign Reserves of Central Monetary Authorities	General Accounts With I.M.F.			
	S.D.R.'s	Foreign Reserves	Foreign Liabilities (other than to I.M.F.)	Total Net Foreign Reserves of Central Bank*			Sub-scription	I.M.F. holding of Kenya Currency	Net use of Fund Credit * *	Counter part Liability + S.D.R. Account
1990	4.22	296.56	24.65	276.13	9.23	280.31	241.67	441.08	-199.41	62.95
1991	4.50	229.15	6.47	227.18	11.39	231.95	284.83	461.49	-176.66	74.20
1992	8.73	269.80	6.28	272.25	11.35	274.48	497.14	570.22	-73.08	92.22
1993	10.32	1,641.43	7.25	1,644.50	22.49	1,666.99	938.51	880.98	57.53	174.10
1994										
January ..	10.32	1,894.26	6.50	1,898.08	22.40	1,920.57	931.43	874.33	57.51	172.96
February ..	12.32	2,137.39	5.95	2,143.66	22.49	2,166.15	936.46	879.05	57.41	173.27
March	12.22	2,145.46	4.90	2,152.78	22.49	2,175.27	913.41	857.43	55.98	168.76
April	12.22	2,130.00	5.45	2,136.77	22.49	2,159.26	861.19			164.55
May	12.63	2,065.74	4.85	2,073.52	22.49	2,096.01	797.81	748.72	49.09	159.90
June	0.88	2,039.60	4.85	2,035.63	22.49	2,058.12	808.06	758.34	49.72	131.24
July	13.71	2,097.11	12.70	2,098.12	22.49	2,120.61	808.48	754.98	49.50	150.66
August ..	0.02	2,107.37	12.25	2,095.14	22.49	2,117.63	791.14	742.43	48.71	148.06
September ..	0.54	1,991.16	11.40	1,980.30	15.41	1,995.71	702.33	659.04	43.29	1 30.05
October ..	0.55	1,851.70	14.25	1,838.00	15.41	1,853.41	610.79	573.15	37.64	113.31
November ..	0.65	1,475.55	13.85	1,461.05	15.41	1,476.46	667.33	626.20	41.13	124.09
December ..	3.65	1,356.70	12.05	1,384.30	15.97	1,400.27	649.12	609.11	40.01	120.12

Source: Central Bank of Kenya.

• Excludes subscription to I.M.F.

* * Figures with minus indicate use of fund credit.

+ Liability of the member country, corresponding to the issue of S.D.R.'s.

FOREIGN EXCHANGE RATES OF KENYA SHILLING FOR SELECTED CURRENCIES, 1989 - 1994

Table 7.17

CURRENCY	MEAN RATES IN KENYA SHILLINGS					
	31st Dec. 1989	31st Dec. 1990	31st Dec. 1991	31st Dec. 1992	31st Dec. 1993	31st Dec. 1994
1 US Dollar	21 601	24.084	28.074	36.216	68.163	44.839
1 Pound Sterling	34.670	46.470	52.428	54.705	100.916	69.949
1 Deutsche Mark	12.812	16.131	18.486	22.381	39.298	28.889
1 French Franc	3.747	4.743	5.410	6.568	11.567	8.373
1 Swiss Franc	14.036	18.904	20.711	24.721	46.056	34.135
1 Dutch Guilder	11.341	14.298	16.401	19.924	35.127	25.778
1 Swedish Kroner	3.485	4.288	5.060	5.124	8.193	6.030
1 Norwegian Kroner	3.286	4.115	4.697	5.235	9.071	6.601
1 Zambian Kwacha**	1.033	0.509	0.314	0.102	0.103	0.065
1 Austrian Schilling	1.821	2.287	2.627	3.191	5.594	4.115
1 Belgian Franc	0.608	0.781	0.897	1.090	1.899	1.408
1 Danish Kronor	3.289	4.175	4.752	5.793	10.077	7.366
1 Canadian Dollar	18.681	20.764	24.246	28.553	51.308	31.931
1 Finish Marka	5.352	6.673	6.788	6.923	11.780	9.447
1 Australian Dollar	17.162	18.598	21.331	24.971	46.174	34.542
100 Japanese Yen .. .	15.032	17.860	22.352	29.066	60.914	44.953
100 Italian Lira	1.710	2.134	2.441	2.455	3.988	2.766
1 Indian Rupee		1.326	1.085	1.399	2.173	1.434
1 Pakistan Rupee				1.397		1.442
100 Burundi Francs** ..	12.552	14.663	14.691	15.371	25.850	18.170
100 Rwanda Francs**	27.829	19.885	23.436	24.760	46.740	32.320
Overall Weighted Index" 1982=100	199.00	243.60	282.10	314.60	600.00	419.83

* Trade weighted Fisher's Ideal index. The index excludes weighting by unavailable exchange rates

* * P.T.A. Exchange Rates (Zambia, Rwanda and Burundi).

7.30. Although the Kenya shilling appreciated against all selected currencies, the degree of appreciation varied with each country. The shilling appreciated by about 52 per cent against the US dollar; 44 per cent against the sterling pound; 36 per cent against the German Mark and Japanese Yen. Against the US dollar, the shilling appreciated from Ksh. 68.16 in December 1993 to Ksh. 44.84 in December 1994.

CHAPTER 8 - AGRICULTURE

Overview

The agricultural sector recorded growth after four successive years of decline. Rainfall during 1994 was above average and well distributed, especially during the second half of the year. The government for its part, reduced import duties on major agricultural farm inputs like fertilizers and green house sheeting as an incentive to increase agricultural production. The creation of foreign exchange retention accounts and foreign currency auctions were initiated to motivate farmers to increase coffee and tea production. The world market price of coffee went up in 1994 as a result of unfavourable weather condition problems in Brazil, the world's major coffee producer. The Government intervened appropriately in the same year to protect locally produced crops by imposing taxes on imported foodstuffs, especially maize and sugar. The livestock sector recovered as milk deliveries to private firms improved significantly even though this improvement was at the expense of Kenya Co-operative Creameries (K.C.C.). However, the main government slaughter house, Kenya Meat Commission (K.M.C), remained closed due to increased competition from the private sector. Agricultural value added at constant prices increased by 2.8 per cent in 1994, compared to declines of 4.1 and 3.7 per cent in 1993 and 1992, respectively.

AGRICULTURAL OUTPUT AND INPUT, 1990 - 1994

Table 8.1 K£million

	1990	1991	1992	1993	1994*
AT CURRENT PRICES-					
Total Output	2,519.32	2,646.46	2,998.72	3,958.31	4,770.37
Less Inputs	289.66	308.77	316.78	375.20	432.68
Value Added	2,229.66	2,337.69	2,681.94	3,583.11	4,337.69
AT CONSTANT (1 982) PRICES-					
Total Output	1,347.19	1,321.81	1,269.57	1,220.78	1,254.50
Less inputs	155.15	142.88	134.70	132.29	135.21
Value Added	1,192.04	1,178.93	1,134.83	1,088.49	1,119.29

* Provisional.

8.2. The performance of the agricultural sector is reflected in Table 8.1. The growth in agricultural output and value added in 1994 at current prices was 20.5 per cent and 21.1 per cent, respectively. Measured at constant prices, however, these respective growth rates were recorded as 2.8 per cent and 2.8 per cent in 1994. The impact of growth in the agricultural sector was generally felt in the whole economy given its critical linkages with all other economic sectors.

Marketed Production

8.3. Table 8.2 details the value of recorded marketed production of agricultural commodities at current prices between 1990 and 1994. Total sales of agricultural produce handled by marketing boards rose from K£ 2,161.1 million in 1993 to K£ 2,618.0 million in 1994, a rise of 21.1 per cent. The increase is mainly attributed to the improvement in prices of principal commodities, including coffee, maize, wheat, sugar-cane and dairy products. In-spite of substantial increases in the value of sugar

cane and sisal in 1994, a decline in the quantity delivered to the marketing boards was observed in the year under review. This is explained by the loss of monopoly control by the agricultural marketing boards as a result of economic liberalisation.

RECORDED MARKETED PRODUCTION AT CURRENT PRICES, 1990 - 1994

Table 8.2 K£million

	1990	1991	1992	1993	1994*
CEREALS-					
Maize	56.9	46.4	76.9	98.0	150.1
Wheat	32.0	49.9	35.3	20.6	63.1
Others	2.1	35.1	40.8	41.7	75.8
Total	90.9	131.4	153.0	160.2	289.0
TEMPORARY INDUSTRIAL CROPS-					
Sugar-cane	91.4	107.4	115.2	158.6	256.8
Pyrethrum	12.6	16.5	19.0	19.9	18.7
Others	22.7	15.7	20.8	19.7	29.1
Total	126.7	139.6	155.1	198.1	304.6
OTHER TEMPORARY CROPS	18.7	13.2	8.0	8.0	10.1
PERMANENT CROPS-					
Coffee	203.4	202.7	218.3	384.8	587.9
Tea	346.9	390.0	446.7	993.4	915.0
Sisal	18.1	18.8	16.7	16.9	18.8
Others	3.1	3.3	4.1	9.5	10.3
Total	571.4	614.9	685.8	1,404.6	1,532.0
TOTAL CROPS	807.7	899.1	1,001.8	1,771.0	2,135.7
LIVESTOCK AND PRODUCTS-					
Cattle and Calves ..	164.0	193.8	207.1	235.2	252.7
Dairy Produce	84.3	78.9	63.8	97.2	161.5
Others	43.1	48.3	49.3	57.8	68.1
Total	291.4	321.0	320.2	390.2	482.3
GRAND TOTAL	1,099.1	1,220.1	1,322.0	2,161.1	2,618.0

*Provisional.

8.4. Table 8.3 sets out quantum and price indices of the sales of selected agricultural products to marketing boards. In 1994, the overall quantum index went up by 5.7 per cent, compared to a decline of 1.7 per cent recorded in 1993. The overall growth rate was affected by declines in the production of sugar-cane, pyrethrum and cotton. Overall prices of agricultural products delivered to the marketing boards increased by 23.1 per cent in 1994, due to higher unit prices paid to farmers.

8.5. Prices paid to farmers for most agricultural commodities continued an upward trend in 1994. This is due to further liberalisation of the agricultural sector and the Government's desire to stimulate agricultural production. Table 8.4 shows price increases in 1994 for all commodities except tea, which declined by 5.4 per cent as a result of the appreciation of the Kenya shilling against major world trading currencies. Notable increases between 1993 and 1994 were observed for sugar-cane, milk, and coffee, which went up by 88.0 per cent, 60.2 per cent and 45.9 per cent, respectively. The general rising trend in prices of commodities is expected to boost farmers morale to produce more and make the country self-sufficient in food production.

VOLUME AND PRICE INDICES OF SALES TO MARKETING BOARDS, 1990 - 1994

Table 8.3 **1982 = 100**

	1990	1991	1992	1993	1994*
QUANTUM INDICES-					
Cereals	67.9	72.3	59.9	41.4	56.3
Temporary Industrial Crops ..	99.3	95.7	91.4	93.1	81.7
Permanent Crops	155.9	143.2	137.3	142.3	142.1
TOTAL CROPS	131.4	124.0	117.4	116.3	121.4
Livestock and Products	94.9	98.9	79.5	82.0	88.1
TOTAL GROSS MARKETED PRODUCTION	125.0	119.1	109.3	107.4	113.5
PRICE INDICES-					
Cereals	246.9	294.2	396.9	587.0	814.5
Temporary Industrial Crops ..	242.2	253.4	290.4	364.1	623.3
Permanent Crops	154.3	181.1	205.9	396.0	474.5
TOTAL CROPS	184.2	211.2	250.9	423.3	516.9
Livestock and Products	197.6	211.6	276.7	321.5	409.6
TOTAL GROSS MARKETED PRODUCTION	193.5	215.8	256.0	399.8	492.1

* Provisional.

Data on livestock is from slaughter houses

8.6. The data on sales from large and small farms to marketing boards is shown in Table 8.5. The share of marketed production through the marketing boards from small farm holders continued to increase in 1994. The value of output from small and large farms, delivered to the marketing boards rose by 24.6 per cent and 14.1 per cent, respectively. The continued dominance of small farms in marketed production may be attributed to the sub-division of large farms.

8.7. Improvements in agricultural production in 1994 is also partly reflected in the use of inputs. Table 8.6 provides both quantum and price indices of selected agricultural inputs. Between 1993 and 1994, the quantum index increased from 122.1 to 124.0, a rise of 1.6 per cent, after falling during the previous two years. There was a notable increase in the use of all inputs except gunny bags which remained almost at the 1993 levels. Price indices continued to show an upward trend with the general input price index increasing from 328.4 in 1993 to 427.5 in 1994. Declining inflationary pressures and appreciation of Kenya Shilling in 1994 helped revive application of purchased agricultural inputs by farmers.

8.8. Values of various purchased agricultural inputs are shown in Table 8.7. The cost of inputs has direct bearing on the overall performance of the sector and such material and service inputs should be readily available to farmers at affordable prices. To achieve this goal the Government reduced import duty on some material inputs and made importation of others duty free. The total value of inputs purchased increased by 11.3 per cent from K£ 297.7 million in 1993 to K£ 331.5 million in 1994. The annual rise in prices was significantly lower than the 33.7 increase of 1993 on account of declines in input prices at retail level.

AVERAGE GROSS COMMODITY PRICES TO FARMERS, 1990 - 1994

Table 8.4 KSh. per stated unit

	UNIT	1990	1991	1992	1993	1994**
Coffee	100kg	3,636.00	4,654.00	4,936.60	9,886.00	14,427.80
Tea	'"	3,521.00	3,848.00	4,750.00	9,241.45	8,738.40
Sisal	'"	918.20	944.00	980.00	989.00	1,100.00
Sugar-cane	Tonne	447.50	521.06	630.00	826.00	1,553.00
Pyrethrum(extract equivalent)	Kg	1,800.00	1,800.00	1,800.00	1,800.00	2,175.00
Seed Cotton	100Kg	981.00	998.00	990.00	1,323.00	1,913.50
Maize	,,	261.67	305.56	474.70	810.40	950.00
Wheat	,,	450.00	500.00	560.26	565.00	1,200.00
Beef(third grade)		2,200.00	2,500.00	2,600.00	2,710.00	3,000.00
Bacon Pigs		2,345.20	2,911.25	3,916.84	5,465.60	5,964.00
Milk	100 litres	435.00	440.00	580.00	780.00	1,250.00

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

* *Provisional.

SALE TO MARKETING BOARDS FROM LARGE AND SMALL FARMS, 1990 -1994

Table 8.5

YEAR	LARGE FARMS		SMALL FARMS		TOTAL		PERCENTAGE
	K£ mn.	Annual Percentage change	K£ mn.	Annual Percentage change	K£ mn.	Annual Percentage change	SHARE OF SMALL FARMS
1990	481.77	-5.20	617.30	24.73	1,099.07	9.60	56.17
1991	489.53	1.61	730.60	18.35	1,220.13	11.01	59.88
1992	496.21	1.36	821.63	12.45	1,317.83	8.00	62.34
1993	774.54	56.10	1,386.57	68.11	2,161.11	64.00	64.16
1994*	883.93	14.12	1,727.37	24.58	2,611.30	20.83	66.15

* Provisional.

8.9. A comparison between prices of agricultural output and input costs is presented in Table 8.8. Both agricultural output and input prices have been increasing each year in response to the changing micro-economic environment. However, indices of input prices paid have had a greater long-term rate of increase over-time. The result is therefore a downward trend in agricultural terms of trade between 1990 and 1994.

8.10. Although dry weather conditions continued into early 1994, the long rains started on time, in late March; all the Agromet Stations recorded increased precipitation rainfall when compared to 1993. In general, there was adequate and well distributed rainfall in both crop seasons, except in December when there was a significant drop in precipitation. The overall accumulated rainfall for 1994 increased by 23.4 per cent.

AGRICULTURAL INPUT INDICES *, 1990 - 1994

Table 8.6 1982 = 100

	1990	1991	1992	1993	1994 * *
QUANTUM INDICES-					
Fertilizers	146.6	144.7	93.9	88.4	94.4
Fuel and Power	121.1	114.9	109.9	112.9	116.8
Bags	94.1	96.2	99.7	101.7	101.3
Manufactured Feeds	260.1	269.4	265.2	266.9	271.7
Purchased Seeds	107.4	98.8	115.7	110.2	120.4
Other Material Inputs	92.2	93.5	96.9	96.3	99.9
Total Material Input	134.9	134.0	124.5	123.9	125.8
Service Inputs	105.2	106.7	110.6	108.9	112.1
TOTAL INPUTS	131.0	130.8	122.8	122.1	124.0
PRICE INDICES-					
Fertilizers	202.3	212.4	233.6	310.1	227.2
Fuel and Power	224.1	252.7	303.6	459.2	576.4
Bags	162.4	171.0	137.9	241.8	294.9
Manufactured Feeds	188.3	226.6	254.5	328.3	578.3
Purchased Seeds	238.2	279.1	336.6	576.9	848.5
Other Material Inputs	154.6	173.7	201.1	257.4	313.9
TOTAL MATERIAL INPUT	188.8	222.1	244.5	349.8	460.4
SERVICE INPUTS	153.2	160.3	164.9	185.0	207.7
TOTAL INPUTS	186.7	216.1	235.1	328.4	427.5

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

* * Provisional.

PURCHASED AGRICULTURAL INPUTS * 1990 - 1994

Table 8.7 K£million

	1990	1991	1992	1993	1994**
MATERIAL INPUTS-					
Fertilizers	48.47	51.40	38.48	49.57	52.16
Other Agricultural Chemicals	11.13	12.90	12.39	14.04	14.01
Livestock Drugs and Medicines..	18.82	20.44	18.73	22.24	23.00
Fuel and Power	34.58	36.21	45.04	92.69	112.79
Bags	11.47	12.64	13.87	14.64	15.81
Manufactured Feeds	31.18	32.07	33.78	36.67	39.05
Purchased Seeds	27.09	29.25	34.76	39.46	45.14
Other Material Inputs	8.47	9.07	9.36	10.24	10.55
Total	191.21	203.98	206.41	279.55	312.51
SERVICE INPUTS	14.18	15.75	16.26	18.24	19.01
TOTAL INPUTS	205.39	219.73	222.67	297.79	331.52

* Except labour.

* * Provisional.

8.11. Table 8.9 shows estimated production of maize, beans, potatoes, sorghum and millet derived from bi-annual crop forecast surveys. Overall maize production rose by 34.4 per cent, from 17.7 million bags in 1993/94 crop year to 23.8 million bags during

1994/95 crop year. Output of beans more than doubled, while production of potatoes increased by 26.1 per cent. Both the output of sorghum and millet rose by 22.1 per cent and 20.5 per cent, respectively. The general improvement in output of these food crops is attributed to among other factors the good weather that prevailed in the year 1994.

PRICE AND TERMS OF TRADE INDICES FOR AGRICULTURE, 1990 - 1994

Table 8.8 1982 = 100

	1990	1991	1992	1993	1994 *
General Index of Agricultural Output Prices **	187.0	200.2	236.2	324.2	380.7
PRICE PAID-					
Purchased Inputs	186.7	216.1	235.1	328.4	427.5
Index of Purchased Consumer Goods-Rural Areas	205.9	228.6	284.8	430.3	565.5
INDICES OF PRICES PAID	196.5	214.4	263.9	372.2	438.6
Agricultural Sector terms of Trade	95.2	93.4	89.5	87.1	86.8

* Provisional.

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

ESTIMATED PRODUCTION OF SELECTED AGRICULTURAL COMMODITIES IN AGRICULTURAL YEARS, 1990/91 - 1994/95

(Based on Crop Forecast Surveys)

Table 8.9 million bags

CROP	1990/91	1991/92	1992/93	1993/94	1994/95*
Maize	25.44	22.05	23.40	17.73	23.83
Beans	2.34	2.10	2.39	1.25	2.82
Potatoes	2.13	1.95	2.26	1.99	2.51
Sorghum	0.88	0.82	0.95	0.86	1.05
Millet	0.40	0.35	0.45	0.39	0.47

* Provisional.

8.12. Table 8.10 shows the average prices in Kenya shillings per kilogram of maize, beans, potatoes, sorghum and millet in various rural markets for the months of March and September. Due to poor crop harvest in 1993, prices of these food crops attained an all time high in the month of March 1994. This trend was however reversed in the month of September 1994 when almost all the prices declined. This was attributed to favourable weather and benefits of macro-economic stability in the domestic economy.

Production By Crop

8.13. The agricultural sector performed well in 1994. Favourable weather conditions, declining inflation, and domestic macro economic stability helped revive growth in the sector. Instability in the world coffee market helped sustain Kenyan coffee export earnings, while the appreciation of the Kenya shilling against the major world trading

currencies weakened agricultural export earnings. The liberalisation of agricultural marketing in 1994 resulted in monopoly losses by various marketing boards while sugar and cotton industries were adversely affected by imports. However, with the full liberalisation in agricultural marketing, farmers both in food surplus and deficit regions need to form co-operatives or unions (small groups) to market their produce in addition to importing agricultural farm inputs to avoid exploitation by middlemen.

RURAL MARKET PRICES FOR SELECTED FOOD CROPS
BY PROVINCE, 1991 - 1994

Table 8.10 KSh. per Kg.

CROP	Province	1991		1992		1993		1994	
		March	Sep-tember	March	Sep-tember	March	Sep-tember	March	Sep-tember
Maize	Coast	3.80	4.50	8.25	9.50	10.20	13.50	19.50	18.32
	Eastern	3.05	3.70	4.50	11.05	8.18	12.33	11.08	12.58
	Central	3.60	4.78	5.70	11.63	7.78	12.16	17.41	13.08
	Rift Valley	3.70	5.39	7.50	11.35	9.00	11.50	14.50	10.12
	Nyanza	3.10	3.88	5.20	7.50	6.90	10.36	14.73	8.92
	Western	3.20	4.80	5.42	7.60	8.18	10.41	13.54	8.55
Beans	Coast	12.70	12.90	14.50	18.40	30.30	28.88	28.13	40.00
	Eastern	6.50	6.50	7.40	12.60	12.58	22.75	23.04	24.02
	Central	8.11	9.00	10.70	12.70	15.44	27.03	33.31	27.04
	Rift Valley	8.00	10.60	15.50	15.90	20.29	23.95	34.98	26.23
	Nyanza	7.22	7.60	9.60	11.45	13.65	21.70	38.77	26.02
	Western	7.26	7.21	10.15	12.98	16.10	22.70	29.16	30.94
Potatoes	Coast	8.05	8.45	13.90	18.20	15.20	18.00	22.40	20.00
	Eastern	3.80	4.20	3.90	5.00	6.75	8.10	12.04	8.78
	Central	3.65	5.90	4.68	5.60	6.00	7.20	12.23	7.34
	Rift Valley	3.00	3.20	8.98	8.30	4.75	8.25	11.03	7.21
	Nyanza	8.20	8.35	8.75	9.65	5.55	10.20	14.86	6.74
	Western	3.70	4.35	6.20	6.50	9.30	9.85	16.74	9.28
Sorghum	Eastern	10.20	8.30	9.70	10.20	9.38	11.55	19.68	11.56
	Nyanza	4.91	5.10	5.52	7.17	6.25	11.15	18.50	10.64
	Western	6.90	6.20	6.78	5.80	7.66	10.75	15.10	10.06
Millet	Eastern	14.20	15.00	10.20	14.75	11.35	14.55	20.89	19.56
	Rift Valley	12.40	8.95	14.70	12.20	11.65	13.25	21.74	17.66
	Nyanza	9.00	8.50	8.40	10.80	9.65	17.05	19.56	19.55
	Western	9.10	7.10	8.25	8.70	10.85	12.25	17.00	20.31

8.14. ***Maize:*** - Estimated production of maize in the crop year 1994/95 was 23.8 million bags, the highest since 1991/92, as shown in Table 8.9. This was due to a combination of factors, namely good weather, low prices of fertilizers, and complete liberalization of grain marketing. In the year 1994. a bumper maize harvest, however coupled with large quantities of imported maize, reduced the price of maize at farm-gate level to a low Kshs.450 per 90 kg bag. Despite low maize prices in the open market, the National Cereal and Produce Board (NCPB) bought maize from farmers at Kshs 950 per 90 kg bag, in its role to maintain strategic food reserves.

SALE OF SOME MAJOR CROPS TO MARKETING BOARDS, 1990 - 1994

Table 8.11

CROP	UNIT	1990	1991	1992	1993	1994 *
Maize	'000 tonnes	527.7	303.5	324.1	241.8	316.0
Wheat	"	78.5	199.0	125.9	73.1	105.2
Rice Paddy +	"	-	12.9	14.2	11.4	13.5
Cotton	"	18.8	8.4	2.8	2.5	1.8
Coffee	"	111.9	87.1	88.4	77.8	81.5
Tea	"	197.0	203.6	188.1	211.1	209.4
Sisal	"	39.3	38.8	34.1	35.1	33.9
Sugar-cane	mn. tonnes	4.2	4.0	3.7	4.0	3.3
Pyrethrum (Extract Equivalent)	tonnes	136.4	183.8	211.6	234.9	172.2

* Provisional.

\+ No purchases of paddy by NCPB in 1990.

8.15. ***Wheat:*** **-** The production of wheat increased by 40.2 per cent in 1994, from 76.9 thousand tonnes in 1993 to 107.8 thousand tonnes in 1994. Table 8.12 presents the details of wheat productions and imports. Inspite of increases in production of wheat in 1994, the demand for wheat was higher and a record 353.1 thousand tonnes was imported compared to 314.4 thousand tonnes in 1993, an increase of 12.3 per cent.

PRODUCTION AND IMPORTS OF WHEAT, 1990 - 1994

Table 8.12 '000 Tonnes

YEAR	PRODUCTION *	IMPORTS	TOTAL
1990.. ..	190.1	322.6	512.7
1991	195.0	450.0	645.0
1992.. ..	125.9	100.8	226.7
1993.. ..	76.9	314.4	391.3
1994 * *	107.8	353.1	460.9

* Includes retention for seed.

* * Provisional.

8.16. ***Coffee:*** **-** The coffee industry improved in 1994 after a period of degeneration in the 1980's upto the year 1993. Overall, 81.5 thousand tonnes of coffee were delivered to the Coffee Board of Kenya in the year under review compared to 77.8 thousand tonnes in 1993. The gradual improvement of world coffee prices since 1991, the high premium fetched for Kenyan coffee, and a package of coffee trading incentives, helped revive the Kenya coffee industry. Coffee prices in the world market continued to rise in 1994, reaching a record K£ 7,214 per tonne compared to K£ 5,037 and K£ 2,773 per tonne, in the two previous years. These high prices were boosted by turbulence in the international market as a result of bad weather in Brazil, and failure of the producers and consumers to negotiate a new coffee agreement.

8.17. ***Tea:*** **-** The dry weather which prevailed at the end of 1993 continued into the first quarter of 1994 with the seasonal rains arriving late in March. Due to the unfavourable weather, the half yearly cumulative production was only 91.6 thousand

tonnes, 19.3 per cent below the similar period in 1993. In July and August cold, wet and sometimes windy conditions prevailed while in September warmer weather resulted in some improvement in growth and the crop deficit for the third quarter was drastically reduced. The short rains in October and November continued into an unseasonably wet early December resulting in heavy cropping. Tea production figure for the year 1994 was 209.4 thousand tonnes which was less than 1.0 per cent below the 1993 production of 211.2 thousand tonnes.

COFFEE PRODUCTION BY AREA, EXPORT QUOTA AND AVERAGE YIELD PER GROWER, 1989/90 - 1993/94

Table 8.13

	1989/90	1990/91	1991/92	1992/93	1993/94*
AREA (Ha) '000-					
Co-operatives	1 16.4	117.4	116.7	120.2	120.5
Estates	36.7	38.0	37.1	38.0	38.2
TOTAL	153.1	155.4	153.8	158.2	158.7
Production (tonnes) '000-					
Co-operatives	69.5	51.3	51.0	42.4	41.3
Estates	34.4	35.1	34.3	32.7	38.6
TOTAL	103.9	86.4	85.3	75.1	79.9
Average yield (kg./Ha.)-					
Co-operatives	595.0	569.3	440.0	352.7	342.7
Estates	937.0	930.0	925.1	860.5	1,012.6

* Provisional.

TEA PRODUCTION BY AREA. PRODUCTION AND AVERAGE YIELD. 1 990 - 1 994

Table 8.14

	1 990	1 991	1 992	1 993	1994*
AREA (Ha)'000					
Smallholder	67.00	68 80	72 1 6	73.1 1	73.84
Estates	30.00	31 00	31 34	31.75	32.07
Total	97.00	99 80	103 50	104.86	105.91
PRODUCTION (Tonnes)'000					
Smallholder	1 10.00	112 70	99 81	112.53	119.08
Estates	87.00	90 90	88 26	98.63	90.34
Total	1 97.00	203 60	1 88 07	211.16	209 42
AVERAGE YIELD (Kg/Ha)					
Smallholder	1,945.30	1.981 70	1,729 80	1.942.42	1,776,29
Estates	3,123.80	3,184 40	3,033 40	3,339.10	3.013.39

* Provisionsal

8.18. Out of the total production, local tea sales accounted for 12.6 thousand tonnes compared to 13.7 thousand tonnes in 1993 showing a declining demand for tea in the domestic market after the price increases which followed the liberalisation of the trade. Similarly, tea registered for export by the Tea Board of Kenya reached 183.2 thousand tonnes valued at K£ 91.3 million. For the first time in the history of Kenya, tea exports to Pakistan overtook those to the United Kingdom. Other important markets were Egypt, Sudan, Ireland, Canada, Yemen, Netherlands, Afghanistan and United States of America.

8.19. The appreciation of the Kenya shillings against the dollar resulted in lower returns to the growers compared to the attractive rates of exchange in 1993. The first auction in 1994 reflected an exchange rate of Kshs 68.14 to the Dollar but in the final weeks of the year the shilling had strengthened to around Kshs 44.00, a rise of approximately 35 per cent. However in dollar terms, the Kenyan average price at Mombasa auction had shown a slight improvement.

8.20. *Cotton:* - During the year 1994, production of cotton declined despite good prices offered by the cotton ginneries. Similarly, as a consequence of liberalisation of cotton marketing, deliveries of cotton to the Cotton Lint and Seed Marketing Board (CL&SMB) were significantly reduced. Cotton farmers were supplied with unsuitable cotton seed and as a result most crops planted failed to flower. This is a consequence of liberalisation where by some farmers' unions and private firms took advantage of liberalised market to import inappropriate cottonseed. Output of cotton is likely to decline further due to competition between domestic textile industry and imported textile. As shown in Table 8.11, production of cotton declined by 3.4 per cent. Consequently, producer prices for a 100 kg bale of cotton increased from Kshs 1,323 in 1994 to Kshs 1,913 in 1994.

8.21. *Sugar-cane:* - Data on sugar-cane production by type of grower is presented in Table 8.15. Inspite of high demand for sugar in Kenya, sugar-cane production went down by 13.8 per cent from 3,839.4 thousand tonnes in 1993 to 3,308.1 thousand tonnes in 1994. The reduced sugar-cane production was precipitated by increased

SUGAR CANE PRODUCTION BY TYPE OF GROWER, 1990 - 1994

Table 8.15 '000 tonnes

TYPE OF GROWER	1990	1991	1992	1993	1994*
Factory Estates	547.6	561.6	638.0	576.5	387.9
Large Farms	172.8	227.1	147.1	342.2	258.1
Small-Holders	3,108.3	3,016.8	2,613.8	2,394.7	2,336.5
Co-operative Societies	149.1	65.3	115.2	267.5	206.9
Settlement Schemes	222.2	177.1	142.5	375.8	118.7
TOTAL	4,200.0	4,047.9	3,656.6	3,956.7	3,308.1

* Provisional.

PRODUCTION, IMPORTS AND CONSUMPTION OF SUGAR, 1990 - 1994

Table 8.16 '000 Tonnes

YEAR	PRODUCTION	IMPORTS	CONSUMPTION
1990	434.00	64.10	498.10
1991	434.28	59.67	493.95
1992	371.79	153.17	524.96
1993	385.21	65.30	450.5 1
1994	303.87	272.90	576.77

* Provisional

importation of sugar into the country in response to the liberalisation of the economy. During 1994, the amount of sugar imported into the country was 272.9 thousand tonnes, compared with 65.2 thousand tonnes in 1993. This resulted in Kenyan sugar factories taking a long time to clear their sugar stocks. In order to contain further decline in production of sugar-cane, the sugar milling industries announced incentive price packages, designed to encourage sugar-cane farming by all categories of growers.

8.22. *Horticulture:* - In an effort to further boost development of the horticultural industry in Kenya, several production incentives were announced in the 1994 Budget. These included the duty free importation of fertilizers and green house sheeting. Similar tax exemptions were offered for tools and inputs used in the industry. This, consequently greatly enhanced the performance of the sector. Table 8.17 shows that both the volume and value of horticultural produce exported increased by 5.0 per cent and 5.7 per cent respectively in the period under review.

EXPORTS OF FRESH HORTICULTURAL PRODUCE, 1990 - 1994

Table 8.17

YEAR	VOLUME '000 Tonnes	VALUE K£million
1990.. ..	49.2	71.6
1991	50.6	84.6
1992.. ..	62.3	125.8
1993	62.1	233.6
1994 * *	65.2	246.8

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

* * Provisional.

8.23. A number of obstacles, however, constrained development in the sector. These included inadequate air cargo capacity, high freight rates resulting in the Kenyan produce becoming less competitive in international markets, appreciation of Kenya shilling against hard world currencies, high quality standards in the world market and lack of cooling facilities both at the production areas and the airports. Since horticultural production is confined to areas close to Nairobi for the reason that the products are perishable, the completion of Eldoret International Airport will greatly help in promotion of horticultural farming in the Rift Valley, Western and Nyanza Provinces.

8.24. ***Pyrethrum:*** - Unfavourable weather conditions that prevailed in the first half of 1994. adversely affected production of pyrethrum. Production during the first half of 1994 more than halved to 53.8 tonnes compared to 118.7 tonnes in 1993. The total pyrethrum (extract equivalent) deliveries to marketing boards in 1994 was 172.2 tonnes compared to 234.9 tonnes in the year 1993. As a result, the supply constraints for pyrethrum products resulted in a 20.8 per cent increase in their prices in the world market.

8.25. ***Sisal:*** - Production of sisal declined marginally in 1994 from 35.1 thousand tonnes in 1993 to 33.9 thousand tonnes in 1994. The consistent decline in output of sisal for the last four years has been aggravated by the introduction into the market of synthetic packaging materials substitutes.

Irrigation

8.26. Table 8.18 shows the progress and production at seven major irrigation schemes in Kenya. The area cropped in hectares increased by a marginal 3.2 per cent while no significant change was noted in the number of plot holders in the period under review. The gross value of output increased substantially by 53.9 per cent, mainly attributed to increases in producer price of rice in the year under review. The payments to plot holders increased by 29.0 per cent, from K£ 6,302 thousand in 1992/93 to K£ 8,127 thousand in 1993/94.

PROGRESS AND PRODUCTION AT SEVEN IRRIGATION SCHEME AREAS, 1989/90-1993/94

Table 8.18

	1989/90	1990/91	1991/92	1992/93	1993/94*
MWEA-					
Area cropped-Hectares	5,820	5,802	5,815	5,846	5,882
Plot-holders-Number	3,248	3,240	3,240	3,240	3,242
Gross value of output-K£'000	5,605	5,668	8,083	7,388	11,845
Payments to plot-holders-K£'000 ..	3,239	3,099	4,066	4,585	6,684
ALL (7) SCHEME AREAS-					
Area cropped-Hectares	10,893	9,365	9,867	8,635	8,910
Plot-holders-Number	7,776	7,688	7,676	7,099	7,109
Grossvalueofoutput-K£'000	9,108	8,256	10,103	10,385	15,986
Payments to plot-holders-K£'000 ..	5,056	4,413	5,079	6,302	8,127
CROPS PRODUCED - Tonnes					
Mwea-Paddy	26,713	25,504	29,274	23,448	24,205
Ahero-Paddy	2,783	2,986	2,800	1,990	2,712
W.Kano-Paddy	2,124	3,890	2,546	2,303	2,997
Bunyala-Paddy	941	403	1,000	1,045	1,073
Total Paddy	32,561	32,783	35,620	28,786	30,987
Tana-Cotton	1,324			-	
Bura-Cotton	1,425	1,678	926		-
Pekera-Onions	1,218	1,630	1,152	1,914	997
-Chillies	234	368	157	226	160
-Cotton	-	-	-	117	75
-Water Melon	-	-	-	524	264
-Paw-paw				220	265

*Provisional.

8.27. As a result of above average rainfall recorded in 1994, total paddy production increased from 28.8 thousand tonnes in 1992/93 to 31.0 thousand tonnes in 1993/94, a rise of 7.6 per cent. Both Ahero and West Kano irrigation schemes recorded increases of 36.3 per cent and 30.1 per cent respectively in paddy output. Output of onions, chillies, cotton and water melons from the Pekera irrigation scheme declined

significantly. This is attributed to reduction of the areas cropped from 288 hectares in 1992/93 to 208 hectares in 1993/94.

Livestock and Livestock Products

8.28. Table 8.19 shows the production and sale of livestock and dairy products. The amount of milk handled by Kenya Co-operative Creameries (K.C.C.) and private firms registered by the Kenya Dairy Board (K.D.B.) increased from 249 million litres in 1993 to 258 million litres in 1994, a rise of 3.6 per cent. The deliveries to the K.C.C. significantly dropped from 224.7 million litres in 1993 to 219.7 million litres in 1994. The volume of milk handled by firms under K.D.B. registered a 58.9 per cent increase from 24.3 million litres in 1993 to 38.6 million litres in 1994. This may be attributed to the full liberalisation of the milk industry, hence the diversion of milk deliveries from the formerly dominant K.C.C. to other private firms. Output of wholemilk and cream decreased by 12.8 per cent while that of cheese fell by 42.7 per cent, respectively. There was a notable increase in production of dried wholemilk powder from 784 tonnes in 1993 to 2,237 tonnes in 1994 and "other products" from 20 tonnes in 1993 to 218 tonnes in 1994.

PRODUCTION AND SALE OF LIVESTOCK AND DAIRY PRODUCTS, 1990 - 1994

Table 8.19

	UNIT	1990	1991	1992	1993	1994 *
KENYA CO-OPERATIVE CREAMERIES						
Recorded Milk Production**	Mn. Litres	392	359	220	249	258
Milk Processed:						
Wholemilk and cream	Mn. Litres	340	321	207	234	204
Butter and ghee	Tonnes	4,550	3,479	3,143	2,394	2,409
Cheese		172	250	172	220	126
Dried wholemilk powder		1,396	975	656	784	2,237
Dried skim-milk powder..		2,992	3,035	3,015	1,961	2,120
Other products		399	387	1,056	20	218
Livestock slaughtered						
Cattle and Calves	'000 Head	828	969	921	980	991
Sheep and Goats		1,206	1,345	1,278	1,280	1,310
Pigs		84	83	81	88	91
KENYA MEAT COMMISSION						
Intake of:						
Cattle and Calves..	'000 Head	68	59	25	-	-
Sheep and Goats		10	6			

* Provisional.

** Including sale licensed by the Kenya Dairy Board.

8.29. The total number of livestock slaughtered in the country increased by a marginal 1.9 per cent in the year under review. The number of cattle and calves, sheep and goats, and pigs registered marginal increases of 1.1 per cent, 2.3 per cent and 3.4 per cent, respectively. Good rainfall in 1994 discouraged farmers from selling most of the livestock. The Kenya Meat Commission remained closed in 1994 but there are hopes of reviving it during the year 1995.

Agricultural Training

8.30. Table 8.20 presents enrolments into Agricultural Training institutions. Both institutions offering diploma and certificate courses in agriculture did not register any significant variation in enrolment in 1994 when compared to 1993, except Bukura which had 11.8 per cent increase in intake at the diploma level . A similar case was observed in the institutions of Animal Health and Industry Training except for Kabete which registered 15.3 per cent increase in intake. The Naivasha Dairy Training School and Athi River Meat Training School both offering short-term vocational courses recorded 40.3 per cent and 25.4 per cent decline in student intake, respectively.

ENROLMENT IN AGRICULTURAL TRAINING INSTITUTIONS *, 1990 -1994

Table 8.20 Number

	1990	1991	1992	1993	1994**
DIPLOMA LEVEL					
Bukura Institute of Agriculture		-	105	102	114
CERTIFICATE LEVEL-					
Bukura Institute of Agriculture	400	400	400	-	-
Embu Institute of Agriculture	400	200	200	201	200
Kilifi Institute of Agiculture	200	200	200	200	200
Animal Health & Industry Training Institutes					
Kabete	233	186	322	157	181
Nyahururu	161	137	116	111	109
Ndomba	324	328	322	272	269
SHORT-TERM VOCATIONAL COURSES-					
Naivasha Dairy Training School	135	143	156	119	71
Athi River M.T. School	61	112	64	71	53

Institutions under the Ministries of Agriculture and Livestock Development.

* * Provisional.

Co-operatives

8.31. The growth rate of the number of societies and unions registered the lowest level since 1990 with a rise of 1.9 per cent in 1994, as reflected in Table 8.21. This was attributed to the structural Adjustment Program that articulated for market liberalisation hence lowering the demand for formation of new societies. In this regard, only 36 new agricultural societies were formed in 1994 as compared to 138 in 1993. Savings and Credit and other Non-Agricultural Societies designed to mobilize rural savings, on the other hand registered increases of 2.0 per cent and 3.7 per cent respectively.

8.32. Table 8.22 shows the sale of selected agricultural produce by co-operatives and their contribution to gross farm revenue. Except for the sale of coffee and pyrethrum handled by co-operatives which recorded respective increases of 49.7 per cent and 35.0 per cent, others registered significant declines. The sale of sugar cane, cotton and dairy products declined by 36.7 per cent, 55.6 per cent and 12.3 per cent respectively, attributed to structural problems in the industries. Consequently, the percentage share of each of these crops marketed by Co-operatives to the gross farm revenue continued to decline in 1994.

NUMBER OF SOCIETIES AND UNIONS BY TYPE, 1990 - 1994

Table 8.21 Number

TYPE OF SOCIETY	1990	1991	1992	1993	1994
Coffee	207	208	211	213	213
Sugar-cane	91	91	91	91	91
Pyrethrum	56	56	56	56	56
Cotton	81	81	82	82	82
Dairy	192	194	197	207	210
Multi-produce	942	971	1,038	1,111	1123
Farm Purchase	198	212	212	221	221
Fisheries	62	64	66	67	68
Other Agricultural Societies	522	539	556	599	619
TOTAL	2,351	2,416	2,509	2,647	2,683
Savings and Credit	2,251	2,339	2,470	2,616	2668
Other Non-Agricultural Societies	722	763	778	818	848
TOTAL	2,973	3,102	3,248	3,434	3,516
Unions	76	76	76	76	77
TOTAL	5,400	5,594	5,833	6,157	6,276

SALE OF SELECTED AGRICULTURAL PRODUCE BY CO-OPERATIVE AND THEIR CONTRIBUTION TO GROSS FARM REVENUE *, 1990 - 1994

Table 8.22

YEAR	COFFEE	SUGAR-CANE	PYRETHRUM	COTTON	DAIRY PRODUCTS	TOTAL
	Sale K£million					
1990	131.00	44.47	8.22	8.90	48.65	241.24
1991	112.65	11.30	7.00	2.75	21.75	155.45
1992	119.50	7.50	9.45	1.25	46.70	184.40
1993	266.60	15.00	13.80	2.75	40.35	338.50
1994**	399.20	9.50	18.63	1.22	35.40	464.45
	Percentage Share					
1990	64.42	46.35	65.00	90.00	58.00	60.00
1991	61.50	10.52	66.00	88.00	33.00	59.00
1992	54.75	6.51	49.63	89.29	73.25	13.95
1993	69.28	9.46	59.52	85.00	41.53	15.66
1994**	65.57	3.64	66.82	75.00	21.93	21.41

* Marketed Production in Table 8.2.

** Provisional.

CHAPTER 9 - ENVIRONMENT AND NATURAL RESOURCES

Overview

Development programmes, unless otherwise mitigated upon, have a tendency to destroy the natural resource base upon which they are based. The major challenge facing the Government is to device approaches to resolve the apparent conflict between development programmes, population, ecosystems and environment and at the same time ensure the sustainability of development programmes and projects. In view of these challenges, the Government, with technical and financial assistance from the World Bank, have initiated the National Environmental Action Plan (NEAP) while Environmental Impact Assessment (EIA) guidelines are under preparation. In addition, environmental laws are in the process of review. These measures will act as instruments for translating broad environmental and development concerns into specific action plans. The preparation of these initiatives has taken a multi-sectoral approach with inputs from the public, private sector, Non Governmental Organisations (NGO's) and the academics. The NEAP and EIA will also offer mitigating options, guidelines and procedures to be followed in programme/project development activities.

Water Supplies

9.2. To achieve the ultimate goal of ensuring that all households have access to clean and safe drinking water within reasonable distances by the year 2010, the Government, with the assistance of donor communities and Non-governmental organizations, has continued to give financial and management support to public corporations, regional development authorities and community based organizations dealing with the production and supply of water. Appropriate policies and strategies aimed at ensuring appropriate exploitation and management of both ground and surface water resources have been put into place and overall development expenditure has been increased by more than 31 per cent over the 1994/95 period.

9.3. Table 9.1 indicates development expenditure on water supplies and related services for financial years 1990/91 - 1994/95. Development expenditure on water supplies and related services grew by 74.5 per cent, rising from K£ 88.4 million in 1993/94 to K£ 154.2 million in 1994/95. This was largely due to increased financial support to the National Water Conservation and Pipeline Corporation (NWC & PC). The increase also reflected Government's injection of additional funds for the rehabilitation of existing water facilities. After falling by 4.0 per cent in 1993. the expenditure on rural water supplies made a remarkable growth of about 19.7 per cent in 1994. Training of Water Development staff and development of self help and special water programmes depicted a large growth in expenditure over the same period. This can be attributed to current Government policy to rehabilitate existing water supplies in addition to supporting such institutions as the National Water Conservation and Pipeline Corporation to develop and supply water on a purely commercial basis.

DEVELOPMENT EXPENDITURE ON WATER
SUPPLIES AND RELATED SERVICES, 1990/91 - 1994/95

Table 9.1 K£'000

	1990/91	1991/92	1992/93	1993/94	1994/95*
Water Development	1,410	2,141	5,986	8,620	15,741
Training of Water Development Staff	229	258	156	137	2,710
Rural Water Supplies	18,101	15,136	16,387	15,732	18,834
Self Help Water Supplies * * ..	106	96	79	53	164
County Council and Urban Water Supplies	1,543	2,293	3,547	5,391	4,416
Miscellaneous and Special Water Programmes	3,537	5,856	5,848	6,023	5,580
Water Conservation and Pipeline Corporation	35,821	20,557	40,944	52,408	106,747
TOTAL	60,747	46,337	72,947	88,364	154,192

Sources: Ministry of Land Reclamation, Regional and Water Development, National Water Conservation and Pipeline Corporation

* Provisional.

* * Includes contributions by the Ministry of Land Reclamation, Regional and Water Development.

9.4. Development expenditures by the National Water Conservation and Pipeline Corporation maintained an upward trend over the period 1992 to 1994, rising from K£ 20.6 million in 1991/1992 to K£ 106.7 million in 1994/1995. Similarly, its share of the overall development expenditure increased from 59.3 per cent attained in 1993 to 69.2 per cent in 1994. The big surge in expenditure by the Corporation is in keeping with the Government's policy to provide clean and safe drinking water as well as strengthening the financial position of this public corporation dealing with the provision of water on a commercial basis.

9.5. Between 1990/91 and 1994/95, the Ministry had implemented and/or rehabilitated 1,579 water projects, 11,389 boreholes, 916 dams and 448 pans. Of these, 363 water supply projects were still under various stages of implementation while 692 projects were operating below capacity due to age, and/or inadequate maintenance. In recognition of this problem, the Government is gradually moving away from large to small scale and manageable community based water projects which require low-cost technologies that are easy to install, operate, maintain and rehabilitate.

9.6. Various other related donor agencies continued to make considerable contribution in the development of water supply to rural communities. Kenya Water for Health Organisation (KWAHO), for example, continued to assist community based development organizations in project identification and preparation of project proposals for donor support. The organization continued to provide technical assistance to enable communities to implement and sustain project operations with minimal government/donor support. The Danish International Development Agency (DANIDA), and the International Fund for Agricultural Development (IFAD), among others, made positive contributions in the construction of water tanks mostly in arid and semi-arid districts.

Fisheries

9.7. The Government, through the Department of Fisheries, continued to ensure optimal exploitation of fishery resources on a sustainable basis through enforcing stricter controls over fishing methods and enhancing the management skills of fishermen and fishing co-operatives. These control measures are reflected in the renewed upward trend in fish landings since 1992.

9.8. Table 9.2 shows the quantity and value of fish landed from 1990 to 1994. From an impressive increase of 12.2 per cent in 1993, the volume of fish landings only increased by 0.8 per cent in 1994, while the corresponding value in real terms increased by 12.7 per cent, from K£ 188.3 million to K£ 212.1 million. Despite the improvement, the performance of the sub-sector was still low compared to the 1990/91 levels as it lacked the required boost for its rejuvenation. Furthermore, the activities of the fishermen co-operative societies have drastically continued to decline since 1990.

QUANTITY AND VALUE OF FISH LANDED, 1990 - 1994

Table 9.2

	1990	1991	1992	1993	1994*
Quantities - Tonnes:					
Freshwater fish-					
Lake Victoria	185,101	186,366	151,216	174,829	174,348
Lake Turkana	3,180	1,078	1,543	871	805
Lake Naivasha	223	299	238	109	211
Lake Baringo	380	130	255	37	215
Lake Jipe	110	107	112	101	121
Fish Farming	973	1,009	1,017	1,014	1,848
Other areas	1,839	2,109	1,676	1,895	1,452
TOTAL	191,806	191,098	156,057	178,856	179,000
Marine fish	9,031	6,434	6,276	3,823	5,194
Crustaceans	733	766	573	373	403
Other marine products ..	208	264	345	141	127
GRAND TOTAL ..	201,778	198,562	163,251	183,193	184,724
Value - K£'000:					
Freshwater fish	80,174	83,306	162,277	180,446	202,132
Marine fish	6,824	3,765	5,914	4,807	6,696
Crustaceans	3,189	3,019	3,108	2,829	3,106
Other marine products	345	536	850	202	211
TOTAL	90,532	90,626	172,149	188,284	212,145

* Provisional.

Source : Fisheries Department

9.9. Lake Victoria still dominates in the production of fish in Kenya, accounting for over 90 per cent of total fish landings in 1994. However, production declined slightly from 174.8 thousand tonnes in 1993 to 174.3 thousand tonnes in 1994. Marine and crustaceans fish landings recovered from drops of 39.1 and 34.9 per cent respectively in 1993 to positive growth rates of 35.9 and 8.0 per cent in 1994, implying renewed Government and donor commitment to reviving the sub-sector's potential to meet both

domestic and external market demand. However, the overall performance in fish catches remained low, mainly due to the withdrawal of credit facilities and management support extended to fishermen and fishing co-operatives by donor agencies, particularly the Danish International Development Agency.

Forestry

9.10. The importance of forest conservation in combating environmental degradation and its overall contribution to economic development caused the Kenya Government to initiate a comprehensive Forest Development Master Plan. This plan is designed to address such issues as plant species composition, seedling production strategies and other afforestation extension methods. In addition, the plan is intended to maintain an inventory of current and projected status of both gazetted and ungazetted forests.

9.11. Table 9.3 shows the area of forest plantation over the period 1990 to 1994. The decline in forest plantation area that started in 1990 continued through 1994 with an exception of 1993 when a marginal increase of 0.1 per cent was registered. Similarly, area under indigenous softwood continued to decline from 8.6 thousand hectares in 1992 to 4.5 thousand hectares in 1994.

FOREST PLANTATION AREA, 1990-1994

Table 9.3 '000 Hectares

Type of Forest	1990	1991	1992	1993	1994*
Indigenous softwood	11.0	11.8	8.6	5.7	4.5
Indigenous hardwood	8.0	6.4	8.1	7.7	7.8
Exotic softwoods-					
Cypress	79.5	78.4	74.5	74.3	71.8
Pines	53.7	54.2	54.2	53.3	53.6
Exotic hardwoods-					
Timber	4.9	4.6	5.1	6.8	6.9
Fuel	11.9	9.5	9.0	11.8	10.4
TOTAL AREA	169.0	164.9	159.5	159.6	155.0

* Provisional.

Source : Ministry of Environment and National Resources

9.12. The generally poor performance of the sub-sector can be mainly attributed to the continued pressure on forest land for settlement and farming, uncontrolled and unsustainable use, and most importantly, a lack of knowledge and appreciation of the total dynamics and value of natural resources. Being aware of these problems, the Government is gradually shifting its emphasis from gazetted to farm forests as one way of improving the community's awareness and species production. It has also mounted vigorous programmes to sensitize the local communities to appreciate the value of forests.

9.13. Table 9.4 shows changes in forest plantation area over the period 1990-1994. The overall plantation area continued to worsen from drops experienced since 1990.

The area planted during the year did not show any signs of improvement compared to the previous years while the area clear-felled was double the 1993 level. A number of factors explain this deplorable state of affairs, namely; increased felling of trees, changes in land use in the forest areas and inefficient promotion of rural afforestation strategies. It could also signify ineffective conservation measures by the local communities.

CHANGES IN PLANTATION AREA, 1990 - 1 994

Table 9.4 '000 Hectares

	1990	1991	1992	1993	1994*
Previous Plantation Area	168.3	169.0	164.9	159.5	159.6
Area Planted	4.1	3.6	3.6	4.2	3.6
Total	172.4	172.6	168.5	163.7	163.2
Area Clear felled	3.4	7.7	9.0	4.1	8.2
Total Area	169.0	164.9	159.5	159.6	155.0

* Provisional

Source : Ministry of Environment and Natural Resources.

9.14. Despite the marginal increase in the total area under plantation, the sale of forest products made some improvement as shown in Table 9.5. Softwood products recorded the highest growth rate of 9.7 per cent in 1994 as compared to 4.6 per cent rise in 1993. The sales of fuelwood, pulpwood and charcoal, however, continued to drop, indicating the effectiveness of the ban imposed on their sale. The sale of power and telegraphic poles however, remained stable over the entire period, signifying continued Government commitment in the extension and expansion of telephone and electricity services to rural areas.

RECORDED SALE OF FOREST PRODUCTS, 1990 - 1994

Table 9.5

Forest Product	1990	1991	1992	1993	1994 *
Timber - '000 true cu. metres-					
Soft wood	437.0	430.0	545.0	569.9	625.1
Hardwood	3.0	2.0	4.0	5.0	5.0
TOTAL	440.0	432.0	549.0	574.9	630.1
'000 stacked cu. metres-					
Peels/Veener logs/Plywoods	85.0	80.0	82.0	103.8	110.0
Pulpwood/Paper production	350.0	355.0	321.0	263.0	228.0
Fuelwood /Charcoal	200.0	215.0	37.0	35.0	34.3
Power &Telegraph Poles Numbers	32,800.0	33,800.0	34,765.0	35,808.0	36,830.6

* Provisional.

Source : Ministry of Environment and Natural Resources.

Mining

9.15. The Department of Mines and Geology formulates and develops policies relating to the exploration and exploitation of the country's mineral resources. The Department controls and directs mining exploration activities of known mineral deposits, in addition to conducting geological, geophysical and/or geochemical exploration surveys on the country's mineral inventory.

9.16. The Regional Survey and Research Section of the Department continued with the mapping and up-dating of mineral exploration work in Kitui while the study of rock samples in Taita Taveta mapping project was completed. In terms of mineral exploration, geophysical ground follow-up of base metal mineralisation in Kwale district was completed during the year. The report on electromagnetic survey for sulphide mineralisation, airborne radiometric and magnetic anomaly in Barsaloi is under progress. Meanwhile the report on geochemical exploration of base metals in Western and Nyanza provinces, including the gold mineralisation appraisal in Migori area, is under preparation.

9.17. Total mineral production in 1994, as shown in Table 9.6, increased by 4.4 per cent from 441.2 thousand tonnes in 1993 to 460.5 thousand tonnes in 1994. The corresponding value also increased by 19.9 per cent over 1993 value. Production of soda ash and fluorspar went up by 3.4 and 13.2 per cent respectively, while salt and limestone products improved slightly from their 1993 levels. The fluctuating growth in fluorspar production is as a result of the on-going re-structuring of the Company's staffing position and the escalating cost on the rehabilitation of some of the Company's main processing plants.

QUANTITY AND VALUE OF MINERAL PRODUCTION, 1990 - 1994

Table 9.6

Mineral	1990	1991	1992	1993	1994 *
Quantities - Tonnes:					
Minerals-					
Soda Ash	231,900	219,500	181,330	216,890	224,200
Fluorspar	80,529	77,402	80,360	78,725	89,155
Salt	70,318	72,449	72,494	74,669	75,757
Limestone Products**	35,733	32,017	30,656	30,349	30,469
Other	39,388	39,963	40,150	40,553	40,934
TOTAL	457,868	441,331	404,990	441,186	460,515
Value - K£'000:					
Soda Ash***	34,900	42,453	48,425	69,514	88,299
Fluorspar***	8,018	7,849	8,117	14,000	13,422
Salt	3,938	4,057	4,426	5,400	5,644
Limestone Products	1,556	1,394	1,449	1,536	1,483
Other	1,951	1,979	2,029	2,090	2,129
TOTAL	50,363	57,732	64,446	92,540	110,977

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

9.18. The overall sales value of the mineral products continued to grow by 11.6 per cent in 1992 through 43.6 per cent in 1993 and 19.9 per cent in 1994. Soda ash maintained the highest share of mineral value over the period, recording more than K£ 88 million and with a share contribution of 79.6 per cent. Flourspar products, on the other hand, continued to record poor performance, registering a decline of 4.1 per cent in sales value even though its production improved marginally from its 1993 level.

The deterioration in the product's value was largely due to falling export volume within the world market coupled with the closure of some of the company's processing plants for cost-cutting reasons.

9.19. Table 9.7 shows average export prices for soda ash and fluorspar in the period 1990 to 1994. For the fourth year running, the average export price of soda ash continued its upward trend while flourspar prices went up from K£ 181.7 per tone in 1993 to K£ 191.9 per tonne in 1994. The growth in export prices of soda ash is an indication of the product's sustained demand and less competition from its close substitutes within the world market.

AVERAGE EXPORT PRICES OF SODA ASH AND FLUORSPAR, 1990-1994

Table 9.7 K£ per tonne

Mineral	1990	1991	1992	1993	1994*
Soda Ash	146.00	191.70	235.29	375.95	421.17
Fluorspar	103.44	111.50	108.46	181.73	191.91

* Provisional

Wildlife Conservation

9.20. The tourism industry which is one of the country's major foreign exchange earners is largely dependent on wildlife. This resource accounts for about 50 per cent of the country's tourism earnings. In recognition of its pivotal role, the Government and donor agencies have over the years continued to channel enormous resources towards wildlife management and its conservation. The Government has also been giving technical support to strengthen the operations of the institutions related to the protection and conservation of wildlife. These include the Kenya Wildlife Service (KWS) and the Department of Resource Surveys and Remote Sensing (DRSRS).

9.21. Wildlife management, protection and conservation of Kenya's bio-diversity remained the major mandate that the Government has placed to the Kenya wildlife services. KWS has over the years developed policies, legal and institutional frameworks aimed at addressing issues relating to the protection of various animal and plant species from over-exploitation, problems facing both protected and unprotected areas, land tenure, land use planning, depletion of vegetative cover and other negative environmental impacts.

9.22. The DRSRS in 1994-95 also continued to generate statistics on the status and trend of wildlife population using high level aerial photography and ground survey methodologies which are further augmented by satellite imagery scenes. Working in collaboration with other government and non-governmental agencies, the Department was able to create comprehensive data base vital for the detection of changes in natural vegetation cover. In addition, it offers policy guidelines on the rehabilitation of degraded land, implementation of soil conservation measures as well as the formulation of conservation strategies for endangered wildlife species. During the period 1994-95, DRSRS continued to conduct environmental/agricultural production surveys for purposes of drought monitoring and early warning systems on food security.

9.23. Over the period, KWS in collaboration with various Tourism Development Authorities, initiated pilot projects studies on consumptive wildlife utilization and tourism pricing studies, in addition to playing a leading role in wildlife management and development.

9.24. Table 9.8 presents wildlife population between 1990 and 1994. The overall wildlife population in the Kenya rangelands continued to depict a mixed trend, from 1,150.1 thousand in 1992 through 1,051.2 thousand in 1993 to 979.9 thousand in 1994. However, the positive growth in elephant population which began in 1991 was maintained through 1994, depicting effective protection and conservation strategies which the Government has continued to pursue. The population of the other animal species, except elephant and gazelles, remained stable during the year. This could be largely due to increasing human pressure on land for settlement and agriculture.

WILDLIFE POPULATION IN THE KENYA RANGELANDS, 1990 - 1994

Table 9.8 '000 Number

SPECIES	1990	1991	1992	1993	1994*
Elephant	17.1	17.0	19.2	20.0	21.1
Buffalo	45.1	48.2	51.1	33.2	35.4
Giraffe	56.4	60.5	59.3	58.7	55.1
B. Zebra	193.7	215.1	197.0	212.7	198.2
G. Zebra	6.2	7.0	7.2	6.0	6.3
Topi	109.8	1 12.3	107.7	103.5	98.7
Kongoni	23.3	24.7	26.0	23.5	24.6
Wildebeest	100.2	114.2	120.1	186.4	115.5
Oryx	38.1	43.5	35.6	34.2	34.6
Eland	31.3	38.4	32.5	16.7	20.7
H. Hartbeest	2.6	2.9	2.6	2.2	1.8
Waterbuck	6.0	5.5	6.7	6.1	6.0
Kudus	13.2	15.9	14.1	13.2	11.3
Gerenuk	23.0	22.5	24.4	24.3	22.1
Impala	104.5	102.3	110.8	85.7	90.4
G.Gazelle	184.3	208.6	188.0	113.3	121.9
T. Gazelle	98.7	96.0	89.2	53.5	64.1
Warthog	22.0	27.1	21.9	21.8	18.0
Ostrich	38.3	43.8	36.7	36.2	34.1

Source : DRSRS

* Provisional

Refuse Management

9.25. Accumulation of refuse remains a serious problem in most urban centres. This deplorable state of affairs is even more serious in the major towns of Nairobi, Mombasa, Kisumu and Nakuru where the daily refuse accumulation out-pace the quantity disposed of despite the acquisition of more vehicles, an increased injection of funds and involvement of the private sector in garbage collection. For instance, expenditure on refuse collection by the Nairobi City Council went up almost seven-fold from K£ 161.7 thousand in 1989/90 to K£ 1,106 thousand in 1993/94. In spite of the rise in expenditure, the quantity disposed of did not show any significant growth. Scarcity of funds experienced by most Local Authorities coupled with poor and inefficient disposal methods are the main reasons that explain this unprecedented state of affairs.

Resource Assessment and Monitoring Activities

9.26. Several other non-governmental organizations have supplemented Government's efforts in the environmental management and protection of Kenya's fragile ecosystem through tree planting and providing farmers with professional assistance. During 1994. the National Environment Secretariat (NES), co-ordinated and/or participated in a number of programmes geared towards the protection and management of the environment. These include :-

(a) Strengthening and providing logistical support to the District Environment Protection Officers (DEPOS), who were further required to provide technical advice on environment to other sectoral technical officers.

(b) Implementation and co-ordination of environmental activities at the grassroots levels.

(c) Execution of desertification monitoring, assessment and control programmes aimed at arresting the process of land degeneration as well as restoring the productivity of the vulnerable zones within seven selected districts, namely; Garissa, Kisii, Meru, Kitui, Turkana and Kajiado.

(d) Institutional support for the East Africa Bio-diversity and Global Environment Facility (GEF). projects aimed at addressing the rational use and protection of the country's bio-diversity resources. This was done in collaboration with the British Government and United Nations Environmental Program (UNEP).

(e) Preparation of the National Environment Action Plan (NEAP).

9.27. The United Nations Educational, Scientific and Cultural Organization's (UNESCO) contribution towards natural resource management and minimization of environmental degradation is clearly shown by the activities/programmes undertaken through various inter-governmental agencies. These include inter alia, the Inter-governmental Oceanographic Commission (IOC), the International Hydrological Programme (IHP), the programme on Man and Biosphere (MAB) and the International Geological Correlation Programme (IGCP). These programmes were designed not only for providing the scientific bases necessary for solving environmental problems but also enhancing trained manpower through conducting regional workshops.

9.28. In recognition of the dangers desertification and soil erosion pose to soil fertility, the International Council for Research in Agro-forestry (ICRAF) initiated agro-forestry studies in Machakos and Kisumu districts among others. These studies were aimed at building up soil fertility, preventing soil erosion, providing extra incomes through the sale of various tree products, enhancing food production and alleviating deforestation. Other activities initiated during the period included studies on climatic risk, government policies on the conservation of environment and its resources as well as marketing possibilities. In addition to gathering and disseminating agro-

forestry information to user groups, ICRAF also initiated programmes to encourage and help universities and technology oriented colleges incorporate agro-forestry studies in their curricula.

9.29. The East African Wildlife Society (E.A.W.L.S), being a charitable non-governmental organization, was formed with a mission to promote the conservation and better use of wildlife and the environment in East Africa. The society's conservation efforts have been effected through public lobbying and advocacy, conservation education and research projects resulting in erection of physical structures such as educational centres, wildlife sanctuaries, laboratories and supplying of anti-poaching equipment.

9.30. EAWLS's lobbying campaigns have been focused on the endangered wildlife species particularly the African Elephant and ecosystems. The society initiated the popular "Save the Elephant" campaign that succeeded in sensitising the public on the endangered African elephant. The most recent and perhaps the most vigorous of the society's lobbying campaign was the saving of the Tana River Delta Wetlands from commercial exploitation and its resultant environment degradation.

9.31. Through conservation, education and research, the EAWLS produces a bi-monthly Swara magazine which carries authoritative articles on topical wildlife and environmental issues. The society also publishes the quarterly African Journal of Ecology which carries papers on latest wildlife and environmental research findings in Africa. The society has also initiated and funded species monitoring programmes which indicate changes in vulnerable species numbers and their distribution.

9.32. Five regional development authorities, namely; the Lake Basin Development Authority, Tana and Athi Development Authority, Kerio Valley Development Authority, Ewaso Nyiro South Development Authority and Coastal Development Authority continued to undertake projects geared towards the conservation of environment in their areas of jurisdiction. Through joint efforts from the Office of the Vice-President and Ministry of Planning and National Development's area based programmes and district based programmes currently under the Ministry of Land Reclamation, Regional and Water Development, the authorities managed to implement a number of project proposals. For instance, a project proposal on Nyando flood control was prepared under the title "Nyando Flood Protection Project". The project was to be implemented in three phases, namely; Nyando flood protection, river training and drainage and dams and associated development. However, its implementation could not take off due to financial constraints.

9.33. Rural Domestic Water Supply and Sanitation project was also established by the Lake Basin Development Authority (LBDA), in response to increasing prevalence of water borne diseases. The main objective of the project was to provide clean and safe drinking water to the rural communities through digging up of shallow wells, sinking bore-holes and protection of natural springs. Since its establishment, a number of wells and bore-holes have been dug in Homa-Bay, Migori, Kisumu, Siaya, Kisii and Nyamira districts.

9.34. Survey work done by the Authority in the region revealed that a number of industrial treatment plants are poorly maintained and discharge effluents are not environmentally disposed off. For instance, Miwani Sugar factory lacked pollution treatment facilities while an assessment of the municipal sewage treatment plant showed that it was poorly managed and discharge wastes had a high percentage of pollution content. The Authority has also been involved in conservation and rehabilitation programmes covering sub-catchments of rivers Nyando, Yala, Sondu, Miriu, Kenja, Nzoia and Sio.

CHAPTER 10 - ENERGY

Overview

During the year 1994, the Organisation of Petroleum Exporting Countries (OPEC) held two conferences with the aim of supporting oil market stability and price recovery. The members decided to maintain the production ceiling of 24.52 million barrels per day distributed between members according to the temporary allocations decided upon in 1993. Kuwait which was invaded by Iraq in 1990 produced about 90 per cent of crude oil she used to produce before the invasion. Prices of crude oil were low at US$ 13.3 per barrel during the first quarter of the year but then started a gradual increase and at the end of the year the average price had reached US$ 15.4 per barrel.

10.2. The Government liberalised the petroleum sector in October 1994. However, imports of crude oil and refined petroleum products declined by 4.7 per cent in 1994. Subsequently the oil import bill declined, reflecting low imports and the appreciation of the Kenya shilling against the world trading currencies.

10.3. Total electricity generation went up by 4.2 per cent in 1994, in response to increased demand. Hydro-based electricity generation recorded an increase of 2.5 per cent, due to improved water levels in all hydro-electricity dams. Similarly, thermal-based power generation recorded an increase due to rehabilitation work at the Kipevu Diesel thermal station and installation of generators in new stations. However, geo-thermal based generation declined by 4.0 per cent due to low water steam at the Olkaria Station.

Petroleum

10.4. Petroleum has been the major source of commercial energy. Despite efforts by the Government and private sector to explore for oil, no major discoveries have been made. The demand for petroleum products continued to grow with the expanding economy.

10.5. The quantity and value of imports and exports of petroleum products is shown in Table 10.1. The overall imports of crude and refined products declined from 2,627.4 thousand tonnes in 1993 to 2,504.7 thousand tonnes in 1994. Crude petroleum oil imports declined by 4.4 per cent while imports of petroleum fuels rose marginally from 311.1 thousand tonnes in 1993 to 314.3 thousand tonnes in 1994. Imports of lubricating oils declined while those of lubricating greases rose by 80.9 per cent in 1994.

10.6. The exports of petroleum products, mainly to the Preferential Trade Area (PTA) countries, declined significantly by 25.3 per cent in 1994. Similarly, exports earnings declined from K£ 352.9 million in 1993 to K£ 270.9 million in 1994. Exports of petroleum fuels declined by 25.5 per cent, while those of lubricating oils and greases declined only marginally. The decline in exports of petroleum products can be attributed to low demand in the traditional markets.

10.7. Table 10.2 shows the crude oil intake at the refinery by type. As shown in the table only four types of crude oil were refined, namely Iranian Heavy, Zakum, Murban and Reconstituted Crude in 1994. During the year under review, crude intake declined marginally by 1.6 per cent, compared to a decline of 6.2 per cent in 1993. This marginal decline can be attributed to refinery constraints. Murban from United Arab Emirates dominated the total refinery intake in the year, accounting for 83.6 per cent while Iranian Heavy accounted for 8.6 per cent. The refinery intake of Zakum and Reconstituted Crude oil went down by 75.1 per cent and 34.4 per cent, respectively during the period under review.

QUANTITY AND VALUE OF IMPORTS AND EXPORTS OF PETROLEUM PRODUCTS, 1990 - 1994*

Table 10.1

	Quantity ('000 Tonnes)					Value (K£' Mn)				
	1990	1991	1992	1993	1994**	1990	1991	1992	1993	1994**
IMPORTS:										
Crude Petroleum	2,178.28	2,059.38	2,235.26	2,274.24	2,173.16	421.97	441.71	549.39	946.53	720.38
Petroleum Fuels	132.64	35.14	92.97	311.07	314.27	39.09	18.32	34.68	230.80	143.1 1
Lubricating Oils	13.09	19.63	34.43	41.58	16.45	6.62	17.32	24.31	45.19	25.20
Lubricating Greases ..	0.07	0.24	0.08	0.47	0.85	0.13	0.87	0.33	2.14	2.17
TOTAL	2,324.08	2,114.39	2,362.74	2,627.36	2,504.73	467.81	478.22	608.71	1,224.66	890.86
EXPORTS:										
Petroleum Fuels	534.16	635.17	642.84	600.73	447.34	141.13	255.41	209.86	336.34	254.00
Lubricating Oils	9.01	7.11	6.40	6.55	6.31	8.57	9.35	9.34	15.90	15.93
Lubricating Greases ..	0.34	0.32	0.19	0.24	0.20	0.46	0.58	0.37	0.63	0.98
TOTAL	543.51	642.60	649.43	607.52	453.85	150.16	265.34	219.57	352.87	270.91
NET BALANCE	1,780.57	1,471.79	1,713.31	2,019.84	2,050.88	317.65	212.88	389.14	871.79	619.95

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

* * Provisional

CRUDE OIL INTAKE AT THE REFINERY BY TYPE, 1990 - 1994

Table 10.2 '000 Tonnes

Crude intake	A.P.I. Gravity	1990	1991	1992	1993	1994"
Arabian Light	33.4	-			111.8	
Arabian Medium	31.0	-	-	-	50.0	-
Arabian Heavy	27.9	55.4	76.5	-	-	-
Arabian Light Berri	-		-	-	-	-
Iranian Light	33.9	108.8	50.5	-	50.1	-
Iranian Medium	-	86.2	139.7	-	-	-
Iranian Heavy	-	-	-	267.2	127.9	176.9
Qatar Marine	36.7	-	-	-	-	-
Qatar Durkhan	41.2	-	-	-	-	-
Kuwait	32.0	-	-	-	-	-
Zakum	40.1	201.6	249.0	230.4	325.3	81.0
Murban	39.6	1,772.4	1,561.9	1,732.7	1,304.3	1,719.5
Dubai	32.4	-	-	-	-	-
Reconstituted crude**	-	-	-	-	122.8	80.5
Oman	-	-	-	-	-	-
Marib Light	-	0.1	-	-	-	-
Slop	-	0.3		0.3		
TOTAL		2,224.8	2,077.6	2,230.6	2,092.2	2,057.9

* Provisional.

** Reconstituted crude was imported for the first time 1993.

10.8. The output of finished petroleum products from the refinery went down marginally in 1994 as a result of lower crude intake into the refinery as shown in Table 10.3. Production of motor gasoline regular, jet fuel, marine diesel oil, fuel oil and export residues went down marginally. Output of motor gasoline premium and light Diesel oil went up by 7.5 and 3.2 per cent respectively during the year under review. Output of bitumen registered a significant increase of 108.5 per cent in 1994 over 1993 due to the repair of the road network in the country.

FINISHED PETROLEUM PRODUCTS * * 1990 - 1994

Table 10.3 '000 Tonnes

	1990	1991	1992	1993	1994*
OUTPUT-					
Liquefied petroleum gas	28.4	26.4	28.3	27.4	29.5
Motor gasoline premium	143.9	145.8	161.0	153.0	164.4
Motor gasoline regular	190.9	182.3	186.9	176.4	164.1
Illuminating kerosene and					
Jet/turbo fuel	492.2	420.5	454.7	425.9	421.1
Light Diesel oil	533.0	512.1	553.8	500.3	516.2
Heavy Diesel oil and					
Marine Diesel oil	30.1	29.9	26.4	29.2	22.4
Fuel oil	411.3	391.7	437.3	499.6	491.4
Export residues	258.2	256.7	233.4	164.1	138.2
Bitumen	31.2	24.0	26.5	9.4	19.6
Intermediates	4.2	-3.8	3.0	5.6	5.7
Refinery usage	101.1	91.9	119.4	101.3	96.7
THROUGHPUT=TOTAL OUTPUT	2,224.5	2,077.5	2,230.7	2,092.2	2,069.3

* Provisional.

* * Excludes lubricants.

10.9. Table 10.4, shows the petroleum supply and demand balance from 1990 to 1994. Total domestic demand for petroleum products rose from 1,928.2 thousand tonnes in 1993 to 2,105.5 thousand tonnes in 1994, an increase of 10.0 per cent. Demand for jet fuel registered a significant increase of 38.4 per cent in 1994 compared to an increase of only 9.7 per cent in the previous year. This is attributed to the reduction of jet fuel prices by the Government as an incentive to exporters of horticultural products, increased demand by the tourism sector, and relief flights missions to Rwanda and Somalia refueling in Kenya. Despite shortage of Liquified Petroleum Gas (LPG) during the fourth quarter of 1994, demand for LPG registered a moderate increase of 13.1 per cent in 1994. Other increases in demand were recorded in motor spirit (premium and regular), kerosene and fuel oil. However, decrease in demand were noted in aviation spirit and light diesel oil during the period under review.

10.10. Domestic sales of petroleum products by consumer category from 1990 to 1994 is shown in Table 10.5. The transport sector (Rail, Road, Marine and Aviation) continued to be the largest consumer of petroleum fuels. Road transport recorded an increase of 1.2 per cent. This is attributed to the transportation of relief food by road to famine stricken districts in the country. Sales to aviation sector went up by 34.0 per cent, while sales to rail and marine declined during the period under review. Sales to power generation went up from 41.5 thousand tonnes in 1993 to 58.4 thousand tonnes

in 1994, an increase of 40.7 per cent. An important factor which led to increased sales to power generation was the re-habilitation process which has been going on at the Kipevu diesel station and other stations and installation of power generators in Lodwar and Garissa. Improved economic activities in both the agricultural and industrial sectors resulted in an increase in sales of 18.7 and 8.6 per cent, respectively. Sales to tourism sector went up marginally during the period under review.

PETROLEUM SUPPLY AND DEMAND BALANCE, 1990 - 1994

Table 10.4 '000 Tonnes

	1990	1991	1992	1993	1994*
DEMAND-					
Liquefied petroleum gas ..	27.4	25.0	27.4	25.1	28.4
Motor spirit (premium and regular)	339.9	339.3	346.8	352.0	352.2
Aviation spirit	7.1	6.8	7.7	8.5	7.2
Jet/turbo fuel	302.4	253.5	312.5	342.8	474.4
Illuminating kerosene	184.2	174.5	175.1	164.8	173.1
Light diesel oil	555.4	559.9	571.1	554.2	539.8
Heavy diesel oil	36.5	30.5	27.9	23.0	24.3
Fuel oil	377.4	365.6	370.9	355.9	409.4
TOTAL	1,830.3	1,755.1	1,839.4	1,826.3	2,008.8
Refinery usage	101.1	91.9	119.4	101.9	96.7
TOTAL DOMESTIC DEMAND	1,931.4	1,847.0	1,958.8	1,928.2	2,105.5
Exports of petroleum fuels ..	534.2	635.2	642.8	600.5	447.3
TOTAL DEMAND**	2,465.6	2,482.2	2,601.6	2,528.7	2,552.8
SUPPLY-					
Imports:					
Crude oil	2,178.3	2,059.4	2,235.3	2,274.2	2,173.2
Petroleum fuels	132.6	35.1	93.0	311.1	314.3
TOTAL	2,310.9	2,094.5	2,328.3	2,585.3	2,487.5
Adjustment***.	154.7	387.7	273.4	-56.6	-65.3
TOTAL SUPPLY"	2,465.6	2,482.2	2,601.7	2,641.9	2,552.8

* Provisional.

* * Difference is due to rounding.

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

NET DOMESTIC SALE OF PETROLEUM FUELS BY CONSUMER CATEGORY, 1990 - 1994

Table 10.5 '000 Tonnes

User	1990	1991	1992	1993	1994*
Agriculture.....	64.9	55.7	64.9	70.7	83.9
Retail pump outlets & road transport	863.5	857.1	977.4	870.0	880.1
Rail transport	35.3	38.8	30.6	32.5	18.2
Tourism * *	13.0	11.7	12.5	12.3	12.7
Marine (excl. Naval Forces)	215.3	128.1	139.7	165.9	137.2
Aviation (excl. Government)	302.0	253.7	314.2	355.0	475.8
Power Generation	27.9	35.0	38.2	41.5	58.4
Industrial, Commercial and Other	452.9	454.4	453.5	407.9	442.8
	70.8	44.1	45.3	36.3	36.9
Balancing Item	-215.4	-123.5	-236.8	-165.9	-137.1
TOTAL	1,830.2	1,755.1	1,839.5	1,826.2	2,008.9

* Provisional

* * Comprises sales to tour operator

10.11. Table 10.6 depicts the wholesale prices of petroleum products at Mombasa with 1973 as base year. The world prices of crude oil dropped to about US $ 13.5 per barrel in the first quarter of 1994 but rose gradually to an average of US $ 15.4 per barrel during the year. However, the wholesale prices of petroleum products in the country went up slightly compared to 1993 prices. An important factor which contributed to the slight increase in wholesale prices was the liberalisation of the oil sector which resulted in oil marketing firms varying their prices. Wholesale prices of premium, regular, kerosene and light Diesel oil rose by more than twenty times their 1973 prices. Similarly, industrial Diesel oil and fuel oil registered an increase in wholesale prices of more than forty times while wholesale price of liquified petroleum gas stood at more than ten times the 1973 prices.

WHOLESALE PRICES* OF PETROLEUM PRODUCTS AT MOMBASA, 1974 - 1994

Table 10.6 KSh. per tonne

	30.9.73	1.2.92	26.3.93	10.6.93	17.06.94	Ratio 1994/73 (per cent)
Liquefied petroleum gas	2,060	16,643	21,455	23,855	24,454	1,187.1
Premium motor gasoline	1,551	23,327	29,870	34,186	35,386	2,281.5
Regular motor gasoline	1,468	23,201	30,125	34,255	35,488	2,417.4
Illuminating kerosene	736	11,211	16,853	17,963	16,534	2,246.5
Light diesel oil	892	14,599	20,288	23,554	24,004	2,691.0
Industrial diesel oil	471	12,033	17,632	19,808	21,915	4,652.9
Fuel oil	334	8,851	13,563	15,476	15,476	4,633.5

* Including duties and VAT.

10.12. Retail prices of selected petroleum products from 1990 to 1994 are shown in Table 10.7. There were two major retail price changes, although minor price fluctuations were experienced immediately after liberalisation of the oil sector in October 1994. The first retail price change was brought about by the introduction of the Road Maintenance Levy which pushed the prices up by between one shilling and one shilling and fifty cents per litre for various petroleum products in June 1994. Subsequently, the Government lowered the retail prices and later liberalised the oil sector in the month of October. As compared to 1993 prices, retail prices of Premium

NAIROBI RETAIL PRICES, 1990-1994

Table 10.7 KSh per litre

Date	MOTOR SPIRIT		Gas Oil
	Premium/ Gasohol*	Regular	
08.09.90	14 41	14.11	10.90
29.11.91	15.79	15.49	11.96
01.02.92	17.88	17.58	13.46
03.03.93	21.76	21.46	17.33
24.03.93	20.22	19.92	15.79
21.04.93	24.48	24.17	20.00
10.06.93	27.64	27.12	22.81
17.06.94	29.14	28.82	23.81
21.10 94	28.34	27.28	21.00

* Gasohol was introduced from 1983

and Regular registered an increase of 2.5 and 0.6 per cent, respectively. On the other hand, the retail price of Gas oil declined by 7.9 per cent in 1994.

Electricity

10.13. Electricity, as a form of energy in the country is generated from hydro, thermal and geothermal plants. It is second to petroleum fuels as a source of commercial energy used in commercial and industrial establishments, as well as households. Table 10.8 depicts the installed capacity and generation of electricity between 1990 and 1994. The installed capacity went up marginally from 804.8 MW in 1993 to 807.8 MW in 1994. This is due to the rehabilitation process which has been going on in Kipevu thermal power station and the installation of generators in Lodwar and Garissa.

INSTALLED CAPACITY AND GENERATION OF ELECTRICITY, 1990 - 1994

Table 10.8

	INSTALLED CAPACITY *MW**				GENERATION*GWH***			
	Hydro	Thermal Oil	Geothermal	Total	Hydro	Thermal Oil	Geothermal	Total
1990	497.5	180.1	45.0	722.6	2,537.0	171.0	336.0	3,044.0
1991	603.5	180.1	45.0	828.6	2,780.0	159.3	298.0	3,237.3
1992	603.5	156.3	45.0	804.8	2,796.0	147.0	272.0	3,215.0
1993	603.5	156.3	45.0	804.8	2,993.0	131.3	272.0	3,396.3
1994 +	603.5	159.3	45.0	807.8	3,068.0	209.3	261.0	3,538.3

* Includes estimates for industrial establishment with generation capacity

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

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

\+ Provisional

10.14. Total electricity generation went up by 4.2 per cent from 3,396.3 GWH in 1993 to 3,538.3 GWH in 1994. Increase in the generation of electricity was recorded in hydro-based electricity generation which rose by 2.5 per cent due to improved weather conditions which resulted in improved water levels in hydro electric dams. Similarly, the thermal-based diesel power generation went up by 59.4 per cent due to rehabilitation of Kipevu thermal power station and the installation of generators in new stations. However, geo-thermal based electricity generation declined by 4.0 per cent, due to mechanical problems and low water steam in most of the wells in Olkaria station.

10.15. Demand and supply balance of electricity energy for the years 1990 to 1994 is shown in Table 10.9. Electricity consumption during the five year period has been increasing and demand rose by 17.3 per cent. Similarly, the demand for electricity increased from 3,074 million KWH in 1993 to 3,205 million KWH in 1994, an increase of 4.3 per cent. Large commercial and industrial establishments continued being the largest consumers of electricity and their demand went up by 2.1 per cent due to the supply of electricity to Export Processing Zones. Demand for electricity by domestic and small commercial consumers recorded an increase of 5.4 per cent, from 927 million KWH in 1993 to 977 million KWH in 1994. This can be attributed to the supply of electricity to small enterprises and illegal connection of electricity to unapproved structures which has resulted in frequent blackouts. Off peak consumption,

NUMBER OF SOCIETIES AND UNIONS BY TYPE, 1990 - 1994

Table 8.21 Number

TYPE OF SOCIETY	1990	1991	1992	1993	1994
Coffee	207	208	211	213	213
Sugar-cane	91	91	91	91	91
Pyrethrum	56	56	56	56	56
Cotton	81	81	82	82	82
Dairy	192	194	197	207	210
Multi-produce	942	971	1,038	1,111	1123
Farm Purchase	198	212	212	221	221
Fisheries	62	64	66	67	68
Other Agricultural Societies	522	539	556	599	619
TOTAL	2,351	2,416	2,509	2,647	2,683
Savings and Credit	2,251	2,339	2,470	2,616	2668
Other Non-Agricultural Societies	722	763	778	818	848
TOTAL	2,973	3,102	3,248	3,434	3,516
Unions	76	76	76	76	77
TOTAL	5,400	5,594	5,833	6,157	6,276

SALE OF SELECTED AGRICULTURAL PRODUCE BY CO-OPERATIVE AND THEIR CONTRIBUTION TO GROSS FARM REVENUE *, 1990 - 1994

Table 8.22

YEAR	COFFEE	SUGAR-CANE	PYRETHRUM	COTTON	DAIRY PRODUCTS	TOTAL
	Sale K£million					
1990	131.00	44.47	8.22	8.90	48.65	241.24
1991	112.65	11.30	7.00	2.75	21.75	155.45
1992	119.50	7.50	9.45	1.25	46.70	184.40
1993	266.60	15.00	13.80	2.75	40.35	338.50
1994**	399.20	9.50	18.63	1.22	35.40	464.45
	Percentage Share					
1990	64.42	46.35	65.00	90.00	58.00	60.00
1991	61.50	10.52	66.00	88.00	33.00	59.00
1992	54.75	6.51	49.63	89.29	73.25	13.95
1993	69.28	9.46	59.52	85.00	41.53	15.66
1994**	65.57	3.64	66.82	75.00	21.93	21.41

* Marketed Production in Table 8.2.

** Provisional.

PRODUCTION, TRADE AND CONSUMPTION OF ENERGY * * EXPRESSED IN TERMS OF PRIMARY SOURCES, 1990 - 1994

Table 10.10 '000 Tonnes Oil Equivalent

	1990	1991	1992	1993	1994 *
COAL AND COKE CONSUMPTION	105.8	93.7	98.6	87.8	76.0
Imports of crude oil	2,178.3	2,059.4	2,235.3	2,274.2	2,173.2
Net exports of petroleum	-425.7	-692.0	-669.4	-504.5	-229.7
Stock changes and balancing item	77.7	387.7	273.4	56.6	65.3
TOTAL CONSUMPTION OF LIQUID FUELS	1,830.3	1,755.1	1,839.3	1,826.3	2,008.8
HYDRO AND GEOTHERMAL ENERGY:-					
Local production of hydro power	608.9	667.2	671.0	718.3	736.3
Local production of geothermal power	80.6	71.5	65.3	65.3	62.6
Imports of hydro power	41.8	32.2	57.6	65.5	63.4
TOTAL CONSUMPTION OF HYDRO AND GEOTHERMAL ENERGY	731.3	770.9	793.9	849.1	862.3
TOTAL LOCAL ENERGY PRODUCTION	689.5	738.7	736.3	783.6	798.9
TOTAL NET IMPORTS	1,900.2	1,493.3	1,722.1	2,106.1	2,082.9
TOTAL ENERGY CONSUMPTION	2,667.4	2,619.7	2,731.8	2,763.1	2,947.1
LOCAL PRODUCTION AS PERCENTAGE OF TOTAL	25.8	28.1	27.0	28.4	27.1
PER CAPITA CONSUMPTION IN TERMS OF KILOGRAMS OF OIL EQUIVALENT	111.0	103.0	104.1	110.5	110.1

* Provisional.

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

Extension of Kenya Pipeline

10.18. During the year under review, the extension of the oil pipeline to Western Kenya was commissioned. In March, the Eldoret depot was commissioned followed by the Kisumu depot. The Nakuru depot was commissioned in June and the official inauguration took place in December 1994. After the liberalisation of the petroleum sector, in which Kenya Pipeline Company plays a major role as a transporter, the company faces competition from rail and road transport. However, the Government has banned transportation of pertroleum products by road from Mombasa to neighbouring countries. Instead they have to be loaded in Eldoret depot. This is expected to reduce road damage and accidents in the Mombasa- Nairobi highway

Wood Fuel Resources

10.19. About 70.0 per cent of total domestic energy consumption is in the form of wood and charcoal. This source of energy is mainly used for cooking, heating and lighting in the rural and urban poor households. Programmes aimed at developing and using efficient jikos, wood stoves, charcoal stoves, charcoal kilns, and encouraging use of alternative sources of energy have been encouraged. On the other hand, farmers have been, through public information and education programmes, encouraged to adopt farm tree planting, increase the supply of tree seedlings and promote agro-forestry.

Other Sources of Energy

10.20. Alternative sources of energy in Kenya include, bio-waste, biogas, wind energy and solar power energy. The role played by solar energy is becoming increasingly important and various public and private institutions are using solar water heating and lighting systems. Wind energy generation is also being encouraged. However, high capital costs, lack of appropriate technology and effective promotion campaign strategies have hampered the exploration and utilization of these alternative sources of energy.

Energy Conservation

10.21. The energy conservation policy continued to be pursued by both the Government and private sector in the year 1994. This includes reduction of the cost of using both imported and domestic energy through elimination of wasteful consumption and maximization of the efficiency with which energy is used throughout all the sectors of the economy. Substitution of imported energy for domestic energy due to cost of importation has been encouraged.

CHAPTER 11 - MANUFACTURING

Overview

The manufacturing sector has transformed from being import substitution oriented to export oriented. It has also been undergoing liberalisation and has subsequently become the fastest developing sector of the economy. The liberalization of the sector has brought in many competitors into the market thus offering consumers a wider choice of goods both locally produced and imported. However, to protect the local producers, the Government has proposed an anti-dumping tax to be levied on imported consumer goods and committed to ensure that no sub-standard goods are offered to the consumers. Provisional data indicate that in 1994 the value of imported manufactured goods was K£ 3,543 million against K£ 3,112 million in 1993, representing an increase of 13.8 per cent. Manufactured exports were worth valued at K£ 1,297 million in 1994 compared to K£ 1,094 million in 1993. Consumers of some manufactured goods however, have not benefited as expected from the appreciation of the Kenya shilling against major currencies as their prices have not fallen. However, it is notable that the prices that have fallen are those in the motor vehicle industry, soap and detergents, drugs and cooking oils inter alia. It is expected that once the impact of liberalisation is fully absorbed and the shilling stabilises, the consumers stand to benefit.

Employment

11.2. The upward trend in employment in the manufacturing sector in 1993 was maintained in 1994. The number of persons employed rose to 197,648 persons in 1994 compared to 193,537 persons in 1993, an increase of about 2.1 per cent.

Manufacturing Sales And Stocks

11.3. As a result of marginal price reduction of some consumer and durable goods caused by the strengthening of the shilling and the stiff competition from imported manufactured items, sales revenue which had increased by 37.8 per cent in 1993, recorded a further increase of 33.7 per cent in 1994. Sales revenue totaled K£ 15,207 million compared to K£ 8,249 million and K£ 11,374 million in 1992 and 1993, respectively. Various export incentives offered triggered the increase in manufactured exports. As the sector shifts to become more export oriented, the performance of the manufactured exports is expected to improve further.

Industrial output

11.4. Table 11.1 gives estimated value of output, intermediate consumption, value added and wages paid by the sector in the period 1990 -1994. Value of output rose by 22.1 per cent in 1994 compared to 33.9 per cent rise in 1993, while value added increased by 19.5 per cent. Total wages increased by 19.8 per cent in 1994 compared to 15.8 per cent in 1993.

Quantum Indices

11.5. Table 11.2 shows indices of real output in the manufacturing sector. There was increased performance of the sector in terms of real output, growing from 1.8 per cent in 1993 to 1.9 per cent in 1994. The liberalisation process in the economy resulted in massive importation of finished products leading to reduced demand for domestically produced goods. This phenomena cut across all the sub-sectors of the manufacturing sector. Further, it has threatened local industries and also required strict measures to ensure no sub-standard goods are brought into the country.

MANUFACTURING SECTOR - OUTPUT , WAGE AND PRODUCT, AT CURRENT PRICES, 1990 - 1994

Table 11.1 K£million

YEAR	Value of Output	Intermediate Consumption	Value Added	Total Wages Paid
1990	8,816.31	7,774.96	1,041.35	345.12
1991	10,817.57	9,583.31	1,234.26	376.71
1992	11,877.06	10,568.15	1,308.91	420.23
1993	15,907.51	14,394.66	1,512.85	486.79
1994*	19,428.37	17,620.51	1,807.86	583.25

*** Provisional.**

11.6. Analysis by sector shows that the meat and dairy sub-sector, whose performance picked up in 1993, declined by 9.2 per cent. Liberalisation of the dairy sector broke the monopoly of Kenya Co-operatives Creameries(KCC), and new dairy industries came into operation, offering better prices to the farmers. However, production of liquid milk which stood at 192 thousand litres in 1993 declined to 170 thousand litres in 1994 due to non-delivery of milk to KCC and mushrooming of milk vendors within the country. Production of butter increased by 7.0 per cent while that of all other products decreased, baby foods with milk base decreasing by 38.4 per cent. This is attributable to increased importation of baby foods. Production of beef on the other hand went up marginally, as increased output was recorded in the production of sausages caused by growing demand in the export markets.

11.7. The production of grain milling products is shown in Table 11.3. The downward trend of the sub-sector, which began in 1992 was reversed in 1994. Production grew by 32.3 per cent, with major contributors being production of sifted maize meal which increased from 168.1 thousand tonnes in 1993 to 233.2 thousand tonnes in 1994, and wheat flour production which rose from 143.1 thousand tonnes in 1993 to 191.4 thousand tonnes in 1994. Favourable weather culminating in good harvest and the importation of both maize and wheat by the millers themselves resulted in the increased production (refer Chap 8).

11.8. The good performance in the grain milling sub-sector, had a positive impact in bakery products output, which recorded a marked improvement in 1994 when a growth of 53.8 per cent was recorded compared only to 33.9 per cent in 1993. The good performance of the sub-sector resulted in the resumption of production by firms which had closed down notably Elliots Bakeries. Production of bread, cakes and biscuits all increased by 53.6 per cent, 46.2 per cent and 57.2 per cent, respectively.

QUANTUM INDEX OF MANUFACTURING PRODUCTION, 1990 - 1994

Table 11.2

INDUSTRY	1990	1991	1992	1993	1994 *	Percentage Change 1994/1993
Meat and Dairy Products	130.9	125.1	94.0	95.8	87.0	-9.19
Canned Vegetables, Fish, Oils and Fats	291.1	363.4	338.9	384.4	275.0	-28.46
Grain Mills Products	175.5	178.1	170.5	154.8	204.8	32.30
Bakery Products	155.4	166.1	172.9	178.5	274.5	53.78
Sugar and Confectionery	210.5	210.6	195.7	198.3	156.8	-20.93
Miscellaneous Foods	225.6	227.4	236.7	220.0	225.9	2.68
Food Manufacturing	171.0	174.7	168.3	168.2	167.7	-0.30
Beverages	210.3	210.8	245.0	243.4	225.2	-7.48
Tobacco	178.6	173.5	192.8	194.8	196.2	0.72
Beverages and Tobacco	204.1	203.9	235.7	234.6	219.3	-6.52
Textiles	202.3	218.5	218.5	252.0	186.9	-25.83
Clothing	378.6	323.6	320.6	292.4	183.9	-37.11
Leather and Footwear	94.7	101.5	97.1	87.9	96.8	10.13
Wood and Cork Products	68.1	73.1	74.0	73.7	76.0	3.12
Furniture and Fixtures	72.9	70.8	46.8	49.6	50.6	2.02
Paper and Paper Products	189.3	214.6	257.7	180.5	155.6	-13.80
Printing and Publishing	392.9	405.8	411.2	411.2	424.8	3.31
Basic Industrial Chemicals	198.1	233.8	234.0	244.6	213.0	-12.92
Petroleum and Other Chemicals	396.0	510.7	481.8	469.2	453.6	-3.32
Rubber Products	308.7	322.4	630.3	622.4	613.7	-1.40
Plastic Products	219.1	274.3	323.7	357.2	362.6	1.51
Clay and Glass Products	338.1	259.3	575.2	1,199.0	1,770.6	47.67
Non-Metallic Mineral Products	147.0	174.4	205.7	201.5	211.7	5.06
Metallic Products	154.6	203.1	183.8	184.2	205.0	11.29
Non-Electrical Machinery	132.8	101.0	95.3	94.6	100.3	6.03
Electrical Equipment	193.8	259.7	251.5	224.5	226.2	0.76
Transport Equipment	638.0	662.0	603.7	541.2	571.4	5.58
Miscellaneous Manufactures	375.0	441.0	442.9	442.9	442.9	0.00
TOTAL MANUFACTURING	233.4	242.3	245.4	249.9	254.7	1.92

* Provisional

PRODUCTION OF GRAIN MILLING PRODUCTS, 1990 - 1994

Table 11.3 '000 tonnes

YEAR	COMMODITY			
	Sifted Maizemeal	Wheat Flour	Whole Rice	Broken Rice
1990	241.4	171.9	19.8	2.4
1991	227.3	185.5	15.2	2.2
1992	119.6	222.4	18.1	2.4
1993	168.1	143.1	13.6	2.0
1994 *	233.2	191.4	11.0	2.3

* Provisional

11.9. The output of canned vegetables, fish, oils and fats decreased by 28.5 per cent in 1994 compared to a growth of 13.4 per cent in 1993. Increased importation of tinned and canned items from the neighbouring countries and South Africa compounded by consumer preference for the same helped dampen domestic production.

11.10. In 1994 sugar production fell by 82 thousand tonnes from 385 thousand tonnes in 1993 to 303 thousand tonnes in 1994, a drop of 21.3 per cent. This was due to shortage of cane deliveries and temporary closure of some factories to facilitate maintenance. Consumption of sugar also declined from 570 thousand tonnes in 1993 to 560 thousand tonnes in 1994. However, to meet the shortfall in output, sugar had to be imported to meet the domestic demand. The output of molasses increased marginally from 121.8 thousand tonnes in 1993 to 122.1 thousand tonnes in 1994,while production of sweets decreased by 21.5 per cent.

11.11. Except for curry powder and ground spices, the output of all other products in the miscellaneous food sub-sector recorded increases. High demand for coffee and tea coupled with good prices resulted in an increased production of 28.0 per cent and 15.7 per cent for the respective commodities in 1994. A marginal increase was also recorded in the output of salt.

11.12. Table 11.4 shows the production of beverages and tobacco in the period 1990-1994. Production of beer and stout decreased from 349.2 million litres in 1993 to 302.7 million litres in 1994. Despite the availability of foreign exchange for importing of inputs, the importation of beer from South Africa and Germany had a negative effect on local beer production. Cigarette production, which has been increasing increase since 1992, when production was 7,031 million sticks, increased to 7,266 million sticks in 1993 and to 7,319 million sticks in 1994. Increased exports to the neighbouring countries and the Preferential Trade Area were recorded, though export earnings declined due to the strengthening of the Kenyan shilling. Competition from imported spirits resulted in production declining by 25.9 per cent from 2,259.0 thousand litres in 1993 to 1674.0 thousand litres in 1994. Production of mineral waters had a marginal decrease from 132.3 million litres in 1993 to 131.3 million litres in 1994.

PRODUCTION OF BEVERAGES AND TOBACCO, 1990 - 1994

Table 11.4

	COMMODITY			
YEAR	Spirits '000 Litres	Beer Million litres	Mineral Waters Million litres	Cigarettes Million sticks
1990	1,192.9	331.1	150.0	6,648
1991	1,688.3	314.0	144.5	6,473
1992	1,480.3	368.6	133.3	7,031
1993	2,259.1	349.2	132.3	7,266
1994*.	1,674.0	302.7	131.3	7,319

* Provisional

11.13. The continued importation of textiles and clothing resulted in the poor performance of the sector and substantial declines were recorded in the manufacture of textiles. The export quota ban imposed on Kenyan garments further dampened the sector. However, firms operating under Export Processing Zones (EPZ) and Manufacturing Under Bonds (MUB) were expected to benefit from the ban. Production of bed sheets, pullovers, knitted fabrics among others all recorded significant declines. Shirts, T-shirts and trousers recorded declines of 12.4 per cent and 45.4 per cent, respectively. Other significant decreases were noted in the production of suits for both men and boys, while the Production of dresses also decreased significantly.

11.14. Despite benefiting from technological changes, a shift in demand and the availability of foreign exchange, the plastics industry, which had recorded a growth of 10.4 per cent in 1993, recorded only a marginal growth of 1.5 per cent in 1994. Increases were recorded in the production of PVC pipes, while PVC floor tiles decreased tremendously from 298,420 square metres in 1993 to 188,451 square metres in 1994, a drop of 36.9 per cent. Increased production was recorded in polythene film bags from 2,015 tonnes in 1993 to 2,043 tonnes in 1994 an increase of 1.4 per cent. Production of plastic crates and bottles maintained as 1993 level, while production of plastic shoes declined due to import of the same.

11.15. Production in the petroleum and other chemical sector which experienced declines in 1993, further declined in 1994 when a negative growth of 3.3 per cent was recorded compared to negative 2.6 per cent in 1993. Liquified Petroleum Gas (LPG), motor spirits and kerosene recorded increases, while all other products recorded decreases. To bridge this shortfall in production some petroleum products were imported. Production of paints, distempers, primers and undercoats all remained at the same level as 1993. Production of drugs also maintained the same level. There was a decrease in the production of detergent powder while washing soap increased in production, reflecting a shift in demand. Other perfumes and toiletries experienced mixed performances. There was also a mixed performance in miscellaneous chemical products. Production of matches fell while production of shoe polish rose. Decreases were recorded in the output of acetylene, electrodes and wattle extracts which together with the decline in the production of pyrethrum extract powder resulted in the declining performance of the basic chemical sector in 1994. Production of aerosols, fertilizers and pesticides remained at the 1993 level as did cattle dips. Production of vaccines was 12 million doses in 1994, the same as in 1993.

11.16. The production of unfinished leather, PVC leather cloth, sheep and goat skin all declined in 1994. This decline was, however, offset by an increased production of finished leather and leather shoes resulting in the overall growth of 10.1 per cent in the leather and footwear industry. Production of finished leather more than doubled while production of leather shoes increased from 1.5 million pairs in 1993 to 1.7 million pairs in 1994, an increase of 13.3 per cent. A decline was recorded in the production of sporting balls.

11.17. There was an improved performance of 3.1 per cent in the wood and cork products industry. Output of sawn timber increased by 3.5 per cent from 85 thousand cubic metres in 1993 to 88 thousand cubic metres in 1994. Manufacture of paper and paper products continued to decline. Production of various types of paper registered declines, notably kraft paper board, wrapping paper and duplicating paper due to cheap imports. However, products registering increases were paper bags and sacks which increased by 4.9 per cent, although corrugated paper containers declined in output. Exercise books and envelopes registered significant increases while production of toilet rolls decreased by 7.6 per cent. Production of envelopes more than doubled while teleprinter rolls decreased by 82.0 per cent, due to increased imports.

11.18. The printing and publishing industry grew by 3.3 per cent in 1994 after stagnating in 1993. The increase may be attributed to the various magazines and papers that have come into circulation recently and the reduction of duty payable on imported newsprint.

11.19. The importation of used tyres and tubes had a negative effect in the performance of the rubber sector, which recorded a slight decline of 1.4 per cent in 1994. Production of retread tyres remained at the 1993 level of 267 thousand units. A significant decrease was recorded in the output of bicycle tyres as a result of importation.

11.20. The metal products sector grew by 11.3 per cent in 1994 compared to only 0.2 per cent in 1993. The availability of foreign exchange and the liberalisation of the economy helped boost the sector. Production of galvanised iron sheets increased by 3.9 per cent in 1994, while nails, exhaust pipes, metal beds and water tanks all registered increases. With increased export demand, production of gas cylinders recorded a substantial growth in 1994. The jua-kali sector, a major user of metals, also contributed to the good performance of the sector. General hardware such as jembes also increased in production while pangas and padlocks remained at the 1993 level.

11.21. The electrical appliances industry, which has been performing poorly, registered a marginal growth in 1994. Production of dry cells increased marginally from 900 thousand units to 1,010 thousand units in 1994 despite intensive competition from imported cells from Korea and China. Manufactured vehicle batteries decreased by 25.3 per cent. Gramophone records and electrical lamps both increased marginally.

11.22. The non electrical machinery industry recorded a positive growth of 6.0 per cent in 1994. Production of wheel barrows increased from 24,473 in 1993 to 25,952 in 1994 an increase of 6.0 per cent. This was however lower than the 30,186 wheel barrows produced in 1991.

11.23. The production and utilization of cement is shown in Table 11.5. Production of cement, which declined in 1993, picked up to record an increase of 2.5 per cent, rising from 1,416 thousand tonnes in 1993 to 1,452 thousand tonnes in 1994, but still below the 1,511 thousand tonnes produced in 1990. This increase was due to increased investments by the cement manufacturers to improve efficiency in production. However, despite the increase in production, domestic consumption declined further from 894.2 thousand tonnes in 1993 to 858.5 thousand tonnes in 1994, a decline of 4.0 per cent and an improvement over a 20.0 per cent decline registered in 1993. Imports of cement increased from 0.1 thousand tonnes in 1993 to 1.9 thousand tonnes worth K£ 0.78 million in 1994. Exports increased by 14.1 per cent from 522.1 thousand tonnes in 1993 to 595.7 thousand tonnes in 1994. Exports to Uganda and Tanzania accounted for almost 31.0 per cent of the exports. Another non-metallic product to record increased production was clinker which grew by 7.6 per cent , while concrete pipes and blocks maintained their 1993 growth levels.

11.24. Output of "miscellaneous manufactures" made up of ball points, carbon paper, sunglasses and illuminated signs remained at almost the same level in 1994 as in 1993. This is due to the importation of the same products which are cheaply sold compared to

those manufactured locally. With the exception of mattresses and some brushes most of the items in this category are imported.

CEMENT PRODUCTION AND UTILIZATION, 1990 - 1994

Table 11.5 '000 tonnes

YEAR	PRODUCTION	IMPORTS	CONSUMPTION AND STOCKS	EXPORT TO	
				Uganda and Tanzania	All Other Countries
1990	1,511.5	0.0	1,182.0	44.6	285.0
1991.. ..	1,422.6	1.5	1,119.2	54.1	250.8
1992	1,507.3	2.7	1,118.2	54.1	337.7
1993	1,416.2	0.1	894.2	132.7	389.4
1994 *	1,452.3	1.9	858.5	182.8	412.9

* Provisional.

11.25. The transport sub-sector is on its way to recovery after two years of decline. In 1994 the sector recorded a 5.6 per cent growth which was attributable to the availability of foreign exchange to import the sector's inputs. The number of assembled vehicles increased by 3.1 per cent from 6,862 vehicles in 1993 to 7,076 vehicles in 1994, while lorry bodies increased by 29.0 per cent from 310 lorry bodies to 400 lorry bodies in the same period. As a sign of the recovery of the transport sector some assemblers reduced prices by as much as 30.0 per cent while the prices of imported units were also made cheaper as the shilling strengthened against the major trading currencies. Imports of transport equipment was valued at K£ 664 million in 1994 against K£ 410 million in 1993.

Industrial Credit

11.26. Table 11.6 shows financing by the development finance institutions. These institutions were created by Government to hasten industrial development in Kenya. However the institutions did not finance any new projects in 1994 but rather continued to finance existing projects. In 1994, 219 projects were re-financed to the tune of K£ 33.2 million.

11.27. The Industrial Development Bank (IDB) approved 5 projects worth K£ 10.7 million, three of them being expansion-cum-modernisation in the agro-processing sector, mainly in the tea industry, while the other two were in the metal and engineering sector and wood and wood products. These projects are expected to create 147 employment opportunities.

11.28. The Development Finance Company of Kenya (DFCK) approved 9 projects in 1994 compared to 11 projects in 1993 worth K£ 11.5 million. Out of the 9 projects assisted some in the textile industry were greatly affected as they could not stand the stiff competition from imports. However, due to the liberalisation of foreign exchange and the abolition of import licensing they were able to import their raw materials directly. Other projects financed were in the paper industry, cement manufacture and

wheat milling. A total of 1,120 additional employment opportunities are expected to be created by these projects with the paper industry and cement manufacturing taking up 70.0 per cent of the opportunities created.

INDUSTRIAL PROJECTS APPROVED BY SELECTED GOVERNMENT OR QUASI-GOVERNMENT INSTITUTIONS, 1990 - 1994

Table 11.6

INSTITUTION	NUMBER OF PROJECTS					APPROVED EXPENDITURE K£ MILLION				
	1990	1991	1992	1993	1994*	1990	1991	1992	1993	1994*
Industrial Development Bank Limited (I.D.B.)	8	7	4	7	5	3.4	9.6	7.1	15.0	10.7
Development Finance Company of Kenya (D.F.C.K.)	9	9	21	11	9	5.3	8.9	22.5	11.5	17.8
Kenya Industrial Estates Limited (K.I.E.)	219	169	105	94	204	4.0	3.7	2.9	2.0	3.9
Industrial and Commercial Development Corporation (I.C.D.C.)	12	20	10	9	1	4.0	20.6	8.7	11.9	0.8
TOTAL	248	205	140	121	219	16.7	42.8	41.2	40.4	33.2

* Provisional.

11.29. The Kenya Industrial Estates (KIE) financed 204 projects worth K£ 3.9 million in 1994 compared to 94 projects worth K£ 2.0 million in 1993. Almost 70 per cent of the projects financed were in the rural areas, mostly in the flour milling, food making and dress making sub-sectors. Most of the projects financed were valued below K£ 30,000, while employment opportunities to be created averaged around 8 people per project, which altogether are expected to generate about 1,600 additional jobs.

11.30. Over the years the number of projects approved by the Industrial and Commercial Development Corporations (ICDC) has been on the decline. From 20 projects worth K£ 20.6 million in 1991 to only 1 project worth K£ 800 thousand was approved in 1994. The project approved was flori-cultural project and, once complete, will have 26 permanent employees and 120 casuals. Its also notable that ICDC has been selling its shares in most companies.

Manufacturing Labour Cost and Productivity

11.31. Selected indices in the manufacturing sector for the period 1990-1994 are detailed in Table 11.7. The implicit change in labour productivity rose in 1994 compared to 1993, this was, however, still below the 1990, 1991 and 1992 levels. The proportion of wage costs to gross output declined slightly to 3.0 per cent in 1994 from 3.1 per cent in 1993. The proportion of wage cost to value added has during the last four years remained around the 30.0 per cent mark but in 1994 it rose to 32.3 per cent.

Developments

Export Promotion Council

11.32. As the manufacturing sector moved from being import substitution to export oriented, the Export Promotion Council was established in 1992 with the sole purpose

of promoting Kenyan exports through co-ordination and harmonisation of export development. This was to be done in conjunction with the Kenya Association of Manufacturers, the Horticultural Crop Development Authority, the Fresh Produce Export Association of Kenya and the Kenya National Chamber of Commerce. Exports from Kenya also enjoy preferential access to world markets under special access duty reduction programmes.

Table 11.7 INDICATORS OF LABOUR COST PRODUCTIVITY IN MANUFACTURING, 1990 - 1994

INDICATOR	1990	1991	1992	1993	1994 *
1. Change in the quantum index of manufacturing ..	+ 5.3	+ 4.1	+ 1.2	+ 1.8	+ 1.9
2. Change in numbers employed in manufacturing ..	+ 2.7	+ 0.6	+ 0.4	+ 1.7	+ 2.1
3. Implicit change in labour productivity	+ 2.6	+ 3.5	+ 0.8	+ 0.1	+ 0.6
4. Wage cost as percentage of gross output	3.9	+ 4.1	+ 3.5	+ 3.1	+ 3.0
5. Wage cost as percentage of value added	33.1	35.7	32.1	32.2	32.3

* Provisional.

Regional Markets

11.33. Kenya is a member of the Preferential Trade Area (PTA) which embraces countries in Eastern and Southern Africa and which has been transformed to the Common Market for Eastern and Southern Africa (COMESA). Exports and imports between member countries are entitled to preferential tariff rates. When fully implemented the various incentives offered to manufacturers, such as manufacturing within the EPZ, MUB, and the Value Added Tax (VAT) remission schemes are expected to boost our export trade. Further more, the proposed 1996 Export Year will boost exports.

11.34. As an incentive to potential investors an International Investment Conference was held in Nairobi which brought the private and public sectors together to discuss the current incentives and opportunities offered. In November 1994 His Excellency the President addressed another Investment Conference in London.

11.35. The Government also removed the issuing of certificates of origin from the Kenya National Chamber of Commerce to the Ministry of Commerce and Industry with the aim of speeding up export procedures.

Export Processing Zones Authority (EPZA)

11.36. The EPZA established in 1990 has so far approved 40 enterprises, out of which 16 were approved in 1994 to operate within the 6 gazetted zones namely:

(a) Sameer Industrial Park
(b) Thomas De la Rue
(c) Birch Investments
(d) East African Molasses EPZ Ltd.
(e) Anicit Kenya EPZ Ltd
(f) Athi River EPZ

while others at an advanced stage of development are;

(a) Real Industrial Park
(b) Embakasi Zone, and
(c) Changamwe and Kwa Jomvu Zones

11.37. The total work force within the zones is about 3,000 people. They are involved in textile and garment manufacture, food processing, electronics, paper and printing, engineering, vehicle assembly and pharmaceuticals. Operations are expected to greatly improve once the zones are completed, especially in the textile industry due to collapse of local textile manufacturers. Total export turnover in 1994 stood at Ksh. 9 billion.

CHAPTER 12 - BUILDING AND CONSTRUCTION

Overview

The unsatisfactory performance that the building and construction sector recorded in 1993 continued through 1994. The performance of the sector continued to be depressed by the lack of adequate funds for public projects, high interest rates on loans and high input costs that prevailed in 1993 and 1994 . The sector however, benefited from the shillings dramatic recovery in trading against the hard currencies and the price reduction in cement and petroleum fuels during the second half of the year. These led to a significant drop in year to year building and construction cost indices, from 52 per cent increase in 1993 to only 6 per cent in 1994.

12.2. Table 12.1 presents an analysis of real trends of the sector's major indicators for the last five years. The deflated index of government expenditure on roads recorded a growth of 45 per cent, mainly due to the increase in budgetary allocation for road maintenance and repair during the current fiscal year. Cement consumption, an indicator of construction, recorded a decline from 894.2 thousand tonnes in 1993 to 858.5 thousand tonnes in 1994, a drop of 4.0 per cent. However, the decline was lower than the 20 per cent decline recorded the previous year.

REAL TRENDS IN BUILDING AND CONSTRUCTION *, 1990-1994

Table 12.1 1982 = 100

	1990	1991	1992	1993	1994**
"Index" of reported private building work completed in main towns***	91.2	81.7	66.2	43.9	..
"Index" of reported public building work completed in main towns** * .	11.6	9.6	7.8	5.5	
"Index" of government expenditure on roads	67.0	73.0	52.1	46.7	67.7
Cement consumption ('000 tonnes)	1,182.0	1,119.2	1,118.2	894.2	858.5
"Index"	204.0	193.2	193.0	154.3	148.1
Employment ('000)	71.4	72.4	73.4	72.7	73.1
"Index"	118.2	119.9	121.5	120.4	120.9

* Actual deflated by various building or construction cost indices.

** Provisional.

*** The average of two consecutive years is taken in each case for reported completion of building.

12.3. The slow down in building and construction activities over the last two years resulted in an unsatisfactory growth in wage employment within the building and construction modern sector. Employment in the sector remained at 73 thousand people. Sub-sectoral analysis shows that in 1994 the building sub-sector absorbed about 33 per cent of the total sector's wage employment. The private sector accounted for 60 per cent of the total sectoral employment while public sector engaged a total of 29.3 thousand people. In the informal sector, construction activities engaged a total of 26 thousand people in 1994 up from 21 thousand people in 1993. The construction sector contributed 1.5 per cent of the total informal sector employment (Table 4.14).

12.4. High inflationary pressure experienced in the construction industry in 1992 and 1993, eased in 1994 as shown by a significant drop in building and construction cost indices given in Table 12.2 The prices of construction materials remained generally stable during the year compared to the erratic price changes that were observed in 1993. The overall building and construction index rose by only 5.8 per cent in 1994 compared with a high 51.6 per cent recorded the previous year. All building and other construction cost categories recorded a growth of 5.5 per cent and 6.5 per cent, respectively. The lower growth recorded in material cost in 1994 was partly due to price reduction in some construction materials including, cement and petroleum fuels. Prices of concrete products, steel products, roofing materials and electrical installation recorded modest rises. The downturn in the inflationary pressure was attributable to sound monetary and fiscal policies implemented in 1994 coupled with the Kenya shilling's dramatic recovery against major world hard currencies.

ANNUAL PERCENTAGE INCREASE IN BUILDING AND CONSTRUCTION COST INDICES', 1992 - 1994

Table 12.2

	MATERIALS			LABOUR			TOTAL COST		
	1992	1993	1994**	1992	1993	1994**	1992	1993	1994**
Residential Buildings	23.9	58.5	3.8	9.6	22.3	15.3	21.4	52.8	5.2
Non-Residential Buildings	23.8	72.0	3.9	9.6	22.3	15.3	20.6	61.9	5.6
All Buildings	23.9	64.7	3.9	9.6	22.3	15.3	21.1	57.0	5.5
"Other" Construction	12.5	52.7	2.0	9.6	22.3	15.3	11.3	40.9	6.5
TOTAL COST INDEX	20.5	61.4	3.4	9.6	22.3	15.3	17.7	51.6	5.8

* From December to December.
* * Provisional.

12.5. Labour costs recorded a modest rise of 15.3 per cent in 1994 compared with 22.3 per cent the previous year. Skilled, semi-skilled and unskilled labour registered increases of 17.4 per cent, 13.8 per cent and 14.7 per cent, respectively. The rise in labour costs were attributable to the implementation of the Regulation of Wages (General Amendment) Order of 1994.

12.6. As shown in Table 12.3, the total value of building plans approved in Nairobi and other towns recorded a rise of K£ 84 million in 1994 compared to K£ 66 million the previous year. While Nairobi showed a significant rise in the value of plans, other towns combined recorded a drop of 7 per cent. Nairobi City Council (NCC) approved plans worth K£ 286 million in 1994 compared with K£ 192 million the previous year, a rise of 49 per cent. In other towns, Mombasa, Kisumu, Nakuru, Eldoret and Malindi had the largest share of the value of plans approved. Malindi town has shown a significant increase in the value of plans over the last two years, partly due to the increase in the tourism related facilities. Major building plans approved in Nairobi in 1994 included the industrial park along Baba Dogo road, printing factory for Thomas De La Rue Kenya, residential houses along Waiyaki way and the office block for Sunrise properties along Mara Road.

VALUE OF BUILDING PLANS APPROVED BY NAIROBI AND OTHER TOWNS, 1990 - 1994

Table 12.3 K£million

YEAR	NAIROBI	OTHER TOWNS	TOTAL
1990	186.24	85.44	271.68
1991	193.45	105.64	299.09
1992	156.40	110.84	267.24
1993	192.07	141.03	333.10
1994*.	286.01	131.10	417.11

* Provisional.

12.7. Comparison between the value of plans approved and the value of buildings completed by towns shown in Table 12.4 indicate that 12.5 per cent of the plans approved were completed in 1994. This represents a drop from 15.2 per cent and 23.5 per cent in 1993 and 1992, respectively, indicating the slow pace at which approved plans are completed.

12.8. The private sector plays a vital role in the provision of housing and other building facilities. Table 12.5 shows the value of reported private buildings works completed in five major towns. The total value of reported building works completed, including extensions, improved marginally by about K£ 2 million in 1994, with Nairobi, Nakuru and Malindi all showing a marginal growth. Nairobi, a major industrial and commercial town, showed an increase from K£ 34 million in 1993 to K£ 36 million in 1994. Major building works in progress in Nairobi include the Central Bank of Kenya and the General Post Office headquarters.

COMPARISON OF VALUE OF PRIVATE PLANS APPROVED AND BUILDINGS COMPLETED IN MAIN URBAN AREAS, 1990 - 1994

Table 12.4 K£million

YEAR	PLANS APPROVED	BUILDING WORK COMPLETED
1990	271.68	66.02
1991	299.09	63.52
1992	267.24	62.78
1993	333.10	50.50
1994*.	417.11	51.98

* Provisional.

VALUE OF REPORTED PRIVATE BUILDING* WORKS COMPLETED IN MAIN TOWNS, 1990- 1994

Table 12.5 K£million

Year	Nairobi	Mombasa	Kisumu	Nakuru	Malindi	Total
1990	30.15	23.61	8.09	6.55	3.53	71.93
1991	41.24	21.58		3.02	2.14	67.98
1992	47.99	13.98		2.31	2.10	66.38
1993**	34.21	14.07		3.42	1.88	53.58
1994**	35.55	14.02		3.66	2.04	55.27

* Including the value of extension.
Provisional.

12.9. Table 12.6 presents an analysis of reported completion of new private buildings by type, number and their respective values. Over the last five years, a total

of 6,316 residential units were completed compared to only 329 non-residential units thus confirming the private sectors role in the provision of housing. In 1994 the number of residential units declined and remained below the 1992 and 1991 levels. The majority of the residential units completed were in Nairobi, Mombasa and Nakuru in that order.

REPORTED COMPLETIONS OF NEW PRIVATE BUILDINGS * IN MAIN TOWNS, 1990 - 1994

Table 12.6

YEAR	NUMBER		ESTIMATED COST K£million		
	Residential	Non-Residential	Residential	Non-Residential	Total
1990	1,148	94	39.02	27.00	66.02
1991	1,264	71	40.90	22.62	63.52
1992	1,559	52	43.65	19.13	62.78
1993**.	1,305	54	35.92	14.58	50.50
1994**.	1,040	58	36.39	15.59	51.98

* Excluding the value of extensions.

* * Provisional.

12.10. As depicted in Table 12.7 on reported completions of new public buildings in 1994, the number of both residential and non-residential units declined by 14 units and 2 units, respectively over the previous year. Similarly, the estimated cost of both residential and non-residential units recorded a decline.

REPORTED COMPLETIONS OF NEW PUBLIC BUILDINGS * IN MAIN TOWNS, 1990 - 1994

Table 12.7

YEAR	NUMBER		ESTIMATED COST K£million		
	Residential	Non-Residential	Residential	Non-Residential	Total*
1990	156	32	2.97	1.60	4.57
1991	177	20	2.89	1.10	3.99
1992	167	19	2.73	1.05	3.78
1993**.	144	16	2.46	0.94	3.40
1994**.	130	14	2.21	0.85	3.06

* Including the value of extensions.

* * Provisional.

12.11. Despite the difficult economic conditions experienced in the country over the last three years, the Government, through the Housing Department and the National Housing Corporation continued to inject more funds into housing development to meet the housing needs of the rapidly growing urban population.

12.12. Table 12.8 compares the Central Government budget estimates with actual expenditures on housing for the last five fiscal years. Actual expenditure during the 1993/94 fiscal year showed significant improvement over the previous year, from K£ 4.76 million to K£ 8.96 million. Grants and loans to the National Housing Corporation and urban pool housing continued to take the lion's share of expenditure totalling about K£ 6.6 million. The budget estimate for 1994/95 is expected to drop by about K£ 8 million from K£ 28.7 million during 1993/94 to K£ 21.2 million during the current fiscal year.

12.13. The lack of adequate funds continued to affect the development of Pool Housing projects which include, Nairobi west civil servant Scheme, as well as Voi, Kericho and Kapsabet Pool housing projects.

APPROVED AND ACTUAL CENTRAL GOVERNMENT EXPENDITURE ON HOUSING, 1990/91 - 1994/95

Table 12.8

YEAR	K£ Million		Approved Expenditures as Percentage of Development Expenditure
	Approved	Actual	
1990/91	11.50	14.66	1.18
1991/92	6.03	9.50	0.55
1992/93	4.16	4.76	0.35
1993/94	28.68	8.96	2.22
1994/95*.	21.21	…	1.24

* Provisional.

12.14. The National Housing Corporation (NHC), which is the Government's housing agency, continued to play a vital role in the provision of housing to low and lower-medium income earners in towns. Between 1990 and 1994, NHC completed a total of 3,234 housing units at a total cost of K£ 36.8 million. In 1994, under the difficult economic situation which prevailed in the country, the Corporation completed three schemes comprising of 66 units in Malindi, 60 units in Vihiga and 952 units in Nairobi, respectively at a total cost of K£ 18.5 million. Schemes completed included the Kibera High Rise Phase II tenant Purchase scheme under the urban renewal programme and the Malindi mortgage scheme. As at December 1994, four schemes were in various stages of construction which include, in-fill houses at Uhuru Garden and Otiende, maisonettes at Langata, Kiboko Mortgage Phase II and Kibera High Rise Phase II Extension - together comprising of a total of 281 units at a cost of K£ 12.2 million. Data on housing units completed by NHC and their value from 1990 and 1994 are presented in Table 12.9.

12.15. The "Rural Housing Loans Programme" which the Corporation operates to assist individuals to construct better house in the rural areas continued to be affected by a lack of adequate funds. During 1993/94 fiscal year, the total amount advanced to individuals under this programme reached its lowest level of K£ 10 thousand compared to K£ 1.0 million during the previous fiscal year. The number of beneficiaries also showed a similar downward trend.

Roads:

12.16. The slowdown in road construction activities observed in 1992 and 1993 continued into first half of 1994. In the second half, it showed a slight improvement, partly due to an increase in the budgetary allocation for road construction, maintenance and repair during the current fiscal year.

HOUSING UNITS COMPLETED BY THE NATIONAL HOUSING CORPORATION, 1990 - 1994

Table 12.9

	1990	1991	1992	1993	1994*
Units completed					
PROVINCE-					
Nairobi	1,069	2		. .	952
Coast		68		23	66
North-Eastern					
Eastern		128			
Central	357**		40		
Rift valley	25		40		
Nyanza					
Western	212	90	102		60
TOTAL NUMBER	1,663	288	182	23	1,078
Value of units completed K»'000					
Nairobi	14,011	140			17,478
Coast		551		487	768
North-Eastern					
Eastern		389			
Central	588**		154		
Rift valley	98		639		
Nyanza					
Western	644	319	307		258
TOTAL VALUE	15,311	1,399	1,100	487	18,504

* Provisional

* * Include upgrading of squatter settlement in Nyeri Town.

12.17. A good road network boosts agricultural production and marketing as well as facilitating domestic and regional trade. Information on the kilometres of road by type and classification over the last five years is shown in Table 12.10. Between 1990 and 1994 the total classified road network increased by 1,400 kilometres, which represents a slowdown over the increased 1,700 kilometres recorded between 1989 and 1993. This decline was mainly due to the lack of adequate budgetary provision for road development during the period under review. Bitumen roads recorded a growth of 900 kilometres while earth/gravel roads increased by 500 kilometres. Trunk and primary roads rose by 5 per cent and 13 per cent, respectively.

KILOMETRES OF ROAD AS AT 1st JULY, 1990 AND 1st JULY, 1994 BY TYPE AND CLASSIFICATION

Table 12.10 '000Km

Type of Road	1990		1994	
	Bitumen	Earth/ Gravel	Bitumen	Earth/ Gravel
A- International Trunk ..	2.6	1.0	2.7	1.0
B- National Trunk	1.3	1.4	1.4	1.3
C- Primary	2.3	5.5	2.6	5.6
D- Secondary	1.0	10.1	1.2	10.1
E- Minor	0.5	25.8	0.7	26.0
F- Special Purpose *	0.2	10.6	0.2	10.9
TOTAL	7.9	54.4	8.8	54.9

*Special purpose roads include Government access, settlement, rural access, sugar, tea and wheat roads.

12.18. Major roads completed during 1993/94 fiscal year included: Timboroa - Eldoret, Kalanga Corner - Laga Hamaris section and Kabete -Limuru roads while Makuyu -Isebania, Busia-Mumias, Kisii - Chemosoit, Narok - Mau Narok and Rodi Kapany -Karungu roads were all under various stages of construction.

12.19. Table 12.11 shows the breakdown of Government expenditure on roads by type over the three fiscal years. Total Government expenditure on roads increased from K£109 million in 1992/93 to K£ 137 million in 1993/94 and is expected to rise to K£ 211 during the current fiscal year. The rise in total expenditure was mainly as a result of substantial increases in expenditure on road maintenance and repair. While development expenditure showed a mixed performance over the last three fiscal years, expenditure on maintenance continued an upward trend, from K£ 10.4 million during 1992/93 to K£ 62.2 million during 1993/94. Expenditure under this item is expected to almost double to K£ 128 million during the current fiscal year. The growth in maintenance expenditure is due to the use of funds from the Road Maintenance Levy Fund introduced during the year. The rise in expenditure on this item arises from Government commitments to provide adequate funds for maintenance and repair so as to ensure the sustainability of the road network.

TOTAL EXPENDITURE ON ROADS, 1992/93 - 1994/95

Table 12.11 K£million

	1992/93	1993/94	1994/95*
DEVELOPMENT:			
Trunk Roads	42.0	38.7	42.5
Primary Roads	20.8	24.7	26.4
Secondary Roads	17.0	8.7	12.4
Unclassified Roads			
Miscellaneous Roads.. ..	18.3	2.8	2.3
TOTAL	98.1	74.9	83.6
RECURRENT (maintenance and repair)	10.4	62.2	127.6
TOTAL	108.5	137.1	211.2

* Provisional

12.20. The Minor Road Programme (MRP) activities showed a decline in output between July 1993 and June 1994. The output of earth road improvement was 154 kilometres during the period, down from 190 kilometres during the previous period. Total output of graveling of minor roads dropped from 283 kilometres during 1992/93 to 211 kilometres during the last fiscal year.

CHAPTER 13 - TOURISM

Overview

Major indicators of tourism in Kenya portray 1994 as an unsuccessful tourist year. While there was a rise in visitor arrivals and departures, there was neither a corresponding growth in hotel occupancy, days of stay nor earnings. Europe, the origin of most tourists, was slowly coming out of the 1993 recession and with strained household earnings and willingness to spend, tourism suffered. The unchanging number of arriving visitors on holiday for two years in a row when viewed against a rise in those on business, the reduced number of visiting days, and the decline in hotel occupancy by 17.4 per cent all point towards an unsuccessful tourist season. New and competing markets in the African region, adverse publicity on the local security situation and the appreciation of the shilling, which made Kenya an expensive tourist destination relative to her competitors, combined to weaken tourism in the country.

13.2. Tourism, being the second highest foreign exchange earner after agriculture, has steadily grown over the last ten years because of an absence of stiff competition. During 1994, however, earnings from tourism were K£ 1,405 million compared to K£ 1,222 million in 1993. These earnings reflect a decline when deflated by the trade weighted exchange rate index. Although arriving and departing visitors increased in the period under review, there was no change in visitors to national parks and game reserves. There was, however, a decline in visitors to museums, snake parks and other historical sites.

Arrivals and departures

13.3. The uncertainty over world recession in 1993, particularly in Europe, discouraged visitors to Kenya in 1994. Visitors on holiday did not change significantly between the two years but those on business and transit increased by 25.6 per cent and 24.1 per cent to reach 122.6 thousand and 58.1 thousand respectively in 1994. The greatest number of visitors arriving at 236.6 thousand was realised in the first quarter of 1994. The visitors declined gradually to the lowest at 183.9 thousand in the last quarter as shown in Table 13.1. There was, however, an overall marginal rise of 4.5 per cent in visitor arrivals in 1994, from 826.2 thousand in 1993 to 863.4 thousand. This was the second year in a row in which the number of arriving visitors grew since 1992 when 781.5 thousand visitors were recorded. Political stability among other things may have been the major cause of confidence in visitors to the country. The new and emerging tourist destinations in other African regions and appreciation of the Kenya shilling against convertible currencies in 1994, which made Kenya relatively expensive, jointly contributed to the decrease in number of visitors in the last three quarters of the year.

13.4. The majority of visitors in 1994 came for holidays, accounting for 78.7 per cent, followed by those on business accounting for 14.2 per cent while the rest were on transit and other purposes. During the review period, 679.2 thousand visitors came for holidays compared to 679.8 thousand in 1993, a drop of 2.4 per cent since 1990. The growth in visitors on business from 97.6 thousand in 1993 to 122.6 thousand in 1994 may partly be attributed to expansion of the Export Proccessing Zones (EPZs) and the ease in remitting dividends and profits brought about by trade relaxation including liberalisation of foreign exchange restrictions.

QUARTERLY VISITOR ARRIVALS BY PURPOSE OF VISIT, 1990 - 1994

Table 13.1 '000

Quarter/	Purpose	1990	1991	1992	1993	1994*
1st Qr.	Holiday	186.1	149.6	155.4	69.3	145.4
	Business	22.3	17.9	39.1	26.2	60.8
	Transit	9.3	7.5	19.2	12.0	27.8
	Other	1.2	1.0	5.5	1.1	2.6
	TOTAL	218.9	176.0	219.2	108.6	236.6
2nd Qr.	Holiday	158.1	149.4	136.2	211.8	192.4
	Business	17.1	16.6	27.3	23.7	21.5
	Transit	5.4	5.1	14.7	9.6	8.7
	Other	2.5	2.4	6.0	0.3	0.3
	TOTAL	183.1	173.5	184.2	245.4	222.9
3rd Qr.	Holiday	184.6	215.9	211.1	208.7	189.8
	Business	19.8	23.1	19.3	20.0	18.2
	Transit	11.2	13.2	8.6	12.7	11.6
	Other	3.5	4.1	1.5	0.4	0.4
	TOTAL	219.1	256.3	240.5	241.8	220.0
4th Qr.	Holiday	166.8	158.4	104.0	190.0	151.6
	Business	14.5	20.0	23.6	27.7	22.1
	Transit	9.7	12.5	8.3	12.5	10.0
	Other	2.3	7.9	1.7	0.2	0.2
	TOTAL	193.3	198.8	137.6	230.4	183.9
Year	Holiday	695.6	673.3	606.7	679.8	679.2
	Business	73.7	77.6	109.3	97.6	122.6
	Transit	35.6	38.3	50.8	46.8	58.1
	Other	9.5	15.4	14.7	2.0	3.5
	TOTAL	814.4	804.6	781.5	826.2	863.4

* Provisional.

13.5. Departing visitors increased from 697.0 thousand in 1993 to 865.3 thousand in 1994, equivalent to a rise of 24.1 per cent. Departures by purpose of visit correspond closely to arrivals by purpose of visit with 78.1 per cent on holiday, 13.3 per cent on business, 7.5 per cent on transit and 1.1 per cent on other purposes. These details are presented in Table 13.2.

13.6. Table 13.3 shows that Europe has continued to dominate as the destination of departing tourists with a share of 55.1 per cent in 1994. More than half of the visitors from Europe came from Germany with 131.2 thousand visitors and the United Kingdom with 128.4 thousand visitors. Africa was the second most important destination of departing visitors with 244.5 thousand visitors in 1994. Tanzania had the highest number of visitors on holiday while Uganda lead in the business category.

13.7. Table 13.4 shows the length of stay by purpose of visit. The average number of days stayed by each category of departing visitors in 1994 was 3.9 for those on transit, 8.0 for business and 15.5 for holiday. This compares favourably with the days stayed in 1993. The cost of visiting Kenya has been rising due to the appreciating shilling which partly contributed to the reduced number of days of stay in the country from the 1993 average of 13.9 days to 13.6 days in 1994. The 26.0 per cent rise in the

total days stayed in the country is a reflection of the rise in the number of visitors rather than an increase in days stayed by individual visitors.

QUARTERLY VISITOR DEPARTURES BY PURPOSE OF VISIT, 1990 - 1994

Table 1 3.2 '000

Quarter/	Purpose	1990	1991	1992	1993	1994*
1st Qr.	Holiday	187.3	149.3	186.0	163.4	205.9
	Business	20.6	16.4	20.7	18.2	22.9
	Transit	14.8	11.8	13.5	11.9	15.0
	Other	2.3	1.8	1.9	1.6	2.0
	TOTAL	225.0	179.3	222.1	195.1	245.8
2nd Qr.	Holiday	118.0	111.2	114.6	118.7	173.5
	Business	19.0	17.9	21.9	22.7	33.2
	Transit	11.8	11.1	10.9	11.3	16.5
	Other	1.3	1.2	1.5	1.5	2.2
	TOTAL	150.1	141.4	148.9	154.2	225.4
3rd Qr.	Holiday	166.4	156.2	152.4	140.1	173.3
	Business	19.0	17.8	22.8	21.0	26.0
	Transit	12.5	11.7	13.0	11.9	14.7
	Other	2.3	2.2	2.4	2.2	2.7
	TOTAL	200.2	187.9	190.6	175.2	216.7
4th Qr.	Holiday	126.3	142.8	61.8	127.2	123.4
	Business	16.1	16.4	16.3	27.7	32.6
	Transit	9.0	12.6	9.4	15.2	18.8
	Other	1.6	1.1	1.3	2.4	2.6
	TOTAL	153.0	172.9	88.8	172.5	177.4
Year	Holiday	598.0	559.5	514.8	549.4	676.1
	Business	74.7	68.5	81.7	89.6	114.7
	Transit	48.1	47.2	46.8	50.3	65.0
	Other	7.5	6.3	7.1	7.7	9.5
	TOTAL	728.3	681.5	650.4	697.0	865.3

* Provisional

Hotel Occupancy

13.8. There was no change in available hotel capacity during the review period when compared to the previous year as seen in Tables 13.5 and 13.6. There was a 17.1 per cent decline in bed occupancy in 1994 except for permanent occupants and those from UK, whose hotel bed-nights registered 32.2 per cent and 11.7 per cent rise respectively. The decline may be attributed to effects of the 1993 recession in Europe. The general bed occupancy rate from all areas is the worst recorded in the recent past and it stood at 43.1 per cent. Kenyan residents spent 205 thousand fewer bed-nights in 1994 compared to 1993, representing 22.9 per cent fall. The 689.6 thousand bed-nights for Kenyans in the review year are only marginally better than those of 1992.

13.9. The majority of hotel clients who spent nights in hotels originated from Europe, our traditional tourism market, with over 3.5 million bed-nights. Over the years, Germany has distinguished itself as the main source of tourists as shown by the number of bed-nights, which have been over one million per year since 1983 with a

peak in 1991 of 1.8 million bed-nights. The peak was followed by a downturn of 15.2 per cent in 1992, then 3.9 per cent and 6.7 per cent in 1993 and 1994, respectively.

DEPARTING VISITORS BY COUNTRY OF RESIDENCE AND PURPOSE OF VISIT, 1993 - 1994

Table 13.3 '000

Country of Residence	Holiday		Business		Transit		Total**	
	1993	1994*	1993	1994*	1993	1994*	1993	1994*
Germany	103.8	127.7	0.9	1.2	1.8	2.3	106.5	131.2
United Kingdom	96.6	118.9	3.9	5.0	3.5	4.5	104.0	128.4
Switzerland	23.3	28.7	0.5	0.6	0.5	0.6	24.3	29.9
Italy	41.8	51.4	0.7	0.9	1.7	2.2	44.2	54.5
France	37.4	46.0	0.9	1.1	1.5	1.9	39.8	49.0
Scandinavia	18.0	22.1	0.9	1.2	1.8	2.3	20.7	25.6
Other Europe	38.6	47.5	1.7	2.2	2.4	3.1	42.7	52.8
TOTAL EUROPE	359.5	442.3	9.5	12.2	13.2	16.9	382.2	471.4
U.S.A	42.2	51.9	2.5	3.2	3.2	4.1	47.9	59.2
Canada	8.2	10.2	0.6	0.8	1.0	1.3	9.8	12.3
TOTAL NORTH AMERICA	50.4	62.1	3.1	4.0	4.2	5.4	57.7	71.5
Uganda	4.2	5.2	44.2	56.6	3.7	4.8	52.1	66.6
Tanzania	62.9	77.4	12.0	15.4	6.5	8.4	81.4	101.2
Other Africa	28.9	35.6	16.0	20.5	15.9	20.6	60.8	76.7
TOTAL AFRICA	96.0	118.2	72.2	92.5	26.1	33.8	194.3	244.5
India	8.2	10.1	1.2	1.5	2.2	2.8	11.6	14.4
Japan	10.0	12.3	0.8	1.0	0.6	0.8	11.4	14.1
Israel	4.2	5.2	0.2	0.3	0.3	0.4	4.7	5.9
Other Asia	10.5	12.9	1.9	2.4	2.7	3.5	15.1	18.8
TOTAL ASIA	32.9	40.5	4.1	5.2	5.8	7.5	42.8	53.2
Australia and New Zealand	8.2	10.1	0.4	0.5	0.7	1.0	9.3	11.6
All Other Countries	2.4	2.9	0.3	0.4	0.3	0.4	3.0	3.7
TOTAL	549.4	676.1	89.6	114.8	50.3	65.0	689.3	855.9

* Provisional.

* * The Total does not include "Other Visitors" Category.

Since 1986, citizens of UK have been second to Germans. These were followed by Americans particularly those on military and naval missions in Africa and the Middle East with 243.4 thousand bed nights in 1994. Tourists from Asia and Australia have been very few probably because of similar and cheaper tourist attractions in the near Far East and Northern Australia.

NUMBER OF DAYS STAYED * BY PURPOSE OF VISIT, 1990 - 1994

Table 13.4 '000

Purpose	1990	1991	1992	1993	1994**
Holiday	9,276.8	8,366.2	8,004.8	8,299.8	10,473.1
Business	770.3	700.7	711.3	737.5	920.5
Transit	179.6	198.0	195.4	202.6	251.3
TOTAL	10,226.7	9,264.9	8,911.5	9,239.9	11,644.9
Average length of stay in days	14.4	13.7	13.4	13.9	13.6

* Excludes days stayed by "Other Visitors" Category.

* * Provisional.

HOTEL BED-NIGHTS OCCUPIED BY COUNTRY OF RESIDENCE, 1990 -1994

Table 13.5 '000

	1990	1991	1992	1993	1994*
PermanentOccupants**	168.0	158.7	123.2	82.1	108.5
Germany	1,610.7	1,755.4	1,488.5	1,430.1	1,334.3
Switzerland	494.9	502.3	324.5	363.1	339.9
United Kingdom	847.8	1,222.0	1,073.7	813.8	909.2
Italy	275.1	273.8	366.2	468.2	296.2
France	298.9	359.4	339.2	517.4	324.4
Scandinavia	122.7	114.8	91.4	121.4	90.2
Other Europe	346.2	359.3	301.5	388.7	289.0
EUROPE	3,996.3	4,587.0	3,985.0	4,102.7	3.583.2
Kenya Residents	875.5	938.0	655.8	895.0	689.6
Uganda	44.6	37.1	33.0	47.5	31.8
Tanzania	42.6	49.5	35.9	52.2	37.7
East and Central Africa	48.5	63.4	36.9	74.8	46.7
West Africa	16.0	40.9	30.1	29.1	28.8
North Africa	14.0	14.4	12.4	17.1	12.0
Other Africa	84.4	106.9	90.9	135.3	89.9
AFRICA	1,125.6	1,250.2	895.0	1,251.0	936.5
U.S.A	442.6	248.9	276.4	386.0	243.4
Canada	53.6	47.6	47.0	81.0	45.9
Other America	28.5	16.4	14.0	27.7	15.0
AMERICA	524.7	312.9	337.4	494.7	304.3
Japan	33.5	35.4	34.9	52.0	32.6
India	28.6	30.6	28.0	42.8	27.1
Middle East	26.9	27.8	32.0	40.0	27.0
Other Asia	45.8	28.9	23.8	45.1	25.5
ASIA	134.8	122.7	118.7	179.9	112.2
Australia and New Zealand	39.3	31.2	29.0	46.2	28.2
All Other Countries	57.2	55.8	37.5	32.2	36.8
TOTAL- OCCUPIED	6,045.9	6,518.5	5,525.8	6,188.8	5,109.7
TOTAL -AVAILABLE	10,494.7	11,036.7	11,464.5	11,908.9	11,908.9
Occupancy rate % ..	57.6	59.1	48.2	52.0	43.1

* Provisional.

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

13.10. The Coast has been highly suitable for tourists being endowed with natural beaches, warm weather and hospitable surroundings and therefore attracts the majority of our tourists. Bed-nights occupied in beach hotels, however, declined by 18.4 per cent from 3.8 million in 1993 to 3.1 million in 1994 while other hotels in Coast and the Coast hinterland registered 5.6 and 8.9 per cent fall respectively, as shown in Table 13.6 . Nairobi acts both as a hub of business activities in Eastern Africa and a major connecting city in air travel. In 1993 visitors and residents spent 1,148.9 thousand bed-nights in Nairobi as compared with 1,005.4 thousand bed-nights in 1994, a drop of 12.5 per cent. Hotels in the Northern zone have shown a steady recovery in occupancy since 1992, rising from 7.4 thousand bed-nights to 15.2 thousand bed-nights in 1994.

HOTEL BED-NIGHTS OCCUPIED BY ZONE, 1990-1994

Table 13.6 '000

Zone	1990	1991	1992	1993	1994*
Coastal-Beach	3,200.3	3,881.7	3,482.5	3,762.0	3,071.5
- Other	304.3	269.7	181.8	196.2	185.2
Coast Hinterland	175.2	184.9	142.7	146.2	133.2
Nairobi-High Class	649.9	544.0	569.1	649.9	550.7
-Other	780.2	733.1	385.6	499.0	454.7
Central	423.5	407.7	307.7	369.0	299.0
Masailand	291.4	273.2	272.4	372.7	247.8
Nyanza Basin	123.1	100.7	91.6	105.6	82.8
Western	81.3	85.3	85.0	79.9	69.9
Northern	10.0	38.3	7.4	8.3	15.2
TOTAL-OCCUPIED	6,039.2	6,518.6	5,525.8	6,188.8	5,110.0
TOTAL-AVAILABLE	10,494.7	11,036.7	11,464.5	11,908.9	11,908.9

* Provisional.

13.11. Table 13.7 presents hotel occupancy by country of residence. In 1994, Europeans spent 2,220.7 thousand bed-nights at the Coast compared with 3,133.2 thousand bed-nights in 1993, a drop of 29.1 per cent. This represents three quarters of all European bed-nights in the country in 1994, an indication of popularity of the

HOTEL BED-NIGHTS OCCUPIED BY COUNTRY OF RESIDENCE, 1994*

Table 13.7 '000

Country of Residence	Nairobi	Coast	Lodges	Others	Total
PermanentOccupants**	51.3	11.3	5.4	7.4	
Germany	47.2	923.5	55.8	20.0	1,046.4
Switzerland	14.5	203.7	17.0	4.7	239.8
United Kingdom	100.7	495.2	64.9	29.6	690.4
Italy	24.9	247.6	18.8	5.4	296.6
France	42.1	178.2	42.7	25.4	288.3
Scandinavia	24.3	33.9	8.3	6.4	72.9
Other Europe	61.6	138.6	30.3	12.8	243.3
Kenya	124.3	241.1	30.1	149.8	545.2
Uganda	16.3	4.2	2.0	4.9	27.3
Tanzania	18.7	9.4	0.3	1.3	29.6
East and Central Africa	27.5	8.5	0.3	1.4	37.6
West Africa	12.6	6.9	0.5	1.3	21.2
North Africa	7.6	1.0	0.6	0.6	9.7
Other Africa	47.7	21.8	2.1	3.7	75.3
U.S.A	90.2	64.3	44.9	26.0	225.4
Canada	27.7	6.9	5.4	4.0	43.9
Other America	6.9	16.1	2.1	2.1	27.2
Japan	16.7	3.7	6.8	3.0	30.1
India	15.9	4.5	2.4	1.7	24.4
Middle East	13.3	5.1	4.9	2.3	25.5
Other Asia ..	11.0	6.3	2.1	3.0	22.3
Australia arid New Zealand	13.8	5.0	4.5	2.6	25.8
All Other Countries	248.9	251.7	244.4	244.3	989.2
TOTAL	1,065.1	2,887.8	593.6	565.5	5,109.0

* Provisional.

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

Coast among European tourists. The Kenyans who spent time in hotels spent most of it in the Coast while most of the other Africans spent their time in Nairobi. Tables 13.5 to 13.7 show that hotel bed-nights dropped by 17.4 per cent, from 6,188.8 thousand in 1993 to 5,109.7 thousand in 1994. The Coast lost 1,051.0 thousand bed-nights, Nairobi lost 83.8 thousand bed-nights. Lodges improved in bed-nights from 584 thousand in 1993 to 593.0 thousand in 1994. Other areas improved from 516.1 thousand bed-nights to 563.2 thousand bed-nights in 1994.

13.12. As presented in Table 13.8, the number of bed-nights occupied by foreigners in game reserves and national parks fell by 107.5 thousand and by 91 thousand respectively, resulting in an overall decline of 38.5 per cent to reach 318.3 thousand. Of the total foreigners who slept in parks and reserves, 89.8 per cent opted for full catering while the rest settled for self service. While in 1993 there was an upsurge in visits to parks and reserves by residents of East Africa, 1994 witnessed a 48.5 per cent drop by those who spent nights in the parks. This may be attributed to the cost of hotel accommodation which may be getting out of reach for the average tourists from East Africa.

GAME LODGES** OCCUPANCY, 1992-1994

Table 13.8 '000

Lodge locality/Type	BEDNIGHTS OCCUPIED					
	Foreign Residents			E.A. Residents		
	1992	1993	1994*	1992	1993	1994*
Game Reserves	250.1	289.1	181.6	19.9	38.8	17.8
National Parks	189.6	228.1	136.7	16.9	28.2	14.5
TOTAL	439.7	517.2	318.3	36.8	67.0	32.3
Of which full catering -	401.6	451.2	285.9	27.1	52.5	24.7
Self Service	38.1	66.0	32.4	9.7	14.5	7.7

* Provisional.

** Lodges in National Parks and Game Reserves only.

Other Tourist Attractions

13.13. Details of the number of visitors to the different national parks and game reserves are shown in Table 13.9. There was mixed activity in the eight major national parks in 1994. While Nairobi Animal Orphanage registered an increase in visitors from 155.3 thousand in 1993 to 182.0 thousand in 1994, visitors to the adjoining national park dropped from 164.6 thousand in 1993 to 163.2 thousand in 1994. In Tsavo West, visitors in 1994 increased to 105.4 thousand from 102.9 thousand in 1993. In the nearby Tsavo East, visitors declined from 135.8 thousand in 1993 to 132.4 thousand in 1994. Visitors to Lake Nakuru declined by 8.0 per cent from 178.6 thousand in 1993 to 164.3 thousand in 1994, while in Masai Mara, visitors increased by 3.8 per cent from 133.1 thousand in 1993 to 138.2 thousand in 1994. Samburu lost 12.3 thousand visitors in 1994, a decline of 57.2 per cent while Kisumu Impala Sanctuary lost 90.7 per cent of their previous year's visitors in 1994. Out of the three marine parks, Malindi was the only park whose visitors declined from 41.1 thousand in 1993 to 39.4 thousand in 1994. The decline in Malindi is the second in a row and may

be attributed to its proximity to Sabaki river which carries silt and flood water to the sea. Similarly, Watamu reflects a steady rise since 1988 arising from better environmental management. Mombasa Marine Park has had an upward trend except in 1993 when there was a drop in visitors.

NUMBER OF VISITORS TO NATIONAL PARKS AND GAME RESERVES, 1990 - 1994

Table 13.9 '000

	1990	1991	1992	1993	1994*
Nairobi	152.8	168.8	156.4	164.6	163.2
Animal Orphanage ..	213.8	217.6	173.2	155.3	182.0
Amboseli	237.2	189.2	168.3	121.1	159.5
Tsavo (West)	78.6	119.3	103.1	102.9	105.4
Tsavo (East)	127.7	135.9	125.5	135.8	132.4
Aberdare	66.6	56.3	63.6	60.8	60.2
Buffalo Springs.. ..					
Lake Nakuru	174.2	174.4	139.8	178.6	164.3
Masai Mara	180.5	143.3	138.1	133.1	138.2
Malindi Marine	35.6	33.0	44.2	41.1	39.4
Lake Bogoria	53.8	53.0	39.4	37.2	43.2
Meru	11.1	9.1	7.1	7.4	7.9
Shimba Hills	60.0	38.2	31.9	24.8	31.6
Mount Kenya	18.7	14.6	15.5	18.0	17.2
Samburu				21.5	9.2
Kisite/Mpunguti.. ..	27.1	33.1	28.0	27.5	34.8
Mombasa Marine	29.1	54.6	57.8	43.3	48.0
Watamu Marine	20.5	22.0	27.0	31.7	32.1
Hell's Gate	31.1	41.3	34.2	47.4	44.9
Impala Sanctuary (Kisumu)				59.1	5.5
Other**	13.8	14.8	14.0	16.6	9.6
TOTAL	1,532.2	1,518.5	1,367.1	1,427.8	1,428.6

* Provisional.

** Other includes Mount Elgon, Ol-Donyo Sabuk, Marsabit, Saiwa Swamp, Sibiloi, Ruma National Park, Mwea National Reserve, Central Island National Park Nasolot National Reserve and Kakamega National Reserve.

13.14. Table 13.10 shows the number of visitors to museums and other scenic and historical sites. Despite the rise in the number of visitors to the snake park from 175.2 thousand in 1993 to 187.0 thousand in 1994 and to the National Museum from 202.7 thousand to 217.9 thousand in 1994, there was an overall decline in the number of visitors from 849.9 thousand in 1993 to 818.3 thousand in 1994. representing a 3.7 per cent fall. The greatest decline in visitors was noted in Fort Jesus where visitors fell from 289.9 thousand in 1993 to 221.0 thousand in the review year, equivalent to a 23.6 per cent fall.

Conference Tourism

13.15. Kenya has increasingly hosted major international and local conferences. This is especially so considering that the country hosts major world organisations, including UN agencies. Kenyatta International Conference Centre registered a recovery in the number of conferences held from 13 in 1993 to 16 in 1994. Delegates

to the 16 conferences increased by 43.2 per cent to 11,560 when compared to the previous year. These were 2.7 per cent more than the 1992 previous best ever attendance of 11,250 delegates. The delegates spent 119 conference days, an improvement of more than sixfold from the previous year. Though this improvement is substantial, the rate of occupancy is still worse than that realised in the 1980s. These details are contained in Table 13.11.

VISITORS TO MUSEUMS, SNAKE PARK AND SITES, 1990 -1994

Table 13.10 '000

	1990	1991	1992	1993	1994*
National Museum: (Main Gate)	234.5	213.9	237.6	202.7	217.9
National Museum: (Snake Park)	220.6	176.3	209.6	175.2	187.0
Fort Jesus	226.6	187.0	187.4	289.9	221.4
Kisumu Museum	28.6	35.1	29.5	35.0	33.2
Kitale Museum	21.9	30.2	15.2	26.3	23.9
Gedi	71.1	41.5	58.5	37.2	45.7
Meru Museum	28.4	29.5	19.6	18.6	22.6
Lamu	11.4	13.3	10.3	7.7	10.4
Jumba la Mtwala	9.4	14.0	7.8	6.9	9.6
Olorgessaile					0.0
Kariandusi		3.1	1.2	2.0	2.1
Hyrax Hills					
Karen Blixen	53.3	45.8	35.2	47.5	43.8
Kilifi Mwarani	1.1		1.1	0.9	0.7
TOTAL	906.9	789.7	813.0	849.9	818.3

* Provisional.

CONFERENCES HELD AT KENYATTA INTERNATIONAL CONFERENCE CENTRE, 1990-1994**

Table 13.1 1

	1990	1991	1992	1993	1994*
Number of conferences	36	14	8	13	16
Number of conferences days	128	149	23	18	119
Attendance (Number of Delegates)	6,160	9,750	11,250	8,070	1 1,560
Percentage of occupancy	35.1	40.8	6.3	4.9	32.6

* Provisional

* * International conferences/delegates only.

Tourism Promotion

13.16. Kenya operates tourism offices in major tourists generating countries for the promotion of tourism. The country participates in international trade fairs and exhibitions in an attempt to promote the country as a tourist destination. During 1994, Kenya participated in 16 such exhibitions and fairs abroad. On the local scene, the Ministry of Tourism and Wildlife has participated in most of the district shows with the sole purposes of promoting domestic tourism.

13.17. Two institutions are responsible for development of tourism in the country. These are the Kenya Tourist Development Corporation and the Utalii College. The latter trains those who deal with tourists in hotels and game parks while the former

assists in financing tourist oriented enterprises. Since its inception in 1976, the Utalii College has trained 14,749 candidates at ordinary, advanced and in-service levels, with 1,497 of them trained during 1994. This was 13.2 per cent lower than the 1993 candidates who numbered 1,725 where 1,278 were in-service trainees. The greatest number of ordinary trainees attend service courses, followed by house keeping. In 1994, there were 200 ordinary level candidates, together with 39 advanced level candidates on these two courses, equivalent to 56.0 per cent of the total for professional courses.

CHAPTER 14 - TRANSPORT, STORAGE AND COMMUNICATION

Overview

The recovery of growth in the world economy in 1994, a buoyant domestic economy, and benefits accruing from the economic Structural Adjustment Programme (SAP) contributed to an improved performance in the transport, storage, and communications sector. During the year ending December 1994, the value of output in the sector increased by 17.9 percent, the highest growth, recorded since 1990, and well above the 12.4 per cent recorded in 1993.

14.2. The good performance of the sector was enhanced by the increased economic activity of the Kenya Pipeline Company (KPC) despite increased competition from other oil transportation modes. However, instability of the Kenya shilling against international trading currencies in the last two years, led to mixed results in the various sub-sectors. While the appreciation of the shilling led to substantial financial gains for the Kenya Pipeline Company , the airlines industry was adversely affected. During the period under review, total imports handled through the Mombasa harbour increased by 28.5 percent compared to a similar period in 1993, attributable to the import liberalization process and imports for the drought relief programme. Uncertainties emanating from a strong Kenya Shilling in 1994, however, led to a significant 40.2 percent decline in exports handled at the harbour. In compliance with requirements of the Parastatal Reform Programme, the process of separating Postal and Telecommunications services into two business entities was initiated in 1994. Structural constraints in the operations of the Kenya Railways, on the other hand, significantly affected both the freight tonnage and passenger journeys carried by the Corporation in 1994.

14.3. Data on the value of output produced by the various sub-sectors in the spatial services industry is presented in Table 14.1. Output value in the water transport sub-sector grew at a rate of 37.2 percent in 1994, the highest since 1990 mainly due to import liberalisation. The services incidental to the transport sub-sector, composed mainly of clearing and forwarding services, recorded a growth in output value of 25.6 percent. Similarly, substantial structural reforms and modernisation in the communication sub-sector led to an increase in output value of 24.8 percent in 1994. The road and pipeline transport sub-sector grew at a rate of 13.5 per-cent in the period under review compared to 10.5 percent in 1993, in response to a more favourable environment. While structural constraints hampered growth in the output of the railway sub-sector, the appreciating Kenya shillings checked output growth in the airlines industry.

TRANSPORT AND COMMUNICATIONS - VALUE OF OUTPUT, 1990 - 1994

Table 14.1 K£million

	1990	1991	1992	1993	1994*
Road and Pipeline Transport	508.8	628.2	722.2	797.9	905.8
Railway Transport	96.3	114.2	116.7	153.2	185.5
Water Transport	134.4	154.6	175.0	182.7	250.7
Air Transport	286.9	341.0	365.6	388.6	408.8
Services Incidental to Transport	72.7	78.9	82.4	94.3	118.4
Communications	288.9	395.2	463.9	547.9	683.8
TOTAL	1,388.0	1,712.1	1,925.8	2,164.6	2,553.0

"Provisional.

14.4. Details of earnings accruing to both road and railway transport networks are presented in Table 14.2. Since the year 1990, earnings from passenger revenue, have constituted the major source of revenue for the national overland transport network compared to freight transport business. However there was a significant shift in ratio of earnings attributed to passenger (49.4 percent) and freight transport (50.6 percent) respectively in favour of freight transport in 1994, on account of economic deregulation. Earnings, attributed to passenger road transport in 1994, grew at a rate of 4.5 percent, above those of 1993. while earnings from road freight traffic increased by 10.7 percent, higher than the 7.0 percent growth registered in 1993. There was a significant 9.7 percent fall in revenue from railway passenger traffic attributed to reductions in railway services on two major lines. Similarly, significant competition from road transport, further undermined railway transport earnings in 1994.

EARNINGS FROM ROAD AND RAIL TRAFFIC *, 1990 - 1994

Table 14.2 K£million

	1990	1991	1992	1993	1994**
Passenger Traffic:					
Road	285.9	358.8	421.5	438.8	458.7
Rail	10.3	11.7	12.4	14.4	13.0
Total	296.2	370.5	433.9	453.2	471.7
Freight Traffic:					
Road	193.0	239.1	262.5	280.8	310.9
Rail***.	86.0	102.5	104.1	145.0	172.5
Total	279.0	341.6	366.6	425.8	483.4
Total Road Traffic	478.9	597.9	684.0	719.6	769.6
Total Rail Traffic	96.3	114.2	116.5	159.4	185.5
Total	575.2	712.1	800.5	879.0	955.1

* Railway figures have been adjusted to read calendar year from 1986

* * Provisional

* * * Includes other Revenue.

Road Transport

14.5. Data on new registration of road vehicles between 1991 and 1994 are shown in Table 14.3. As a consequence of trade liberalisation, the number of newly registered motor vehicles in the country in 1994 rose to 15,613, an increase of 25.7 percent over the 12,420 vehicles registered in 1993. The number of saloon cars and station

wagons increased by 38.9 and 32.8 percent; while lorries/trucks and trailers rose by 45.5 and 50.9 percent respectively. Substantial market transformation in the public service vehicles sub-sector, led to a rise of 17.6 percent in registration of mini-buses and a fall of 38.6 percent in registration of buses and coaches.

NEW REGISTRATION OF ROAD VEHICLES, 1990 - 1994

Table 14.3 Number

Type of Vehicle	1990	1991	1992	1993	1994*
Saloon Cars	4,703	4,124	4,247	4,542	6,309
Station Wagons	2,452	2,558	2,081	1,828	2,428
Panel Vans, Pick-ups, etc.	4,996	3,943	3,728	2,510	2,840
Lorries/Trucks	1,611	1,272	1,105	750	1,091
Buses and Coaches	914	762	718	519	319
Mini Buses	525	394	447	295	347
Special Purposes Vehicles	35	39	37	20	14
Trailers	419	423	299	291	439
Rollers, Graders, Cranes	42	49	68	55	39
Wheeled Tractors	1,127	700	687	474	430
Crawler Tractors	10	6	1	2	8
Motor and Auto Cycles	1,188	1,246	1,364	1,133	1,348
Three Wheelers	1	0	2	1	1
All Vehicles	18,023	15,516	14,784	12,420	15,613

* Provisional.

14.6. Table 14.4 details the number of licenses issued for vehicles for hire over the period 1991 to 1994. Improved economic performance in 1994 led to a 34.4 percent rise in licensing of vehicles for hire. The number of passenger vehicles licensed in 1994, was 2,393 which was 36.5 percent above the 1,753 licensed in 1993. The number of freight transport vehicles increased by 33.8 percent during the same period.

LICENCES ISSUED FOR VEHICLES ON HIRE, 1990 - 1994

Table 14.4 Number

	1990	1991	1992	1993	1994*
Passenger Service Vehicles	2,881	3,362	2,305	1,753	2,393
Freight Transport Vehicles	7,604	7,821	9,644	6,290	8,414
Total	10,485	11,183	11,949	8,043	10,807

* Provisional.

Railway transport

14.7. Data on freight and passenger traffic handled by the Kenya Railways Corporation appears in Table 14.5. Both freight tonnage and passenger journeys have consistently fallen since 1990, due to the structural problems facing the railway industry. Similarly, competitive pressure from private road transport has constrained the growth of railway business. In this regard, the amount of freight traffic handled by the railway in 1994 was 1,901 thousand tonnes, a decline of 17.7 percent below the 2,310 thousand recorded in the previous year 1993. Similarly, the number of passenger journeys made through the railways in 1994, was 2,174 thousand, 10.4 percent lower than the 2426 thousand journeys made in the previous year. During the period under review, the amount of freight revenue generated by the railways increased

by 4.0 percent, as a result of increased tariffs. Passenger-revenue earnings fell by 9.7 percent, mainly due to a significant reduction in railway services along the Nairobi- Mombasa and Nairobi-Kisumu lines.

RAILWAY TRAFFIC, 1990 - 1994

Table 14.5

	Unit	1990	1991	1992	1993	1994*
Freight:						
Tonnes	'000	3,581.0	3,286.0	2,821.0	2,310.0	1,901.0
Tonne-km	million	1,808.0	1,865.0	1,627.0	1,312.0	1,172.0
Revenue**	K£million	81.8	92.1	102.5	146.1	152.0
Revenue per tonne-Km	cts	90	99	126	221	259
Passenger:						
Journeys	'000	3,109.0	2,635.0	2,507.0	2,426.0	2,174.0
Passenger-Km	million	699.0	658.0	563.0	464.0	401.3
Revenue	K£million	10.3	11.7	12.4	14.4	13.0
Revenue per passenger-Km	cts	29	36	44	62	65

* Provisional.

* * Revised to calendar year from 1 986 and includes "other coaching".

Harbours and Shipping

14.8. During 1994, exports and imports handled through the Mombasa harbour, registered mixed performance. As shown in Table 14.6, the amount of cargo loaded at the port, was 1,659 thousand tonnes, a 40.2 percent drop from the 2,773 thousand tonnes handled in previous year 1993. The falling trend was attributed to business apprehension by exporters on account of a strong Kenya shilling against international trading currencies. Consequently exports of dry cargo handled at the port fell by a significant 30.7 percent, while those of bulk liquids fell to about one-third their 1993 levels. Total imports through the port, on the other hand, were 6,610 thousand tonnes, a significant rise of 28.5 percent above the 5,144 thousand handled by the port in the previous year. Strong appreciation of the Kenya shilling led to good performance in the imports trade. Similarly, importation of relief food significantly boosted activity at the port. Thus, during the year under review, imports of dry cargo rose by a significant 41.7 per-cent, while those of bulk liquids increased by 13.0 percent, respectively. A significant amount of ship and cargo congestion was experienced in the port during the year on account of operational bottlenecks.

FREIGHT HANDLED AT MOMBASA HARBOUR, 1990 - 1994

Table 14.6 '000 Tonnes

	1990	1991	1992	1993	1994*
Loaded:					
Dry Cargo	1,907	1,483	1,692	2,088	1,446
Bulk Liquids	390	310	391	685	213
Total	2,297	1,793	2,083	2,773	1,659
Landed:					
Dry Cargo	2,193	2,081	2,829	2,773	3,930
Bulk Liquids	2,999	3,228	2,981	2,371	2,680
Total	5,192	5,309	5,810	5,144	6,610
Total Freight Handled	7,489	7,102	7,893	7,917	8,269

* Provisional.

Pipeline Transport

14.9. During 1994 the KPC recorded good business performance, with full commissioning of the West Kenya Pipeline Extension; including the Eldoret , Kisumu and Nakuru depots. However, as shown in Table 14.7 there was only a marginal rise of 2.5 percent in total amount of refined petroleum products transported by the KPC in 1994 compared to the previous year 1993. The amount of jet fuel pumped increased by more than 50 percent over the period, while that of motor spirit premium, rose by 20.8 percent. A modest increase was recorded in shipment of kerosene oil, while transportation of both light Diesel oil and motor spirit regular declined by 20.5 percent and 9.2 percent respectively. The impact of complete deregulation of the oil industry on performance of the KPC was not felt in the review period. However, significant competition for business is expected to bear on KPC operations from road and railway fuel transport operators.

PIPELINE THROUGHPUT OF WHITE PETROLEUM PRODUCTS, 1990 - 1994

Table 14.7 "000 Cubic Metres

Year	Motor Spirit Premium	Motor Spirit Regular	Kerosene Illumin-ating Oil	Light Diesel Oil	Jet Fuel*	Aviation Turbo	Total
1990	351.8	271.9	235.1	692.9	372.2	59.5	1,983.4
1991	328.5	256.3	218.3	661.8	308.9	57.3	1,831.1
1992	322.0	255.1	213.1	640.0	383.5	46.6	1,860.3
1993	300.3	241.8	196.8	755.7	419.8	58.7	1,973.1
1994 * *	362.9	219.5	205.0	600.5	633.9		2,021.8

* Includes Jet fuel in Mombasa from 1988

* * Provisional

Air Transport

14.10. As shown in Table 14.8 the total number of commercial passengers who passed through both Jomo Kenyatta International Airport (JKIA) and Moi International Airport rose by a modest 1.7 percent in the year under review. This growth was lower than the 5.4 percent rise in passengers recorded in 1993. Similarly, no change was recorded in amount of freight transported by air in 1994. The slow-down in activity was attributed a to slow recovery in domestic economic activity from the hostile economic environment prevailing in 1993. However, the continued stabilization of the Kenya shilling and further expansion of the World economy is expected to boost recovery of business in the airlines industry, as world travel becomes reactivated.

COMMERCIAL TRAFFIC AT JOMO KENYATTA AND MOI INTERNATIONAL AIRPORTS, 1990 - 1994

Table 15.14

	1990	1991	1992	1993	1994*
Passengers-000's:					
Landed	1,122.9	1,109.2	1,125.9	1,193.7	1,200.3
Embarked	1,056.4	1,119.2	1,147.8	1,190.4	1,203.4
In Transit	474.2	388.5	308.1	336.6	364.5
Total	2,653.5	2,616.9	2,581.8	2,720.7	2,768.2
Freight -'000 tonnes:					
Cargo: Landed	13.9	13.4	15.9	17.9	21.3
Loaded	42.0	41.1	44.7	45.4	42.3
Mail: Landed	1.3	1.2	1.3	1.3	1.2
Loaded	0.9	0.7	0.7	0.8	0.7
Total	58.1	56.4	62.6	65.4	65.5

*Provisional

Postal and telecommunications services

14.11. In line with the economic structural adjustment process, the Kenya Posts and Telecommunications Corporation initiated a business transformation in 1994, focusing on business efficiency and profitability. On completion of the process, the postal and telecommunication services will operate as separate entities in compliance with the requirements of the Parastatal Reform Programme. As outlined in Table 14.9, the development of postal services infrastructure has been relatively static over the past five years, mainly due to the heavy capital outlays needed for infrastructural development. Due to the closure of uneconomical sub-post offices, the number of country-wide post offices in 1994 was slightly below the 1094 registered in 1993. The number of private letter boxes in 1994 was 280 thousand, 4.5 percent above the 268 thousand available in 1993. Total correspondence handled by the postal body rose by 17.2 percent, while the impact of increased competition from private courier services reduced the number of parcels handled by 10.3 percent in the period under review. The number of money orders and postal orders issued fell by 10.5 and 59.4 percent respectively on account of competition from the banking industry.

14.12. The total number of telephone exchange connections available in 1994 was 229 thousand, 6.5 percent above the 215 thousand in the previous year. The number of public call boxes in 1994 was 5910, a 3.3 percent rise over the 5722 available in 1993. Rapid automation of the national telephone network led to a 16.0 percent fall in the number of manual telephone calls made in 1994. The number of subscriber dialed units, increased by 21.4 percent in the review period. The 11.8 percent fall in telex subscribers was attributed to introductions into the market of facsimile and superior data transmission techniques. Number of telegrams handled in 1994, rose modestly.

POSTAL AND TELECOMMUNICATION SERVICES, 1990 - 1994

Table 14.9

	Unit	1990	1991	1992	1993	1994*
Post Offices	No	1,055	1,076	1,096	1,094	1,074
Private Letter Boxes	'000	243	252	261	268	280
Registered and Insured Items Posted	million	3.0	3.6	3.3	3.1	3.0
Total correspondence handled	million	318	297	311	384	450
Parcels handled	'000	580	297	311	310	278
Telephone Exchange connections	'000	183	200	207	215	229
Public Call boxes	No	5,135	5,521	5,552	5,722	5,910
Manual Telephone Calls made	million	10.9	9.2	8.6	8.1	6.8
Subscriber Dialed Units	million	1,805	2,416	2,483	2,365	2,870
Telex Subscribers	'000	2.2	2.0	1.8	1.7	1.5
Telegrams Handled	'000	1,772	1,672	1,589	1,730	1,784
Money Orders	No.(million)	2.1	2.0	1.9	1.9	1.7
Postal Orders	No.('000)	73	74	75	101	41

* Provisional.

14.13. Insight into international telecommunication traffic, as recorded by the KPTC, is shown in Table 14.10. Effective demand for the telephone services went up markedly in 1994, as indicated by the respective 19.7 percent and 14.6 percent rises in outgoing and incoming telephone services compared to 1993. There was a significant fall in telex and telegraphic services for international telecommunications in 1994. As shown in the table, both outgoing and incoming telex services fell by 42.1 percent, and 47.8 percent respectively; while outgoing and incoming telegraphic messages dropped significantly, by 60.0 percent and 37.5 percent respectively.

EXTERNAL TELECOMMUNICATIONS TRAFFIC, 1990 - 1994

Table 14.10

	1990	1991	1992	1993	1994*
Telephone service-million paid minutes-					
Outgoing	21.3	22.9	21.7	24.9	29.8
Incoming	26.3	33.8	39.3	45.1	51.7
Telex service-million paid minutes-					
Outgoing	2.8	2.1	1.6	1.9	1.1
Incoming	3.0	2.6	2.0	2.3	1.2
Telegraph service-million paid words-					
Outgoing	1.2	0.8	0.5	0.5	0.2
Incoming	1.2	1.0	0.7	0.8	0.5

* Provisional.

Information and Mass-media

14.14. Table 14.11 shows the number of new radios and television sets sold and licensed during the period 1990 to 1994. The number of licensed radios has declined consistently from 265.7 thousand in 1990, to 109.1 thousand in 1994. This drop is partly explained by poor economic growth prevailing in the domestic economy in the past few years, which constrained demand for consumer durable goods and possible

understatement of number of radio receivers available to the general populace. The number of television sets sold and licensed, as reported by the Kenya Broadcasting Corporation (KBC) in 1994, was 27.1 thousand, 4.2 percent above the 26.0 thousand licensed in the previous year 1993. The rapid fall in inflation started in 1994 and the anticipated economic recovery is expected to boost the demand for radio and television sets by consumers.

NEW RADIOS AND T.V. SETS SOLD AND LICENSED, 1990 - 1994

Table 14.11 Number

	1990	1991	1992	1993	1994*
Radios - '000	265.7	235.9	154.9	119.5	109.1
Television Sets - '000	34.3	33.2	22.7	26.0	27.1

* Provisional.

14.15. The increased production costs of the printing and publishing industry continued to adversely affect the circulation levels of local newspapers. The number of morning English language newspapers sold in 1994, was 299.5 thousand copies, 2.9 percent below the 308.3 thousand of the previous year 1993. Similarly, as shown on Table 14.12, the number of English weekly newspapers, also fell by 2.9 percent in the review period. Significant improvement in literacy levels explain the big increases in the circulation for both morning and weekly Kiswahili newspapers.

DAILY/WEEKLY AVERAGE LOCAL NEWSPAPER CIRCULATION, 1990 - 1994

Table 14.12 '000 Copies

	1990	1991	1992	1993	1994*
Morning Newspapers-					
English	318.6	304.4	299.9	308.3	299.5
Swahili	81.9	77.7	79.1	39.2	66.8
Other Newspapers-					
English Weeklies	356.7	338.8	346.4	348.2	338.0
Swahili	90.5	75.5	78.1	48.7	70.6

* Provisional.

CHAPTER 15 - SOCIAL SCENE

The estimated Central Government expenditure on social services rose markedly by 46.0 per cent from K£ 1,319.17 million in 1993/94 to K£ 1,925.74 million in 1994/95 fiscal year (Table 15.1). Recurrent expenditure had the largest share of the total allocation constituting 84.7 per cent of the total estimated expenditure in 1994/95 fiscal year. Once again, the Education sector received the largest share of the allocation, accounting for 78.7 per cent of the total recurrent expenditure estimates. The Health sector on the other hand had the highest share of development budget. It received 56.7 per cent of the total development expenditure estimates for 1994/95 fiscal year.

CENTRAL GOVERNMENT EXPENDITURE ON SOCIAL SERVICES, 1991/92 1994/95

Table 15.1 K£million

	1991/92	1992/93	1993/94*	1994/95*.*
RECURRENT EXPENDITURE				
Ministry of Education	608.41	719.67	912.47	1,283.91
Ministry of Health	147.83	170.52	221.03	305.61
Ministry of Labour	3.44	5.59	7.05	9.05
Ministry of Culture and Social Services	18.23	21.42	23.46	32.38
TOTAL	777.91	917.20	1,164.01	1,630.95
DEVELOPMENT EXPENDITURE				
Ministry of Education	54.57	65.85	54.51	117.47
Ministry of Health	36.52	54.30	97.63	167.05
Ministry of Labour	0.06	0.29	0.80	0.31
Ministry of Culture and Social Services	3.20	2.47	2.22	9.96
TOTAL	94.35	122.91	155.16	294.79
TOTAL EXPENDITURE	872.26	1,040.11	1,319.17	1,925.74

*Provisional.

* * Estimates including supplementaries.

LOCAL GOVERNMENT EXPENDITURE ON SOCIAL SERVICES, 1990/91 - 1994/95

Table 15.2 K£million

	1990/91	1991/92	1992/93	1993/94*	1994/95**
Education	13.05	13.41	13.62	13.56	23.19
Health	15.08	15.23	18.15	17.38	31.68
Other Social Services	1.39	1.19	2.21	1.29	4.09
TOTAL EXPENDITURE	29.52	29.83	33.98	32.23	58.96

* Provisional.

Estimates.

15.2. The Local Government expenditure on social services for 1991/92 to 1994/95 fiscal years is presented in Table 15.2. Total expenditure went up by nearly two fold to stand at K£ 58.96 million in 1994/95 fiscal year. The Health sector continued to receive the biggest share of the total allocation, accounting for 53.7 per cent of the budget in the period under review.

EDUCATION

15.3. Table 15.3 shows expenditure of the Ministry of Education, from 1991/92 to 1994/95 fiscal years. The Ministry's total estimated expenditure increased significantly by 43.8 per cent from K£ 978.73 million in 1993/94 to K£ 1,407.06 million in 1994/95. This excludes Polytechnic and Technical education whose budget no longer falls under the Ministry of Education. The biggest proportion of recurrent expenditure for 1994/95, 80.7 per cent, was allocated to general administration and planning, followed by Higher Education. 15.6 per cent. Higher Education on the other hand took the largest share of the development expenditure estimates for 1994/95, receiving 31.9 per cent of the total budget. The sharp rise in recurrent expenditure estimates for general administration and planning and the subsequent drop in allocation for primary and secondary education was due to budget restructuring, where teachers emoluments were consolidated under the Teachers Service Commission (TSC) head which falls under general administration.

EXPENDITURE OF THE MINISTRY OF EDUCATION, 1991/92 - 1994/95

Table 15.3 K£million

	1991/92	1992/93	1993/94*	1994/95**
RECURRENT EXPENDITURE-				
General Administration and Planning	42.70	55.14	45.06	1,053.53
Pre-Primary Education	0.67	0.68	0.78	0.17
Primary Education	348.36	393.95	551.22	2.26
Secondary Education	98.30	122.14	158.08	16.03
Technical Education +	7.22	5.11	5.36	8.92
Teacher Training + +	12.87	16.14	17.15	8.45
Special Education	5.14	6.60	6.91	1.76
Polytechnic Education + ...	9.70	4.53	5.82	6.53
Higher Education***.	97.93	125.04	142.04	203.73
Miscellaneous	2.49	1.55	2.98	4.04
TOTAL	625.38	730.88	935.40	1,305.42
DEVELOPMENT EXPENDITURE-				
General Administration and Planning	1.68	12.67	15.64	29.23
Pre-Primary Education	-	-	-	0.83
Primary Education	3.60	1.33	0.69	3.31
Secondary Education	5.16	2.89	3.12	2.96
Technical Education +	0.81	0.04	0.05	6.14
Teacher Training + +.	20.23	14.66	16.00	37.64
Special Education	0.54	0.43	0.25	3.27
Polytechnic Education + ...	0.26	0.34	0.06	1.52
Higher Education***.	23.54	34.03	18.81	39.85
Miscellaneous				
TOTAL	55.82	66.39	54.62	124.75
TOTAL RECURRENT & DEVELOPMENT EXPENDITURE	681.20	797.27	990.02	1,430.17

* Provisional.

* * Estimates including supplementaries.

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

\+ Currently under the Ministry of Technical Training and Applied Technology.

\+ + Includes Expenditure on Kenya Technical Teachers College

NUMBER OF EDUCATIONAL INSTITUTIONS, 1990 - 1994

Table 15.4 Numbers

Category	1990	1991	1992	1993	1994"
Schools:					
Pre-Primary	16,329	17,650	17,327	18,487	19,083
Primary	14,864	15,196	15,465	15,804	15,906
Secondary	2,678	2,647	2,632	2,639	2,834
Training Colleges:					
Primary	17	22	25	25	25
Secondary	7	4	4	3	3
TOTAL	33,895	35,519	35,453	36,958	37,851

* Provisional.

15.4. The number of schools and Training Colleges increased marginally by 2.4 per cent from 36,958 in 1993 to 37,851 in 1994 as indicated in Table 15.4. This change is attributed to the increase of pre-primary and secondary schools by 3.2 per cent and 7.4 percent respectively, in 1994.

15.5. Pre-primary education which caters for children aged between 3-5 years has been expanding significantly over the years. Enrolment rose by 2.1 per cent from 844,796 in 1990 to 862,687 in 1991 but slowed down by 0.5 per cent in 1992. There after it grew by 7.6 per cent in 1993 to stand at 924,094. The 1994 enrolment stood at 951,997, recording a growth of 3.0 per cent over 1993. Girls accounted for 48.9 per cent of the total enrolment in 1994.

PRIMARY SCHOOL ENROLMENT BY STANDARD, 1991 - 1994

Table 15.5 '000

	1991		1992		1993		1994 *	
Class	Boys	Girls	Boys	Girls	Boys	Girls	Boys	Girls
Standard 1	476.2	447.8	479.6	453.1	472.5	446.1	491.0	463.4
Standard 2	409.3	384.9	423.8	399.4	409.9	384.2	424.5	399.8
Standard 3	390.9	369.3	393.0	374.0	387.4	369.0	387.7	378.7
Standard 4	360.9	353.6	376.4	366.8	369.6	364.1	379.3	374.9
Standard 5	322.5	317.8	330.0	329.4	324.4	326.5	330.0	337.0
Standard 6	302.6	302.2	299.1	299.2	288.8	292.5	294.3	296.7
Standard 7	327.4	309.7	309.9	302.7	298.1	299.8	295.5	301.2
Standard 8	207.3	173.7	195.0	198.8	210.4	185.3	212.5	190.3
TOTAL ..	2,797.1	2,659.0	2,806.8	2,723.4	2,761.1	2,667.5	2,814.8	2,742.0
GRAND TOTAL	5,456.1		5,530.2		5,428.6		5,556.8	

* Provisional.

15.6. Table 15.5 details primary schools enrolment from 1991 to 1994. Enrolment rose from 5.43 million in 1993 to 5.56 million in 1994, a growth of 2.4 per cent. Generally, primary school enrolment has been increasing gradually except in 1993 when a 1.8 per cent decline was recorded, due to the low response rate observed in the school census conducted in that year. As reported in 1993, Standard 1 enrolment constituted 17.2 per cent of the total enrolment while standard 8 represented 7.2 per cent of the total enrolment in 1994. The drop in enrolment from standard 1 to standard 8, was more evident as pupils move from standard 1 to standard 2 (10.3 per cent drop) and from standard 7 to standard 8 (32.6 per cent drop). It was also clear that

standard 7 enrolment was slightly higher than that of standard 6 by about 1.0 per cent, an indication of higher repetition rate in standard 7 than in any other classes. There was a total of 395,765 school candidates who sat for the 1994 Kenya Certificate of Primary Education (KCPE). This represent a decrease of 1.9 per cent from the 403,468 candidates who sat the examination in 1993. In addition, 882 private candidates from the Department of Adult Education enrolled for the examination, an increase of 21.5 per cent from the previous year.

15.7. Enrolment in secondary schools rose by 16.7 per cent from 531,342 in 1993 to 619,839 in 1994 (see Table 15.6). The drastic rise was attributed to the improved response rate from the schools in 1994 compared to that of 1993. Out of the total enrolment in 1994, 45.7 per cent were female students. This represented a significant improvement of female enrolment compared to 1993 and 1992 which recorded 44.4 per cent and 43.8 per cent respectively. Enrolment in Form 1 accounted for 27.3 per cent of the overall enrolment in secondary schools while Form 4 accounted for 22.7 per cent, indicating low repetition and drop-out rates in secondary schools compared to that of primary schools. The Kenya Certificate of Secondary Education (KCSE) Candidates increased by 0.7 per cent from 140,922 in 1993 to 141,842 in 1994.

ENROLMENT IN SECONDARY SCHOOLS BY FORM AND SEX, 1990 - 1994

Table 15.6 Numbers

	1990		1991		1992		1993		1994*	
Form	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Form 1	96,079	74,992	95,511	76,126	97,267	78,081	81,543	69,560	90,774	78,140
Form 2	91,482	69,615	89,181	70,651	91,209	72,774	73,125	61,158	87,993	76,549
Form 3	83,334	60,172	82,749	64,139	84,429	66,189	72,647	55,467	79,067	66,328
Form 4	82,800	59,987	78,347	57,457	80,467	58,646	67,881	49,961	78,605	62,383
TOTAL	353,695	264,766	345,788	268,373	353,372	275,690	295,196	236,146	336,439	283,400
GRAND TOTAL	618,461		614,161		629,062		531,342		619,839	

* Provisional.

15.8. Details of the number of primary school teachers by qualification and sex from 1991 to 1994 is shown in Table 15.7. The number of primary school teachers went up by 2.8 per cent from 173,177 in 1993 to 178,097 in 1994. Trained primary school teachers who formed 87.4 per cent of the total primary school teaching force in 1994 continued to rise steadily due to the Government's commitment to train all untrained primary school teachers. This is evident from the consistent decline in the number of untrained teachers for the three consecutive years. The PI teachers who accounted for 59.1 per cent of primary school teachers continued to form the bulk of primary schools teaching force in the year under review. Female teachers constituted 39.5 per cent of the total number of teachers. The pupil/teacher ratio (pupils per teacher) for primary schools slightly worsened from 31 in 1993 to 32 in 1994, while the pupil trained/teacher ratio improved from 38 to 36 in the same period.

15.9. Secondary school teachers rose significantly by 17.6 per cent from 32,540 in 1993 to 38,3077 in 1994 as indicated in Table 15.8. Females accounted for 34.2 per cent. Trained graduate teachers constituted the majority in secondary schools (39.7 per cent), while trained female teachers formed 30.1 per cent of the total. Trained graduates and S1 /Diploma teachers dominated the secondary school teaching force while 'A'- level teachers were the highest in the untrained teachers category. The

NUMBER OF PRIMARY TEACHERS BY QUALIFICATION AND SEX, 1991 - 1994

Table 15.7

	1991			1992			1993			1994*		
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
TRAINED:-												
Graduate	11	14	25	32	30	62				4	4	8
Approved +	434	224	658	501	254	755	769	336	1.105	590	258	848
S1/Diploma	3,897	1,598	5,495	4,398	1,806	6,204	5,099	2,132	7,231	5,410	2,510	7,920
Technical												
P1.	51,600	30,424	82,024	54,641	33,514	88,155	57,279	35,787	93,066	63,447	41,822	105,269
P2	18,278	11,301	29,579	18,073	11,640	29,713	17,889	11,701	29,590	18,969	12,484	31,453
P3	5,856	5,537	11,393	5,291	5,217	10,508	5,163	5,129	10,292	4,966	5,098	10,064
P4	25	30	55	4	5	9	49	43	92	12	17	29
Others							346	325	671			
TOTAL	80,101	49,128	129,229	82,940	52,466	135,406	85,825	55,453	142,047	93,398	62,193	155,591
UNTRAINED:-												
Graduate							28	17	45			
Diploma							16	21	37			
Technical												
K . A . C . E . ('A' Level) ..	2,690	1,506	4,196	2,899	1,639	4,538	2,358	1,209	3,567	1,276	722	1,998
K .C .E./K.S.C.E. ('O' Level)	20,501	13,018	33,519	18,520	12,126	30,646	13,719	8,610	22,329	10,605	6,467	17,072
K. J. S. E	3,720	1,304	5,024	3,332	1,382	4,714	3,021	974	3,995	2,020	733	2,753
C.P.E	590	515	1,105	514	437	951	458	513	971	347	213	560
Other	6	11	17	50	55	105	111	75	186	90	33	123
TOTAL	27,507	16,354	43,861	25,315	15,639	40,954	19,711	11,419	31,130	14,338	8,168	22,506
GRAND TOTAL	107,608	65,482	173,090	108,255	68,105	176,360	105,536	66,872	173,177	107,736	70,361	178,097

* Provisional

\+ An approved teacher has completed the equivalent of a University Education

NUMBER OF SECONDARY TEACHERS BY QUALIFICATION AND SEX, 1991 - 1994

Table 15.8

	1991			1992			1993			1994*		
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
TRAINED:-												
Graduate	5,960	3,734	9,694	6,651	4,629	11,280	6,116	4,832	10,948	9,142	5,856	14,998
Approved +	1,132	356	1,488	1,252	397	1,649	1,477	587	2,064	1,622	569	2,191
SI/Diploma	8,020	4,224	12,244	8,312	4,635	12,947	6,144	3,722	9,866	8,826	4,770	13,596
Technical	393	126	519	557	156	713	496	130	626	433	143	576
P1	451	75	526	357	76	433	226	46	272	198	34	232
P2												
P3												
P4												
Others				145	52	197						
TOTAL	15,956	8,515	24,471	17,274	9,945	27,219	14,459	9,317	23,776	20,221	11,372	31,593
UNTRAINED:-												
Graduate	1,051	359	1,410	1,511	502	2,013	1,597	416	2,013	1,322	473	1,795
Diploma							343	111	454	}		
Technical	263	111	374	473	191	664	563	262	825	} 543	182	725
K . A . C . E . ('A' Level) ..	6,083	2,375	8,458	4,341	1,783	6,124	2,694	1,040	3,734	2,604	876	3,480
K .C .E./K.S.C.E. CO[1] Level)	76	38	114	114	39	153	333	79	412	171	62	233
K. J. S. E												
C.P.E												
Other	210	60	270	123	44	167	993	333	1,326	364	117	481
TOTAL	7,683	2,943	10,626	6,562	2,559	9,121	6,523	2,241	8,764	5,004	1,710	6,714
GRAND TOTAL	23,639	11,458	35,097	23,836	12,504	36,340	20,982	11,558	32,540	25,225	13,082	38,307

* Provisional

\+ An approved teacher has completed the equivalent of a University Education

pupil/teacher ratio for secondary schools slightly declined from 16 in 1993 to 17 in 1994, while the pupil/trained/teacher ratio improved from 22 to 20 in 1994.

STUDENT ENROLMENT IN ALL GOVERNMENT PRIMARY TEACHERS TRAINING COLLEGES, 1994/95*

Table 15.9 Numbers

CERTIFICATION	1st YEAR		2nd YEAR		TOTAL		GRAND TOTAL
	Male	Female	Male	Female	Male	Female	
P1	4,142	3,696	3,689	3,744	7,831	7,440	15,271
P2	280	270	267	263	547	533	1,080
P3			62	48	62	48	110
TOTAL	4,422	3,966	4,018	4,055	8,440	8,021	16,461

* Provisional

15.10. Student enrolment in the twenty Government Primary Teacher Training Colleges (PTTCs) for 1994/95 was 16,461 (Table 15.9), which is a 0.2 per cent increase from the 16,421 students enrolled in 1993/94. Female trainees accounted for 48.7 per cent of the total students. It is worth noting that the 1994/95 first year intake did not include P3 trainees. However, a majority of students in both years were P1 trainees constituting 92.8 per cent of the total. In-service training for untrained primary teachers continue to be offered in seventeen PTTCs. The college intake for the 1994/97 group was 5,235 trainees. Enrolment in the two Diploma TTCs excluding Kenya Technical Teachers College (KTTC) stood at 974 in 1994 compared to 1,275 recorded in 1992/93. This drop was due to the conversion of Kisii Teachers College into a postgraduate diploma college. Out of the total enrolment in 1994, 35.5 per cent were female students.

15.11. Kenya Institute of Special Education (KISE) continued to offer two year diploma and short in-service courses. The 1993/95 diploma students enrolment remained at 83 as reported in 1993. Of this, figure 28.9 per cent were female. The January to April, 1995 in-service course had enrolled a total of 36 students of which 61.1 percent were female.

15.12. The Three National Polytechnics enrolled a total of 10,836 students in 1994, of which 28.4 per cent were female. This represents 19.9 per cent rise from the previous year when 9,038 students were enrolled. Out of the total, Kenya Polytechnic had the lion's share of 54.6 per cent while Eldoret Polytechnic, with 4.7 per cent, had the least enrolment. Technical Training Institutes (TTIs) increased from 18 in 1993 to 20 in 1994. Student enrolment at these institutions went up significantly by 3.2 per cent to reach 8,148 in the same period. Enrolment in the 17 Institutes of Technology (ITs) rose remarkably by 18.2 per cent from 5,281 in 1993 to 6,244 in 1994.

15.13. Enrolment in the five public universities in the country dropped marginally for the second time by 0.6 per cent from 39,571 in 1993/94 to 39,340 in 1994/95 academic years. It should be noted that during the period under review, universities did not admit new first years. The first years enrolment being reported is the ongoing 1993/94 academic year intake. The marginal drop is therefore largely attributed to the delayed enrolment of fresh first year students while some students have since graduated and left the universities. Of the total enrolment 37,183 were undergraduates, 1,607

postgraduates while 550 were diploma students. Female students constituted 25.2 per cent of the total enrolment.

15.14. The University of Nairobi had enrolled a total of 12,545 undergraduates and 1,249 postgraduate students between 1993/94 academic year and March, 1995. In addition, there were 18 non-kenyan undergraduate students enrolled in the same period. Out of the total University enrolment, 2,659 students were first year and the proportion of female undergraduate students was 22.8 per cent, which was almost the same as that of first years (23.3 per cent).

15.15. There were a total of 5,456 students enrolled in Moi University (excluding Maseno University college), where 5,245 were undergraduates and the remaining 211 were postgraduate students. Of the total postgraduates, 168 were pursuing Masters degree while 43 were Doctorate students. Female students constituted 22.3 per cent of the total postgraduates and also formed 26.6 per cent of the undergraduate students. First year enrolment stood at 1,246 students of which 29.7 per cent were female.

15.16. Maseno University College, a constituent college of Moi University had a student population of 1,395 in 1994/95, 1,391 undergraduates 4 postgraduate students pursuing Masters degree programme. It is encouraging to note that the female proportion of the total enrolment which stood at 35.1 per cent was comparatively high.

15.17. In 1994/95 academic year, Kenyatta University had a total enrolment of 8,588 students where 2,7135 (31.6 per cent) were female students. This was a decline of 5.2 per cent over the 1993/94 academic year. Of the total enrolment, 8,475 students were undergraduates, 102 students in Masters degree programme and 11 pursuing Doctorate courses. The percentage of female students pursuing postgraduate courses which stood at 31.9 was slightly higher by 0.3 percentage points compared to the proportion taking undergraduate courses. The university also enrolled a total of 2,452 first year students which accounted for 28.9 per cent of the total undergraduate students enrolment.

15.18. Jomo Kenyatta University of Agriculture and Technology enrolled a total of 2,133 students in 1994/95 academic year, of which 1,553 were undergraduates, 30 postgraduates (Masters) and 550 for diploma courses. The proportion of female students enrolled in the university was 11.3 per cent, the lowest compared to other public universities. This is so because the university specialises in science subjects which are generally not popular with female students.

15.19. Enrolment in Egerton University increased significantly by 3.8 per cent from 7,663 in 1993/94 to 7,956 in 1994/95 academic year.

15.20. There are twelve private universities and colleges that offer degree courses in the country and only three of them, namely: University of Eastern Africa, Baraton; Catholic University of Eastern Africa and Daystar University, are accredited by the Government. Most of these universities are sponsored by religious organisations and offer religious or theological courses. In 1994/95 academic year, the universities enrolled a total of 3,545 students where 3,049 of them were undergraduates, 301 were postgraduates, 187 diploma and 8 certificate students. Female students accounted for 47.0 per cent of the total enrolment though less by 2.1 percentage points of the

females enrolled in undergraduate courses. This excludes students enrolled in Catholic University of Eastern Africa and St. Pauls United Theological College. The total enrolment in 1994/95 represented a 16.4 per cent rise over the 1993/94 enrolment which stood at 3,045.

HEALTH

15.21. Estimated expenditure in health services increased significantly by 48.3 per cent from K£ 318.66 million in 1993/94 to K£ 472.66 million in 1994/95 fiscal year as shown in Table 15.1. Recurrent expenditure accounted for 64.7 per cent of the 1994/95 Ministry of Health's total budget estimates. It rose by 38.3 per cent from K£ 221.03 million to K£ 305.61 million in the period under review. Development expenditure estimate on the other hand increased by 71.1 per cent to reach K£ 167.05 million in the same period.

HEALTH INSTITUTIONS AND HOSPITAL BEDS AND COTS BY PROVINCE, 1994 *

Table 15.10

Province	HEALTH INSTITUTIONS				HOSPITAL BEDS & COTS	
	Hospitals	Health Centres	Health sub-centres and Dispensaries	Total	No. of Beds and Cots	No. Per 100,000 Population
Nairobi	42	30	285	357	5,879	348
Coast	38	83	332	453	2,781	129
Eastern	37	60	582	679	4,881	111
North-Eastern ..	6	9	49	64	1,224	330
Central ..	37	70	322	429	5,324	148
Rift Valley.. ..	72	136	895	1,103	7,751	127
Nyanza	57	98	277	432	5,058	124
Western ..	35	76	126	237	4,373	146
TOTAL 1994	324	522	2,868	3,754	37,271	147
TOTAL 1993	308	596	2,267	3,144	38,137	156

* Provisional

15.22. Table 15.10 gives details on Health Institutions and hospital beds and cots by province. Health institutions went up from 3,144 in 1993 to 3,754 in 1994, a 19.4 per cent rise. Hospital beds and cots on the other hand declined marginally by 2.3 per cent to 37,271 in the year under review. This reduced the bed-population ratio by 5.8 per cent to 147. The reduction may be partly attributed to inadequate replacement of damaged beds and cots in hospitals. It is also evident that hospitals increased by only 5.2 per cent compared to Health Sub-centres and Dispensaries which rose markedly by 26.5 per cent.

15.23. Staff training on Maternal and Child Health Care (MCH) continued to be funded by United States Agency for International Development (USAID), through the John Hopkins Programme for International Education in Reproductive Health, a non-governmental organisation funding training activities of service providers. Medical Staff trained on MCH rose substantially by 66.3 per cent from 178 in 1993 to 296 in 1994 as shown in Table 15.11. The number of Enrolled Community Nurses increased eleven fold to reach 244 while that of Clinical Officers reduced from 129 in 1993 to 4

in the period under review. These changes were due to the Ministry's decision to put more emphasis in training enrolled community nurses than other cadres.

STAFF TRAINED ON THE MATERNAL HEALTH CARE 1990 - 1994

Table 15.11 Number

Type of Personnel	1990	1991	1992	1993	1994 *
Enrolled Community Nurses	734	382	66	22	244
Kenya Registered Nurses/Midwife	88	66	18	27	48
Clinical Officers	29	31	-	129	4
Total	851	479	84	178	296

* Provisional

15.24. The registered medical personnel declined marginally from 40,774 in 1993 to 40,650 in 1994, a fall of 0.3 per cent as depicted in Table 15.12. Clinical officers registered the highest drop of 43.6 per cent from 2,913 in 1993 to 1,644 in 1994. However, the ratio of doctors, pharmacists and registered nurses to the population improved from 15.5, 2.5 and 25.3 to 18.0, 5.0 and 26.5 per 100,000 people respectively in the same period.

REGISTERED MEDICAL PERSONNEL 1993 - 1994

Table 15.12 Number

Type of Personnel	1993		1994*		IN TRAINING	
	Number	No. Per 100,000 Popu-lation	Number	No. Per 100,000 Popu-lation *	1993-94 Number	1994-95 Number
Doctors	3,794	15.5	4,558	18.0	1,318	684
Dentists	664	2.7	630	2.5	162	159
Pharmacists	605	2.5	1,260	5.0	252	87
Pharmaceutical Technologists	720	2.9	660	2.6	148	99
Registered Nurses	6,210	25.3	6,719	26.5	1,165	807
Enrolled Nurses	20,933	85.4	21,147	83.4	4,292	885
Clinical Officers	2,913	11.9	1,644	6.5	745	672
Public Health Officers	732	3.0	465	1.8	88	32
Public Health Technicians	4,203	17.1	3,567	14.1	1,033	425
TOTAL	40,774		40,650		9,203	3,850

* Revised population based on 1989 census results

15.25. Medical personnel in-training dropped more than two-fold to reach 3,850 in 1994/95 compared to 9,203 personnel enrolled in-training in 1993/94. Enrolled nurses were the most affected with a 79.4 per cent drop while pharmacists were the least affected (1.9 per cent decline). The decline was due to the Structural Adjustment Programmes (SAPs), which reduced the 1994 college intake, associated with general employment freeze. In the process some colleges were upgraded to offer diploma courses.

15.26. Disease prevention and control remained one of the greatest concerns of the Ministry of Health particularly the prevention and control of outbreaks such as meningitis, cholera, diarrhoea and malaria. Sporadic outbreaks were experienced during 1994. Nearly 880 cases of cholera and 262 of meningitis were recorded. These outbreaks were mainly in the Lake region, North Eastern and parts of Rift Valley

provinces. Increasing outbreaks of water borne bacterial diarrhoea is also causing a major concern, the control of which involves a multi-disciplinary approach. To contain these outbreaks and for prevention of other communicable diseases, the Ministry has formed control task forces with an overall aim of training local health teams at the district level on how to investigate and manage disease outbreaks.

NATIONAL HOSPITAL INSURANCE FUND, 1989/90 -1993/94

Table 15.13 K£million

YEAR	Receipts	Benefits	Contribution Net of Benefits
1989/90	9.72	7.94	1.78
1990/91	36.80	15.60	21.20
1991/92	39.61	30.60	9.01
1992/93	42 97	38.38	4.59
1993/94	47.71	44.67	3.04

15.27. National Hospital Insurance Fund (NHIF) continued to benefit its contributors considerably as indicated in Table 15.13. The total contributors to the Fund rose from 1.3 million in 1992/93 to 1.4 million in 1993/94. Receipts to the Fund from the contributors went up remarkably by 11.0 per cent from K£ 42.97 million in 1992/93 to K£ 47.71 million in 1993/94. In the same period benefits paid to members by the Fund rose substantially by 16.4 per cent to stand at K£ 44.67 million. The contribution net of benefit nonetheless continued to drop in the third consecutive year, indicating a higher rate of increase of benefits than receipts by the Fund.

OTHER SOCIAL SERVICES

15.28. The National Youth Service (NYS) continued to play an important role on vocational training of the Kenyan Youth. During the period 1991 to 1994, enrolment of students rose from 2,848 to 3,809 as shown in Table 15.14. However, the 1994 figure was about 50 per cent of the 1992 figure when the enrolment peaked at 6,770 students. Total enrolment recovered from a growth rate of negative 54.6 percent in 1993 to register a positive growth of 23.9 per cent in 1994. This was mainly due to the significant growth in enrolment of females. Also, the institutions resumed recruitment of a small number of students taking artisan courses, which had been discontinued the previous year. The enrolment level, however, still fell below the 1992 record because of scarcity of resources. Income earned from development activity similarly increased tremendously, recovering from a negative growth of 17.3 per cent in 1993 to register 134.1 per cent rise in 1994. Total income increased from K£ 801,920 in 1993 to K£ 1,877,534 in 1994. The marked improvement in the institutions' income was as a result of improved debt recovery as well as agricultural farm inputs allocation and good climate conditions in the year. The total income in 1994, however, still fell below 50 per cent of the earnings recorded in 1990 and 1991, the periods when the Nyayo Bus Service was still part of the institution and made a significant contribution to its income.

NATIONAL YOUTH SERVICE ENROLMENT AND INCOME EARNED, 1991 - 1994

Table 15.14

	Enrolment (Numbers)			Income Earned
	Service men	Service women	Total	K£
1991	2,418	430	2,848	5,047,220
1992	5,715	1,055	6,770	969,307
1993	2,531	544	3,075	801,920
1994*	2,748	1,061	3,809	1,877,534

* Provisional

NATIONAL SOCIAL SECURITY FUND, 1990 - 1994

Table 15.15

	1990	1991	1992	1993	1994 *
Employers registered '000	39.9	40.2	41.4	42.5	43.9
Employees registered '000	1,887.7	1,987.1	2,066.1	2,150.1	2,229.6
Annual contribution K£mn	59.2	55.1	67.9	65.0	76.7
Annual benefits paid K£mn	11.2	12.9	15.0	17.7	17.2

15.29. Table 15.15 presents information on National Social Security Fund (NSSF) comprising Employers, Employees, Annual contribution and Annual benefits paid to contributing members over the period 1990 to 1994. The number of employers registered grew from 39.9 thousand in 1990 to 43.9 thousand in 1994. Similarly the number of employees registered grew from 1,887.7 thousand to 2,229.6 thousand over the same period. The growth rate of employers registered, rose from 0.8 per cent in 1991 and stabilised at about 3.0 per cent annually in the period 1992 to 1994. Growth rate of employees registered on the other hand declined from of 5.3 per cent in 1991 to stabilise at about 4.0 per cent annually during 1992 to 1994 period. Total annual contributions which had a mixed performance during the period under review recovered from negative 4.3 per cent growth in 1993 to register a growth rate of 18.0 per cent in 1994. Annual benefits paid out, however, grew steadily from K£ 11.2 million in 1990 to K£ 17.7 million in 1993, declined by 2.8 per cent in 1994 to stand at K£ 17.2 million. The improvement in receipts was due to the concerted efforts by NSSF Inspectors who make constant visits to employers reminding them to honour submission of overdue contributions of members. The economy performed relatively well inspite of the difficulties caused by demands of SAPs. This performance reduced the rate of defaulting by employers. The steady growth in annual benefits between 1990 to 1993 could be attributed to the awareness programme the institution adopted by way of informing members of their benefits through radio and newspapers. The awareness programme also reduced the number of false claims.

15.30. Adult Education: The Government continued to recognise the importance of literacy status as a social welfare indicator and thus continued to promote adult literacy programmes. Total enrolment in adult literacy classes recovered from a negative growth rate of 2.0 per cent in 1993 to record a positive growth rate of 6.5 per cent in 1994. The total number of females enrolled which had declined by 3.3 per cent in 1993 improved significantly to attain a growth rate of 7.9 percent, which was more than three times that of males in the same period. Despite the improved growth in

enrolment in adult literacy classes in 1994, the recorded figure of 114,278 persons was still below the 138,154 and 139,576 persons enrolled in 1990 and 1991 respectively. The improvement in 1994 was attributed to improved funding from the Government and inflow of aid from donors.

ADULT EDUCATION ENROLMENT BY SEX 1990 - 1994

Table 15.16

Year	Male	Female	Total	% of Female enrolment
1990	32,696	105,458	138,154	76.3
1991	34,709	104,867	139,576	75.1
1992	25,425	84,049	109,474	76.8
1993	26,027	81,271	107,298	75.7
1994*	26,595	87,684	114,278	76.7

* Provisional

15.31. During the period 1993/94 the total number of Government assisted Youth Polytechnics was 370, the same as in 1992/93. However, enrolment in these institutions grew from about 40,000 trainees to about 45,000 trainees in the same period.