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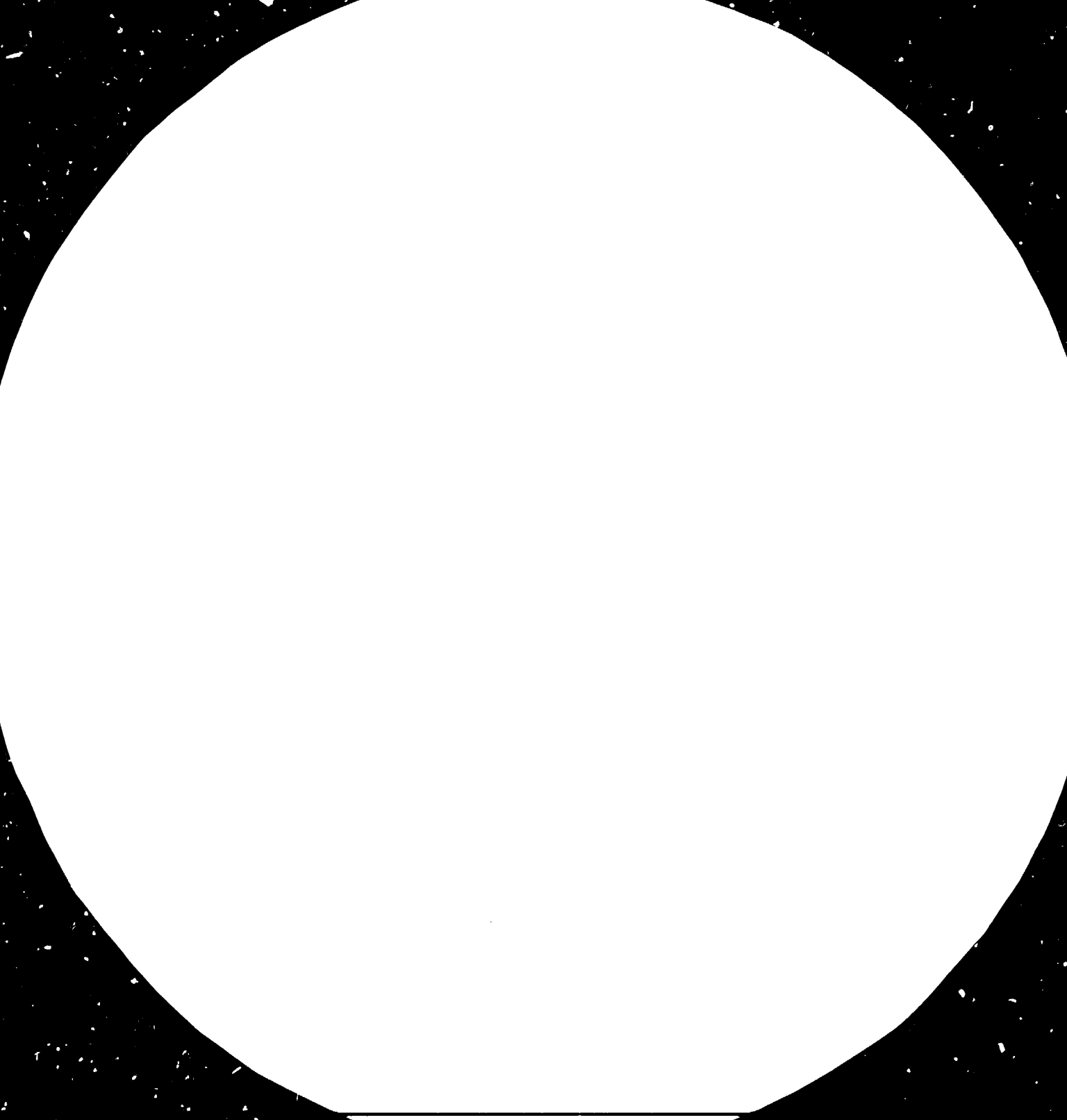
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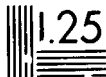


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**INDUSTRIAL DEVELOPMENT REVIEW
SERIES**

KENYA

Prepared by the
Regional and Country Studies Branch
Division for Industrial Studies

13671

Preface

This industrial development review of Kenya has been prepared by the Regional and Country Studies Branch of UNIDO's Division of Industrial Studies. The aims of the review are to present a general picture of the country's economic and industrial development and to provide the readers with additional information to be used in activities relating to technical assistance, industrial redeployment and restructuring, and investment promotion and cooperation.

This review is a desk study; no field survey has been undertaken. A considerable portion of the data analyzed in the industrial development review has been provided by the Statistics and Survey Unit of UNIDO's Division of Industrial Studies. Industrial development reviews will be updated periodically as new data become available from UNIDO's statistics data base, from national information sources, and from the feedback received from the users of the reviews.

The views and comments contained in this study do not necessarily reflect those of the Government of Kenya nor do they officially commit the United Nations Industrial Development Organization to any particular course of action.

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EXPLANATORY NOTE

The structure and organization of information in the report follows the established outline for Industrial Development Reviews. The heading on each page gives the date on which the information for that section was gathered and analyzed, and the page number within sections or sub-sections. Page 2.5.2, for example, identifies the second page of information on "Performance of the Manufacturing Sector", which is sub-section 2.5.

Regional classifications, industrial classifications, trade classifications and symbols used in the statistical tables of this report, unless otherwise indicated, follow those adopted in the United Nations Statistical Yearbook.

Dates divided by a slash (1970/71) indicate a crop year or a financial year.

Dates divided by a hyphen (1970-71) indicate the full period, including the beginning and end year.

In tables:

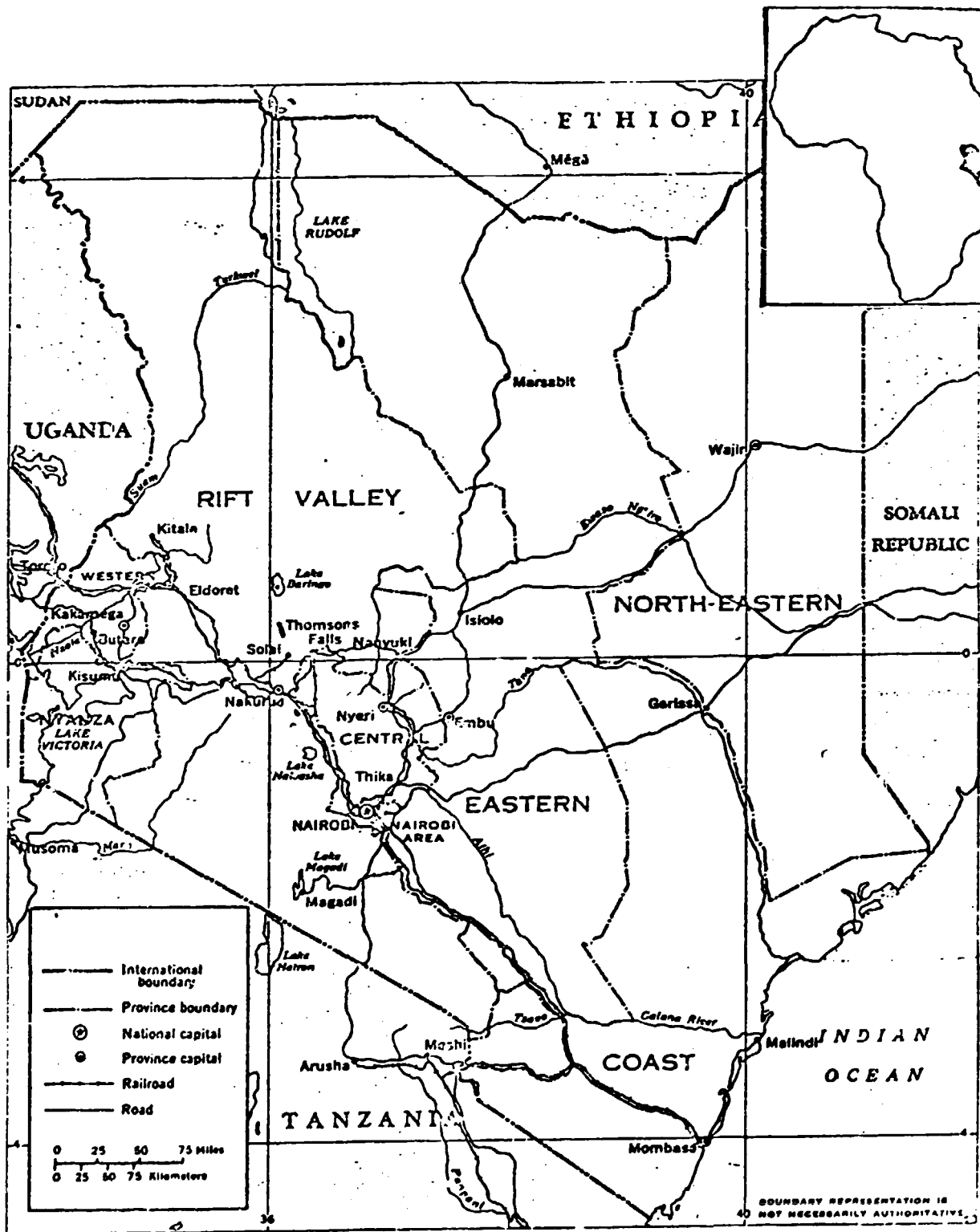
Three dots (...) indicate that data are not available or are not separately reported;

A dash (-) indicates that the amount is nil or negligible;

A blank indicates that the item is not applicable;

One dot (.) indicates that there is insufficient data from which to calculate the figure.

MAP OF KENYA



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We would appreciate your response to the questions listed below and invite you to provide any further evaluation. Please tear out, fold and return this pre-addressed form to UNIDO (as an aerogramme - no envelope needed).

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Industrial Development Review of KENYA

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1. OVERVIEW OF KENYA

1.1 The country and its people

Kenya has an area of 224,960 square miles (582,646 km²), only one fifth of the land, however, is arable. It is estimated that about 12% of the land has a high potential for cultivation and that 5-6% has a medium potential. Those areas are in the Western part towards Lake Victoria and in the Central Province. The rest of the land is used for subsistence farming and ranching or by nomads.

The growth rate of the population was 4.1% in 1980, which is among the highest in the world. The high growth rate is due to a very high level of fertility and a relatively low mortality level. Should this growth rate continue unabated, Kenya's development strategies will face the challenge of providing jobs for a labour force doubled in size by the end of this century.

BASIC INDICATORS BOX 1

Country data

<u>In 1981</u>	
Area:	582,646 Km ²
Population:	Number: 17.4 million
	Density: 30 inhabitants per Km ²
	Growth rate: 4.0 per cent, 1970-81
	4.5 per cent, prospective 1980-2000
	Labour force: 5.5 million
	Adult literacy: 47 per cent (1980)
	Life expectancy: 56 years
	Infant mortality rate: 85 per 1000 live births
Independence:	12 December 1963
Language:	Swahili, English, local languages
Current exchange rate	
	June, 1983: 1 US\$ = 13.2 Shillings ("Shs)
	1 Kenyan Pound (K£) = 20 Shillings

Sources: World Bank, World Development Report 1983; IMF, International Financial Statistics, October 1983.

Kenya 1.1.2

November 1983

The population growth accentuates pressure on the country's capability to feed its growing population, about half of whom are under the age of fifteen.

The population of Kenya's eight largest urban centres doubled from 1969 to 1979, to over 1.6 million persons. Including nine other towns, the urban population accounts for approximately 13 per cent of the total population. Although, there is a growing migration from rural to urban areas about 98 per cent of those classified as poor live in rural areas. Approximately 21 per cent of the total urban wage earnings are remitted to rural areas, which demonstrates the dependence of rural communities on urban migrants.^{1/}

Coffee beans is the largest agricultural crop, with an estimated value of K£ 123 million in 1982. Coffee and tea together accounted for 66 per cent of the total value of the top seven crops in 1982. Production of cash crops by smallholders, and the gradual acceptance of private land ownership in tribal areas has led to greater output of these crops. Animal husbandry is an important priority in agricultural development. The production of milk now meets domestic demand and dairy products are beginning to be exported. Forestry is not a major industry although a total of 155,200 hectares are forest plantations. The major use of forests is for household firewood, thus afforestation is a major aim of government policy.

The railways are operated by the Kenyan Railways Cooperation. The 1,070Km main line runs between Mombasa and the Uganda border. Passenger and freight air travel are well developed with innumerable airstrips in addition to the three international airports at Nairobi, Mombasa and Embakasi.

^{1/} World Bank, "Growth and Structural Change in Kenya: A Basic Economic Report", Annex III; Report No.3350-KE, August 1982.

Kenya 1.1.3

November 1983

BASIC INDICATORS BOX 2

Resources and transport infrastructure

In 1982

Resources

Cash crops (leading products by value):	coffee, tea, maize, sugarcane, wheat, pyrethrum, sisal
Livestock	71,000 head cattle slaughtered 260.3 million litres milk produced
Fisheries, total catch:	60,305 tons, predominately fresh water
Forests	1.37 million hectares 3 per cent of total area
Mining (leading minerals by value):	soda ash, salt, fluorspar, diatonite, silica
Energy production major sources:	hydroelectric: 1,804 million kwh

Transport

roads:	6,540 Km tarmac, 46,960 km other
Railways:	1,791 Km; main line: Mombasa - Nairobi - Kampala, Uganda
Ports:	Mombasa, Kisumu (Lake Victoria)
Airports:	Nairobi, Mombasa, Embakasi, also 150 airstrips

Source: The Economist Intelligence Unit, Quarterly Economic Review of Kenya,
Annual Supplement 1983.

1.2 The economy

BASIC INDICATORS BOX No. 3
GNP, GDP, and structure of the economy.

<u>In 1981</u>			
Gross National Product	per capita:	US\$ 420	
Gross Domestic Product	total:	US\$ 6,960 million	
	Average annual growth rate:	5.8% (1970-81 at constant 1970 prices)	
		5.3% (1976-82 at constant 1976 prices)	
Structure (Current prices):	agriculture:	32% OF GDP	
	industry:	21%	
	(manufacturing:	13%)	
	services:	47%	

Source: World Bank, World Development Report 1983.

The growth rate of the GDP has been above average for the developing countries during the seventies. However, in the last few years the growth rate has been declining. The Fourth Development Plan (1979-83) started out with a target of 6.3% which was later revised and set at 5.4% per annum. Even this revised target has proven unattainable: from 1981 to 1982 the GDP grew by only 3.3 per cent at constant 1976 prices, or 13.9 per cent at current prices.^{1/}

The services sector provides almost half of Kenya's GDP. The share of GDP contributed by the agricultural sector has been decreasing slightly during the past two decades while the manufacturing sector's share has increased but remains relatively small. The mining and quarrying sector is negligible.

^{1/} Kenya, Central Bureau of Statistics, Economic Survey 1983, pp. 18 and 25.

Kenya 1.2.2
November 1983

In 1976/77 world prices for Kenya's primary commodities, coffee and tea, reached record levels and consequently the country enjoyed a sharp improvement in its terms of trade. Between 1977 and 1982 however, the ratio of export prices to import prices declined 44 per cent. Calculation of average incomes must take into account this change in the terms of trade. Thus the constant price per capita GDP growth, adjusted for changes in terms of trade, was -1.4 per cent in 1982, -1.6 per cent in 1981, and -2.9 per cent in 1979. Over the entire 1976-82 period the growth of GDP per capita was 1.6 per cent but only 0.3 per cent if adjusted for terms of trade.^{1/}

Although 1982 marked the fifth successive year of deterioration in the terms of trade receipts from services increased, thus improving the current account of the balance of payments. However, both private and public long-term capital inflows declined, an impact partially offset by financial support from the International Monetary Fund. Like many other countries without oil resources, Kenya's oil imports have increased substantially, from 17.8 per cent of total imports in 1978 to 40.2 per cent in 1982.^{2/} However, some of these oil imports form the basis of substantial export earnings from refined fuels, which amounted to 52 per cent of manufactured exports in 1980.

In mid-1982 a structural adjustment programme for Kenya was announced by the World Bank, mainly affecting monetary and fiscal policy. Subsequently, a devaluation of 13% took place in December, which was the third devaluation in two years amounting to 30% in all, and which set the exchange rate at 12.60 K Shs to 1 US dollar. By that time the rate of inflation had reached 20%.

^{1/} Central Bureau of Statistics, op cit, p.22
^{2/} op cit, p.99

Kenya 1.2.3

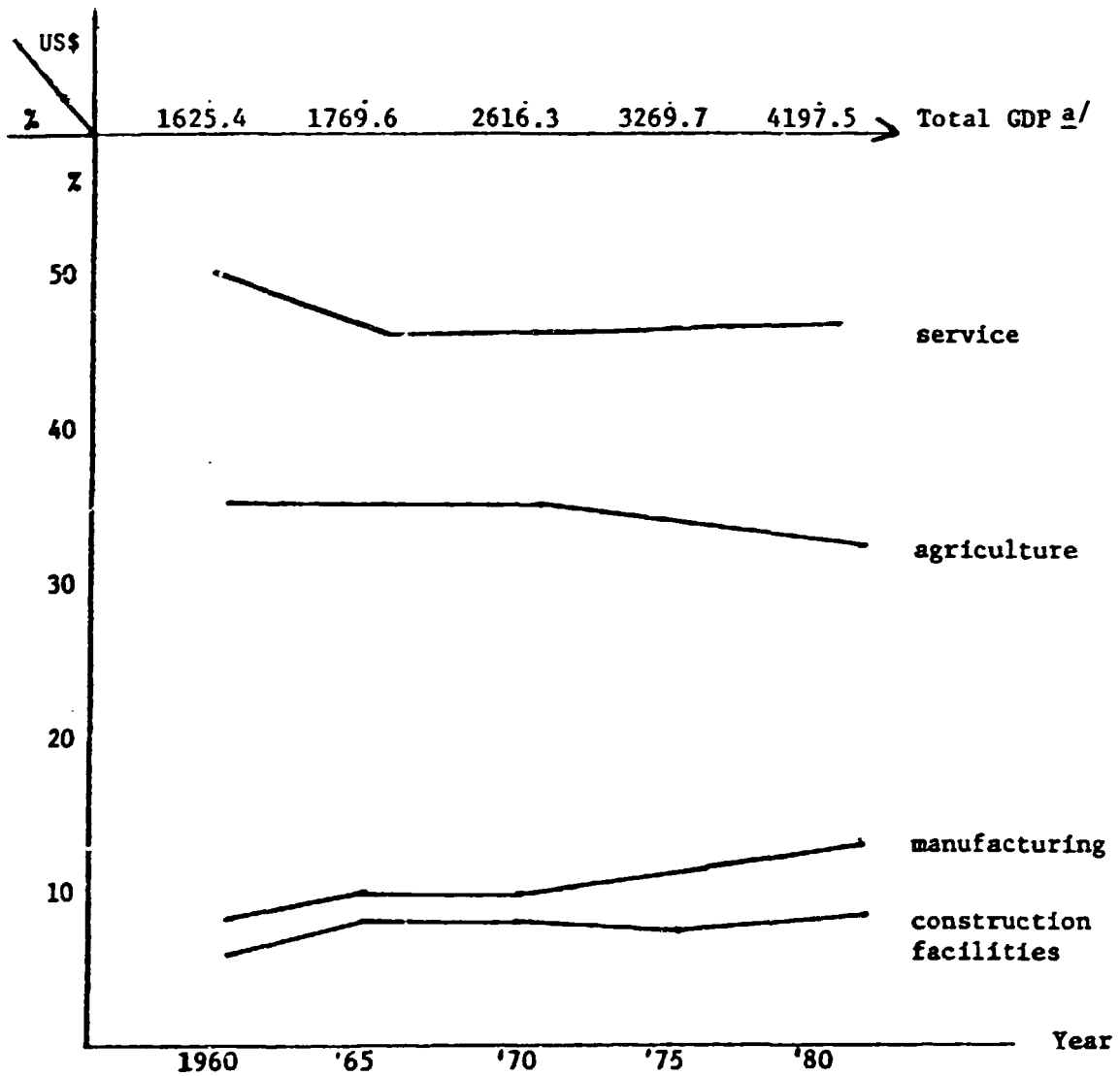
November 1983

BASIC INDICATORS BOX 4
Prices and exchange rates

<u>Year</u>	<u>Consumer Prices Index</u> (1980=100)	<u>Official Exchange Rate</u> (annual average)
1970		1 US\$ = 7.1 K Shillings
1975		" 7.3
1976	60.6	" 8.4
1977	69.6	" 8.3
1978	81.4	" 7.7
1979	87.9	" 7.5
1980	100.0	" 7.4
1981	111.8	" 9.0
1982	134.7	" 10.9
Jan-June 1983	146.6	" 13.0

Sources: IMF, International Financial Statistics, October 1983;
Yearbook 1979.

Figure 1: GDP by economic sectors 1960-1980



a) At constant 1975 prices in million US \$

Source: UNIDO data base

Note: Mining provided approximately 1 per cent of GDP in 1980.

Kenya 1.2.5
November 1983

BASIC INDICATORS BOX No. 5
Foreign trade and balance of payments

Exports	Total value:	US\$ 897 million (1982)
	Main goods:	Petroleum products, coffee, tea,
	Main destinations:	UK, FRG, Uganda, the Netherlands
Imports	Total value:	US\$ 1,488 million (1982)
	Main goods:	Crude petroleum, industrial machinery, motor vehicles, iron and steel, fertilizers
	Main sources:	UK, FRG, Japan, USA
Balance of payments:		US\$ -440 million (1982) US\$ -634 million (1981)*
External public debt: (total unfunded)		US\$ 1,363 million (1982) 26.3 per cent of GNP US\$ 1,261 million (1981)*
Debt service:		3.2 per cent of GNP (1982)* 18.9 per cent of total exports
Foreign currency reserves:		US\$ 217 million (1982)
Inflation rate:		10.2 per cent, average annual 1970-81 22.3 per cent (1982) (Nairobi only)

Sources: Kenya, Central Bureau of Statistics, Economic Survey 1983 (US \$ values calculated at following exchange rates: 12.7 KSh/US\$ at December 1982; 10.286 KSh/US\$ at December 1981.)

* The World Bank, World Development Report 1983 provides the following data for 1981:

Balance of payments:	US\$ -736 million
External public debt:	US\$ 2,228 million, or 34.4 per cent of GNP
Debt service:	4.5 per cent of GNP

Kenya 1.3.1
November 1983

1.3 Manufacturing sector

BASIC INDICATORS BOX 6
The manufacturing sector

In 1982

Manufacturing value added (MVA): US\$ 641 million

MVA per capita: US\$ 38.8

Employment in manufacturing:

total: 146,800 persons
% of labour force: 2 per cent
MVA per worker: US\$ 4,366

Export of manufactures:

value: US\$ 398 million, of which US\$ 235 million are petroleum products

main goods: non-metallic mineral manufactures, oil and perfumes, pharmaceuticals, paper and leather products

destinations: developing countries (86%), EEC (9%)

Import of manufactures:

value: US\$ 875 million

main goods: machinery and transport equipment, iron and steel

origins: EEC (58%), Japan (16%), developing countries (6%)

Sources: UNIDO Data Base, information supplied by United Nations Statistical Office; World Bank, World Development Report, 1983; Kenya, Central Bureau of Statistics, Economic Survey 1983.

Kenya 1.3.2

November 1983

Compared to other countries in East Africa, Kenya is the most industrialized. During the 1970s the growth in the manufacturing sector averaged over 11 per cent per annum, which was almost twice the growth rate of the economy overall. The economic recession has also hit this sector and in 1981 manufacturing growth was less than 5 per cent. The growth is now limited by inherent shortages of foreign exchange for financing imports of raw materials.

The import substitution policy prevailing during the last decade in Kenya has led to a relatively diversified industrial sector and a well-established industrial base for certain key industries. Export opportunities to other East African countries, Rwanda, Burundi and Zimbabwe, etc, also helped in the diversification of the economy. Policy objectives continue to aim at restructuring the industrial sector towards an increasingly export-oriented growth.

Kenya 2.0.1

November 1983

2 STRUCTURE AND PERFORMANCE OF THE MANUFACTURING SECTOR

Kenya's industrial statistics are provided mainly by the Central Bureau of Statistics (CBS). The latest census was for 1977 and covered all establishments employing 20 or more persons, a 50% sample of those employing between 5 and 19 persons and a 10% sample of establishments employing between 1 and 4 persons. (The next census, providing information for 1982, is expected to be published by July 1984).

Surveys of industrial production were conducted for 1968-1971 and 1973-1976; the 1977-1981 survey is in progress. These cover only large scale establishments defined as those with 50 or more employees. Since 1970, 25% of firms employing between 20 and 49 persons have also been included in the surveys. The CBS also carries out an informal sector survey in which manufacturing establishments employing less than 10 workers are covered. There is no survey covering establishments employing between 10 and 20 workers.

Kenya is exceptional among developing countries in having instituted an annual street-by-street count of persons working in very small enterprises. However, there does not seem to be a clear demarcation between informal and formal firms, other than that of having a postbox or not. Further, only establishments with 50 or more employees are included in the statistics from the United Nations Statistical Office, thus resulting in a very poor coverage of the country's industrial sector. It is therefore crucial to look for additional data from various sources; the main problem then being variations in definitions used.

Sometimes the data available cover manufacturing in the modern sector which is defined as all establishments in the urban areas operating organized businesses and all large non-agricultural establishments, such as saw mills, situated outside the urban areas. Part of this sector is the small-scale modern industry defined as units with total investment capital (fixed and working capital) of KShs 5 million (approximately US\$ 400,000)

Kenya 2.0.2

April 1983

and employing no more than 50 persons. To get a complete picture of the small industries sector, the informal manufacturing sector has to be added to the small-scale modern sector. However, some data for the small-scale industries sector is based on modern small-scale industries plus all informal units i.e. also including services. The above mentioned groupings often seem to be mixed up in the various sources used for the tables in this paper. Therefore, the comparisons throughout the paper can only be made with reservations.

2.1 Growth and structural change of value added in manufacturing

If judged by the growth of output and employment, Kenya's industrial sector has performed well since independence. Real manufacturing output grew at an annual rate of 9.5% compared to 5.9% for total GDP between 1964 and 1978.^{1/} The current industrial base is 3.5 times larger than it was at the time of independence (1963).

As can be seen in Table 1, there have been great variations in the growth rates of value added in manufacturing during the seventies; the average, was 7.6% which is a high figure compared to the overall growth of the economy and also in comparison with other countries. As for the rate of growth of GDP in manufacturing, it has slowed down in the last couple of years to below 5%.

There have been various sudden and drastic fluctuations in the production of each single item as shown in Table 1. As for the particularly enormous negative growth rates of 1974-75, they were caused by an outbreak of cholera, which forced the Government to close many establishments. It is also noteworthy that the distribution of MVA among the main sectors does not seem to have been affected by the oil crisis.

Among the main manufacturing sectors, food products have showed the most significant development in the seventies by doubling their share of MVA; it now contributes about one third of the total MVA. However, food production has declined in the past two years and has not been sufficient to cover domestic needs, partly as a result of droughts and partly because of poor management regarding storage facilities, pricing, credits and payments.

^{1/} World Bank, "Growth and Structural Change in Kenya: A Basic Economic Report", Annex III, Report No. 3350-KE, 31 August 1982.

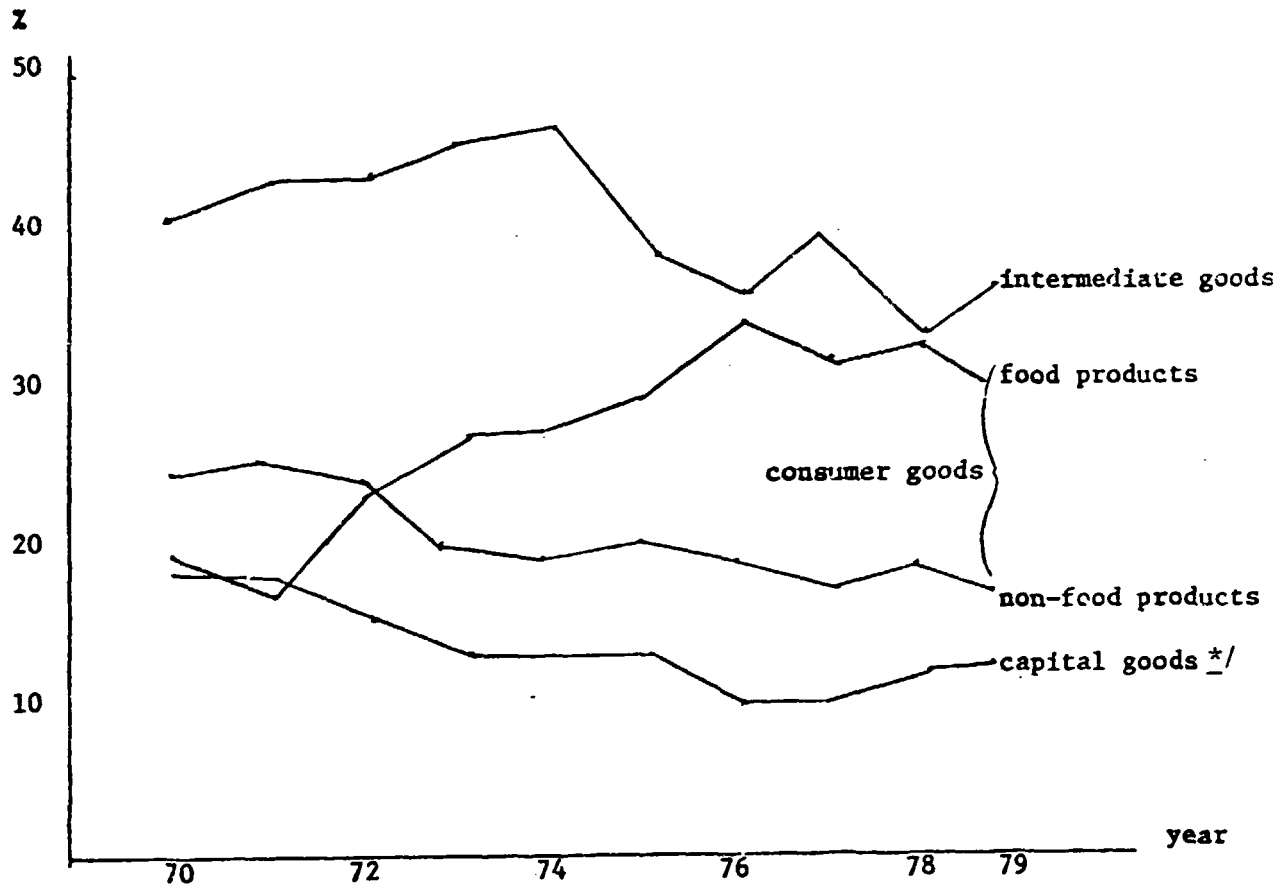
Kenya 2.1.2
November 1983

With the increased policy emphasis on agricultural processing for export it is very likely that the food products sector will increase further its share of the total MVA. The main food processing activities are sugar refining, fruit canning, meat processing, production of dairy products, brewing, and cashew nuts processing. In addition, manufacturing of activities using other agricultural products such as sisal and hessian goods, cotton, pyrethrum products, animal feeds, hides and skins and pulp and paper are also expected to increase.

Among the goods from heavy industries, the important cement and soda ash industries have experienced a high growth. On the other hand, the capital goods sector's share of total MVA has decreased over the years - especially transport equipment and machinery. The capital goods sector depicted in Figure 2 includes some major consumer durables such as automobiles and electrical appliances, declining demand for which may have contributed to the decrease in the capital goods sector overall.

Kenya 2.1.3
April 1983

Figure 2: Structural value added in manufacturing of total MVA



Source: Table 2

* Capital goods also includes some consumer durables.

Table 1: Annual growth rates of real manufacturing value added, (1970-1980)
(Percentages on the basis of values in 1975 US\$ constant prices)

ISIC ISIC-DESCRIPTION	70/71	71/72	72/73	73/74	74/75	75/76	76/77	77/78	78/79	79/80	80/81
3110 Food products	5.6	8.0	14.8	6.8	1.0	29.0	9.3	-3.5	4.4	0.7	8.2
3130 Beverages	15.1	16.4	14.1	16.0	6.4	4.0	19.2	12.9	2.9	4.2	11.1
3140 Tobacco	7.1	2.7	13.0	18.4	-2.9	4.0	6.7	17.1	0.8	-1.5	6.9
3210 Textiles	27.5	9.2	36.6	1.0	2.0	-12.0	29.5	8.6	8.9	14.8	9.9
3220 Wearing apparel, except footwear	-3.3	0.9	-9.3	-7.5	1.0	24.0	63.7	25.6	13.7	-6.6	11.0
3230 Leather products (incl. 340)	25.0	13.3	-1.5	11.9	33.3	75.0	-5.1	21.1	-12.9	-5.7	16.0
3310 Wood products, except furniture	-4.3	7.6	5.6	10.7	20.8	-5.0	13.7	7.4	6.9	3.2	7.5
3320 Furniture, except metal	20.0	45.8	1.9	8.4	-13.8	-2.0	12.2	-16.4	-38.0	-7.0	-1.9
3410 Paper and products	11.9	2.1	32.3	-29.1	11.1	67.0	17.4	23.5	7.9	20.7	14.6
3420 Printing and publishing	22.7	-17.3	7.5	20.8	14.5	-1.0	27.3	23.0	36.1	11.8	13.5
3510 Industrial chemicals	12.4	4.0	15.4	20.0	-30.6	-6.0	3.2	22.7	16.0	18.8	3.6
3520 Other chemicals	10.1	6.1	15.4	20.0	-30.6	-6.0	22.3	13.0	3.1	-14.9	2.4
3530 Petroleum refineries	18.2	-1.1	16.7	2.9	-7.4	14.0	7.0	-1.6	13.3	16.9	6.0
3540 Misc. petroleum and coal products	.	.	.	.	.	.	.	.	.	.	...
3550 Rubber products	17.1	19.5	39.8	5.1	-30.1	54.0	18.8	3.3	43.1	5.4	14.3
3560 Plastic products	11.4	12.8	4.5	50.0	44.5	14.0	34.2	32.7	10.3	5.4	24.4
3610 Pottery, china, earthenware (incl. 362)	2.7	36.4	-11.4	7.8	0.0	-19.0	116.5	9.0	3.1	17.1	11.9
3690 Other non-metallic mineral products	0.0	1.0	-2.9	17.6	-16.7	-7.0	17.2	-3.7	2.9	7.4	0.8
3710 Iron and steel	51.4	66.0	67.0	4.8	-36.1	...	...	...	...	...	29.2
3720 Non-ferrous metals	.	.	.	.	.	.	.	.	.	.	...
3810 Fabricated metal products	10.0	10.4	11.8	6.3	-1.0	43.0	11.2	10.7	9.7	-4.1	11.6
3820 Machinery, except electrical	1.3	7.9	-9.1	33.6	-49.7	-27.0	-1.4	1.4	-2.7	26.8	-9.1
3830 Machinery electric	7.4	0.0	19.2	43.7	-20.0	14.0	15.3	33.8	-4.4	3.4	11.4
3840 Transport equipment	8.7	-1.0	-19.2	-8.6	37.0	11.0	59.5	-24.9	...	...	6.3
3850 Professional & scientific equipment	.	.	.	.	.	.	.	.	.	.	...
3900 Other manufactured products	36.8	1.1	29.8	18.0	-30.6	22.0	16.4	-15.5	26.7	10.5	6.9
3000 TOTAL MANUFACTURING	9.6	6.2	11.5	8.3	-4.6	14.8	19.4	5.2	-0.1	4.3	7.6

SOURCE: UNIDO Data Base; Information supplied by the United Nations Statistical Office, with estimates by the UNIDO Secretariat.

2/ The initial- and/or the end-year of the trend-growth, is always the first and/or the latest year shown in the year-to-year-growth

NOTE: TOTAL MANUFACTURING is the sum of the available components and does not necessarily correspond to ISIC 3000

Table 2. Structural changes of value added in manufacturing, (1970-1975)
(Sectoral shares (percentages) on the basis of values in national currency at current prices)

ISIC	ISIC-DESCRIPTION	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
3000	TOTAL MANUFACTURING	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
3110	Food products	19.0	16.0	20.5	22.7	23.8	26.0	34.1	32.0	32.7	30.7
3130	Beverages	5.8	14.8 a/	13.2 a/	10.9 a/	11.6 a/	13.2 a/	13.0 a/	10.1 a/	11.2 a/	10.3 a/
3140	Tobacco	4.3	...	...	...	...	...	...	...	...	...
3210	Textiles	5.7	6.8	7.0	7.8	8.2	8.5	...	...	...	...
3220	Wearing apparel, except footwear	1.8	1.7	1.6	1.0	1.0	1.4	4.7	5.7	7.1	7.6
3230	Leather products	0.5	1.7 b/	2.1 b/	1.4 b/	1.4 b/	1.5 b/	1.5 b/	1.3 b/	1.2 b/	1.1 b/
3240	Footwear, except rubber or plastic	1.2	...	...	...	...	...	...	...	...	...
3310	Wood products, except furniture	2.4	2.3	2.1	2.3	1.9	2.2	...	...	...	...
3320	Furniture, except metal	1.0	1.2	1.2	0.8	1.0	0.8	1.7	2.3	2.2	2.1
3410	Paper and products	2.0	2.5	2.6	3.0	3.6	3.0	0.6	1.3	1.0	0.9
3420	Printing and publishing	4.9	3.6	3.3	3.3	3.4	2.7	2.2	4.2	4.4	4.4
3510	Industrial chemicals	7.3 s/	15.0 a/	4.1	2.2	3.3	3.9	3.6	2.0	1.8	2.1
3520	Other chemicals	...	...	10.3 a/	11.3 a/	5.6 a/	9.9 a/	8.6 a/	8.0 a/	6.9 a/	6.9 a/
3530	Petroleum refineries	4.7	...	...	...	...	...	...	...	...	...
3540	Misc. petroleum and coal products	0.0	0.0	0.0	0.0	0.0	0.0	...	...	...	...
3550	Rubber products	1.0	1.0	2.2	3.4	4.1	1.6	0.0	0.0	0.0	0.0
3560	Plastic products	...	...	0.8	1.3	1.0	1.6	1.8	2.8	3.1	3.0
3610	Pottery, china, earthenware	0.0	1.2 l/	1.3 l/	1.0 l/	0.7 l/	1.3 l/	1.0 l/	1.2 l/	1.4 l/	1.3 l/
3620	Glass and products	1.0	...	...	...	...	...	0.5 l/	0.5 l/	0.8 l/	0.8 l/
3690	Other non-metallic mineral products	6.2	6.4	5.3	...	...	...	...	...	...	...
3710	Iron and steel	0.0	0.0	0.8 a/	6.0	4.7	5.4	4.9	4.5	2.9	4.1
3720	Non-ferrous metals	0.0	0.0	...	2.0 s/	1.6 a/	6.7 b/	1.2 a/	5.8 b/	1.9 a/	1.6 a/
3810	Fabricated metal products	7.8	7.3	6.6	...	...	...	...	...	...	...
3820	Machinery, except electrical	1.0	0.6	0.7	6.2	6.5	...	4.6	...	5.1	...
3830	Machinery electric	6.4	5.5	5.0	0.4	0.3	0.3	0.3	...	0.5	6.8
3840	Transport equipment	10.8	10.4	9.1	4.9	6.2	5.7	0.3	0.5	0.8	0.4
3850	Professional & scientific equipment	0.0	0.0	0.0	7.6	7.5	7.4	3.6	3.3	4.4	4.4
3900	Other manufactured products	1.4 l/	1.6 l/	0.5	0.0	0.0	0.0	5.8	5.3	6.6	7.2
	TOTAL MANUFACTURING IN THOUSANDS	48100	54960	68220	85210	102240	121260	161530	156440	213370	265520

SOURCE: UNIDO Data Base, Information supplied by the United Nations Statistical Office, with estimates by the UNIDG Secretariat.

FOOTNOTES:

- a/ 3130 3140
- b/ 3230 3240
- s/ 3510 3520
- l/ 3510 3520 3530
- l/ 3520 3530
- l/ 3610 3620
- s/ 3710 3720
- l/ 3710 3720 3810
- l/ 3900 3560

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2.2 Geographical distribution of manufacturing industries

With over 80 per cent of the population living in rural areas and with half the number of manufacturing firms (employing more than 50) located in Nairobi, a policy promoting the spread of industry all over the country would seem recommendable. Since 1975 the various development plans have also indicated a desire to distribute more industrial activities to the rural areas.

As the map below illustrates, industries are concentrated in the Nairobi area, the Rift Valley and the Central Province and almost always spread out along the railway lines. This indicates how important the development of infrastructure is for the location of industries. Another important factor is of course the location of raw materials and labour force, indeed industries concentrate in the most fertile areas.

Data on province-wise manufacturing output, GDP or per capita industrial investment are not available for later than 1976. However, data on employment by province are available from the 1981 Statistical Abstract. The growth rate of employment in the Rift Valley province has been the highest followed by the Coastal and Nyanza provinces indicating that some dispersion of industry is taking place. Most provinces however have attracted very little industry: The reason for this failure is the lack of transport and communication infrastructure.

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Figure 3: Location of Industrial Centres

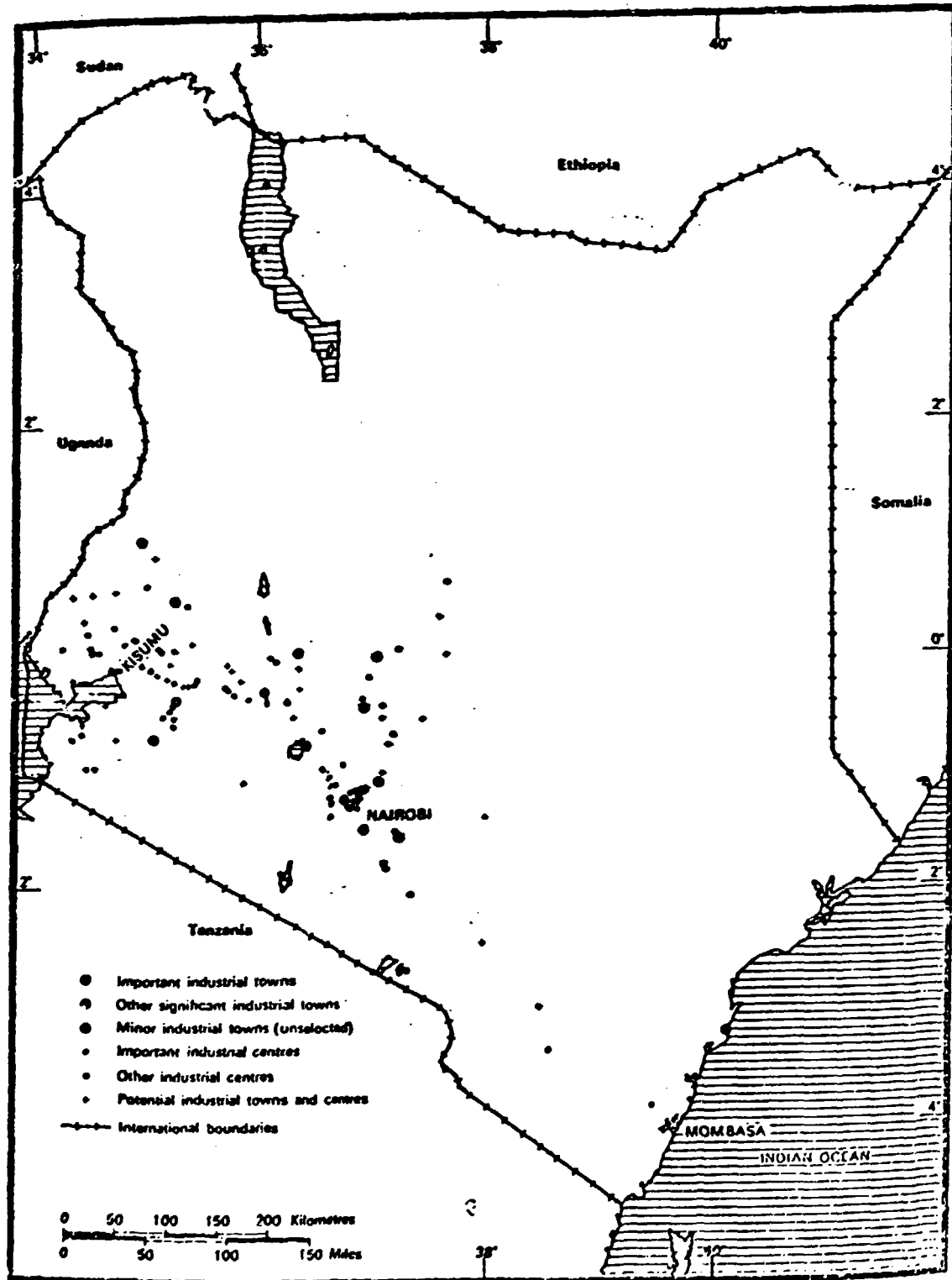


Table 3. Employment in the manufacturing industry by region*

Province	No. of Workers 1981	In % of total	Rate of Growth during 1976-81 in %
Nairobi	53,433	50	3
Coastal	19,744	18	8
Rift Valley	16,098	15	16
Central	9,572	9	4
Nyanza	3,783	4	8
Eastern	2,770	3	6
Western	1,590	1	2

(*) In enterprises, employing 50 or more workers

Source: Ministry of Industry, "Performance Review of Manufacturing Sector since Independence", March 1983.

As indicated, the above table only refers to the manufacturing industries with more than 50 workers. A World Bank study ^{1/} reports that the small-scale industry does not appear to be as geographically dispersed as might be expected. In 1978, only 12 of the 43 towns in Kenya with population over 2,000, had 150 persons or more engaged in informal manufacturing activities. Two of the 43 towns accounted for 41% of employment, while 24 towns accounted for only 12%. This reflects a degree of urban concentration of the small-scale industry only moderately inferior to that of the large-scale sector, for which half of total manufacturing was in Nairobi (see Table 3 above).

Regarding the type of production in rural areas, the food industries are numerous in the Rift Valley, Nyanza and Western Province. Industries like fishing, bamboo, pottery, charcoal making and skin products are also common. Besides the advantage of the convenient location of resources, the geographical location itself seems to determine the type of industry in rural areas. Thus, the well developed metal and wood industries in the Central Province is attributable to its proximity to Nairobi.

^{1/} World Bank, Report No 3350-KE, August 1982, p. 47.

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2.3 Manufacturing activity by size of enterprises*

Table 4. Number of establishments by number of workers, 1981

No. of employees	No. of establishments	
	Total	Percent
0 (self-employed)	6,977	28.9%
1 - 4	5,268	21.8%
5 - 9	2,934	12.2%
10 - 19	2,549	10.8%
20 - 49	2,370	9.8%
50 or more	4,013	16.6%
Total	24,111	100%

Source: Statistical Abstract 1982.

Data gathered by the World Bank shows that although firms engaging 100 or more workers account for only 12% of establishments they contribute 74% of all MVA. ¹⁾ Data describing the other end of the scale shows that the so-called rural non-farm sector accounts for only about 7% of GDP but 19.5% of total national employment. ²⁾ In other words, with regards to employment, the rural small-scale sector is by far ranking ahead of the large scale sector. Employment in Kenya's rural non-farm sector is estimated to be eight times as large as employment in the informal urban sector.

1) World Bank, op cit August 1982.

2) ILO, "Rural industrialization Policies and Programmes in Kenya" by G. Norcliffe, D. Freeman and N. Miles, Geneva. 1980.

* The data difficulties described in Section 2.0 above, apply particularly to this section. For this reason the topic is discussed only briefly

2.4 Ownership and investment patterns in manufacturing

The Kenyan Government is committed to a mixed economy with the private sector playing a major role in industrial investments. Besides playing a supportive role by providing infrastructural facilities and services to the private sector the Government also participates actively with equity and loan capital from the development finance institutions; the Industrial Commercial Development Corporation, the Industrial Development Bank, the Development Finance Company of Kenya Ltd., and occasionally directly from the Treasury. In fact, the financial participation by Government has been an important feature in the expansion of Kenya's manufacturing sector.

Government participation is concentrated in large firms. In a recent survey of a randomly selected sample of manufacturing firms by the World Bank, the proportion of firms with Government participation varied directly with the number employed, as shown in Table 5.

Table 5. Government participation in firms by number employed (1982)

No. employed	% of firms with government participation
5 - 19	0
20 - 49	0
50 - 99	10
100 - 199	17
200 - 499	63
over 500	100

Source: World Bank, op cit, p.16

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Less than a tenth of all formal sector manufacturing firms enjoy the financial participation of the government; however, over half of Kenya's industrial firms employing more than 200 workers have received Governmental financial participation. A second characteristic of Government-funded firms is that they are overwhelmingly oriented toward a protected domestic market. Given Kenya's import substitution policy, there are few export-oriented industries.

At the time of independence, Kenya recognized the important role played by foreign capital and entrepreneurship in the industrial development of the country and sought its continuation. Subsequently, the Foreign Investment Protection Act was introduced in 1969 to provide guarantees to foreign investors for repatriation of profits and against nationalization, although restrictions on profit repatriation were instituted for a time, they have been lifted and the backlog is allowed to be repatriated subject to availability of foreign exchange. Furthermore, measures have been taken to ensure the inflow of direct foreign investments to industry. Some of these measures consisted of granting monopolies to foreign investors for their products in the domestic market and of allowing them freedom of choice of technologies and locations.

This open investment policy has now been modified somewhat to encourage joint ventures with local partners. The investments are mainly directed to export industries situated outside the main industrial areas. As a consequence of the foreign and government investments policies, there are numerous monopolies in the industrial sector. The monopolies are either "single factory" industries like car tyres or petroleum refineries or "single ownership multi-factories" industries.^{1/} Most monopolies are in the public and cooperative sectors, (e.g. cement, meat processing, dairy products, cigarettes, maize, starch, corn oil, pyrethrum extract, batteries, pineapple canning, etc.)

^{1/} Ministry of Industry "Performance Review of the Manufacturing Sector since Independence", S.S. Ali

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British investments are valued at around US\$ 500 million which is close to half the total foreign investment. American investors are the second largest group followed by the FRG, Switzerland, France, India, Italy and Japan. Approximately half of the manufacturing sector is foreign owned, but this share has remained static since 1978 and the rate of new investments is currently very low.^{1/}

Due to the emphasis in the past on import-substitution policies as a first step toward industrialization, there is not much more room for import-substitution of consumer goods. At present, fully-processed consumer goods constitute only 14 per cent of imports. There is, however, room for import-substitution of raw materials and semi-processed intermediate goods. Although it is the policy to reduce or remove protective barriers, such measures have not been implemented to any large degree, and the shortage of foreign exchange has in fact enhanced the quantitative control of imports.

The decrease in foreign investments is due to the small size of the Kenyan market after the break-up of the East African Community, the low propensity to invest by capital-exporting countries due to world wide economic recession, the limitation of import substitution of consumer goods which is quickly reaching a saturation point, and problems in the availability of foreign exchange.^{2/}

1/ Lloyds Bank Group, Kenya Economic Report 1982

2/ Kenya, Ministry of Industry, note to UNIDO, November 1983

2.5 Performance of the manufacturing sector

The development of the large-scale industrial sector regarding establishments, employment, wages, gross output value added and gross fixed capital formation is shown in tables 6, 7, 8, 9 and 10.

Up-to-date figures for the gross fixed capital formation by branch of manufacturing are not available. However, the figures for total manufacturing in 1978 and 1981, reported by Economic Survey of 1982 (constant 1976 prices), K Shs 64.9 million and K Shs 39.6 million, point to a sharp decline.

The total number of establishments increased by roughly 60 per cent in the seventies while total employment doubled, thereby indicating a tendency towards larger industrial units. This is particularly so in the food processing industries where the number of establishments has doubled but employment has tripled; the textiles sector also strongly shows this tendency.

The fact that production increased more than employment reflects a growth in labour productivity. The employment elasticity indicator for Kenya is calculated to be around 0.5% increase in employment for each 1% growth in production ^{1/} which is insufficient to meet the growing demand for employment and to accommodate the Government's employment-oriented policy. Measured against capital formation, investment per job has been increasing and is now at an unfavourably high level (around 30,000 K Shs per job created). Thus, industry is becoming more capital-intensive in spite of the large availability of manpower.

The Government is aware of the low employment-generating capacity of the modern sector and in order to improve it has proposed some measures such as a

^{1/} World Bank, op cit, p.18.

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modification of the investment allowance incentive so as to link it to the capital cost of the job, a training levy based on the wage bill to be covered into a tax on depreciation and a wage policy to ensure that workers to share in the benefits arising from increases in productivity .

In 1970, the transport equipment sector was the single largest employer (21.5 per cent), followed by food products and textiles (18.3 and 11.8 per cent respectively). By 1980 food products had become the largest employer with 24.8 per cent and transport and textiles each accounted for about 13 per cent. However, the increase in the share of employment in food products was not accompanied by growth of output, which dropped one percentage point to 31.7 per cent, whereas the transport sector maintained its share of total output at 7 per cent. This change is mainly due to the largely assembly type of production of transport equipment, particularly in the three multinational motor vehicle plants which opened in the late 1970s. This type of manufacturing activity, assembling, also explains the relatively low value added in transport equipment, 4.9 per cent in 1980 compared to 10.8 per cent in 1970; but it is the only sector largely dominated by assembly processing. An overall general trend, however, toward greater capital-intensive production can be seen in the drop of wages and salaries in value added for all manufacturing from 51.3 per cent in 1970 to 39.7 per cent in 1980; and of value added in gross output from 28.3 per cent to 19.2 per cent.

Compared to Newly Industrializing Countries, the salaries in Kenya are rather high, which is why export-led development along the NIC model is not very likely. Kenya also lacks qualified labour to meet the productivity requirements.

Table 6. Number of establishments, employment, wages and salaries (money values in national currency at current prices)
1970 and 1980

ISIC	ISIC-DESCRIPTION	Number of establishments ^{*/}		Employment ^{*/}		Wages and salaries ^{**/}	
		1970	1980	1970 pers.engaged	1980 pers.engaged	1970 (thousands)	1980
3000	TOTAL MANUFACTURING	281	450	65397	129271	24682	115293
3113	Food products	45	94	11945	32105	4594	26456
3130	Beverages	7	8	2465	4941 ^{a/}	1625	10699 ^{a/}
3140	Tobacco	1	1	871	...	701	...
3210	Textiles	23	34	7688	17395	1582	9200
3220	Wearing apparel, except footwear	23	34	2184	3453	536	1592
3230	Leather products	3	6	485	1450	148	1120
3240	Footwear, except rubber or plastic	1	3	851	2085	261	801
3310	Wood products, except furniture	42	47	5019	8178	813	3659
3320	Furniture, except metal	11	16	876	1827	301	1316
3410	Paper and products	8	11	1031	2958	428	2960
3420	Printing and publishing	14	17	2471	2797	1703	4239
3510	Industrial chemicals	23 ^{b/}	11	2814 ^{b/}	2491	1403 ^{b/}	3258
3520	Other chemicals	..	31	...	4853 ^{c/}	...	7383 ^{c/}
3530	Petroleum refineries	1	1	257	...	462	...
3540	Misc. petroleum and coal products	0	0	0	0	0	0
3550	Rubber products	4	7	505	1646	202	4009
3560	Plastic products	...	11	...	1711	...	1535
3610	Pottery, china, earthenware	0	1	0	1067 ^{d/}	0	521 ^{d/}
3620	Glass and products	3	2	492	...	210	...
3690	Other non-metallic mineral products	11	18	1905	4773	852	3791
3710	Iron and steel	0	9 ^{e/}	0	1719 ^{e/}	0	1860 ^{e/}
3720	Non-ferrous metals	0	...	0	...	0	...
3810	Fabricated metal products	19	46	4087	9215	1882	9421
3820	Machinery, except electrical	7	8	565	845	352	1121
3830	Machinery electric	9	8	3645	6563	1884	6879
3840	Transport equipment	15	20	14051	17537	4305	10947
3850	Professional & scientific equipment	0	:	0	662 ^{f/}	0	526 ^{f/}
3900	Other manufactured products	11 ^{g/}	5	1190 ^{g/}	...	438 ^{g/}	...

SOURCE: UNIDO Data Base, information supplied by the United Nations Statistical Office, with estimates by the UNIDO Secretariat.

Footnotes:

^{a/} 3130 3140
^{b/} 3510 3520
^{c/} 3520 3530
^{d/} 3610 3620
^{e/} 3710 3720
^{f/} 3850 3900
^{g/} 3900 3560

^{*/} In general, firms with 50 or more employees
^{**/} Including employers' contributors to the Social Security Fund.

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Table 7. Gross output, value added, fixed capital formation (money values in national currency at current prices)

1970 and 1980.

ISIC	ISIC-DESCRIPTION	Gross output ^{*/} at factor values (thousands)		Value added ^{*/} at factor values (thousands)		Gross fixed capital formation (thousands)	
		1970	1980	1970	1980	1970	1971
3000	TOTAL MANUFACTURING	170000	1510300	48100	290140	14865	21529
3110	Food products	55880	478300	9150	93360	3298	5876
3130	Beverages	10220	103500 ^{a/}	4590	33270 ^{a/}	2265	2645
3140	Tobacco	4160	...	2090	...	109	114
3210	Textiles	8940	70800	2730	19530	2051	963
3220	Wearing apparel, except footwear	3450	20000	880	3350	280	258
3230	Leather products	1190	6500	230	2380	74	81
3240	Footwear, except rubber or plastic	2210	10300	600	4260	61	109
3310	Wood products, except furniture	3200	20700	1170	6900	168	400
3320	Furniture, except metal	1530	9800	460	3050	63	94
3410	Paper and products	3910	51200	980	11610	120	348
3420	Printing and publishing	5770	22600	2370	6140	387	487
3510	Industrial chemicals	12580 ^{b/}	32200	3500 ^{b/}	7290	602 ^{b/}	503 ^{b/}
3520	Other chemicals	...	332300 ^{c/}	...	21850 ^{c/}	...	...
3530	Petroleum refineries	14320	...	2280	...	447	237
3540	Misc. petroleum and coal products	0	0	0	0	0	0
3550	Rubber products	1240	34800	460	12290	62	3370
3560	Plastic products	...	19400	...	2590	...	...
3610	Pottery, china, earthenware	0	7200 ^{d/}	0	1220 ^{d/}	0	15
3620	Glass and products	1050	...	470	...	11	7
3670	Other non-metallic mineral products	8240	42600	2970	9660	3228	3536
3710	Iron and steel	0	32500 ^{a/}	0	4090 ^{a/}	0	0
3720	Non-ferrous metals	0	...	0	...	0	0
3810	Fabricated metal products	11310	64700	3750	17640	1147	1818
3620	Machinery, except electrical	1540	4900	480	1620	59	43
3830	Machinery electric	7110	38600	3060	12880	176	103
3340	Transport equipment	10440	105500	5190	14090	73	410
3850	Professional & scientific equipment	0	1900 ^{f/}	0	1080 ^{f/}	0	8
3900	Other manufactured products	2040 ^{g/}	...	660 ^{g/}	...	204 ^{g/}	295 ^{g/}

SOURCE: UNIDO Data Base, Information supplied by the United Nations Statistical Office, with estimates by the UNIDO Secretariat.

Footnotes:

^{a/} 3130 3140
^{b/} 3510 3520
^{c/} 3520 3530
^{d/} 3610 3620
^{e/} 3710 3720
^{f/} 3850 3900
^{g/} 3900 3560

^{*/} In general, firms with 50 or more employees

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Table 3. Number of establishments, employment, wages and salaries branch shares (in per cent) in total manufacturing 1970 and 1980

ISIC	ISIC-DESCRIPTION	Number of establishments ^{a/}		Employment ^{b/}		Wages and salaries ^{c/}	
		1970 (percent)	1980	1970 pers. Engaged (percent)	1980 pers. Engaged (percent)	1970 (percent)	1980
3000	TOTAL MANUFACTURING	100.00	100.00	100.00	100.00	100.00	100.00
3110	Food products	18.01	20.89	18.27	24.84	18.81	22.95
3130	Beverages	2.49	1.78	3.77	3.22 g/	6.58	9.28 g/
3140	Tobacco	0.36	0.22	1.33	...	2.84	...
3210	Textiles	8.19	7.56	11.76	13.46	6.41	7.98
3220	Wearing apparel, except footwear	6.19	7.56	3.34	2.67	2.17	1.38
3230	Leather products	1.07	1.33	0.74	1.12	0.60	0.97
3240	Footwear, except rubber or plastic	0.36	3.67	1.30	1.61	1.06	0.69
3310	Wood products, except furniture	14.95	10.44	7.67	6.33	3.29	3.17
3320	Furniture, except metal	3.91	3.56	1.34	1.41	1.22	1.14
3410	Paper and products	2.85	2.44	1.58	2.29	1.73	2.57
3420	Printing and publishing	4.98	3.78	3.78	2.16	6.90	3.68
3510	Industrial chemicals	8.19 h/	2.44	4.30 h/	1.93	8.68 h/	2.83
3520	Other chemicals	...	6.89	...	3.75 g/	...	6.40 g/
3530	Petroleum refineries	0.36	0.22	0.39	...	1.87	...
3540	Misc. petroleum and coal products	0.00	0.00	0.00	0.00	0.00	0.00
3550	Rubber products	1.42	1.56	0.77	1.27	0.82	3.48
3560	Plastic products	...	2.44	...	1.32	...	1.33
3610	Pottary, china, earthenware	0.00	0.22	0.00	0.83 g/	0.00	0.45 g/
3620	Glass and products	1.07	0.44	0.75	...	0.85	...
3690	Other non-metallic mineral products	3.91	4.00	2.91	3.69	3.48	3.29
3710	Iron and steel	0.00	2.00 g/	0.00	1.33 g/	0.00	1.61 g/
3720	Non-ferrous metals	0.00	...	0.00	...	0.00	...
3810	Fabricated metal products	6.76	10.22	6.25	7.13	7.62	8.17
3820	Machinery, except electrical	2.43	1.78	0.86	0.65	1.43	0.97
3830	Machinery electric	3.20	1.78	5.57	4.30	7.63	7.70
3840	Transport equipment	5.34	4.44	21.49	13.57	17.44	9.49
3850	Professional & scientific equipment	0.00	0.22	0.00	0.51 f/	0.00	0.46 f/
3900	Other manufactured products	3.91 g/	1.11	1.82 g/	...	1.77 g/	...

SOURCE: UNIDO Data Base, Information supplied by the United Nations Statistical Office, with estimates by the UNIDO Secretariat.

Footnotes:

- a/ 3130 3140
- b/ 3510 3520
- c/ 3520 3530
- d/ 3610 3620
- e/ 3710 3720
- f/ 3850 3900
- g/ 3900 3560

*/ In general, firms with 50 or more employees

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**Table 9. Gross Output, Value Added, Gross Fixed Capital Formation Branch Shares
(in per cent) in total manufacturing, 1970 and 1980**

ISIC	ISIC-DESCRIPTION	Gross output ^{a/} at factor		Value added ^{a/} at factor		Gross fixed capital formation	
		1970 values (percent)	1980 factor	1970 values (percent)	1980 factor	1970 (percent)	1971
3000	TOTAL MANUFACTURING	100.00	100.00	100.00	100.00	100.00	100.00
3110	Food products	32.87	31.67	19.02	32.18	22.19	26.36
3130	Beverages	6.01	6.85 g/	9.54	11.47 g/	15.24	12.29
3140	Tobacco	2.45	...	4.35	...	0.73	0.53
3210	Textiles	5.26	4.69	5.68	6.73	13.80	4.47
3220	Wearing apparel, except footwear	2.03	1.32	1.83	1.15	1.88	1.38
3230	Leather products	0.70	0.43	0.48	0.82	0.50	0.38
3240	Footwear, except rubber or plastic	1.30	0.68	1.25	1.47	0.41	0.51
3310	Wood products, except furniture	1.88	1.37	2.43	2.38	1.13	1.86
3320	Furniture, except metal	0.90	0.65	0.96	1.05	0.42	0.44
3410	Paper and products	2.30	3.39	2.04	4.00	0.81	1.62
3420	Printing and publishing	3.39	1.50	4.93	2.12	2.47	2.17
3510	Industrial chemicals	7.40 b/	2.13	7.28 b/	2.51	4.05 b/	2.34 b/
3520	Other chemicals	...	22.00 g/	...	7.53 g/	...	...
3530	Petroleum refineries	8.42	...	4.74	...	3.01	1.10
3540	Misc. petroleum and coal products	0.00	0.00	0.00	0.00	0.00	0.00
3550	Rubber products	0.73	2.30	0.96	4.24	0.42	15.65
3560	Plastic products	...	1.23	...	0.89	...	...
3610	Pottery, china, earthenware	0.00	0.48 d/	0.00	0.42 d/	0.00	0.07
3620	Glass and products	0.62	...	0.98	...	0.07	0.03
3690	Other non-metallic mineral products	4.85	2.82	6.17	3.33	21.72	16.42
3710	Iron and steel	0.00	2.15 g/	0.00	1.41 g/	0.00	0.00
3720	Non-ferrous metals	0.00	...	0.00	...	0.00	0.00
3810	Fabricated metal products	6.65	4.28	7.80	6.08	7.72	8.43
3820	Machinery, except electrical	0.91	0.32	1.00	0.56	0.40	0.20
3830	Machinery electric	4.18	2.56	6.36	4.44	1.18	0.46
3840	Transport equipment	6.14	6.99	10.79	4.86	0.49	1.90
3850	Professional & scientific equipment	0.00	0.13 f/	0.00	0.37 f/	0.00	0.00
3900	Other manufactured products	1.20 g/	...	1.43 g/	...	1.37 g/	1.37 g/

SOURCE: UNIDO Data Base, Information supplied by the United Nations Statistical Office, with estimates by the UNIDO Secretariat.

Footnotes:

- a/ 3130 3140
- b/ 3510 3520
- c/ 3520 3530
- d/ 3610 3620
- e/ 3710 3720
- f/ 3850 3900
- g/ 3900 3560

*/ In general, firms with 50 or more employees

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Table 10. Performance of manufacturing sector by branches (1970 and 1980)

ISIC	ISIC-DESCRIPTION	Value added per employee		Value added per establishment		Share of wages & salaries in value added percent		Share of GFCF in value added percent		Share of value added in gross output percent	
		1970	1980	1970	1980	1970	1980	1970	1980	1970	1980
3000	TOTAL MANUFACTURING	2.1	6.0	479	1733	51.3	39.7	30.9	...	28.3	19.2
3110	Food products	2.1	7.8	570	2670	50.2	28.3	36.0	...	16.4	19.5
3130	Beverages	5.2	18.1g/	1837	...	35.4	32.2g/	49.3	...	44.9	32.1a/
3140	Tobacco	6.7	...	5854	...	33.5	...	5.2	...	50.2	...
3210	Textiles	1.0	3.0	332	1544	57.9	47.1	75.1	...	30.5	27.6
3220	Wearing apparel, except footwear	1.1	2.6	107	265	60.9	47.5	31.8	...	25.5	16.7
3230	Leather products	1.3	4.4	215	1066	64.3	47.1	32.2	...	19.3	36.6
3240	Footwear, except rubber or plastic	2.0	5.5	1681	3817	43.5	18.8	10.2	...	27.1	41.4
3310	Wood products, except furniture	0.7	2.3	78	395	69.5	53.0	14.4	...	35.6	33.3
3320	Furniture, except metal	1.5	4.5	117	512	65.4	43.1	13.7	...	30.1	31.1
3410	Paper and products	2.7	10.6	343	2837	43.7	25.5	12.2	...	25.1	22.7
3420	Printing and publishing	2.7	5.9	474	971	71.9	65.0	15.5	...	41.1	27.2
3510	Industrial chemicals	3.5b/	7.9	426b/	1782	40.1b/	44.7	17.2b/	...	27.8b/	22.6
3520	Other chemicals	...	12.1c/	...	...	...	33.8c/	...	...	...	6.6c/
3530	Petroleum refineries	24.9	...	6387	...	20.3	...	19.6	...	15.9	...
3540	Misc. petroleum and coal products	...	...	...	...	...	...	...	...	...	...
3550	Rubber products	2.6	20.1	322	4720	43.9	32.6	13.5	...	37.1	35.3
3560	Plastic products	...	4.1	...	633	...	59.3	...	...	...	13.4
3610	Pottery, china, earthenware	...	3.1d/	...	...	...	42.7d/	...	...	...	16.9d/
3620	Glass and products	2.7	...	439	...	44.7	...	2.3	...	44.8	...
3630	Other non-metallic mineral products	4.4	5.4	756	1441	28.7	39.3	108.7	...	36.0	22.7
3710	Iron and steel	...	6.4e/	...	1222g/	...	45.5g/	...	...	...	12.6g/
3720	Non-ferrous metals	...	...	...	...	...	...	...	...	...	...
3810	Fabricated metal products	2.6	5.1	553	1031	50.2	53.4	30.6	...	33.2	27.3
3820	Machinery, except electrical	2.4	5.2	192	544	73.3	69.2	12.3	...	31.2	33.1
3830	Machinery electric	2.4	6.2	952	4328	61.6	68.9	5.8	...	43.0	33.4
3840	Transport equipment	1.0	2.2	969	1894	82.9	77.7	1.4	...	49.7	13.4
3850	Professional & scientific equipment	...	4.4f/	...	...	...	48.7f/	...	...	...	56.8f/
3900	Other manufactured products	1.6g/	...	176c/	...	63.5g/	...	29.6g/	...	33.8g/	...

SOURCE: UNIDO data base, information supplied by the United Nations Statistical Office, with estimates by the UNIDO Secretariat.

a/ Value added was calculated using value added in national currency and mid-year exchange rates

Footnotes:

- a/ 3130 3140
- b/ 3510 3520
- c/ 3520 3530
- d/ 3610 3620
- e/ 3710 3720
- f/ 3850 3900
- g/ 3900 3560

2.6 Structure and development of exports and imports of manufactured goods including geographical distribution

Kenya has traditionally had a trade account deficit. The trade performance has been strongly influenced by dramatic movements in prices of exports (notably coffee) and imports (especially petroleum). The volume of trade has increased very slowly. Restrictions on imports have been introduced every year following a deterioration of the balance of payments situation. The export performance seems to have improved slightly in the last two years, perhaps partially as a result of the introduction of a more export-oriented strategy.

The composition of both exports and imports has changed mainly due to the change in the oil trade. The import of crude petroleum increased, but the export of refined petroleum also increased and provided 58.8 per cent of export earnings from manufactured goods in 1982. Other quantitatively important items besides fuels and beverages are canned fruits, cement and soda ash, (see Table 11).

Most of Kenya's manufactured exports are sold in the developing countries with Uganda being the leading buyer followed by Rwanda, Burundi and Sudan. In the last two years exports to Uganda have declined rapidly due to Uganda's economic difficulties. In the early seventies Tanzania was a major market for Kenya, but with the closing of the border in 1977 there was no trade between the two countries. Thus, the break-up of the East African Community has been another factor that has negatively influenced Kenya's export performance in the seventies. The recent opening of the border with Tanzania and the agreement on the sharing of assets and liabilities of the former East African Community among the three partners, as well as their desire to promote increasing economic co-operation, auger well for Kenya's exports of manufactures and other goods. In addition, the preferential trade area currently being formed by thirteen Central and East African countries is also likely to contribute to increased trade with Kenya's neighbouring countries.

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The developed countries account for around 90 per cent of Kenya's total imports. The United Kingdom and the Federal Republic of Germany alone supply half of Kenya's manufactured imports. Japan also has a rather large share of the Kenyan market, about 16 per cent.

Two important observations can be made from Table 14 regarding markets for manufactured goods. The share of non-processed goods for further manufacturing in total exports decreased from 44.1 per cent in 1970 to 32.5 per cent in 1980. Although this indicates an increase of processing in exports there remains still greater growth potential for manufactured exports. The share of processed goods for final use in imports is still high at 55 per cent, although it has decreased from 84 per cent in 1970, and there should be opportunity for further import substitution where efficient production for the domestic market can be developed.

Table 11. Product mix of traded manufactured goods.

SITC DESCRIPTION OF TRADE GOODS

01	Meat and meat preparations
02	Dairy products and eggs
032	Fish n.e.s. and fish preparations
0422	Rice, glazed or polished not otherwise worked
046	Meal and flour of wheat or of seelin
047	Meal and flour of cereals, except above
048	Cereals preparat. & starch of fruits & vegetab.
052	Dried fruit
053	Fruit, preserved and fruit preparations
055	Vegetables, roots & tubers, preserved or prepared
06	Sugar, sugar preparations and honey
0713	Coffee extracts, essences, concentrates & similar
0722	Cocoa powder, unsweetened
0723	Cocoa butter and cocoa paste
073	Chocolate and related food preparations
074	Tea and mate
081	Feeding-stuff for animals
09	Miscellaneous food preparations
11	Beverages
122	Tobacco manufactures
2219	Flour and meal of oil seeds, nuts, kernels
231	Crude rubber, synth. & reclaimed(excl.SITC 2311)
243	Wood, shaped or simply worked
251	Pulp and waste paper
2626	Wool shoddy
2627	Wool or other animal hair, carded or combed
2628	Wool tops
2629	Waste of wool and other animal hair n.e.s.
263	Cotton
266	Synthetic and regenerated(artificial) fibres
267	Waste materials from textile fabrics(incl.rags)
332	Petroleum products
4	Animal and vegetable oils and fats
411	Animal oils and fats
421	Fixed vegetable oils, soft(incl.SITC 422)
431	Animal and vegetable oils and fats processed

(1970, 1975, 1980)*/

E X P O R T S				I M P O R T S			
1970	1975	1980	1980	1970	1975	1980	1980
PERCENT	PERCENT	PERCENT	(1000 US \$)	PERCENT	PERCENT	PERCENT	(1000 US \$)
IN TOTAL MANUFACTURES			IN TOTAL MANUFACTURES				
7.507	6.212	0.502	4262	0.023	0.003	0.005	77
6.536	6.481	0.113	958	0.344	0.174	0.227	15184
...	...	0.002	17	0.080	0.026	0.035	601
...	...	0.001	5	...	...	0.037	632
3.011	0.007	0.001	12	0.065	0.033	0.011	190
0.000	0.032	0.123	1047	0.002	0.024	0.000	0
0.045	0.052	0.150	1271	0.368	0.273	0.016	267
0.015	0.007	0.001	7	0.021	0.012	0.031	527
2.199	3.932	3.425	29103	0.104	0.068	0.075	1292
1.151	0.755	0.347	2961	0.123	0.031	0.032	545
0.333	0.489	4.224	36405	0.945	1.120	0.135	2308
...	...	0.010	64	0.040	0.000	0.058	1000
...	...	0.002	15	0.075	0.011	0.008	142
...	0.085	0.000	0	...	0.045	0.023	485
0.000	0.006	0.004	33	0.166	0.025	0.003	55
33.430	23.873	18.384	156227	0.714	0.245	0.554	5492
1.720	0.383	0.100	851	0.172	0.212	0.157	3377
0.176	0.150	0.153	1301	0.459	0.215	0.206	3534
0.120	0.111	0.708	6015	0.574	0.575	0.474	8122
0.025	0.020	0.035	255	0.100	0.067	0.082	1403
...	...	...	...	0.000	0.016	0.004	63
...	...	0.006	81	0.155	0.158	0.214	3667
0.429	0.237	0.161	1367	...	0.021	0.004	62
0.032	0.000	0.032	275	0.068	0.066	0.014	237
...	...	...	...	...	...	0.000	4
...	...	...	...	...	...	0.000	3
...	...	0.000	1	...	...	0.010	174
...	...	0.000	0	...	...	...	...
3.231	1.430	0.894	7599	0.166	0.115	0.076	1298
...	...	0.002	20	0.552	0.664	0.829	14189
...	0.004	0.012	99	0.254	0.470	0.018	313
21.972	38.866	51.568	438220	2.555	3.217	6.441	110271
0.180	0.616	0.177	1505	1.555	3.093	3.562	60980
0.001	...	0.040	342	0.636	1.478	0.757	13636
0.093	0.582	0.076	669	0.732	1.277	2.678	45837
0.066	0.036	0.058	494	0.217	0.338	0.088	1507

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Table 11 (Contd). Product mix of traded manufactured goods (1970, 1975, 1980) */

SITC DESCRIPTION OF TRADE GOODS	E X P O R T S				I M P O R T S			
	1970	1975	1980	1980	1970	1975	1980	1980
	PERCENT IN TOTAL MANUFACTURES	PERCENT IN TOTAL MANUFACTURES	PERCENT (1000 US \$)	PERCENT (1000 US \$)	PERCENT IN TOTAL MANUFACTURES	PERCENT IN TOTAL MANUFACTURES	PERCENT (1000 US \$)	PERCENT (1000 US \$)
5 Chemicals	9.271	7.310	4.738	40268	12.003	15.505	16.271	276546
51 Chemicals elements and compounds	4.648	2.701	0.276	2344	1.785	2.357	2.957	61308
52 Tar and chemicals from coal, petroleum, nat. gas	...	...	0.001	7	0.109	0.086	0.060	1019
53 Dyeing, tanning and colouring materials	3.115	2.065	0.945	8027	0.558	0.570	0.978	16746
54 Medicinal and pharmaceutical products	0.543	0.669	1.041	8844	2.157	2.733	2.508	42936
55 Essential oils and perfume materials	0.419	0.657	1.526	12970	0.721	0.362	0.558	5557
56 Fertilizers, manufactured	0.162	...	0.000	3	2.464	4.622	2.459	42785
57 Explosives and pyrotechnic products	...	...	0.000	1	0.079	0.306	0.227	3978
58 Plastic materials, regenerated cellul. & resins	0.029	0.165	0.056	819	1.259	1.636	3.276	56077
59 Chemical materials and products n.e.s.	0.354	1.074	0.853	7252	2.791	2.794	3.168	54241
6 Manufactured goods classified by material	11.175	13.600	10.568	93376	25.762	22.967	20.390	349060
61 Leather manufactured n.e.s. & dressed fur skins	0.902	0.732	1.444	12270	0.042	0.063	0.078	1342
62 Rubber manufactures n.e.s.	0.013	0.127	0.173	1473	1.870	0.828	1.472	25207
63 Wood and cork manufactures (excl. furniture)	1.135	0.563	0.451	4176	0.428	0.165	0.057	1656
64 Paper, paper board and manufactures thereof	1.851	2.776	2.158	18678	5.286	4.476	2.037	34876
65 Textile yarn, fabrics, made-up articles	0.810	1.531	0.706	6002	7.666	5.009	2.371	40583
66 Non-metallic mineral manufactures, n.e.s.	4.964	-6.573	-3.764	31965	1.157	1.316	1.552	26573
67 Iron and steel	0.071	0.155	0.848	7209	7.295	6.010	7.561	136293
68 Non-ferrous metals	0.012	0.004	0.052	445	2.132	1.065	1.399	23957
69 Manufactures of metal, n.e.s.	1.381	1.056	1.311	11137	3.787	3.974	3.421	56573
7 Machinery and transport equipment	0.474	0.965	0.967	8220	39.348	42.451	42.371	725353
71 Machinery, other than electric	0.153	0.500	0.310	2624	15.483	15.635	19.457	333775
72 Electrical machinery, apparatus and appliances	0.315	0.308	0.367	3122	6.316	7.406	6.434	110140
73 Transport equipment	0.002	0.356	0.250	2463	17.850	15.404	16.440	281439
8 Miscellaneous manufactured articles	2.563	1.338	2.110	17933	5.177	8.068	6.920	112473
81 Sanitary, plumbing, heating & lightning fixtures	0.002	0.022	0.034	290	0.543	0.552	0.663	11686
82 Furniture	0.120	0.174	0.303	2574	0.251	0.060	0.172	2950
83 Travel goods, handbags and similar articles	0.007	0.003	0.005	40	0.211	0.143	0.108	1848
94 Clothing	0.415	0.128	0.238	2020	2.050	1.836	0.518	8874
85 Footwear	0.857	0.233	0.174	1461	0.204	0.335	0.549	5396
86 Professional, scient. & contr. instruments	0.000	...	0.048	405	2.477	2.115	2.016	34509
89 Miscellaneous manufactured articles, n.e.s.	1.157	0.775	1.305	11122	3.441	2.584	2.875	45211
TOTAL MANUFACTURES		1970	1975	1980		1970	1975	1980
TOTAL: SITC 5-8 LESS 6E g/		106411	269432	849792		345622	650548	1711528
TOTAL TRADED GOODS: SITC 0-5		24579	60211	159351		304655	572364	1447475
		200458	456022	1313424		357425	510824	2565939

Note: Data and SITC descriptions refer to SITC revision 1

a/ This table is based on the definition of trade in manufactures covering a list of 148 specifically identified SITC 3-digit or 4-digit codes comprising a wide range of processing stages of manufactured goods.

g/ Definition of trade in manufactures SITC 5-8 less 6E is one of the most often found. It covers only items recognized as exclusively manufactured goods, i.e. with a high level of manufacturing content.

Source: UNIDO data base; Information supplied by the United Nations Statistical Office.

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Table 12. Origin of imports of manufactures by branches (1980)*

SITC DESCRIPTION OF TRADE GOODS	WORLD TOTAL (1000 US\$)
01 Meat and meat preparations	77
02 Dairy products and eggs	15184
032 Fish n.e.s. and fish preparations	601
0422 Rice, glazed or polished not otherwise worked	632
046 Meal and flour of wheat or of meslin	150
047 Meal and flour of cereals, except above	0
048 Cereals preparat- & starch of fruits & vegetab.	267
052 Dried fruit	627
053 Fruit, preserved and fruit preparations	1292
055 Vegetables, roots & tubers, preserved or prepared	545
06 Sugar, sugar preparations and honey	2308
0713 Coffee extracts, essences, concentrates & similar	1000
0722 Cocoa powder, unsweetened	142
0723 Cocoa butter and cocoa paste	425
073 Chocolate and related food preparations	55
074 Tea and mate	9452
081 Feeding-stuff for animals	3377
09 Miscellaneous food preparations	3534
11 Beverages	8122
122 Tobacco manufactures	1403
2319 Flour and meal of oil seeds, nuts, kernels	63
231 Crude rubber, synth. & reclaimed, (excl. SITC 2311)	3667
243 Wood, shaped or simply worked	62
251 Pulp and waste paper	237
2626 Wool shoddy	4
2627 Wool or other animal hair, carded or combed	3
2628 Wool tops	174
263 Cotton	1258
266 Synthetic and regenerated (artificial) fibres	14189
267 Waste materials from textile fabrics (incl. rags)	313
332 Petroleum products	110271
4 Animal and vegetable oils and fats	60980
411 Animal oils and fats	13636
421 Fixed vegetable oils, soft (incl. SITC 422)	45837
431 Animal and vegetable oils and fats processed	1507

DEVELOPING COUNTRIES (PERCENT)	TOTAL (PERCENT)	DEVELOPED MARKET USA (PERCENT)	ECONOMIES EC (PERCENT)	JAPAN (PERCENT)	CENTRALLY PLANNED DEVELOPED COUNTRIES (PERCENT)
28.17	71.81	0.00	71.81	0.00	0.00
0.00	55.99	16.56	76.70	0.00	0.00
55.45	41.05	0.00	16.17	8.55	1.27
0.00	100.00	98.75	0.00	0.02	0.00
0.00	100.00	0.00	88.77	0.00	0.00
81.37	18.63	0.00	0.00	0.00	0.00
10.90	65.10	3.14	65.24	0.27	0.00
20.20	75.80	32.45	8.20	0.00	0.00
5.50	63.22	5.78	35.14	0.31	0.00
42.35	48.29	1.18	34.73	1.61	3.37
3.69	66.31	10.73	81.32	0.00	0.00
67.56	2.44	0.87	1.88	0.00	0.00
0.00	100.00	0.00	100.00	0.00	0.00
0.00	100.00	0.00	100.00	0.00	0.00
0.00	100.00	2.01	37.55	0.00	0.00
99.04	0.96	0.00	0.94	0.02	0.00
6.60	66.00	0.17	74.72	0.00	0.00
3.55	66.43	8.03	77.70	1.15	0.00
3.17	66.20	0.73	91.52	0.16	0.17
1.97	68.03	17.20	78.15	0.00	0.00
80.96	15.04	0.00	18.04	0.00	0.00
3.37	96.63	29.74	48.66	13.42	0.00
58.87	1.13	0.00	1.13	0.00	0.00
0.00	100.00	12.34	0.00	0.00	0.00
0.00	100.00	0.04	65.57	0.00	0.00
0.00	100.00	0.00	100.00	0.00	0.00
0.00	100.00	0.00	100.00	0.00	0.00
31.10	68.90	0.06	15.27	0.00	0.00
0.18	55.82	0.71	47.23	44.56	0.00
1.26	68.38	1.16	45.71	44.51	0.00
50.73	43.62	7.48	30.51	0.21	0.00
50.82	45.18	2.53	28.54	0.09	0.00
0.15	66.85	7.57	37.67	0.00	0.00
66.34	33.66	1.12	24.57	0.00	0.00
36.96	63.04	0.06	55.41	3.57	0.00

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Table 12 (Contd) Origin of imports of manufactures by branches (1980)^{a/}

SITC DESCRIPTION OF TRADE GOODS	WORLD TOTAL (1000 US\$)	DEVELOPING COUNTRIES (PERCENT)	DEVELOPED MARKET ECONOMIES				CENTRALLY PLANNED DEVELOPED COUNTRIES (PERCENT)
			TOTAL (PERCENT)	US\$ (PERCENT)	EEC (PERCENT)	JAPAN (PERCENT)	
5 Chemicals	278548	3.97	68.18	12.73	71.62	1.48	0.43
51 Chemicals elements and compounds	51308	2.63	68.51	12.36	71.59	2.43	0.69
52 Tar and chemicals from coal, petroleum, nat. gas	1019	2.28	67.69	0.12	68.32	0.00	0.03
53 Dyeing, tanning and colouring materials	16746	2.33	67.61	1.70	68.24	0.83	0.04
54 Medicinal and pharmaceutical products	42932	9.84	68.73	2.85	74.71	0.38	0.45
55 Essential oils and perfume materials	9527	2.37	67.51	6.10	77.65	0.42	0.01
56 Fertilizers, manufactured	42785	8.27	61.88	14.19	70.46	0.00	0.17
57 Explosives and pyrotechnic products	3878	1.45	68.55	14.31	64.02	0.22	0.00
58 Plastic materials, regenerated cellul. & resins	56077	0.87	67.49	7.25	81.74	2.85	0.81
59 Chemical materials and products n.e.s.	54241	1.38	68.07	29.60	68.81	1.70	0.20
6 Manufactured goods classified by material	349060	10.57	64.10	3.20	39.47	28.26	3.20
61 Leather manufactured n.e.s. & crossed fur skins	1342	18.55	64.38	4.59	78.23	0.49	0.00
62 Rubber manufactures n.e.s.	25207	18.39	61.69	7.93	46.00	14.91	1.21
63 Wood and cork manufactures (excl. furniture)	1886	41.65	25.14	0.07	20.16	3.56	0.00
64 Paper, paper board and manufactures thereof	34875	3.21	66.11	2.43	31.93	0.67	0.67
65 Textile yarn, fabrics, made-up articles	40523	8.18	75.52	5.63	48.23	15.00	2.31
65 Non-metallic mineral manufactures, n.e.s.	26573	18.40	75.38	4.48	67.54	5.98	4.85
67 Iron and steel	136253	4.13	69.96	1.11	26.36	59.26	5.67
68 Non-ferrous metals	23957	26.56	73.10	1.13	47.46	4.24	0.03
69 Manufactures of metal, n.e.s.	58573	16.37	76.63	6.02	53.76	8.74	1.13
7 Machinery and transport equipment	725353	4.61	64.71	8.66	61.48	16.67	0.41
71 Machinery, other than electric	333775	6.44	62.80	9.59	60.93	9.55	0.17
72 Electrical machinery, apparatus and appliances	110140	6.75	62.29	4.22	64.46	17.49	0.39
73 Transport equipment	281439	1.34	67.91	8.59	60.96	24.54	0.70
8 Miscellaneous manufactured articles	118473	15.47	75.33	6.16	61.40	7.08	0.68
81 Sanitary, plumbing, heating & lightning fixtures	11686	32.87	64.84	0.40	60.17	0.94	1.01
82 Furniture	2550	2.66	67.04	2.60	70.01	7.67	0.16
83 Travel goods, handbags and similar articles	1848	11.66	28.06	9.17	14.09	1.43	0.09
84 Clothing	8874	24.99	68.69	1.18	66.58	6.30	0.49
85 Footwear	9398	23.12	63.79	0.00	60.83	1.53	2.74
86 Professional, scient. & control- instruments	34509	6.71	62.11	13.37	61.25	10.86	0.46
89 Miscellaneous manufactured articles, n.e.s.	45211	13.70	61.59	4.65	65.88	7.22	0.36
TOTAL manufactures	1711928	11.59	64.10	7.71	55.22	13.94	0.94
TOTAL: SITC 5-8 LESS 68 ^{a/}	1447475	6.40	61.34	8.05	58.38	15.91	1.11
TOTAL traded goods: SITC 0-9	2689539	38.88	68.89	6.38	36.58	9.22	0.62

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Note. Data and SITC descriptions refer to SITC revision 1

^{a/} This table is based on the definition of trade in manufactures covering a list of 148 specifically identified SITC 3-digit or 4-digit codes comprising a wide range of processing stages of manufactured goods.

^{a/} Definition of trends in manufactures SITC 5-8 less 68 is one of the most often found.

It covers only items recognized as exclusively manufactured goods, i.e. with a high level of manufacturing content.

Source: UNIDO data base; information supplied by the United Nations Statistical Office.

Table 13. Destination of exports of manufactures by branches, (1980)*/

SITC DESCRIPTION OF TRADE GCCDS	WORLD TOTAL (1000 US\$)	DEVELOPING COUNTRIES (PERCENT)	DEVELOPED MARKET ECONOMIES				CENTRALLY PLANNED DEVELOPED COUNTRIES (PERCENT)
			TOTAL (PERCENT)	USA (PERCENT)	EEC (PERCENT)	JAPAN (PERCENT)	
01 Meat and meat preparations	4262	46.49	40.66	0.00	40.66	0.00	0.00
02 Dairy products and eggs	958	80.52	0.27	0.00	0.27	0.00	0.00
032 Fish n.e.s. and fish preparations	17	66.35	0.00	0.00	0.00	0.00	0.00
0422 Rice, glazed or polished not otherwise worked	5	5.26	0.00	0.00	0.00	0.00	0.00
046 Meal and flour of wheat or of meslin	12	4.14	0.00	0.00	0.00	0.00	0.00
047 Meal and flour of cereals, except above	1047	99.66	0.00	0.00	0.00	0.00	0.00
048 Cereals preparat. & starch of fruits & vegetab.	1271	98.98	0.21	0.00	0.13	0.00	0.00
052 Dried fruit	7	88.89	12.10	0.00	9.84	0.00	0.00
053 Fruit, preserved and fruit preparations	29103	4.63	53.23	0.01	64.16	0.00	1.96
055 Vegetables, roots & tubers, preserved or prepared	2951	8.43	63.13	0.82	51.19	0.00	0.00
06 Sugar, sugar preparations and honey	36405	82.43	17.41	0.00	17.41	0.00	0.11
0713 Coffee extracts, essences, concentrates & similar	84	97.74	0.00	0.00	0.00	0.00	0.00
0722 Cocoa powder, unsweetened	15	94.31	0.00	0.00	0.00	0.00	0.00
0723 Cocoa butter and cocoa paste	0	100.00	0.00	0.00	0.00	0.00	0.00
073 Chocolate and related food preparations	33	58.40	0.00	0.00	0.00	0.00	0.00
074 Tea and mate	186227	16.55	83.44	7.83	70.87	0.12	0.00
081 Feeding-stuff for animals	851	32.67	67.29	0.00	67.29	0.00	0.00
09 Miscellaneous food preparations	1301	95.48	0.19	0.00	0.06	0.00	0.00
11 Beverages	6015	95.50	0.06	0.00	0.06	0.00	0.00
122 Tobacco manufactures	299	84.99	0.00	0.00	0.00	0.00	0.00
231 Crude rubber, synth. & reclaimed (excl. SITC 2311)	51	99.93	0.00	0.00	0.00	0.00	0.00
243 Wood, shaped or simply worked	1367	69.07	26.93	0.00	24.99	1.10	0.00
251 Pulp and waste paper	275	56.08	3.92	0.00	1.40	0.00	0.00
2628 Wool tops	1	100.00	0.00	0.00	0.00	0.00	0.00
2625 Waste of wool and other animal hair n.e.s.	0	0.00	0.00	0.00	0.00	0.00	0.00
263 Cotton	7599	32.96	66.82	0.00	52.58	2.14	0.00
266 Synthetic and regenerated (artificial) fibres	20	97.18	0.00	0.00	0.00	0.00	0.00
267 Waste materials from textile fabrics (incl. rags)	59	24.83	61.43	2.59	59.23	0.00	0.00
332 Petroleum products	438220	59.87	4.13	0.00	3.06	0.00	0.00
4 Animal and vegetable oils and fats	1505	56.11	41.66	10.18	31.48	0.00	0.00
411 Animal oils and fats	342	43.85	58.89	0.00	58.89	0.00	0.00
421 Fixed vegetable oils, scft (incl. SITC 422)	669	80.14	15.02	14.06	0.98	0.00	0.00
431 Animal and vegetable oils and fats processed	494	32.01	67.92	11.58	65.54	0.00	0.00

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Table 13 (Contd) Destination of Exports of Manufactures by branches (1980)*/

SITC DESCRIPTION OF TRADE GOODS	WORLD TOTAL (1000 US\$)	DEVELOPING COUNTRIES (PERCENT)	DEVELOPED MARKET ECONOMIES				CENTRALLY PLANNED DEVELOPED COUNTRIES (PERCENT)
			TOTAL (PERCENT)	USA (PERCENT)	EEC (PERCENT)	JAPAN (PERCENT)	
5 Chemicals	40268	54.99	3.79	0.00	2.76	0.16	6.21
51 Chemicals elements and compounds	2344	69.46	26.91	0.00	26.91	0.00	0.00
52 Tar and chemicals from coal, petroleum, nat. gas	7	98.87	0.00	0.00	0.00	0.00	0.00
53 Dyeing, tanning and colouring materials	8027	92.67	3.01	0.00	0.71	0.12	1.03
54 Medicinal and pharmaceutical products	8844	58.87	1.02	0.00	0.73	0.00	0.00
55 Essential oils and perfume materials	12970	97.37	2.38	0.00	2.38	0.00	0.00
56 Fertilizers, manufactured	3	98.78	0.00	0.00	0.00	0.00	0.00
57 Explosives and pyrotechnic products	1	100.00	0.00	0.00	0.00	0.00	0.00
58 Plastic materials, regenerated cellul. & resins	819	55.63	0.00	0.00	0.00	0.00	0.00
59 Chemical materials and products n.e.s.	7252	56.29	3.53	0.00	0.70	0.70	0.00
6 Manufactured goods classified by material	93376	81.82	17.12	2.75	12.80	0.45	0.12
61 Leather manufactured n.e.s. & dressed fur skins	12270	5.78	84.22	8.57	80.44	0.00	0.00
62 Rubber manufactures n.e.s.	1473	99.08	0.58	0.02	0.56	0.00	0.00
63 Wood and cork manufactures (excl. furniture)	4176	56.57	40.20	20.34	13.87	1.97	0.00
64 Paper, paper board and manufactures thereof	18678	99.83	0.08	0.00	0.03	0.00	0.00
65 Textile yarn, fabrics, made-up articles	6002	85.25	14.39	0.30	12.69	0.22	0.00
66 Non-metallic mineral manufactures, n.e.s.	31985	92.39	1.13	2.02	1.72	0.60	0.53
67 Iron and steel	7209	69.81	0.00	0.00	0.00	0.00	0.00
68 Non-ferrous metals	445	65.27	44.52	0.22	38.69	5.62	0.00
69 Manufactures of metal, n.e.s.	11137	59.40	0.18	0.04	0.12	0.00	0.00
7 Machinery and transport equipment	8220	97.95	1.27	0.24	1.02	0.00	0.00
71 Machinery, other than electric	2634	57.20	2.54	0.72	1.80	0.00	0.00
72 Electrical machinery, apparatus and appliances	3122	96.15	0.02	0.01	0.00	0.00	0.00
73 Transport equipment	2463	58.50	1.49	0.00	1.48	0.00	0.00
8 Miscellaneous manufactured articles	17933	89.00	10.80	1.14	7.71	0.41	0.00
81 Sanitary, plumbing, heating & lightning fixtures	250	98.36	1.20	0.00	1.20	0.00	0.00
82 Furniture	2574	99.50	0.39	0.03	0.33	0.00	0.00
83 Travel goods, handbags and similar articles	40	71.68	28.32	2.89	22.43	0.00	0.00
84 Clothing	2020	55.30	44.17	1.15	42.43	0.22	0.00
85 Footwear	1481	59.95	0.00	0.00	0.00	0.00	0.00
86 Professional, scient. & control. instruments	405	98.02	1.62	0.00	1.62	0.00	0.00
89 Miscellaneous manufactured articles, n.e.s.	11122	50.72	6.11	1.62	4.47	0.61	0.00
TOTAL manufactures	249766	66.00	26.03	1.73	21.11	0.11	0.10
TOTAL: SITC 5-8 LESS 68 */	129351	66.86	12.15	1.75	6.01	0.33	0.16
TOTAL traded goods: SITC 0-9	1313424	40.85	46.30	3.31	35.04	0.78	0.51

Note: Data and SITC descriptions refer to SITC revision 1

*/ This table is based on the definition of trade in manufactures covering a list of 148 specifically identified SITC 3-digit or 4-digit codes comprising a wide range of processing stages of manufactured goods.

*/ Definition of trade in manufactures SITC 5-8 less 68 is one of the most often found.

It covers only items recognized as exclusively manufactured goods, i.e. with a high level of manufacturing content.

Source: UNIDO data base; Information supplied by the United Nations Statistical Office.

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Table 14. Shares of exports and imports classified according to level of processing (1970 and 1980) and trend growth rates (1970-1975 and 1975-1980)

CLASSES	E X P O R T S				I M P O R T S			
	CLASS SHARE OF TOTAL		CLASS GROWTH RATE		CLASS SHARE OF TOTAL		CLASS GROWTH RATE	
	(PERCENTAGE)		(PERCENTAGE)		(PERCENTAGE)		(PERCENTAGE)	
	1970	1980	1970-1975	1975-1980	1970	1980	1970-1975	1975-1980
A : Non-processed goods for further processing	44.12	32.54	20.92	18.04	1.88	33.68	76.11	49.84
B : Processed goods for further processing	8.92	4.56	10.79	24.60	13.10	10.82	18.29	22.94
C : Non-processed goods for final use	23.08	15.43	16.11	18.41	1.20	6.57	-10.09	42.71
D : Processed goods for final use	26.91	47.48	27.36	21.78	83.81	54.95	13.61	22.01
Sum of classes: A+B+C+D in 1000 current US\$		1970 198266		1980 131254		1970 363873		1980 2689901
Total trade SITC 0-9 in 1000 current US\$		200498		1313424		397428		2886636

SOURCE: UNIDO data base; Information supplied by the United Nations Statistical Office, with estimates by the UNIDO Secretariat.

Notes: Calculations are based on current us dollar prices.
Sum of classes and Total trade figures should be identical. Discrepancies or zero values are due to lack of countries' trade reporting in general, but especially at the 3-, 4- and 5-digit SITC level.

3. INDUSTRIAL DEVELOPMENT STRATEGY, POLICIES AND PLANS

Kenyanization and dispersal of industry have been major policy objectives pursued with consistency through a series of National Plans (the first five-year plan was 1964-1968). Kenyanization has three facets: Kenyanization of a) equity investment b) entrepreneurship and c) industrial management. Subsequently, development of small industries, initiation of the process of industrial development in rural areas, and emphasis on labour-intensive technology have been added to the list of policy objectives.

The Government pursues a policy of a mixed economy, both between the public and private sectors and between local and foreign investment. Therefore, the Government continues to welcome foreign investment, which is regulated primarily by the Foreign Investment Protection Act. On the other hand the Government also continues to promote the Kenyanization of industry through the parastatal financial institutions and through technical and other forms of assistance to local entrepreneurs. Joint ventures with foreign enterprises are welcomed. Although it is desired that more qualified Kenyans be placed in managerial positions in industry, foreign investors are allowed to retain key managerial and technical positions in their enterprises. As for the geographical dispersion of industries, the Government has participated in large scale projects outside Nairobi and Mombasa.

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Furthermore, the Government has throughout the seventies followed an import-substitution policy in order to provide goods for the domestic market. However, in the Fourth Development Plan (1979-1983) it was recognized that the process of industrialization through import substitution had inhibited the growth of exports and agriculture. Therefore, the Government decided to shift to a more export oriented approach.

The details on this policy change were spelled out in Sessional Paper No.4 of 1980. It is stated in the paper that policy changes are required in the "method and level of protection for domestic industry, in export incentives and in administrative measures of industrial promotion".

Several policy declaration have been given concerning the structural adjustment programme, particularly the Import Licensing Schedules of November 1981, which abolished the system of quantitative import restrictions and introduced instead a series of import tariffs favouring raw materials and capital equipment.

Regarding export incentives, financial incentives for exports are being improved as well as the administration of the export compensation scheme. Besides this, the changes in the administration aim at simplifying the decision-making on the granting of specific concessions.

In the Fourth Development Plan it is also stated that a more diversified pattern of industrialization is desirable, i.e. not only more production for export but also production based on local resources, and more heavy industries like steel, machinery and base chemicals.

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For the forthcoming Five-Year Development Plan 1984-1988 it is planned to introduce some changes in the industrial policy but the measures encouraging exports will be continued. The plan also refers to industrial management with a view to consolidating the existing industrial base, which seems to suffer from low capacity utilization and low productivity.

The target for the manufacturing sector's growth rate in 1978-1983 as announced in the Plan was 9.0% but with the current growth rates below 5% in 1980-1982, the target will not be reached. The highest growth rates - all above 15 per cent - were planned for basic industrial chemicals, non-electric machinery, footwear, vegetable and animal oils and fats, and sugar refineries.

4. INSTITUTIONAL FRAMEWORK FOR INDUSTRY

Kenya has an enormous network of institutions dealing with industry. The most important institutions have been selected and grouped below according to their main activities.

The Ministry of Commerce and Industry is divided into two departments dealing with Commerce and Industry. The Department of Industry is the overseeing body for industry in Kenya and has two main Divisions: the Industrial Promotion Division and the Industrial Development Division. The latter houses the Secretariat of the Committee for New Projects, which is the approving authority for the establishment of new industrial projects in the country.

Other important institutions concerning finance, promotion, training and research and development are listed in the Table 15 below.

Finally, it should be mentioned that Kenya is a member of the still under formation East and Southern Africa Preferential Trade Area and of the Lomé II Convention, both concerning export promotion.

Table 15. Kenya's institutional framework for industry

<p style="text-align: center;">FINANCE</p>		
<p>- <u>ICDC (Industrial and Commercial Development Corporation)</u> establi. 1954 Main channel of Government investment through i) equity participation in projects less than K Shs. 250,000 ii) provision of medium and long term loans at reasonable interest rates and iii) assistance to Kenyan entrepreneurs.</p>	<p>and industrial promotion areas (3) in order to attract rural entrepreneurs and informal sector units</p> <p>- <u>EADB (East African Development Bank)</u> establi. 1967 within the Treaty for East African Cooperation, regional office in Nairobi; provides equity and loan with the line of credit it has established with the World Bank and other financial institutions.</p>	<p>- <u>KBS (Kenyan Bureau of Standards)</u> establi. 1973 promotes standardization in industry and commerce, and provides testing facilities for locally manufactured and imported goods</p>
<p>- <u>IDB (Industrial Development Bank)</u> principal bank for industrial investment with credits from World Bank and other international financial sources. It provides medium and long term loans and participates through equity in projects having more than K Shs 250,000 total investment.</p> <p>- <u>The Aid to Medium-Scale Enterprises</u> scheme assists Kenyan controlled enterprises.</p> <p>- <u>The Project Advisory Service Department</u> advises existing and potential clients.</p>	<p style="text-align: center;">TRAINING, RESEARCH AND DEVELOPMENT</p>	<p style="text-align: center;">EXPORT PROMOTION</p>
<p>- <u>DFCK (Development Finance Company of Kenya Ltd)</u> establi. 1963. Shareholders: Industrial and Commercial Development Corporations (owned by Kenyan Government), the Commonwealth Development Corporation (a British statutory body), the German Development Co., the Netherlands Finance Co. for Developing Countries and International Finance Corporation. The facilities are medium or long term loans or equity finance primarily for establishment or expansion of manufacturing and agricultural processing enterprises. The Netherlands credit is specifically earmarked for assistance to small scale Kenyan entrepreneurs.</p>	<p>- <u>KITI (Kenya Industrial Training Institute)</u> establi. 1964 to promote rural industrialization and transfer of technology through training of artisans. It consists of eight sections: mechanical engineering (metal fabrication), electronics, foundry technology, automobile engineering, woodwork, leather work and tailoring. Over 1,000 trainees have graduated from KITI.</p>	<p>- <u>KEFTA (Kenya External Trade Authority)</u> overall responsibility for coordinating activities to promote exports</p> <p>- <u>KNTC (Kenya National Trading Corporation)</u> handles "bilateral clearing arrangements" incl. Kenya's trade with Eastern Europe and "pioneering" trade with new or high risk markets where exporters are unwilling to venture.</p>
<p>- <u>KIRDI (Kenyan Industrial Research and Development Institute)</u> formed in 1979 by an Act of Parliament. The role of the Institute is to undertake industrial research on local raw materials input; to identify priority areas for industrial research and to co-ordinate industrial research being undertaken by other Government departments. Technical divisions of the Institute will be able to evolve new designs, develop and adapt machinery, tools and equipment and provide comprehensive advice to industrial entrepreneurs.</p> <p>- <u>Extension Services Department</u> under KIE</p>	<p>- <u>Other private extension agencies:</u> ECCK, YMCA, PFP, Village Polytechnics etc. assist in various ways small and tiny units.</p> <p>- <u>Kenya Institute of Business Training</u> (under Ministry of Commerce)</p> <p>- <u>IRCU (Industrial Research and Consultancy Unit)</u> joint between Government of Kenya and UNIDO.</p>	<p style="text-align: center;">REGIONAL AND INTERNATIONAL LINKS</p>
<p>- <u>KIE (Kenyan Industrial Estates Ltd)</u> establi. 1967 as a subsidiary of ICDC but was re-constituted in 1976 as an independent financial institution (but wholly owned by the Government) and main agency for promoting and financing small scale industries; finances only projects not exceeding K Shs 5,000,000 at varying rates of interest; KIE has established industrial estates (6) and rural industrial development centres (11)</p>		<p>- East and Southern Africa Preferential Trade Area, which is in its infancy and so far has a membership of 13 countries</p> <p>- <u>Lomé II Convention, EEC</u></p>
		<p><u>Investment Advisory and Promotion Centre</u> is charged with promoting local and foreign investment, coordinating between the approving authorities, and implementing projects.</p>

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5. RESOURCES FOR INDUSTRIAL DEVELOPMENT

5.1 Human resources

In the Development Plan of 1979-83 it is stated that "training programmes to develop the country's human resources to improve the productivity of the labour force and to enhance individual opportunities" are essential to develop a healthy and productive society. Following the high priority given to education, the number of pupils enrolled in schools has increased at a cumulative rate of 10% per year between 1969 and 1977. ^{1/}

Technical subjects are taught in four technical secondary schools and also at Kenya and Mombasa Polytechnics. The Polytechnics have a projected enrolment for 1982/83 of around 4,000. Moreover, there are ten Harambee (self-help or private) institutes of technology with around one thousand students.

In order to follow-up on the Kenyanization policy a special programme has been set up by the Government to give potential entrepreneurs technical education and management training. Although there seems to be a fairly good educational basis for development of skilled labour for the manufacturing sector, experienced, professional entrepreneurs and managers are still lacking.

With the high growth rate of population one of the most serious problems facing Kenya is the creation of employment opportunities (see also part 2.5). But paradoxically, some estates and plantations in Kenya are suffering a

^{1/} Ministry of Industry, "An Overview of the Kenyan Economy", 1980.

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labour shortage. ^{1/} This is partly due to the unequal dispersal of industries in the country. The coastal zone suffers chronic labour shortages in the estate sector. The central zone's estate sector is in close competition not only with Nairobi's urban job opportunities, but also with smallholders producing high-priced cash crops. But the West part of Kenya has a severe population pressure and a definite labour surplus. Whether the rural sector will continue absorbing the labour surplus is doubtful; more efforts should be made for the dispersion of industries in order to utilize fully these human resources.

^{1/} ILO, "Rural Development and employment and incomes in Kenya", by Ian Livingstone, 1981.

5.2 Raw material resources

A. Agriculture

The geographical differences in respect to land potential are outstanding. The Central and Nyanza provinces have the highest potentials and North Eastern and Eastern provinces have very low potential. The land is fully utilized all over the country where it is possible. It is questionable, however, whether it is utilized efficiently. Output has recently increased tremendously in the high potential areas, which are the areas that also have the highest population pressure on the land.

Mixed farming is the normal pattern in the large farm sector although there are important coffee, tea, sisal and sugar plantations. Now an increasing number of peasant farmers grow cash crops like tea, sisal, pyrethrum and coffee which before were only grown in plantations.

Table 16. Sales to marketing boards of some major crops, (1978-1983)
(Weight in tonnes)

	1978	1979	1980	1981	Value KShs mill., 1981	1982
Maize	236,268	241,717	217,887	472,909	23.6	571,308
Wheat	165,941	200,068	215,674	214,437	17.9	234,748
Rice Paddy	35,816	37,466	36,408	41,153	3.0	38,640
Sugarcane	2,349,206	3,147,580	3,987,428	3,821,980	33.0	3,107,736
Pyrethrum (Extract equivalent)	114	114	162	233	14.0	258
Cotton	27,190	38,129	38,129	25,484	14.0	24,357
Coffee	84,328	75,082	91,334	90,746	102.5	88,393
Tea	93,373	99,275	89,893	90,941	80.6	95,576
Sisal	31,456	36,457	46,910	41,326	8.4	50,029

Source: Kenya, Central Bureau of Statistics, Economic Survey 1982 and 1983.

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Coffee and tea are both suffering from unfavourable developments in the world market prices. Although the tea industry has developed extensively during the last decade, due mainly to the expansions in small-holder production, it is doubtful whether the trend will continue.

Further expansion of the sugar industry is restricted by high production costs and shortage of suitable land. Thus, Kenya's largest target for this sector will be to maintain self-sufficiency.

Production of pyrethrum has increased significantly, but now this product seems to have met its competitor in synthetic products.

Cotton production correlates roughly with the domestic textile industry, but future plans involving the Tana River Scheme development, should assure a quite large increase of production.

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November 1983

B. Fisheries

The fishing industry overall had good years in 1981 and 1982. Total fish landings rose by 20 per cent from 1980 to 1981 and by a further 5 per cent in 1982. The total value of the catch increased by almost 85 per cent in 1980, and by another 9 per cent in 1981. The improvement is attributed mainly to the use of improved fishing techniques, better storage and transport facilities for both local and international markets and an increase in the number of fishermen on Lake Victoria.

Table 17. Quantity and value of fish landed (1978-1982)

	1978	1979	1980	1981	1982 ^{1/}
<u>Quantities in Tonnes:-</u>					
Freshwater fish	46,760	46,398	42,882	51,385	53,800
Marine fish	4,178	2,858	4,905	3,934	4,050
<u>Value Kf'000:-</u>					
Freshwater fish	2,682	3,708	3,959	6,362	6,835
Marine fish	796	625	156	721	1,153
Crustaceans	216	185	341	338	362
Other marine products	47	139	9	780	566
Total Value	3,741	4,656	4,465	8,201	8,916

^{1/} Provisional data

Source: Central Bureau of Statistics, Economic Survey 1983, p.134.

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C. Mining

Soda ash has been the most successful mineral so far exploited, with good export and domestic earnings. Fluorspar is the second largest mineral in terms of value, at Kf5,530 in 1982. Although soda ash export earnings fell by almost 40 per cent from 1980-1981, the export earnings are still significant.

Table 18. Quantity and value of mineral production (1980-1982)

	1980	1981	1982 ^{a/}
<u>Quantities Tonnes:</u>			
<u>Minerals</u>			
Soda Ash	203,768	157,870	161,310
Fluorspar	93,378	90,099	88,726
Salt	48,796	27,796	26,823
Limestone products ^{d/}	37,658	33,063	26,646 ^{e/}
Other	35,394	20,052	4,475 ^{e/}
<u>Value Kf'000:</u>			
Soda Ash ^{b/}	9,615	5,884	8,150
Fluorspar ^{b/}	2,871	4,443	5,530
Salt	711	223	630
Limestone products	570	522	353 ^{e/}
Other	2,300 ^{c/}	1,338 ^{c/}	1,230 ^{e/}
Total Value	16,067	12,410	15,993
<u>a/</u> Provisional Data		<u>b/</u> Export Value	
<u>c/</u> Rough estimate only		<u>d/</u> Excluding limestone used in cement production	
<u>e/</u> Partial data reflecting production of reporting establishments only.			

Source: Central Bureau of Statistics, Economic Survey 1983, p.135.

There is a great potential for the mining industry but it is not yet exploited. International competition and lack of investment have been the primary limiting factors in the development of the mining sector. There are plans to carry out a geophysical survey of Kenya's mineral potential (gold, lead, zinc, copper and nickel) in the Kerio Valley, covering an area of about 50,000 square km, with financial assistance of more than KShs. 0.5 million from the EEC.

5.3 Energy resources

Kenya's commercial primary energy consumption per head is about 130 kg oil equivalent. This figure is low compared with the average for Africa and is well below the average for developing countries as a whole. However, Kenya relies heavily upon external sources - almost 80% of its energy consumption is imported, placing it in relative terms amongst the largest fuel importers in the world.

The proportion of locally produced hydro power, and recently geothermal energy as well has been increasing in recent years indicating the success of government measures to economise on imported petroleum and make more use of domestically produced electricity. In 1981 domestic primary energy still accounted for only 15% of total consumption in the modern sector of the economy, and in 1982 for 16%. The proportion of energy generated from primary domestic sources is also expected to rise substantially further in the future through an increased exploitation of hydro and geothermal resources. Kenya already uses a relatively high proportion of hydro energy but it is planned that the supply from this energy source will be doubled from 1983. In a decade or two this source should be able to cover almost half of total electricity capacity. The capacity will be approximately equal to the demand for electricity.

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Table 19: Production, trade and consumption of energy^{*}, 1977-1982
('000 tonnes oil equivalent)

	1977	1979	1981	1982
<u>COAL AND COKE CONSUMPTION</u> **	43.8	60.0	91.2	75.0
OIL -				
Imports of crude oil	2,551.5	2,471.5	2,611.1	2,425.5
Net exports of petroleum fuel	-1,260.3	713.4	-1,084.4	-771.6
Stock changes and balancing items	316.6	-88.8	145.6	-80.6
<u>TOTAL CONSUMPTION OF LIQUID FUELS</u>	1,607.8	1,669.3	1,672.3	1,573.3
HYDRO ENERGY -				
Local production of hydropower	167.4	314.0	331.4	335.3
Imports of hydropower	65.2	38.4	46.6	50.9
<u>TOTAL CONSUMPTION OF HYDRO ENERGY</u>	232.6	352.4	378.0	386.2
TOTAL LOCAL ENERGY PRODUCTION	167.4	314.0	331.4	335.3
LOCAL PRODUCTION AS PERCENTAGE OF TOTAL	8.9%	15.4%	15.5%	16.5%
TOTAL IMPORTS	1,400.2	1,856.5	1,664.5	1,779.8
Use of stock and balancing items	316.6	-88.8	145.6	-80.6
<u>TOTAL ENERGY CONSUMPTION</u>	1,884.2	2,081.7	2,141.5	2,034.5
PER CAPITA CONSUMPTION IN TERMS OF KILOGRAM OF OIL EQUIVALENT	131	136	126	108

* Modern sector only, fuelwood and charcoal are excluded

** Import instead of consumption data are used from 1978 onwards.

Source: Central Bureau of Statistics, Economic Survey 1983, p. 157.

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Another indigenous energy source developed is production of power alcohol from molasses. So far a private-public joint venture has in March 1983 marketed its first output of ethanol which is to be mixed with petrol. The Kisumu molasses plant, with a planned output of ethanol of 20 million litres p.a. and by-products such as yeast, citric acid and malt vinegar, scheduled for completion 1980, is at a standstill with 80 per cent of construction completed. The Government has stopped allocating more financial resources to it, considering that it lacks market-research studies.

Kenya's President has asserted that the "real energy crisis" is not due to oil but lies in the increasing wood-fuel consumption. Bearing in mind that only 6% of Kenya's population has access to electricity, the majority is dependent on wood or charcoal as the major source of energy. According to the Ministry of Energy, it accounts for 75% of all energy consumption. A reforestation scheme with tree seedling nurseries has been started but progress has been slow.

5.4 Financial resources

Over the last decade the percentage of manufacturing investment out of total investment has been static (see table 20 below). Up to 1978, investment in manufacturing as a percentage of manufacturing GDP increased, indicating a higher capital intensity in manufacturing. The year 1980 shows a decline in the investment share of GDP, which can be explained mainly by the general economic recession. Approximately half of the manufacturing sector has so far been financed by foreign capital. From now on, Kenya will have to rely more on other financial resources - commercial borrowing is likely to increase.

Table 20: Manufacturing investment (1974, 1976, 1978 and 1980)
(at constant 1976 prices)

	1974	1976	1978	1980
Investment in manufacturing (KShs million)	44.4	46.0	64.9	3.4
Manufacturing investment as % of total investment	15.3	15.8	15.8	15.6
Manufacturing investment as % of manufacturing GDP	30.6	31.9	34.5	25.3

Source: World Bank, op cit, p.134.

The Government also channels financial resources for industrial development through the various financial institutions mentioned in section 4. The number of, and expenditures on, industrial projects approved by the main financial institutions are shown in Table 21.

Table 21. Number and expenditure of industrial projects approved by selected government or quasi-government institutions (1979-1982)

	<u>No of projects</u>				<u>Approved expenditure</u> K£'000			
	1979	1980	1981	1982	1979	1980	1981	1982
Industrial and Commercial Development Corporation (I.C.D.C.)	2	3	1	6	515	619	960	1,416
Development Finance Company of Kenya (DFCK)	28	33	35	27	4,300	3,852	4,005	2,394
Industrial Development Bank Ltd. (I.D.B.)	21	29	32	9	6,775	10,744	11,471	3,857
Kenya Industrial Estates Ltd (K.I.E.)	88	45	131	137	2,387	1,920	3,271	2,477
TOTAL	139	110	199	179	13,977	17,135	19,707	10,144

Source: Central Bureau of Statistics, Economic Survey 1983 p. 170.

I.C.D.C. resources were placed in the form of equity and were devoted to the rehabilitation of on-going projects. K.I.E. paid particular attention to rural industries, which accounted for 95 out of the 131 projects in 1981.

The IBRD and the IDA are the main sources for external financial resources. The IBRD approved in June 1982 a US\$130 million structural adjustment programme to continue the policy reforms affecting the industrial sector. As for bilateral assistance, the UK has traditionally been Kenya's largest financial source both for loans and aid.

Regarding the external debt, it has not been possible to obtain data on the share of the manufacturing sector's debt in the total national debt. The composition of the total debt is shown in Table 22.

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Table 22: Sources of Kenya's unfunded debt(1977-1982) (in K£'000)

Sources of unfunded debt Outstanding at June 30	1977	1979	1981	1982
EXTERNAL DEBT				
Lending countries -				
United Kingdom	37,164	-	-	-
U.S.A.	19,868	21,361	30,043	50,053
West Germany	20,530	67,854	50,865	76,465
Japan	11,834	17,990	28,982	35,891
Netherlands	6,135	9,305	9,305	23,805
Denmark	3,948	7,269	7,904	9,525
Finland	6,766	1,630	-	-
Other	15,967	204,657*	285,253*	347,919*
TOTAL	121,761	325,066	412,352	543,658
International organizations -				
I.B.R.D.	42,423	77,599	78,961	118,398
I.D.A.	40,946	64,102	105,397	141,127
African Development Bank	2,672	4,329	9,471	10,388
O.P.E.C.	-	1,869	2,502	4,941
E.E.C.	-	12,669	8,460	11,813
I.M.F.	-	951	24,936	32,780
Arab League	1,494	1,346	2,212	2,699
TOTAL	87,535	162,865	231,939	322,146
TOTAL EXTERNAL	209,296	487,931	644,291	865,804
INTERNAL DEBT				
Central Bank of Kenya	10,000	10,000	10,000	10,000
Other	174	80	-	1
TOTAL INTERNAL	10,174	10,080	10,000	10,001
TOTAL UNFUNDED DEBT	219,470	498,011	654,291	875,805

* Includes defence loans amounting to K£137.1 million in 1979, K£132.5 million in 1980, K£127.9 million in 1981 and K£108.5 million in 1982.

Source: Central Bureau of Statistics, Economic Survey 1983, p. 85.

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6. LIST OF TECHNICAL ASSISTANCE PROJECTS TO SUPPORT INDUSTRIAL DEVELOPMENT

UNIDO

Approval date	Estimated completion date	Project number =Registry file=	Project Title
11/80	1985	DP/KEN/80/001**	Assistance to the Ministry of Industry
6/78	1983	DP/KEN/77/006**	Assistance to small-scale industries, Kenya Industrial Estates Limited
7/83	-	DP/KEN/81/017	Assistance to small-scale industries, Kenya Industrial Estates Limited (phase II) (continuation of DP/KEN/77/006)
1/79	1983	US/KEN/78/204* =KEN 45=	Leather quality control laboratory
1/83	1986	DP/KEN/75/009* =KEN 20=	Consulting services for implementing a fertilizer plant

* Large-scale project (=total allotment \$150,000 or above)

** Total allotment \$1 million or above

Source: Information provided by UNIDO, Division of Industrial Operations - projects approved and/or operational as of September 1983.

7. SOURCES

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