

## **Kenya: Selected Issues and Statistical Appendix**

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KENYA

**Selected Issues and Statistical Appendix**

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April 21, 2003

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Kenya: Basic Data

Area: 582,600 square kilometers

Population, 2000 estimate: 30.1 million

Population, 1994-2000 average annual growth rate: 2.3 percent

GNI per capita. *World Bank Atlas* method, 2000 estimate: US\$350

	1996	1997	1998	1999	2000	2001 Estimate 1/
<b>National accounts</b>						
	(In billions of Kenya shillings, unless otherwise specified)					
GDP at current market prices	528.7	623.2	690.8	740.3	788.9	824.9
GDP at constant (1982) prices	112.1	114.4	116.2	117.7	117.5	118.8
GDP at factor cost at constant (1982) prices	98.2	100.5	102.3	103.7	103.4	104.5
(annual percentage change)	4.6	2.4	1.8	1.4	-0.3	1.1
	(In percent of GDP at current market prices)					
Gross domestic expenditure	104.3	107.4	107.7	105.9	109.9	108.8
Consumption	84.0	88.9	90.3	89.7	94.4	93.4
Gross capital formation	20.3	18.5	17.4	16.2	15.6	15.5
Net exports	-4.3	-7.4	-7.7	-5.9	-9.9	-8.8
Gross savings	18.2	14.3	12.5	14.0	13.4	13.0
<b>Prices</b>						
	(Annual percentage change, unless otherwise specified)					
Consumer price index (annual average)	8.9	11.4	6.6	3.5	6.2	0.8
Consumer price index (end of period)	3.3	3.0	2.5	8.0	7.5	-3.1
Terms of trade, goods (- deterioration)	2.6	2.0	-5.0	-1.3	0.1	1.2
<b>Exchange rates</b>						
Kenya shillings per U.S. dollar (period average)	57.1	58.0	61.8	70.4	76.3	78.6
Nominal effective exchange rate (-depreciation; end of period)	3.9	-3.8	-1.2	-10.3	2.9	2.2
Real effective exchange rate (- depreciation; end of period)	12.0	1.8	-0.1	-5.1	7.8	-2.4
<b>Central government finance 2/</b>						
	(In billions of Kenya shillings, unless otherwise specified)					
Total revenue	147.9	179.0	192.3	178.0	191.2	206.6
Grants	5.8	5.3	4.9	4.2	24.1	10.0
Total expenditure and net lending	167.8	194.0	197.5	176.7	231.8	238.7
Recurrent	141.4	161.2	161.5	157.9	198.9	201.7
Development and net lending	26.4	32.9	36.0	18.9	32.8	37.0
Overall balance on a commitment basis						
(excluding grants)	-19.9	-15.1	-5.2	1.3	-40.6	-32.1
(including grants)	-14.1	-9.8	-0.3	5.5	-16.5	-22.1
Overall cash balance						
(including grants)	-7.2	-5.3	-1.9	1.7	-15.0	-22.9
Overall balance on a commitment basis (in percent of GDP)						
(excluding grants)	-3.5	-2.3	-0.7	0.2	-5.0	-3.8
(including grants)	-2.5	-1.5	0.0	0.7	-2.0	-2.6

Kenya: Basic Data (concluded)

	1996	1997	1998	1999	2000	2001 Estimate 3/
<b>Money and credit</b> (Annual percentage change, unless otherwise specified)						
Domestic credit 4/	9.9	27.2	9.1	-1.6	1.7	-1.7
Government (net)	-1.6	5.4	-0.1	-1.6	-2.5	4.0
Other public sector	0.1	0.8	-0.8	0.6	0.2	0.0
Private sector	11.4	21.0	10.0	-0.7	3.9	-5.7
Money and quasi money (M3)	15.9	9.8	3.1	2.8	0.8	2.4
<b>Balance of payments</b> (In millions of U.S. dollars, unless otherwise specified)						
Current account balance	-196	-450	-549	-234	-220	-253
Excluding official transfers (net)	-209	-469	-549	-233	-311	-340
Exports, f.o.b.	2,083	2,060	2,012	1,755	1,774	1,761
Imports, f.o.b.	-2,598	-2,944	-3,028	-2,679	-2,965	-2,850
Trade balance	-515	-884	-1,016	-924	-1,191	-1,089
Services (net)	98	90	122	298	245	241
Income (net)	-226	-172	-130	-173	-134	-154
Current transfers (net)	446	516	475	564	860	748
Capital and financial account (net)	643	413	616	214	211	278
Capital account (net)	112	63	79	63	63	62
Financial account (net)	531	350	537	151	148	217
Investment assets and liabilities (net)	-51	-199	-172	-305	-170	-256
Short-term (net) and errors and omissions	582	549	709	456	318	473
Overall balance	447	-37	66	-20	-8	25
Current account balance (in percent of GDP)						
(including official transfers)	-2.1	-4.2	-4.9	-2.2	-2.1	-2.4
(excluding official transfers)	-2.3	-4.4	-4.9	-2.2	-3.0	-3.2
<b>Gross official international reserves (end of period)</b>						
In millions of U.S. dollars	855	788	783	791	897	1,064
In months of next year's imports	2.7	2.5	2.8	2.6	3.0	3.6
<b>External debt</b>						
Stock of external debt (end of period) 5/ 6/	6,172	5,950	5,757	5,473	5,268	5,154
(in percent of GDP)	66.9	55.6	50.9	52.0	50.9	49.1
Net present value of external public debt						
(in percent of exports of goods and services) 6/ 7/	187	153	145	136	140	136
Scheduled external debt service 5/ 7/						
(in percent of export of goods and services)	24.3	22.4	23.6	27.3	18.6	17.6
External payments arrears (end of period)	67	104	25	113	60	103

Sources: Kenyan authorities; and IMF and World Bank staff estimates.

1/ Actual data for prices and exchange rates.

2/ Fiscal year starting July 1 of the calendar year indicated.

3/ Actual data for money and credit.

4/ In percent of beginning-of-period broad money stock.

5/ Public medium- and long-term debt, including to the Fund.

6/ After Paris Club rescheduling in November 2000, and assuming comparable treatment by non-Paris Club and commercial creditors.

7/ Three-year backward-looking average.

## **I. INTRODUCTION**

1. This selected issues paper provides further background on three topics for the Article IV consultation: the scope for increasing Kenya's revenue performance over the medium term, the Kenyan labor market, and, finally, the health of the banking sector.
2. Section II analyses Kenya's revenue potential over the medium term and finds that there is scope for streamlining the tax system, widening the tax base, and removing disincentives to economic activity, while increasing revenues. Taxes in Kenya are only moderately higher than in comparable African countries, but the tax system is characterized by a high degree of complexity and nontransparency.
3. Section III looks at Kenya's labor market which has undergone many changes in recent years, notably displaying a significant increase in informal sector employment. Although growth in informal employment has more than compensated for the stagnant employment growth in the formal sector, it has also shifted Kenya's production structure toward less sophisticated and low-skill production arrangements that have contributed to Kenya's below-potential growth experience.
4. Section IV notes the high level of nonperforming loans (NPLs) in the Kenyan banking sector, especially the public sector banks. It suggests that structural measures are needed to reduce cost pressures in the banking sector, to lower the NPLs so that good borrowers do not subsidize bad borrowers, and to help reduce the spread between lending and deposit interest rates.

## **II. SCOPE FOR INCREASING KENYA'S REVENUES OVER THE MEDIUM TERM<sup>1</sup>**

### **A. Introduction**

5. The fiscal situation in Kenya is currently precarious, and revenue-enhancing measures are needed to help strengthen fiscal performance and achieve fiscal sustainability while protecting important pro-poor spending. This section analyses Kenya's revenue potential over the medium term. It finds that there is scope for streamlining the tax system, widening the tax base, and removing disincentives to economic activity, while increasing revenues. Taxpayers in Kenya generally regard themselves as highly taxed, as they have to comply with numerous taxes and levies. This section finds that taxes in Kenya are only moderately higher than in comparable African countries, but that the tax system is characterized by a high degree of complexity and nontransparency. Compared with other countries in the region, Kenya's revenue performance, as measured by central government revenue-to-GDP ratio, is nevertheless, quite good (see Table 1). This measure, however,

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<sup>1</sup> Prepared by Davina F. Jacobs.

Table 1. Kenya: Consolidated Central Government Tax Revenue for Selected African Countries, 1996–2000  
(In percent of GDP)

	Tax Revenue
Kenya <sup>1</sup>	21.7
Uganda	10.4
Tanzania <sup>2</sup>	10.1
South Africa	25.2
Zambia	17.9
Botswana <sup>1</sup>	16.9
Ethiopia <sup>1</sup>	12.7
Lesotho	36.8
Swaziland <sup>1</sup>	27.4
Mauritius	17.5
Zimbabwe	24.4
Unweighted average for Africa <sup>3</sup>	17.4

Sources: *Government Finance Statistics* (IMF); and *International Finance Statistics* (IMF).

<sup>1</sup> Fiscal year ending June 30.

<sup>2</sup> Data for financial year 1999/2000.

<sup>3</sup> 19 Countries were included in the sample.

may be misleading, as there are indications that nominal GDP in Kenya is significantly underestimated. Improving the tax system should help to support the economic recovery and the development of the private sector.

6. The rest of this section is structured as follows. Subsection B describes the recent revenue performance in Kenya, and Subsection C compares tax rates in Kenya with those in neighboring countries and selected emerging economies. Subsection D briefly outlines possible measures for reform.

### **B. Overview of Recent Revenue Performance in Kenya**

7. **Since the mid-1990s, central government revenue has declined steadily** from the relatively high level of 29 percent of GDP in 1995/96 (July-June), to 21.6 percent in 2001/02. This decline in revenue, as well as the collapse of donor support, furthermore, led to a significant increase in domestic financing and a corresponding rise in domestic interest payments. The largest contributor to the decline in revenue was the policy-induced shrinkage of receipts from corporate taxes and excise duties.<sup>2</sup> The perceived high level of taxation and nontransparency of the current tax regime, in addition, may have increased tax avoidance and tax arrears. Tax revenues have, moreover, been constrained by a small and stagnant tax base,

<sup>2</sup> Kenyan authorities sought to encourage private sector investment by reducing taxes. Their original aim was to reduce the tax burden to close to 24 percent of GDP by 1999/2000.



owing mainly to the emergence of a large informal sector (see Section II) and tax exemptions and remissions.

8. **Taxpayers in Kenya generally regard themselves as highly taxed, as they have to comply with numerous taxes and levies.** The schedule of taxes includes the following: income tax, value-added tax, customs duty, excise duty, dumping duty, Kenya Bureau of Standards levy, industrial training levy, insurance levy, business permit fee (payable by Nairobi residents to the Nairobi City Council), Transport Licensing Board fees, and various other license fees (payable to the Nairobi City Council). There is also a catering levy, the National Hospital Insurance Fund, the fuel levy, the motor vehicle road license fee, the import declaration form fee, television and radio license fees, driving license fees, the rural electrification levy, the Electricity Regulation Board levy, and the exchange rate surcharge (levied by Kenya Power and Lighting), the stamp duty, the Dairy Board levy, and the Sugar Authority levy.

9. In addition to the large number of taxes and levies, **Kenya also has various tax exemptions and remissions**, which are reviewed annually at the time of budget. In the period 2000/01–2001/02, at least 86 different exemptions or remittances were made to the tax code (according to schedules 3 (A)-(C) of the Income Tax Act, 1973 (No. 16 of 1973)). **This contributed to a narrowing of the tax base.** It also created the impression that the government could easily be persuaded by pressure groups to grant exemptions to special interests. These developments have also raised concerns about the fairness and transparency of the tax system.

10. Despite some efforts to improve revenue administration in recent years, **the tax regime in Kenya remains complicated and cumbersome to enforce.** Although compliance rates for most taxes have increased, collection is still well under potential, especially for certain indirect taxes, such as the VAT and import duties.<sup>3</sup> In a recent study on VAT compliance in Kenya, the Kenya Revenue Authority has found that the compliance ratio in 2000/01 was only 55 percent.<sup>4</sup>

11. **In recent years, revenue forecasts have also changed frequently in-year**, as projections have been complicated by the difficult political environment and problems in gauging the outlook for the economy. Moreover, the projected gains from new tax policy and administrative measures have tended to be too optimistic. This complicated budget management and contributed to an expansion in the stock of pending bills and stalled projects.

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<sup>3</sup> See N. H. Ngari, "Tax Reforms and Revenue Productivity in Kenya" (unpublished; Lilongwe, Malawi: University of Malawi, 2000).

<sup>4</sup> See Kenya Revenue Authority, VAT Micro-Simulation Model (Nairobi, Kenya: Kenya Revenue Authority, 2002).

### C. Comparison of Kenya Tax Rates with Those in Neighboring Countries and Selected Emerging Economies

12. Table 2 compares tax rates in Kenya with those in neighboring countries, as well as with rates in Kenya's two main trading partners, South Africa and Egypt. The table shows that the rates for main tax categories in Kenya are only marginally above those in other African countries. The large number of other taxes and fees in Kenya, however, complicates both tax compliance and enforcement. The burden on the tax administration system of the multiplicity of taxes and fees is also high. Some of the minor taxes and fees do not generate large amounts of revenue and are perceived by taxpayers, especially businesses, as "nuisance taxes."

Table 2. Selected Tax Rate Comparisons

Type of Tax/Duty	Kenya	Uganda	Tanzania	South Africa	Egypt
Revenue/GDP <sup>1</sup> (percent)	21.6 (2001/02)	11.7 (1999/00)	11.3 (1999/00)	24.8 (2001/02)	22.8 (1999/00)
Excise duties - on beer:	60 percent heavy beer; 85 percent light beer	60 percent	COMESA, <sup>2</sup> (US\$.22/lit); non- COMESA, (US\$.17/lit)	2819.3c/lit (US\$.35) on malt beer; 7.82c/lit (US\$.01) on sorghum beer (US\$1=R 8.00)	100 percent <sup>3</sup> (alcoholic beer)
Excise duties on cigarettes	130 percent; cigars 30 percent	122 percent	T Sh 14,000 per 1,000,000	194.25c/10 (US\$.24/10) cigarettes	141.4 percent <sup>3</sup>
VAT/ GST rate	18 percent (some items 16 percent or 2 percent)	17 percent	20 percent	14 percent	10 percent (standard rate)
Raw materials import tariff	5 percent	7 percent	5 percent	7 percent (some items 15 percent)	3.5 percent
Personal income tax	0-30 percent (five brackets)	0-30 percent (four brackets)	0-30 percent (four brackets)	0-40 percent (six brackets)	0-32 percent
Corporate income tax	30 percent (40 percent for foreign branches)	30 percent	30 percent	30 percent	40 percent
Withholding tax on foreign remittances	15 percent on interest, 10 percent on dividends, and 20 percent on management fees and royalties	15 percent	...	Exemptions: R 1,000 on interest and R 1,000 on dividends (US\$125.00)	No withholding tax on dividends

Source: Country authorities; and IMF staff estimates.

<sup>1</sup> Revenue-to-GDP ratio for central government.

<sup>2</sup> COMESA – Common Market for Eastern and Southern Africa

<sup>3</sup> Ad valorem equivalent of specific rates.

13. Table 3 provides a further comparison of VATs in Kenya and some other selected economies. As is evident from the table, the VAT efficiency ratio<sup>5</sup> for Kenya is below the average for the selected group of emerging market countries.<sup>6</sup> Exemptions and low compliance largely account for this. The VAT efficiency ratio for Kenya is, however, above the average for Africa.

Table 3. VAT Rates and VAT Revenue Efficiency Ratios for Selected Countries, 1998–2000

	VAT Rate (percent)	VAT Efficiency Ratio
<i>Kenya</i>	<i>16.0</i>	<i>0.33</i>
Uganda	17.0	0.20
Tanzania	20.0	...
South Africa	14.0	0.44
Zambia	17.5	0.33
Turkey	18.0	0.49
Brazil	20.5	0.42
Colombia	16.0	0.28
Venezuela	14.5	0.22
<i>Average for sample of emerging market countries</i>	<i>16.6</i>	<i>0.37</i>
<i>Average for Africa</i>	<i>16.7</i>	<i>0.24</i>
<i>Average for OECD</i>	<i>17.6</i>	<i>0.40</i>

Source: FAD tax databases.

14. Notwithstanding the issues raised above, on the whole, the Kenya tax system has performed better than average for Africa. This is mainly attributable to a stronger tax administration system and a relatively large formal sector.

#### **D. Possible Measures to Improve Revenue Performance Over the Medium Term**

15. The following areas could form the basis of a medium-term program aimed at strengthening revenue collection:

- a simplification of the tax regime, including a broadening of the tax base. Areas for possible broadening include the lowering of tax thresholds for main taxes, while eliminating smaller taxes and fees, with negligible revenue yields;

<sup>5</sup> This ratio is used as a measure of VAT performance and is defined as the ratio of VAT revenue to GDP divided by the VAT rate. An efficiency ratio of 0.33 means that a 1.0 percent increase in the VAT rate would generate an increase of about 0.33 percentage point of GDP in VAT revenue (Liam Ebrill and others, *The Modern VAT* (Washington: IMF, 2001).

<sup>6</sup> The group of emerging market countries was selected on the basis of the availability of data and comprises South Africa, Turkey, Israel, Brazil, Chile, Colombia, Peru, and Venezuela.

- a rationalization of exemption system to avoid a further erosion of the tax base;
- a strengthening of the Kenya Revenue Authority (KRA). This could include (i) the enhancement of KRA's enforcement ability through improved staffing and training and better integration of KRA operations; (ii) the development of fully integrated automated and computerized systems for tax assessments; and (iii) improving the audit functions, especially through more frequent audits; and
- a review/change of tariff rates and introduction of revenue-raising measures to compensate for possible losses arising from any further liberalization of the trade regime.

### III. LABOR MARKET DUALITY AND POSSIBLE REFORMS<sup>7</sup>

#### A. Introduction

16. Kenya's labor market has undergone many changes in recent years, most notably a significant increase in informal sector employment. Although growth in informal employment has more than compensated for the stagnant or negative employment growth in the formal sector, it may have also led to a less sophisticated and low-skill production arrangements and thereby contributed to Kenya's below-potential growth performance. Given the key role of the labor market for macroeconomic growth and development, removing impediments to the labor market's efficient functioning is an important element of a macroeconomic reform agenda.

17. The remainder of this section proceeds as follows. Subsection B describes recent labor market developments in Kenya and their potential sources, and discusses some theoretical aspects of labor market duality. Subsection C briefly outlines some of the key elements of reform, and Subsection D concludes.

#### B. Kenya's Dual Labor Market: Key Features, Determinants, and Recent Trends

##### Key features and determinants

18. As defined by the Kenyan authorities, **the informal sector includes** all semiorganized, small-scale, and unregulated activities. Some of the main features of informal sector production are the following: (i) firms and workers generally do not pay taxes;<sup>8</sup> (ii) production is unregulated and therefore does not comply with minimum wage laws,

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<sup>7</sup> Prepared by Martin Schindler.

<sup>8</sup> This is mostly true for direct taxes. Informal sector activities are still subject to indirect taxes, such as VAT.

safety procedures, and other regulations;<sup>9</sup> and (iii) property rights are difficult to establish and enforce, resulting in limited access to financial markets.<sup>10</sup>

19. **The lack of access to credit, in particular, constrains informal sector firms' expansion possibilities.** As a result, the informal production structure consists mainly of small-scale firms. The informal sector absorbs mostly low-skilled labor and is generally characterized as having low average productivity.<sup>11,12</sup>

20. To understand the factors that determine the size of the informal sector of the labor market, it is helpful to view the **growth in informal sector employment as the outcome of a rational decision-making process by workers and firms.** Examining this process thus requires answering the question: what are the costs and benefits of creating or accepting jobs in the informal versus the formal sector?

21. A worker's decision regarding where to seek employment will be determined by the availability of jobs in the formal versus the informal sector; the expected after-tax earnings differential, which necessitates the weighing of possibly higher wages in the formal sector against the tax burden and the costs of employment security; pension and other benefits; and workplace safety incurred in the formal sector. From the firms' perspective, the main benefits of operating in the formal sector are better access to credit and financial markets and, partly as a result, the possibility of broadening the scale of production and increasing productivity,

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<sup>9</sup> "Unregulated" production is to be distinguished from "illegal" production, which is not the focus of this section.

<sup>10</sup> See also Saavedra and Chong (1999).

<sup>11</sup> A recent strategy paper by the Kenyan authorities has pointed out that some small enterprises and microenterprises (SMEs) in the informal sector are, in fact, highly productive, paying higher wages than many formal-sector firms. While it is not surprising that the most productive informal sector firms surpass the least productive formal sector firms in terms of productivity, it is the differential in average productivities that is the cause of concern. Gatheru and Shaw (1998) also argue that the share of workers employed by SMEs is small. More important, even the more productive informal sector firms would likely benefit from the reforms outlined below. Finally, wages are only an imperfect measure of job quality. Jobs in the informal sector are often characterized by a lack of employment stability and health and other benefits. Consequently, even workers who find a high-wage job in the informal sector, relative to average formal sector wages, are not necessarily better off. (See also Maloney (2003)).

<sup>12</sup> Although enterprises in the informal sector are generally said to have only limited access to credit, some informal businesses use "personal lines of credit" with financial institutions to finance their activities. However, the costs of these credit lines tend to be significantly higher than the costs of those available the typically larger, formal sector businesses.

as well as operating within a regulated framework and thus avoiding fines. Costs of establishing formal production include the burden of taxes and licensing fees as well as compliance with administrative procedures and wage and job regulations.

22. **A number of structural policies influence the size of the informal economy.** These include minimum wages and other wage-setting institutions (such as the degree of unionization and the behavior of unions), taxation, and regulatory and administrative framework.

23. **Minimum wages are generally positively related to the size of the informal sector** and tend to make formal sector employment more attractive to workers. However, they also raise the costs of production for firms, thus providing an incentive to move production into the informal sector. Overall, a binding minimum wage leads to an excess supply of labor and reduced employment in the formal sector, implying a positive relationship between the level of the minimum wage and the size of the informal sector.<sup>13</sup>

24. **High tax rates also contribute to a large informal sector.** High taxes increase the costs of operating in the formal sector, while their weak enforcement in the informal sector reduces the costs of operating in that sector.<sup>14</sup> Many countries respond to a shrinking tax base by increasing tax rates, thereby creating a vicious cycle of higher taxes and a smaller tax base. These considerations suggest the possibility of multiple equilibria; situations characterized by similar tax revenues, but with differing tax rates, informal employment shares, and tax bases.

### **Recent trends**

25. **The active labor force<sup>15</sup> in Kenya can be divided into three segments:** (i) the formal (or modern) sector, which includes wage employment in the private and public

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<sup>13</sup> A large informal sector may hide some of the aggregate impact of minimum wages as they are most strongly felt in the relatively small formal sector employment.

<sup>14</sup> See Ihrig and Moe (2000) for empirical support and Olters (2003) for a discussion of some of these issues in the context of Albania. By contrast, Dessy and Pallage (2003) formulate a model in which the government uses taxes to produce public infrastructure that benefits formal sector agents more than those in the informal sector. In this environment, a lowering of tax rates does not necessarily lead to a reduction in the size of the informal sector because the associated reduction in public infrastructure expenditure also diminishes the benefits of formalizing.

<sup>15</sup> As defined by the Kenyan authorities, the labor force includes all economically active individuals aged 15-64. According to the Integrated Labor Survey (ILS) 1998/99, about 22.6 percent of the total population aged 15-64 were economically inactive in 1999. Roughly two thirds of this group was accounted for by individuals aged 15-19, suggesting that schooling is an important reason for inactivity.

sectors, as well as self-employed and unpaid family workers; (ii) the informal sector, which includes all semiorganized, small-scale, and unregulated activities; and (iii) individuals engaged in small-scale agriculture and pastoral activities, as well as the unemployed. Individuals in the inactive population include full-time students, the infirm/incapacitated, the retired, and other individuals who report they do not need to work.

26. Time-series employment and wage data are available only for the formal and informal sectors from the Republic of Kenya Economic Surveys. Unemployment data and those on small-scale agriculture and pastoral activities are available only for 1998/99 from the ILS.<sup>16</sup>

### *Employment*

27. **Between 1981 and 2001, combined formal and informal sector employment increased at an average annual rate of about 7.3 percent, compared with an average annual growth of the population aged 15-64 of 3.7 percent.** Most employment was created in the informal sector, which grew at an average rate of 12.2 percent over the same period, compared with average formal employment growth equal to 2.5 percent (see Table 4). The discrepancy between formal and informal sector employment growth has widened in recent years: formal employment grew by only 0.5 percent between 1997 and 2001, but shrank by 1 percent in 2001. On the other hand, average informal sector grew by 11.5 percent between 1997 and 2001, and 11.4 percent in 2001.<sup>17</sup> The remainder of the active labor force, including employment in small-scale agricultural and pastoral activities and unemployment grew at an annual rate of 1.7 percent between 1980 and 2001, and at a rate of only 0.1 percent between 1997 and 2001 (see Table 4).<sup>18</sup>

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<sup>16</sup> According to the ILS, the aggregate unemployment rate was 14.6 percent in 1999. However, interpretation of this number is made difficult because Kenya does not have an unemployment insurance system and its other types of social safety nets (the contributory social security scheme administered by the National Social Security Fund and the pension scheme administered by the Retirement Benefits Authority) are limited. In order to subsist, unemployed workers must therefore either live off their savings, engage in some type of unmeasured economic activity, or be supported by other types of social support systems (such as the family). In this environment, the distinction between concepts such as unpaid family workers, true unemployment, and underemployment becomes blurry.

<sup>17</sup> By contrast, real GDP grew by an average annual rate of 2.9 percent between 1982 and 2001, and by only 1 percent between 1997 and 2001, suggesting that measured GDP growth may underestimate actual developments in aggregate production.

<sup>18</sup> The active labor force is calculated assuming a constant share of the inactive population of 22.6 percent (from the 1998/99 ILS).

Table 4. Kenya: Labor Force by Sector, 1981-2001  
(in thousands, unless otherwise indicated)

	1981	1991	1995	1999	2000	2001	Average Growth (percent) 1995-2001
Formal Employment (incl. self-employed & unpaid family workers)	1,055	1,494	1,618	1,754	1,761	1,743	1.2
Private sector	540	727	867	990	1,003	1,019	2.7
Public sector	484	715	690	699	693	658	-0.8
Self-employed & unpaid family workers	31	52	61	65	65	65	1.1
Informal Employment	424	1,063	2,241	3,739	4,151	4,624	12.8
Small-Scale Farming & Pastoral Activities, Unemployed	4,782	6,437	6,645	6,586	6,596	6,585	-0.2
Total Labor Force	6,262	8,994	10,504	12,078	12,508	12,952	3.6

Source: Kenyan authorities; and staff estimates.

28. Reflecting these developments, since 1994, **the share of the informal sector in total employment has become larger than that of the formal sector**, with the shares in the active labor force of formal, informal and small-scale agricultural/pastoral activities (including unemployment) changing from 17.2 percent, 6.6 percent, and 76.2 percent, respectively, in 1979, to 13.5 percent, 35.7 percent and 50.8 percent, respectively, in 2001 (see Figures 1 and 2).

29. The high growth rates for informal employment, combined with the small growth rates of the total labor force and stagnant or negative growth in other types of employment, suggest that the informal sector may have absorbed most of the new labor entrants. Also, some labor appears to have been relocated from formal (and other types of employment) to informal employment.

30. Within the formal sector, public sector employment has decreased since 1997, while private sector employment has increased. The most notable change in industrial composition was an increase in the community, social, and personal services' share to about 25 percent of total private sector employment in 2001 (see Figure 3), up from about 19 percent in 1984. Overall, however, compositional changes in the formal sector have remained fairly stable over the time period.

### *Earnings*

31. **Wages in Kenya are determined within a three-tier system.** Wages are set by the government through schemes of service and periodic salary reviews in the public sector, through collective bargaining for union members in the private sector, and by market forces for non-unionized workers in the private sector. The collective bargaining process involves tripartite arrangements between unions, employer representatives and the government. Most labor unions are affiliated with the Central Organization of Trade Unions (COTU), while the majority of employers are represented by the Federation of Kenya Employers (FKE). The resulting collective bargaining agreements typically include staggered long-term contracts, conditions of employment and fringe benefits.



Figure 1. Kenya: Sectoral Distribution of the Active Labor Force, 1979-2001  
(in percent)

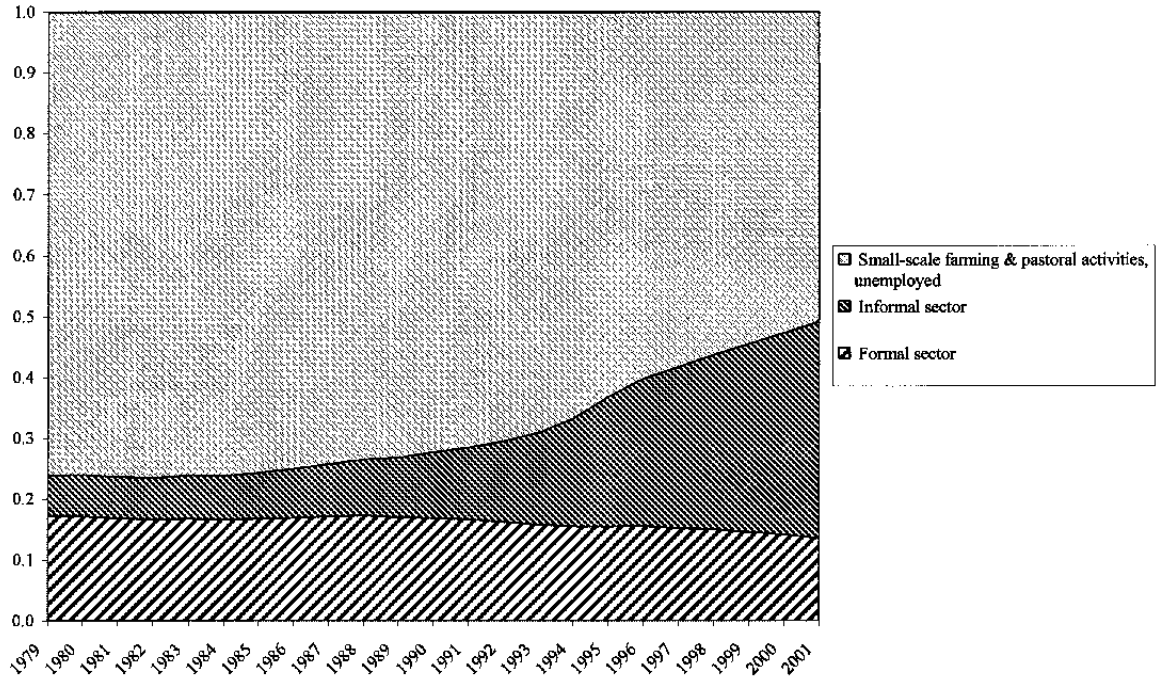


Figure 2. Kenya: Employment Shares, 1984-2001

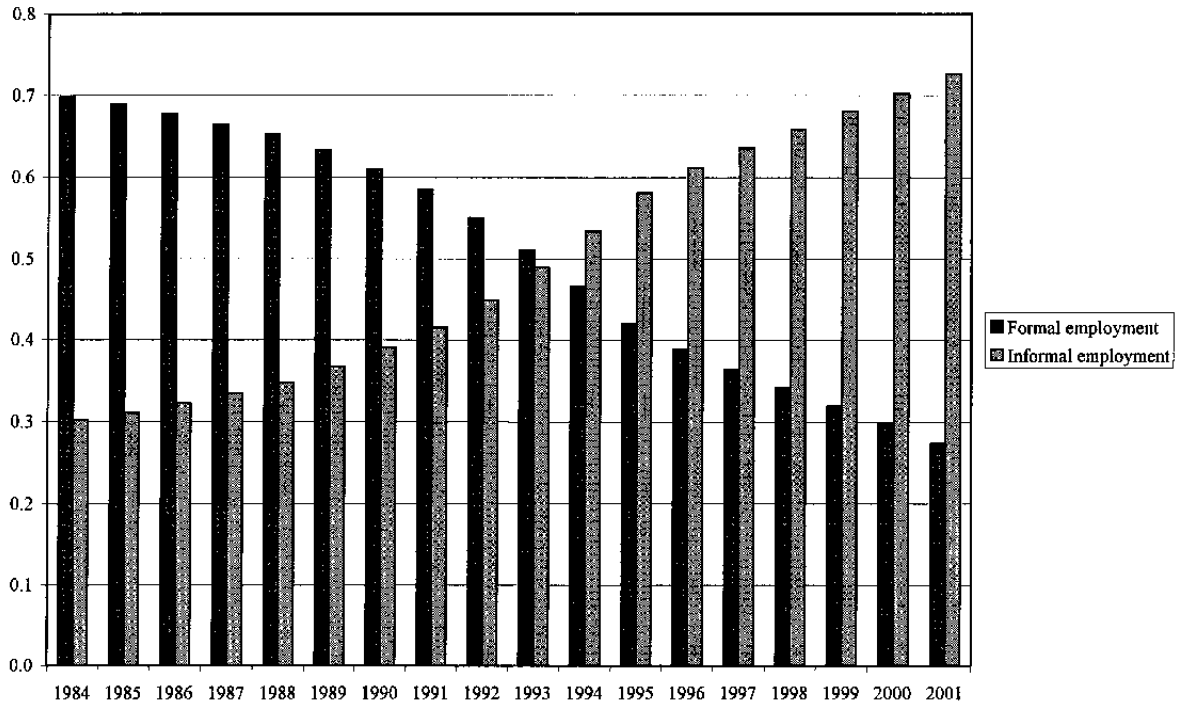
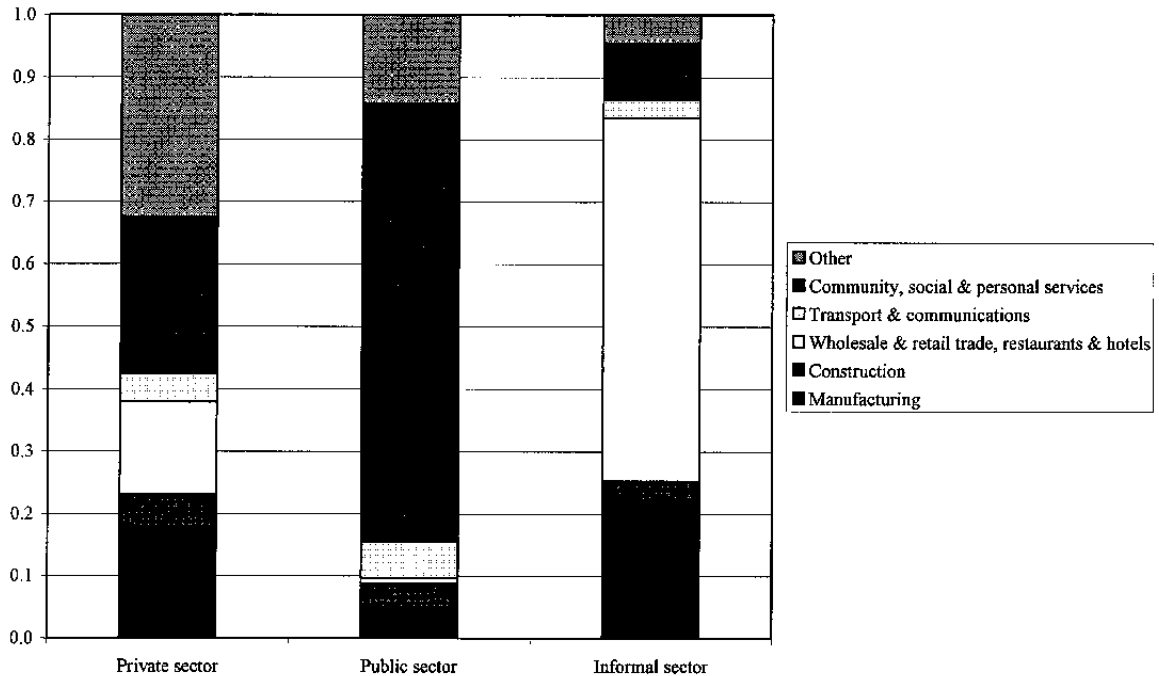


Figure 3. Kenya: Intrasectoral Employment Distributions, 2001  
(In percent)

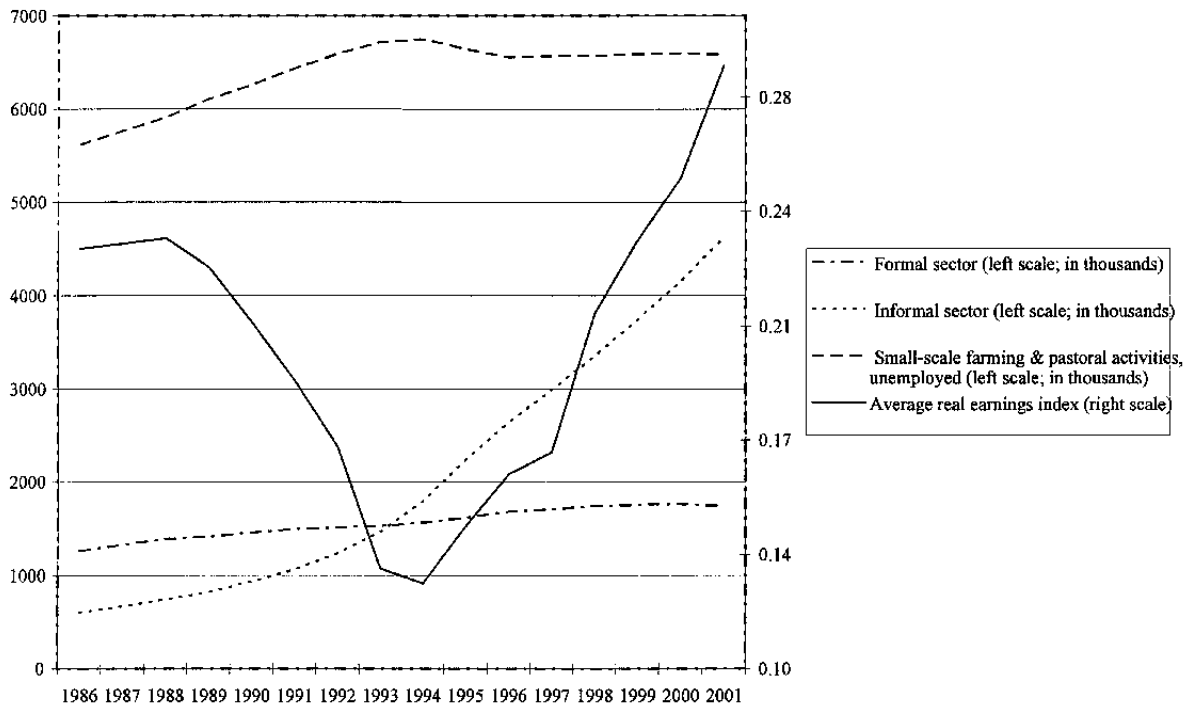


32. **The stagnant (recently negative) growth in formal employment has been accompanied by strong growth in average real wages per employee in the formal sector.** Wages increased by 13.0 percent in 2001, and by an annual average of 12.3 percent between 1994 and 2001. Between mid-1980s and 1993, real wages fell, creating a U-shaped curve over the last two decades (see Figure 4). While informal employment has been increasing over the entire time period, its growth sharply accelerated around 1993–94, coinciding with the turnaround in real wages.<sup>19</sup>

33. **The large real wage increases are driven in part by similarly large increases in collective wage agreements and minimum wages.** In 2001, the average bargained union wage increased by 15 percent in real terms, while minimum wages increased by 6.7 percent in real terms. Over the period 1994-2001, real collective wage agreements and real minimum wages grew at annual rates of 8.0 percent and 4.1 percent, respectively.

<sup>19</sup> Over the period 1993–2001, real wages and the share of informal sector employment were almost perfectly positively correlated, with a correlation coefficient of 0.96 whereas the opposite was the case for real wages and formal sector employment, with a correlation coefficient of -0.97.

Figure 4. Kenya: Sectoral Employment and Average Real Earnings, 1986-2001



34. **Average labor productivity, defined as real GDP divided by the size of the labor force, decreased between 1992 and 2001 at an average rate of -0.8 percent, and by -2.2 percent between 1996 and 2001 (see Figure 5). Consequently, since 1996, average minimum wage growth has exceeded average labor productivity growth by about 5.8 percentage points, while average real wages have grown about 11.3 percentage points faster than average labor productivity. Increased labor costs translate into increased costs of production and are likely to affect external competitiveness.**

35. Relative to average wages, minimum and union wages have, however, decreased in recent years (see Figures 6 and 7). This decrease has been less pronounced in the case of union wages, partly because of the limited, and decreasing, coverage of collective wage agreements.<sup>20</sup> **Interpreting these trends is a complex task because the direction of causality is difficult to determine.** In particular, the data are consistent with two conflicting

<sup>20</sup> In 2001, only 43,031 employees were covered by collective wage agreements, down from 71,586 in 2000, and thus the aggregate impact of these wage increases was limited. However, collective wage agreements may have a much broader impact than these numbers suggest if spillover effects to nonunionized workers are important.

Figure 5. Kenya: Average Labor Productivity, 1982-2001

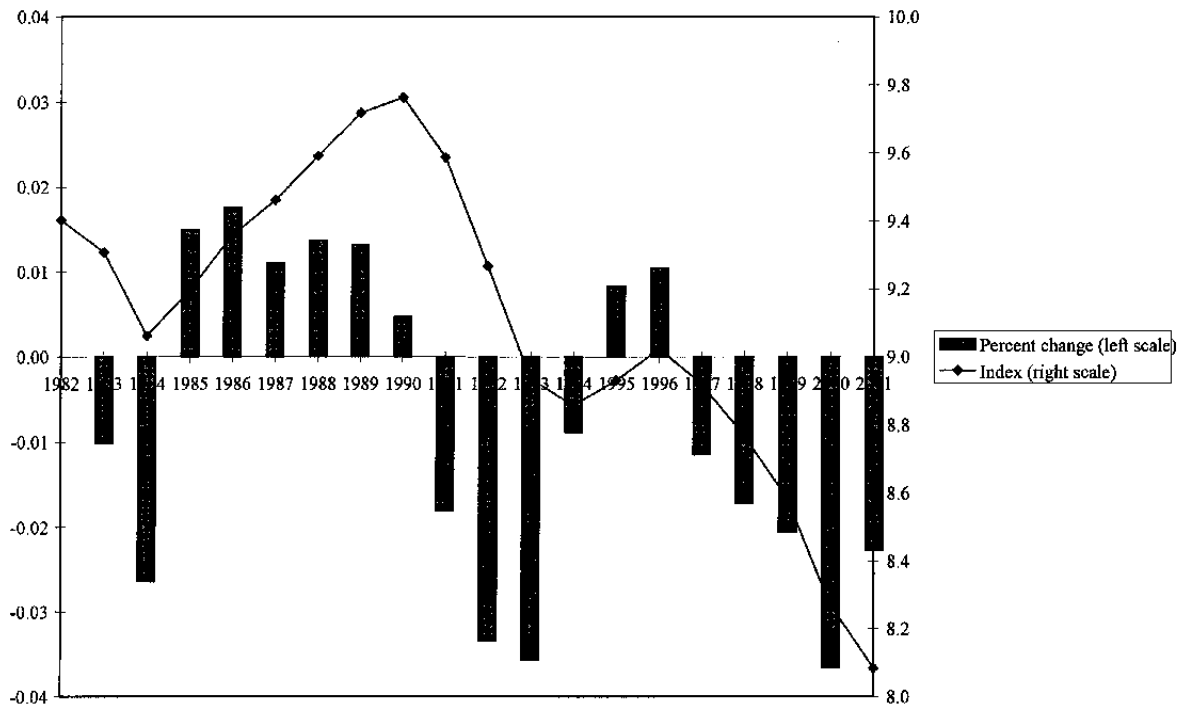
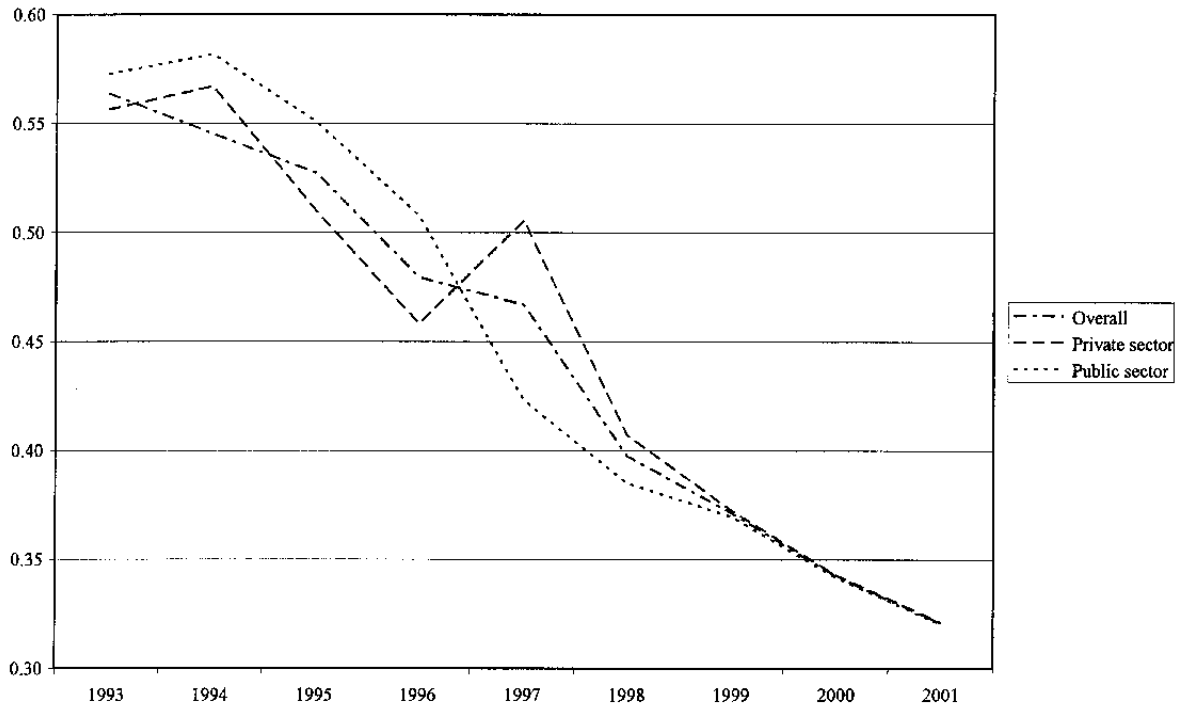
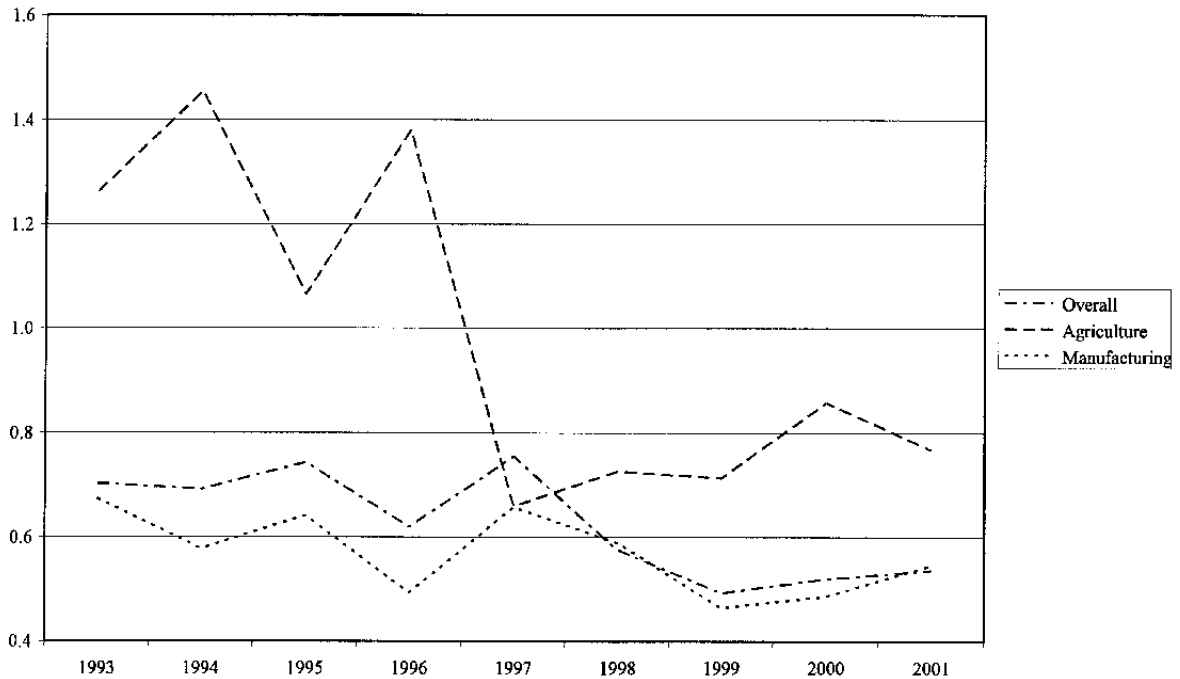


Figure 6. Kenya: Ratio of Urban-Area Minimum Wage<sup>1</sup> to Formal Sector Average Wage, 1993-2001



<sup>1</sup> Excluding housing allowance.

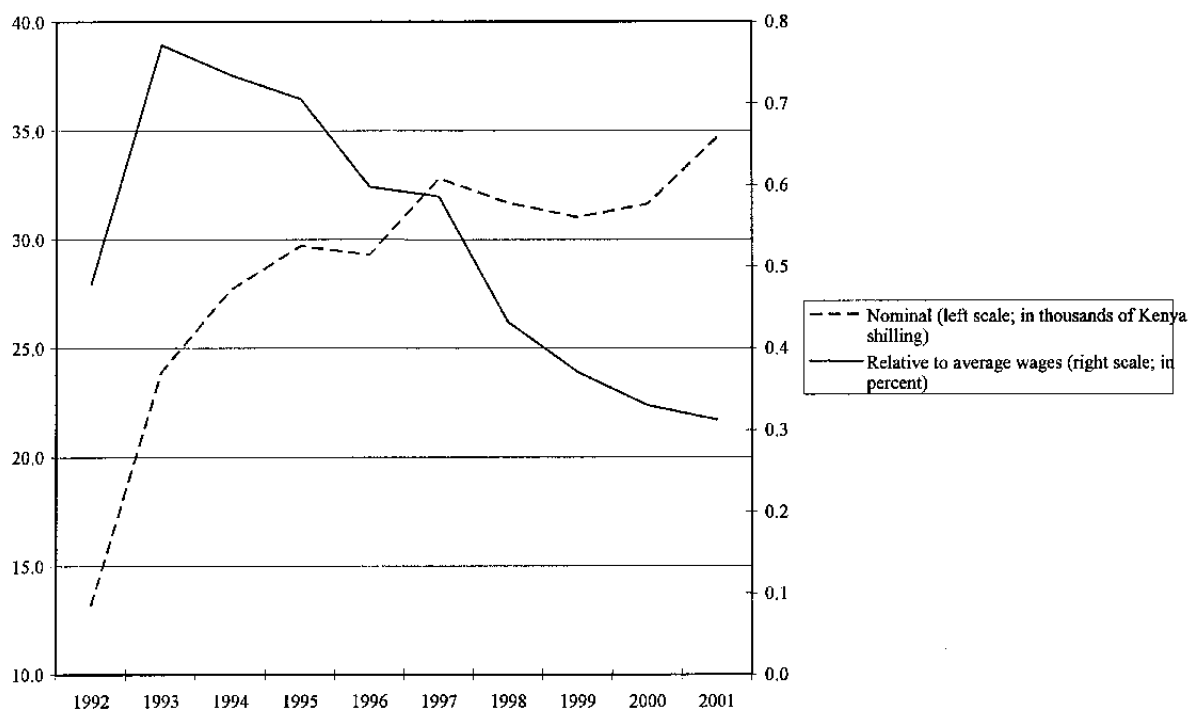
Figure 7. Kenya: Ratio of Collective Wage Agreement to Formal Sector Average Wage, 1993-2001  
(By industry)



viewpoints. From one, these developments can be seen as reflecting a less restrictive impact of minimum wage laws on average wages, and thus suggesting that minimum wages have become less of a concern. Alternatively, the decreasing ratio of minimum to average wages can be interpreted as reflecting compositional changes in the formal sector's earnings distribution that result from increasingly restrictive minimum wages. From this viewpoint, minimum wages have crowded the lower-income segments out of the formal sector into informal employment and unemployment, leaving more productive, higher-income employment in the formal sector; this suggests that **existing minimum wage policies may have had a significant adverse impact on the labor market.**

36. **Interpreting the impact of tax developments is similarly difficult.** Through their impact on disposable income and net profits, taxes are a potentially important determinant of the relative size of the formal sector. Although the top marginal tax rate has decreased in recent years, along with an increase in the top tax bracket, changes in the average tax incidence are difficult to gauge from such data. Figure 8 depicts total government revenues from direct income, profit, and capital gains taxes divided by formal employment as a proxy

Figure 8. Kenya: Tax Incidence in the Formal Sector



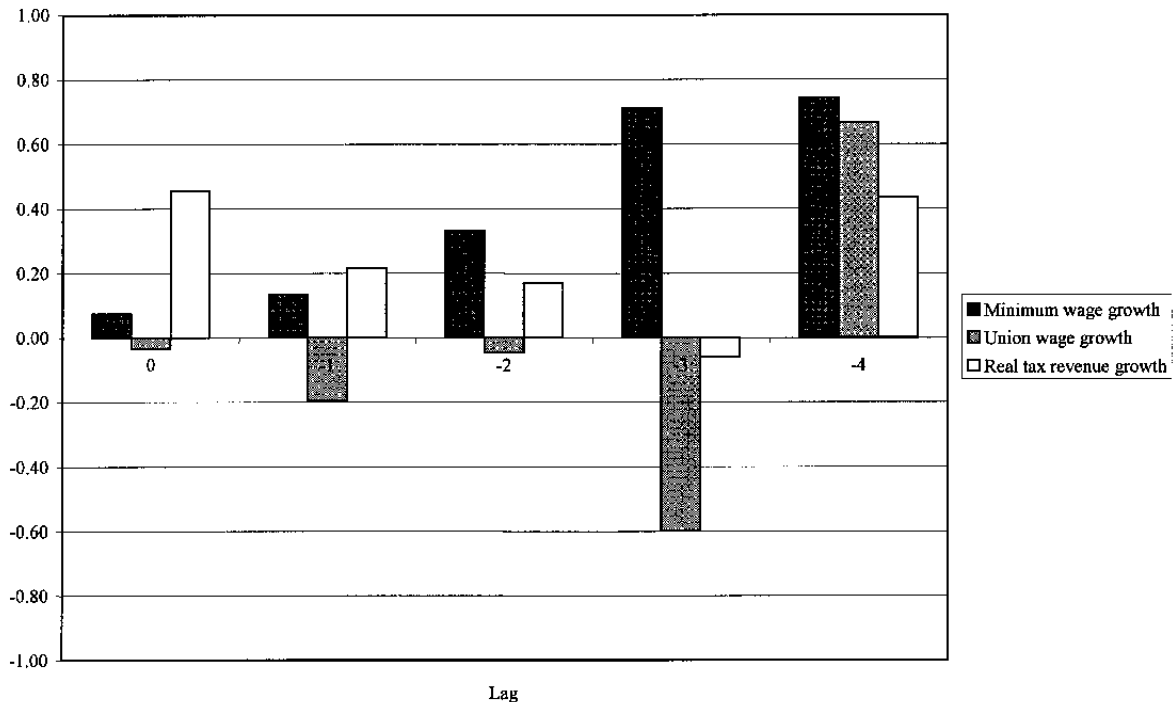
for the average tax incidence in the formal sector.<sup>21</sup> According to this measure, tax incidence in nominal terms almost tripled between 1992 and 2001. By contrast, the average tax incidence as a fraction of average formal sector wages decreased slightly. Again, this development could be consistent with either a less or a more restrictive tax regime. In the latter interpretation, **the observed decrease in tax incidence relative to wages is the result of compositional changes that resulted from an outflow of lower-income groups.**

37. **The latter view is supported by other aspects of the data.** Figure 9 depicts the correlation of growth in the share of informal employment with growth in minimum wages, collective wage agreements (excluding housing allowance) and growth in total government tax revenues, all in real terms, over the period 1994-2001. Because the effects of changes in wage rigidities will permeate the economy slowly over time, the correlations are shown for different lags. Although the relationship is ambiguous in the case of collective wage agreements, mostly because of the low union coverage, the correlations do suggest that minimum wage and tax policies may have encouraged net labor flows into the informal sector. **Both minimum wage and tax growth are highly positively correlated with the increase in the share of informal employment, both contemporaneously and lagged.**<sup>22</sup>

<sup>21</sup> By the nature of the informal market, taxes are mostly collected in the formal sector.

<sup>22</sup> Figure 9 suggests that minimum wages and taxes affect the labor market in different ways. Taxes seem to have a more immediate effect, with the correlation to informal sector employment decreasing as the number of lags increases, whereas minimum wages appear to have more lagged effects, with the correlation increasing along with the number of lags.

Figure 9. Kenya: Correlation of Informal Employment Share Growth with Lagged Variables



### C. Macroeconomic Implications and Possible Reforms

38. Given the low average level of productivity of the informal sector, the rise in informal sector activity may have contributed to keeping Kenya's economic growth below its potential. However, by circumventing the various rigidities and impediments in the formal sector, the informal sector has provided virtually all of the recent years' employment creation in Kenya and has increasingly functioned as an avenue for creating economic activity that would not have been possible in the economic climate of the formal sector. Consequently, structural reform should be directed at correcting the incentives that forced economic activity into the informal sector, rather than at eliminating informal activities without providing viable alternatives in the formal sector.

39. **Economic activity in the informal sector provides for a large future economic growth potential.** For example, as seen in Figure 3, the categories of (i) manufacturing and (ii) wholesale and retail and restaurants and hotels are more strongly represented in the informal sector than in the formal sector. These industries are cited as among those with the highest future growth potential. Consequently, policies that allow these industries to operate in a climate conducive to higher productivity are also likely to significantly improve the Kenyan economy. Most notably, such policies include providing better access to credit in order to reduce financial constraints on the ability of firms to expand and adjust their production structure.

40. **Reducing labor market rigidities**, such as minimum wages, a nontransparent tax system, and other obstacles to operating in the formal sector, including administrative and regulatory costs, is likely to have significant potential for reducing the size of the informal sector and improving the overall efficiency of labor allocation. The potential benefits extend beyond raising average economic growth. Minimum wages, intended to protect the working poor and provide incomes for all labor market participants, particularly the unskilled, may, in an economy of weak growth, such as Kenya's, contribute to a large flow of mostly unskilled and low-income worker groups into the informal sector or unemployment. Given the unregulated nature of the informal sector, precisely the worker groups for whose protection these laws were intended end up in low-paid, unregulated, and unstable employment relationships, with little potential for skill development. Relaxing minimum wage laws is, therefore, likely to both improve overall productivity and alleviate poverty through more productive employment creation in the formal sector.

41. **Another key factor leading workers and firms to engage in informal sector activities is taxation.** Taxes in Kenya are moderately higher than in comparable African countries; however, the tax system is characterized by a high degree of complexity and nontransparency. Tax revenues are also constrained by a small tax base, owing mainly to the large informal sector. Lowering personal and corporate income tax rates would likely increase the formal sector by reducing the costs of becoming formal. The impact on tax revenues is ambiguous but could well be positive, given the resulting larger tax base.<sup>23</sup>

#### D. Conclusions

42. The labor market in Kenya appears to be marked by labor market rigidities and wage distortions, which likely have hampered formal employment growth and resulted in the development of a large informal sector. The implications of these developments include an inefficient production structure, lost fiscal revenues, lowered growth prospects, reduced external competitiveness, and a deepening of poverty. Deregulation, particularly aimed at establishing a more flexible wage determination scheme, but also at easing income and other taxes, would help reverse many of these negative trends.

43. Although most of the above analyses and findings confirm the intuition of many observers of, and participants in, the Kenyan economy, including the authorities, the findings should, given the incomplete information on wages and production in the informal sector, be viewed more appropriately as posing, rather than answering, many of the questions of importance in developing a labor market strategy for Kenya. These questions should be answered more definitively within the context of more detailed future research.

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<sup>23</sup> Employment in the informal sector was almost 2.7 times the size of formal sector employment in 2001. Even large reductions in average tax rates are therefore consistent with increased total tax revenues if they translate into a sufficiently large flow from informal to formal employment. Similar magnitudes are likely to hold for value-added tax (VAT) rates, licensing, and other fees.



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#### IV. THE BANKING SYSTEM AND INTEREST RATE SPREADS<sup>24</sup>

##### A. Introduction

44. This section describes the current health of the Kenyan banking sector. Subsection B describes the structure of the banking system and provides some standard indicators of banking system health. Subsection C discusses possible approaches to reducing spreads between lending and deposit rates in Kenya.

##### B. Banking System Structure and Performance Indicators

45. **At end-December 2002, the Kenyan banking system included 44 banks and 3 nonbank financial institutions (NBFIs), 2 mortgage finance companies, and 4 building societies.** In addition, there are 48 foreign exchange bureaus (Table 5).<sup>25</sup> The banks, NBFIs, and building societies are supervised by the Central Bank of Kenya (CBK). The four largest banks hold over 50 percent of the gross assets in the system and a similar share of deposits, while the ten largest banks account for over three-fourths of both assets and deposits. Two of the four largest banks, the Kenya Commercial Bank (KCB) and the National Bank of Kenya (NBK), are partially government owned, and the other two are majority foreign owned. Government shareholding in the KCB is 35 percent; in NBK, direct government shareholding is 22.5 percent, while the government indirectly holds 47.5 percent through the National Social Security Fund. Four more banks and one NBFI also have government shareholdings, while most of the numerous smaller banks are family owned and operated.

Table 5. Kenya: Commercial Banks, NBFIs, and Foreign Exchange Bureaus, 2001-02

Type of Institution/Bureau	December 2001	December 2002
Commercial banks	48	44
Operating	47	44
Under central bank statutory management	1	0
Building societies	4	4
Mortgage finance companies	2	2
Nonbank financial institutions (NBFIs)	3	3
Operating	3	3
Under central bank statutory management	0	0
Total	57	53
Foreign exchange bureaus	47	48

Source: Central Bank of Kenya.

<sup>24</sup> Prepared by Robert Powell.

<sup>25</sup> Foreign exchange bureaus may buy or sell foreign exchange in cash, traveler's checks, personal checks, and bank drafts. The sale of instruments other than cash is allowed only with explicit approval of the Central Bank of Kenya, which also acts as the licensing authority.

46. **The NBFIs operate like banks, except that they are not allowed to accept demand deposits.** Many of the NBFIs were created as subsidiaries of banks during the era of interest rate controls, in order to circumvent caps on bank lending rates. After interest rate liberalization in the early 1990s and the introduction of cash ratios for both banks and the NBFIs, many of the NBFIs were converted to, or merged with, banks.

47. **The overall share of nonperforming loans (NPLs) in the banking system increased from 30 percent of total advances in June 1999 to 40 percent by December 2002** (Table 6). NPLs net of suspended interest amount to about 30 percent of total loans, or 8.8 percent of GDP. About two-thirds of the NPLs are concentrated in the public sector banks. Recovery of NPLs and liquidation of collateral are extremely difficult in Kenya. Courts routinely issue last-minute injunctions against such actions, thereby drawing out the recovery process. Assets, meanwhile, are stripped or decline in value. A large and increasing backlog of cases in commercial courts also contributes to delays in their finalization.

Table 6. Kenya: Banking Industry Performance Indicators 1999–2002  
(In millions of Kenyan shillings, unless otherwise indicated)

Performance Indicators	June 1999	June 2000	June 2001	June 2002	December 2002
Assets	431,770	433,360	432,878	436,548	462,225
Deposits	313,451	316,056	317,775	332,139	349,270
Total advances (gross)	277,773	289,180	302,122	287,275	297,077
Nonperforming loans (NPLs)	83,485	101,488	122,427	114,292	118,679
Provisions	44,269	64,934	77,222	74,605	73,129
Net NPLs	39,216	36,554	45,205	39,687	45,550
Net NPLs/total advances (in percent)	14	13	15	14	15
NPLs/total advances (in percent)	30	35	41	40	40
Provisions/(NPLs (in percent)	53	64	63	66	62
Capital and reserves	50,075	51,213	55,917	52,738	56,473
Liquid assets/deposit liabilities (in percent)	41	44	42	43	43
Cash ratio (in percent)	12.8	13.5	10.2	9.5	9.2

Source: Central Bank of Kenya.

48. **The largest foreign-owned banks have relatively high-quality assets and thus provide an element of needed stability in a fragile banking sector.** In some smaller banks, however, insider loans, many of them nonperforming, amount to a substantial share of capital, suggesting that CBK regulations on large exposures and insider lending have not always been effectively enforced.

49. **Despite the difficult economic environment, preliminary numbers suggest that most banks appear to have remained profitable through December 2002** (Table 7). However, profitability indicators may decline after the audit of banks' financial statements, which is due to be completed by March 31, 2003. It will be important for banks to make adequate provisions for NPLs. Actual provisioning expenses vary significantly among banks, reflecting in part the uneven application of provisioning standards by the institutions.<sup>26</sup>

Table 7. Kenya: Trends in Profits (Losses), 2000-02

Item	December 2000 (12 months)	December 2001 (12 months)	December 2002 (12 months)
Total income	67,689	61,491	59,108
Expense before provisions	-51,172	-36,903	-44,070
Profit before provisions	16,517	24,588	15,038
Provision for bad debts	-13,721	-14,017	-6,231
Profit before tax	2,796	10,571	8,807

Source: Central Bank of Kenya.

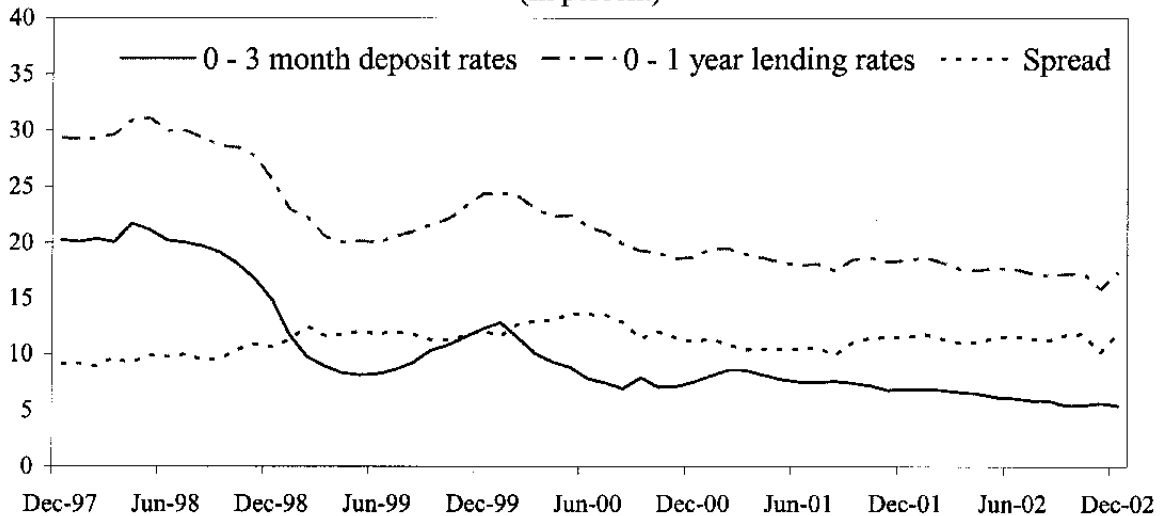
50. **Spreads between deposit and lending rates have narrowed slightly since June 2000 but are still relatively wide** (Figure 10). The spread between average 0- to 3-month deposit rates and average 0- to 1-year borrowing rates increased from about 9 percentage points in late 1998 to a peak of 14 percentage points in June 2000. The wide spreads are in part a reflection of the very high level of NPLs and the need for banks to make provisions for past losses. At end-December 2002, the average lending rate was 17.4 percent, and the average deposit rate was 5.4 percent, implying a spread of about 12 percent.

### C. Factors Contributing to Wide Interest Rate Spreads in Kenya

51. The Central Bank (Amendment) Act 2000 was passed by parliament as a means of limiting the margin (or spread) between commercial bank lending and deposit rates. The constitutionality of this law is currently the subject of court proceedings. The law, if implemented, would set a minimum deposit rate and a maximum lending rate, both linked to the level of the prevailing treasury bill interest rate. The IMF has advised against the implementation of the restrictive provisions of this act, which would likely exacerbate problems in the banking sector and further limit access to credit, especially for small and high-risk borrowers. This subsection explores the factors contributing to wide interest rate spreads and sets out an alternative approach to dealing with concerns about the wide spreads of commercial bank interest rates.

<sup>26</sup> Underprovisioning also distorts the profitability figures and capital asset ratios for some institutions.

Figure 10. Kenya: Commercial Bank Interest Rates, 1997-2002  
(In percent)



Source: Central Bank of Kenya.

52. The wide margins between deposit and lending rates of Kenyan commercial banks reflect a number of factors:

- **High operating costs**, including staff costs, the need for secure premises, equipment, telecommunications systems, contributions to the Deposit Protection Fund (DPF), and other costs contribute to the prevalence of wide interest rate spreads. High labor costs in the banking sector have reportedly been fueled by industrial court wage awards in excess of inflation.
- **Past failure to fully apply the regulatory and prudential supervisory framework** has led to delays in the consolidation of the sector and thus to the preponderance of a large number of smaller commercial banks, which may also contribute to higher operating costs.
- The **high levels of NPLs**, about 30 percent of total deposits, with much higher levels in public sector banks, result in high funding costs.
- The holding of unremunerated cash deposits at the CBK to meet **statutory reserve requirements** acts effectively as a tax on the banking system.
- **Poor transport and telecommunications infrastructure** leads banks to hold large cash balances in order to meet liquidity needs.

53. **Structural measures are needed to reduce cost pressures** in the sector and lower the level of NPLs, so that good borrowers do not subsidize bad borrowers. Specific measures to address these issues could include the following:

- enforcing fully and in a timely fashion **all prudential regulations and associated sanctions by the CBK**, so that weak banks exit the sector (this will permit a timely rationalization of the sector);
- **improving borrower accountability** by limiting the misuse of court injunctions and speeding up the turnover in commercial courts, in part through an increase in the number judges for commercial courts, which should help to lower risk premiums; and
- **divesting public sector interest from the banking system**, which should limit the opportunities for directed lending that have been associated with high NPLs in the past.

54. **Other measures to enhance competition** in banking sector and improve public understanding of banking issues could include

- encouraging regional integration and (pragmatic) harmonization of banking practices with other countries in the region;
- improving public relations and education efforts by the banking sector, supported by the government, with a view to lessening debtor bias in public opinion and the courts; and
- establishing an **independent commission** to review, among others, the cost structure of the commercial banks and the profitability of the sector, and to publicly report on the causes of large spreads.

Table 8. Kenya: Gross Domestic Product by Origin at Constant Prices, 1996-2001

	1996	1997	1998	1999	2000	2001 Prel.
	(In millions of Kenya shillings at 1982 prices)					
Primary sector	27,083	27,409	27,840	28,197	27,644	27,982
Agriculture, forestry, and fishing	26,843	27,165	27,593	27,945	27,390	27,725
Mining and quarrying	240	243	247	252	254	257
Secondary sector	18,729	19,110	19,381	19,572	19,322	19,465
Manufacturing	13,154	13,409	13,597	13,733	13,540	13,649
Construction	4,028	4,093	4,127	4,151	4,121	4,122
Utilities	1,548	1,608	1,658	1,689	1,662	1,695
Tertiary sector	52,339	53,954	55,032	55,933	56,490	57,250
Trade, restaurants, and hotels	11,934	12,407	12,693	12,947	13,077	13,247
Transport, storage, and communications	5,932	6,047	6,118	6,202	6,329	6,522
Finance, insurance, real estate, and business services	9,843	10,361	10,690	10,904	10,945	11,055
Ownership of dwellings	7,899	8,173	8,362	8,507	8,625	8,774
Other services <sup>1</sup>	16,733	16,965	17,168	17,373	17,514	17,652
GDP at factor cost	98,152	100,473	102,253	103,702	103,456	104,697
	(In percent of GDP)					
Primary sector	27.6	27.3	27.2	27.2	26.7	26.7
Agriculture, forestry, and fishing	27.3	27.0	27.0	26.9	26.5	26.5
Mining and quarrying	0.2	0.2	0.2	0.2	0.2	0.2
Secondary sector	19.1	19.0	19.0	18.9	18.7	18.6
Manufacturing	13.4	13.3	13.3	13.2	13.1	13.0
Construction	4.1	4.1	4.0	4.0	4.0	3.9
Utilities	1.6	1.6	1.6	1.6	1.6	1.6
Tertiary sector	53.3	53.7	53.8	53.9	54.6	54.7
Trade, restaurants, and hotels	12.2	12.3	12.4	12.5	12.6	12.7
Transport, storage, and communications	6.0	6.0	6.0	6.0	6.1	6.2
Finance, insurance, real estate, and business services	10.0	10.3	10.5	10.5	10.6	10.6
Ownership of dwellings	8.0	8.1	8.2	8.2	8.3	8.4
Other services <sup>1</sup>	17.0	16.9	16.8	16.8	16.9	16.9
GDP at factor cost	100.0	100.0	100.0	100.0	100.0	100.0
	(Annual percentage change)					
Primary sector	4.5	1.2	1.6	1.3	-2.0	1.2
Secondary sector	3.4	2.0	1.4	1.0	-1.3	0.7
Tertiary sector	5.2	3.1	2.0	1.6	1.0	1.3
GDP at factor cost	4.6	2.4	1.8	1.4	-0.2	1.2

Sources: Government of Kenya, *Statistical Abstract* and *Economic Survey*, various issues.

<sup>1</sup>Includes general government.

Table 9. Kenya: Gross Domestic Product by Origin at Current Prices, 1996-2001

	1996	1997	1998	1999	2000	2001 Prel.
	(In millions of Kenya shillings)					
Primary sector	133,045	147,458	157,844	150,500	136,411	147,899
Agriculture, forestry, and fishing	132,304	146,642	157,021	149,507	135,269	146,639
Mining and quarrying	741	815	823	994	1,143	1,260
Secondary sector	73,527	82,148	96,901	113,625	126,010	139,066
Manufacturing	47,758	54,607	66,006	79,121	88,715	96,969
Construction	20,015	21,263	23,933	27,070	29,134	33,161
Utilities	5,754	6,278	6,962	7,434	8,162	8,937
Tertiary sector	243,049	306,659	338,711	374,931	423,738	485,928
Trade, restaurants, and hotels	82,895	109,804	123,453	138,031	162,391	194,611
Transport, storage, and communications	35,471	41,816	43,255	45,617	50,339	53,107
Finance, insurance, real estate, and business services	55,719	68,747	75,010	76,078	69,750	75,731
Ownership of dwellings	26,132	29,058	30,614	33,391	36,786	39,315
Other services <sup>1</sup>	42,832	57,234	66,380	81,815	104,472	123,163
GDP at factor cost	449,621	536,264	593,456	639,056	686,159	772,893
	(In percent of GDP)					
Primary sector	29.6	27.5	26.6	23.6	19.9	19.1
Agriculture, forestry, and fishing	29.4	27.3	26.5	23.4	19.7	19.0
Mining and quarrying	0.2	0.2	0.1	0.2	0.2	0.2
Secondary sector	16.4	15.3	16.3	17.8	18.4	18.0
Manufacturing	10.6	10.2	11.1	12.4	12.9	12.5
Construction	4.5	4.0	4.0	4.2	4.2	4.3
Utilities	1.3	1.2	1.2	1.2	1.2	1.2
Tertiary sector	54.1	57.2	57.1	58.7	61.8	62.9
Trade, restaurants, and hotels	18.4	20.5	20.8	21.6	23.7	25.2
Transport, storage, and communications	7.9	7.8	7.3	7.1	7.3	6.9
Finance, insurance, real estate, and business services	12.4	12.8	12.6	11.9	10.2	9.8
Ownership of dwellings	5.8	5.4	5.2	5.2	5.4	5.1
Other services <sup>1</sup>	9.5	10.7	11.2	12.8	15.2	15.9
	(Annual percentage change)					
Primary sector	7.9	10.8	7.0	-4.7	-9.4	8.4
Secondary sector	17.9	11.7	18.0	17.3	10.9	10.4
Tertiary sector	16.8	26.2	10.5	10.7	13.0	14.7
GDP at factor cost	14.2	19.3	10.7	7.7	7.4	12.6

Sources: Government of Kenya, *Statistical Abstract* and *Economic Survey*, various issues.

<sup>1</sup>Includes general government.



Table 10. Kenya: Expenditure on Gross Domestic Product at Constant Prices, 1996-2001

	1996	1997	1998	1999	2000	2001 Prel.
(In millions of Kenya shillings at 1982 prices)						
Final consumption expenditures	108,346	115,386	115,661	111,538	117,993	116,030
Private sector	77,591	83,329	82,546	76,987	81,944	78,419
General government	30,755	32,057	33,115	34,551	36,049	37,611
Gross capital formation	20,601	21,908	22,177	21,511	20,589	20,802
Fixed capital formation	18,701	19,080	19,051	18,167	17,713	18,046
General government	3,339	3,590	3,380	3,195	3,055	3,224
Private sector	15,362	15,491	15,672	14,972	14,658	14,822
Change in inventories	1,900	2,827	3,126	3,344	2,875	2,755
Gross domestic expenditure	128,947	137,293	137,838	133,049	138,581	136,832
Net exports	-16,889	-22,890	-21,598	-15,307	-21,033	-17,987
Exports of goods and services	34,633	29,987	28,437	32,123	34,979	37,373
Imports of goods and services	-51,522	-52,876	-50,035	-47,430	-56,012	-55,360
GDP at market prices	112,058	114,403	116,240	117,742	117,548	118,845
Net indirect taxes	13,906	13,930	13,988	14,040	14,092	14,148
GDP at factor cost	98,152	100,473	102,253	103,702	103,456	104,697
(In percent of GDP at market prices)						
Final consumption expenditures	96.7	100.9	99.5	94.7	100.4	97.6
Private sector	69.2	72.8	71.0	65.4	69.7	66.0
General government	27.4	28.0	28.5	29.3	30.7	31.6
Gross capital formation	18.4	19.1	19.1	18.3	17.5	17.5
Fixed capital formation	16.7	16.7	16.4	15.4	15.1	15.2
General government	3.0	3.1	2.9	2.7	2.6	2.7
Private sector	13.7	13.5	13.5	12.7	12.5	12.5
Change in inventories	1.7	2.5	2.7	2.8	2.4	2.3
Gross domestic expenditure	115.1	120.0	118.6	113.0	117.9	115.1
Net exports	-15.1	-20.0	-18.6	-13.0	-17.9	-15.1
Exports of goods and services	30.9	26.2	24.5	27.3	29.8	31.4
Imports of goods and services	-46.0	-46.2	-43.0	-40.3	-47.7	-46.6
GDP at market prices	100.0	100.0	100.0	100.0	100.0	100.0
(Annual percentage change)						
Final consumption expenditures	2.8	6.5	0.2	-3.6	5.8	-1.7
Private sector	2.8	7.4	-0.9	-6.7	6.4	-4.3
General government	2.7	4.2	3.3	4.3	4.3	4.3
Gross capital formation	4.6	6.3	1.2	-3.0	-4.3	1.0
Fixed capital formation	1.3	2.0	-0.2	-4.6	-2.5	1.9
General government	-15.1	7.5	-5.8	-5.5	-4.4	5.5
Private sector	5.7	0.8	1.2	-4.5	-2.1	1.1
Change in inventories	54.4	48.8	10.6	7.0	-14.0	-4.2
Gross domestic expenditure	3.1	6.5	0.4	-3.5	4.2	-1.3
Net exports						
Exports of goods and services	4.6	-13.4	-5.2	13.0	8.9	6.8
Imports of goods and services	1.8	2.6	-5.4	-5.2	18.1	-1.2
GDP at market prices	4.1	2.1	1.6	1.3	-0.2	1.1
Net indirect taxes	0.8	0.2	0.4	0.4	0.4	0.4
GDP at factor cost	4.6	2.4	1.8	1.4	-0.2	1.2

Sources: Government of Kenya, *Statistical Abstract* and *Economic Survey*, various issues.

Table 11. Kenya: Expenditure on Gross Domestic Product at Current Prices, 1996-2001

	1996	1997	1998	1999	2000	2001 Prel.
	(In millions of Kenya shillings)					
Final consumption expenditures	443,965	553,884	623,698	665,001	749,097	845,902
Private sector	359,442	453,173	510,130	539,058	609,938	695,472
General government	84,523	100,712	113,568	125,943	139,159	150,430
Gross capital formation	107,470	115,273	120,089	120,103	122,510	129,540
Fixed capital formation	104,470	109,873	113,879	112,961	116,369	124,259
General government	18,813	19,474	19,113	18,640	19,359	21,411
Private sector	85,657	90,399	94,766	94,321	97,009	102,848
Change in inventories	3,000	5,400	6,210	7,142	6,142	5,282
Gross domestic expenditure	551,435	669,157	743,787	785,103	871,607	975,443
Net exports	-22,695	-45,922	-52,877	-42,968	-75,635	-80,164
Exports of goods and services	172,459	174,846	171,895	189,265	211,433	234,213
Imports of goods and services	-195,155	-220,769	-224,772	-232,233	-287,067	-314,377
GDP at market prices	528,739	623,235	690,910	742,136	795,972	895,278
Net indirect taxes	79,118	86,971	97,489	103,080	109,813	122,386
GDP at factor cost	449,621	536,264	593,421	639,056	686,159	772,893
	(In percent of GDP)					
Final consumption expenditures	84.0	88.9	90.3	89.6	94.1	94.5
Private sector	68.0	72.7	73.8	72.6	76.6	77.7
General government	16.0	16.2	16.4	17.0	17.5	16.8
Gross capital formation	20.3	18.5	17.4	16.2	15.4	14.5
Fixed capital formation	19.8	17.6	16.5	15.2	14.6	13.9
General government	3.6	3.1	2.8	2.5	2.4	2.4
Private sector	16.2	14.5	13.7	12.7	12.2	11.5
Change in inventories	0.6	0.9	0.9	1.0	0.8	0.6
Gross domestic expenditure	104.3	107.4	107.7	105.8	109.5	109.0
Net exports	-4.3	-7.4	-7.7	-5.8	-9.5	-9.0
Exports of goods and services	32.6	28.1	24.9	25.5	26.6	26.2
Imports of goods and services	-36.9	-35.4	-32.5	-31.3	-36.1	-35.1
GDP at market prices	100.0	100.0	100.0	100.0	100.0	100.0
	(Annual percentage change, unless otherwise indicated)					
Final consumption expenditures	13.5	24.8	12.6	6.6	12.6	12.9
Private sector	11.5	26.1	12.6	5.7	13.1	14.0
General government	22.4	19.2	12.8	10.9	10.5	8.1
Gross capital formation	5.9	7.3	4.2	0.0	2.0	5.7
Fixed capital formation	5.0	5.2	3.6	-0.8	3.0	6.8
General government	-5.7	3.5	-1.9	-2.5	3.9	10.6
Private sector	7.7	5.5	4.8	-0.5	2.9	6.0
Change in inventories	48.5	80.0	15.0	15.0	-14.0	-14.0
Gross domestic expenditure	11.9	21.3	11.2	5.6	11.0	11.9
Net exports						
Exports of goods and services	13.0	1.4	-1.7	10.1	11.7	10.8
Imports of goods and services	8.3	13.1	1.8	3.3	23.6	9.5
GDP at market prices	13.6	17.9	10.9	7.4	7.3	12.5
Memorandum items:						
Current account deficit, (including official transfers (in percent of GDP)	0.4	-4.2	-4.9	-2.2	-2.7	-3.5
National savings (in percent of GDP)	20.7	14.3	12.5	14.0	12.7	11.0
Of which: central government	0.0	2.1	3.6	3.5	1.9	0.3

Sources: Government of Kenya, *Statistical Abstract* and *Economic Survey*, various issues.

Table 12. Kenya: Gross Domestic Product, GDP Deflator, Population, and Real Per Capita GDP, 1987-2001

	GDP at Market Prices		GDP Deflator	Population	Real Per Capita GDP
	1982 prices	Current prices			
	(In millions of Kenya shillings)		(Index, 1982=100)	(In millions)	(In Kenya shillings)
1987	85,833	131,169	152.8	21.3	4,027
1988	91,044	148,284	162.9	22.1	4,128
1989	95,369	170,406	178.7	22.8	4,182
1990	99,434	196,435	197.6	23.6	4,222
1991	100,864	224,232	222.3	24.3	4,154
1992	100,058	264,473	264.3	25.0	4,005
1993	100,411	333,613	332.2	25.7	3,913
1994	103,055	400,679	388.8	26.3	3,917
1995	107,595	465,272	432.4	26.9	3,997
1996	112,058	528,739	471.8	27.5	4,069
1997	114,403	623,235	544.8	28.2	4,062
1998	116,240	690,910	594.4	28.8	4,038
1999	117,742	742,136	630.3	29.4	4,003
2000	117,548	795,972	677.1	30.1	3,911
2001	118,845	895,278	753.3	30.7	3,876
	(Annual percentage change)				
1987	5.9	11.7	5.4	3.8	2.0
1988	6.1	13.0	6.6	3.5	2.5
1989	4.8	14.9	9.7	3.4	1.3
1990	4.3	15.3	10.6	3.3	1.0
1991	1.4	14.2	12.5	3.1	-1.6
1992	-0.8	17.9	18.9	2.9	-3.6
1993	0.4	26.1	25.7	2.7	-2.3
1994	2.6	20.1	17.0	2.5	0.1
1995	4.4	16.1	11.2	2.3	2.0
1996	4.1	13.6	9.1	2.3	1.8
1997	2.1	17.9	15.5	2.3	-0.2
1998	1.6	10.9	9.1	2.2	-0.6
1999	1.3	7.4	6.0	2.2	-0.8
2000	-0.2	7.3	7.4	2.2	-2.3
2001	1.1	12.5	11.2	2.0	-0.9

Sources: Government of Kenya, *Economic Survey*, various issues; World Bank, *World Development Indicators*, various issues; and Fund staff estimates.

Table 13. Kenya: Gross Fixed Capital Formation at Current Prices, 1996–2001

	1996	1997	1998	1999	2000	2001 Prel.
(In millions of Kenya shillings)						
Gross fixed capital formation	104,909	109,029	112,867	111,594	116,239	121,933
General government	18,813	19,474	19,113	18,640	19,359	21,411
Enterprises and nonprofit institutions	86,096	89,555	93,754	92,954	96,879	100,523
Agriculture, forestry, and fishing	6,896	6,995	8,139	7,752	8,339	8,664
Mining and quarrying	741	877	972	1,082	1,087	1,094
Manufacturing	23,458	24,203	25,118	23,869	23,978	25,493
Construction and ownership of dwellings	11,634	13,945	13,672	14,000	16,189	15,894
Utilities	7,837	6,983	8,527	8,358	9,032	8,640
Finance, insurance, real estate, and business services	4,485	4,831	4,890	5,114	5,212	6,198
Trade, restaurants, and hotels	3,391	3,846	3,657	3,756	3,505	4,302
Transport, storage, and communications	24,253	24,253	24,253	24,253	24,253	24,254
Other services	3,400	3,622	4,527	4,770	5,284	5,985
(In percent of GDP, unless otherwise indicated)						
Gross fixed capital formation	19.8	17.5	16.3	15.0	14.6	13.6
General government	3.6	3.1	2.8	2.5	2.4	2.4
Enterprises and nonprofit institutions	16.3	14.4	13.6	12.5	12.2	11.2
Agriculture, forestry, and fishing	1.3	1.1	1.2	1.0	1.0	1.0
Mining and quarrying	0.1	0.1	0.1	0.1	0.1	0.1
Manufacturing	4.4	3.9	3.6	3.2	3.0	2.8
Construction and ownership of dwellings	2.2	2.2	2.0	1.9	2.0	1.8
Utilities	1.5	1.1	1.2	1.1	1.1	1.0
Finance, insurance, real estate, and business services	0.8	0.8	0.7	0.7	0.7	0.7
Trade, restaurants, and hotels	0.6	0.6	0.5	0.5	0.4	0.5
Transport, storage, and communications	4.6	3.9	3.5	3.3	3.0	2.7
Other services	0.6	0.6	0.7	0.6	0.7	0.7
Memorandum item:						
GDP at market prices (in millions of Kenya shillings)	528,739	623,235	690,910	742,136	795,972	895,278

Sources: Government of Kenya, *Statistical Abstract* and *Economic Survey*, various issues.

Table 14. Kenya: Sales of Agricultural Production to the Marketing Boards, 1996–2001

	1996	1997	1998	1999	2000	2001 Prel.
	(In thousands of metric tons) <sup>1</sup>					
Coffee	103.2	68.0	51.3	64.3	98.0	54.6
Tea	257.2	220.7	294.3	244.8	236.3	294.6
Maize	295.5	204.6	218.0	223.5	201.2	376.5
Wheat	130.0	124.2	176.7	52.9	70.5	131.8
Rice (paddy)	15.9	14.4	11.7	24.3	18.7	19.3
Sugarcane	3,870.5	4,278.3	4,661.0	4,415.8	3,941.5	3,550.8
Cotton	0.5	0.5	0.5	0.2	0.5	0.5
Sisal	28.1	20.1	18.1	21.9	21.4	23.2
Pyrethrum extract	90.0	90.0	70.0	80.0	70.0	80.0
	(Annual percentage change)					
Coffee	7.7	-34.1	-24.6	25.3	52.4	-44.3
Tea	5.2	-14.2	33.3	-16.8	-3.5	24.7
Maize	-26.3	-30.8	6.5	2.5	-10.0	87.1
Wheat	3.6	-4.5	42.3	-70.1	33.3	87.0
Rice (paddy)	8.9	-9.4	-18.8	107.7	-23.0	3.2
Sugarcane	-4.1	10.5	8.9	-5.3	-10.7	-9.9
Cotton	150.0	0.0	0.0	-60.0	150.0	0.0
Sisal	0.7	-28.5	-10.0	21.0	-2.3	8.4
Pyrethrum extract	-26.7	0.0	-22.2	14.3	-12.5	14.3

Sources: Government of Kenya, *Statistical Abstract* and *Economic Survey*, various issues.

<sup>1</sup>Except pyrethrum, which is expressed in metric tons.

Table 15. Kenya: Value of Agricultural Production Sold to the Marketing Boards, 1996–2001

	1996	1997	1998	1999	2000	2001 Prel.
(In millions of Kenya shillings)						
Coffee	14,358	16,546	13,198	10,050	11,282	6,424
Tea	20,336	23,635	39,137	31,088	35,970	38,565
Maize	3,119	2,809	2,986	3,097	2,915	5,188
Wheat	2,113	2,198	2,800	1,005	1,133	2,375
Sugarcane	7,125	6,644	7,967	7,639	7,942	7,155
Sisal	546	781	795	875	810	957
Pyrethrum extract	335	322	350	406	729	769
Livestock and derivatives	14,239	14,785	14,109	15,461	13,949	15,555
Other	2,877	3,414	3,458	4,109	4,045	3,951
Total	65,048	71,134	84,802	73,731	78,775	80,938
(In percentage of total value)						
Coffee	22.1	23.3	15.6	13.6	14.3	7.9
Tea	31.3	33.2	46.2	42.2	45.7	47.6
Maize	4.8	3.9	3.5	4.2	3.7	6.4
Wheat	3.2	3.1	3.3	1.4	1.4	2.9
Sugarcane	11.0	9.3	9.4	10.4	10.1	8.8
Sisal	0.8	1.1	0.9	1.2	1.0	1.2
Pyrethrum extract	0.5	0.5	0.4	0.6	0.9	1.0
Livestock and derivatives	21.9	20.8	16.6	21.0	17.7	19.2
Other	4.4	4.8	4.1	5.6	5.1	4.9
Total	100.0	100.0	100.0	100.0	100.0	100.0

Sources: Government of Kenya, *Statistical Abstract* and *Economic Survey*, various issues.

Table 16. Kenya: Average Prices to Producers For Selected Commodities, 1996-2001<sup>1</sup>

	1996	1997	1998	1999	2000	2001 Prel.
	(Kenya shillings per hundred kilograms, unless otherwise indicated)					
Coffee	13,914	25,150	25,178	15,632	11,509	11,776
Tea	7,908	10,680	13,300	12,500	15,223	13,089
Maize	1,055	1,373	1,284	1,386	1,449	1,360
Wheat	1,563	1,770	1,690	1,815	1,652	1,801
Sugarcane (per ton)	1,553	1,553	1,730	1,730	2,015	2,015
Seed cotton	2,136	2,000	2,096	2,100	1,910	1,800
Sisal	1,915	3,891	3,974	3,990	3,779	4,123
Pyrethrum extract (per kilogram)	3,600	3,600	5,200	5,200	9,835	9,835
Beef (third grade)	3,400	3,580	3,824	4,799	8,154	9,375
Bacon	6,600	8,174	7,651	8,164	9,022	9,516
Milk (per hundred liters)	1,250	1,450	1,549	1,494	1,500	1,300
	(Annual percentage change)					
Coffee	-12.9	80.8	0.1	-37.9	-26.4	2.3
Tea	16.5	35.1	24.5	-6.0	21.8	-14.0
Maize	31.9	30.1	-6.5	7.9	4.6	-6.2
Wheat	20.2	13.2	-4.5	7.4	-9.0	9.0
Sugarcane (per ton)	0.0	0.0	11.4	0.0	16.5	0.0
Seed cotton	24.2	-6.4	4.8	0.2	-9.0	-5.8
Sisal	0.0	103.2	2.1	0.4	-5.3	9.1
Pyrethrum extract (per kilogram)	0.0	0.0	44.4	0.0	89.1	0.0
Beef (third grade)	3.0	5.3	6.8	25.5	69.9	15.0
Bacon	1.5	23.8	-6.4	6.7	10.5	5.5
Milk (per hundred liters)	-13.8	16.0	6.8	-3.6	0.4	-13.3

Sources: Government of Kenya, *Statistical Abstract* and *Economic Survey*, various issues.

<sup>1</sup>These prices are for calendar-year deliveries and reflect actual payouts, although average prices for two seasons that overlap during a calendar year may have differed. For coffee and tea, the prices are processed coffee and made tea, respectively.

Table 17. Kenya: Quantity Index of Manufacturing Output, 1996–2001

	1996	1997	1998	1999	2000	2001 Prel.
	(Indices, 1976=100)					
Food processing	194.2	195.3	200.1	204.9	199.4	200.8
Beverages and tobacco	207.5	203.0	203.7	159.7	166.1	158.2
Textiles	125.7	119.6	118.6	118.7	115.5	114.7
Clothing	152.0	142.4	148.4	154.8	167.2	172.8
Leather and footwear	68.8	61.6	57.9	48.6	54.6	59.5
Wood and cork products	74.8	74.9	73.4	82.3	75.1	71.7
Furniture and fixtures	54.5	54.7	55.9	55.9	56.1	57.0
Paper and paper products	192.1	196.5	222.3	238.1	258.5	263.3
Printing and publishing	465.0	465.9	465.9	466.4	424.5	424.7
Basic industrial chemicals	201.6	157.5	168.8	162.6	140.6	147.7
Petroleum and other chemicals	531.7	591.7	594.8	616.8	659.4	741.8
Rubber products	630.9	678.0	668.3	590.8	588.1	581.1
Plastic products	397.5	510.9	608.7	697.6	781.8	837.0
Clay and glass products	2,376.3	2,254.6	2,437.0	1,623.0	1,191.7	1,052.4
Nonmetallic minerals	219.5	230.6	216.7	216.9	153.8	131.6
Metal products	246.4	298.6	252.9	270.1	238.1	237.7
Nonelectrical machinery	113.9	88.7	86.7	85.1	86.1	89.1
Electrical machinery	266.9	213.3	221.9	188.4	188.7	199.4
Transport equipment	713.7	594.9	433.3	360.1	241.5	212.6
Miscellaneous manufactures	569.1	661.6	765.2	917.5	1,149.6	1,190.9
Total manufacturing	272.9	278.1	282.2	285.6	281.4	283.6
	(Annual percentage change)					
Food processing	-0.1	0.6	2.5	2.4	-2.7	0.7
Beverages and tobacco	-10.1	-2.2	0.3	-21.6	4.0	-4.8
Textiles	-7.9	-4.9	-0.8	0.1	-2.7	-0.7
Clothing	-0.7	-6.3	4.2	4.3	8.0	3.3
Leather and footwear	4.7	-10.5	-6.0	-16.1	12.3	9.0
Wood and cork products	1.9	0.1	-2.0	12.1	-8.7	-4.5
Furniture and fixtures	3.8	0.4	2.2	0.0	0.4	1.6
Paper and paper products	25.6	2.3	13.1	7.1	8.6	1.9
Printing and publishing	3.0	0.2	0.0	0.1	-9.0	0.0
Basic industrial chemicals	-3.5	-21.9	7.2	-3.7	-13.5	5.0
Petroleum and other chemicals	8.1	11.3	0.5	3.7	6.9	12.5
Rubber products	1.6	7.5	-1.4	-11.6	-0.5	-1.2
Plastic products	3.3	28.5	19.1	14.6	12.1	7.1
Clay and glass products	13.2	-5.1	8.1	-33.4	-26.6	-11.7
Nonmetallic minerals	4.7	5.1	-6.0	0.1	-29.1	-14.4
Metal products	19.1	21.2	-15.3	6.8	-11.8	-0.2
Nonelectrical machinery	45.8	-22.1	-2.3	-1.8	1.2	3.5
Electrical machinery	5.2	-20.1	4.0	-15.1	0.2	5.7
Transport equipment	34.9	-16.6	-27.2	-16.9	-32.9	-12.0
Miscellaneous manufactures	20.5	16.3	15.7	19.9	25.3	3.6
Total manufacturing	3.4	1.9	1.5	1.2	-1.5	0.8

Sources: Government of Kenya, *Statistical Abstract* and *Economic Survey*, various issues.



Table 18. Kenya: Selected Statistics on Construction Activity, 1996–2001

	1996	1997	1998	1999	2000	2001 Prel.
Cement consumption (in thousands of tons)	1,162	1,137	1,072	1,111	1,067	1,089
Value added at constant prices (in millions of Kenya shillings at 1982 prices)	4,028	4,093	4,127	4,151	4,121	4,122
Employment (in thousands)	78.8	79.8	79.2	78.7	78.6	76.6
Value of building plans approved (in millions of Kenya shillings)	15,125	15,052	12,752	11,130	9,975	9,554
New private buildings in main towns						
Number	1,492	1,482	1,472	1,135	1,054	940
Value (in millions of Kenya shillings)	1,465	1,610	1,530	1,275	1,216	975
New public buildings in main towns						
Number	109	99	73	55	21	24
Value (in millions of Kenya shillings)	46	46	44	31	16	27

Sources: Government of Kenya, *Statistical Abstract* and *Economic Survey*, various issues.

Table 19. Kenya: Energy Supply-and-Demand Balances, 1996–2001

	1996	1997	1998	1999	2000	2001 Prel.
(In thousands of tons)						
Petroleum						
Demand	2,784.2	2,921.9	2,942.1	3,029.1	2,986.3	2,935.6
Domestic demand	2,333.4	2,268.9	2,293.2	2,401.8	2,544.4	2,466.5
Liquefied gas	31.2	30.7	31.3	32.2	33.4	35.6
Premium and regular gasoline	399.3	390.6	395.8	384.6	365.7	374.3
Aviation spirit	4.6	4.1	3.2	2.5	2.2	2.4
Jet/turbo fuel	444.6	431.9	419.4	418.7	432.2	417.3
Illuminating kerosene	253.8	267.6	318.2	406.8	383.7	306.1
Light diesel oil	646.3	615.9	607.5	601.7	712.8	663.7
Heavy diesel oil	26.6	47.6	26.4	25.7	28.1	27.7
Fuel oil	424.2	386.9	397.3	439.4	490.0	558.1
Refinery usage	102.8	93.6	94.1	90.2	96.3	81.3
Export demand	450.8	653	648.9	627.3	441.9	469.1
Supply	2,784.2	2,921.9	2,942.1	3,029.1	2,986.3	2,935.6
Imports of crude oil	1,412.9	1,833.7	2,157.7	2,139.3	2,452.3	1,965.6
Petroleum fuels	963.9	893.7	1,387.8	1,250.9	874.9	1,208.3
Adjustment	407.4	194.5	603.4	-361.1	-340.9	-238.3
(In millions of kilowatt-hours)						
Electricity						
Demand	3,408	3,555	3,615	3,717	3,211	3,655
Domestic	674	697	761	804	675	792
Off peak	100	86	89	92	60	57
Large industrial and commercial	1,491	1,536	1,526	1,513	1,347	1,498
Medium industrial and commercial	618	657	667	680	605	684
Small commercial	375	418	414	466	391	490
Street lighting	12	10	11	9	9	5
Rural electrification	138	150	147	153	125	128
Supply	4,276	4,389	4,559	4,582	4,179	4,338
Net generation	4,140	4,240	4,420	4,432	3,958	4,225
Imports from Uganda	137	150	139	150	221	114

Sources: Government of Kenya, *Statistical Abstract* and *Economic Survey*, various issues.

Table 20. Kenya: Employment by Industry and Sector, 1996–2001  
(Number of people employed)

	1996	1997	1998	1999	2000	2001 Prel.
Total employment	1,618,841	1,647,434	1,664,904	1,673,550	1,695,300	1,663,600
Agriculture and forestry	302,940	305,558	308815	311,257	312,200	312,500
Mining and quarrying	4,851	4,964	5040	5,162	5,300	5,200
Manufacturing	210,423	214,493	216889	219,604	218,700	216,600
Electricity and water	23,356	23,445	23184	22,713	22,700	21,400
Building and construction	78,811	79,924	79256	78,647	78,600	76,800
Wholesale and retail trade	143,177	148,204	150727	153,629	155,500	156,900
Transport and communications	86,267	85,852	84980	83,805	84,200	84,300
Finance, insurance, and business services	81,051	83,165	84003	84,528	85,000	70,300
Community, social, and personal services	687,965	701,829	712010	714,205	733,100	719,600
Private sector	917,939	946,786	967,193	990,315	1,002,800	1,018,700
Agriculture and forestry	236,572	240,594	245,207	249,577	251300	254700
Mining and quarrying	4,133	4,264	4,345	4,497	4600	4600
Manufacturing	172,269	177,082	180,783	184,036	182900	183100
Electricity and water	1,332	1,488	1,480	1,521	1500	1600
Building and construction	49,592	51,593	51,856	52,163	52300	52400
Wholesale and retail trade	136,185	141,680	144,327	147,306	149100	150800
Transport and communications	41,443	43,100	43,083	43,660	44500	46200
Finance, insurance, and business services	62,613	65,358	66,803	68,119	68800	68800
Community, social, and personal services	213,800	221,627	229,309	239,436	247800	256500
Public sector	700,902	700,648	697,711	683,235	692,500	644,900
Agriculture and forestry	66,368	64,964	63,608	61,680	60,900	57,800
Mining and quarrying	718	700	695	665	700	600
Manufacturing	38,154	37,411	36,106	35,568	35,800	33,500
Electricity and water	22,024	21,957	21,704	21,192	21,200	19,800
Building and construction	29,219	28,331	27,400	26,484	26,300	24,400
Wholesale and retail trade	6,992	6,524	6,400	6,323	6,400	6,100
Transport and communications	44,824	42,752	41,897	40,145	39,700	38,100
Finance, insurance, and business services	18,438	17,807	17,200	16,409	16,200	1,500
Community, social, and personal services	474,165	480,202	482,701	474,769	485,300	463,100

Sources: Government of Kenya, *Statistical Abstract* and *Economic Survey*, various issues.

Table 21. Kenya: Average Wage Earnings per Employee by Industry and Sector, 1996–2001  
(In Kenya shillings)

	1996	1997	1998	1999	2000	2001 Prel.
Private and public sector	82,428	99,714	131,569	150,316	173,032	198,802
Private sector	86,267	103,704	131,152	152,459	175,846	202,083
Agriculture and forestry	35,626	42,658	50,937	59,287	67,062	74,596
Mining and quarrying	54,562	62,437	71,187	80,320	90,008	102,657
Manufacturing	94,247	113,956	135,791	158,205	177,614	194,870
Electricity and water	99,408	123,362	161,373	236,174	274,462	316,977
Building and construction	80,839	96,905	116,436	136,234	156,828	175,759
Wholesale and retail trade	127,082	153,343	183,966	215,341	251,308	291,621
Transport and communications	139,762	151,437	196,999	227,428	266,585	322,235
Finance, insurance, and business services	173,421	205,833	241,478	277,763	320,498	374,016
Community, social, and personal services	75,771	92,893	139,547	161,523	187,980	219,899
Public sector	77,401	94,323	132,136	147,279	168,956	193,831
Agriculture and forestry	47,817	59,931	74,567	85,629	102,187	119,596
Mining and quarrying	84,635	103,911	122,997	133,655	151,278	168,081
Manufacturing	69,359	113,331	94,751	106,592	124,847	143,855
Electricity and water	114,637	143,154	154,092	175,692	209,573	245,502
Building and construction	71,365	86,972	108,632	124,530	148,240	173,509
Wholesale and retail trade	101,703	124,913	153,094	171,761	200,685	230,178
Transport and communications	104,589	128,436	157,607	180,018	215,426	255,717
Finance, insurance, and business services	202,949	281,601	290,390	334,889	401,016	469,825
Community, social, and personal services	73,010	85,285	134,743	148,774	168,009	191,127

Sources: Government of Kenya, *Statistical Abstract* and *Economic Survey*, various issues.

Table 22. Kenya: Employment and Earnings in the Public Sector, 1996–2001

	1996	1997	1998	1999	2000	2001 Prel.
	(In thousands)					
Employment	700.9	697.2	711.2	698.9	692.5	658.4
Central government	228.0	215.7	227.6	224.0	222.9	195.7
Teachers' Service Commission	232.9	241.3	247.7	242.3	236.8	231.3
Parastatal bodies <sup>1</sup>	114.3	112.8	108.9	105.3	104.1	101.6
Other public sector <sup>2</sup>	53.9	52.5	49.9	48.5	48.0	47.5
Local governments	71.8	74.9	77.1	78.8	80.7	82.3
	(In millions of Kenya shillings)					
Gross earnings	55,218	66,066	93,975	102,919	117,002	127,618
Central government	18,304	20,810	25,962	26,664	26,982	26,589
Teachers' Service Commission	14,570	18,304	36,184	36,589	36,921	37,855
Parastatal bodies <sup>1</sup>	10,170	11,866	13,933	17,886	23,676	27,919
Other public sector <sup>2</sup>	5,938	7,158	8,232	9,642	14,389	17,174
Local governments	6,236	7,928	9,664	12,138	15,035	18,082
	(In Kenya shillings)					
Average monthly earnings	6,565	7,897	11,011	12,272	14,080	16,153
Central government	6,690	8,040	9,506	9,920	10,087	11,322
Teachers' Service Commission	5,213	6,321	12,173	12,584	12,993	13,638
Parastatal bodies <sup>1</sup>	7,415	8,766	10,662	14,155	18,953	22,899
Other public sector <sup>2</sup>	9,181	11,362	13,748	16,567	24,981	30,131
Local governments	7,237	8,821	10,445	12,836	15,525	18,309

Source: Government of Kenya, *Statistical Abstract*, various issues.

<sup>1</sup>Includes Kenya Railways, Kenya Ports Authority, Kenya Post and Telecommunications Corporation, and Kenya Airways.

<sup>2</sup>Corporations.

Table 23. Kenya: Consumer Price Indices (CPI), December 1997-December 2002

	1997	1998	1999				2000				2001				2002			
	Dec.	Dec.	Mar.	June	Sep.	Dec.	Mar.	June	Sep.	Dec.	Mar.	June	Sep.	Dec.	Mar.	June	Sep.	Dec.
	(Index, October 1997 = 100)																	
All item	103.8	104.5	110.9	113.1	114.5	115.4	117.5	125.8	127.8	129.0	128.6	131.6	131.7	131.1	131.2	135.3	134.0	136.7
Food and nonalcoholic beverages	105.1	102.7	113.1	116.4	117.0	117.0	120.0	133.9	135.6	136.3	133.8	137.7	135.7	134.8	134.8	141.5	138.6	142.5
Alcohol and tobacco	105.3	112.5	114.3	112.9	115.6	116.2	117.6	118.1	122.1	120.8	119.4	123.0	136.5	136.3	136.2	135.8	137.7	137.1
Clothing and footwear	101.8	104.8	104.5	103.9	108.0	107.3	107.3	107.5	109.7	109.9	109.1	108.7	109.1	109.8	110.1	109.7	110.0	110.7
Housing	100.0	104.7	109.1	111.5	111.5	116.5	117.1	118.2	119.0	121.6	124.7	125.2	129.3	129.3	129.4	132.0	131.5	133.9
Fuel and power	108.1	108.1	107.1	110.8	118.1	123.4	122.9	131.8	133.7	143.1	153.2	162.2	161.7	154.1	154.8	160.8	161.9	165.8
Household goods and services	103.2	108.0	109.1	109.9	111.7	112.2	112.6	112.9	117.4	117.6	117.5	119.1	119.1	119.0	119.5	119.6	120.3	120.8
Medical goods and services	100.3	104.5	108.5	111.4	118.6	120.0	121.8	129.9	133.2	134.1	142.9	145.7	152.0	152.6	153.8	153.6	155.9	158.8
Transport and communications	103.0	107.7	106.7	107.8	108.9	113.0	113.8	121.9	123.8	128.4	126.8	127.6	128.2	127.7	128.2	127.9	129.1	130.8
Recreation and education	100.8	103.8	109.6	110.5	111.0	111.2	114.6	116.6	119.5	120.2	122.3	127.1	127.8	129.6	129.7	132.3	132.4	132.8
Personal goods and services	103.7	109.0	109.3	109.8	110.4	110.9	112.2	112.9	117.5	118.2	118.2	119.7	120.3	120.5	120.4	121.7	122.2	122.8
All items, <sup>1</sup> excluding:																		
Food	102.3	106.3	108.2	109.3	111.5	113.7	114.5	117.1	119.5	121.6	123.3	125.4	127.6	127.2	127.5	128.9	129.4	130.8
Food and fuel	101.8	106.1	108.3	109.2	110.9	112.8	113.8	115.8	118.2	119.6	120.6	122.0	124.4	124.8	125.0	126.0	126.4	127.6
Rent and food	103.1	106.8	107.9	108.6	111.5	112.8	113.7	116.8	119.7	121.6	122.9	125.4	127.0	126.6	126.9	127.9	128.7	129.8
Rent, food, fuel, and power	102.4	106.6	108.0	108.4	110.7	111.5	112.6	114.9	118.0	119.0	119.1	120.8	122.7	123.2	123.5	123.8	124.6	125.4
Food, fuel, power, transport and communications	101.6	105.9	108.5	109.4	111.2	112.7	113.8	114.9	117.4	118.4	119.7	121.1	123.9	124.3	124.5	125.7	126.0	127.1
Rent, food, fuel, power, transport, and communications	102.3	106.4	108.2	108.5	111.0	111.1	112.4	113.5	116.8	117.0	117.5	119.4	121.6	122.2	122.5	123.0	123.7	124.2
	(Twelve-month percentage change)																	
Composite index																		
All item	...	0.7	3.0	5.0	8.4	10.5	5.9	11.2	11.6	11.8	9.5	4.6	3.1	1.6	2.0	2.8	1.8	4.2
Food and nonalcoholic beverages	...	-2.3	2.4	6.2	11.2	13.9	6.1	15.1	15.9	16.6	13.5	2.8	0.1	-1.1	0.7	2.7	2.1	5.7
Alcohol and tobacco	...	6.8	7.1	2.2	3.4	3.3	2.9	4.6	5.6	4.0	1.5	4.1	11.8	12.9	14.1	10.4	0.9	0.6
Clothing and footwear	...	2.9	1.2	-0.3	2.9	2.4	2.7	3.4	1.5	2.4	1.7	1.1	-0.5	-0.1	0.9	1.0	0.8	0.8
Housing	...	4.7	8.8	9.7	8.5	11.3	7.3	6.0	6.7	4.4	6.4	5.9	8.6	6.3	3.8	5.5	1.8	3.5
Fuel and power	...	0.1	-4.4	0.4	8.3	14.1	14.8	18.9	13.2	15.9	24.7	23.1	20.9	7.7	1.0	-0.9	0.1	7.5
Household goods and services	...	4.7	3.9	2.3	3.3	3.8	3.2	2.8	5.1	4.8	4.3	5.4	1.5	1.2	1.7	0.4	1.0	1.5
Medical goods and services	...	4.2	7.8	8.3	13.7	14.9	12.2	16.6	12.3	11.7	17.3	12.1	14.1	13.8	7.6	5.5	2.6	4.1
Transport and communications	...	4.5	-5.9	-4.1	-1.7	4.9	6.6	13.1	13.8	13.7	11.4	4.7	3.5	-0.5	1.1	0.2	0.7	2.4
Recreation and education	...	3.0	7.4	8.0	7.1	7.1	4.6	5.6	7.7	8.1	6.7	9.0	6.9	7.8	6.1	4.0	3.6	2.5
Personal goods and services	...	5.1	3.3	1.6	1.6	1.7	2.7	2.8	6.4	6.6	5.3	6.0	2.4	2.0	1.8	1.7	1.5	1.9
All items, <sup>1</sup> excluding:																		
Food	...	3.9	3.2	3.4	4.9	6.9	5.9	7.1	7.2	7.0	7.7	7.0	6.7	4.6	3.4	2.8	1.4	2.8
Food and fuel	...	4.2	4.0	3.7	4.6	6.2	5.1	6.0	6.6	6.1	6.0	5.3	5.2	4.3	3.7	3.3	1.6	2.3
Rent and food	...	3.6	1.6	1.5	3.9	5.6	5.4	7.5	7.4	7.8	8.0	7.4	6.1	4.1	3.3	2.0	1.3	2.6
Rent, food, fuel, and power	...	4.1	2.4	1.6	3.3	4.5	4.3	6.1	6.6	6.7	5.8	5.1	4.0	3.5	3.7	2.5	1.5	1.8
Food, fuel, power, transport, and communications	...	4.2	5.6	4.9	5.6	6.4	4.8	5.0	5.6	5.0	5.2	5.4	5.5	5.0	4.1	3.7	1.7	2.2
Rent, food, fuel, power, transport, and communications	...	4.0	4.3	2.9	4.4	4.4	3.8	4.6	5.2	5.3	4.6	5.2	4.1	4.4	4.2	3.0	1.7	1.7

Sources: Kenyan authorities, and staff calculations.

<sup>1</sup> Memo items computed by aggregating components for total Kenya.

Table 24. Kenya: Central Government Fiscal Operations, 1996/97-2001/02<sup>1</sup>

	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
	(in millions of Kenya shillings)					
Revenue and grants	155,032	184,866	197,183	182,271	215,240	207,878
Revenue	149,249	179,594	192,263	178,024	191,160	196,613
Grants	5,783	5,272	4,920	4,247	24,080	11,265
Expenditure and net lending	171,797	195,939	197,456	176,732	231,769	227,823
Recurrent expenditure <sup>2</sup>	141,978	161,152	161,468	157,851	198,941	202,870
Development expenditure and net lending	29,819	34,787	35,988	18,881	32,828	24,953
Overall balance, excluding grants <sup>3</sup>	-22,548	-16,345	-5,193	1,292	-40,609	-31,210
Overall balance, including grants	-16,765	-11,073	-273	5,539	-16,529	-19,945
Adjustment to cash basis	6,911	4,444	-2,011	-3,789	1,512	-8,404
Overall cash balance, excluding grants	-15,637	-11,901	-7,204	-2,497	-39,097	-39,614
Overall cash balance, including grants	-9,854	-6,629	-2,284	1,750	-15,017	-28,349
Financing	9,853	6,630	2,284	-534	14,817	29,871
Foreign (net)	-6,634	-7,201	-8,732	-18,974	12,601	-10,853
Domestic (net)	15,352	12,042	11,016	12,780	2,216	39,769
Privatization receipts	1,135	1,789	0	5,660	0	955
	(In percent of GDP, unless otherwise indicated)					
Revenue and grants	26.9	28.1	27.6	23.7	25.5	22.8
Revenue	25.9	27.3	26.9	23.1	22.6	21.6
Grants	1.0	0.8	0.7	0.6	2.8	1.2
Expenditure and net lending	29.8	29.8	27.6	23.0	27.4	25.0
Recurrent expenditure <sup>2</sup>	24.6	24.5	22.6	20.5	23.5	22.3
Development expenditure and net lending	5.2	5.3	5.0	2.5	3.9	2.7
Overall balance, excluding grants <sup>3</sup>	-3.9	-2.5	-0.7	0.2	-4.8	-3.4
Overall balance, including grants	-2.9	-1.7	0.0	0.7	-2.0	-2.2
Adjustment to cash basis	1.2	0.7	-0.3	-0.5	0.2	-0.9
Overall cash balance, excluding grants	-2.7	-1.8	-1.0	-0.3	-4.6	-4.4
Overall cash balance, including grants	-1.7	-1.0	-0.3	0.2	-1.8	-3.1
Financing	1.7	1.0	0.3	-0.1	1.8	3.3
Foreign (net)	-1.2	-1.1	-1.2	-2.5	1.5	-1.2
Domestic (net)	2.7	1.8	1.5	1.7	0.3	4.4
Privatization receipts	0.2	0.3	0.0	0.7	0.0	0.1
Memorandum item:						
GDP (in millions of Kenya shillings)	575,987	657,039	715,586	769,054	845,625	909,867

Sources: Kenyan authorities; and Fund staff estimates.

<sup>1</sup>July-June fiscal year.<sup>2</sup>Includes items in transit.<sup>3</sup>On a commitment basis.

Table 25. Kenya: Central Government Revenue and Grants, 1996/97-2001/02<sup>1</sup>

	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
	(In millions of Kenya shillings)					
Tax revenue	129,230	148,608	154,682	156,344	167,473	160,394
Taxes on income and profits	49,266	56,040	55,235	54,402	55,828	55,862
Taxes on goods and services	55,279	65,356	69,163	70,637	79,569	82,948
Value-added tax	29,050	35,941	39,205	40,944	50,298	50,871
Local manufactures	14,864	19,284	21,019	22,504	26,289	26,325
Imported manufactures	14,186	16,657	18,186	18,440	24,009	24,546
Excise duties	24,788	27,939	28,733	28,493	28,318	32,077
Other taxes and licenses	1,441	1,476	1,225	1,200	953	0
Taxes on international trade	22,773	24,612	28,444	28,605	28,726	21,584
Import duties	22,773	24,612	28,444	28,605	28,726	21,584
Export duties	0	0	0	0	0	0
Other taxes	1,912	2,600	1,840	2,700	3,350	0
Nontax revenue	20,019	30,986	37,581	21,680	23,687	36,219
Property income	6,469	15,799	17,249	3,725	2,542	899
Public enterprises and financial institutions	4,596	12,270	14,906	305	2,478	0
Central Bank of Kenya	3,813	11,635	16,100	0	2,000	0
Other profits and dividends	783	635	806	305	478	0
Loan interest receipts	680	376	185	256	37	270
Other property income	1,193	3,153	2,158	3,164	27	629
Administrative fees and charges	4,005	3,925	1,620	3,699	5,087	0
Other nontax revenue	9,545	11,262	18,712	14,256	16,058	35,320
Total revenue	149,249	179,594	192,263	178,024	191,160	196,613
Foreign grants	5,783	5,272	4,920	4,247	24,080	11,265
Cash grants	1,272	790	913	938	19,974	6,988
Grants under aid in appropriation	4,511	4,482	4,007	3,309	4,106	4,277
Total revenue and grants	155,032	184,866	197,183	182,271	215,240	207,878
	(In percent of GDP)					
Tax revenue	22.4	22.6	21.6	20.3	19.8	17.6
Taxes on income and profits	8.6	8.5	7.7	7.1	6.6	6.1
Taxes on goods and services	9.6	9.9	9.7	9.2	9.4	9.1
Taxes on international trade	4.0	3.7	4.0	3.7	3.4	2.4
Other taxes	0.3	0.4	0.3	0.4	0.4	0.0
Nontax revenue	3.5	4.7	5.3	2.8	2.8	4.0
Total revenue	25.9	27.3	26.9	23.1	22.6	21.6
	(In percent of total revenue)					
Tax revenue	86.6	82.7	80.5	87.8	87.6	81.6
Taxes on income and profits	33.0	31.2	28.7	30.6	29.2	28.4
Taxes on goods and services	37.0	36.4	36.0	39.7	41.6	42.2
Taxes on international trade	15.3	13.7	14.8	16.1	15.0	11.0
Other taxes	1.3	1.4	1.0	1.5	1.8	0.0
Nontax revenue	13.4	17.3	19.5	12.2	12.4	18.4

Sources: Kenyan authorities; and Fund staff estimates.

<sup>1</sup>July-June fiscal year.



Table 26. Kenya: Economic Classification of Central Government  
Expenditure and Net Lending, 1996/97-2001/02<sup>1</sup>

	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
(In millions of Kenya shillings)						
Recurrent expenditure	141,978	161,152	161,468	157,851	198,941	202,870
Goods and services	101,533	87,278	86,216	96,432	110,772	132,041
Wages and allowances	48,171	62,146	63,253	65,861	68,119	77,674
Other <sup>2</sup>	53,362	25,132	22,963	30,571	42,653	54,367
Interest	34,786	37,971	40,055	30,703	26,824	27,273
Domestic	26,569	30,358	31,743	22,068	19,021	19,543
Foreign	8,217	7,613	8,312	8,635	7,803	7,730
Subsidies and transfers	5,659	35,903	35,197	30,716	61,345	43,555
General government	0	30,804	30,200	24,571	48,002	32,106
Households/nonprofit institutions	5,659	3,689	3,620	5,588	12,231	10,660
Export compensation	0	0	0	0	0	0
Other	0	1,410	1,377	557	1,112	790
Development expenditure and net lending	29,819	34,787	35,988	18,881	32,828	24,953
Fixed investment	27,343	31,658	26,771	17,276	30,023	23,091
Net lending	2,476	2,243	7,712	1,531	2,805	1,862
Equity and capital transfers	0	886	1,505	74	0	0
Equity	0	223	7	2	0	0
Capital transfers	0	663	1,498	72	0	0
Total expenditure and net lending	171,797	195,939	197,456	176,732	231,769	227,823
(In percent of GDP)						
Recurrent expenditure	24.6	24.5	22.6	20.5	23.5	22.3
Wages and allowances	8.4	9.5	8.8	8.6	8.1	8.5
Interest payments	6.0	5.8	5.6	4.0	3.2	3.0
Subsidies and transfers	1.0	5.5	4.9	4.0	7.3	4.8
Other <sup>2</sup>	9.3	3.8	3.2	4.0	5.0	6.0
Development expenditure and net lending	5.2	5.3	5.0	2.5	3.9	2.7
Total expenditure and net lending	29.8	29.8	27.6	23.0	27.4	25.0
(In percent of total expenditure)						
Recurrent expenditure	82.6	82.2	81.8	89.3	85.8	89.0
Wages and allowances	28.0	31.7	32.0	37.3	29.4	34.1
Interest payments	20.2	19.4	20.3	17.4	11.6	12.0
Subsidies and transfers	3.3	18.3	17.8	17.4	26.5	19.1
Other <sup>2</sup>	31.1	12.8	11.6	17.3	18.4	23.9
Development expenditure and net lending	17.4	17.8	18.2	10.7	14.2	11.0

Sources: Kenyan authorities; and Fund staff estimates.

<sup>1</sup>July-June fiscal year.

<sup>2</sup>1996/97 estimate includes unclassified spending commitments of K Sh 7,638 million (1.3 percent of GDP).

Table 27. Kenya: Functional Classification of Central Government  
Expenditure and Net Lending, 1996/97-2001/02 <sup>1</sup>

	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
(In millions of Kenya shillings)						
General administration	35,931	38,457	48,047	41,427	62,943	67,109
Defense	10,472	10,161	11,087	12,564	16,571	16,448
Social services	47,686	62,764	68,319	60,286	67,611	76,678
Education	33,483	46,224	50,039	47,493	49,611	56,669
Health	10,568	13,053	14,194	10,054	15,629	16,475
Housing, community, and social welfare	3,635	3,488	4,085	2,739	2,370	3,534
Economic services	26,457	24,270	35,950	27,708	39,363	47,984
General administration	2,795	3,047	6,832	5,048	14,086	14,036
Agriculture, forestry, and fishing	6,963	7,756	12,912	7,696	8,270	10,202
Mining, manufacturing, and construction	2,292	2,227	2,450	2,314	3,015	3,675
Electricity, water, gas, and steam	3,211	1,996	2,644	1,383	2,479	3,019
Roads	7,947	7,532	8,744	8,849	9,458	11,797
Transport and communications	2,200	652	943	1,004	784	916
Other	1,050	1,059	1,425	1,415	1,272	4,338
Interest	34,786	37,971	40,055	30,703	26,824	27,273
Unallocated	16,465	22,316	-6,002	4,044	18,456	-7,669
Total	171,797	195,939	197,456	176,732	231,769	227,823
(In percent of GDP)						
Administration	6.2	5.9	6.7	5.4	7.4	7.4
Defense	1.8	1.5	1.5	1.6	2.0	1.8
Education	5.8	7.0	7.0	6.2	5.9	6.2
Health and welfare	2.5	2.5	2.6	1.7	2.1	2.2
Economic services	4.6	3.7	5.0	3.6	4.7	5.3
Interest	6.0	5.8	5.6	4.0	3.2	3.0
Unallocated	2.9	3.4	-0.8	0.5	2.2	-0.8
(In percent of total expenditure)						
Administration	23.1	22.1	23.6	24.0	29.5	28.5
Defense	6.7	5.9	5.4	7.3	7.8	7.0
Education	21.6	26.6	24.6	27.5	23.3	24.1
Health and welfare	9.1	9.5	9.0	7.4	8.4	8.5
Economic services	17.0	14.0	17.7	16.0	18.5	20.4
Interest	22.4	21.9	19.7	17.8	12.6	11.6

Sources: Kenyan authorities; and Fund staff estimates.

<sup>1</sup> July-June fiscal year.

Table 28. Kenya: Local Government Finances, 1996/97-2001/02<sup>1</sup>

	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
	(In millions of Kenya shillings)					
Total receipts	6,222	5,889	6,782	7,725	9,598	10,826
Municipal councils	5,001	4,568	5,521	6,140	7,209	7,961
Taxes, licenses, and cesses	2,305	2,102	1,923	2,347	2,530	2,645
Property income	420	309	329	390	409	452
Sale of goods and services	2,254	2,147	3,267	3,103	3,272	3,439
Government grants	22	10	1	300	999	1,426
Town and county councils	1,220	1,320	1,261	1,585	2,389	2,865
Taxes, licenses, and cesses	590	347	379	493	645	822
Property income	38	15	22	32	44	52
Sale of goods and services	592	957	858	356	384	407
Government grants	0	1	2	705	1,315	1,584
Total outlays	8,225	8,917	9,858	9,877	11,174	12,359
Municipal councils <sup>4</sup>	6,501	6,966	7,484	7,268	8,269	9,032
Current expenditure	5,095	4,911	5,828	6,121	6,362	6,983
Capital expenditure	1,338	2,001	1,580	1,052	1,490	1,537
Debt service <sup>3</sup>	68	54	76	94	417	512
Town and county councils <sup>4</sup>	1,724	1,950	2,374	2,610	2,905	3,326
Current expenditure	1,594	1,735	2,141	2,317	2,575	2,985
Capital expenditure	130	203	215	263	297	304
Debt service <sup>3</sup>	0	13	17	29	34	37
Overall balance	-2,004	-3,028	-3,076	-2,152	-1,576	-1,532
Municipal councils	-1,500	-2,398	-1,964	-1,128	-1,060	-1,071
Town and county councils	-504	-630	-1,113	-1,024	-516	-461
	(In percent of GDP)					
Total receipts	1.1	0.9	0.9	1.0	1.1	1.2
Total outlays	1.4	1.4	1.4	1.3	1.3	1.4
Current expenditure <sup>4</sup>	1.2	1.0	1.1	1.1	1.1	1.1
Capital expenditure	0.3	0.3	0.3	0.2	0.2	0.2
Debt service <sup>3</sup>	0.0	0.0	0.0	0.0	0.1	0.1
Overall balance	-0.3	-0.5	-0.4	-0.3	-0.2	-0.2

Sources: Kenyan authorities; and Fund staff estimates.

<sup>1</sup>July-June fiscal year.

<sup>2</sup>Amortization payments included as an expenditure.

<sup>3</sup>Excludes interest payments.

Table 29. Kenya: Gross Domestic Debt of the Central Government, 1996/97-2001/02<sup>1</sup>

	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
	(In millions of Kenya shillings)					
Treasury bills	116,620	121,035	117,643	131,029	137,540	118,050
Banks	72,849	62,404	77,583	76,326	68,469	64,981
Central bank <sup>2</sup>	19,306	18,148	19,302	18,421	21,166	36,256
Commercial banks	53,543	44,256	58,281	57,905	47,303	28,725
Nonbanks	43,771	58,631	40,060	54,703	69,071	53,069
National Social Security Fund	3,088	554	103	478	223	1,149
Financial institutions	3,818	2,737	1,820	2,493	3,294	1,534
Other	36,865	55,340	38,137	51,732	65,554	50,386
Treasury bonds	35,615	34,687	44,143	36,851	44,499	106,333
Banks	23,226	26,541	23,020	8,537	12,535	45,789
Central bank <sup>2</sup>	19,297	19,624	16,056	0	0	0
Commercial banks	3,929	6,917	6,964	8,537	12,535	45,789
Nonbanks	12,389	8,146	21,123	28,314	31,964	60,544
National Social Security Fund	3,260	0	0	0	200	0
Financial institutions	463	720	135	100	555	1,299
Other	8,666	7,426	20,988	28,214	31,209	59,245
Government stock	3,959	3,730	3,430	3,006	1,468	1,468
Banks	101	27	958	52	0	0
Central bank <sup>2</sup>	0	0	933	0	0	0
Commercial banks	101	27	25	52	0	0
Nonbanks	3,858	3,703	2,472	2,954	1,468	1,468
National Social Security Fund	2,611	2,525	1,405	1,936	759	759
Financial institutions	59	59	59	59	1	1
Other	1,188	1,119	1,008	959	708	708
Total	156,194	159,452	165,215	170,886	183,507	225,851
Banks	96,176	88,972	101,560	84,915	81,004	110,770
Central Bank <sup>2</sup>	38,603	37,772	36,290	18,421	21,166	36,256
Commercial banks	57,573	51,200	65,270	66,494	59,838	74,514
Nonbanks	60,018	70,480	63,655	85,971	102,503	115,081
National Social Security Fund	8,959	3,079	1,508	2,414	1,182	1,908
Financial institutions	4,340	3,516	2,014	2,652	3,850	2,834
Other	46,719	63,885	60,133	80,905	97,471	110,339
	(In percent of total)					
Memorandum items:						
Banks	61.6	55.8	61.5	49.7	44.1	49.0
Nonbanks	38.4	44.2	38.5	50.3	55.9	51.0
National Social Security Fund	5.7	1.9	0.9	1.4	0.6	0.8
Financial institutions	2.8	2.2	1.2	1.6	2.1	1.3
Other	29.9	40.1	36.4	47.3	53.1	48.9

Source: Kenyan authorities.

<sup>1</sup>July-June fiscal year. Face value at the end of each fiscal year. Market value would be lower. Excludes bank overdrafts and advances, tax reserve certificates, sinking-fund holdings, and debts to domestic suppliers.

<sup>2</sup>At the end of 1998/99, the interest on K Sh 31,917 million of treasury bills and bonds was permanently canceled.

Table 30. Kenya: Operating Profits and Cash Position of Selected Public Enterprises, 1995/96-2000/01<sup>1</sup>  
(In millions of Kenyan shillings, unless otherwise indicated)

	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01
Operating balances <sup>2</sup>						
Kenya Power and Lighting Corporation (KPLC)	4,163	3,911	2,005	1,722	1,722	1,722
Kenya Post and Telecommunications Company (KPTC)	4,142	3,456	4,959	8,363	8,363	8,363
Kenya Railways (KR) <sup>3</sup>	-1,179	-1,604	-1,418	709	709	709
National Cereals and Produce Board (NCPB)	-2,030	-72	-724	-598	-598	-598
Kenya Ports Authority (KPA)	1,276	541	349	-270	-270	-270
Total	6,372	6,231	5,171	9,926	9,926	9,926
(in percent of GDP)	1.3	1.1	0.8	1.4	1.4	1.4
Total, excluding KPTC	2,230	2,776	213	1,563	1,563	1,563
(in percent of GDP)	0.5	0.5	0.0	0.2	0.2	0.2
Total, excluding NCPB	8,402	6,304	5,895	10,524	10,524	10,524
(in percent of GDP)	1.7	1.1	0.9	1.5	1.5	1.5
Cash position <sup>4</sup>						
KPLC	3,973	3,742	-283	-1,657	-1,657	-1,657
KPTC	312	675	2,932	4,694	4,694	4,694
KR	-222	-604	-479	-173	-173	-173
NCPB	-177	1,243	-265	685	685	685
KPA	144	-281	-739	-511	-511	-511
Total	4,030	4,776	1,166	3,038	3,038	3,038
Total, excluding KPTC	3,718	4,101	-1,766	-1,656	-1,656	-1,656
Total, excluding NCPB	4,207	3,532	1,431	2,353	2,353	2,353
Memorandum item:						
GDP at current market prices	485,875	568,152	659,951	719,698	719,698	719,698

Sources: Kenyan authorities; and Fund staff estimates.

<sup>1</sup>July-June fiscal year.

<sup>2</sup>Excludes foreign exchange losses/gains.

<sup>3</sup>Excludes land sales.

<sup>4</sup>As of end of period.

Table 31. Kenya: Central Bank of Kenya Balance Sheet, December 1993-December 2002

	1993	1994	1995	1996	1997	1998	1999	2000		2001		2002			
	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	June	Dec.	June	Dec.	Mar.	June	Sep.	Dec.
(In millions of Kenya shillings)															
Net foreign assets <sup>1</sup>	8,140	7,854	2,275	25,982	32,402	33,526	44,933	51,195	56,495	62,614	72,245	73,056	78,523	77,379	71,874
Net domestic assets	33,992	47,462	68,926	51,010	43,447	41,461	34,055	24,524	21,238	6,696	6,880	2,723	-1,642	1,210	16,579
Domestic credit	26,956	31,849	59,893	41,650	38,885	31,428	23,993	15,316	14,385	-2,934	1,716	-5,015	-3,358	2,235	19,774
Government (net)	15,472	21,777	50,127	32,594	37,290	28,078	25,742	20,953	19,057	10,807	14,554	10,740	20,040	17,561	18,011
Securities	52,368	547	524	2,197	...	2,400	2,400	2,400	2,400	...	2,400	...	...	...	...
Overdraft and direct advances	-36,896	21,230	49,603	29,993	...	25,069	25,069	25,069	25,069	...	25,069	...	...	...	...
Advances and discounts to commercial banks	11,484	10,072	9,766	9,056	1,595	3,350	-1,749	-5,637	-4,672	-13,741	-12,838	-15,755	-23,398	-15,326	1,763
Other items (net)	7,036	15,613	9,033	9,360	4,562	10,033	10,062	9,208	6,853	9,630	5,164	7,738	1,716	-1,025	-3,195
Reserve money	42,132	55,316	71,201	76,992	75,849	74,987	78,988	75,719	77,733	69,310	79,125	75,779	76,881	78,589	88,453
Currency outside banks	21,194	24,725	28,795	30,332	36,148	38,658	42,933	38,519	43,413	42,384	45,289	46,022	46,920	46,338	53,878
Bank reserves <sup>2</sup>	20,938	30,591	42,406	46,660	39,701	36,329	36,055	37,200	34,320	26,926	33,836	29,757	29,961	32,251	34,575
(Annual change in percent of beginning-of-period reserve money stock, unless otherwise indicated)															
Net foreign assets	65	-1	-10	33	8	1	15	22	15	...	33	...	36	...	24
Net domestic assets	-1	32	39	-25	-10	-3	-10	-18	-16	...	-23	...	-35	...	3
Of which															
Government (net)	-18	15	51	-25	6	-12	-3	-14	-8	...	-4	...	-1	...	0
Reserve money															
Currency outside banks	49	8	7	2	8	3	6	3	1	...	10	...	11	...	23
Bank reserves <sup>2</sup>	15	23	21	6	-9	-4	0	1	-2	...	0	...	-10	...	4
Memorandum items:															
Reserve money (annual percentage change)	64	31	29	8	-1	-1	5	4	-2	...	10	...	2	...	27
Statutory reserve requirement (in percent)															
Commercial banks	14	16	18	18	15	12	12	12	10	...	10	...	10	...	10
Finance houses	0	10	18	18	15	12	12	12	10	...	10	...	10	...	10

Sources: Central Bank of Kenya; and Fund staff estimates.

<sup>1</sup>Valued at current exchange rates.<sup>2</sup>From June 1995 onward includes nonbank financial institutions.

Table 32. Kenya: Monetary Survey, December 1993-December 2002<sup>1</sup>

	1993	1994	1995	1996	1997	1998	1999	2000		2001		2002			
	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	June	Dec.	June	Dec.	Mar.	June	Sep.	Dec.
(In millions of Kenya shillings)															
Net foreign assets <sup>2</sup>	20,640	13,291	6,913	28,645	45,432	41,401	52,302	64,820	82,542	86,988	90,516	90,618	97,670	98,205	103,043
Net domestic assets	140,950	192,531	224,732	239,844	248,620	262,349	259,630	244,755	231,934	218,541	231,809	230,330	233,962	237,668	247,690
Domestic credit	153,490	204,187	249,513	272,521	336,468	354,006	358,480	330,762	331,293	324,555	334,004	329,467	341,951	354,304	364,932
Government (net)	50,080	76,117	78,486	74,794	89,250	88,018	84,134	83,220	76,448	68,663	89,078	88,650	94,734	101,624	108,607
Other public sector	4,398	5,752	5,368	5,697	7,872	6,261	7,304	7,041	8,058	9,877	8,027	6,938	6,630	9,671	8,016
Private sector	99,012	122,318	165,659	192,030	239,346	259,726	267,043	240,501	246,786	246,015	236,898	233,879	240,587	243,010	248,309
Other items (net)	-12,540	-11,656	-24,781	-32,677	-87,849	-91,656	-98,851	-86,008	-99,359	-106,014	-102,194	-99,137	-107,988	-116,636	-117,242
Money and quasi money (M3)	161,590	205,822	231,645	268,489	294,052	303,750	311,931	309,574	314,476	305,529	322,325	320,948	331,633	335,873	350,733
Currency outside banks	21,194	24,725	28,795	30,394	36,148	38,658	42,933	38,519	43,413	42,384	45,289	46,022	46,920	46,338	53,878
Deposits	140,396	181,097	202,850	238,095	257,904	265,092	268,999	271,056	271,064	263,145	277,036	274,926	284,713	289,535	296,855
(Annual percentage change, unless otherwise indicated)															
Memorandum items:															
Currency outside banks (M0)	23.6	16.7	16.5	5.6	18.9	6.9	11.1	5.2	1.1	10.0	4.3	10.3	10.7	11.1	19.0
Money and quasi money (M3)	22.3	27.4	12.5	15.9	9.5	3.3	2.7	-0.1	0.8	-1.3	2.5	3.9	8.5	8.1	8.8
Credit to private sector	3.7	23.5	35.4	15.9	24.6	8.5	2.8	-11.4	-7.6	2.3	-4.0	-5.2	-2.2	-0.6	4.8
Currency-deposit ratio (in percent)	15.1	13.7	14.2	12.8	14.0	14.6	16.0	14.2	16.0	16.1	16.3	16.7	16.5	16.0	18.1

Sources: Central Bank of Kenya; and Fund staff estimates.

<sup>1</sup>Includes nonbank financial institutions.<sup>2</sup>Valued at current exchange rates.

Table 33. Kenya: Commercial Banks' Liquidity, June 1994 - December 2002

	1994	1995	1996	1997	1998	1999		2000		2001		2002	
	Jun.	Jun.	Jun.	Jun.	Jun.	June	Dec.	June	Dec.	June	Dec.	June	Dec.
Deposit liabilities subject to requirements (in million of Kenya shillings)	105,845	146,228	195,532	234,769	258,169	279,908	277,129	285,779	292,682	292,536	305,058	315,322	334,976
Liquid assets (in millions of Kenya shillings)	53,258	67,428	82,451	97,752	99,220	115,790	112,045	128,509	122,468	120,977	140,003	137,369	147,786
<i>Of which</i>													
Cash and deposits at central bank	24,117	26,540	36,670	46,323	44,168	32,920	33,481	32,081	28,909	23,914	34,563	26,056	25,150
Liquid assets (in percent)	47.0	47.0	42.2	41.6	38.0	41.4	40.4	45.0	41.8	41.4	45.9	43.6	44.1
Minimum statutory requirements (in percent)	25.0	25.0	25.0	25.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0
Excess (+) or deficiency (-) (in percent)	22.0	22.0	17.0	17.0	18.0	21.4	20.4	25.0	21.8	21.4	25.9	23.6	24.1
Number of banks with the liquidity ratio deficiency	5	6	3	3	5	3	3	2	1	8	5	5	5
Number of banks with liquidity ratio requirement	28	32	45	50	48	49	48	49	49	49	49	46	45
Cash ratio (in percent; end of period)	17	17	17	20	17	12	12	11	10	10	10	10	10
Number of banks below the cash ratio requirement <sup>1</sup>	4	3	1	1	...	...	...	...	...	...	...	...	...

Source: Central Bank of Kenya.

<sup>1/</sup> Defined as the ratio of commercial banks' balances at the central bank to their total deposits (excluding deposits by the central government and nonresidents) on a deferred basis.



Table 34. Kenya: Nonbank Financial Institutions' Liquidity, June 1994 - December 2002<sup>1</sup>  
(In millions of Kenya shillings, unless otherwise indicated)

	1994	1995	1996	1997	1998	1999		2000		2001		2002	
	Jun.	Jun.	Jun.	Jun.	Jun.	June	Dec.	June	Dec.	June	Dec.	June	Dec.
Total deposits	51,230	52,940	33,627	16,772	9,325	6,433	6,385	6,174	5,271	4,318	2,051	1,958	1,900
Liquid assets	26,428	21,508	12,236	6,422	4,313	3,105	3,473	2,970	2,236	2,591	1,288	1,168	1,154
Liquidity ratio (in percent of total deposits)	51	42	36	38	46	48	54	48	42	60	63	60	61
Minimum statutory requirement (in percent of deposits)	30	30	25	25	20	20	20	20	20	20	20	20	20
Excess (in percent of total deposits)	21	12	11	13	26	28	34	28	22	40	43	40	41
Treasury bills	23,055	15,055	2,488	964	1,449	1,196	1,031	645	624	634	422	0	0
Number of nonbank financial institutions (NBFIs)													
with liquidity ratio deficiency (-)	3	7	3	4	3	2	2	2	2	....	....	....	....
Number of NBFIs meeting the liquidity ratio requirement	48	36	21	13	12	9	9	6	5	3	3	3	2

Source: Central Bank of Kenya.

<sup>1</sup> Building societies are not required to comply with the liquidity requirements. These are the Housing Finance Company of Kenya, Savings and Mortgages Ltd., and the East Africa Building Society.

Table 35. Kenya: Principal Interest Rates, June 1998 - December 2002  
(In percent per annum)

	1998		1999				2000				2001				2002			
	Jun.	Dec.	Mar.	June	Sep.	Dec.	Mar.	June	Sep.	Dec.	Mar.	June	Sep.	Dec.	Mar.	June	Sep.	Dec.
Central Bank of Kenya																		
Rediscount rate of treasury bills	31.1	17.1	15.2	19.4	22.7	26.5	17.9	16.0	16.6	19.5	18.0	15.1	15.4	14.0	13.1	10.3	10.6	11.4
Advances against treasury bills	31.1	17.1	15.2	19.4	22.7	26.5	17.9	16.0	16.6	19.5	18.0	15.1	15.4	14.0	13.1	10.3	10.6	11.4
Advances against Kenya government securities	31.1	17.1	15.2	19.4	22.7	26.5	17.9	16.0	16.6	19.5	18.0	15.1	15.4	14.0	13.1	10.3	10.6	11.4
Commercial banks																		
Savings deposits (minimum)	9.7	7.9	5.5	4.6	5.4	6.2	5.2	4.9	4.4	4.5	4.7	4.4	4.9	4.4	3.7	4.0	3.5	3.5
Time deposits																		
Three months to less than six months	20.1	14.8	9.5	8.2	9.0	12.3	8.3	7.9	6.3	6.3	7.2	6.7	6.5	6.1	5.9	5.6	5.1	5.1
Six months to less than nine months	16.2	13.4	9.6	7.9	7.8	8.6	7.6	7.5	6.6	6.7	6.2	6.0	5.8	5.6	5.7	5.7	5.2	4.8
Nine months to less than twelve months	15.3	14.0	9.6	8.7	8.2	9.3	7.5	6.9	6.4	5.9	6.2	6.0	5.8	5.7	5.7	5.2	4.8	5.1
Loans and advances (maximum)	29.9	26.2	21.4	20.7	22.5	25.2	23.8	23.1	20.6	19.6	20.2	19.3	19.4	19.5	18.9	18.4	18.1	18.3
Other financial institutions																		
Deposit rates																		
Hire purchase	9.0	9.0	4.2	4.6	5.4	6.2	5.0	5.5	5.4	6.0	4.3	5.0	4.4	4.2	5.3	4.7	3.0	3.0
Building societies	6.2	5.9	5.9	5.9	5.5	5.9	5.9	5.9	4.9	5.6	5.6	5.6	5.6	5.6	5.6	3.0	2.8	2.6
Lending rates																		
Hire purchase	33.8	29.0	22.6	22.6	25.9	26.8	24.4	25.7	22.9	22.4	21.6	20.4	20.6	20.6	20.6	18.5	18.4	18.2
Building societies	24.1	24.9	21.5	21.5	21.5	21.5	21.5	22.5	19.9	19.9	19.9	19.9	19.9	19.9	19.9	19.9	18.5	16.1
Other interest rates																		
Treasury bills (91 day)	25.5	12.6	8.8	11.4	15.8	20.0	11.3	10.5	10.4	12.9	15.0	12.1	12.4	11.0	10.1	7.3	7.6	8.4
Treasury bonds																		
One year	26.8	22.4	11.9	9.5	11.1	16.5	20.1	14.3	11.3	10.1	11.9	14.9	12.5	12.5	11.1	10.8	...	...
Two year	...	...	24.6	19.6	10.3	10.4	15.0	18.7	17.2	11.9	10.4	13.3	15.4	12.3	13.0	11.1	10.9	13.1

Source: Central Bank of Kenya.

Table 36. Kenya: Distribution of Credit, June 1998 - December 2002

(In percent of total credits, unless otherwise indicated)

	1998		1999		2000		2001		2002	
	Jun.	Dec.	June	Dec.	June	Dec.	June	Dec.	June	Dec.
Government	17.0	21.5	21.4	20.1	22.1	20.5	21.9	26.3	26.7	28.7
Private sector	83.0	78.5	78.6	79.9	77.9	79.5	78.1	73.7	73.3	71.3
Agriculture	6.9	7.1	6.8	7.0	6.6	6.9	6.3	6.2	6.1	6.1
Manufacturing	16.8	16.2	16.6	16.6	16.6	17.0	15.9	13.5	14.6	12.5
Trade	13.9	14.7	15.2	15.3	14.4	15.0	13.9	12.7	11.5	10.2
Exports	0.9	1.5	1.9	2.1	2.0	2.0	2.0	1.6	0.9	0.5
Imports	0.8	1.1	0.8	1.0	0.6	0.6	0.5	0.5	0.9	0.8
Domestic	12.2	12.2	12.5	12.2	11.7	12.3	11.4	10.6	9.8	8.9
Building and construction	6.9	6.3	6.5	6.5	6.5	5.7	5.4	5.5	5.3	4.9
Transport and communications	3.9	3.6	3.2	3.0	3.0	2.8	2.9	2.7	3.1	4.1
Finance and insurance	4.0	3.4	3.6	3.6	4.3	4.1	4.1	4.2	3.9	5.2
Real estate	6.4	6.2	5.6	6.2	6.8	6.2	5.8	5.5	5.3	5.2
Mining and quarrying	0.8	0.8	1.0	0.9	0.7	0.8	1.1	0.6	0.5	0.5
Private households	2.3	1.9	1.8	2.1	2.3	2.3	3.0	2.8	2.8	4.5
Other	21.1	18.2	18.3	18.7	16.8	18.8	10.1	10.6	10.3	7.9

Source: Central Bank of Kenya.

Table 37. Kenya: Balance of Payments, 1996-2002  
(In millions of U.S. dollars, unless otherwise indicated)

	1996	1997	1998	1999	2000	2001 Prel.	2002 Est.
Current account	-196	-450	-549	-234	-284	-398	-497
Excluding official transfers	-209	-469	-549	-233	-375	-486	-497
Exports, f.o.b.	2,083	2,060	2,012	1,755	1,773	1,881	2,017
Coffee	287	296	212	172	154	94	83
Tea	396	406	546	472	463	425	437
Oil products	97	170	149	138	127	177	158
Other	1,303	1,187	1,105	973	1,029	1,176	1,340
Imports, f.o.b.	-2,598	-2,944	-3,028	-2,679	-3,033	-3,176	-3,243
Public	-142	-92	-148	-121	-94	-91	-94
Private	-2,456	-2,852	-2,881	-2,557	-2,939	-3,085	-3,149
Oil	-448	-519	-532	-527	-850	-721	-785
Other	-2,008	-2,333	-2,349	-2,031	-2,089	-2,364	-2,365
Balance on goods	-515	-884	-1,016	-924	-1,260	-1,295	-1,225
Services (net)	98	90	122	298	245	261	251
Credit	952	916	831	932	969	1,087	1,110
Foreign travel	452	388	290	301	259	308	293
Other	500	528	541	631	710	779	817
Debit	-854	-826	-709	-634	-724	-825	-859
Balance on goods and services	-417	-794	-894	-626	-1,015	-1,033	-974
Income (net)	-226	-172	-130	-173	-130	-148	-123
Credit	22	39	41	32	45	43	43
Debit	-247	-211	-171	-205	-175	-190	-166
Of which: official interest payments	-225	-160	-148	-164	-120	-111	-82
Current transfers (net)	446	516	475	564	860	783	600
Private (net)	433	497	476	566	769	694	600
Official (net)	13	19	0	-2	91	89	0
Capital and financial account	643	413	616	215	276	419	535
Capital account	112	63	79	63	63	69	85
Of which: capital transfers	112	63	79	63	63	69	85
Financial account	531	350	537	152	212	350	450
Investment assets and liabilities (net)	43	-127	-42	-285	-314	-206	-96
Official, medium and long term	-51	-199	-172	-305	-170	-284	-45
Inflows	400	241	287	205	304	168	207
Outflows	-452	-440	-460	-510	-474	-452	-253
Commercial banks (net)	88	3	80	21	-235	96	-69
Private (net)	6	69	51	-1	91	-19	18
Short-term (net) and net errors and omissions 1/	489	477	578	437	527	556	546
Overall balance	447	-37	66	-20	-8	21	38
Financing items	-447	37	-66	20	8	-21	-38
Reserve assets (gross)	-397	67	5	-8	-106	-167	-3
Use of Fund credit and loans to the Fund (net)	-25	-67	-62	-60	2	-24	18
Change in arrears	-25	37	-79	87	-53	48	-53
Rescheduling	0	0	70	0	166	122	0
Remaining gap	0	0	0	0	0	0	0
Memorandum items:							
Gross official reserves (end of period)	855	788	783	791	897	1,064	1,067
(in months of next year's imports) 2/	2.7	2.5	2.8	2.5	2.7	3.1	2.7
Current account balance	-2.3	-4.4	-4.9	-2.2	-3.6	-4.3	-4.2
(percent of GDP, excluding official transfers)	-1.4	-1.3	-3.1	-1.2	-1.0	-2.1	-3.1
(percent of GDP, excluding special imports) 3/	24.3	22.4	23.6	27.3	19.1	15.6	11.3
Debt-service ratio after rescheduling 4/	4.5	-7.0	1.2	-5.2	3.6	7.2	1.7
Import volume growth, goods (percent)	10.9	-10.0	-2.0	-5.2	-4.9	11.6	8.3
Import volume growth, goods (percent; excluding special imports) 3/	11.6	-11.3	-2.4	-5.7	-10.1	6.6	11.8
Export volume growth, goods (percent)	5,380	4,664	4,291	3,969	3,930	3,537	3,383
Net present value of debt 5/	187.0	156.2	145.4	140.0	142.5	126.3	114.8
NPV of debt/exports (percent) 5/ 6/	66.7	55.4	51.5	51.9	50.5	41.4	39.5

Sources: Kenyan authorities; and Fund staff estimates.

1/ Includes underrecorded tourism earnings.

2/ In months of projected imports of goods and nonfactor services.

3/ Includes defense-related imports, imports of maize, sugar, and airplanes, and, beginning in 1998, imports related to rehabilitation of the energy sector.

4/ In percent of exports of goods and services.

5/ After Paris Club rescheduling and assumed rescheduling, under comparable terms, by commercial and non-Paris Club bilateral creditors in 2000. Official development assistance (ODA) debt was rescheduled over 20 years, with 10 years' grace, and an assumed interest rate of 2 percent. Non-ODA debt was rescheduled over 18 years with a 3-year grace period and graduated repayments, and an assumed interest rate equal to the average currency commercial interest reference rate (CIRR). NPV of debt refers to present value of debt service calculated using CIRRs. Includes arrears on nonreschedulable debt.

6/ Three-year backward-looking average of exports.

Table 38. Kenya: Tea Production and Exports, 1990–2001  
(In thousand of tons, unless otherwise specified)

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001 Prel.
<b>Production</b>	197	204	188.1	211.2	209.4	244.6	257.2	220.7	294.1	248.8	236.3	294.6
Smallholder			99.8	112.5	119.1	139.0	144.1	129.7	175.6	153.9	145.6	181.7
Estates			88.3	98.6	90.3	105.6	113.1	91.0	118.5	94.9	90.7	112.9
<b>Area (in thousands of hectares)</b>	197	204	103.5	104.9	105.9	111.3	113.7	118.8	121.0	124.2	122.8	129.2
Smallholder			72.2	73.1	73.8	79.0	81.2	86.1	87.9	90.3	88.4	88.4
Estates			31.3	31.8	32.1	32.4	32.5	32.7	33.1	33.9	34.4	40.8
<b>Average yield (kilograms per hectare)</b>												
Smallholder			1,730	1,942	1,776	1,996	1,383	1,774	2,246	1,915	1,793	2,147
Estates			2,816	3,339	3,013	3,404	2,816	2,866	3,699	2,946	2,790	3,453
<b>Exports</b>												
Volume (in thousands of tons)	178.1	178.3	169.0	191.3	177.6	225.6	253.3	199.1	263.6	260.1	217.3	268.5
Price (U.S. cents per pound)	164.2	155.4	174.4	156.1	169.5	146.6	156.5	204.1	207.1	181.6	213.0	162.0
Value (millions of U.S. dollars)	292.4	277.1	294.7	298.6	301.1	330.6	396.3	406.3	545.9	472.3	462.9	435.0

Sources: Tea Board of Kenya; Central Bureau of Statistics; and Fund staff estimates.

Table 39. Kenya: Coffee Production, Consumption, and Exports, 1990–2001<sup>1</sup>

(In thousands of tons, unless otherwise specified)

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001 Prcl.
Opening stocks	4	33	37	28	17	35	13	11	7	24	...	...
Production	197	90	80	74	96	99	97	68	53	68	101	52
Consumption	18	3	3	3	3	5	4	2	3	4	...	...
Total exports <sup>2</sup>												
Volume	115	85	79	89	80	90	116	70	51	73	88	62
Average price (U.S. cents per pound)	75	85	74	90	132	142	112	192	187	107	79	69
Value (millions of U.S. dollars)	192	159	128	177	233	282	287	296	212	172	154	94

Source: Kenyan authorities.

<sup>1</sup> Crop years beginning October 1, unless otherwise indicated.

<sup>2</sup> Calendar year.

Table 40. Kenya: Commodity Composition of Trade, 1990-2001

(In percent of total)

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001 Prel.
<b>Exports</b>												
Coffee	19.2	15.0	12.6	16.0	15.7	14.7	13.8	14.4	10.5	9.8	8.7	5.0
Tea	29.3	26.3	29.1	27.1	20.3	17.2	19.0	19.7	27.1	26.9	26.1	23.1
Horticulture	8.3	6.9	6.9	6.1	5.6	6.2	6.6	7.1	8.0	9.8	11.8	12.8
Petroleum products 1/	5.9	7.2	6.8	5.6	4.3	4.9	4.6	8.3	7.4	7.9	7.1	9.4
Other	37.2	44.6	44.5	45.1	54.1	57.0	56.0	50.6	46.9	45.6	46.2	49.7
<b>Imports</b>												
Consumer goods 2/	8.4	9.6	10.6	10.8	12.9	12.9	15.8	11.9	14.3	14.9	9.8	11.1
Industrial supplies 3/	37.7	40.6	43.1	42.9	47.1	41.3	41.3	43.6	38.2	37.9	26.9	31.5
Fuels and lubricants	19.2	18.7	20.2	24.8	16.2	12.6	15.7	15.3	15.8	14.9	25.1	21.4
Machinery, capital, and transport equipment	34.7	31.1	26.1	21.4	23.9	33.1	27.2	29.2	31.6	32.3	38.2	36.0

Source: Kenyan authorities.

1/ Net of aircraft and ship stores.

2/ Includes food and beverages for household consumption.

3/ Includes food and beverages for industrial use.

Table 41. Kenya: Trade Volumes and Prices, 1990–2002

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002 Est.
	(Indices, 1990=100)												
Volume indices													
All exports	100	107	101	113	135	157	174	157	153	145	138	154	167
Nontraditional exports	100	102	99	115	157	169	175	172	155	133	125	124	146
All imports	100	92	91	80	101	133	136	137	133	123	132	142	139
Excluding special imports	100	96	93	88	98	140	146	136	138	131	135	145	147
Price indices 1/													
All exports	100	99	100	98	111	123	120	132	132	121	129	122	121
Nontraditional exports	100	104	111	113	127	158	165	148	152	154	158	162	169
All imports	100	92	88	87	88	101	96	103	109	101	108	106	110
Terms of trade	100	108	114	113	126	122	125	128	121	120	119	116	110
	(Annual percentage changes)												
Volume indices													
All exports		6.5	-5.0	11.7	19.1	16.6	10.9	-10.0	-2.0	-5.2	-4.9	11.6	8.3
Nontraditional exports		2.1	-2.7	15.4	37.3	7.0	3.8	-1.6	-10.3	-13.9	-6.3	-0.9	18.0
All imports		-8.0	-0.7	-12.3	25.7	32.1	2.2	1.1	-3.2	-7.2	7.0	7.3	-2.1
Excluding special imports		-4.0	-3.2	-5.6	11.7	43.2	4.5	-7.0	1.2	-5.2	3.6	7.2	1.7
Price indices 1/													
All exports		-0.6	1.0	-2.5	13.0	11.2	-2.3	9.9	-0.3	-8.0	6.3	-5.0	-1.0
Nontraditional exports		4.0	6.3	2.4	11.8	25.0	4.3	-10.2	2.5	1.4	2.5	2.9	4.2
All imports		-8.0	-3.9	-1.9	1.2	14.9	-4.8	7.7	5.0	-6.8	7.0	-2.4	4.2
Terms of trade		8.0	5.1	-0.6	11.7	-3.2	2.6	2.0	-5.0	-1.3	-0.7	-2.6	-5.0

Sources: Kenya authorities; and Fund staff estimates.



Table 42. Kenya: Value, Unit Value, and Volume of Major Exports, 1990–2002  
(In millions of U.S. dollars, unless otherwise specified)

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001 Prel.	2002 Est.
Coffee	192	159	128	177	233	282	287	296	212	172	154	94	83
Price (U.S. cents per pound)	75	85	74	90	132	142	112	192	187	107	79	69	67
Volume (thousands of tons)	115	85	79	89	80	90	116	70	51	73	88	62	56
Tea	292	277	295	299	301	331	396	406	546	472	463	435	437
Price (U.S. cents per kilogram)	164	155	174	156	170	147	156	204	207	182	213	162	159
Volume (thousands of tons)	178	178	169	191	178	226	253	199	264	260	217	269	274
Horticulture	83	73	70	68	84	119	137	146	161	173	209	241	276
Processed fruits and vegetables	44	49	46	45	44	94	87	65	63	60	45	53	59
Hides, skins, and leather	29	26	26	27	29	26	16	13	11	10	12	16	14
Price (U.S. cents per pound)	114	101	91	100	108	216	154	118	117	89	88	93	90
Volume (thousands of tons)	12	12	13	12	12	5	5	5	4	5	6	8	7
Soda ash	21	22	17	20	17	20	20	23	20	18	19	25	27
Cement	11	12	15	21	29	33	44	40	24	18	18	13	17
Price (U.S. dollars per ton)	34	40	40	41	51	69	66	56	56	65	58	54	53
Volume (thousands of tons)	317	293	378	503	573	482	675	704	427	276	308	212	281
Pyrethrum	19	23	23	16	28	27	31	27	12	9	9	13	11
Oil products	59	76	69	62	64	95	97	170	149	138	127	177	158
Other exports	247	338	325	370	654	897	968	875	814	685	717	815	936
Total	997	1,055	1,013	1,103	1,484	1,924	2,083	2,060	2,012	1,755	1,773	1,881	2,017

Sources: Kenyan authorities; and Fund staff estimates.

Table 43. Kenya: Destination of Exports, 1990-2001

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001 1990
	(In millions of U.S. dollars)											
Western Europe	499	559	437	459	527	622	708	694	618	557	540	529
United Kingdom	189	194	203	187	177	190	216	236	269	242	244	208
Germany	106	90	69	85	119	144	154	130	92	82	73	65
Netherlands	60	48	45	46	64	83	112	97	88	87	96	126
Other	145	227	119	141	167	205	226	231	169	146	127	129
Eastern Europe	17	2	1	2	3	2	5	6	6	9	8	12
United States	36	43	40	43	52	51	56	58	51	38	37	43
Canada	9	7	8	9	11	12	11	10	10	6	6	5
Africa	232	276	330	403	680	924	968	944	948	807	812	923
Uganda	55	78	77	104	194	298	334	310	322	300	317	382
Tanzania	28	39	52	85	162	245	266	280	267	194	145	172
Zambia	3	2	3	2	3	4	4	5	4	2	2	5
Other	146	156	197	212	321	377	364	349	355	311	347	363
Middle East	40	34	32	34	26	44	66	66	80	78	86	114
Asia	134	128	150	141	173	211	221	213	259	227	213	220
Japan	13	12	15	10	12	13	17	15	16	15	19	17
India	17	7	8	9	9	13	13	20	30	25	18	30
Other	104	109	127	121	151	185	191	178	213	187	176	173
Aircraft and ship stores	79	131	95	67	46	17	30	41	24	8	23	25
Other	27	3	11	7	9	41	18	28	16	25	48	11
<b>Total</b>	<b>1,073</b>	<b>1,183</b>	<b>1,103</b>	<b>1,166</b>	<b>1,527</b>	<b>1,924</b>	<b>2,083</b>	<b>2,060</b>	<b>2,012</b>	<b>1,755</b>	<b>1,773</b>	<b>1,881</b>
	(In percent of total)											
Western Europe	46.5	47.3	39.6	39.4	34.5	32.3	34.0	33.7	30.7	31.7	30.4	28.1
Eastern Europe	3.4	3.6	3.6	3.7	3.4	0.1	0.2	0.3	0.3	0.5	0.5	0.6
United States	3.4	3.6	3.6	3.7	3.4	2.7	2.7	2.8	2.5	2.2	2.1	2.3
Canada	0.8	0.6	0.7	0.8	0.7	0.6	0.5	0.5	0.5	0.3	0.3	0.2
Africa	21.6	23.3	29.9	34.6	44.5	48.0	46.5	45.8	47.1	46.0	45.8	49.0
Middle East	3.7	2.9	2.9	2.9	1.7	2.3	3.2	3.2	4.0	4.4	4.9	6.0
Asia	12.5	10.8	13.6	12.1	11.3	11.0	10.6	10.3	12.9	12.9	12.0	11.7
Aircraft and ship stores	12.3	12.1	10.4	7.4	4.5	0.9	1.4	2.0	1.2	0.5	1.3	1.3
Other	2.5	0.2	1.0	0.6	0.6	2.1	0.9	1.3	0.8	1.4	2.7	0.6

Source: Kenyan authorities.

Table 44. Kenya: Commodity Composition of Imports, 1990-2001

(in millions of U.S. dollars)

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001 Prel.
By economic category 1/												
Consumer goods	194	188	197	174	264	401	476	392	478	430	323	385
Food and beverages	30	31	45	21	48	40	63	76	114	79	115	152
Other nondurable goods	62	65	67	90	101	126	48	126	158	142	119	137
Durable goods	101	92	85	63	114	235	366	190	206	208	88	96
<i>Of which</i>												
Passenger cars	63	59	61	39	79	154	212	107	107	94	62.5	77.3
Intermediate goods	1,315	1,156	1,183	1,088	1,291	1,671	1,719	1,933	1,804	1,524	1,720	1,832
Primary industrial goods	93	72	141	84	185	96	189	338	235	160	57	87
Processed industrial goods	778	720	664	606	776	1,184	1,055	1,091	1,041	934	834	1,003
Fuels and lubricants	445	365	378	398	330	392	475	503	529	430	830	742
Capital goods	799	606	483	343	485	940	749	910	984	803	1,056	973
Transport equipment	223	157	101	108	172	359	213	361	406	323	542	496
Other machinery and equipment	576	449	382	235	314	581	536	549	577	480	514	477
Other goods	3	2	4	2	2	85	70	48	71	131	207	272
<b>Total</b>	<b>2,311</b>	<b>1,952</b>	<b>1,866</b>	<b>1,606</b>	<b>2,042</b>	<b>3,097</b>	<b>3,014</b>	<b>3,283</b>	<b>3,337</b>	<b>2,887</b>	<b>3,306</b>	<b>3,462</b>
By SITC category 2/												
Food and beverages (0 and 1)	140	89	181	102	305	130	209	414	327	202	296	338
Mineral fuels (3)	466	385	412	407	333	401	448	519	532	527	850	721
Raw materials (2 and 4)	117	129	153	108	144	220	199	195	250	215	188	223
Chemicals (5)	265	289	291	307	294	516	488	492	497	458	431	479
Machinery and transport equipment (7)	671	523	411	329	503	995	869	844	896	680	724	604
Other manufactured goods (6, 8, and 9)	652	542	417	354	463	836	801	818	834	806	816	1,097
<b>Total</b>	<b>2,311</b>	<b>1,956</b>	<b>1,866</b>	<b>1,606</b>	<b>2,042</b>	<b>3,097</b>	<b>3,014</b>	<b>3,283</b>	<b>3,337</b>	<b>2,887</b>	<b>3,306</b>	<b>3,462</b>

Source: Kenyan authorities.

1/ Customs data.

2/ Standard International Trade Classification (SITC) categories are shown in parentheses. Indirect imports are not included.

Table 45. Kenya: Imports by Country of Origin, 1990-2001

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001 Ret.
(In millions of U.S. dollars)												
Western Europe	1,162	904	715	610	674	1,306	1,180	1,103	1,116	960	1,038	986
United Kingdom	423	318	222	191	270	381	390	367	403	329	329	280
Germany	180	170	127	114	127	206	179	217	184	159	114	149
Netherlands	...	...	...	...	...	86	84	81	89	72	114	68
Other	559	416	366	305	278	633	527	438	440	400	481	489
Eastern Europe	16	18	11	13	22	27	37	38	38	47	67	27
United States	102	98	153	93	135	126	154	240	273	188	132	267
Canada	14	18	13	13	10	12	31	27	23	25	13	20
Africa	69	58	59	39	266	273	282	490	282	311	298	404
Uganda	1	2	5	5	4	3	1	8	1	4	7	9
Tanzania	11	8	9	8	18	12	16	15	10	7	12	7
Zambia	9	8	10	6	4	3	5	2	2	3	4	12
Other	47	40	35	20	239	255	260	465	269	297	275	376
Middle East	474	390	407	369	315	389	476	557	595	456	963	876
Asia	421	441	427	305	494	827	837	741	794	718	679	818
Japan	207	224	175	122	176	332	219	245	260	217	164	184
India	41	37	54	43	78	162	168	140	143	127	133	163
Other	166	173	191	132	237	333	450	356	391	374	383	471
Other	169	146	247	269	271	137	17	87	216	182	115	64
Total 1/	2,311	1,956	1,866	1,606	2,042	3,097	3,014	3,283	3,337	2,887	3,306	3,462
(In percent of total)												
Western Europe	50.3	46.2	38.3	38.0	33.0	42.2	39.2	33.6	33.4	33.3	31.4	28.5
United Kingdom	18.3	16.3	11.9	11.9	13.2	12.3	12.9	11.2	12.1	11.4	10.0	8.1
Germany	7.8	8.7	6.8	7.1	6.2	6.7	5.9	6.6	5.5	5.5	3.5	4.3
Netherlands	...	...	...	...	...	2.8	2.8	2.5	2.7	2.5	3.4	2.0
Other	24.2	21.2	19.6	19.0	13.6	20.4	17.5	13.3	13.2	13.9	14.5	14.1
Eastern Europe	0.7	0.9	0.6	0.8	1.1	0.9	1.2	1.2	1.1	1.6	2.0	0.8
United States	4.4	5.0	8.2	5.8	6.6	4.1	5.1	7.3	8.2	6.5	4.0	7.7
Canada	0.6	0.9	0.7	0.8	0.5	0.4	1.0	0.8	0.7	0.9	0.4	0.6
Africa	3.0	3.0	3.2	2.4	13.0	8.8	9.4	14.9	8.5	10.8	9.0	11.7
Uganda	0.0	0.1	0.3	0.3	0.2	0.1	0.0	0.2	0.0	0.1	0.2	0.3
Tanzania	0.5	0.4	0.5	0.5	0.9	0.4	0.5	0.5	0.3	0.2	0.4	0.2
Zambia	0.4	0.4	0.5	0.3	0.2	0.1	0.2	0.1	0.1	0.1	0.1	0.4
Other	2.0	2.0	1.9	1.3	11.7	8.2	8.6	14.2	8.1	10.3	8.3	10.8
Middle East	20.5	20.0	21.8	23.0	15.4	12.6	15.8	17.0	17.8	15.8	29.1	25.3
Asia	18.2	22.5	22.9	19.0	24.2	26.7	27.8	22.6	23.8	24.9	20.6	23.6
Japan	9.0	11.4	9.4	7.6	8.6	10.7	7.3	7.5	7.8	7.5	5.0	5.3
India	1.8	1.9	2.9	2.7	3.8	5.2	5.6	4.3	4.3	4.4	4.0	4.7
Other	7.2	8.8	10.2	8.2	11.6	10.8	14.9	10.8	11.7	13.0	11.6	13.6
Other	7.3	7.4	13.2	16.8	13.2	4.4	0.6	2.6	6.5	6.3	3.5	1.8

Source: Kenyan authorities.

1/ Imports, c.i.f.

Table 46. Kenya: External Services, Income, and Transfer Accounts, 1996–2002  
(In millions of U.S. dollars)

	1996	1997	1998	1999	2000	2001	2002 Est.
<b>Services</b>							
Transportation account	-127	-54	-3	140	69	55	78
Credit	289	285	306	376	411	428	459
Debit	-416	-339	-309	-236	-342	-373	-381
Foreign travel	285	190	100	136	128	165	145
Credit	452	388	290	301	259	308	293
Debit	-167	-198	-190	-165	-131	-143	-148
Government	177	279	337	363	473	531	541
Credit	17	81	138	149	207	235	239
Debit	160	198	200	214	266	296	302
Other services: private	-26	-82	-78	-85	-126	-139	-156
Credit	-77	-126	-113	-126	-159	-193	-212
Debit	52	45	35	41	33	55	56
Investment income	-226	-172	-130	-173	-130	-148	-123
Credit	22	39	41	32	45	43	43
Debit	-247	-211	-171	-205	-175	-190	-166
Transfers	558	579	554	627	923	852	686
Private	433	497	476	566	769	694	600
Credit	437	533	519	635	793	719	625
Debit	-4	-36	-43	-69	-24	-24	-25
Public	125	82	79	62	154	158	85
Credit	127	84	80	63	156	158	85
Debit	-2	-2	-2	-2	-2	0	0

Sources: Kenyan authorities; and Fund staff estimates.

Table 47. Kenya: Public and Publicly Guaranteed External Debt Outstanding, 1995-2002

(In millions of U.S. dollars, unless otherwise specified)

	1995	1996	1997	1998	1999	2000	2001	2002 Est.
Bilateral creditors	2,440	2,317	2,110	2,114	2,057	1,889	1,709	1,621
Austria	67	58	41	40	32	31	29	25
Canada	90	68	53	60	64	63	28	28
Denmark	67	65	58	60	37	33	31	24
France	302	348	274	298	263	201	219	197
Germany	93	133	112	116	109	101	100	101
Italy	105	140	124	122	137	126	124	134
Japan	992	1,114	1,089	971	1,108	1,063	933	802
Netherlands	129	121	100	83	61	52	52	41
Saudi Arabia 1/	36	31	0	0	11	12	0	0
United Kingdom	98	76	74	66	68	51	44	38
United States	107	77	91	77	93	92	43	55
Other	354	86	94	221	74	64	106	176
Multilateral creditors	3,364	3,348	3,008	3,071	2,941	2,826	2,956	2,812
African Development Bank/Fund	305	333	322	342	307	344	323	287
European Union/European Investment Bank	201	194	163	143	122	144	108	151
IBRD	465	364	213	154	107	62	20	9
IDA	1,977	2,043	2,032	2,210	2,271	2,140	2,322	2,267
IMF	382	381	255	189	129	127	173	88
Other	34	33	23	33	5	9	10	10
Other creditors	477	507	548	570	456	370	425	349
Total outstanding debt	6,281	6,172	5,666	5,755	5,454	5,085	5,091	4,782
Debt service payments	735	738	681	670	734	636	587	352
Principal	478	513	522	522	570	516	475	270
Non-IMF	439	452	498	460	510	474	452	253
IMF	39	61	24	62	60	42	24	18
Interest	257	225	159	148	164	120	112	82
Non-IMF	253	221	156	147	163	119	111	81
IMF	4	4	3	1	1	1	1	1
Memorandum items:								
Debt service (in percent of exports of goods and services)	25	24	23	24	27	23	20	11
Stock of debt (in percent of GDP)	71	67	53	51	52	49	45	41
Stock of arrears	92	67	104	25	113	59	107	54

Sources: Kenyan authorities; and Fund staff estimates.

1/ Data for the period 1997-2000 not available, hence assumed to fall under "other creditors."

**Kenya: Tax Summary as of March 2003**

Taxes	Nature of Tax	Exemptions and Deductions	Rates
<p><b>I. Income taxes</b>  <b>1.1 Taxes on companies, corporations, and enterprises</b>  <b>Income Tax Act, 1973 (No. 16 of 1973); 1974 Finance Act.</b></p>	<p>Tax is charged on income accruing in Kenya.</p>	<p>Income of specified agricultural produce boards, registered pension schemes, and provident funds is exempt. Income deriving from interest on government tax reserve certificates and on specified loans to government and other public authorities, etc., is exempt, as are dividends from companies of which the recipient company controls more than 12.5 percent of the voting stock. Export processing zone enterprises are exempt for ten years commencing from date of first production, sale, or receipt.</p> <p>Dividend distributions are subject to compensatory tax at a rate of <math>t/(1-t)</math> if the distributions exceed the value of the dividend tax account, where <math>t</math> is the current corporate tax rate of the company.</p> <p>Dividends received on trading account by a financial institution are exempt from taxation, but the expenses attributable to earning exempt dividend income are nondeductible. Gains of insurance companies from stock market trading are exempt. Gains of licensed dealers from stock market trading are exempt subject to maintaining minimum turnover rates. (Securities which have been held for a period not exceeding 24 months).</p> <p>Annual depreciation allowances as a percent of written-down value (declining balance) are as follows: machinery, 12.5%; mining operations 40% ( of the capital cost) during the first year and 10% for the next six years of the capital investment; motor vehicles and aircraft, 25%; computers and peripheral hardware, calculators, copiers and duplicating machines, 30%; heavy earthmoving equipment and agricultural machinery, 37.5%.</p>	<p>Resident company rate of 30%; nonresident company rate of 37.5%. For 1998 and 1999 resident companies, the rate was 32.5%; for nonresident companies (branches), 40 percent. The rate for export processing zone enterprises is 25%; after the first ten years. Company listing in NSE and making public issue of at least 30%, pays corporation tax at a rate of 25% for next five years following such listing thereafter.</p> <p>Withholding and similar taxes</p> <p>Following are rates on payments to residents (set-off against tax liability unless otherwise specified):</p> <p>On interest including discounts, rates are 10% on housing bond interest, 25 percent on bearer bond of less than 2 years duration interest, and 15% on all other interest. This is a final tax where interest is paid by a financial institution, including the central bank, to an individual; otherwise, interest is subject to income tax.</p> <p>On dividends, rate is 5 % on dividends from resident corporations (excluding savings cooperatives) as a final tax; otherwise it is 15%. On insurance brokerage fees and commissions, rate is 5 percent. Insurance agents= fees tax, rate is 10 %.</p> <p>On , consultancy, or agency fees, the aggregate value of which is K Sh 24,000, or more ; the tax rate is 10 % of the gross amount payable and in respect of contractual fee the aggregate value of which is Ksh 24,000 in a month or more the tax rate is 5% of the gross amount payable</p> <p>On royalties, the rate is 5%.</p> <p>On consultancy, agency or contractual fee in excess of K Sh 200,000 per month to a recipient working under a registered business income and with a PIN, rate is 2%.</p>

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Corporate income tax (continued)		<p>Annual depreciation allowances based on original expenditure (straight-line method) are as follows: buildings, 2.5 percent (hotels, 4 percent); agricultural land improvements, 33<sup>1</sup>/<sub>3</sub> percent.</p> <p>An initial "investment deduction" of 85 percent is granted for new investment in buildings (including hotels) and equipment outside the municipalities of Nairobi and Mombasa, and 35 percent within these municipalities. Regular depreciation is disallowed on that share of the expenditure qualifying for investment deduction. Effective 1995, investment deduction is 60 percent in all regions and qualifying investments expanded to include infrastructure and environmental expenditures. Investment deduction as percentage of capital expenditure</p> <table border="1"> <thead> <tr> <th>Year of first use</th> <th>Nairobi/ Mombasa</th> <th>All other regions (In percentage)</th> </tr> </thead> <tbody> <tr> <td>1/1/1988</td> <td>10</td> <td>60</td> </tr> <tr> <td>1/1/1989</td> <td>25</td> <td>75</td> </tr> <tr> <td>1/1/1990</td> <td>35</td> <td>85</td> </tr> <tr> <td>1/1/1995</td> <td>60</td> <td>60</td> </tr> <tr> <td>1/7/2000</td> <td>100</td> <td>100</td> </tr> <tr> <td>1/1/2002</td> <td>85</td> <td>85</td> </tr> <tr> <td>1/1/2003</td> <td>70</td> <td>70</td> </tr> <tr> <td>1/1/2004</td> <td>60</td> <td>60</td> </tr> </tbody> </table> <p>If manufacturing under bond for export, investment deduction is increased to 100 percent. An optional 100 percent for export processing zone enterprises is claimable within the first 20 years from date of establishment.</p>	Year of first use	Nairobi/ Mombasa	All other regions (In percentage)	1/1/1988	10	60	1/1/1989	25	75	1/1/1990	35	85	1/1/1995	60	60	1/7/2000	100	100	1/1/2002	85	85	1/1/2003	70	70	1/1/2004	60	60	<p>∃ Taxable amount of pension payments or withdrawals from registered funds, if not taxed under PAYE system, at the following rates:</p> <table border="1"> <thead> <tr> <th colspan="2">Effective 1/1/2000</th> </tr> <tr> <th>Taxable amount</th> <th>Rate of tax (percent)</th> </tr> </thead> <tbody> <tr> <td>First K Sh 400,000</td> <td>10.0</td> </tr> <tr> <td>Next K Sh 400,000</td> <td>15.0</td> </tr> <tr> <td>Next K Sh 400,000</td> <td>20.0</td> </tr> <tr> <td>Next K Sh 400,000</td> <td>25.0</td> </tr> <tr> <td>Above K Sh 1,600,000</td> <td>30.0</td> </tr> </tbody> </table> <p>Payments to nonresidents are taxed at following rates:</p> <p>∃ Interest, including discounts, 15 percent, except for oil exploration, 10 percent, and bearer bonds, 25 percent;</p> <p>∃ Dividends, 10 percent;</p> <p>∃ Rent of immovable property, 30 percent, and rent of other tangible property, 15 percent;</p> <p>∃ Management and professional fees, 20 percent, except for oil exploration, 12.5 percent;</p> <p>∃ Royalty, 20 percent;</p> <p>∃ Pension, 5 percent;</p> <p>∃ Entertainment and sporting events, 20 percent; and</p> <p>∃ Oil exploration fees, 12.5 percent.</p> <p>∃ Advance tax on commercial vehicles: goods carrying vehicles at K Sh 1,500 per ton load capacity per year, and passenger carrying at K Sh 60 per passenger capacity per month (see 5.5.1)</p>	Effective 1/1/2000		Taxable amount	Rate of tax (percent)	First K Sh 400,000	10.0	Next K Sh 400,000	15.0	Next K Sh 400,000	20.0	Next K Sh 400,000	25.0	Above K Sh 1,600,000	30.0
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Corporate income tax (concluded)		In ascertaining total income, all expenditure incurred wholly and exclusively in the production of income is deductible, including, <i>inter alia</i> , pre-production business expenditures, capital expenditure on farmland for the purpose of preventing soil erosion or for clearing and planting permanent or semi-permanent crops, and interest on money employed in the production of income.																																															
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Income Tax Act, 1973 (No. 16 of 1973); 1974 Finance Act.	<p>Tax is charged on income derived from, and accruing in, Kenya. A pay-as-you-earn (PAYE) system is in operation for employees.</p> <p>The non-employment income of a married woman living with her husband is deemed to be her husband's income for tax purposes. A wife's employment, self-employment, and professional income are taxed separately from her husband's income.</p>	<p>The President of Kenya is exempt from taxes on his salary, etc., as are allowances of members of parliament. Interest on post office savings bank deposits and on tax reserve certificates and specified government securities held by nonresidents are also exempt. Basic personal tax allowance of K Sh 8,712 effective January, 1998 and K Sh 9,600 effective January, 2000 and K Sh 11,520 effective Jan. 1, 2000. Fringe benefits up to K Sh 2,400 (as from 1<sup>st</sup> January, 2002 it will be Kshs.12,000) a year are exempt, as are pension and retirement annuity payments payable to residents up to K Sh 150,000 per annum. As of January 1, 1993, one-time lump-sum payments of up to K Sh 1.4 million to the estate of a deceased pensioner are exempt.</p> <p>Effective June 11, 1998, a fringe benefit tax is applicable to benefit from employer-provided low interest rate loans.</p>	<p><u>Taxable income effective from:</u> <u>Rate of tax</u></p> <table border="1"> <thead> <tr> <th></th> <th>Jan 1, 1999</th> <th>Jan 1, 2000</th> <th>(percent)</th> </tr> </thead> <tbody> <tr> <td>First K Sh</td> <td>94,800</td> <td>104,400</td> <td>10.0</td> </tr> <tr> <td>Next K Sh</td> <td>94,800</td> <td>104,400</td> <td>15.0</td> </tr> <tr> <td>Next K Sh</td> <td>94,800</td> <td>104,400</td> <td>20.0</td> </tr> <tr> <td>Next K Sh</td> <td>94,800</td> <td>104,400</td> <td>25.0</td> </tr> <tr> <td>Next K Sh</td> <td>94,800</td> <td>104,400</td> <td>30.0</td> </tr> <tr> <td>Above K Sh</td> <td>474,000</td> <td>417,600</td> <td>32.5</td> </tr> </tbody> </table> <table border="1"> <thead> <tr> <th></th> <th>Jan 1, 2001</th> <th></th> </tr> </thead> <tbody> <tr> <td>First</td> <td>109,440</td> <td>10.0</td> </tr> <tr> <td>Next</td> <td>119,440</td> <td>15.0</td> </tr> <tr> <td>Next</td> <td>119,440</td> <td>20.0</td> </tr> <tr> <td>Next</td> <td>119,440</td> <td>25.0</td> </tr> <tr> <td>Above</td> <td>437,760</td> <td>30.0</td> </tr> </tbody> </table> <p>The top individual income tax rate was lowered from 45 percent to 40 percent effective January 1, 1993, to 35 percent effective January 1, 1995, to 32.5 percent effective January 1, 1998, and to 30 percent effective January, 2000. An additional 2.5 percent drought levy was charged on top-bracket income in 1995 only. The 30% bracket was added in 1996.</p> <p>Withholding and similar taxes at same rates as in Section 1.1.</p>		Jan 1, 1999	Jan 1, 2000	(percent)	First K Sh	94,800	104,400	10.0	Next K Sh	94,800	104,400	15.0	Next K Sh	94,800	104,400	20.0	Next K Sh	94,800	104,400	25.0	Next K Sh	94,800	104,400	30.0	Above K Sh	474,000	417,600	32.5		Jan 1, 2001		First	109,440	10.0	Next	119,440	15.0	Next	119,440	20.0	Next	119,440	25.0	Above	437,760	30.0
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Taxes	Nature of Tax	Exemptions and Deductions	Rates
Individual income tax (concluded)		Interest not exceeding K Sh 100,000 on amounts borrowed for the purchase or improvement of owner-occupied housing may be deducted. Pension contributions to a registered pension, provident, or individual retirement fund up to the amount of 30% of pensionable income or K Sh 150,000 in 1999, K Sh 180,000 in 2000, K Sh 210,000 in 2001 onward per annum per employee are also deductible. In ascertaining total income, all expenditure incurred wholly and exclusively in the production of income is deductible, including, <i>inter alia</i> , capital expenditure to prevent soil erosion and interest on money employed in the production on income. Contributions to a registered home ownership savings plan are deductible up to K Sh 48,000 per year for ten years to individuals not owning previously owning a home. Withdrawals are exempt if used to buy or construct a permanent residence. Deduction of interest expenses incurred in earning investment income is limited to the amount of investment income.	Penalty for late payment or underpayment of tax, 20 percent of tax due; for unpaid taxes, 2 percent interest for each month overdue on compounding basis; for failure to submit returns, 5 percent of amount due.
Presumptive tax on agriculture (effective July 1, 1989)	See under Section 1.1.		
2. Social security contributions. National Social Security Fund Act, 1965 (No. 28 of 1965).		Persons in the civil service and are pensionable under the Pensions Act are exempt, as are members of the armed forces, police force, prison services, and National Youth Service	The employer and employee contribute 5 percent each of salary up to a maximum contribution of K Sh 80 per month each. This is equivalent to applying a monthly wage ceiling of K Sh 1,600.
3. Other payroll taxes	NHIF		
4. Taxes on property			
4.1 Real estate taxes	Land rent on property under lease is payable		
4.2 Death and gift taxes	The estate duty has been eliminated.		
4.3 Property transfer taxes	See stamp duties under Section 7.2		

Taxes	Nature of Tax	Exemptions and Deductions	Rates
<b>5. Taxes on goods and services</b>	VAT is based on the destination principle and levied on locally produced or imported taxable goods or taxable services. It is levied at the manufacturing and retail level for all taxable goods .	Unprocessed agricultural products is tax exempt. Hire services are exempt if the equipment or vehicles are zero rated or exempt except charter of aeroplane and hire of busses which will become taxable with effect from 1/9/2001. Pharmaceuticals, medical equipment, fertilizers, seeds, some seedlings, infant milk foods, animal feeds, agricultural machinery and equipment, educational textbooks, and all exports of goods and taxable services are zero-rated. The Minister for Finance subject to the Act has power to remit tax under specific program and conditions detailed in the Act.	A standard rate of 16 percent in 1998/99, 15 % in 1999/00, 18 % in 2000/01 is levied on the sale price or, in the case of imports, on the customs duty value plus the amount of customs duty. A low rate of 12% applies to electricity, vegetable oils, and restaurant services, and to most capital equipment applied through to June 10, 1999 when all these items rate of tax was raised to 15%, except restaurant and accommodation services which was set at 13 percent, together with 2 percent catering training levy.
<b>5.1 Value-added tax (VAT) VAT Act, Cap 476.</b>	VAT is levied on the following services: business and professional services; legal and accountancy; computer; secretarial, copying, printing, telecommunication; hotels and restaurants; agency and security services; construction; architectural and quantity surveying; materials-testing services; goods transportation, handling and storage, and courier services; advertising; rental/repair/maintenance of all machinery and equipment, including vehicles; entertainment services; cleaning and photographic services; and beauty parlors and hairdressers.	Exports of goods and services are zero rated. The minimum turnover level for registration is K Sh 3 million per year effective June 13, 2002 . <b><i>Businesses for the mandates a threshold for the purpose of registration and where a taxpayer has more than one business the aggregate turnover of the taxpayer's businesses is taken into account for the purpose arriving at or otherwise registration threshold</i></b>	With effect from. 15/6/2000 the standard rate was revised to 18% and the rate on restaurant and accommodation to 16% with 2% catering training levy.

Taxes	Nature of Tax	Exemptions and Deductions	Rates
VAT (concluded)	<p>Effective Jan. 1, 2001, VAT was levied on all services except financial services, insurance/reinsurance, education and training services at registered institutions, medical, veterinary, dental, nursing, social welfare services by registered charitable organizations, burial and cremation services, public transportation of passengers, real property rentals, postal and money order services by Postal Corp. of Kenya, local authority services, insurance agents and brokers, stock exchange brokers, tea and coffee brokers, rental of exempt or zero-rated goods, tour operators and travel agents, shed operators, airport services. With effect from September 1, 2001 the following services will also be exempt: services rendered by trade, professional and labor associations, sanitary and pest control services rendered to domestic households, Agricultural animals husbandry, horticultural pestal services, conference services, conducted for educational institutions. Car park services rendered by local authorities; Accommodation and restaurant services provided within the following establishments – Charitable or religious organizations, educational training institutions, medical institutions and cafeteria and canteens operated by employers for benefit of low income employees.</p>		
<p>5.21 Tobacco.  <b>Customs &amp; Excise Act  (Chapter 474 of the Laws  of Kenya);</b></p>	<p>Tax is levied on the ex factory price of cigarettes, cigars, pipe tobacco, and snuff, on the import value (including customs duty).</p>	<p>Not applicable.</p> <p>Transit shed operators and airport services were removed from exempt services. Supply of taxable services in respect of goods in transit, taxable Airport Services to transit aircrafts and taxable supplied to Aid Agencies were zero-rated.</p>	<p>Cigarettes, pipe and other  Tobacco 130 percent  Cigars 30 percent  From 2000/01 to-date 130 percent plus excise stamp per pack of K Sh 1 on imported or domestic cigarettes over 72 mm. Excise stamp per pack of cigarettes below 72 mm is shs. 0.50</p>

Taxes	Nature of Tax	Exemptions and Deductions	Rates
5.22 Liquor			
5.221 Excise duty on beer. Customs & Excise Act (Chapter 474 of the Laws of Kenya).	Duty is levied on ex factory price of locally brewed beer, or import value (including customs duty).	Not applicable.	Light beer 85 percent Heavy beer (stout and porter) 60 percent Normal beer 60 percent Fermented beverages (e.g. chibuku) 15 percent
5.222 Excise duty on spirits, wines and mineral waters. Customs & Excise Act (Chapter 474 of the Laws of Kenya).	Levied on ex factory price of locally produced products, or on import value (including customs duty).	Not applicable.	Water, not containing added Sugar or sweetening matter nor flavor 10percent Other water and nonalcoholic drinks 15 percent Cider 35 percent Wine 45 percent Spirits 65 percent
5.23 Refinery throughput tax. Refinery Throughput Tax Act, 1982.	Tax is levied on all charges made by a refinery with respect of refining crude petroleum.	Charges pertaining to any class or consignment of petroleum or petroleum products or to any part of the refining process may be waived by the Minister for Finance.	Fifteen percent of refining charges. Refinery throughput tax was reduced to zero effective November 1, 1994.
5.24 Other excises			
5.241 Second-hand motor vehicle purchase tax	Tax is levied on purchase of second-hand motor vehicles.	Ambulances, etc, are exempt.	K Sh 1,660 for vehicles with fewer than four wheels and K Sh 1,660 to K Sh 5,915 for all other vehicles, depending upon the engine capacity (2002 Finance Act).
5.242 Matches	Tax is levied on production of matches and imports.	Not available	K Sh 15.00 per 100 containers of less than 25 matches per container and K Sh 20.00 per 100 containers of between 25 and 50 matches per container; otherwise, K Sh 30.00 per 5,000 matches. Exempted effective June 19, 1997.
Vehicles	Ex factory price or import value (including customs duty) is taxed.		Passenger car, 1,800 cc to 2,000 cc 10 percent Passenger car, 2,000 cc to 2,250 cc 10 percent Passenger car, 2,250 cc to 3,000 cc 30 percent Passenger car, over 3,000 cc 50 percent
Soft Drinks	Ex factory price or import value (including customs duty) is taxed.		Twenty percent.
Cosmetics	Ex factory price or import value (including customs duty) is taxed.		Ten percent.

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5.243 Oil	Specific duty is applied.		Rates per 1,000 liters Premium petrol K Sh 19,445 Regular petrol K Sh 19,055 Other white spirits K Sh 7,050 Other petroleum oil K Sh 5,000 Automotive diesel K Sh 10,005
5.244 Mobile Cellular phone services	Tax levied on vatable value		5 percent
5.3 Selective excises on services			
5.31 Air passenger service charge. Air Passenger Tax (Amendment) Act, 1973 (No. 8 of 1973).	Charge is collected by airlines from all passengers embarking at an airport on an international or domestic ticket.		From July 2001. US\$20 per passenger on international ticket. K Sh 300 per passenger on domestic ticket.
5.32 Betting and gambling tax. Betting, Lotteries, and Gaming Act, 1966 (Chapter 131 of the Laws of Kenya).	Tax is levied on all bets made (1) with a bookmaker other than at an authorized race meeting, (2) with totalizators, (3) on pool betting, and (4) on gaming in public premises.		
5.3 Selective excises on services	Not available.		Bets made with bookmaker 12.5 percent of each stake, 3.5 percent of total turnover of bookmaker. Totalization 5 percent of the authorized commission, additional 5 percent of all money staked if totalizator not operated at race course. Pool betting 2 1/2 percent of gross stakes (1987 Finance Act). Gaming 13.5 percent of gross casino turnover.
5.33 Entertainment tax Entertainment Tax Act, 1950 (Chapter 479 of the Laws of Kenya).	Tax is levied on entrance charges where VAT on entertainment services does not apply.	Exemptions include stage plays and charitable and sporting events.	Eighteen percent (1991 Finance Act, Section 79(b)).
5.34 Insurance premium tax Insurance Act.	(1) Tax is levied on direct premium. (2) Tax is levied on reinsurance premium paid to reinsurance business outside Kenya on Kenyan risk.	(1) Premium paid to registered pension funds is exempt. (2) Premiums paid on marine, aviation, and industrial fires are exempt.	(1) Rate of 1.5 percent of first premium. (2) Rate of 5 percent of reinsurance premium.

Taxes	Nature of Tax	Exemptions and Deductions	Rates
5.4 Business and professional licenses	All firms are required to have a license for all categories of business in which they are engaged. Fees vary according to the type of business and are graduated according to whether a business is located in a general business area or elsewhere in the city or a rural area.	Not available.	License fees under Trade Licensing Act range from K Sh 220 to K Sh 12,000 per annum (1974 Finance Act).  Trading license fees were discontinued effective January 1997.
5.42 Professional license fees	All professionals are required to have a license to practice.		Cancelled in 2001.
5.43 Liquor license fees	Firms engaged in the sale of beer, wine, and spirits are required to obtain an annual liquor license. Licenses are in three broad categories: general licenses, off-licenses, and on-licenses, and fees vary with the location of the business and the specific form of license.	Not available.	License fees range from K Sh 120 to K Sh 12,000 per annum (Legal Notice No. 205 of June 15, 1989).
5.44 Banking and financial	License fees are levied under the Banking Act on all banks and, financial institutions; and under the Building Societies Act and the Insurance Act on all the building societies and insurance companies respectively. Fees vary with location with the exception of insurance companies.	Not available.	Banks and Non-bank financial institutions Annual fee of K Sh 400,000 plus K Sh 150,000 for each branch in a municipality; K Sh 100,000 for each branch in a town council; and K Sh 30,000 for each branch in an urban council. (Legal Notice 1888 of 1994) Other financial institutions Insurance companies Annual fee of K Sh 150,000 for insurance company and K Sh 250,000 for reinsurance company. Building societies Annual fee of K Sh 100,000 plus K Sh 40,000 for each branch in a municipality; Kshs.20,000 for each branch in a town council; and Kshs.6,000 for an urban council. Other places are free. Application fee, K Sh 5,000. (Section as of the Finance Act 1994)

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5.5 Motor vehicle taxes	Registration fees levied once on registration according to use and cubic capacity rating	Diplomats, local authorities and government vehicles exempt	Fee varies from Ksh 1,700 for vehicles with engines not exceeding 1,000cc to Ksh 8,300 for vehicles with engines not exceeding 3,001cc.
	Annual fees vary with the weight and type of vehicle. The rates for diesel-driven vehicles are twice those for gasoline-driven vehicles.		Motor cars Annual fee varies from K Sh 1,250 for vehicles with engines not exceeding 1,000 cc to K Sh 21,100 for vehicles with engines not exceeding 5,500 cc. A fee of K Sh 815 is charged for each additional 1,000 cc (Legal Notice 242 and 241 of June 16, 1988; LN 125, 126, and 127 of 1996; LN 163, 164 of 1997).
	Annual drivers license fees		Other vehicles Annual fee based on weight varies from K Sh 1,250 for vehicles not exceeding 1,000 kg. to K Sh 24,650 for those not exceeding 20,000 kg. A fee of K Sh 410 is charged for each additional 500 kg.  Charged at flat rate of Ksh 500 for 1 year license and Ksh 1,250 for 3 year license.
5.5.1 Advance tax	Tax is payable annually upon registration of commercial vehicles (goods carrying) and public service vehicles (passenger carrying).	Tax can be offset against income tax liable.	Commercial vehicles Higher of K Sh 2,400 or K Sh 1,500 per ton of load capacity. Public service vehicles Higher of K Sh 2,400 or K Sh 60 per passenger capacity per month.
6. Taxes on international trade and transactions			
6.1A Suspended duties	Specific duty is applied	The tax is only applicable to petroleum products	Rate of Ksh.450 per 1000 lts in respect of gasoline and kerosene and Ksh 300 in respect of other fuels.



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6.1 Taxes on imports Customs & Excise Act Cap 472	There are both specific and ad valorem rates: Specific duties rates are determined by multiplying the rate with the quantity. Advalorem duties are determined by multiplying the advalorem rate with a value that represents the price actually paid for the goods. It includes inter alia the cost of freight and insurance to the place or port of the importation. Fifty percent of the cost of air freight is excluded from the tax base.	Exemptions include goods purchased for use by the President and by charitable bodies and approved educational institutions; by the military and police; in aid-funded projects; and by diplomatic and international organizations.  Waiver can be granted only by the Minister for Finance on cases specified in law.	Ad valorem duty rates of nil, 3, 5, 15, 20, 25, 30%, 35, and 40 percent are charged. Intermediate inputs are generally at 5 percent or 15 percent. Primary raw materials are generally duty free or 3 percent. Capital equipment is mainly charged duty free. Final products, agricultural products, and selected intermediate goods are charged at rates of 20 percent, 25 percent, 30 percent, or 35 percent. Sugar is charged at 100 percent except industrial sugar used in domestic production is 25 percent.
		Duty free items are live animals (except live swine, live poultry, no breeding horses, asses, mules and hinnies), medicine; fertilizers, fungicides and herbicides; maps and hydrographic or similar charts, including atlases, printed books, brochures, dictionaries, and encyclopedias; some agricultural and horticultural machinery and appliances; medical, surgical, dental and veterinarian appliances; hearses; firefighting and street-cleaning vehicles; airplanes and helicopters; mobile radiological units and mobile clinics; invalid carriages and their parts; and contact lenses.	Alternative specific rates are charged on a number of categories of goods (clothing and textiles, footwear, wheat, maize, sugar, rice milk and spirits). Specific duty rates are also charged on petroleum oil products.  Since November 2000, goods from COMESA countries are duty free, but partial rate reductions to regular rates are provided on a reciprocal basis. Except/Tanzania and Uganda where the rate applied is 90%
6.2 Export Duty (Effective July 1989)	All export duties were rescinded effective June 10, 1994.		
6.2 Export Compensation Scheme	Discontinued effective August 31, 1993.		
7. Other Taxes			
7.1 Poll Taxes	None		