

First Annual Progress Report

on the Implementation of
the *First Medium Term Plan* (2008-2012)

of

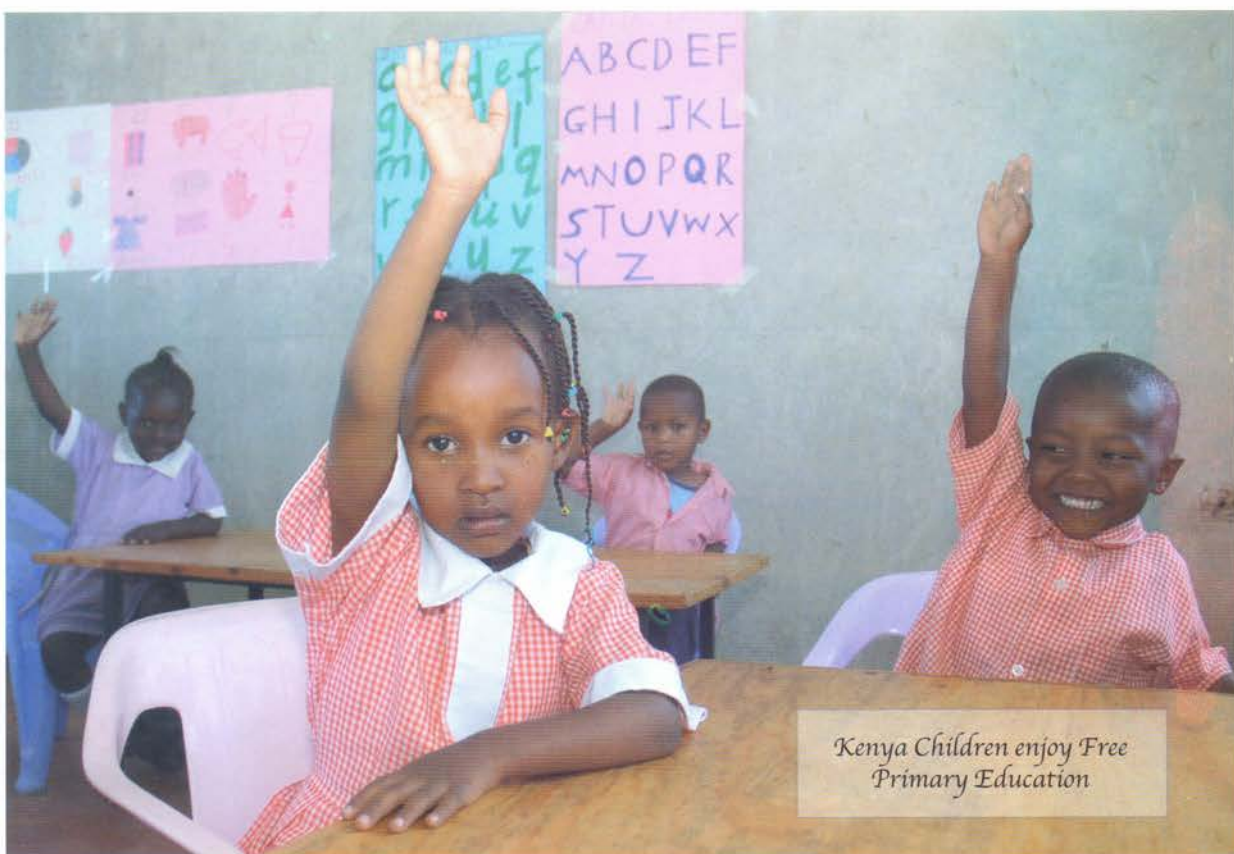
KENYA

VISION 2030



First Annual Progress Report(APR)

on the Implementation of
the *First Medium Term Plan (2008-2012)*
of *Kenya Vision 2030*



Kenya Children enjoy Free
Primary Education

Published by the Government of Kenya in May, 2010

© Government of the Republic of Kenya, 2010

Ministry of State for Planning, National Development and Vision 2030

First Annual Progress Report

on the Implementation of
the First Medium Term Plan (2008-2012)
of Kenya Vision 2030



An example of new housing development in Nairobi.

LIST OF TABLES

Table 1: Real GDP – Targeted and Actual Growth Rates	8
Table 2: Main Macroeconomic Indicators – 2007/08 and 2008/09.....	9
Table 3: External Financing Requirement and Resources	11
Table 4: Tourism Arrivals and Earnings (2003 – 2008).....	53
Table 5: Implementation Status/Progress Report on Agriculture	57
Table 6: Revitalisation of Agro-commodity Co-operatives.	63
Table 7: Key Indicators in the Manufacturing Sector	67
Table 8: Key Indicators in the Wholesale and Retail Trade	73
Table 9: Balance of Trade.....	73
Table 10: Balance of trade	75
Table 11: Achievement in the Trade Sector	76
Table 12: Implementation Progress for BPO.....	79
Table 13: Progress Made on towards Privatisation	80
Table 14: A matrix of the Financial Services Sector.....	85
Table 15: Performance of Health Status Indicators 2008/09	102
Table 16: Achievement in Outcome Targets for the Water and Sanitation Sector .	108
Table 17. Summary of Vision 2030 and Medium Term Plan (2008-2012)	111
Table 18: Summary Matrix Showing Output and Outcome achievements for Environ. ment and Natural Resources Sector	117

CONTENTS

LIST OF TABLES.....	iv
LIST OF ACRONYMS AND ABBREVIATIONS	vii
FOREWORD	ix
ACKNOWLEDGEMENTS.....	xi
EXECUTIVE SUMMARY	xii
CHAPTER 1: SETTING THE CONTEXT FOR THE FIRST ANNUAL PROGRESS REPORT UNDER KENYA VISION 2030	1
1.1 Background to the APR.....	2
1.2 Kenya Vision 2030	2
1.3 The First Medium Term Plan of the <i>Kenya Vision 2030</i>	2
1.4 First APR for <i>Kenya Vision 2030</i> Compared to the APR Prepared under the ERS (2003-2007)	4
1.5 Purpose of the APR.....	4
1.6 Methodology Used in the Preparation of the APR	5
CHAPTER 2: THE MACROECONOMIC FRAMEWORK.....	7
2.0 Overview	8
2.1 Overall and Sectoral Real GDP Growth Targets	8
2.2 Performance of Key Macro Economic Indicators	9
2.3 Employment.....	11
2.4 External Financing	11
2.5 Structural Reforms	12
2.6 Equity and Wealth Creation for the Poor	14
2.7 Implementation Progress	15
2.8 Implementation Status of Projects	15
CHAPTER 3: FOUNDATIONS FOR NATIONAL TRANSFORMATION	17
3.0 Overview of Infrastructure	18
3.1 Infrastructure Implementation Progress	19
3.2 Infrastructure Implementation Challenges	26
3.3 Lessons Learnt in Infrastructure Development	27
3.4 The Way Forward for Infrastructure Development.....	27
3.5 Energy	28
3.6 Information, Communications and Technology (ICT) Sector	36

3.7 Science, Technology and Innovation (STI).....	37
3.8 Land Reforms and MTP Targets	39
3.9 Public Sector Reforms and MTP Targets	41
3.10 Human Resource Development, Labour and Employment Targets for the MTP	43
3.11 Policy, Legal and Institutional Reforms	45
3.12 MTP Targets for Security, Peace Building and Conflict Management	47
CHAPTER 4: THE ECONOMIC PILLAR	51
4.0 An Overview of the Economic Sector	52
4.2 Agriculture, Livestock and Fisheries Sectors	56
4.3 The State of the Co-operatives Sub-Sector	61
4.4 The State of the Manufacturing Sector and its MTP Targets	65
4.5 Policy Review of the Business Process Outsourcing (BPO) Sector	78
4.6 Overview of MTP Targets for at the Financial Services.....	82
CHAPTER 5: THE SOCIAL PILLAR	91
5.0 Overview of Education and Training Sector	92
5.2 An Overview of the Health Sector	97
5.3 Water and Sanitation Sector	104
5.4 Environment and Natural Resources Sector	111
5.5 Population Matters under Kenya Vision 2030.....	126
5.6 The Housing Sector.....	128
5.7 Overview of Gender, Vulnerable Groups and the Youth	135
5.8 Youth Affairs	142
CHAPTER 6: The POLITICAL PILLAR	149
6.0 An Overview of the Political Pillar	150
6.1 MTP Targets for the Political Pillar	150
CHAPTER 7: IMPLEMENTATION, MONITORING AND EVALUATION OF THE FIRST MTP	163
7.0 Overview of the Monitoring and Evaluation Process	164
7.1 The National Integrated Monitoring and Evaluation System	164
7.2 The National Economic and Social Council	167
7.3 The <i>Vision Delivery Secretariat</i> , the Board and its Achievement	168

LIST OF ACRONYMS AND ABBREVIATIONS

APRM	African Peer Review Mechanism
ASALs	Arid and Semi- arid Lands
BPO	Business Process
CAGR	Compound Average Growth Rate
CBS	Central Bureau of Statistics
CDF	Constituency Development Fund
CDM	Clean Development Mechanism
CHEW	Community Health Extension Workers
CMA	Capital Market Authority
CORPS	Community Owned Resources Persons
DFI	Development Finance Institution
DRSRS	Department of Resource Surveys and Remote Sensing
EAC	East African Community
ECDE	Early Childhood Development Education
EMCA	Environmental Management Coordination Act
EPC	Export Promotion Council
EPZ	Export Processing Zone
ERS	Economic Recovery Strategy
FPE	Free Primary Education
GDP	Gross Domestic Product
GER	Gross Enrolment Rate
GIS	Geographical Information Systems
HDI	Human Development Index
ICT	Information Communication Technology
IMS	Information Management System
KACC	Kenya Anti –Corruption Commission
KARI	Kenya Agricultural Research Institute
KBE	Knowledge -Based Economy
KDHS	Kenya Demographic and Health Survey
KEMSA	Kenya Medical Supplies Agency
KIA	Kenya Investment Authority
KICC	Kenyatta International Conference Centre

KESP	Kenya Education Sector Support Programme
KIRDI	Kenya Industrial Research and Development Institute
KJAS	Kenya Joint Assistance Strategy
KTB	Kenya Tourism Board
KV2030	Kenya Vision 2030
LATF	Local Authority Transfer Fund
LDC	Least Developed Country
LIMS	Lands Information Management System
MDGs	Millennium Development Goals
MEAs	Multilateral Environment Agreement
MFI	Micro- Finance Institution
MTP	Medium Term Plan
NEPAD	New Partnership for Africa, s Development
NGOs	Non- Government Organisation
NPL	Non- Performing Loan
NSE	Nairobi Stock Exchange
OVC	Orphans and Vulnerable Children
PPPs	Public Private Partnerships
R&D	Research and Development
RBA	Retirement Benefits Authority
ROSCAs	Rotating Saving and Credit Association
SACCO	Savings and Credit Cooperative Organisation
SAGA	Semi -Autonomous Government Agency
SEZ	Special Economic Zone
SMEs	Small and Medium Enterprises
STI	Science, Technology and Innovation
SWAP	Sector- Wide Approach to Planning
SWG	Sector Working Group
TFP	Total Factory Productivity
TIVET	Technical, Industrial, Vocational and Entrepreneurship Training
VAT	Value Added Taxes
WB	world Bank
WRMA	Water Resources Management Authority
WSB	Water Services Board

FOREWORD

It gives me great pleasure to write this foreword to the First Annual Progress Report (APR) on the implementation of the *First Medium Term Plan (2008-2012)* of the *Kenya Vision 2030*.

Many Kenyans will be aware that at the end of the implementation of the *Economic Recovery Strategy for Wealth and Employment Creation (ERS) 2003-2007*, Kenya formulated the *Kenya Vision 2030* policy blueprint, whose general scope is to create a cohesive, equitable and just society based on democratic principles grounded in the existing rich and diverse cultures and traditions of Kenya. The Vision is to be implemented in five year rolling plans known as the Medium Term Plans (MTPs), the first of which covers the period 2008-2012. The MTP outlines policies, reform measures, projects and programmes agreed upon by the Grand Coalition Government

This First Annual Progress Report (APR) of the MTP (2008-2012) reviews benchmarks, targets, outputs/outcomes and assesses the progress achieved in the implementation of projects and Programmes at both the national and sub-national levels. It assesses government's performance during the last one year of the delivery of flagship projects and the implementation of projects and programmes focusing on the macroeconomic framework, foundations for national transformation, economic, social and political pillars whilst also reviewing the implementation framework.

Within the first year of the implementation of the MTP, priority areas scheduled included projects geared towards national healing, reconciliation and rapid economic growth to reverse the damage and set-backs experienced during the 2007 post-election crisis. The document gave priority to equity measures that would facilitate reconciliation and overall national economic growth.

In the macroeconomic sector, a number of policy instituting and structural reforms aimed at enhancing macroeconomic stability and improving the competitiveness of the economy were initiated. These included fast-tracking and improving implementation frameworks and the inclusion of private sector players in the management of public sector operations. Specific programmes implemented included, '**Profiles of the poor and their needs**,' while a registered achievement included the raising of the average annual income per person from an estimated US\$ 650 in 2006 to US\$ 793.51 in 2008 thus exceeding the target of 2008/2009 of US\$ 782.

The report also shows that the general Economic Performance was below average. The Tourism sector performed poorly, mainly due to the reduced number of visitors and high cost of jet fuel worldwide that led to a marked decrease of 19.2 percent in tourism earnings from 65.2 billion in 2007 to 52.7 billion in 2008. Volumes of international arrivals decreased to 1.2 million in 2008 from 1.9 million in 2007. Various sectors of the economy registered modest growth while others registered outright negative growth.

The MTP recognised the central role played by improved and expanded national physical infrastructure which includes roads, rail network, water and airports. It is for this reason that the MTP targeted increased investment in the infrastructure sector as a way of lowering the cost of doing business and increasing the competitiveness of the country. A number of efforts initiated towards the improvement of infrastructure covered the road, rail and air transport as well as energy provision.

The report also covers programmes under the political pillar that aim at laying the foundation for democratic and accountable political systems. Areas covered include

flagship projects that take into consideration the effects of the 2007 post-election crisis with the aim of building strong governance and rule of law as foundations for achieving the national long-term vision.

As minister responsible for the coordination of the implementation of *Kenya Vision 2030*, I call upon Kenyans to appreciate that the year gone by was fraught with a lot of challenges especially in the area of reconstruction and reconciliation and whatever modest achievement that has been registered should be used as a building block for

greater things to come. It is a challenge to all of us as Kenyans to realise that the successful implementation of the MTP (2008-2012) in particular, calls for dedication and commitment that involves private sector participation boosted by input from development partners.

Lastly may I call upon all stakeholders to view this report as a useful document that provides a window within which to scrutinise and appraise progress achieved against the intended programmes under our long term national policy blueprint.



Hon. Wycliffe Oparanya, EGH; MP

Minister of State for Planning, National Development and Kenya Vision 2030

ACKNOWLEDGMENTS

I wish to acknowledge the tremendous efforts displayed by the government's technical officers involved in the production of the *First Annual Progress Report for the First Medium Term Plan of the Kenya Vision 2030* policy blueprint.

Many thanks go to the many officers both from the Ministry of State for Planning, National Development and *Vision 2030*, other line Ministries and government agencies who participated in the process of collecting, collating and synthesizing information that formed the bulk of the foundational material used in this document.

These officers benefited greatly from inputs provided by the Central Project Planning and Monitoring Units who were responsible for the preparation of the Ministerial Annual Monitoring and Evaluation Reports (MAMERs). Verification of key findings was conducted by a technical working group led by staff from the Monitoring and Evaluation Directorate. I do, indeed, appreciate the efforts and contributions of each and every one of these officers.

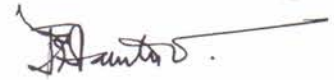
I also duly commend the efforts by Permanent Secretaries and technical officers from the various ministries who took upon themselves to participate in a series of quality as-

surance sessions that ensured that critical activities being implemented within their areas of jurisdiction were clearly captured and reported. Their efforts and commitment ensured that we came up with a technically sound report. It is worth noting too, the untiring efforts and supervisory support provided by the Economic Planning Secretary, Mr Stephen Wainaina and the coordination of the whole exercise provided by the Director of the Monitoring and Evaluation Directorate, Mr Samson Machuka and ably assisted by Mr Peter Njoroge.

The preparation of the report has been made possible with resources from the Government of Kenya with additional support coming from the World Bank funded, Public Financial Management Reform Programme, based at the Ministry of Finance. The contribution of all development partners who made this work a success is duly acknowledged.

Finally, I wish to express my gratitude for the editorial contribution of Dr George Outa, and other editors who read the drafts and greatly improved the overall quality of the report.

To one and all, thank you very much.



Dr Edward Sambili, CBS

Permanent Secretary

EXECUTIVE SUMMARY

This Annual Progress Report (APR) for the Medium Term Plan (MTP) for the Kenya *Vision 2030* provides a review of the progress achieved in the first year of the implementation of the MTP that covers the period of July 2008 – June 2009. It undertakes to assess the performance of the various parameters and progress achieved in meeting the various targets and bench marks contained in the MTP.

The report has benefited from data and information contained in the various documents such as the Ministerial Monitoring and Evaluation Report (MAMERs), District Monitoring and Evaluation Reports (DAMERS) and progress reports from various government agencies, and several MDAs responsible for tracking progress in the implementation of policies, programmes and projects across government were also interviewed.

The APRs are prepared with the intention of both reporting and providing information on the implementation and progress of government development plans while providing updates on mid-term priorities. They are a means of assessing programmes and provide the impetus for setting the development agenda for the subsequent year. APRs highlight fundamental elements, evaluate performance and provide analysis of outcomes and feedback on shortcomings identified in assessments done by development partners. The APRs also indicate the role of annual reporting by providing information on the implementation progress to key domestic and external stakeholders.

Enablers/Foundations

Under the energy sector some 124 MW additional power was installed during the year under review and 10 explorations well were

drilled among other activities carried out in an effort to increase power output and access to electricity. Other sources of energy generation being explored include: Petroleum, Solar electricity generation, Geothermal resources, Coal fired plant, Small hydro-power generation and co-generation from Cane Bagasse and other Agricultural waste.

Under the rural electrification programme, as at the end of 2007/08 financial year, a total of Kshs 24 billion was spent in financing rural electrification projects, out of which Kshs 16.9 billion was raised internally and Kshs 7.1 billion sourced from development partners. However this sector requires huge investments towards infrastructure development to enable the nation meet energy requirements. Much is required in terms of resource Mobilisation, increased public-private partnership participation and the adoption of prudent utilisation of resources for optimal sector growth.

ICT development is viewed as fundamental to the success of any nation and successful implementation of the *Vision 2030* is to a large extent hinged on the development of ICT to meet the human resource requirements for a rapidly changing and diversified economy. It is hoped that the extensive use of ICT would lead to knowledge generation to leverage Kenya's relationship with other developed countries. Some of the targets set in this sector included the creation of 7,500 BPO jobs by 2012, construction of 5,500 Km of under sea cable and 5,000 Km of terrestrial fibre optic cable, among others.

Science, Technology and Innovation having been recognised as essential for economic growth and competitiveness, have also been noted as key components of social integration, sustainable development and poverty eradication. Several programmes were identified for implementation within the MTP which include: Strengthening of

ST & I capacities and capabilities to support key national transformation areas, developing a pool of qualified ST & I personnel for key national transformational areas, intensification of innovation in key priority sectors, enhanced awareness of higher education, science and technology and innovation and expanding access to equitable, quality and relevant higher education and technical, industrial, vocational and entrepreneurship training. In order to Increase innovation in key priority sectors the Research Fund was operationalised and a total of Kshs 150 million disbursed during the review period as research grants. Within the Fund, strategic research collaboration was also established with the Republic of South Africa and several other collaborations initiated and reviewed. In addressing access to tertiary education, 13 institutions were upgraded to University Colleges and it is expected that these University Colleges will be fully pledged national public universities by 2012.

In the area of land utilisation, the government set out to implement key policies on Land, Land Use and Spatial Data Infrastructure. Progress achieved includes the formulation of National Land Policy in which a Sessional Paper was developed ready for discussion by Parliament Land Reform Transformation Unit has been established to coordinate the implementation of the policy. The draft National Land Policy is intended to provide an overall framework and define key measures required to address the critical issues of land administration, access to land, land use planning, restitution for historical injustices and environmental degradation among others.

This draft policy has already been approved by the Cabinet. Other areas being addressed in the policy include the National Spatial Data Infrastructural Policy, the Land Information Management System, Land Cover and Land Use Mapping, the National Land use and Spatial Plan and the modernisation of the Land Registries.

Public Sector Reforms is viewed as central to successful implementation of government development goals and objectives. The world over, the public sector is regarded as a pivot to economic growth and responsible for the creation of an appropriate and conducive environment in which all sectors of the economy are enabled to perform optimally. Reforms in the public sector embraced socio-economic development, political and national cohesion as envisaged in the three pillars of *The Kenya Vision 2020*. Reforms included consolidating and scaling up the gains realised during the ERS period and strengthening the link between planning, budgeting, programme implementation and coordination. Other areas spurred improvement of performance management and Human resource management, the adoption of international best practices in reform programmes and institutionalisation of Results Based Management (RBM), transforming leadership and developing new competencies for government.

Security, Peace Building and Conflict Management. This is a major element in achieving the targets contained in *The Vision 2030*. Consequently, Kenya set out to build strong and sustainable frameworks for peace and security to ensure that all internal conflicts and differences were resolved within the confines of the law. Priority areas to be addressed included the promotion of sustainable peace and security, increased democratic ideas and national unity, defending the country against external aggression, deepening policy, legal and institutional reforms and curbing drug and substance abuse. Other areas included curbing small arms usage and trafficking, tightening border surveillance, institution programmes for integration of ex-security personnel and other reformed offenders. Included also was enhanced collection, analysis and dissemination of accurate and up-to-date intelligence information including bio-data and the promotion of sustainable public-private

partnership in policing and the provision of security services.

The Economic Pillar

Tourism Sector: In the MTP 2008-2012, the Tourism sector is envisaged to treble national earnings by increasing international arrivals from 1.6 million to 3 million, while also increasing the average spending per visitor from Kshs. 40,000 to Kshs. 70,000. To achieve this, three resorts cities were to be developed in Isiolo, Diani/Ukunda and Kilifi and the country's premium Safari Parks were to be improved and high value niche products introduced among other interventions

However, during the period under review, the sector witnessed one of its worst performances in recent years. This was attributed to perceived instability and rising levels of insecurity, negative travel advisories that were issued against Kenya by countries which form the key tourist source markets. The advisories discouraged and led to reduced numbers of tourists visiting Kenya. This was further compounded by the high cost of jet fuel, a rise in commodity prices and exchange rate fluctuations. As a result tourism earnings decreased from Kshs 65.2 billion in 2007 to Kshs 52.7 billion in 2008, representing a 19.2 percent drop. The volume of international arrivals decreased to 1.2 million in 2008 from 1.8 million in 2007.

In 2008/09, an Inter-Ministerial Taskforce coordinated by the Ministry of Tourism was formed to conceptualize the Isiolo Resort City project by exploring suitable socio-economic activities befitting a resort city, project geographical area and land acquisitions requirements, infrastructural and service development requirements, funding, project institutional framework and action plan.

Agriculture, Livestock and Fisheries Sector: The Agricultural sector dominance re-

mained strong not only as a key driver of the economy but also in ensuring food security, job creation, income generation, foreign exchange earnings and linkages with other sectors including industrial development within the Medium Term Plan 2008-12 of *The Kenya Vision 2030* framework, despite the post-election violence and drought that was observed during the year under review.

In 2008/09, the sector reported dismal growth of zero percent from negative 2.7 in 2007/08, 4 new agro-processing technologies were developed and Kshs. 2.27 billion realised from exports of livestock and livestock products.

Manufacturing Sector: The sector is crucial in the transformation and development of the economy into a newly industrialising country. The sector's contribution to Gross Domestic Product (GDP) increased from 10.4 percent in 2007 to 10.6 percent in 2008. Previously, the sector was on an upward trend growing at 4.7 percent in 2004 and 6.5 percent in 2007 but was negatively affected by both external and internal shocks in 2008 and recorded a growth of 3.8 percent during the year.

Wholesale and Retail Trade Sector: The sector remains one of the key sectors to drive the Kenyan economy towards attainment of *The Vision 2030* goals. The sector comprises formal and informal wholesale trade and retail trade; distribution, international trade, trade in services and electronic trade.

The sector's growth has been on a declining trend since 2007 when it recorded a growth of 11.5 percent before declining to 5.1 percent in 2008. The slowdown in economic activity, high fuel prices and the inflationary pressure experienced in 2008 affected the sector through increased operating costs for suppliers and reduced demand for commodities as the real incomes of consumers declined.

Business Process Outsourcing Sector: The subsector aims at transferring non-core

on factors that negatively affect education was also conducted.

Health: The main goal of the health sector is to provide affordable and quality health care to all citizens, involving (among other things) the restructuring of the health delivery system in order to shift the emphasis to preventive and promotive health-care, which will lower the nation's disease burden. Among the health sector targets to be achieved in the next five years include:

1. The reduction of under five years mortality rates from 120 to 33 per 1000.
2. Reducing maternal mortality to 410 to 147 per 100,000 live births.
3. Increasing the proportion of birth deliveries by skilled personnel from 42 percent to 95 percent, increasing the proportion of immunized children below one year from 71 percent to 95 percent.
4. Reducing cases of TB from 888 to 444 per 100,000 persons.
5. Reducing the proportion of in-patient malaria fatality to 3 percent.
6. Reducing the HIV prevalence rates to less than 2 percent.

Achievements

The government continued to invest in the construction of and rehabilitation of health care infrastructure which was complemented by LATF and CDF funding.

1. A Community Strategy to enhance awareness of promotion and preventive aspects of health was developed.
2. A Human Resource Strategy was developed.

3. A draft report on Health Policy Framework with data analyses and a roadmap compiled.
4. Pilot coverage for the outpatient cover launched in November 2009 in two sites in Western Kenya and Nairobi.
5. A Cabinet Memorandum on the Revitalisation, restructuring and expanded coverage of the National Health Insurance Fund (NHIF) to include informal employees was prepared, presented to the Cabinet and returned for revision.

The Political Pillar

Governance, Peace Building and Conflict Management: The Vision envisages putting in place a strategy for improving governance and the rule of law focusing on rebuilding confidence among Kenyans, particularly in light of 2007 post-elections crisis. The aim is to ensure that the safety and security of Kenyans is guaranteed at all times; that Kenyans from all walks of life have equal access to justice and that disputes will be resolved through non-violent, amicable and legally-sanctioned mechanisms. The following interventions were to be implemented:

1. Piloting of a national CCT/Camera Surveillance project in four major urban locations of Nairobi, Mombasa, Kisumu and Nakuru;
2. Development of an additional 20,000 housing units for Police Staff Housing;
3. Establishment and operationalisation of National Security Data Centre and the rolling out of the National Community Policing initiative to all parts of the country;
4. Finalise new draft constitution through a national referendum;

5. Establish and operationalise Truth, Justice and Reconciliation Commission (TJRC);
6. Establish a permanent Ethnic and Race Relations Commission of Kenya.

Appreciable progress was made as follows:

1. In 2008/2009, two Constitutional Bills, namely, the Constitution of Kenya Review Bill (2008) and the Constitution of Kenya (Amendment) Bill (2008) were passed by Parliament and assented to by H.E. the President;
2. The Truth, Justice and Reconciliation Bill was enacted in 2008 and came into force on 9th March 2009. Parliament considered and approved the list of TJRC commissioners on 25th June 2009. The Commissioners were eventually appointed by the President on 22nd July 2009. The Commissioners were officially sworn on August 3rd 2009 and have established a Secretariat;
3. The Kriegler Commission was appointed by the President on 14th March 2008 through a Gazette Notice. On 17th September 2008, the Commission's report was submitted to H.E. the President. Cabinet approved the implementation of the Kriegler Report on the 14th October 2008 and established a 10-member Committee to prepare an implementation plan. On 27th November 2008, the Cabinet considered and approved the matrix for the implementation of the Kriegler Report;
4. Electoral Commission of Kenya (ECK) was disbanded and replaced with the Interim Independent Electoral Commission (IIEC) and the Interim Independent Boundaries Review Commission (IIBRC) following the enactment of the Constitution of Kenya (Amendment) Act of 2008 and its commencement on 29th December 2008;
5. The National Cohesion and Integration Bill was enacted in 2008 and came into force on 9th March 2009. The Act establishes the National Cohesion and Integration Commission to promote national cohesion.





Setting the Context for the First Annual Progress Report under *Kenya Vision 2030*



A completed roads project

1.1 Background to the APR

The Medium Term Plan of *The Kenya Vision 2030* constitutes the first phase of the implementation of a key policy document, which seeks to transform Kenya from its present status into a modern, globally competitive, middle-income country, offering a high quality of life for all citizens by the year 2030. The first year of the implementation of MTP covering the period July 2008 to June 2009 has ended hence the need for an assessment of performance on various parameters during the period. Consequently, it has been deemed important to carry out an assessment on progress made in attempts to achieve the various targets and benchmarks contained in the MTP by way of an Annual Progress Report (APR).

The APR is prepared by way of reviewing various documents such as the Ministerial Annual Monitoring & Evaluation Reports (MAMERs), District Annual Monitoring & Evaluation Reports (DAMERs), Progress Reports of various government agencies etc. The report also benefits from direct interviews with Senior MDA staff and more so those charged with the responsibility of tracking progress in the implementation of policies, programmes and projects across government offices.

The focus of the review is on the benchmarks, targets, outputs/outcomes provided for in the *First Medium Term Plan of Vision 2030*, and other supporting documents such as the handbook on national, sectoral and district indicators whose preparation was coordinated by the Monitoring and Evaluation Directorate (MED) in the Ministry of State for Planning, National Development, and *Vision 2030* (MSPNDV2030). Progress in the implementation of the targets and benchmarks in the District Development Plans/Ministries' Strategic Plans have also been given substantial consideration in this report.

This report provides information on what has been addressed in the Implementation of the MTP including:

1. Policy review.
2. Targets Set.
3. Achievements and Implementation Progress.
4. Challenges.
5. Lessons Learnt and the Way forward.

1.2 Kenya Vision 2030

The Kenya Vision 2030 policy imperative takshs over from the just completed era of the Economic Recovery Strategy for Wealth and Employment Creation (ERSWEC) implemented during the period 2003-2007. During this period, Kenya witnessed a sustained economic growth in all sectors of the economy from a slow growth of 0.6 % in 2002 to a projected 7% in 2007. The *Kenya Vision 2030* is a long term development blue-print that is expected to transform the country into a rapidly industrialising middle-income nation by the year 2030.

The Vision aims to create a cohesive, equitable and just society based on democratic principles and issue-based politics grounded on the existing rich and diverse cultures and traditions. It is against this background that the *Kenya Vision 2030* was conceived to be implemented by way of 5 year rolling plans known as the Medium Term Plans (MTP). The first of such MTP covers the period 2008-2012.

1.3 The First Medium Term Plan of the Kenya Vision 2030

The First MTP of The Kenya Vision 2030 covers the period 2008/09 – 2012/13 and mainly focuses on three broad areas name-

ly: Economic, Social and Political pillars. It identifies key policy actions, reform programmes and projects to be implemented over the period with the overall objective of realizing a higher and sustainable growth of the economy in a more equitable environment, accompanied by increased employment opportunities.

In summary the following interventions are envisaged:

Economic Growth Targets: GDP growth expected to rise from 7.1% in 2007 to 7.9-8.7% and 10% in 2009-2010 and 2012 respectively.

Tourism: Treble national earnings by increased tourist arrivals from 1.6 million in 2007 to 3 million by 2012. Increase the average spending per visitor from Kshs. 40,000 in 2007 to Kshs. 70, 000 by 2012.

Agriculture and Livestock: Maintain growth in Agriculture and livestock at 6-8% by improving access to farm inputs, improving farm prices, creating 5 disease free zones, and irrigating additional 1.2 million hectares.

Manufacturing and Wholesale Trade: Increase growth in the sector to 10-12% by 2012 from the 5% in 2007. This was to be achieved through establishment of two Special Economic Clusters in Mombasa and Kisumu. In addition five SMEs and Industrial Parks were to be set up.

ICT and BPOs: A BPO and digital villages were to be established to help in lowering the cost of providing ICT goods and services. The BPOs are expected to create 7,500 jobs and to increase the sectors contribution to GDP by Kshs. 10 billion.

Financial Services: The Financial services Sector is expected to mobilise the savings and investments required for the implementation of flagship projects. An estimated Kshs. 500 million investment is required. The finances are expected to be raised from Government (Kshs. 250 billion), local and

foreign private sectors. The PPP arrangements were being considered for this kind of financing.

Employment and Job creation: The MTP seeks to create 3.5 million additional jobs by 2012, reduce poverty from 46% in 2007 to 28%, and increase per capita incomes from US\$ 650 to US\$ 992 by 2012.

Education: The overall aim is to raise literacy levels to those of middle income countries by 2012. Key activities in this area include: Constructing and equipping 560 secondary schools, building at least one boarding primary school in every constituency in ASAL districts, integrating Early Childhood Education into the mainstream education programmes and employing additional 28,000 teachers. Also targeted is raising primary to secondary education transition rates to 75% and secondary to university to 15%.

Health: Equip District Hospitals, Health Centres and Clinics to offer sufficient Health services across the country. Community Health Units to be introduced to offer health services to local populations. Provide sufficient staff and enabling infrastructure to ensure affordable health services for all Kenyans.

Water: The MTP aims to increase access to potable and clean water to all Kenyans through various programmes including rehabilitation of 5 water towers, promoting water storage and harvesting through the construction of multipurpose dams with capacity to store 2.4 billion cubic meters and development of sanitation and urban sewerage programmes.

Gender, Vulnerable Groups and Youth: Gender issues continue being mainstreamed in government operations across the board to ensure gender equity in all aspects of the society. Ensure that women have a 30% representation in recruitment, promotion and appointment at all levels. Youth, the aged, disabled and any other disadvantaged members of the society will be targeted

to enhance their welfare and productivity through various programmes. The Youth Enterprise Fund will be strengthened and expanded to cater for more people. Youth polytechnics will be revived and strengthened to impart critical development skills to the youth.

Housing: Plans to construct 200,000 units annually by 2012. This is to ensure sufficient housing of high quality standards for Kenyans. Enhance the capacity of Local authorities' to provide land for construction.

Physical Infrastructure: Strategies and measures to be pursued include strengthening the institutional framework for infrastructure development; raising the efficiency and quality of infrastructure and increasing the pace of implementation of infrastructure projects. A national spatial plan will be developed. A target of 64,500km of well maintained motorable roads was set. A free port to be constructed at Dongo Kundu Mombasa. A rapid bus and rail system to be constructed in Nairobi Metropolitan area to serve as a prototype for other areas.

Energy: A million households have been targeted for connection to the main grid at a cost of Kshs. 84 billion by 2012. Kenya was also to be connected to the main South African electricity grid through Tanzania at a cost of US\$ 110 million.

Governance, Peace Building and Conflict management: The country will continue to improve on governance and the rule of law to ensure that there is equal access to justice and that disputes are resolved through non violent, amicable and legally sanctioned mechanisms. Key among these will be the constitutional review and reforms in governance institutions such as Police, prisons, Electoral Election process re-engineering, etc.

1.4 First APR for Kenya Vision 2030 Compared to the APR Prepared under the ERS (2003-2007)

The first APR of *The Kenya Vision 2030* covers the first year of the implementation of the MTP and taKshs over from the last one by building on the successes and challenges of the ERS. The MTP main objective is to hasten job creation, poverty reduction and improve income distribution and gender equity to attain balanced development to all regions of the country.

The last APR for the ERS was prepared within the framework of the National Integrated Monitoring and Evaluation System (NIMES) with the aim of reviewing the progress made during the implementation of the ERS within the key performance indicator and targets set in the investment programme (IP-ERS). It assessed the implementation of the ERS on the basis of economic growth, equity and poverty reduction and good governance, security and the rule of law while providing the overall assessment of the effectiveness, sustainability, and relevance and impact of the ERS.

1.5 Purpose of the APR

The APR is produced with the intention of reporting on the implementation process of government development plans as well as providing an update on mid-term priorities. Where appropriate, APRs are used by various governments as means of assessing progress made and as a preliminary step towards setting the agenda for the subsequent year.

The APR is generally expected to highlight fundamental elements which include an evaluation of performance and analysis of outturns and feedback on specific shortcomings identified in past World Bank/IMF Joint Staff Advisory Notes and Joint Staff As-

assessments. In addition, APRs indicate how annual reporting is used as a means of providing information on the implementation progress to key domestic and external stakeholders. Whenever necessary, such reports suggest modifications to strategies, policies, targets, and indicators used to track the implementation.

1.6 Methodology Used in the Preparation of the APR

The APR has been prepared within the framework of the National Reporting Framework the (indicator handbook), targets and benchmarks in the MTP matrix within the framework of National Monitoring and Evaluation System (NIMES). The NIMES provides a mechanism for feedback on the budget allocation system to ensure that future expenditures are tailored to maximise their

impact. The M&E system is based on both central and devolved reporting. A key output of the central level system entails the provision of annual submissions by ministries on the progress made against objectives and the achievements stipulated in the MTP. The various sectoral chapters of this report have been developed from these submissions. With regard to the devolved structure, a system of district monitoring was set up during 2005, with District Annual Monitoring and Evaluation Reports (DAMERs) being prepared every financial year.

Furthermore, the current report has focused on 48 national outcome indicators and targets broadly identified as suitable for summarizing the national performance on sector basis. These indicators have been used in the preparation of the first APR of the MTP (2008-2012).



2

The Macroeconomic Framework



*A working nation
ensures prosper-
ity for all citizens*

2.0 Overview

The *Vision 2030* and its MTP recognised that sustainable economic growth, poverty reduction and equity would be achieved in a stable macro and fiscal environment. Subsequently a medium term macroeconomic framework for the MTP period compatible with Vision2030 and Coalition Government's development agenda was developed.

The macro framework also addressed key structural reforms to be implemented to bolster broad based economic growth that would address social-economic challenges such as wealth creation, equity and quality of life of all Kenyans.

This chapter therefore gives progress made in achieving macro and fiscal targets, structural reforms and medium term employment targets in the first one year of MTP implementation.

2.1 Overall and Sectoral Real GDP Growth Targets

The First Kenya *Vision 2030 Medium Term Plan* 2008-2012 real GDP growth targets for the years 2008 and 2009 are 4.5 % and 7.9 % respectively. As shown in Table 1, in 2008 the economy grew by 1.7 %; 2.8 percentage points lower than the targeted growth for the year. The lower growth in 2008 was due to slow recovery of the economy from the effects of the post-election violence, unfavourable weather conditions which adversely impacted the growth of agriculture, and the effects of the global financial and economic crisis which negatively impacted key sectors of the economy such as tourism and contributed to lower export growth and capital inflows.

Table 1: Real GDP – Targeted and Actual Growth Rates

	2008 (Target)	2008 (Actual)	2009 (Target)
Overall GDP	4.5	1.7	7.9
Agriculture	3.1	-5.1	8.1
Industry	5.1	4.9	9.3
Services	5.3	2.6	8.0

As shown Table 1 agriculture, industry and service sectors failed to achieve the 2008 targets; agriculture sector registered the largest deviation. The agriculture sector was targeted to grow by 3.1 % but registered massive contraction of 5.1 %. The negative growth of the agriculture sector was due to inadequate rainfall in various parts of the country, effects of post-election violence and high prices of agricultural inputs and lower agricultural prices in the export market. Industry grew by 4.9 % compared to the target 5.1 %. The relatively better sectoral performance registered by the sector is ex-

plained by high growth in the construction sub sector of 8.3 % in 2008 compared to 6.9 % in 2007 and growth in the other manufacturing sub sector category of 6.3 % in 2008 compared to 5.2 % in 2007. The Services sector grew by 2.6 % in 2008 compared to target of 5.3 %. This poor performance was due to significant reduction in growth of hotels and restaurants sector which recorded massive contraction of 36.1 % mostly on account of reduction in growth of tourism with international arrivals declining by 33.8 % in 2008. Other services sub sectors such as Transport and Communications and Financial servic-

es also experienced deceleration in growth in 2008 due to the impact of lower growth in other sectors and on account of external factors such as high international crude oil prices and the impact of the global financial crisis.

Estimates of first and second quarter GDP growth by KNBS indicate that the economy grew by an average of 3 % in the first half of 2009. It is likely that the economy will grow by between 2.5 and 3.5 % in 2009; much lower than the target growth of 7.9 % which

had been predicated on normal weather conditions, a favourable external economic environment and increased trade and investment.

2.2 Performance of Key Macro Economic Indicators

Table 2 below outlines the MTP targets and outcomes for main macro economic variables for the fiscal years 2007/08 and 2008/09.

Table 2: Main Macroeconomic Indicators – 2007/08 and 2008/09 – Targets and Actuals

	FY 2007/08 (Target)	FY 2007/08 (Actual)	FY 2008/09 (Target)	FY 2008/09 (Actual)**
National accounts and prices (% change)				
Real GDP	5.7	4.4	6.2	2.4 *
CPI	28.5	18.0	7.5	26.2
GDP deflator	11.9	9.1	11.0	+
Investment and savings (% of GDP)				
Investment	22.9	19.4	23.2	+
Gross national savings	16.7	14.0	16.2	+
Central government budget				
Total revenue collection	21.4	22.0	20.9	21.8
Total expenditure and net lending	29.5	27.5	26.2	26.6
Development spending	8.3	6.7	7.1	7.1
Overall balance (incl. grants)	-5.2	-3.9	-3.9	-4.0
Gross Domestic debt	22.2	21.9	20.8	23.1
Monetary sector (% change)				
Broad Money (M3)	17.0	17.4	16.5	13.0
Credit to private sector	17.1	19.6	16.5	19.7
External sector				
Current account incl. official transfers (% of GDP)	-6.1	-5.6	-7.0	-7.8

	FY 2007/08 (Target)	FY 2007/08 (Actual)	FY 2008/09 (Target)	FY 2008/09 (Actual)**
Reserves (months of import cover)	3.3	3.7	3.7	3.6
Total External Debt (% of GDP)	21.2	22.4	22.5	23.1
Debt Service ratio (% of exports)	8.2	7.3	9.1	6.7

+ Not available up to publication of Annual Economic Survey 2010

* Calculated on the basis of 2009 GDP growth of 3.0 percent

** The FY 2008/09 nominal GDP number used in deriving the ratios is from Quarterly Economic Budget Review (August 2009)

As indicated in Table 2 above, during the last two fiscal years, the economy grew by lower than target rate in the MTP. In financial year 2007/08, the inflation rate as measured by the CPI was lower than the target by 10.5 percentage points. However in the subsequent financial year 2008/09 the rate inflation stood at 26.2 % compared to MTP target rate of 7.5 %. The GDP Deflator, indicator of changes in economy wide prices, recorded increase of 9.1 % in FY 2007/08 compared to a target of 11.9 %. Actual data for financial year 2007/08 show that the outcomes for both the investment/GDP and savings/GDP ratios were lower than targeted. The Investment/GDP ratio was 19.4 % compared to the targeted 22.9 % while the Savings/GDP ratio was 14.0 % compared to MTP target of 16.7 %.

With regard to fiscal outcomes, actual data for financial years 2007/08 and 2008/09 indicate higher realization of tax revenue. In FY 2007/08 tax revenue as a proportion of GDP amounted to 22.0 % compared to a target of 21.4 % and in FY 2008/09 it was 21.8 % compared to 20.9 %. Actual total government expenditure and net lending was lower than targeted in FY 2007/08 at 27.5 % compared to 29.5 % with development spending at 6.7 % of GDP compared to the MTP target of 8.3 %. In FY 2008/09 total

government expenditure and net lending as a proportion of GDP was slightly higher than targeted at 26.6 % compared to 26.2 % and development expenditure at the targeted 7.1 % of GDP. As a consequence of the above outcomes, the fiscal deficit as measured by the overall balance (including grants) in FY 2007/08 was lower at 3.9 % of GDP compared to the MTP target of 5.2 % while in FY 2008/09 it was marginally higher at 4.0 % compared to 3.9 %.

Actual data on public debt over the FYs 2007/08 and 2008/09 show that in FY 2007/08 domestic debt as a proportion of GDP was lower at 21.9 % compared to 22.2 %, however in the subsequent FY 2008/09 the ratio increased to 23.1 % compared to 20.8 %. With regard to external debt the actual data increases than the MTP targets during both FYs 2007/08 and 2008/09, at 22.4 % compared to 21.2 % and 23.1 % compared to 22.5 % respectively. As a consequence of the increase in external debt, the debt servicing ratio (as a % of exports) increased to 13.1 % in FY 2008/09 compared to the MTP target of 9.1 %.

Monetary sector data shows that credit to the private sector recorded higher rates of increase than targeted under the MTP increasing by 19.6 % compared to 17.1 % in FY

2007/08 and by 19.7 % compared to 16.5 % in FY 2008/09.

33,700 were in wage employees in modern establishments and 100 self employed.

2.3 Employment

With regard to employment, the target for total job creation in 2008 was 425,000. Actual employment creation was 467,300 which was above the target by 42,300. Out of the 467,300 new jobs created in 2008, the bulk i.e. 433,500 were in the informal sector,

2.4 External Financing

Table 3 below shows the MTP targets and actual outcomes for External Financing Requirements and Resources for Fiscal Years 2007/08 and 2008/09

Table 3: External Financing Requirement and Resources – Targets and Actuals FY 2007/08 and 2008 /09 (US \$ million)

	2007/08 (Target)	2007/08 (Actual)	2008/09 (Target)	2008/09 Actual)
External financing Requirement	-2,981	-2721	-3,633	-1607
Current account (excl.off.transfers)	-1,940	-1,736	-2,443	-2,015
Scheduled amortisation (official)	-252	-252	-249	-228
IMF payment	-11	-11	-14	-14
Reduction in arrears	0		-89	
Build-up of gross official reserves	-777	-722	-837	650
Resources	2,981	2,722	3,633	1,627
Official external support	1,270	977	1,430	1,106
IMF	59	58	0	209
Program loans	20	20	0	0
Program grants	57	58	0	0
Project Support	1,134	840	1,430	897
Commercial financing (sovereign bond)	0	0	300	0
Private financing, net	1,711	1745	2,279	521
Accumulation of arrears	0		-89	

Table 3 above indicates significant deviations in terms of actual external financing and the targets set in the MTP 2008-2012. Official External Support fell short of target by US \$ 293 million and US\$ 324 million in FYs 2007/08 and 2008/09 respectively. In 2007/08, actual private financing (net) exceeded the target by US\$ 34 million but fell significantly below target in FY 2008/09 by US\$ 1,758 million.

2.5 Structural Reforms

A number of policy and structural reform measures were implemented in 2008 and 2009 period aimed at enhancing macroeconomic stability and improving the competitiveness of the economy they include the following:

1. Establishment of a Doing business Reform Team consisting of members from the public and private sectors in February 2009 in the Office of the Deputy Prime and Minister for Finance to spearhead and fast track the reform process. Among the key achievements are Reduction in the number of days taken to start a business from 30 days in 2008 to 25 days in 2009 and reduction in the time taken to obtain a building permit from 50 days in 2008 to 14 days in 2009, a savings of 36 days completion of the second review of the companies Act whose bill has been finalised by the Kenya Law Reform Commission and forwarded to the AG for legal drafting;
2. The drafting of a number of bills by the Kenya Law Reform Commission (KLRC), which will significantly improve the legal environment and extend creditor and debtor rights while bringing local laws to conform to world class legislation;
3. Review of current title deed procedure by the Ministry of Lands, in order to streamline, simplify and reduce the procedures;
4. The replacement of paper-based customs administration practices with an electronic interface system. The programme has enabled importers and exporters to lodge their documentation on line. The new National single Window System (the Port Community Based System) also provides an electronic platform for submission and receipt of trade related documentation. It enables exchange and automated processing of electronic trade/cargo clearance documents documentation. It provides a facility for parties involved in trade and transport to lodge standardized information and documents with a single entry point or portal to fulfill all import, export and transit-related regulatory requirements.
5. The establishment of regulatory Reforms Working Committee, which is a high level committee of public and private sector representatives mandated to undertake comprehensive regulatory reforms including reduction of number of licenses and vetting of any new license. The electronic registry where the public is able to access all information relating to licenses in Kenya was launched in July 2009. The e-registry host all business licenses in force and also ensures scrutiny and transparency of license requirements. It also encourages information disclosure for all procedures and documents.
6. Stakeholder consultations on the Business regulation Bill and the Regulatory Reform Strategy have been launched.

On measures to enhance reliable and affordable energy. In 2008/09, the government reduced VAT on electricity by 25 % from 16 % to 12 %. A Green Energy Facility has also been established in the budget for FY 2008/09 with initial seed money of Kshs 500 million as a long term facility to finance installation of solar power panels and wind mills for power generation to replace high cost energy source and promote generation of carbon free energy. The facility will also be made available to the Sugar and bio-fuel industries to facilitate production of bio-mass energy and development of co-generation facilities. The facility also covers the cost of replacing conventional lighting and other electrical equipments with energy saving light bulbs and other devices.

The PPP regulations were gazetted in March 2009. The regulations will facilitate investment by the public sector in infrastructure and thus enhance competitiveness through better infrastructure. Financing infrastructure projects through PPP arrangements will also help in creating fiscal space for government to finance its priority programmes through the annual budget.

In the area of financial sector reforms a number of measures were implemented to improve efficiency and performance of the sector. A new payment system for payment and settlement of high value transactions was introduced from 1st October 2009. Under this system processing of high value payments using cheques and electronic transfers (EFTs) of Kenya shillings 1 million and above are required to be processed through Real Time Gross Settlement (RTGS) System known as the Kenya Electronic Payments and Settlement System (KEPSS). The policy change enhances safety and security of the payment and settlement process. The other policy measure introduced during the first FY of the MTP was the trading of Treasury Bonds on the Automated Trading System (ATS) following the integration of

the CBK Central Depository System and the Nairobi Stock Exchange (NSE) Automated Trading System. This has made bonds trading secure and efficient and has enhanced the vibrancy of the market. The other measure introduced in July 2009 is reduction of the withholding tax on long term Treasury Bonds from 15 % to 10 %. This policy measure is intended to encourage investment in long term Treasury bonds and promote development of the bond market.

Progress achieved in implementation of Public Financial Management Reforms in the FY 2008/09 of the MTP (2008-2012) includes:

1. Operationalisation of the Public Procurement Oversight Authority (PPOA). Among the key achievements in this area are development of e-procurement, training of the PPOA Advisory Board and training of over 5,000 persons involved in public procurement.
2. Development of the Pensions Management Information System (PMIS).
3. Improvement of terms of service for staff of Kenya National Audit Office (KENAO) to attract professionals from the private sector including purchase of equipment and vehicles to support the Office.
4. Improving budget execution, accounting and reporting through rolling out of IFMIS to 48 ministries/departments and development and implementation of a transitory stand alone Financial Management System for districts to feed electronic data to IFMIS (District Vote Book Management System). This has led to field/out station expenditure being captured and reported in a timely manner for decision making.

5. Development of debt management strategy by debt and guarantees department.
6. Improvement in Debt Management through institutionalisation of CS-DRMS in back office operations, budget preparation and debt statistics.
7. Development of risk management and value for money frame works for government by the internal audit department.
8. Adoption of Risk Based Audit Approach (RBAA), putting in use audit management systems software (Team Mate and IDEA) to deepen RBAA audit methodology and preparation of first report on fiduciary review audit (6th March 2009) and Forensic Audit (July-September 2009).
9. Automation of Kenya Revenue Authority operations including the establishment of call centres.
10. Improvement of Parliamentary Oversight through training workshop for members of parliament on public financial management (November 2008) and Training of Parliamentary Committee Members and staff on the budget process.
11. Preparation of Indicative Programme Budget.
12. Operationalisation of the Privatisation Commission.
13. Improved coordination of PFM reforms through establishment of a PFM Coordinating Unit. Other achievements included: preparation of its work plans approved in January 2009, preparation of quarterly IFRs, timely processing of procurement requests, and carrying out of media publicity campaigns on PFM Reforms.

Overall capacity development of government officers in various aspects of PFM through training to enhance service delivery on public finance related activities. On management of devolved funds, the Ministry of Planning, National Development and *Vision 2030* has taken initiative to develop a Constituency Resources Management Framework which will seek approval for a holistic approach to management of the several devolved funds. A task force has also been set up to review the Act and management of CDF Funds.

2.6 Equity and Wealth Creation for the Poor

Social equity and equitable access to public services have been part of the nation's development agenda since independence. However, concerns have been raised on the extent of disparities between the rich and the poor and inequitable distribution of public resources between individuals, regions and along gender lines. There are also rural urban inequalities, income disparities within the rural areas themselves and within major cities and towns. Moreover an increasing number of urban residents live in formal settlements that lack the most basic amenities. Such disparities include issues of quality service which is a major cause of social tensions in the country as was evident during the 2007 post-election crisis.

Inequality and poverty therefore remain among key development challenges that the government continues to confront and address. Whereas substantial attention has been paid to poverty alleviation, there exists a huge gap between the poor and non-poor in entitlement to political, civil and human rights. There also exist large disparities in incomes and access to education, health and land, as well as to basic needs including clean water and adequate housing.

The MPT envisaged the resettlement of Internally Displaced People (IDPs) in the first

one year. The government financed Humanitarian fund for mitigation of effects and re-settlement of victims of post-election violence was also to be operationalised. The Government was also to fully implement the measures identified by the National Reconciliation and Emergency Social and Economic Recovery Strategy Report (March 2008) prepared by the National Accord Implementation Committee to address the needs of IDPS.

In order to tackle poverty and inequality in the medium term period, the following key targets which are in tandem with those of industrialising countries were to be achieved:

1. Raising the average annual incomes per person for an estimated US\$ 650 in 2006 to above US\$ 992 by 2012.
2. Reducing poverty levels from 45.9 percent to 28 percent by 2012.
3. Reducing rural urban inequality from current levels of 0.38 and 0.447 to 0.34 and 0.407 respectively by 2012.

Specific programmes to be implemented included:

Profiles of the poor and their needs: This will map out the poor throughout the country and create profiles for their pressing needs. The targeted programmes and projects will be formulated in the light of the data profiles established.

A comprehensive study and analysis of poverty reduction initiatives promotion of pro-poor growth through targeted poverty programs and projects.

2.7 Implementation Progress

Raising the average annual incomes per person for an estimated US\$ 650 in 2006 to above US\$ 992 By 2012. The GDP per capita improved from US\$ 650 in 2006 to 793.5 in

2008 which exceeded the target for 2008/09 of US\$ 782.

Reducing poverty levels from 45.9 percent to 28 percent by 2012. No poverty assessment has been made since KIHBS survey of 2005/06. The status of poverty will be established once the second round of Kenya Integrated Household Budget Survey (KIHBS II) is undertaken in 2010/11 financial year. Preliminary work done on the second KIHBS include development of concept note and budgeting for the exercise in the MTEF budget of 2010/11 – 2012/13. The survey will go along way to update the poverty numbers and determine whether poverty levels have declined or not according to the set targets.

Reducing rural urban inequality from the current levels of 0.38 and 0.447 to 0.34 and 0.407 respectively by 2012. The figures to establish the extent to which this target was met or missed altogether will be available once KIHBS II is completed.

Raising the level of Human Development Index in Kenya from about 0.532 in 2007 to between 0.6 and 0.7 by 2012. The Kenya Human Development Report is under preparation through the support of UNDP. Once the report is finalised an index will be available that will be used to assess the extent to which the target is being achieved or being missed out.

2.8 Implementation Status of Projects

To work towards the realization of the forgoing targets, the following flagship projects were to be implemented:

Profiles of the Poor and their Needs: A draft report on the determinants of poverty from figures based on the 2005/06 KIHBS data has been prepared. A study on profiles of the poor and their needs will be undertaken in collaboration with other stakeholders such as the University of Nairobi and other

research institutions. This will go a long way towards mapping the poor throughout the country.

A Comprehensive Study and Analysis of Poverty Reduction Initiatives: This study is yet to be undertaken. However, KIHBS II once undertaken will provide information that will enrich the study.

Promotion of Pro-Poor Growth through Targeted Poverty Programs and Projects: Through Poverty Eradication Commission, the government is currently implementing targeted poverty interventions in districts that have relatively high incidences of poverty. PEC is piloting and scaling up poverty targeted programmes/initiatives aimed at raising incomes of the poor. These initiatives include promotion of group-based funding strategy through a Revolving Loan Scheme and Table Banking Services to provide access to affordable credit to the poor and promotion of smallholder commercial farming. Key achievements under focal area include:

a) *Revolving Loan Fund*

The Revolving Loan Fund targets people living below the poverty line who also require credit to carry out their income earning activities. These poor people are not able to

access credit from banks and most micro-finance institutions due to high charges and interest rates and conditionalities which they cannot meet. The Commission is scaling up the funding levels of this scheme through the increased budget allocation in the financial year 2009/2010.

b) *District Table Banking Services*

Table Banking Services is currently being piloted in Thika, Siaya and Bondo districts and will be rolled out to other districts in the country.

c) *Promotion of Smallholder Commercial Farming*

This entails identifying early maturing high value crops with a ready and reliable market which the smallholder farmers can grow individually and sell collectively so as to obtain commercially viable quantities. The Commission under this strategy is promoting the growing of grain amaranth in various parts of the country. During the review period, the promotion was done in Yala, Nzoia and Nyando River basins as well as Mbooni in Eastern Province.

3

Foundations for National Transformation



*KPLC work-
ing hard at light-
ing the country.*

3.0 Overview of Infrastructure

The successful implementation of *Kenya Vision 2030* and its *First Medium Term Plan* (MTP) were anchored on a number of cross-cutting factors (enablers) and themes that include the central role played by improved and expanded national physical infrastructure, which includes the roads, railways network, water and airports. The MTP also targeted increased investments in the road network, water and sanitation services, rail, sea and air transport and energy supply services.

The MTP sought to accelerate infrastructure development while focusing on quality, aesthetics and functionality of the infrastructure services. Indeed, effective and reliable infrastructure is critical in lowering the cost of doing business and increasing competitiveness of the country.

The following are MTP goals aimed at laying a sustainable foundation for achieving the objectives of *Vision 2030*:

1. Acceleration of ongoing infrastructure development, focusing on quality, aesthetics and functionality of the infrastructure services;
2. Building infrastructure to support identified flagship projects to ensure its contribution to the economic growth and social equity goals;
3. Improving efficiency and effectiveness of the infrastructure development process at all levels including planning, contracting, and construction;
4. Providing a utility sector (water, sewerage and electricity) that is modern, customer-oriented and technologically enabled to provide efficient, cost-effective, quality services to all citizens;
5. Creating inter-connected, technologically advanced information and communication systems driving innovation, growth and social progress;

6. Protecting the environment as a national asset and conserving it for the benefit of future generations and the wider international community;
7. Cultivating a social attitude of respect and care for public infrastructure facilities and services amongst all citizens.

In order to realise the goals set out for the sector, the following strategies were to be pursued over the MTP period:

1. Strengthening the institutional framework for infrastructure development and accelerating the speed of its completion;
2. Raising efficiency and quality of infrastructure projects, and increasing the pace of implementation of infrastructure projects so that they are completed in specified time frames;
3. Enhancing local content (materials and services) of identified infrastructure projects;
4. Developing and maintaining an integrated, safe and efficient transport network;
5. Supporting the development of infrastructure initiatives around flagship projects;
6. Benchmarking infrastructure facilities and services provision with globally acceptable performance standards targeting enhanced customer satisfaction;
7. Integrating information and communication technologies in the processes of infrastructure services provision;
8. Implementing infrastructure projects that will stimulate demand in hitherto neglected areas targeting increased connectivity and reduced transport and other infrastructure costs;

9. Developing a national spatial plan to optimise the development and utilisation of infrastructure facilities and services;
10. Modernising and expanding sea port facilities;
11. Identifying, developing and retaining the requisite human resources to support the infrastructure facilities and services;
12. Enhancing private sector participation in the provision of infrastructure facilities and services strategically complemented by public sector interventions.
15. Public facilities improvement programme
16. Construction Industry development policy
17. Maritime law project
18. Port of Mombasa expansion and modernisation
19. Development of a Nairobi Metropolitan growth and development strategy
20. Nairobi Metropolitan region mass rapid transit programme
21. Institutional reform programme.

The MTP also sets the following targets:

1. Finalisation of the National Integrated Transport Policy
2. Developing the First National Spatial Plan
3. Development of new a Transport Corridor to Southern Sudan and Ethiopia
4. Developing the Kenya National Transport Master Plan
5. Initiating a National Road Safety programme
6. Road and Airstrip Maintenance Project
7. Roads 2000 Programme
8. Road network expansion and up-grading programme
9. Dredging of the Port of Mombasa
10. Ferry Services programme
11. Weather modification programme
12. Scaling up of the Rural electrification programme
13. Energy access scale up programme
14. Least cost power development programme generation projects

The other important target was

To reduce the proportion of the road network in bad/poor condition from 30 percent in 2007/08 to 28 percent in 2008/09.

3.1 Infrastructure Implementation Progress

A number of developments were realised in the development of infrastructure, including the following:

3.1.1 Modernisation of Jomo Kenyatta International Airport (JKIA)

1. Package 1 involved the construction of apron at terminal unit 4, taxiways and associated facilities. The works were completed and facilities in use. The contract was fully financed by Kenya Airports Authority (KAA) at a cost of US\$ 40.6 million.
2. Package 2 involved the construction of terminal unit 4 building and the multi-storey car park. Evaluation of bids was completed and draft bid evaluation report submitted to the

World Bank for review. The contract is estimated to cost US\$ 76 million.

3. Package 3 will involve renovation and remodelling of units 1, 2, 3 and arrivals building. Construction works are expected to take 28 months. The bidding document is being finalised. The contract is estimated to cost US\$ 90 million. European Investment Bank has expressed interest to part finance this contract.

3.1.2 Improvement of Kisumu Airport

Construction works for the terminal building and extension of the runway commenced in October 2008 and the construction period is estimated at 22 Months. So far 40 percent of the works are completed. A Cabinet Paper requesting additional funds to extend the runway by 300 metres to accommodate Code E planes (B767) is awaiting approval

3.1.3 Improvement of Wilson Airport

Detailed designs for renovation and upgrading security at Wilson Airport are in progress. The World Bank is financing the consultancy for designs while KAA will finance the associated works at a cost of US\$ 20 million.

3.1.4 Rehabilitation of Airstrips

Fifteen airstrips were rehabilitated in 2008/2009 and 9 others are earmarked for rehabilitation in 2009/2010.

3.1.5 Dredging of Mombasa Port

1. The consultants have submitted their consultancy reports on dredging and hydrographic works and used for final design. An EIA for the project has been done and sub-

mitted to NEMA for approval. The project has been divided into two phases and restricted tenders have been sent out for implementation of the first phase.

2. Development of a second Container Terminal.
3. The project implementation is on schedule with the basic project design completed and preparation of detailed project design ongoing.

3.1.6 Mass Rapid Transit System for the Nairobi Metropolitan Region

Requests for proposals were issued, evaluation of technical and financial proposals completed and the ADB gave a No. Objection to engage a consultant to carry feasibility study to determine the best option for managing transport in Nairobi.

3.1.7 Port Container Terminal Expansion

The design capacity of the current container terminal is 250,000 TEUS compared to 600,000 TEUS being handled. The Government of Japan through JBIC is lending JPY 26,497 million while the Government and Kenya Ports Authority are contributing Kshs. 4.7 billion. These funds will be utilised to construct a new container Terminal, dredging work for new terminal berths, six lane access road, equipment and consultancy for supervision work.

Procurement of consultancy for civil works supervision is complete. Awarding of civil works contract is at advanced stage. The project is set for completion in 2015.

3.1.8 Development of Lamu-Sudan-Ethiopia Transport Corridor

1. The Ministry has appointed a Ministerial Secretariat comprising of officers from the Ministry HQs, KRC, KPA and KAA to spearhead the process of the Project Implementation.
2. A feasibility study is expected to bring out information to clarify (i) the possible extent of concessions and timeframes; (ii) Government exposure to risks and penalties; and (iii) the obligations of a developer and the Government of Kenya (GOK) as well as the benefits accruing to the Government from the business income streams, rates and taxes.
3. Expression of Interest for the consultancy services for the feasibility study was advertised on 2nd April 2009 and opened on 18th May 2009.

3.1.9 Proposed Free Port at Dongo Kundu

A Task Force has been formed to facilitate and coordinate the development of a Free Trade Zone at the Port of Mombasa through Public /Private Partnership arrangement. The tenders for Expression of Interest for the consultancy services for the Feasibility Study were advertised in the local and international media from 11th December 2008 to 9th January 2009. 22 firms/consortiums responded, the EOIs were evaluated from 27th to 30th January 2009 and 11 firms short-listed to proceed to the Request for Proposal. 3 firms submitted their RFPs and these have been evaluated. The procurement process was put on hold in November 2009 awaiting further discussion with the Singapore Government, which has indicated willingness to fund the project. An arrangement has been made by the Government to invite private sector participation

in the development and operation of free ports facilities once the legal framework has been initiated.

3.1.10 Development of the Southern Corridor

Preparatory work for the development of a new transport corridor from Port of Lamu to Ethiopia, Somalia and Southern Sudan has started. Consultation with Ethiopia and Sudan started during the period under review and is getting to a conclusion. AFDB has agreed to finance the feasibility study that is expected to start in November 2009 for a period of six months.

3.1.11 Development of the Standard Gauge Railway Line between Kenya and Uganda

1. A joint Steering Committee composed of members from the two countries has been formed.
2. The Joint Steering Committee has finalised the drawing up of draft bilateral agreement to herald the design and the construction of the new standard gauge railway line.

3.1.12 Rehabilitation and Maintenance of Roads

The Consultancy contract for the development of the Road Sector Investment Plan (RSIP) will guide the prioritisation of projects in the next 10-20 years was awarded and the final RSIP report submitted.

3.1.13 Developing Computerised Pavement and Bridge Management Systems

1. Procurement of a consultant is in progress through the Road Authorities.
2. Undertaking Environmental Studies.
3. All major roads projects have to undergo an environmental and social impact assessment studies.

3.1.14 Effectiveness of the Roads 2000 Strategy

Effective coverage of Roads 2000 strategy from the current 37 districts to over 150 districts. The results expected within the current Roads 2000 commitments are:

1. Routine maintenance of 20,000 Km of roads.
2. Creation of 60,000 jobs.
3. 1,250 trained labour based contractors.

3.1.15 Axle Load Control

Modernisation of the weighbridges to enable monitoring of operations from a central control room is in progress. The government has partnered with the private sector in the management of axle weighbridge stations and control of overloading of trucks. Measures instituted to reduce overloading include banning of trucks/trailers with four-axle configurations in line with the agreed Common Market for Eastern and Southern Africa (COMESA) protocol. Already Mariakani and Athi River weighbridges have been put under private management.

3.1.16 Capacity Building in the Construction Industry

1. Cab Memo on establishment of a NCA in progress.
2. Contractors urged to establish RACE-CA for self regulation and to facilitate dialogue.
3. Review of Cap 530.
4. Encouragement of joint ventures.
5. Enhancement of the capacity of the Mech' Fund (SAGA additional equip).

3.1.17 Involvement of the Private Sector (PPPs)

1. Through Concessioning of Roads.
2. The target is to conclude at least 3 concessions by 2012.
3. Performance based maintenance.
4. A Bidders' conference is planned for concessioning of the remaining sections of the Mombasa-Nairobi-Malaba Corridor.

3.1.18 Rehabilitation/ Reconstruction

1. Over 30 projects costing over Kshs 60 billion are currently ongoing with funding from the GoK/Development Partners (Development Budget).
2. Over 40 projects, prioritised in terms of their contribution to the Key Sectors of the Economy under the *Vision 2030*, and costing over Kshs 63 billion are ongoing with funding from GoK/Development Partners (Development Budget).

3.1.19 Northern Corridor Improvement Project (NCTIP)

Completed:

1. Miritini – Maji ya Chumvi, 35 Km.
2. Maai Mahiu – Naivasha Lanet, 96 Km.

Ongoing:

1. Sultan Hamud – Machakos Turnoff, 55 Km.
2. Machakos Turn off – Athi River – Embakasi, 33 Km.
3. Lanet - Nakuru – Njoro Turnoff 14, Km.
4. Njoro Turnoff – Mau Summit – Timboroa, 83 Km.
5. Mau Summit – Kericho–Kisumu, 145 Km.
6. Rehabilitation of Timboroa – Eldoret – Webuye – Malaba A104 .
7. Leseru – Kitale – Marichpass–Lodwar–Nadapal Roads – 600 Km. The World Bank is funding consultancy services for feasibility study and detailed design. Evaluation of consultancy bids completed. Awaiting WB “No Objection.”

3.1.20 Improving Nairobi Roads

1. Rehabilitation of Jomo Kenyatta International Airport through Uhuru Highway (22km).
2. Expansion of Museum Hill Road up to Gigiri (UNEP headquarters).
3. Erecting street lighting and traffic lights.
4. Addition of an extra lane between JKIA and Nyayo Stadium.

5. Machakos – Turn Off JKIA Project.
6. Improvement of Enterprise Road.

3.1.21 Nairobi-Thika Road

Rehabilitation and upgrading of Nairobi–Ruiru–Thika Road–50 Km, is ongoing as follows:

1. Construction of eight lanes and six interchanges to replace the existing roundabouts in order to ease the current traffic congestions.
2. Improvement of major arterial connectors i.e. Outer Ring road, Ngara, Muranga and Forest roads linking Pangani to Uhuru Highway. Works commenced in March 2009 with funding from ADB and the Chinese Government.

3.1.22 Nairobi Bypasses and Missing Links

1. Construction of the Eastern and Northern bypass commenced.
2. The Eastern bypass (40km) – starts at City Cabanas, passes through Ruai and ends at Ruiru (with loop at Ruai).
3. The Northern bypass (31km) – starts after Ruaka Trading Centre on Limuru Road, passes through Runda and joins the Eastern Bypass ending at Ruiru (10 Km at Thome).
4. The Southern bypass (30km) – starts on Mombasa Road at St. James Hospital and ends on Naivasha road after Kikuyu town. The project has been tendered under concessioning of the Machakos Turnoff – Athi River–Rironi section.
5. Missing links: 3 no. completed, several opened up and eight planned for upgrading next year.

3.1.23 Ongoing Construction of other Major Regional Roads

1. Athi River–Namanga Road (A104) Project (137km) – Awarded on 4th September, 2007 at a contract sum of Kshs. 6,208,705,229.80. Construction ongoing.
2. Isiolo – Merille River Road (136km) Project – Awarded on 4th September, 2007 at a contract sum of Kshs. 4,875,409,271.00. Construction ongoing.
3. Emali – Oloitoktok Road Project (100km) – Awarded on 14th August, 2007 at Kshs. 4,236,198,771.59. Construction ongoing.
4. Up-grading and rehabilitation of Garissa – Dadaab – Liboi road (Km). This road has gained prominence due to Somali's political turbulence (good for security reasons).
5. Up-grading and rehabilitation of Kakamega-Kitale-Lokichogio road is meant to fully exploit the potential of Turkana district and provide access to Southern Sudan.
6. Up-grading and rehabilitation of Naroko–Isebania road is meant to ease transport to Southern Tanzania.

3.1.24 Regional Road Projects

1. Rehabilitation of Malindi–Mombasa–Kilifi–Lunga Lunga (200 Km).
2. Rehabilitation of Mau Summit–Kericho–Kisumu (B1) (145 Km).
3. Rehabilitation of Timboroa–Eldoret–Webuye–Malaba Road, A104 (boarder with Uganda).
4. Rehabilitation of Voi–Mwatate–Taveta (125 Km).

5. Rehabilitation of Malindi–Mombasa–Kilifi–Lunga Lunga (200 Km).
6. Upgrading of Merille River–Marsabit (122 Km).
7. Upgrading of Marsabit–Turbi (121 Km).
8. Turbi–Moyale Road A2(123 Km).
9. Likoni–Shelly Beach–Diani–Vanga Road (80 Km).
10. Lamu–Witu–Kiunga.
11. Dongo Kundu Bypass.
12. Garissa–Modogashe.
13. Greater Eastern Bypass.

3.1.25 Establishment of Road Agencies

1. Kenya National Highways Authority (KENHA) – Implementing agency to manage and maintain all road works on class A, B, C roads. Also to advise the MoR on technical issues.
2. Kenya Rural Roads Authority (KERRA) – Responsible for all rural and small town roads, Class D and below including special purpose roads and unclassified roads also responsible for Forest Service Roads and County Council Game Reserve Roads. KWS also to be a maintenance agency for national/game reserves roads.
3. Kenya Urban Roads Authority (KURA) – To manage and maintain all roads works on urban roads in cities and major municipalities.

3.1.26 Progress in Policy, Legal and Institutional Reforms

- To enable the transport sector succeed in implementation of the programmes towards realization of *The Vision 2030*, a number of policies,

legal and institutional reforms have been initiated as detailed below.

a) *Development of a Legal Framework to Support Private-Public Partnerships*

As Government encourages private public partnerships in development and management of transport infrastructure in areas such in the development of free port, light Rail, Rapid Bus Transit System and development of the new transport corridor from Lamu to Southern Sudan and Ethiopia consultations have started along the legal framework put in place by the Government.

b) *Finalisation of the Integrated National Transport Policy*

The Cabinet approved the Integrated National Transport Policy and a Sessional Paper is being prepared for presentation to Parliament. The adoption of the Sessional Paper by Parliament will assist in implementation of the recommendations of the Policy including institutional reforms.

c) *National Road Safety Programme*

The Ministry is developing a Driving Curriculum; Reform Motor vehicle inspection; and review existing traffic rules to improve road safety in the country.

d) *Development of Driving School Curriculum*

The Government is in the process of securing a consultant to review and standardize driving school curriculum that will guide driving schools.

e) *Introduction of Instant Fines and Ticketing for Traffic Offences*

The Government is in the process of reviewing the existing laws to make provisions for adopting the on-spot fines rates to reduce unnecessary delays by taking drivers to Courts because of minor offences. The proposal is contained in the Finance bill now awaiting Parliaments approval.

f) *Development of Rules and Regulations for the Maritime Laws*

The rules and regulations to be drafted are expected to assist in operationalisation of the six maritime law bills (i.e. merchant shipping bill, marine pollution bill, carriage of goods by sea bill, marine insurance, Kenya Ferry Corporation bill, admiralty court Jurisdiction bill, and amendment bill) that were recently enactment by Parliament.

g) *Establishment of Single Window Port Community Based System (PCBS)*

The Port Community Based System (PCBS) has been muted due to the fact that transport logistics and inventory costs in East Africa transport corridors are among the highest in the world, and adversely affect regional trade integration and competitiveness of the tradable sectors of the economy. The simplification and streamlining of trade documentation and clearance processes is therefore at the core of the strategy of the Government of Kenya for trade facilitation and national competitiveness.

h) *Dongo Kundu*

There are approximately 250 squatters settled in the 3000 acre land at Dongo Kundu which belongs to Kenya Ports Authority. The Kilindini Dis-

strict Commissioner has already put up offices on a part of the land. The Ministry of Roads is doing feasibility study and design of the Dongo Kundu bypass. Unless this road is constructed the viability of the project is in doubt. A decision to proceed to the actual implementation of the project will be known from the outcome of the pre-feasibility study. Some of the challenges so far have included the legal and institutional framework for Private Public Partnerships, the absence of fiscal incentives, specifically for duty free zones and environmental challenges concerns.

i) Gauge Railway

To mobilise the required resources for the development, of a project which cuts across borders is slowed by institutional arrangements, different legal regimes and decision making processes. MOUs have to be signed and parliaments of both countries have to endorse the project which may cause inordinate delays. These are some of the issues that have slowed down the development of cross border railway system between Kenya and its neighbours.

3.2 Infrastructure Implementation Challenges

The following are some of the general implementation challenges experienced in the infrastructure sector:

1. Slow procurement processes and granting of authority especially for donor funded projects. There were instances where authority to proceed to the next level took more than two months.
2. Inadequate funds for implementing some of the projects. Most of the flagship projects were initiated without financial provisions. The processes also involved securing consultants.
3. Complexity and some of the projects that will also require enormous resources outside government provisions. Most of the big projects like standard gauge railway line, second transport corridor, duty free port and Mass Rapid Transit system for Nairobi Metropolitan require involvement of the private sector in ventures such as Build Operate Transfer.
4. Inadequate technical staff especially in air accident investigation. This department has had problems in hiring qualified staff principally because of lack of a retainer policy.
5. Low investment in transport infrastructure. Over time there has been little investment in the transport sector. The sector has heavily relied on the Government for investment against competing needs. Since the onset of ERS there has been remarkable investment in transport which needs to be sustained.
6. Poor enforcement of rules and regulations. This is sometimes constrained by lack of clarity on roles played by the police and some ministry's departments like the motor vehicle inspection unit.
7. Maintenance backlog of the road network.
8. Pavement overloading by heavy goods vehicles.
9. Inadequate funding for both capital and maintenance works.

10. Inadequate road maintenance equipment.
11. Low capacity by local consultants and contractors.
12. Limited private sector participation in roads development, financing and management.
13. Increased traffic volume leading to congestion within cities/towns.
14. Inadequate Land Use Policy/Encroachment on Road Reserves.
15. Gross under performance of the railway transport.
5. Upgrade of the IFMIS is critical to avoid a pile up of vouchers/claims in the processing queuing system.
6. Quick implementation of the Electronic Funds Transfer for merchants/contractors/suppliers.
7. It is important to initiate project preparatory work before securing resources.
8. There is need for patience in implementing these types of projects as there is a lot of background work done before implementation starts.
9. Targets and outputs require reviewing periodically due to uncertainty of securing the amount of finances required in these ventures.

3.3 Lessons Learnt in Infrastructure Development

The following are some of the critical lessons learnt in infrastructural development:

1. Research development, Service Delivery innovations, and Monitoring and Evaluation are very important aspects for informed interventions and remedial actions during project implementation.
2. Ownership of the annual work plan by heads of department is critical in projects/programmes implementation and also opens opportunities for synergies between the departments.
3. Effective management of contracts should be adhered to in order to enhance projects completion and avoid non-performance by contractors.
4. More funding measures should be explored to supplement the inadequate resources from the government, for example, the public private partnerships, infrastructure bonds, etc.

3.4 The Way Forward for Infrastructure Development

Some of the proposals for the way forward for the infrastructural development in Kenya are as follows.

1. Budgetary allocation from the exchequer and Fuel Levy Fund should be enhanced annually towards development and maintenance of the road network;
2. Rational priorities must be set within the budgetary framework (Roads Sector Investment Programming);
3. Priorities to be based on support to the productive sectors and key flagship projects under the *Vision 2030*;
4. Enhanced Axle Load control (to protect the road investments);
5. Training of Contractors and Consultants to be enhanced so as to enhance capacity that is currently low;
6. Foreign Contractors to participate in partnership with local contractors in

bidding for future contracts (capacity enhancement);

7. Additional capital for roads development through involvement of Private sector through the PPP framework (concessioning) to be pursued;
8. There is need to continue with computerisation of the payment processing since time lag in the processing of documents and making of payments is a major cause in accumulation of pending bill;
9. The PPP concept be aggressively explored to fund the massive infrastructure projects;
10. Monitoring and Evaluation functions of the Ministry should be strengthened;
11. Recruitment of technical staff should be fast-tracked by the Ministry;
12. Procurement procedures and processes are addressed in-order to shorten the time taken to award and commence project implementation;
13. Development be enhanced for effective service delivery;
14. Infrastructure Bond option of funding projects should be explored.

3.5 Energy

3.5.1 The Energy Sector

The supply of adequate energy for household and industrial needs has in the past faced major challenges. Some of these challenges include high infrastructure development costs, long lead time required to implement energy projects, over reliance on hydro power, inability to deliver adequate energy to meet national needs, and low investments in the sector, among others.

Huge investments are required for Energy, possibly more than is currently available. It is therefore necessary to develop innovative ways of resource Mobilisation and adopt prudence in utilisation for optimal sector growth.

Although the Government will continue to play a central role in Energy Infrastructure development, the huge resource requirements call for Mobilisation of resources held by the private sector through Public-Private Partnership.

During the year under review, a total of 124 MW of additional power capacity was installed, 10 coal exploration wells drilled, 9 geothermal production wells at Olkaria IV drilled, 54 institutions installed with solar electricity generators (PVs), feasibility study on 12 small hydro power sites completed and construction of 607 rural electrification schemes completed.

3.5.2 Targets Set for the Energy Sector

1. Increased access to electricity.
2. Feasibility studies for development of small hydro power plants.
3. Wind energy development.
4. Development of new and renewable energy technologies.
5. Energy efficiency and conservation.
6. Promotion of development of bio-fuels.
7. Co-generation, biogas and gasification technologies.
8. Coal energy development.
9. Oil exploration.
10. LPG infrastructure.
11. Upgrade of the Kenya Petroleum Refineries Limited.

12. Strengthening of NOCK market share.
13. Purchase of strategic stocks.
14. Capacity enhancement of oil pipeline.

3.5.3 Other Targets in the Energy Sector

1. Install 75 MW additional power capacity in 2008/09.
2. Increase households with electricity connections from 1,060,383 in 2007/08 to 1,260,383 in 2008/09.

3.5.4 Implementation Progress in the Energy Sector

The progress in the energy sector covers electric power generation, energy efficiency and conservation, and petroleum.

i Electric power supply

a) Emergency power generation

During the review period, the Government contracted Aggreko to supply 146 MW of temporary emergency power to address the generation shortfall due to erratic rain patterns. This led to a review of tax and levies on electricity in October 2008 to reduce cost. Consequently, VAT on electricity consumption was reduced from 16% to 12 % which had the effect of decreasing the final consumer tariff by 3.45%. Further, the fall in international oil prices reduced the fuel cost element on consumer bills from Kshs 7.78 per kilowatt hour in September 2008 to Kshs 4.16 per kilowatt hour in January 2009 equivalent to a reduction of 46.41 %.

b) Additional capacity installed

During the year under review, a total of 124 MW of additional power was installed and commissioned as follows:

1. 35 MW achieved from additional three units by OrPower 4 at Olkaria III Geothermal Power Plant;
2. 53 MW new power capacity was installed by Iberafrica Power (EA) Ltd as a result of concerted efforts by the Ministry of Energy to ensure this capacity is installed following prolonged drought which reduced hydro-power generation;
3. 26 MW cogeneration capacity installed by Mumias Sugar Company;
4. 10 MW installed by KenGen following upgrading of Kiambere Hydropower Unit I from 72 MW to 82 MW.

c) Rural electrification through grid connection

As at the end of 2007/08 financial year, a total of Kshs 24 billion had been spent on financing rural electrification projects, out of which Kshs 16.9 billion was raised internally and Kshs 7.1 billion sourced from development partners.

During 2008/09, a total of 607 projects spread throughout the country were completed at a total cost of Kshs 3,475 million. These projects were implemented by both Rural Electrification Authority and Kenya Power & Lighting Company where they completed the construction of 370 and 237 projects, respectively. The projects involved electricity extension to various public places and institutions that include:

1. 1104 markets centers.
2. 1206 public schools.
3. 329 health facilities.

4. 35 coffee factories.
5. 155 tea buying centers.
6. 186 government administrative facilities.
7. 149 water projects.

It is also estimated that about 10,000 domestic consumers will have access to electricity from these new extensions.

d) Solar electricity generation

In rural areas far away from the grid network particularly in arid and semi-arid land districts, solar electricity generators (PVs) have been installed. During the period under review, a total of 54 public institutions were installed with Solar PVs against a target of 40 institutions. These institutions are in Marsabit, Mandera, Wajir, Mbeere, Turkana, West Pokot, Marakwet and Kajiado Districts.

e) Geothermal reserve appraisal

The Government established the Geothermal Development Company (GDC) whose primary objective is to undertake geothermal resources assessment leading to development of steam fields for power generation. Consequently, 9 geothermal production wells were drilled at Olkaria IV Geothermal Field. In addition, funding for the construction of a 140 MW power plant at Olkaria I Geothermal Field was secured from the Japanese Government.

f) Customers with electricity connections

A total of 206,815 new customers were connected with electricity in 2008/09 against a target of 200,000. This brought the number of customers with electricity connections to 1,267,198 in 2008/09 compared to 1,060,383 in 2007/08.

g) Least cost power master plan update

The rolling 20-year Least Cost Power Master Plan Update (LCPDP) was updated and the report produced in April 2009. The LCPDP gives the least cost power plants and imports to be pursued in the medium and long term. It also gives the transmission and distribution lines to be constructed.

h) Coal exploration

The Government undertook coal appraisal drilling in Mui Basin of Kitui East and Mwingi East Districts with a view of establishing the existence of commercial deposits potential for power generation. During 2008/09 financial year, 10 exploration wells were drilled bringing to a total of 41 appraisal wells drilled. A private firm has been contracted to fast track the drilling programme and analyse the samples of the intercepted coal to assess the quality and quantity of coal in the area.

i) Construction of coal-fired power plant

Approval for a PPP joint venture to construct a plant at the Coast to generate 300 MW of electricity using imported coal was granted by the shareholders and a memorandum of understanding (MoU) was signed between the Ministry of Energy and Daewoo of Korea for the partnership. In addition, the feasibility study was completed, Expressions of Interest invited and Request for Proposals for development of the coal plant sent out to shortlisted firms. KenGen will be the implementing agency on behalf of GoK and the project is expected to be commissioned by December 2015.

ii Renewable Energy Sub-sector

In addition to geothermal and solar energy already mentioned above, the other

achievements in the renewable energy sub-sector include the following:

a) Co-generation from cane bagasse and other agricultural wastes

The Government carried out feasibility studies on co-generation to confirm the potential and technical and economic viability of utilizing sugar cane bagasse in the sugar belt of Nyanza and Western Provinces. It was established that potential existed, among the six (6) sugar factories, for generating up to 120 MW for export to the national grid without major investments and about 200 MW with modest investments for expansion of cane fields and factories' crushing capacity.

b) Signed PPAs under the feed-in-tariffs for renewable

Power Purchase Agreements (PPAs) were signed for the following 2 small hydro projects:

1. Genpro Power Ltd for 3 MW at Teremi Falls, Mt. Elgon. The tariff is US cents 7.58 per kWh and commercial operation date is 1st March, 2012; and,
2. Imenti Tea Factory acting through KTDA for 900KW power plant in South Imenti. The tariff is 6 US cents per kWh, and commercial operation date 1st October, 2009.

c) Feasibility study on small hydropower generation

A feasibility studies were undertaken and completed on 12 small hydropower generation sites. The sites are:

1. Iraru for Kionyo Tea factory.
2. Mutonga for Konoro Tea factory.

3. Mara South for Weru Tea Factory.
4. Thuci for Rukuriri Tea factory.
5. Nyamindi for Kimunye Tea factory.
6. Kiringa for Kimunye Tea factory.
7. Maragua for Ikumbi Tea factory.
8. Chania for Matara Tea Factory.
9. Gucha for Ogembo Tea factory.
10. Kipsonoi 1 for Kapkoros Tea factory.
11. Kipsonoi 2 for Litein Tea factory.
12. Itare for Kapkatet Tea Factory.

d) Biofuels development

The Bioethanol and Biodiesel Strategies were put in place.

iii. Energy Efficiency and Conservation

a) Investment-grade energy efficiency audits

Three investment-grade energy efficiency audits were carried out on the following three companies and reports made:

1. Kenya Sweets Limited;
2. C & P Shoe Industries;
3. Athi River Mining Co. Ltd.

iv. Petroleum Sub-sector

a) Oil exploration

In 2008, there were eleven international oil companies licensed for petroleum exploration in nineteen out of the country's thirty eight exploration blocks. Six of the licensed blocks are offshore in the Indian Ocean while the rest are onshore.

b) Refinery upgrade

Arrangements to modernize the Kenya Petroleum Refineries Limited (KPRL) were undertaken with a view to increasing its efficiency, reduce the cost of unit crude oil processed and make it competitive. During the year under review, a private investor was sourced for Public- Private Partnership (PPP) venture.

c) LPG facilities in Mombasa

The EPC Contract for Mombasa LPG import handling, storage and distribution facility was evaluated and approved by the KPC and KPRL Tender committees. The evaluation report on EOI for Financial Advisory Services was also approved by the committees. Technical evaluation exercise for RFP and Financial Advisory Services are on going.

d) LPG facilities in Nairobi

The business plan and preliminary engineering design for the Nairobi LPG storage and distribution facility were submitted to Bharat Petroleum Company Limited, the joint venture partner with KPC. Securing of land is on-going.

e) Strengthening of NOCK market share

The number of National Oil Corporation of Kenya (NOCK) retail stations increased from 42 active stations as at the end of 2007/08 to 58 stations as at the end of June 2009 resulting to an increase of the market share to 5.34% from 4% for the previous year. The stations are well spread throughout the country giving the corporation a strong market presence, more sales and higher gross margins. In addition, the storage capacity of the Nairobi National Terminal of assorted products has been enhanced from 1,450 to 4,154 cubic metres. The corporation is now focusing to spread its wings in Central Kenya

and Nairobi area to achieve a proportionate representation in this key market segment that holds 60% of the market.

f) Purchase of strategic stocks

A gazette notice was published in April 2008 authorizing NOCK the mandate to procure and manage an equivalent of 90 days of the country's petroleum strategic reserves. Establishment of the necessary administrative and governance structures is underway. The corporation is also in the process of procuring a joint venture partner.

g) Capacity enhancement of the oil pipeline

During 2008/09, the pumping capacity for the Mombasa – Nairobi Oil Pipeline (Line-1) was enhanced to increase the flow rate from 440,000 to 531,000 litres per hour. Additional upgrade is being done at Kipevu Oil Storage Facility (KOSF) to improve suction pressure that will enable the pipeline operate at 831,000 litres per hour.

Plans are also underway to construct a parallel oil pipeline from Nairobi to Eldoret to boost the supply of petroleum products to Western Kenya and beyond. The oil pipeline is also to be extended from Eldoret to Kampala, Uganda and during the period under review, detailed engineering design was undertaken. Enhancement of the oil pipeline is expected to reduce trucking of petroleum products hence reduce damages on the road network and deaths.

3.5.5 Implementation Challenges Experienced in the Energy Sector

The crosscutting implementation challenges in the energy sector include high initial investment costs for energy projects, stringent conditions for accessing semi-concessionary credits even for commercially via-

ble projects, i.e. the requirement for a 35% grant element, high political risk rating thus limiting the level of financing by creditors and donors require that clearance for “No Objections” be sought at various stages in the procurement process, delaying project implementation and hence disbursement of funds.

The specific challenges for each sub-sector are highlighted below.

a. Electric power sub-sector

1. Power generation capacity additions have not risen in tandem with demand due to long lead times and high cost of generating power, which has necessitated continued operation of very expensive emergency diesel power generation ;
2. Over dependence on hydropower, leading to disastrous effects on electric power generation during dry hydrology situations. Furthermore, financial viability of hydropower plants is low because of high cost of reservoirs, dams and infrastructure like roads. It has, therefore, been difficult to attract financing for these projects;
3. Weak transmission and distribution network resulting in high system losses, frequent power outages and low power supply voltage in many parts of the country;
4. Limited domestic capacity for undertaking comprehensive feasibility studies on hydro power systems, thus slowing down their exploitation for power generation;
5. Small electricity consumer base coupled with low income levels limit adequate revenue generation through tariff adjustments, given that the current tariff regime is already very high;

6. Stringent security payment requirements by IPPs which include irrevocable letters of credit covering several months of capacity and energy payments provided by KPLC and sovereign guarantees as preconditions for reaching financial closes for projects financing;
7. Limited availability of long-term financing to power utilities due to weak balance sheets relative to the required debt: equity ratios. For example, the power utilities are expected to raise at least 25% of their development expenditures;
8. Extremely high environmental and social impact mitigation costs for generation and transmission projects;
9. High risks associated with geothermal resource assessment and development;
10. Vandalism, theft of transformers and power cables ;
11. Huge compensation required for way leaves acquisition, delays in getting acquisition consent and frequent encroachment of way leaves;
12. Regional power projects have high uncertainty and are delayed by external factors;
13. Escalating cost of capital intensive generation projects;
14. Long distances for power transportation, difficult logistics and poor infrastructure and remoteness of the off grid stations;
15. Scattered and sparsely populated rural areas.

b. Renewable energy sub-sector

1. Limited awareness about the economic opportunities in the renewa-

ble energy sub-sector as well as lack of guaranteed market for renewable energy produced on a small scale;

2. Unsustainable harvesting of biomass leading to environmental degradation;
3. Slow adoption of improved technologies both for production and utilisation;
4. Impact on health due to indoor air pollution;
5. Unavailability of data on wood-fuel production and consumption trends;
6. Use of inefficient charcoal conversion technologies leading to waste and pressure on biomass resources;
7. Lack of standards for charcoal, improved charcoal stoves for domestic use and improved wood stoves for institutional use;
8. Unavailability of the right quality of materials for making improved stoves (eg. drum sheet);
9. Unavailability of comprehensive data on most feedstocks to facilitate appropriate choice;
10. Unavailability of blending facilities.

c. Petroleum sub-sector

1. Unpredictable and volatile prices of crude and refined petroleum products;
2. Port facilities for off-loading coal and petroleum fuels are grossly inadequate;
3. There are no port facilities to handle natural gas, thus limiting fuel and technology options;
4. Access to land for private sector in oil and gas;

5. Single Jetty leading to queuing at berthing and exposing the country to supply disruptions;
6. Shallow draft at the Mombasa Port;
7. Insufficient storage at KOSF to meet country and regional demand;
8. Outdated refining technology leading to low value of total refined products;
9. Constrained capacity of the Western Kenya pipeline hence underutilised storage and loading capacity;
10. Massive trucking of products raising security and safety concerns and road damage; and,
11. Inadequate storage infrastructure especially for LPG limiting stock days cover.

3.5.6 Lessons Learnt and the Way Forward for the Energy Sector

a. Lessons Learnt

The following lessons were learnt during the year under review:

1. There is inadequate capacity to carry out construction works in the energy sector. The number of local contractors with technical competence and financial capacity to undertake major projects is limited. Foreign contractors have the technical capacity and financial capability but are rather expensive;
2. Monitoring and Evaluation of programmes has been weak due to inadequate capacity;
3. Devolved funds were used to improve infrastructure particularly in the rural areas including connection

to the national grid and installation of solar panels;

4. Though the Government will continue to play a central role in energy infrastructure development, the huge resource requirements call for Mobilisation of resources held by the private sector through Public-Private Partnership.

b. The Way Forward

To address the implementation challenges highlighted above, the following measures should be considered:

1. Increased budgetary support for geothermal resources assessment, transmission capacity enhancement and rural electrification expansion;
2. Government to provide sovereign guarantees to private investors in power generation and transmission;
3. Sourcing of concessional funding for major power projects;
4. Need to create adequate and effective capacity for projects planning and execution to enhance donor funds absorptive capacity;
5. Provision of investment incentives to IPPs, other investors in energy production, services and hardware, and creditors to the energy sector through an attractive fiscal regime as articulated in Sessional Paper No 4 of 2004 on Energy, e.g. income tax holidays to both investors and creditors;
6. Relaxation of the requirement for 35% grant element to about 20% for long-term energy infrastructure and project loans;
7. Deepening of the infrastructure bonds market base to raise investment funds;
8. Strengthening performance monitoring, accountability and project/program planning systems, i.e. to improve governance and productivity of resources;
9. Reducing the levels of bureaucracy in the funds flow process, when processing withdrawal applications, to speed up disbursement from donors;
10. Periodic review of feed-in-tariffs for power generation;
11. Limiting maximum periods for negotiations with investors and approval of energy production contracts;
12. Complimentary diesel generation with wind turbines (in the windy areas) to reduce the fuel costs;
13. Use of solar energy cells to complement diesel generators (technology advances to reduce solar based power costs);
14. Importation of power from neighbouring countries to spread risk;
15. Involvement of communities, Members of Parliament and local leaders to sensitize communities on importance of granting free way leaves;
16. There is need to develop a biofuels policy and blending regulations to streamline and guide development of biofuels;
17. Develop private sector capacity in construction and maintenance of bio-digesters for successful adoption of the technology;
18. Support research on biogas technology including piloting on adoption of institutional biogas plants;
19. Expanding and increasing the number of energy centres in an effort to enhance outreach activities on renewable energy development.

3.6 Information, Communications and Technology (ICT) Sector

ICT development is fundamental to the success of any nation as it equips citizens with understanding and knowledge that enables them to make informed choices not only about issues affecting their lives but also about issues affecting the whole society.

The successful implementation of the *Vision 2030* depends to a large extent on ICT development in order to meet the human resource requirements for a rapidly changing and more diverse economy. Owing to the advantages of extensive use of ICT, increased ICT knowledge generation will greatly help in leveraging Kenya's capabilities with other developed countries.

3.6.1 Targets Set for the ICT Sector

The following targets were set to be achieved in the MTP period:

1. Creation of 7,500 BPO jobs by 201;
2. Construction of 5,500 Km of under-sea cable and 5000 Km of terrestrial fibre optic cable;
3. Establishment of one ICT park in the Nairobi neighbourhood;
4. Provision of broadband connectivity to social, government and learning institutions;
5. Development of digital villages at constituency level and content development and digitisation;
6. Modernisation and digitisation of Kenya Broadcasting Corporation to enable it to migrate from analogue to digital broadcasting;
7. Development of four ICT policies in the plan period;

8. Train 5000 people in ICT entrepreneurial skills.

3.6.2 Other Targets

During 2008/09, the following targets were to be achieved:

1. Reduce the telecommunication cost from Kshs. 6000 in 2007/08 per Megabyte to Kshs. 2,500 per Megabyte;
2. Increase the percentage of households with access to radios from 90 percent in 2007/08 to 95 percent in 2008/09;
3. Increase the percentage of households with access to television sets from 80 percent in 2007/08 to 85 percent in 2008/09;
4. Increase the percentage of households with mobile phones from 39 percent in 2007 to 40 percent in 2008/09;
5. Increase the percentage of households using Internet facility from 7.7 percent in 2007/08 to 8 percent in 2008/09.

3.6.3 Implementation Progress in the ICT Sector

In an effort to attain set targets the sector made the following achievements:

1. A Cabinet memo on the establishment of special economic zone was passed by cabinet paving the way forward towards the establishment of an ICT park in the Nairobi neighbourhood;
2. 500 people have been trained on BPO entrepreneurship and skills;
3. The government upgraded two tertiary training institutions to enable them offer the required ICTs skills to

Kenyans. These are the Multimedia University and the Kenya Institute of Mass Communications which has partnered with the University of Nairobi;

4. 5500 Km of undersea fibre optic cable under the East African Marine System Project (TEAMS) has been laid;
5. Construction and laying of 5000 Km of terrestrial fibre optic cable under the National Optic Fibre Backbone Infrastructure (NOFBI) has been completed.

3.6.4 Implementation Challenges in the ICT Sector

1. Lack of institutional and legal framework to implement automated services including electronic transactions.
2. Financial and Human Resource Constraints.
3. High costs of ICT utilisation and maintenance and public sectors.

3.6.5 Lessons Learnt and Way Forward in the ICT Sector

Competition in the cellular market segment has allowed mobile telephony to spread all over the country thus allowing Kenyans to communicate easily and carry out their economic activities more effectively. It has also pushed the cost of communication down although not to the expected levels considering the per capita income.

For Kenya to fully utilise ICT as an economic driver there is need to address other support sectors such as energy. The cost and availability of energy in the country has hindered further development of ICT.

Having ICT systems and content alone is not good enough to enable ICT-induced eco-

nomic growth. The ICTs user must be literate enough in order to make the circuit complete. Education and Training curricula reviews have to be carried out to ensure this is done.

Reforms in the Trade and Industry sectors are important in enabling e-business to flourish. It is therefore, imperative for these reforms to be fully addressed in the country.

3.7 Science, Technology and Innovation (STI)

Science, Technology and Innovation is recognised globally as essential for the economic growth and competitiveness of nations and is also a key component of social integration, sustainable development and poverty eradication. Implementation of relevant Science, Technology and Innovation strategies in Kenya must be successfully delivered in order to achieve the goals set under the *Vision 2030*.

3.7.1 Targets Set for STI

Several programmes and projects were identified for implementation during the MTP period under Science, Technology and Innovation. These were:

1. Provision of an economic and institutional regime that offers incentives for the efficient use of the existing knowledge, the creation of new knowledge, and the flourishing of entrepreneurship;
2. Development of an educated and skilled population that can create, share and use knowledge well;
3. Development of a dynamic information and communication infrastructure that can facilitate processing, communication and dissemination of information and knowledge;

4. Establishment of an effective innovation system (i.e. a network of research centres, universities, think tanks, private enterprises and community groups) that can tap into the growing global knowledge and assimilate and adapt it to local needs, while creating new technologies and knowledge frontiers.

3.7.2 Implementation Progress under STI

The following are the key achievements made during the 2008/2009 financial year:

Improvement of STI Capacities and Capabilities to Support the Key National Transformation Areas

1. A concept note on undertaking a national survey to establish capacity and capability of STI and Higher Education institutions as well as a sectoral approach in technology assessment in the agricultural sector was developed.
2. A national STI Indicators survey was undertaken. These indicators will be integrated into System of National Accounts.
3. Mechanisms for the establishment of one Science and Technology Park and three industrial incubators have also been initiated.

Pool of Qualified STI Personnel Developed for the Key National Transformation Areas

A national study on the existing science, engineering and technology (SET) skills was initiated with a view to establishing status of the same and to inform policy decisions on

national skills requirements and development.

Frameworks and activities geared towards increasing gross enrolment in Universities and Technical, Industrial, Vocational and Entrepreneurship Training (TIVET) institutions was developed. Curriculum review was also initiated in Science, Technology and Engineering (SET) courses.

Increased Innovation in Key Priority Sectors

1. A Research Fund was operationalised and a total of Kshs 150 million disbursed during the review period as research grants. Within the Fund too, strategic research collaboration was also established with the Republic of South Africa and several other collaborations initiated and reviewed.
2. Activities to support improvement of the system of protecting and utilizing the intellectual property rights were also initiated with an initial establishment of 6 Intellectual Property Rights (IPR) offices/desks in TIVET institutions.

Highly Informed Society by Investing in STI

1. A framework to collate and disseminate information STI awareness has been established.
2. Information, Communication and Education (IEC) Strategy developed, three STI symposia held, regional TIVET fairs and Community outreach programmes held and scientific and technological exhibitions conducted across the country to leverage the public awareness and establish crucial networks for the furtherance of the national ST&I Sector objectives.

3. Enabling access to equitable, quality and relevant Higher Education and technical, industrial, vocational and entrepreneurship training (TIVET).
4. During the review period, over 15,000 needy students were awarded bursaries amounting to Kshs 200 million to study in TIVET institutions. This was an increase from 5,000 beneficiaries who had received Kshs 52 million in the 2007/08 financial year.
5. Upgrading and Modernisation of training equipment and improvement of physical facilities, development of Centres of Excellence, capacities building of human resources in training institutions and TIVET curriculum review activities were also undertaken.
6. A draft University Education Bill and a TIVET Bill prepared. Once enacted, the Bills will provide the enabling framework to develop higher education and TIVET as well as regulate the sector to ensure more access, equity, quality and relevance of education at these levels.

3.7.3 Implementation Challenges under STI

Other than Government budgetary support, there has been very little technical assistance or donor support from development partners towards university and technical education at all levels in recent years. While some institutions have put in place income generating activities, these are still weak and sometimes have ended up compromising the quality of education.

The Ministry, has however embarked on ensuring the streamlining of the enabling frameworks and has laid the foundations required to overcome these challenges both in the short and long-term.

3.8 Land Reforms and MTP Targets

Development initiatives highlighted in the Kenya Vision2030 to transform our country into a newly-industrialised middle income country with a high quality of life are underpinned by comprehensive land reforms. In order to achieve its objectives, the government set out to implement key policies namely; the National Land Policy, National Land Use Policy and the National Spatial Data Infrastructure Policy. The specific targets set included the following:

1. Formulation of a National Land Policy
2. Development of a National Land Use Policy
3. Development of Kenya National Spatial Data Infrastructure Policy
4. The National Land Use/Spatial Plan
5. The Land Information Management System
6. Modernisation of Land Registries
7. Land cover and land use mapping, which involves accurately and continuously updating of maps.

3.8.1 Implementation Progress in space Land Reforms

1. *Formulation of a National Land Policy*

A national Land Policy has been prepared and approved by the Cabinet. A Sessional Paper has also been developed for discussion by the parliament. A Land Reform Transformation Unit (LRTU) has been established to coordinate the implementation of the policy. The policy aims to provide an overall framework and define the key measures required to address the critical issues of land administration, access to land, land

use planning, restitution of historical injustices, environmental degradation, conflicts, unplanned proliferation of informal urban settlements, outdated legal framework, institutional framework and information management. It also addresses constitutional issues such as compulsory acquisition and development control as well as tenure. The policy recognises the need for security of tenure for all Kenyans.

2. Development of a National Land Use Policy

A draft concept paper for the preparation of the National Land Use Policy has been prepared and is in the process of being shared with stakeholders. The policy aims to guide and regulate use of land and planned urban development. The policy further forms the basis for land use management and provides an appropriate framework for preparation and implementation of national, regional and local area land use plans and ensures that the planning process is integrated, participatory and meets stakeholder needs.

3. Kenya National Spatial Data Infrastructure Policy

A draft Kenya National Spatial Data Infrastructure Policy has been developed and is being shared with stakeholders before it is presented to the Cabinet for approval. The policy will provide guidelines for the collection, integration, distribution, use and sharing of geospatial information (GI) and services. The policy applies to GI activities of public, private and civil society organisations in the country.

The overall objective of the policy is to provide a national infrastructure for access and use of geospatial information in decision making at local, regional and national levels for sustainable development.

4. The Land Information Management System

This is a computer-based information system that enables the capture, management and analysis of geographically referenced land-related data. The Government has digitised 140,000 land rent records, 30,000 valuation reports, 200,000 plot records, 86,000 cadastral records and 43 topographical maps and scanned 77,000 land registration documents.

5. Land Cover and Land Use Mapping

The government has updated 10 maps for Meru (108/3), Nyeri (120/4), Karatina (121/3), Kerugoya (121/40), Nkubu (122/1), Embu (135/2), Malindi (193/3), Gede (193/3), Mazeras (198/3) and Mombasa (201/1).

6. The National Land Use/Spatial Plan

This plan is intended to guide physical development activities over the next 50 years. It will provide a spatial illustration of national projects and will also identify a strategy for land development. The plan will address issues such as settlement, environment, transport and economic development. It will form the basis upon which development activities in support of *Vision 2030* will take place.

7. Modernisation of Land Registries

A record of all land transactions is maintained in land registries. The development of land registries will focus on creating publicly accessible land registries, under an improved governance framework. This will involve rehabilitation and construction of modern registries and reconstruction of worn out/torn land records in readiness for

the computerisation programme. During the MTP period the sector will reconstruct all worn-out/torn land records, rehabilitate and equip land registries and construct and equip new land registries. In particular the sector will ensure that in the next two years all land worn-out/torn land records are reconstructed. This will also involve creating capacity in the Ministry of Lands recording keeping sections to ensure the Ministry has officers with the right skills to man the registries.

3.8.2 Implementation Challenges Experienced under Land Reforms

During period under review, the following challenges emerged:

1. Inadequate Funding

Inadequate funding has negatively affected the implementation of programmes and projects

2. Population Pressure

In some parts of the country, high population densities, cultural practices on inheritance, and the fact that most Kenyans live on their own plots in the countrysides have resulted in highly fragmented and hence uneconomical plot sizes.

3. Unsustainable Land Use

In rural areas, land use practices are largely incongruent with the specific ecological zones. Uneconomic land sub-divisions, coupled with poor land use practices are responsible for accelerated land degradation and declining land productivity. In the urban areas, proliferation of informal settlements, urban sprawl and encroachment into protected land remain key challenges.

4. Land Administration

Land is currently governed by many laws, most of which are in conflict. This presents great difficulties in land administration and management. Harmonisation of land laws into one statute will reduce the multiple allocations of title deeds.

5. Manual Land Information System

The volume of land records and the manual system used in land transactions have made it untenable for expeditious land transactions.

3.9.3 Lessons Learnt and Way Forward for Land Reforms

In 2008/09, Kshs 1.095 billion was collected in land rent that could be used for implementation of the Land Information Management System programme.

3.9 Public Sector Reforms and MTP Targets

Public sector reforms management is a central feature of economic policy reform Programmes that is aimed at shaping a public administration leading to national development economically, socially and politically. The public service (Ministries, Parastatals and extra-Ministerial Departments) has always been the tool available to the government for the implementation of developmental goals and objectives. It is seen as a pivot for growth of many economies in the world and is responsible for the creation of an appropriate and conducive environment in which all sectors of the economy can perform optimally. It is this catalytic role of the public service that propels the government to search continuously for better ways to deliver services to the public.

Reforms in the public sector are critical to Kenya's socio-economic development, po-

litical stability and national cohesion as envisaged in the three pillars of the *Kenya Vision 2030*.

During the period under review, the sector reforms aimed at the following:

1. Consolidating and up-scaling gains realised during the ERS period to ensure that the *Kenya Vision 2030* is anchored on a sound public service foundation;
2. Strengthening the link between planning, budgeting, programme implementation and coordination;
3. Improving performance management and human resource management;
4. Adopting international best practices in reform programme;
5. Institutionalisation of Results-Based Management (RBM), transforming leadership and developing new competencies for government.

The specific targets for reforms were set as follows:

Flagship Targets

1. HIV/AIDS Public Awareness and staff sensitisation campaigns.
2. Kenya School of Government
3. Result-based management
4. Support reform programmes
5. Tap Kenyan talent abroad
6. Productivity improvement, measurement and promotion
7. Operationalise the new labour laws
8. Peace building and reconciliation
9. Gender mainstreaming in policies and programmes
10. Domestication of regional and international instruments on gender

11. Develop a decentralisation policy
12. Development of a decentralisation strategic framework
13. Performance improvement and reform programme
14. Capacity building.

3.9.1 Achievements and Implementation Progress in Public Sector Reforms

1. **Capacity Building:** A comprehensive training needs assessment is to be carried out in the Public Sector with a view of developing a national programme for the training of public servants and re-orienting to them to the requirements and aspirations of the regional development policy and in particular the *Vision 2030*.
2. **Kenya School of Government (KSoG):** The School is being established to build capacity in governance and its affiliate institutions for national transformation. The government established the Committee on Establishment of Kenya School of Government. The committee was established and launched on the 10th February 2009 and has prepared a report on the modalities for the establishment of the Kenya School of Government. A draft bill to establish the KSoG has been prepared and submitted to the Attorney General's office for drafting and finalisation.
3. **Human Resource:** The government is putting up measures to ensure that the enlisted staffs are adequate, qualified and motivated so that they are in a position to perform their duties effectively and efficiently. Harmonisation of salaries has been done on full banding and the allowances are being worked on. Already, hardship allowances have been reviewed and the hardship areas reclassified.

4. HIV/AIDS Public Sector Support Initiative: The disbursements of funds from the Total War Against AIDS (TOWA) project through a Development Credit Agreement (DCA) funded by the World Bank at the National AIDS Control Council are geared towards behaviour change and internal mainstreaming of HIV and AIDS through related education and awareness campaigns in selected Ministries. The HIV/ AIDS Control Unit (ACU) at the MSPS in charge of overseeing the implementation of Public Sector HIV and AIDS Workplace Policy. Government has already taken steps towards the sustainability of this programme with each line Ministry having a budget line for HIV and AIDS with annual allocations from the Recurrent Vote ranging between Sh 3 million to 20 million.. So far, the ACU is engaged in reviewing the Public Sector HIV/AIDS workplace policy and development of guidelines for its implementation. A HIV and AIDS Newsletter is under preparation while a Website is being designed on HIV/AIDS for the Public Sector as well as setting up resource centres accessible by the public service.

5. Records Management in the Public Sector: Public access to information and data will be promoted through the implementation of the ICT policy, Modernisation of operations and communication systems through the use of ICTs, enhancement of information management including processing, storage and access and capacity development through training, equipping and expanding local and wide area networks to support efficient seamless communication and fast and convenient service delivery. The ministry has rolled out the records management system to 16 ministries (by 30th September 2009) and it is now building capacity in the use of the system.

6. Training Revolving Fund: The fund has been established with an initial amount of Kshs 200 million. Modalities are being put in place for its implementation. The fund is to be used by public servants who will be borrowing for training purposes.

7. Democracy and Public Service Delivery: The ministry will ensure it will enhance Public Service delivery in an open and accountable manner. Reforms on culture and attitude change are being undertaken.

3.10 Human Resource Development, Labour and Employment Targets for the MTP

Kenya aims to create a globally competitive and adaptive human resource base to meet the requirements of *Vision 2030*. To ensure significant and consistent results, the *Kenya Vision 2030* envisaged that the human resources shall be managed, rewarded and steered to develop global competitiveness. This was set to be achieved by enhancing the capacity to utilise knowledge and information in design, production and marketing of traditional exports.

Several programmes and projects were identified for implementation during the 2008/09 MTP period as follows:

Flagship targets:

1. Development of Human Resource Database;
2. Productivity improvement, measurement and promotion;
3. Strategic management and coordination;
4. Transformation of the National Social Security Fund (NSSF);

5. Strengthening linkages between industry and institutions;
6. Identification of talents in the education sector;
7. Retraining and redirecting excess human resource;
8. Providing funds to women entrepreneurs;
9. Increasing women representation at executive level in all branches of the government and private sector;
10. Setting up an International Academy for Sports, a Sports Lottery, and sports stadia across the country;
11. Establishing an International Centre for Arts and Culture, and programme to identify, nurture and develop music;
12. Expanding the Youth Enterprise Development Fund;
13. Establishing the Consolidated Social Protection fund for cash transfers to Orphans and Vulnerable Children (OVC), Persons with Disabilities (PWDs) and the elderly;
14. Full implementation of the Disability Fund.

Other targets set for the sector

During the year under review the following targets were to be achieved:

1. To increase the number of Jobs created from 485.5 thousand jobs in 2007 to 759 thousand jobs in 2008/09.
2. To increase the number of industrial disputes settled from 55 percent in 2007/08 to 60 percent in 2008/09.
3. To develop 60 additional Micro and Small Enterprises in 2008/09.

3.10.1 Implementation Progress for the Human Resource Development, labour and Employment

The following are the key achievements made during the 2008/09 financial year:

1. Development of Human Resource Database

Preparations for the National Manpower Survey to provide baseline information that will be used to develop a National Human Resource Database were initiated. In this regard, tools for the survey and a proposal for resource Mobilisation were developed. The exercise would be carried out simultaneously in all the East Africa Community countries.

2. Strengthened Linkages between Industry and Training Institutions

Trade Test Examinations numbering 41,734 were administered to candidates; 8,959 students were placed on industrial attachment against a target of 8,000; 5,154 students were trained in various industrial skills. In addition, a process of developing an Industrial Training Policy was initiated.

3. Productivity Improvement, Measurement and Promotion

Formulation of a National Productivity Policy to provide strategic direction on productivity management in the country and its supporting systems is under way. Productivity improvement exercise was undertaken in seven companies that are expected to be model firms/enterprises for productivity improvement. In addition, 50 Productivity Technical Service Providers were trained from both the public and private sectors.

On contribution to the outcome and targets relating to national indicators, the following progress was made:

1. Improved Industrial Peace and Harmony

10,994 labour disputes were resolved out of the 11,825 received. In addition, the Industrial Court received 500 cases out of which 264 were finalised. The cases received were higher than the target of 300 which was as a result implementation of the revised Labour Laws that allow individuals to file their cases directly with the Industrial Court unlike in the past where only Unions could file cases with the Court.

2. Development of the MSE Sector

Rehabilitation of 73 MSE worksites was started, which was above the target of 60 worksites. However, non-release of second half fund allocations meant that the project could not be fully completed as planned.

3.10.2 Progress on Achievement of other Key Programmes Areas

1. Upgrading and Refurbishment of Industrial Training Centres

Commenced refurbishment and rehabilitation works in the five industrial training centres. Financial support was secured from the Korean Government towards expansion and rehabilitation of the Technology Development Centre.

2. Development of Website for Management of Employment Data

The employment information system website was developed and operationalised and

4,689 job seekers placed in employment through the Public Employment Services.

3.11 Policy, Legal and Institutional Reforms

a) Institutional Reforms

Labour market institutions

Labour market institutions were established as provided for in the new Labour Laws. These are: National Labour Board, General Wages Councils, Agricultural Wage Council, Rules Board for the Industrial Court of Kenya, National Council for Occupational Safety and Health, and Occupational Safety and Health Fund. However, the institutions are not fully operational due to inadequate funding.

1. Transformation of the Directorate of Industrial Training (DIT) into a Semi-Autonomous Government Agency

The Industrial Training Amendment Bill, 2009, which seeks to transform the Directorate of Industrial Training (DIT) into a Semi-Autonomous Government Agency was approved by Cabinet and is awaiting publication before submission to Parliament for enactment.

2. Review of the Status of the Productivity Centre of Kenya

A taskforce was constituted to review the legal status of the Productivity Centre of Kenya and has developed a report on the restructuring of the Centre. The report is awaiting implementation.

b) Policy Reforms

1. National Occupational Safety and Health at Workplace Policy

The Draft National Occupational Safety and Health Policy was prepared in consultation with stakeholders, the key one being the National Council on Occupational Safety and Health (NACOSH).

2. Productivity Policy

The formulation of policy to provide strategic direction on productivity management in the country and its supporting systems was initiated.

3. Policy on Child Labour

A Draft Child Labour Policy was prepared and will be submitted to the National Steering Committee on Child Labour for validation.

4. Diaspora Policy

A Draft Diaspora Policy was prepared and is waiting to be discussed with stakeholders.

3.11.1 Legal Reforms Micro and Small Enterprise (MSE) Act

A Draft Micro and Small Enterprises Bill was prepared and discussed with relevant stakeholders. It will be presented to the Cabinet for approval before being submitted to Parliament for enactment.

3.11.2 Implementation Challenges for the Human Resource Development, Labour and Employment

1. Inadequate alignment of the planning of human resource to development needs mainly due to lack of re-

liable and timely data on the labour market.

2. Absence of a skills inventory that would indicate the distribution of skills and industry trends necessary for planning the country's future training programmes.
3. Outdated Kenya National Occupational Classification Standard (KNOCS), which does not incorporate some of the emerging occupations and is at variance with international standards.
4. Lack of a framework for industrial attachment and apprenticeship system.
5. Limited linkages and collaboration between education and training institutions, on one hand, and industry, on the other hand.
6. Technological gaps and inability to identify critical skills.
7. Mismatch between the skills possessed by the job seekers and those required by industry, which leads to under-utilisation of the existing human resources capacity.
8. Ineffectiveness in implementation of the revised labour laws, lack of adequate social dialogue especially amongst workers, employers and Government, and lack of commitment by all parties to promote industrial democracy.
9. Lack of national policy on productivity to give strategic direction on productivity management and its supporting systems in the country.
10. Lack of a comprehensive policy on occupational safety and health which has partly contributed to the weak safety culture amongst workers and employers, and non-com-

pliance with established safety and health standards.

11. Limited coverage and magnitudes of social protection interventions, which exposes the growing majority of informal sector workers and entrepreneurs, unpaid family workers and the unemployed to great levels of vulnerability and destitution.
12. Insufficient avenues for cultural dialogue and furtherance of positive values for national cohesion and integration especially in view of the Kenya's experience of the poll related violence in after the 2007 elections.
13. Persistence of child labour problems and lack of updated and comprehensive information on the size and structure of child labour which has led to conflicting estimates and inconsistent intervention measures.
14. Inequality between men and women in access to social, economic and political opportunities.
15. The plight of vulnerable persons who are faced with multiple challenges in their daily lives such as high level of poverty and various forms of deprivation.
16. The adverse effects of a high HIV and AIDS prevalence, which threatens the competitiveness of Kenya's industries and other sectors of the economy and has been having negative impact on the operations of many organisations in Kenya, their employees, and households.

3.11.3 Lessons Learnt and Way forward for HRD, L&E

1. There is need to fully refurbish and equip with requisite modern equipment the five Industrial Training

Centres that are expected to provide industrial training in the whole country in order to meet the aspiration of the *Vision 2030*.

2. Adequate funding and sufficient capacities should be provided to facilitate full implementation of the revised Labour Laws which require setting up of new institutions that will play a key role in the maintenance of industrial harmony in the country, arbitration of trade disputes as well as mainstreaming of occupational safety and health issues at workplaces.
3. The Infrastructure programme for the MSE sector is very important for the growth of the sector and improvement of quality of products from the sector. The Government is therefore required to facilitate the needs of the sector by allocating more funds to complete the stalled Jua Kali projects.
4. Coordination of Micro and Small Enterprises activities by various plays should be harmonised so as to avoid duplication of efforts and overlaps.
5. There is need for provision of the requisite capacities – human, financial and infrastructural – to facilitate carrying out of the planned policies, strategies and programmes within the sector.
6. The policy reforms measures should be speeded up.

3.12 MTP Targets for Security, Peace Building and Conflict Management

The Security, Peace Building and Conflict Management sector plays a critical and strategic role in achieving the targets of the *Vision 2030*. Security is vital in achieving and

sustaining the economic growth that is anticipated in *Vision 2030*. The Vision envisages “A nation of peace and stability; a society free from danger and fear”. Security is the foundation of good governance, individual social welfare and economic development.

There is empirical evidence to demonstrate that insecurity increases the cost of doing business in Kenya. The 2007 post-election crisis demonstrated to Kenyans that peace and security cannot be taken for granted. Consequently, in order to effectively implement the first phase of *Vision 2030*, the country intends to build a strong and sustainable framework for peace and security, and to ensure that all internal conflicts and differences are resolved within the confines of the law.

The key sector priorities over the MTP period were set to include: Promotion of sustainable peace and security, democracy, and national unity; deterring and defending the country against any external aggression; deepening of policy, legal and institutional reforms; dealing with drug and substance abuse; Curbing small arms trafficking and usage; tightening border surveillance; instituting programmes for integration of ex-security personnel and other offenders; Enhancing collection, analysis and dissemination of accurate and up to date intelligence information including identification bio-data; and promoting sustainable public-private partnership in policing and provision of security services.

To achieve the priorities, the sector is expected to implement the following projects and programmes over the plan period:

1. Peace Building and Conflict Resolution
2. Small Arms and Light Weapons Control and Management
3. Security and Police Reforms
4. Third generation ID cards

5. Visa issuing system
6. Border management system
7. Offender Rehabilitation Programme and data management system
8. Campaign against drug and substance abuse
9. Integrated Population Registration System
10. Humanitarian Aid to Civic Authorities and Capacity Building
11. Establishment/equipping of a forensic laboratory
12. Installation of surveillance cameras in Nairobi, Mombasa, Nakuru and Kisumu
13. Police Housing project across the Country
14. Establishment of a National Security Database.

3.13.1 Implementation Progress for Security, Peace Building and Conflict Management

Implementation in the sector has been realised through the following:

1. Establishment of forensic laboratory: The project is ongoing and an AFIS component is being installed;
2. Installation of surveillance cameras in Nairobi, Mombasa, Nakuru and Kisumu. A CCTV camera was installed in the CBD, Nairobi, but none installed in the other areas due to lack of funding for the same;
3. Construction of 20,000 Police Houses (units): So far 2,102 housing units for the Kenya police and administration police has been completed;
4. Construction of six new prisons in Mwingi, Nyamira, Kwale, Rachuonyo, Vihiga and Kaloleni.- Mwi-

ingi, Kwale, Rachuonyo and Kaloleni prisons were completed and are operational. Work on Nyamira and Vihiga is ongoing. Bomet prison, though not part of *Vision 2030* flagship projects was also completed;

5. A Police Oversight Board to oversee complaints against the Police was appointed in May 2008 also a Task Force on Police Reforms was launched on 7th May 2009 with a three months mandate to finalise its work. The Task Force has already finalised public consultations and has prepared an interim report of its findings. It is currently undertaking study visits/ benchmarking tours in other countries;
6. The Minister for Justice appointed a Planning Committee on the National Elders Conference on Cohesion and Integration on the 19th of June 2009. The Conference was held in April 2010. The aim of the initiative was to engage communities in the process of national healing and reconciliation. The Committee has undertaken consultations with elders across the country;
7. Establishment of public-stakeholders security forum to enhance partnership.
8. Establishment of District Peace Committee in all the 254 Districts;
9. Enhanced capacity of the security intelligence organs through acquisition of the AFIS system;
10. Development and rollout of the GJLOS reform programme with a security agenda focused on crime management and broader police and penal reforms;
11. Increase in reported crime from 63,028 (December 2007) to 63,470 (December 2008), due to reforms in

the Police force making them friendlier to the public;

12. Improved police visibility as a result of increase in Police highway patrol vehicles and motorcycles therefore leading to a reduction in highway crimes;
13. Reduction in crime in Nairobi and Rift Valley provinces by 27% and 21% respectively;
14. Reduction in the Police: Population ratio from 1:850 to 1:600;
15. Creation of more administrative units thus bringing services closer to the public;
16. Modernisation of security facilities and equipment.

3.13.2 Implementation Challenges for Security, Peace Building and Conflict Management

Despite the achievements stated above, the sector is still faced with various challenges and constraints which have hampered the efforts to eradicate crime and insecurity in the country. Some of the major challenges include:

1. Inadequate and ageing facilities and equipment;
2. Inadequate housing and office space particularly for the disciplined forces and administration officers;
3. Inadequate comprehensive policy and Legal frameworks;
4. Inadequate human resource capacity;
5. Youth unemployment;
6. High poverty levels;
7. Mushrooming of organised criminal gangs;

8. Drug and substance abuse and trafficking;
9. Inadequate security research framework;
10. Changing trends in crimes leading to more complex and sophisticated crimes e.g. cyber crime and transnational crimes, human trafficking, money laundering;
11. Slow adoption of ICT and modern technology by major departments;
12. Inadequate capacity to patrol the porous borders, territorial waters and Economic Exclusive Zone (EEZ);
13. Lack of an integration framework of ex-security officers;
14. Inadequate conflict and disaster early warning mechanism and preparedness;
15. Instability in our neighbouring countries;
16. Outdated security legal framework.

3.15.4 Lessons Learnt and the Way Forward Security, Peace Building and Conflict Management

The following constitutes key lessons for the sector and indicates proposals for the way forward.

1. **Police Visibility:** Enhanced Police to Population ratio at 1:600 achieved has led to reduction of crime rate. The ratio therefore needs to be enhanced to achieve the UN recommended ratio of 1:450.

2. **Public education programme:** Public education initiatives such as community policing (now established in 222 stations across the country), Police Open Days (which allow face-to-face interaction with the public), interactive electronic media talk shows, Public Service Week and the launch of interactive web sites with useful information and documentation has built trust between the Security agencies and the public and therefore need to be enhanced.
3. **Housing and terms and conditions of service for the police force:** Improvement in housing facilities for the Police, facilitation of better terms and conditions of service and capacity building has resulted in improved service delivery and enhanced security.
4. **Equipment and technology:** Provision of Modern equipment and technology such as vehicles (to increase mobility, and thus reduce opportunities for crime), fingerprinting equipment (to aid in the detection of crime), anti-riot gear and communication equipment has enhanced the capacity of the ministry to realise its Mandate of provision of security.
5. **Conflict management and early warning mechanisms:** It has been learnt that it is imperative to develop and institutionalise appropriate conflict and early warning mechanisms to mitigate the risks posed by reactionary tendencies.

4

The Economic Pillar



Agriculture is the pillar of a health nation

4.0 An Overview of the Economic Sector

To address economic growth challenges and subsequently create opportunities for every Kenyan, the MTP identified six priority sectors that were to spur economic growth to the level of 10% annually. The sectors included tourism, agriculture and livestock, wholesale and retail trade, manufacturing, business process outsourcing and financial services. The sectors are critical in spurring growth since they contribute about 57% of the total GDP and account for approximately half of the country's formal employment.

This chapter examines progress made in the achievement of targets and outcomes in the six sectors and progress made in the implementation of flagship and other projects, policy, legal as well as institutional reforms.

4.1 The Tourism Sector

Tourism is among the six priority sectors that are targeted by the Government during the *First Medium Term Plan* (MTP) 2008-12 of the *Kenya Vision 2030* to raise the national GDP growth rate to 10 percent by 2012. Kenya is also envisaged to be among the top ten long haul tourist destinations offering a high-end, diverse and distinctive visitor experience. To realise and sustain the sector, the Government planned to scale up the Tourism Marketing Recovery initiative to help tourism recover from the slump that was occasioned by the 2007 post-election violence, and from the impact of the global economic meltdown that was experienced in 2008 and part of 2009.

In pursuit of diversifying tourism products, three resort cities were to be developed in Isiolo, Diani/Ukunda and Kilifi. Furthermore, the country's premium Safari Parks and facilities that were underutilised were to be improved and high value niche products created among other interventions.

4.1.1 Policy Review and MTP targets for Tourism

The Government initiated various policy changes and planned to undertake more changes during the MTP (2008-12) period. Among the reforms planned were: the translation of the tourism and wildlife policies into the Wildlife and Tourism Act, and development of the heritage policy to maximise the utilisation of the existing heritage facilities, develop a facilitative legal and institutional and regulatory framework as well as improve efficiency in heritage investment.

Drafts of Tourism, Wildlife and Heritage policies were prepared and are awaiting cabinet approval for implementation while the Tourism and Wildlife bills have been presented before Parliament and are awaiting passage and enactment. The bills once enacted are expected to bring about the necessary legal reforms in wildlife management and allow KTDC to increase its borrowing capacity to Kshs 1 billion. In addition to the legal reforms, more reforms were planned to enable zoning of the country into tourism development zones with established development standards for each product type and the carrying capacity of each zone.

Within the sector, the Government committed to quadruple tourism earnings to Kshs. 200 billion by increasing international arrivals from 1.6 million to 3 million, while also increasing the average spending per visitor from Kshs 40,000 to Kshs. 70,000. To achieve this, three Tourist Resort Cities were to be established during the first MTP 2008-12. One city is to be established in Isiolo and two at the Coast to enhance bed capacity and improve the standards of tourist accommodation and facilities.

4.1.2 Achievements and Implementation Progress in Tourism

In 2008/09 the sector witnessed one of its worst performances in recent years. This was attributed to perceived instability and rising levels of insecurity, negative travel advisories that were issued against Kenya by countries who coincidentally, formed the key tourist source markets that in effect discouraged and led to reduced numbers of

tourists visiting Kenya, high cost of jet fuel, rise in commodity prices and exchange rate fluctuations. As a result tourism earnings decreased from Kshs 65.2 billion in 2007 to Kshs 52.7 billion in 2008, representing a 19.2 percent drop. The volume of international arrivals decreased to 1.2 million in 2008 from 1.8 million in 2007. The number of bed-nights occupied by Kenyan residents decreased from 1.9 million in 2007 to 1.6 million in 2008.

Table 4: Tourism Arrivals and Earnings (2003 – 2008)

Year	Holiday/ Business visitors	Visitors on transit	Other Visitors	Total Interna- tional (tour- ist) Arrivals	Bed nights in '000 by Residents of Kenya	Earnings (Kshs Bil- lion)
2003	866,102	219,000	61,000	1,146,102	738.7	25.8
2004	1,132,000	162,200	66,500	1,360,700	1,190.3	39.2
2005	1,269,200	79,800	130,000	1,479,000	1,129.6	48.9
2006	1,313,549	137,165	149,829	1,600,541	1,374.8	56.2
2007	1,520,700	130,900	165,200	1,816,800	1,869.8	65.2
2008	1,045,500	62,000	95,800	1,203,200	1,566.9	52.7

Source: Economic Survey, 2009

The downward trend was however being addressed through the Tourism Recovery Programme Initiative. This entailed aggressive marketing of the country's tourism beyond the traditional markets. In addition, a specialised force was established within the Police, the Tourist Police Unit to provide security to tourists visiting the country. The foreign missions and Kenya's embassies abroad with the media were engaged more actively to counter negative publicity of Kenya as a tourist destination, and to dissuade foreign countries against issuing negative advisories on Kenya. All these efforts were expected to bear fruit in 2009 and beyond.

4.1.3 Implementation Progress of Flagship Projects in the Tourism Sector

Other than the one year recovery strategy specifically developed for the Tourism Sector, four flagship projects indicated here were planned to be implemented in order to address the challenges and also promote overall growth in the Tourism Sector.

1. *Development of Three Resort Cities (Isiolo, Diani & Kilifi)*

The Government in collaboration with local and international investors planned to develop three resort cities, two at the Coast

and one in Isiolo. The first resort city was to be established around Isiolo to tap into the rich tourism potential presented by Mt. Kenya region, Meru National Park, the Aberdares and Samburu National Park among others. The resort city at Kilifi was to be a mass family-friendly resort targeting predominantly high-income tourists, while the one in Ukunda/Diani was to emphasize on wellness and it was to offer cultural exposure to tourists on the diverse cultures of the Kenyan communities.

In 2008/09, an Inter-Ministerial Taskforce co-ordinated by the Ministry of Tourism was formed. The Terms of Reference (TOR) of the task force was to conceptualize the Isiolo Resort City project idea by exploring suitable socio-economic activities befitting a resort city, project geographical area and land acquisitions requirements, infrastructural and service development requirements, funding, project institutional framework and action plan. The task force managed to organize a pre-feasibility study whose findings and recommendations were presented to the Cabinet for approval.

Phase I of the project was proposed to run for five years, and was to involve laying the groundwork, study tours, laying institutional framework, and the drawing of an investment plan. Other activities were to include development of a model design of the proposed city, a comprehensive regional physical development plan for the project area and its hinterland, and an Environmental Impact Assessment (EIA) for the area. Investor conferences will be held and relevant reports prepared for utilisation. The work on the other resort cities at Diani/Ukunda and Kilifi has not commenced.

2. Premium Parks Initiative

Kenya Wildlife Service finalised Park entry fees differentiation. The premium parks (Amboseli & Lake Nakuru) were to be raised

to US \$ 60 to facilitate control of numbers due to fragility of the environment and the high demand for the sites.

3. Under-Utilised Parks Initiative

During the period under review, Kenya Wildlife Services offered 13 sites for construction and lease through Public Private Partnerships. Award of the sites was completed by June 2009 and construction work was to be completed by August 2010 to boost visitors to underdeveloped parks such as Mwea, Saiwa and Mt. Elgon. In Tsavo Conservation Area; 9 sites were identified for development in Tsavo east, Tsavo West and Chyulu National Parks. The Sites were advertised in February and leases awarded. In Western Conservation Area that includes Ndere Island, Kisumu Impala Sanctuary and Ruma National Park, developments of the tented camps were initiated and are expected to be operational by June 2010.

4. Development of Niche Products

Kenya Wildlife Service continued to develop tented camps in the western circuit that are expected to be operational by June 2010 and marine parks at Malindi, Watamu, Mombasa, Shimoni, Kiunga.

4.1.4 Challenges Experienced in the Tourism Sector

Despite the reform measures and recovery strategies implemented, the sector still faced various challenges including the following:

- 1. Inadequate hotel/bed capacity:** Bed occupancy levels during peak season are close to full capacity (about 92 %) and hotel establishments are thus struggling to cope with rapid growth in demand. Also, the opening up of new tourist circuits like the Western Kenya Circuit has created

new challenges of provision of additional accommodation in the new circuits.

2. Product Quality and Diversity:

Product choice and range are limited hence the need to include cultural tourism, sport and community based tourism among others. Hotels (18%) are in the 4-5 star categories which are lower than the premier tourist destination the country wishes to project. Tourism activities are currently concentrated in only six terrestrial parks and one marine park, which receive about 80% of visitors to the country.

3. Poor infrastructure:

Inadequate and inefficient infrastructure such as poor and dilapidated road network especially in the new tourist circuits, communication services, and high cost of electricity affected the quality of service and products offered and also increased the operational costs within the sector. This in turn diminishes the competitiveness of the destinations and hence there is need to improve the infrastructure.

4. Insecurity:

Political instability, terrorist threats, income inequalities, unemployment and poverty have affected the tourism sector.

5. Inadequate financial resources:

Over the years, the sector has been allocated limited financial resources from the Government despite being the leading foreign exchange earner and the third largest contributor to GDP. The sector has been receiving only 50% of its budget requirements.

6. Research and development:

The sector currently does not have a

specialised research institute. The National Tourism Policy 2008 recognised this problem and proposed the establishment of Kenya Tourism Research Institute to be responsible for the following activities; Comprehensive Tourism Database, Tourism Product Development, National Tourism Information, Spearhead issues on emerging trends and market dynamics, through such instruments as consumer surveys to duly inform decision makers and investors.

4.1.5 Lessons Learnt and Way Forward for Tourism

As the sector is very critical in generation of foreign exchange and employment among many other benefits, there is need for continued collaboration between the Ministries of Tourism, Forestry and Wildlife and that of Roads. This will ensure optimal utilisation of resources to address the problems affecting the sector. Additionally, there is need to facilitate development and promotion of other products such as: resort cities, business tourism, eco-tourism, sports tourism, cultural tourism, shopping, conference tourism, and heritage sites. There is also need to address security concerns for the sector to realise its full potential. Further there is urgent need to increase budgetary allocation for the tourism sector to support product development, marketing, research, and other support services. There is also need to establish the Kenya Tourism Research Institute and protect Kenya's biodiversity by eliminating poaching within protected areas and reducing it to bare minimum outside the protected areas. There is equally need to ensure the safety of tourists in the protected areas and safeguard all revenue, assets and facilities.

4.2 Agriculture, Livestock and Fisheries Sectors

The Agricultural sector dominance has remained strong not only as a key driver of the economy but also in ensuring food security, job creation, income generation, foreign exchange earnings and linkages with other sectors including industrial development within the Medium Term Plan 2008-12 of Kenya *Vision 2030* framework, despite the post-election violence and drought that was observed during the year under review.

To achieve the required transformation of the sector into a profitable economic activity, clear and achievable strategies were proposed in the first MTP 2008-12 on how to seize emerging opportunities and also address the various challenges. It was envisaged that the sector would achieve accelerated growth and peak and be sustained at about 10 percent in the medium-term. The results were to be realised by focusing on strategic growth result areas that were to include: raising productivity and commercialization of the sector; development and management of key factors of production; development and delivery of sector support initiatives; and establishment and roll-out of supportive organisational and implementation structures.

On average, the agricultural sector contributes about 24 percent of the Gross Domestic Product (GDP) and 65 percent of total export earnings. Through links with manufacturing, distribution and the service sectors, agriculture indirectly contributes a further 27 percent of the country's GDP. About 80 percent of the country's population live in the rural areas and derive their livelihood from agriculture and related activities. Indeed, the Medium Term Plan 2008-12 focused on sectoral core functions and key activities and suggested those that could be supported through deepened private-public sector partnerships (PPPs).

4.2.1 Policy Review and MTP Targets for Agriculture, Livestock and Fisheries Sectors

During the period under review, the Strategy for Revitalising Agriculture (SRA) (2004-2014) was reviewed and aligned to the *First Medium Term Plan* (2008-12) of the Kenya *Vision 2030* and renamed as the Agricultural Sector Development Strategy (ASDS) 2009-2018.

During the year under review, three outcomes namely an increase in agriculture production; value addition in agriculture and an increase in export of livestock and livestock products were envisaged. In 2008/09, the indicators for measuring the achievements of the outcomes were a zero percent growth in the agriculture sector, 4 new agro-processing technologies developed and Kshs. 2.27 billion realised from exports of livestock and livestock products.

The following developments have since taken place:

a) Crops Sub Sector

The government initiated a review of all laws and regulations governing the operations of the crops sub sector that once completed are expected to create a favourable environment for the sub sector development. The policy priorities of the sub sector sought to promote a competitive crops sector and the development of diversified market outlets and products.

b) Livestock Sub Sector

In 2008/09, the process of realigning the livestock sub sector with current goals and challenges both in the local, regional and international spheres was initiated. The process of reviewing all relevant laws and policies in an effort to reflect the current practices was initiated. The process of de-

veloping a Livestock development Master Plan is on-going.

c) Fisheries

In order to operationalise the main National Ocean and fisheries Policy, the government put in place a team to develop Aquaculture, Marine and Inland Fisheries policies while the Fisheries Act (Cap 378) and the Maritime Zones Act (Cap 371) were reviewed and subsidiary legislation developed to be in tandem with the newly developed policy.

4.2.1 Achievements and Implementation Progress for Agriculture, Livestock and Fisheries Sectors

The performance of the agricultural sector during the period under review was dismal due to unfavourable weather conditions, displacement of some farmers and disruption of agricultural activities from the post-election skirmishes leading to late planting and reduction in area under crop. Consequently, the sector recorded a negative 5.4 growth compared to a revised 2.0 percent growth in 2007 and contributed 23.6 percent compared 21.6 in 2007. The value of exports of livestock and livestock products was recorded at Kshs. 2.27 Billion compared to Kshs. 1.98 billion in 2007 while the

total quantity of fish landed was recorded at 134.6 thousand tonnes in 2008 compared with 128.2 thousand tonnes in 2007.

In order to address the challenges affecting the agricultural sector, five flagship projects were identified in the MTP 2008-12. The projects were consolidation of the agriculture reform bill, fertilizers cost-reduction programme, establishment of disease free-zones in Arid and Semi-Arid lands (ASALs) and ASAL development projects.

During the period under review, the sector made some progress in attainment of the results that are outlined in the handbook of reporting indicators. Among the achievements were: Hiring of a consultant to review work that had been done by the stakeholders and incorporate their views in the draft legislation; bulk procurement of fertilizer by National Cereals and Produce Board (NCPB); development of a strategy for private sector participation in supply and distribution and a proposal for feasibility study on manufacturing and blending within the country and the region prepared for funding. To address the frequent outbreaks of livestock diseases and to conform to international export requirements, resources were mobilised and initial preparation of the Disease Free Zones (DFZ initiative) undertaken.

Table 5: Implementation Status/Progress Report on Agriculture

Flagship Projects	Implementation Status/Progress Report
Enactment of the Consolidated Agricultural Reform Bill.	Thematic Working Group (TWG) on the legal and Regulatory Reforms formed. Procurement of legal consultancy completed and duly approved by Treasury. All 130 plus Acts in the sector procured and bound. Membership of the TWG reviewed to fasten the process.
Fertilizer Cost-Reduction Initiative.	Bulk procurement of fertilizer commenced, 150MT of various fertilizers purchased and injected into the market through NCPB, Fertilizer prices reduced e.g. DAP 50kg bag price reduced from Kshs. 6,400 to 2,500.

Setting up of five livestock Disease Free Zones in the ASAL regions. (4 Livestock Disease Free Zones established in ASAL region, 1 DFZ (Coast); 1 DFZ at Laikipia; 1 DFZ at Isiolo; and 1 North Rift)	Disease Free Zones (DFZ) concept paper and a Cabinet Memo has been submitted to the Cabinet. Implementation Plan for Kenya DFZ has been finalised with baseline survey for Rinderpest, PPR and RVF done. Proposal for livestock development component in DFZ has been prepared. Construction of laboratory in Bachuma is complete.
ASAL Development Projects: putting additional 600,000 – 1.2 million hectares under irrigation: High Grand Falls Multi-purpose Reservoir Tana Delta Integrated Sugar Project	A concept paper has been prepared and a Pre- Feasibility study undertaken. PPP investors being sought with investors from Iran, China and Japan showing interest. Feasibility study has been undertaken and a Cabinet Memo prepared. Expression of Interest is complete and a license from NEMA has been obtained.

4.2.2 Challenges Experienced in the Agriculture Sector

In general, the challenges that affected the sector include the following:

- 1. Agricultural Inputs:** There have been rising costs of production as a result of high and fluctuating cost of crude oil, fertilizers and agro-chemicals.
- 2. Climate Change:** Developing countries including Kenya are adversely affected by climate change due to their fragile environment and absence of mitigation measures including disaster preparedness and response.
- 3. Pests and Diseases:** Crop pests such as desert and red locusts, quelea birds, grain and stem borers cut
- 4. Inadequate legal and policy frameworks:** There are over 130 pieces of legislation. Some are outdated while others are prohibitive and overlapping thus detrimental to agricultural development.
- 5. Low application of modern technology:** Use of modern science and technology in production is still limited. Although Kenya has a well-developed agricultural research infrastructure inadequate research-extension-farmer linkages and lack of demand-driven research are still evident.

6. **Poor governance in agricultural institutions:** Poor governance and corruption has led most such institutions to collapse or be ineffective.
7. **Inadequate quality control systems:** The export of agricultural products has faced restrictions due to poor packaging, damage during transportation, poor handling and infections due to lack of a Code of Conduct for exporters, and quality control.
8. **Multiplicity of taxes:** Farmers have been subjected to a multiple number of taxes from at both national levels in form of levies and at local level in terms of cess without the requisite services.
9. **Low availability of capital and access to affordable credit:** This is the main causing low productivity in agriculture is inadequate credit to finance inputs and capital investment. While the AFC, the Cooperative Bank of Kenya and the cooperative movement, have made considerable efforts to provide affordable credit to farmers, the high interest rate make it impossible for most farmers to access to credit.
10. **Inadequate market and marketing infrastructure:** The domestic market is small and lacks an effective marketing information system and infrastructure. The dependence on a few external market outlets makes agricultural exports very vulnerable to changes in the demand of agricultural products and unexpected non-trade barriers by foreign markets.
11. **High cost, adulteration and low application of key inputs:** While the prize of seeds has been contained, the cost of fertilizers and agro-chemical has escalated over the last two years making them unaffordable by many farmers and increasing the cost of production. This results in low application of inputs, hence declining soil fertility and subsequently reduced productivity.
12. **Pests and diseases:** Waste due to pre-harvest and post-harvest losses occasioned by pests and diseases and lack of proper handling and storage facilities continue to be extremely high because smallholder farmers and pastoralists lack finances, or are not informed.
13. **Frequent droughts and floods:** Over the last three decades the frequency of droughts and floods has increased, resulting in crop failures and loss of livestock.
14. **Lack of storage and processing:** Inadequate storage facilities constrain marketability of perishable goods such as vegetables and other horticultural products.
15. **Poor infrastructure:** Underdeveloped rural roads and other key physical infrastructure have led to high transport costs for agricultural products to the markets as well as farm inputs. This has continued to reduce competitiveness of the Kenyan farmer. In addition, electricity in rural areas is expensive and often not available, reducing investment in cold storage facilities, irrigation, and agro-processing.
16. **Increasing incidence of HIV/AIDS, malaria and waterborne diseases:** The rapid spread of the disease and the corresponding deaths have resulted in the loss of productive agricultural personnel.
17. **Terms of Trade:** Kenyan exports have been constrained by unfavorable international terms of trade. De-

veloped countries especially continue to impose prohibitive tariff and non-tariff barriers. These include declining commodity prices, biased trade agreements and the use of agricultural subsidies in support of farmers.

In more specific terms, each sector had its own unique challenges as outlined hereunder.

4.2.3 The Crop Sub-Sector

1. Inappropriate policy and legal framework that is not fully supportive of the private sector-led agricultural development in a liberalized economic environment;
2. Predominance of smallholder crops;
3. Inadequate value addition;
4. Insufficient and poorly maintained market infrastructure for handling food products in both urban and rural areas resulting in high levels of wastage and spoilage;
5. Low agricultural output and productivity caused by low adoption of appropriate technologies such as high yielding crop varieties;
6. Inadequate application of fertilizers and manure;
7. Inefficient tillage and cultivation methods, high cost of inputs and productive resources such as credit and irrigation infrastructure and weak research-extension linkage;
8. Low mechanization;
9. Inappropriate land use practices and environmental policies that have been instrumental to encouraging land fragmentation;
10. Extension of urban development into agricultural land, maintaining

of idle land, and cultivation along river banks;

11. Deforestation and encroachment into water catchment areas and wetlands;
12. Poor access to agricultural market information leading to limited access to markets and narrow market destinations for various commodities the country is capable of producing;
13. Weak institutional capacity leading to poor determination of training needs, monitoring and evaluation, and poor coordination of the different actors and a high staff turnover resulting into loss of institutional memory and change of priorities.

4.2.4 Livestock Sub-Sector

1. Weak policy and legal frameworks;
2. Low livestock productivity, erratic and unpredictable weather conditions which affect the quality and quantity of livestock feed and water supply and poor prices of livestock products;
3. Prevalence of trans-boundary animal and zoonotic diseases and pests;
4. Inadequate capacity for service delivery; weak delivery of extension services;
5. Poor access to local and international markets;
6. Unreliable data and information management in the livestock industry.

4.2.5 Fisheries Sub-Sector

1. Lack of a fisheries policy and inadequate supportive infrastructure;

2. Inadequate budgetary provisions;
3. Environmental degradation;
4. Weak fish producer organisation;
5. Lack of access to credit facilities;
6. Poor saving culture among fishing communities;
7. Inadequate marketing information, and lack of adequate and quality fish seeds and feeds;
8. Poor technology transfer;
9. Weak monitoring;
10. Control and surveillance systems (MCS);
11. Low marine fishing technology;
12. Stringent sanitary and phyto-sanitary standards in export destinations and diminishing fish stocks.

4.2.6 Lessons Learnt and Way Forward for Agriculture, Livestock and Fisheries Sectors

The performance of the sector was impressive despite all the serious challenges it encountered. Notable performance was in the availing inputs (fertilizer and seed) to farmers, control of migratory pests (armyworm, quelea birds and locust), market access and information dissemination, agro-processing technologies, and capacity building. Additionally, it was noted that despite agriculture being a key sector to the national economy it was not allocated enough resources based on its contribution to economic growth. If resource allocation to agriculture were to be increased to the desired level of 10 percent as per the Maputo Declaration the sector would then be better placed to fulfill its objectives. The new strategy of public private partnership has improved service delivery in the sector.

Most of the small scale farmers were unable to afford the high cost inputs (fertilizer, pesticides and seeds) and this resulted to low production and productivity. The sector therefore needs continued interventions that will stabilize the input prices and streamline distribution. It was noted that over reliance on rainfall frustrated agriculture production and very little investment has been made on irrigation farming. There is thus need for proper investments in irrigation and water harvesting for agriculture.

4.3 The State of the Co-operatives Sub-Sector

In pursuit of the *Kenya Vision 2030* co-operatives are expected to play an important role in addressing challenges of low productivity, inappropriate land use systems, poor marketing systems, and low value-addition. Under this framework, the cooperatives sub sector is expected to implement key flagship projects and specific priority programmes that involve review of the Cooperative Development Policy and legal framework, putting in place SACCOs Regulatory Framework to facilitate more effective regulation of SACCOs and re-defining procedures for their operations to create enabling environment for fair competition and efficiency. Further policy and institutional reforms are also expected to be put in place. In broad terms the following is expected to be done:

1. Strengthening Co-operative Regulatory Framework;
2. Enhancing Professionalism in Management of Co-operative Societies;
3. Initiating Corporate Governance Reforms within the Co-operative Sector;
4. Facilitating Education and Training within the Co-operative Movement;

5. Enhancing Research and Marketing Capacity of the Co-operative Movement;
6. Enhancing the Capital Base of Co-operatives;
7. Improving Quality of Co-operative Investments;
8. Supporting Value-Addition and promoting investment in new co-operative ventures.

Under the period under review, the sector contributed to the *Vision 2030* and First Medium-Term Plan through actions to support National Flagship projects and implementation of specific priority programmes as follows:

4.3.1 Co-operatives Policy and Legal Reforms

In order to provide an enabling environment for cooperatives participation the policy and legal frameworks governing cooperatives operations continued to be reviewed, harmonised and consolidated. This was necessitated by the need to realign cooperative development policies with the Kenya *Vision 2030* and subsequently harmonizing the cooperatives legal and regulatory framework with policy.

1. The first step involved review of the Cooperative Development Policy whose draft awaits internal review and stakeholders' validation;
2. The SACCO Regulatory Bill was enacted into law to facilitate more effective regulation of SACCOs. Subsequently, the implementation of the SACCO Act commenced and involved the establishment of the SACCO Regulatory Authority (SSRA) and re-defining procedures for SACCOs' operations by creating an envi-

ronment for fair competition and efficiency in the sub-sector.

4.3.2 Fertilizer Cost-Reduction Investment

In the past, co-operatives have played a critical role in the supply of major farm inputs as co-operative institutions (e.g. KFA, KPCU, and District Co-operative Unions) had extensive supply stores throughout the country that could be useful in improving to inputs by the producers. It was thus considered that the re-entry of cooperatives into agro-inputs business would re-kindle important linkages with other agricultural institutions for the benefit of increased agricultural productivity. Accordingly, major input supply co-operatives continued to be encouraged and facilitated to form networks with manufacturers through which fertilizer procurement and distribution were to be coordinated to ensure better availability of quality and more competitively priced fertilizer.

Further the Ministry stepped up efforts to seek Public Private Partnerships towards injection of fresh capital into inputs supply co-operatives to enable them to efficiently and effectively carry out the input procurement and distribution supply function. The Ministry prepared a KFA Revival strategy and Business Plan whose implementation was put on hold following the transfer of KFA to the Ministry of Agriculture. The Ministry further undertook a nationwide review of the status of some District Co-operative Unions and their affiliates to determine those that could take part in the fertilizer procurement and distribution.

4.3.3 Enhanced Access to Financial Services

In order to improve access to financial services cooperatives were encouraged to mobilise as much savings as possible so as to increase loanable funds to meet members'

credit requirements. Further, SACCOs were also encouraged to explore and diversify their products and services (e.g. diversify into mortgages), review their approaches (business process re-engineering, innovation, etc) in relation to the members' needs.

4.3.4 Revitalisation of Agro-Commodity Co-operatives

The Ministry promulgated the marketing rules for the smooth management and fair

marketing in the co-operative movement. Efforts were also made to promote co-operation and strategic alliances with the private sector-based institutions in market research. Cooperatives were further encouraged to allocate adequate funding from within the sector to undertake research on a continuous basis and develop and implement feasible marketing strategies and operationalise commodity development funds.

Table 6: Revitalisation of Agro-commodity Co-operatives.

Flagship Areas and or Programs/ Projects for Vision 2030 MTP	Expected Output/Outcomes	Achieved Results; 2008/09
Consolidation of Agricultural Policy / Legal Framework	Finalised Co-operative policy and legal framework reviews/finalisation of outstanding sub sector policies	Draft Cooperative Development Policy was finalised and awaits internal review and validation by stakeholders; SACCOs Regulatory Bill was enacted into Law; the SACCOs Societies Act; 2008
Fertilizer/Input cost reduction	Increased access to affordable fertilizer/other agricultural inputs	Ministry completed formulation of Business Plan on formation of Kenya Farmers Agency. However the plan was shelved when KFA was transferred to Ministry of Agriculture. Restructuring of KPCU started under CPCPC project/Ministry's own support but was shelved following EU's withdrawal of funding support. Ministry initiated work on revitalisation of some key District Co-op unions and their affiliate societies.

Flagship Areas and or Programs/ Projects for Vision 2030 MTP	Expected Output/Outcomes	Achieved Results; 2008/09
Increased access to co-operative Financial services/Strengthening quasi-banking Co-operative institutions/FOSAs	Enhanced competitiveness of SACCOs in the financial sector/Enhance governance structures and regulation of SACCOs Feasibility study on the possibility of establishing on alternative counter for the transfer of cooperative shares Establishment and strengthening of informal traders associations to form SACCOs for enhancing savings Mobilisation in order to provide affordable finance and enhancement of management of the existing SACCOs	Kshs. 200 Billion worth of savings have since been mobilised through SACCOs. SACCOs Development strategy was finalised. The Ministry facilitated and encouraged co-operatives to mobilise as much savings as possible to increase loanable funds to meet members' credit requirements. Further the Ministry continued to encourage SACCOs to explore and diversify their products and services (e.g. diversify into mortgages), review their approaches (business process re-engineering, innovation, etc) in relation to the members' needs.
Promotion of agri-business investments/value addition processing and exports through co-operatives	Improved bargaining power /organized marketing and value addition through co-operatives Raise value addition production/ processing through co-operatives Support and promote the development of cooperative organisations to market their produce directly.	Ministry facilitated restructuring of commodity marketing cooperatives and promulgated the Cooperative Sector Marketing Strategy and rules for the smooth management and fair marketing in the co-operative sector. The Ministry developed specific commodity based marketing strategies to strengthen the marketing function in the cooperative sector aimed at improving market access and marketing efficiency by cooperatives. Efforts were made to promote strategic alliances with key private sector-based institutions in market research; Cooperatives were encouraged to allocate adequate funding from within the sector to undertake research on a continuous basis and develop and implement feasible marketing strategies; and Operationalize commodity development funds.

Flagship Areas and or Programs/ Projects for Vision 2030 MTP	Expected Output/Outcomes	Achieved Results; 2008/09
Improvement of the supply chain in the wholesale and retail trade sectors	Promotion of consumer co-operatives in major settled areas	Consultations and development of Joint Strategies with Ministry of Trade to increase cooperatives involvement in wholesale business activities and develop pilot retail markets projects/development of fully serviced markets in Nairobi and other major towns were done.

4.3.5 Challenges for Co-operative Sub-Sector

Specific challenges were observed that need to be addressed to facilitate rapid and sustained growth of the co-operative sector. These include:

1. Inadequacies in the policy, legislative and regulatory framework;
2. Poor governance and mismanagement within the Co-operative movement
3. Low cooperative Marketing Capacity;
4. Undercapitalisation of cooperative societies;
5. Bad Investment Decisions;
6. Low levels of ICT utilisation within the Sector.

Strategic thrust and priority policy to address the challenges above include the need to:

1. Creating an enabling and conducive environment for increased competitiveness, and sustainable growth of the cooperative sector;
2. Improving market access and marketing efficiency of the co-operative organisations;

3. Streamlining the governance and management of cooperatives;
4. Promotion of viable co-operative investments and ventures.

4.4 The State of the Manufacturing Sector and its MTP Targets

The long-term objective of transforming Kenya into a newly industrialising country as outlined in the *Vision 2030* implies a process of structural change in the economy. The manufacturing sector is important to this transformation and economic development through its contribution to total output, export earnings and employment creation. The sector is also crucial to the economy due to spillover effects on other sectors, its role in international trade and in the balance of payments. This is especially the case as most domestic manufacturing products constitute a large part of the international trade particularly in the Common Market for Eastern and Southern Africa (COMESA) region.

Since 2004, the annual contribution of the manufacturing sector to the economy has been estimated at over 10.0 percent. The targets for the sector in the Medium Term Plan (MTP) period for 2008-2012 aim to in-

crease its contribution to GDP by at least 10 percent through enhancement in the value of manufactured goods and expanding access to markets. However, the sector's contribution to GDP grew by 1.9 percent from 10.4 percent in 2007 to 10.6 in 2008. The sector which had been on an upward trend growing at 4.7 percent in 2004 and 6.5 percent in 2007 was negatively affected by both the external and internal shocks in 2008 and recorded a growth of 3.8 percent during the year.

Notably, in the manufacture of food, beverages and tobacco, there was a negative growth rate of 1.7 percent in 2008 due to high costs of primary inputs and a decline in production in the miscellaneous food industry. Local cement production increased by 8.2 percent in 2008 from 2,615.1 thousand metric tonnes recorded in 2007. Growth in the manufacturing sector was constrained by subdued demand and stiff competition from cheap imports and counterfeits. Other key challenges that have adversely affected the sector in the last couple of years include low level of productivity and high cost of production. Amidst myriad challenges, the sector was boosted by a substantial increase in lending from financial institutions resulting in an increase in commercial banks-bills, loans and advances made to the sector from Kshs 65.1 billion in 2007 to Kshs 90.2 billion in 2008.

The following section gives the achievements and implementation progress in manufacturing:

a) Development of Industrial and Manufacturing Zones

Different regions of the country are suitable for different types of industrial and manufacturing activities. In order to harness the resources available in different parts of the

country, region-specific industrial and manufacturing clusters are to be promoted. Necessary infrastructure and services will be provided to stimulate the development of these clusters.

An initial pilot site will be set up in Mombasa to allow for easy importation of necessary raw materials and exporting of finished goods. The project could include an agro-industrial zone incorporating activities such as blending and packaging of fertilizers, teas and coffees, and a consolidated meat and fish processing facility to encourage growth of offshore fishing. Similar industrial and manufacturing clusters will be established across the country based on regional resource endowments.

b) Development of SME Parks

At least five small- and medium-enterprise (SME) industrial parks in key urban centres will be developed. Local authorities will play a critical role in developing these parks. This will include provision of relevant infrastructure and services to make them attractive. In addition a number of initiatives will be implemented including: reform of industry structure; strengthening negotiation capacity and the building of strong trade agreements; strengthening import regulations; encouraging domestic and foreign investors in clusters; promotion of science, technology and innovation; improvement of critical infrastructure; and improvement of the business environment.

Table 7: Key Indicators in the Manufacturing Sector

Description	2005	2006	2007	2008
Manufacturing contribution to the economy	10.5	10.3	10.4	10.6
Manufacturing growth rates	4.7	6.3	6.5	3.8
Growth rate of food, beverages and tobacco	8.9	9.1	9.3	-1.7
Growth rate of all other manufacturing	2.9	5.0	5.2	6.3
Cement production ('000 tonnes)	2123.3	2405.9	2615.1	2829.6
Cement consumption and stocks ('000 tonnes)	1675.9	1765.8	2059.5	2155.8
Employment in the sector (modern)	252,827	259,262	264,812	264,095

Source: *Economic Survey, 2009*

The Interventions being undertaken within the context of the *Kenya Vision 2030* and the *First Medium Term Plan 2008-12* are as follow:

1. Finalisation of a Cabinet memo on government to government co-operation between Kenya and Singapore for technical assistance from Singapore for development and setting up of Special Economic Zones;
2. Structuring of KITI to offer relevant courses to meet the industrial needs;
3. Capacity building for District Industrial Development Officers (DI-DOS) to be resource persons in their zones;
4. Rehabilitation of the foundry and training of skilled foundry operators;
5. Surveys on resource endowment in regions;

6. Facilitating subcontracting between MSMEs with large industrial enterprises;
7. Business Development Services provided. Investment forums to create awareness of locally industrially exploitable resources.

Over the *Medium Term Plan 2008-2012* period, the overall goal is to contribute to Gross Domestic Product (GDP) by at least 10% per annum. To achieve this goal the following objectives are to be pursued:

1. Strengthening of production capacity and local content of domestically manufactured goods.
2. Generation and utilisation of Research and Development findings.
3. Raise the share of products in the regional market from 7 to 15 percent.
4. Develop niche products for existing and new markets.

The Ministry of Industrialisation was expected to undertake two flagship projects as indicated in the *Kenya Vision 2030* and its First Medium Term Plan. These are:

1. Development of industrial and manufacturing zones.
2. Development of at least five SME industrial parks and specialised economic zones in key urban centres of Nairobi, Eldoret, Mombasa Kisumu and Nakuru.

4.4.1 Implementation Status

The Cabinet approved the establishment of Special Economic Zones through a Cabinet Memo prepared jointly by the Ministries of Trade, Finance, Transport, Information and Communication industrialisation, Nairobi Metropolitan Development and Lands. In the Memo, the Ministry of industrialisation was granted the approval to establish Special Economic Zones, and also to establish Industrial Parks in Key Urban Centres.

A Cabinet Memorandum on Government-to-Government cooperation between Singapore and Kenya for implementation of the Integrated Industrial Development was prepared and forwarded to Cabinet. The objective was to seek approval of the Government-to-Government cooperation between Singapore and Kenya to facilitate technical assistance for carrying out feasibility studies, planning, designing and simultaneous implementation of industrial, housing, urban, infrastructure, and port development.

4.4.2 Other Programmes and Initiatives of the Sector

Other programmes and initiatives of the sector included the following.

a) *One Village One Product Project (OVOP)*

A national and three zonal co-ordinating committees on OVOP were formed. JICA and the national coordinating committee have undertaken capacity building among the Ministry staff and the stakeholders on OVOP concept. Three zonal committees are being established in Nyeri, Yatta and Laikipia. The zonal committees will work with local communities in identifying local resources & selecting OVOP projects. The Ministry has identified five OVOP projects i.e. Milk packaging in Nyeri, wood curving in Yatta, Aloe Vera, Honey & Bee keeping and Maize milling projects in Laikipia.

b) *4K (KEBS, KIRDI, KIPI, KNFKA) MSE 2030 Initiatives Project*

The 4K initiative developed a prototype of air cooled arc welding machine. The prototype is undergoing some performance testing by some selected Jua Kali artisans. After the performance testing, the machine will be perfected before be commercialized.

c) *Anti-Counterfeit Act 2008*

The bill was enacted in December 2008 and the Ministry is in the process of Operationalizing the Act through the establishment of Anti-Counterfeit Agency.

d) *Development of National Industrialisation Policy*

The Ministry developed a draft National industrialisation Policy and submitted it to Cabinet for approval.

e) *Development of National Incubation Policy*

The Ministry developed a draft National Incubation Policy and submitted it to Cabinet for approval.

d) *Promotion of Investment in regions outside Nairobi*

The Ministry carried out surveys on regional resource endowments and 18 investment fora were held where information on local resources and opportunities were disseminated to participants. The distribution was as follows: 7 in Rift Valley, 4 in Eastern, 2 each in Western and Nyanza, 1 each in Coast, Central and North Eastern Provinces.

e) *Facilitate subcontracting between Large Enterprises and MSMEs*

During the review period, the Ministry identified products and potential enterprises eligible for subcontracting. Business matching was done and eleven MSMEs were linked to Large Enterprises.

f) *Promotion and Development of Youth and Women MSMEs*

During the review period, the Ministry developed a Training Manual for Women and Youth Entrepreneurs whereby over 200 participants were trained. The objective is to encourage the growth of youth and women MSMEs and support of regional resources through value addition.

4.4.3 Micro, Small and Medium Enterprises Competitiveness Project

The project aims to increase productivity and employment in participating MSMEs through strengthening financial and non financial markets to meet demand of MSMEs; strengthening institutional support for employable skills and business management; and reducing critical investment climate constraints on MSMEs. Eighteen Micro, Small and Medium Enterprises have benefited from Kshs 165 million in form of loans, grants, and capacity building.

4.4.4 Challenges Experienced in the Manufacturing Sector

The following challenges were faced in implementing its programmes, projects and activities planned during the review period:

- 1. Inadequate funding:** Inadequate budgetary allocation and cuts especially in development funds has hampered the implementation of the various projects and programmes to be undertaken by the Ministry.
- 2. Inadequate skilled manpower:** The Ministry has inadequate technical officers. This has led to unmanageable workloads thereby affecting the implementation of the Ministry's activities.
- 3. Weak collaboration between implementing agencies:** The Implementation of flagship projects calls for strong collaboration between Ministries, government agencies and private sector.
- 4. Poor, inadequate and costly infrastructure:** The poor state of the road network; high cost of energy; dilapidated railway system; inadequate water and sewage system; unaffordable air transport; and a congested sea port have led to high production costs leading to uncompetitive products.
- 5. Increasing counterfeit, contra-band and substandard goods:** Kenya's manufacturing sector is exposed to competition from counterfeits, contra-bands and substandard goods following the liberalisation of trade. Most of these goods are cheaply imported merchandise, thereby posing a major threat to the local industries. The influx of these goods has partly led to a number of enterprises either scaling down or closing

their operations. Others have re-located to other countries resulting in job, income and revenue losses.

4.4.5 Lessons Learnt and Way Forward in the Manufacturing Sector

During the review period the Ministry was able to commence the implementation of most of the projects and programmes under the *Kenya Vision 2030* and the *First Medium Term Plan 2008-09*. The Implementation of the OVOP project and development of agro machinery (water pump prototype) achieved the targets for the period. However, the implementation of the flagship projects remains a challenge.

Inadequate funding was identified as a major challenge in the implementation of planned projects and programmes in Medium Term Plan. Collaboration between the Ministry and stakeholders also needs to be strengthened. Furthermore, policy, legal and institutional changes are required to address emerging industrial issues. The lessons learnt during the review period are:

1. Adequate funding is vital for projects and programmes implementation in the Ministry;
2. The implementation of the flagship projects requires close collaboration among ministries and key stakeholders concerned;
3. Consolidation of all industrial acts and policies into one regulatory body is necessary;
4. Promotion of micro, small and medium industries through investment in physical facilities and access to affordable long term financing and credit facilities;
5. Mobilisation of adequate resources is essential for successful imple-

mentation of the projects and programmes;

6. Public Private Partnership needs to be strengthened as private sector plays a key role in the implementation of the programmes especially the flagship projects.

The key recommendations and the way forward to realise the goals and objectives in both Kenya *Vision 2030* and MTP are:

1. Adequate resources, both human capacity and finance, to be provided to undertake the identified projects and programmes.
2. Expedite review of policy, legal and institutional framework to accommodate emerging industrial needs and challenges.
3. Strengthen collaboration among all stakeholders (line ministries, SAGAs and private sector).
4. Improve and diversify market access for Kenyan manufactured goods and harmonizing the duties and tariffs with our trading partners.
5. Create conducive business environment to reduce the cost of doing business in Kenya.
6. The implementation of the policy of 25% Government procurement from MSMEs.

4.4.6 The State of the Wholesale and Retail Trade Sector

The trade sector remains one of the key sectors to drive the Kenyan economy towards attainment of the *Vision 2030* goals. The sector comprises formal and informal wholesale trade and retail trade, distribution, international trade, trade in services and electronic trade. *Vision 2030* has identified and earmarked wholesale and retail trade (among other productive sectors) for

rapid growth and development because of the sectors' immense contribution to Kenya's Gross Domestic Product (GDP) and employment.

The mission of the sector is to facilitate trade and investment by championing an enabling environment for domestic and export business to thrive. The vision of the domestic trade is to have wholesale and retail sub sector to "move towards a formal sub sector that is efficient, multi-tiered, diversified in product range and innovativeness". For this to be achieved, the Medium Term Plan of the trade sector identified catalyst and programmes to be implemented over the Medium Term (2008 – 2012). These include:

1. Establishment of Business Information Centres (BICs) in all the major towns to enable traders have access to market information to take full advantage of existing opportunities in both local and external markets.
2. Market development through commissioning of a nationwide survey to determine the number of establishments in this sub sector according to the broad categorization.
3. Training the informal traders' association on procurement procedures.
4. Improve access to finance and credit through enhanced management and funding to the Districts Joint Loans Board Scheme (JLBS).
5. Reforming institutions dealing with trade promotion, diversification and negotiation to address effects of trade liberalization through:
 - Enactment of Trade Act to provide and institutional framework for monitoring of the sector.
 - Foster coordination among various players in the sector and strengthening of na-

tional trade negotiation capacity.

- Strengthening Trade Support Institutions (TSIs) to analyse and disseminate trade information to exporters, distributors and importers.
 - Development of a national trade policy.
 - Establishment of trade policy institute to undertake monitoring of trade trends, strengthen trade policy formulation and negotiations skills.
 - Developing enterprise capability to take advantage of international opportunities through:
 - Strengthening capacity of the institutions that deal with verification and certification of standards to meet international standards.
 - Improving packaging and develop brands.
 - Establishing marketing and distribution channels in foreign markets.
 - Strengthening e-business capacity for enterprises.
 - Establishment of an export development fund and guarantee scheme to cover risks faced by exporters, and facilitate export market development.
6. Diversify export markets and products through:
 - Review the National Export Strategy (NES) and prioritise sectors for export development.

- Establish Special Economic Zones (e.g. free trade port) in Mombasa and incentive programmes.
- Establish commercial offices and warehouses in the identified strategic markets.
- Undertake market survey and trade intelligence in the targeted markets.
- Establish a network with Kenya's Diaspora to assist in marketing Kenya's products.
- Link the KRA SIMBA system with trade facilitation Institutions (KEBs, KEPHIS, Customs and the police).
- Facilitate the creation of a national and regional mechanism for monitoring and assessing barriers to service exports.
- Establish of a free port.

8. Develop an Electronic-Trade policy

- The sector is mainly composed of informal operators of small-scale traders with limited product differentiation. To achieve long term and sustained growth in the economy for *Vision 2030*, the MTP 2008-2012 aims at raising opportunities of actors by improving the supply chain of small operator retail markets and expand formal market outreach. The wholesale and retail trade contribution to growth has made it one of the key sub-sectors in the economic development agenda of Kenya as its contribution to GDP increased to 10 percent in 2008 from 9.2 percent in 2005 (Table 2).
- The sector's growth has been on a declining trend since 2007 when it recorded a growth of 11.5 percent before declining to 5.1 percent in 2008. The slowdown in economic activity, high fuel prices and the inflationary pressure experienced in 2008 affected the sector through increased operating costs for suppliers and reduced demand

7. Diversification of export base and value addition through:

- Establish centre for product development and adaptation to facilitate graduation to higher value added activities through branding, adoption, packaging and new designs.
- Establish exhibition centres and warehouses in priority markets such as COMESA and Asian Markets to increase visibility of Kenya's products.
- Establish an export development fund to promote export diversification and value addition.
- Identify sectors for promotion in trade in services and develop a national export strategy for trade in services and improve the trade facilitation through;
- Benchmark institutions dealing with trade facilitation to adopt best practices.

for commodities as the real incomes of consumers declined. With the opportunities for recovery of the

economy, the sector has a potential to revamp back to the high growth rates witnessed in 2006 and 2007.

Table 8: Key Indicators in the Wholesale and Retail Trade

Description	2005	2006	2007	2008
Distributive trade contribution to the economy	9.2	9.3	9.7	10.0
Distributive trade growth rates	5.6	11.6	11.5	5.1
Employment in the sector (modern)	175,408	185,892	195,827	202,381

Source: Economic Survey, 2009

The sector plays a significant role in the absorption of labour especially in the small and medium enterprises (SMEs). Modern employment in the sector increased by 3.3 percent to 202,381 in 2008, while total annual wage payments went up by 8.5 percent from Kshs 94.5 billion in 2007 to Kshs 102.5 in 2008. In the informal sector, 59.4 percent of all persons are engaged in activity related to wholesale and retail trade, and hotels and restaurants the majority of whom are in urban areas. Since most entrepreneurs in the urban areas are involved in activities which are more geared towards the needs of the modern sector, the implementation of projects and programmes in the MTP 2012 will augment growth and transforma-

tion of the sector. Facilitation of international trade is a key component among MTP projects for the period 2008-2012 aimed at increasing access to markets and enhance economic growth.

The trade balance worsened by 28.8 percent in 2008 to Kshs 425.7 billion from Kshs 330.5 billion in 2007 (Table 8). There was an increase in the terms of trade from 70 percent in 2007 to 77 percent in 2008. The current account deficit excluding current transfers was 14.2 percent in 2008 against the 7.0 percent projected in the MTP for the period 2008-2012. Due to decreased foreign direct investments coming into the country and an imbalance in merchandise trade.

Table 9: Balance of Trade

(Kshs Million)					
Description	2004	2005	2006	2007	2008
Exports (fob)	214,793	260,423	250,994	274,658	344,947
Imports (cif)	364,557	443,093	521,483	605,112	770,651
Balance of Trade	(149,764)	(182,670)	(270,489)	(330,454)	(425,705)

Source: Economic Survey, 2009

Increasing the export share to the regional and international markets is recognised as crucial to achievement of sustained growth. While in 2008 the country increased its share of exports to the African continent and the Common Market for Eastern and Southern Africa (COMESA), there were marginal increases in exports to overseas markets. COMESA is the main destination for exports accounting for 68.5 percent, while separately the East African Community (EAC) accounts for 51.6 percent of total exports. The country's exports are dominated by agricultural and agro-based products which account for about 49.1 percent of total exports, manufactured goods 31.4 percent and tea at 20 percent. The largest source for imports coming into the country in 2008 were Middle East and Asia, Europe, Africa and COMESA at 60.8 percent, 21.6 percent, 11.1 percent and 3.7 percent, respectively.

The sector is mainly composed of informal operators of small-scale traders with limited product differentiation. To achieve long term and sustained growth in the economy for *Vision 2030*, the MTP 2008-2012 aims at raising opportunities of actors by improving the supply chain of small operator retail markets and expand formal market outreach. The wholesale and retail trade contribution to growth has made it one of the key sub-sectors in the economic development agenda of Kenya as its contribution to GDP increased to 10 percent in 2008 from 9.2 percent in 2005 (Table 9).

The sector's growth has been on a declining trend since 2007 when it recorded a growth of 11.5 percent before declining to 5.1 percent in 2008. The slowdown in economic activity, high fuel prices and the inflationary pressure experienced in 2008 affected the sector through increased operating costs for suppliers and reduced demand for commodities as the real incomes of consumers declined. With the opportunities for recov-

ery of the economy, the sector has a potential to revamp back to the high growth rates witnessed in 2006 and 2007.

The sector plays a significant role in absorption of labour especially in the small and medium enterprises (SMEs). Modern employment in the sector increased by 3.3 percent to 202,381 in 2008, while total annual wage payments went up by 8.5 percent from Kshs 94.5 billion in 2007 to Kshs 102.5 in 2008. In the informal sector, 59.4 percent of all persons are engaged in activity related to wholesale and retail trade, and hotels and restaurants the majority of whom are in urban areas. Since most entrepreneurs in the urban areas are involved in activities which are more geared towards the needs of the modern sector, the implementation of projects and programmes in the MTP 2012 will augment growth and transformation of the sector. Facilitation of international trade is a key component among MTP projects for the period 2008-2012 aimed at increasing access to markets and enhance economic growth.

The trade balance worsened by 28.8 percent in 2008 to Kshs 425.7 billion from Kshs 330.5 billion in 2007 (Table 9). There was an increase in the terms of trade from 70 percent in 2007 to 77 percent in 2008. The current account deficit excluding current transfers was 14.2 percent in 2008 against the 7.0 percent projected in the MTP for the period 2008-2012. Due to decreased foreign direct investments coming into the country and an imbalance in merchandise trade.

Table 10: Balance of trade

Kshs Million					
Description	2004	2005	2006	2007	2008
Exports (fob)	214,793	260,423	250,994	274,658	344,947
Imports (cif)	364,557	443,093	521,483	605,112	770,651
Balance of Trade	(149,764)	(182,670)	(270,489)	(330,454)	(425,705)

Source: Economic Survey, 2009

Increasing the export share to the regional and international markets is recognised as crucial to achievement of sustained growth. While in 2008 the country increased its share of exports to the African continent and the Common Market for Eastern and Southern Africa (COMESA), there were marginal increases in exports to overseas markets. COMESA is the main destination for exports accounting for 68.5 percent, while separately the East African Community (EAC) accounts for 51.6 percent of total exports. The country's exports are dominated by agricultural and agro-based products which account for about 49.1 percent of total exports, manufactured goods 31.4 percent and tea at 20 percent. The largest source for imports coming into the country in 2008 were Middle East and Asia, Europe, Africa

and COMESA at 60.8 percent, 21.6 percent, 11.1 percent and 3.7 percent, respectively.

Flagship projects for the trade sector are:

1. Build one free trade port in Mombasa.
2. Create at least 10 hubs and 1000-1500 Producer Business Groups with a pilot project in Maragua to be extended to other regions.
3. Build at least 10 tier one market with a pilot project in Athi River.
4. Construction of wholesale, retail and hawkers' markets.
5. Business Process Outsourcing/off-shoring (BPO) park.

Achievements

Table 11: Achievement in the Trade Sector

No	Medium Term Output (2008-2012)	Achievement 2008/9
1	Build Free Port in Mombasa	The Cabinet has approved the establishment of the Free Port at Dongo Kundu in Mombasa. The Ministry engaged Stakeholders on the development of the Free Port in Mombasa. However, the project was not commenced due to lack of budgetary allocation in 2008/9.
2	Create at least 10 hubs and 1000 - 1500 Producer Business Groups with a pilot project in Maragua to be extended to other regions	A nationwide census of Producer Business Groups was carried out. More than 1,000 business producer groups were identified. The Ministry continued to support the already identified Producer Business Groups through capacity building by helping creating awareness among producers on the need and benefit of forming producer groups. Major economic clusters in the Districts were identified for the creation of PBGS.
3	Build at least 10 tier one market with a pilot project in Athi River, and construct whole and retail hawker's market in selected urban areas	Consultative meetings were done and the Ministry of Trade continued to spearheading the meetings. A steering committee was put in place; T.O.R'S for the committee drawn and consultations started. Initial assessment of the retail markets was undertaken. The Ministry planned to request funds in 2009/10 Financial Year to embark on the project implementation.
4	Develop and institutionalise capacity building and training programmes on technology and business procurement negotiations skills for the traders associations and their members	The Ministry continued the process of decentralizing its training agency to the Districts.

No	Medium Term Output (2008-2012)	Achievement 2008/9
5	Support and promote the development of co-operative organisations to market their produce directly, thereby shortening supply chains, achieving economies of scale and reducing consumer prices while increasing producer Earnings	The Ministry of Cooperative Development and Marketing has continued to facilitate the restructuring of commodity marketing cooperatives to avoid growth of bodies with duplicate roles; Ministry of cooperatives promulgated the Cooperative Sector Marketing Strategy/rules for the smooth management and fair marketing in the co-operative sector.
6	Business linkages and sub-contracting programme through Public Private Partnerships (PPP)	Concept paper was developed. GATSBY trust has been trying to link up MSE to larger enterprises
7	Establishment and strengthening of informal traders associations to form SACCOs for enhancing savings Mobilisation in order to provide affordable finance and enhancement of management of the existing SACCOs	Ministry of Cooperative Development and Marketing continued to encourage SACCOs to explore and diversify their products and services (e.g. diversify into mortgages), review their approaches (business process re-engineering, innovation, etc) in relation to the members' needs.

4.4.7 Challenges in the Trade Sector

The sector has continued to experience the following challenges in implementation of planned activities under MTP:

1. Inadequate budget provision.
2. The Ministry of Trade has limited control in implementation of some of the activities in the MTP.

4.5.8 Lessons Learnt and Way Forward for the Trade Sector

There is need for close collaboration with the key stakeholders in implementation of these programmes for attainment of the targets sets in *Vision 2030*. More budget allocation is required for realization of *Vision 2030* targets. Treasury needs to come up with policy of funding projects in *Vision 2030*.

4.5 Policy Review of the Business Process Outsourcing (BPO) Sector

Business process outsourcing (BPO) involves the transfer of non-core business processes along with the associated operational activities and responsibilities to a third party with at least a guaranteed equal service level. The MTP has recognised BOP as an emerging and growing sector expected to become the sector of choice for employment among the youth and young professionals. The plan envisages Kenya being a top off-shoring destination in Africa. The MTP identified the following key challenges facing the sector:

1. Poor telecommunication infrastructure leading to high costs. Data transmission costs in Kenya are

three times more expensive than those of its competitors;

2. The high cost and unreliability of energy supply; for instance, energy costs are twice as expensive as those of other BPO destinations, such as India and the Philippines;
3. Lack of dedicated BPO facilities which weaken the attractiveness of Kenya as a primary BPO destination;
4. Inadequate supply of necessary skills;
5. Poor local supplier base of the necessary hardware and software;
6. No targeted incentives for BPO apart from those at the standard Export Processing Zones (EPZ).

To address these challenges, the following five projects and programmes were identified as crucial in addressing the challenges facing the sector:

1. Establishment of a BPO Park.
2. Marketing campaigns.
3. Targeted Training Programmes.
4. Development of a BPO Incentive Framework.
5. Development of BPO and Contract Centre (CC) Policy.

4.5.1 Implementation Progress for BPO

Table 12: Implementation Progress for BPO

Projects	Implementation Progress
Establishment of a BPO/ICT Park	Land identified, deposit paid and balance to be paid once the registrations process is completed. Transaction Advisor in place. 3,500 dedicated BPO seats.
Marketing Kenya as a BPO destination (Marketing Campaigns)	3 Marketing campaigns carried out in UK, USA and Canada
Skills development (training programmes)	Digital Village Training Curriculum developed. Research Institutions Identified to conduct the training. 500 Youths trained in entrepreneurship skills. Upgrading of two tertiary training institutions to offer the required ICTs skills (MMU and KIMC).
Provision of incentives (BPO incentive frame work)	Bandwidth support to BPO operators complete. Universal Access Fund for digital villages' disbursement mechanism developed.
BPO and Contact Centre(CC) Policy	A value proposition study on BPO in Kenya complete. Draft BPO Strategy developed.
Mainstream e-commerce in the economy	Kenya Communication Amendment Act 2009 in place.

4.5.2 Other Achievements in the BPO Sector

- Standards development, processes certification, and high level training for the industry;
- Bandwidth support to allow operators to reduce operational cost to compete effectively internationally;
- Logistical support to the sector started (Administrative Grants);
- Marketing – carried out 5 international marketing initiatives in 2008; draft marketing Plan launched;
- Development of Kenya Value Proposition for the BPO sector completed;

- Capacity Building and International Marketing development;
- Refining of the Value Proposition (Business Case).

4.5.3 Challenges and Constraints for BPO

- Insufficient budget to develop and position Kenya as an emerging BPO destination.
- Need for greater government outsourcing of no-core processes in order to stimulate the market – data collection and processing.
- Cultural Re-orientation.

- Process immaturity among many new entrants – require more time to develop their business models to serve international markets.
- Global financial crisis – need to make this an opportunity for Kenya.

4.5.4 Privatisation of State Corporations

The Cabinet approved the current Privatisation Programme on 11th December 2008. The Progress made to date on various transactions is as indicated below:

Table 13: Progress Made on towards Privatisation

Approved Transaction and Public Sector Shareholding	Implementation Progress
National Bank of Kenya GOK 22.5% and 48.05% (Excludes preference shares of par value as follows – GOK Kshs.4.5 billion & NSSF Kshs.1.5 billion)	• Contract for transaction advisory services signed with PWC on 9th April, 2009. Consultancy work commenced on 20th April 2009. • Consultants have finalised and submitted inception report. • Due diligence work on-going.
Development Bank of Kenya (DBK): ICDC – 89.3%	• Detailed Privatisation proposal submitted to the Treasury in February 2009 for submission to the Cabinet for approval. • Cabinet approval awaited.
The East African Marine Systems (TEAMS) Company Limited	• Review of the project by the Commission completed. • Cabinet approval for TEAMS project requested for and granted by the Cabinet on 11th December 2009. • Approvals for TEAMS Privatisation and the share subscription and shareholders' agreements granted by the Privatisation Commission on 18th February 2009. • Shareholders' and Shares Subscription agreements signed.
Public Sector Owned Sugar Companies (Chemelil Sugar Company – ADC: 96.21% and DBK: 1.42%; South Nyanza Sugar company Limited – GoK: 98.8%, ICDC: 0.7% and IDB: 0.3%; Nzoia Sugar Company – GoK: 97.93%, IDB Capital Limited: 0.94%; Miwani Sugar Company Ltd. (Under Receivership) – GoK: 49%; Muhoroni Sugar Company Ltd. (Under Receivership) – ADC: 16.9%, Development Bank of Kenya: 0.3%)	• Contract for transaction advisory services signed with a consortium led by Ernst and Young on 20th May, 2009. • Kick off meeting for consultancy services held on 29th May 2009. • Inception report submitted on 23rd June 2009. • Due diligence exercise has begun
Approved Transaction and Public Sector Shareholding	• Progress to date

Approved Transaction and Public Sector Shareholding	Implementation Progress
Approved KPA transactions Conversion of Berths 11-14 to container Terminal Privatization of Eldoret container Terminal Privatization of Stevedoring services	• Bid documents for consultancy services approved by the Privatisation Steering Committee. • Evaluation of Expressions of Interest completed. • Request for proposals awaiting Tender Committee approval of shortlist.
Kenya Wine Agencies ICDC – 72%	• Contract for transaction advisory services signed on 9th April 2009 with a consortium led by Standard Investment Bank. • Consultancy work commenced on 20th April 2009. • Detailed due diligence work on going
Public Sector Owned Hotels: (Kabarnet Hotel – KTDC: 98.2%; Mt. Elgon Lodge Ltd – KTDC: 72.92%, Kitale Municipal Council: 13.54%; and Trans-Nzoia Country Council: 13.54%; Golf Hotel Ltd – KTDC: 80%, Kakamega Municipal Council: 20%; Sunset Hotel Ltd – KTDC: 95.4%, Kisumu City: 4.6%; Kenya Safari Lodges and Hotels Limited – KTDC: 63.42%, KWS: 0.02%; KTDC Associated Companies: International Hotels Kenya Limited – KTDC: 40%; Kenya Hotel Properties Limited – KTDC: 33.83%, Mountain Lodge Limited – KTDC: 39.11%, Ark Limited - KTDC: 5.64%) Buffalo Springs – KTDC 42%; African Tours & Hotels 52.59% & Isiolo County Council 16% and Maralal Safari Lodge 15%	• Procurement of transaction Advisory Services Completed. • Contract for consultancy services signed on 8th July 2009 with a consortium led by Dyer and Blair. • Consultancy work to commence immediately.
Kenya Pipeline Company Ltd: GoK – 100%	• Expressions of Interest for consultancy services evaluated and shortlist of consultancy firms approved by the Commission Tender Committee. Request for bids awaiting finalisation of bid documents which have already been discussed with the Steering Committee.
Consolidated Bank of Kenya: Deposit Protection Fund – 50.2%, shares allocated to a number of state corporations and government institutions on account of deposits placed by them when the weak banks merged to form consolidated bank – 48.8%	• Preparation of bid documents for consultancy services completed. • Approval for bid documents granted by the Privatisation Steering Committee. • Evaluation of EOIs for consultancy services on going.
Approved Transaction and Public Sector Shareholding	• Progress to date

Approved Transaction and Public Sector Shareholding	Implementation Progress
Agrochemical and Food Corporation: ADC – 28.2% and ICDC 28.8%	• Bid documents discussed with Privatisation Steering committee. • Evaluation of bid documents was to start on 27th July 2009.
East African Portland Cement – NSSF: 27%, GoK: 25%	• To await recovery of Market.
Kenya Meat Commission: GoK – 100%	• Meeting to approve consultancy services bid documents and also to appoint team to evaluate EOIs scheduled for 16th July 2009.
New Kenya Co-operative Creameries: GoK 100%	• Meeting to approve bid documents for consultancy services and agree on team to evaluate EOIs for the consultancy services postponed on request by PS Co-operatives and Marketing to allow for on-going consultations with the Treasury.
Numerical Machining Complex: Kenya Railways Corporation: 51%; University of Nairobi 49%	• Meeting to approve consultancy services bid documents and also to appoint team to evaluate EOIs was to be held on 16th July 2009.
Isolated Power Stations	• Meeting to approve consultancy services bid documents and also to appoint team to evaluate EOIs was to be held on 16th July 2009.
Ken Gen: GoK – 70%	• To await recovery of market.

4.6 Overview of MTP Targets for at the Financial Services

Financial services play a critical role in the development of the country by providing intermediation between savings and investments. Financial services sector has and will continue to support the mobilisation of investment funds required to implement the projects of *Vision 2030*.

The financial sector contributes about 4 percent to GDP and provides assets equivalent to about 40 percent of the GDP. On the whole, the sector is characterised by low penetration and limited supply of long-term finance. However, there is considerable potential to improve the depth and breadth of the sector to make Kenya a globally competitive financial hub. This will involve developing a vibrant and stable financial system to

mobilise savings, and to allocate these resources more efficiently in the economy.

The key objective of the MTP for the financial services sector is to mobilise savings to realise a savings to GDP ratio of 25-28 percent as envisaged in the macroeconomic framework underpinning the *Vision 2030*. This level of savings will sustain an increase in ratio of investment to GDP of around 30-32 percent, with a growing amount of resources channelled to support the agriculture, manufacturing and other key sectors identified under *Vision 2030*, including lending to micro, small and medium enterprises (MSMEs). This will also further the government's policy objectives under the ERS, which articulated improved access to the financial services for a much larger number of Kenyan households and small enterprises; greater efficiency in the delivery of financial services; and ensure the chances of financial crisis are kept to a minimum.

Specifically, the objectives of the MTP are aimed at achieving the following:

1. Maintenance of sound fiscal and monetary policies to ensure macroeconomic stability which is key to vibrant financial sector;
2. Review of the banking sector legal and regulatory framework to align it to international best supervisory practice as set out by Basel Committee on Banking Supervision. A revised Banking act will be enacted in this regard;
3. Enactment of the proceeds of Crime and money laundering (Prevention) Bill to safeguard the integrity of financial sector;
4. Operationalisation of the regulations for Credit Reference Bureaus to facilitate credit information sharing;
5. Promotion of competitive, sound and efficient banking system, including strong micro financial institutions that are well regulated and supervised, that effectively mobilises savings to provide financing to support the growth of private sector;
6. Establishment and development of non-banking financial institutions that will increase the depth of the financial sector as well as increase access of financial services to majority of Kenyans by providing a broad array of diversified services such as leasing and finance to MSMEs;
7. Development of insurance sector that is well regulated and supervised so as to effectively protect businesses and individuals from risks;
8. Promotions of strong pensions system that a secure retirement to a wider Kenyan population and which provides capital for long-term investment in the real sector;
9. Development of a safe and reliable payments system that will ensure smooth transfer and settlement of funds between customers and banks as well as between banks;
10. Strengthening of money/inter-bank markets that provide banks, enterprises, and individual with the means for effective liquidity managements;
11. Develop a comprehensive consumer protection framework;
12. Promote financial literacy/education;
13. Invest in human capital and information technology;
14. Improve the functioning of the financial system to enable it mobilise domestic savings and to promote investments;
15. Expand the coverage and outreach of financial services to all parts of the country especially the rural areas;
16. Encourage commercial banks to finance industrialisation;
17. Development of efficient and transparent capital markets with a critical mass of issues that mobilises funds for long-term investment;
18. Establishment of a legal infrastructure that promotes and enforces the rule of law in commercial and financial transactions including protection of property rights and enforcement of contracts, as well as that which supports good governance by promoting transparency, accountability, participation and predictability, and
19. Establish a single unified notification system (register) of all security

document (charges, pledges, debentures, etc) of all movable assets given by all legal and natural persons so as to encourage registration of non-traditional securities such as chattels and guarantees to improve collateral security and access to credit from the formal sector.

4.7.2 Policy, Legal and Institutional Reforms

Reforms in the sector focussed on the following:

1. Reforming the commercial justice system to enable it better support the effective working of market-based financial institutions;
 2. Improving the registration arrangements for pledges of movable assets to help bank establish collateral ; Improving the land registration system to facilitate land as a collateral;
 3. Reviewing the insurance Act to empower the newly created Insurance Regulatory Authority (IRA) to preempt financial distress or intervene to help resolve financial problems of an insurance company;
 4. Strengthening management and regulation of NSSF including bringing it directly under the supervision of RBA. This will focus more critical
- attention on the financial viability of NSSF, the quality of the services it delivers to its members, and its cost and other aspects of its efficiency;
 5. Developing National Pension Policy, enact new legislation for the Public Service Superannuation Scheme (PSSS) and completion of phase 1 of the Pension ICT project (The Pension Management Information System-PMIS);
 6. Reviewing the Capital Market Authority (CMA) with adequate legal protection, access to bank records in an investigation, ability to obtain freeze orders, and authority to visit at will the regulated companies and their auditors;
 7. Reviewing the ownership structure of the NSE through demutualization as part of initiatives to strengthen its role;
 8. Introducing the risk-based capital adequacy framework for providers of financial services and products under CMA regulation and supervision;
 9. Increasing government participation in capital markets such as leveraging on public private partnership (PPPs) and specialised bonds to facilitate investment in key areas.

4.7.3 Achievements in the Financial Services Sector

The table below summarises the implementation status of the key MTP objectives for the financial Services sector.

Table 14: A matrix of the Financial Services Sector

MTP Objectives	Current Status
Maintenance of sound fiscal and monetary policies to ensure macroeconomic stability, which is key to vibrant financial sector.	Fiscal: Overall Fiscal Balance (commitment basis) lower at Kshs. 45.3bn at December 2009 (2008: Kshs. 13.7bn) mainly due to lower revenue collections of Kshs. 257.3bn (2008: Kshs. 274.1bn). Budget deficit (cash basis) was lower at 2.38% of GDP (Dec. 2009) versus 3.43% in previous year due to lower revenues than expected and higher spending on economic stimulus plan. Monetary: 12 Month CPI was 5.3% (Dec.2009) and underlying inflation 5.2%. Foreign exchange reserves improved to 4.2 months of import cover Broad money supply (ME) increased by 17.6% (2008: 15.9%). CBK lowered the CBR policy rate to 7.0% and cash reserve ratio to 4.5% from 5.0% (2008: 6%). Average T-Bill rates declined to 6.8% in December 2009. Economic Growth was 4% in 1st Q, 2.4% in 2nd Q and 0% in 3rd Q. Overall growth for 2009 is estimated at 2.2%, up from 1.7% in 2008. All these indicate economic recovery compared to 2008.
Review the banking sector legal and regulatory framework to align it to international best supervisory practice as set out by Basel Committee on Banking Supervision. A revised Banking act will be enacted in this regard.	Draft of new Banking Act has been forwarded to the SLO. CBK is compliant with 18 Basel Core Principles (BCP) per the latest CBK Self-Assessment, up from compliance with 16 in 2005. Full compliance with BCP expected around 2011 depending on enactment and implementation of the new Banking Bill.
Enact the proceeds of Crime and money laundering (Prevention) Bill to safeguard integrity of financial sector.	Legislation on AML – CFT passed (Assent: December 2009).
Operationalise regulations for Credit Reference Bureaus to facilitate credit information sharing.	CRB Africa licensed as first credit reference bureau (CRB). Implementation and exchange of loan default data by June 2010. Two more CRBs expected to be licensed (Metropol, TransUnion).

Promotion of competitive, sound and efficient banking system, including strong micro financial institutions that are well regulated and supervised, that effectively mobilises savings to provide financing to support the growth of private sector.	Microfinance Act, 2006 operationalised. Faulu Kenya licensed in 2009 under the Microfinance Act. KWFT and other applicants expected to meet conditions for licensing. Industry uptake has been slow due to stringent licensing requirements.
Establishment and development of non-banking financial institutions that will increase the depth of the financial sector as well as increase access of financial services to majority of Kenyans by providing a broad array of diversified services such as leasing and finance to MSMEs.	Restructuring of DFIs by Treasury underway. Options for KPOSB being finalised for CAB Memo (Apr-May). Options to restructure IDB Capital, KIE and KTDC being developed.
Development of insurance sector that is well regulated and supervised so as to effectively protect businesses and individuals from risks.	Comprehensive review of the Insurance Act has been undertaken. Significant amendments to the Insurance Act expected from report.
Promotions of strong pensions system that a secure retirement to a wider Kenyan population and which provides capital for long-term investment in the real sector.	Stricter supervision of retirement benefits schemes (RBS). Enforcing adherence to investment guidelines issued by RBA. Expanded education campaign and awareness conducted to reduce old age poverty. RBA has conducted member, scheme and pensioners surveys. Surveys used to develop policy recommendations and changes to the Act, including granting members pre-retirement access to own contributions, restricting access to employers' contributions except after retirement age, improved portability of individual retirement benefits schemes.
Development of a safe and reliable payments system that will ensure smooth transfer and settlement of funds between customers and banks as well as between banks.	New National Payment System Bill finalised, AG to publish soon. Bill will substantially overhaul payment systems including regulation of MPESA and other systemic payments intermediaries. Unified settlement systems expected to unify CBK CDS system with Capital Markets settlement systems operated by CDSC.

Strengthening of money/in-ter-bank markets that provide banks, enterprises, and individual with the means for effective liquidity managements.	CBK modernizing inter-bank systems, including revised REPO agreements.
Develop a comprehensive consumer protection framework.	<i>Diagnostic Study on Financial Consumer Protection</i> currently being undertaken by MoF with FSD Kenya. Report expected in April 2010.
Promote financial literacy/education.	Financial Education Partnership (FEP) has been established. FEP will promote financial consumer literacy and conduct awareness campaigns to increase levels of financial capability in Kenya. Expected outcomes - informed consumers able to make better choices and financial decisions to improve their lives.
Invest in human capital and information technology.	Licensed FIs make most investment and conduct ICT related training FLSTAP supports capacity building and training of regulators and implementing agencies staff locally and overseas.
Improve the functioning of the financial system to enable it mobilise domestic savings and to promote investments.	Improving the legal and regulatory environment. Enacting amendments to Banking, Insurance, Capital Markets and Retirement Benefits laws and regulations. Operationalised the Sacco Regulatory Authority (SAS-RA) to improve the Sacco subsector performance. SASRA expects to license and regulate the largest Saccos (about 213).
Expand the coverage and outreach of financial services to all parts of the country especially the rural areas.	Finance Bill 2009 introduced Agent Banking to increase access and lower costs. Amendments to Insurance Act to strengthen Microinsurance. RBA piloting a low cost Pension product dubbed "Mbao".
Encourage commercial banks to finance industrialisation.	Infrastructure Bonds issuance has attracted private sector support.
Development of efficient and transparent capital markets with a critical mass of issues that mobilises funds for long-term investment.	Demutualization of NSE in progress. Revised securities laws developed to overhaul capital markets. Greater supervision of capital markers intermediaries. Greater transparency and disclosures with all capital markets intermediaries required to publish financial statements in local Dailies.

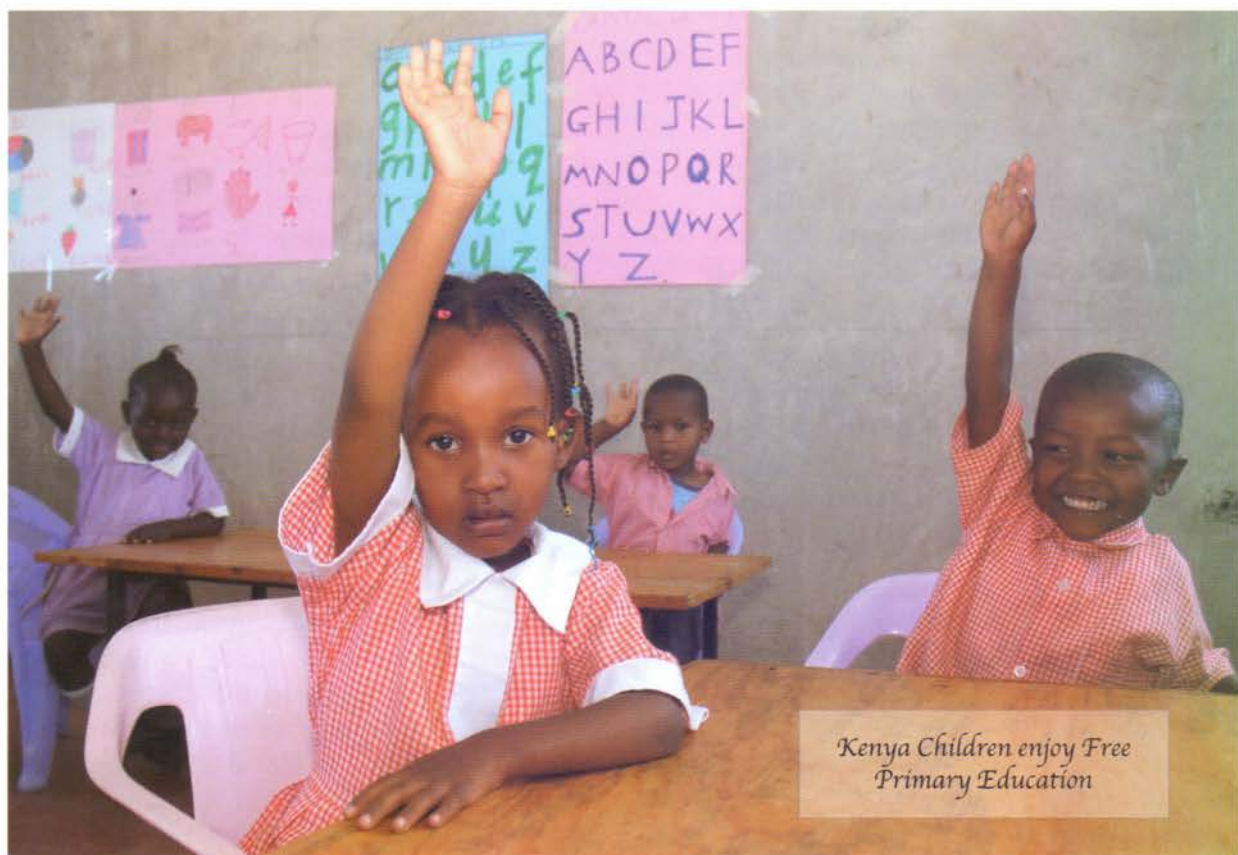
Establishment of a legal infrastructure that promotes and enforces the rule of law in commercial and financial transactions including protection of property rights and enforcement of contracts, as well as that which supports good governance by promoting transparency, accountability, participation and predictability.	Bills drafted to improve legal infrastructure for financial sector, including: Limited Liability Partnerships Bill Partnership Bill Insolvency Bills Small Claims Court Bill Revised Companies Act to overhaul companies laws.
Establish a single unified notification system (register) of all security document (charges, pledges, debentures, etc) of all movable asset given by all legal and natural persons so as to encourage registration of non-traditional securities such as chattels and guarantees to improve collateral security access to credit from the formal sector.	Bills drafted to improve legal infrastructure including: Personal Securities Bill Moveable Assets Bill There are no plans to introduce a national register of charges.
Policy, Legal and Institutional Reforms	Current Status
Reforms in the sector will focus on the following:	
Reform the commercial justice system to enable it better support the effective working of market-based FIs.	Judiciary Strategic Plan 2009-2012 developed Ongoing computerisation of Commercial, High Court And Land Registries Court and Case Management systems planned for introduction Alternative Dispute Resolution ADR being developed, including Introducing Small Claims Court Bill
Improve the registration arrangements for pledges of movable assets to help bank establish collateral; Improve land registration system to facilitate land as a collateral.	Bills drafted to improve legal infrastructure, including: Personal Securities Bill Moveable Assets Bill

Review the insurance Act to empower the newly created Insurance Regulatory Authority (IRA) to pre-empt financial distress or intervene to help resolve financial problems of an insurance company.	Comprehensive review of the Insurance Amendment Act 2006 undertaken. IRA to strengthen regulation and supervision of Insurers.
Strengthen management and regulation of NSSF including bringing it directly under the supervision of RBA. This will focus more critical attention to the financial viability of NSSF, the quality of the services it delivers to its members, and its cost and other aspects of its efficiency.	RBA has submitted proposal through MoF for Cabinet approval to bring NSSF into compliance with RBA Act and regulations especially compliance with investment guidelines. Other options considered are to place NSSF under Statutory Management Act.
Development of National Pension Policy, enact new legislation for the Public Service Superannuation Scheme (PSSS) and completion of phase 1 of the Pension ICT project (Pension Management Information System-PMIS).	Civil service Pensions scheme reforms.
Review the Capital Market Authority (CMA) with adequate legal protection, access to bank records in an investigation, ability to obtain freeze orders, and authority to visit at will the regulated companies and their auditors.	Comprehensive Draft Securities Bills and regulations prepared: Securities Industry (Advertising) Regulations 2009. Securities Industry (Continuing Disclosure Obligations of Issuers) Regulations 2009. Securities Industry (Disciplinary Proceedings) Regulations 2009. Securities Industry (Internet Trading) Regulations 2009. Securities Industry (Investor Compensation) Regulations 2009. Securities industry (Public Offers) Regulations 2009. Securities Industry (Takeovers) Regulations 2009. Securities (Collective Investment Schemes) Regulations 2009. Asset Backed Securities Regulations 2009.
Review the ownership structure of the NSE through demutualization as part of initiatives to strengthen its role.	Demutualization of NSE approved March 2010.

Introduce the risk-based capital adequacy framework for providers of financial services and products under CMA regulation and supervision.	All regulators currently rolling out risk based supervision (RBS) including CMA.
Increase government participation in capital markets such as leveraging on public private partnership (PPPs) and specialised bonds to facilitate investment in key areas.	Government successfully issued three infrastructure bonds. Revive Sovereign Bonds program once effects of financial crisis ease.

5

The Social Pillar



*Kenya Children enjoy Free
Primary Education*

5.0 Overview of Education and Training Sector

The Government hopes to facilitate widespread prosperity by way of investing in the people of Kenya by building a just and cohesive society that enjoys equitable social development in a clean and secure environment. Efforts aimed at transforming the country are based on addressing key issues affecting the key social sectors identified as education and training, health, water and sanitation, environment, housing and urbanisation as well as gender, youth, sports and culture.

The Government is committed to the provision of quality education, training and research as a human right for all Kenyans in accordance with the law and international conventions. The education sector has continuously undergone reforms in order to address its overall goals as articulated in Sessional Paper No. 1 of 2005 on a Policy Framework for Education, Training and Research as well as meeting the international development commitments, including the Millennium Development Goals (MDGs) and Education for All (EFA).

Education is one of the critical sectors that will be contributing to the social pillar through the transmission of skills and knowledge to all Kenyans. This calls for devotion of more resources to the raising of quality education and training.

Although the education sector plays a critical role in production of skills and competencies necessary for effective participation in knowledge based economy, the country is still faced with key concerns of: access, retention, equity, quality and relevance as well as internal and external efficiencies of the education system.

The Medium Term Plan for *Vision 2030* has short and medium term investment programmes that will be implemented within the plan period.

5.1.1 Key Reforms Measure and MTP Targets for Education

During the year under review, 2008/09, the government continued to deepen its reforms and realign them with a view to achieving the goals set in the *Vision 2030*. The policy initiatives undertaken focused on the attainment of Millennium Development Goals (MDGs) and EFA through the implementation of Free Primary Education as well as Free Secondary Education programmes introduced in January 2008. The key reforms include the following:

1. Continuation of the implementation of the Free Primary Education (FPE).
2. Implementation of Free Secondary Education.
3. Development of the Ministry of Education's Second Generation Strategic Plan.
4. Implementation of policies outlined in the Sessional Paper No.1 of 2005 on Policy Framework for Education, Training and Research.
5. Continuation of implementation of the Kenya Education Sector Support Programme (KESP), which is an investment that allows different stakeholders to support education and training sector.

During the MTP period under review, the education sector pursued the implementation of flagship projects and other programmes/projects in order to address the overall goals of the *Vision 2030* as well as international development commitments, including the Millennium Development Goals (MDGs), and Education for All (EFA). During the first year of MTP implementation the following five flagship projects were earmarked:

1. Construction and fully equipping 560 secondary schools and expansion

sion and rehabilitation of existing ones.

2. Recruiting 28,000 additional teachers.
3. Establishing a computer supply programme.
4. Building at least one boarding primary school in each constituency in the ASAL districts.
5. Establishing a voucher system programme in five poorest districts.

5.1.1 Implementation Progress in Education and Training

The sector made progress in each of the following five areas as outlined below.

1. Construction and Equipping of 560 Secondary Schools and Expansion and Rehabilitation of Existing Ones

During the year 2008/09, 1200 secondary schools requested for infrastructure funds from the Ministry of Education and their data was compiled. The criterion for identification of needy schools was also developed. Although, the target for rehabilitating/constructing and equipping 140 schools during the 2008/09 period was not achieved due to late /lack of allocation of funds, the Ministry still continues to improve facilities under the school infrastructure improvement initiative. The Ministry of Education disbursed Kshs 2 million to each of the 18 National schools for rehabilitation.

2. Recruitment of 28,000 Additional Teachers

A total of 28,000 additional teachers are to be recruited during the period 2008-2012. Out of which 21,400 are for primary schools and 6,600 for post primary institutions. Dur-

ing the year 2008/09, a total of 6,000 teachers were successfully recruited.

3. Establishment of a Computer Supply Programme

During the MTP period, a computer supply program will be initiated in 20,229 public primary schools, 4,000 public secondary schools, 20 PTTCs, 2 diploma colleges, 10 Model e-learning centres for ACE and the 7 public universities. During the year 2008/09, a coordination office was established to help coordinate and Harmonise ICT in education issues particularly integration of ICT in the teaching and learning. More than 300 Tutors were trained in the use of technology to enhance teaching and learning. In addition, more than 300 participants from teaching and training institutions attended a Regional E-Learning conference.

The Ministry of Education in partnership with other stakeholders equipped all Primary Teachers Colleges with modern ICT facilities and tutors training in the use of modern tools in teaching and training of teacher trainees. The Ministry of Education in partnership with Microsoft signed an agreement to guarantee availability of affordable software including upgrades to the entire education sector. The Ministry is also in the process of engaging other software vendors (particularly open source groups) in order to have variety and access of software for teaching and training.

Through the Kenya Institute of Education, the Ministry developed Digital Content for all subjects for use in Form One in Secondary schools. Efforts are being made to complete digitization exercise for all other forms. Classes 4 and 5 in Primary have also been digitized.

To ensure sustainability of ICT in education, the Ministry of education prepared a concept paper for resource Mobilisation for establishing the centre whose mandate shall

be to help education institutions on ICT integration matters including providing help desk services. Site and buildings have already been identified. Capital for initial roll-out has been earmarked to 240 Education institutions that have been identified to benefit from the Multi-media Educational Solution aimed at providing teachers and schools with skills and capacity to prepare and use quality digital materials.

4. Construction and Rehabilitation of at least one Boarding Primary School in each Constituency in the ASAL Districts

Construction/rehabilitation of low cost boarding (LCB) primary schools in each constituency in ASAL districts was undertaken over the period under review. This was done through the normal primary school infrastructure programme under KshsSP where approximately 37 LCB primary schools in ASAL areas were given funds to rehabilitate existing infrastructure.

5. Establishment of a Voucher System Programme in the Five Poorest Districts

Establishment of a voucher system for learners from poor households and children rescued from early marriages and child abuse, consistent with the voucher system implemented by the Ministries of Health and Home Affairs is one of the targets set during the MTP period. During the 2008/09 period, research was done on how to establish the voucher system. Advocacy and sensitisation on factors that negatively affect education was also conducted. Consultations on how best to implement this programme are underway and will be spelt out in KshsSP II which is under preparation.

5.1.3 Achievements and Progress In Implementation of other Programme Areas

During the period, other programmes besides the flagship projects were implemented aimed at achieving the broad education sector strategic objectives of enhancing access, equity, quality and relevance. These programmes include in the following:

- 1. Early Childhood Development and Education (ECDE):** During the MTP period, the Government plans to integrate ECDE into primary education with a view to improving its management, increasing access to ECDE and enhancing retention at lower primary. During the year 2008/09 the ECDE sub sector registered a improvement with NER having increased from 42.1 % (43.1 percent for boys and 41.1 percent for girls) in 2007 to 43.0 percent in 2008.

Although the Ministry had proposed to take over the payment of salaries for ECDE managers, the funds were not allocated during the review period. As a result, full integration of ECDE to basic education is yet to be achieved. The provision of ECDE education is still largely financed by the households and private sector players

- 2. Primary Education:** The FPE programme aims at enhancing the quality of education through equitable provision of textbooks and other instructional materials to each enrolled pupil in public primary schools at an annual capitation of Kshs 1,020. Such capitation is geared towards reduction of costs for poor households. The implementation of the FPE programme has led to increase in enrolments from 6.07 million in 2003 to 8.2 million in 2007 and further to 8.6 million in 2008.

The Gross Enrolment Rate (GER) increased from 108.9 percent in 2007 to 109.8 percent in 2008. The GER for boys and girls increased from 111.8 and 106.0 percent in 2007 to 112.2 and 107.3 percent in 2008 respectively. The Net Enrolment Rate (NER) increased from 91.6 percent in 2007 to 92.5 percent in 2008. The NER for boys and girls increased from 94.1 and 89.0 percent in 2007 to 94.6 and 90.5 percent in 2008 respectively. The Net Enrolment Rate (NER) for North Eastern increased from 27.0 percent in 2007 to 31.9 percent in 2008 with the NER for boys and girls increasing from 33.1 and 20.8 percent in 2007 to 39.3 and 24.5 percent in 2008 respectively.

In some regions of the country, despite the efforts undertaken by the education sector, gender parity has not been achieved in accessing education at all levels. The gender parity index at primary level was constant between 2007 and 2008 at 0.94 against the target of 1.0. There is lack of adequate and quality infrastructure particularly in the ASAL districts, urban slums and pockets of poverty as depicted by low participation rates in North Eastern Province. Additionally the delivery of educational services is hampered by the inability to reach the hard to reach children. This is due to weak implementation structures of the programmes targeting such children and inadequate funding for the same.

The Ministry has been providing grants to NFSs for teaching and learning materials. Currently, there are 474 non formal schools registered and receiving grants. There are still more NFSs which are not yet registered hence missing out in the

provision of grants. The Ministry's target is to validate and verify 300 schools annually for funding.

The Textbook-Pupil ratio for lower primary has improved from one textbook for more than 10 pupils before 2003 to 1:3 in 2007 and further to 1:2 in 2008 whereas for upper primary it has improved from 1:2 in 2007 to 1:1 in 2008.

To ensure efficient teacher utilisation, the cost effective staffing norms which include: implementation of differentiated staffing norm at primary level allowing for a PTR of 45:1 in high potential areas was achieved during the period with pupil teacher ratio at primary level increasing from 44:1 in 2007 to 45:1 in 2008.

3. Curriculum Review: Curriculum is recognised as one of the major pillars of quality education and training. The education sector has and continues to review the curriculum to improve its relevance and incorporate emerging issues.

4. Adult and Continuing Education
Subsector: The Adult and Continuing Education (ACE) programme plays a key role in promoting Life Long Learning (LLL). The ACE is provided through the Directorate of Adult and Continuing Education (DACE) using the Basic Literacy Programme (BLP), Post Literacy Programme (PLP) and Continuing Education Programmes (CEP). ACE provides education and training opportunities to adults and out of school youth aged 15 years and above who for whatever reasons either missed their chances in the formal education system in their childhood or dropped out of school before attaining sustainable levels of education. The programme en-

sure the availability of education opportunities to salvage the investments in both primary and secondary education.

- 5. Secondary Sub-sector:** In order to address the high cost of secondary education, the GOK has implemented the Free Secondary Education (FSE) programme to make secondary education more affordable. This initiative will reduce the cost of secondary education thus increasing access, retention, equity and quality. Enrolment grew from 1.18 million students in 2007 (639,393 boys and 540,874 girls) to 1,328,964 (735,680 boys and 593,284 girls) students in 2008. The GER for secondary increased from 38.0 in 2007 to 42.5 in 2008. The NER recorded an increase from 24.2 percent (25.2 percent for male and 23.2 percent for female) in 2007 to 28.9 percent (29.8 percent for male and 27.9 percent for female) in 2008.

Transition rate from primary to secondary increased from 59.6 percent (56.5 percent for male and 63.2 percent for female) in 2007 to 59.9 percent (61.1 percent for male and 58.5 percent for female) in 2008. The set transition rates were not met due to increase in number of standard eight candidates which is not commensurate with available Form one admission vacancies.

5.1.4 Challenges Experienced in the Education Sector

Despite the effort and progress realised by the education sector a number of challenges were witnessed during the period under review. The growing enrollment in both primary and secondary schools due to FPE and FSE respectively, has meant that the existing facilities are overstretched. This has

negatively impacted on the Ministry's effort to achieve high transition rates to secondary education. Lack of adequate infrastructure at all levels of education undermines efforts to enhance access and equity to education. Additionally, despite all the initiatives aimed at addressing regional and gender disparities at various levels of education, regional and gender balances are yet to be achieved.

There still remains a problem of staff shortage for both teaching and non-teaching staff across the country. In the learning institutions across the sub-sectors, teacher shortages hinder delivery of quality education.

Another challenge facing the delivery of educational services is the inability to reach the hard to reach children. This is due to weak implementation structures of the programmes targeting such children and inadequate funding for the same. This has led to low access to education in disadvantaged areas such as North Eastern Province as evidenced by low NER.

The achievement of EFA target is seriously threatened by the HIV/AIDS pandemic which has devastating and far reaching impacts on education. HIV/AIDS is eroding quality of education, weakening demand and access, drying up the country's pool of skilled workers and increasing cost which is already high in relation to available public resources. The number of HIV and AIDS-related orphans and other vulnerable children is estimated at 1.2 million. HIV/AIDS pandemic has robbed the country of trained and experienced teachers and given rise to many additional orphans in school. It is estimated that 1.8% of the country's 245,000 teachers are dying annually. The Teachers Service Commission has also recorded significant increase in HIV-related sick leaves that prohibit teachers from carrying out their duties and has set a special AIDS Control Unit to respond to this challenge.

The post-elections violence experienced in January 2008 adversely affected the education sector. Schools were either vandalized, burnt down or equipment stolen impacting negatively to the realised gains. As a stop gap measure, displaced children were placed in local schools and temporary classrooms in host community schools were also established. The displaced teachers are also deployed appropriately. The 1st phase of reconstructing and equipping schools will target Molo and Trans-Nzoia districts at a total cost of Kshs 123.6 million. Phase II and III will target 23 districts in Nyanza, Western, Rift Valley Central and Nairobi Provinces at a cost of Kshs 295.8 million.

5.1.5 Lessons Learned and Way Forward Education

Expansion of secondary education has not progressed as had been desired due to inadequate physical facilities. It is therefore crucial that the Ministry continues with expansion of physical facilities to accommodate both the increased numbers of candidates graduating from primary education following the introduction of FPE as well as increased demand for secondary education following the introduction FSE in 2008.

1. The transition rate target needs to be revised downwards as it is too ambitious.
2. Although targeted efforts are in place, existence of retrogressive cultural practices continues to undermine the efforts of the Ministry especially in ASAL regions.
3. The negative impact of HIV/AIDs continues to weaken teaching force hence affecting curriculum delivery in both primary and post primary institutions. This calls for strengthening of MOE capacity to provide HIV and AIDS prevention, care, and support and mitigation interventions. The MoE and TSC should sustain the annual budget of Sh. 35 million

and 16 million respectively set aside from the recurrent vote earmarked for mitigating the impact of HIV and AIDS and mounting prevention programs.

5.2 An Overview of the Health Sector

The achievement of the economic goals anticipated in the *Kenya Vision 2030* will depend on a healthy, working human resource. The health sector is expected to play a key supportive role in maintaining this healthy population which is necessary for enhanced productivity that Kenya requires for global competitiveness. The Sector therefore, provides one of the most important components for addressing equity and the socio-economic agenda of the Social Pillar of *Vision 2030*, whose theme is “*Investing in the People of Kenya.*”

In the last five years, Kenya’s health sector has improved significantly as a result of increased resource allocation for the health sector, better governance and enhanced management of health delivery systems. Kenya’s overall health is better today than a decade ago with life expectancy estimated at 53.6 years in 2007. However, preventable diseases continue to be the leading cause of morbidity in Kenya with malaria and respiratory diseases accounting for more than 50% of all reported outpatient cases. HIV pandemic; tuberculosis, especially the multi-drug resistance tuberculosis strain, and non communicable diseases such as diabetes, cancer and heart conditions are on the increase and are a major concern to the sector.

The provision of quality health care to the citizens currently face a numbers of challenges namely; high cost of medical care and other access factor; under funding which affects the supply of adequate critical inputs such as medical staff, medical supplies and drugs, capital investments, oper-

ations and maintenance. Other constraints include a weak yet extremely vital Health Management Information System.

5.2.1 Policy Review

The vision for the health sector is to provide equitable and affordable health care at highest affordable standards to all citizens. *The First Medium Term Plan* (MTP) for the period 2008-2012 builds on the achievements of the Economic Recovery Strategy for Wealth and Employment Creation (2003-2007) and the National Health Sector Plan II (2005 – 2010) that contributed to the improvement of health status indicators of the population. The MTP identified flagship projects and initiatives that the health sector will implement in order to provide quality and affordable health care. The flagship projects are also expected to contribute to Millennium Development Goals (MDGs), namely: reducing infant and child mortality (Goal 4), reducing maternal mortality ratio (Goal 5), and combating HIV and AIDS, TB Malaria and other diseases (Goal 6). Other relevant goals include Goal 7 on ensuring Environmental Sustainability, focusing on population with sustainable access to an improved water source with access to improved sanitation.

In the medium term, the health sector will focus on preventive health care with emphasis on the control of communicable and non communicable diseases, reproductive and child health services, environmental health and rural health services. The Kenya Essential Package for Health (KEPH), a paradigm shift in the delivery of health care focusing on health promotion, life-cycle cohorts and health care services, mainly at rural health facilities and the community, will guide health delivery efforts.

The Health Sector also aims at undertaking initiatives relating to the management of Kenya Medical Supplies Agency (KEMSA) to strengthen procurement practices; ware-

housing and distribution; improvement of infrastructure and provision of medical equipment and health care financing. Focus at KEMSA should also strengthen enterprise resource planning and commercialisation, introduce bar coding of drugs to prevent pilferage and improve the human resource management in order to reduce departures of well trained personnel in supply chain management. The implementation of National Social Health Insurance Scheme as a means of financing curative and rehabilitative services and the channeling funds directly to the public health facilities – health centres and dispensaries in line with the Health Sector Services Fund (HSSF) gazette notice will be reviewed. In addition, the Output Based Approach (OBA) aimed at enabling poor, vulnerable women of reproductive age access quality reproductive health and gender based violence services through the application of a voucher system will be scaled up.

As a result of a rapidly changing health sector, the crucial legal and institutional framework will be put in place. The Public Health Act will be reviewed and enacted to facilitate the establishment of Health Service Commission and disbursement of funds as grants to health facilities. The Revitalisation of Health Information Management System and Human Resources Management is also expected to continue to enhance the efficiency and effectiveness of the health system of the country.

5.2.2 Vision 2030 Flagship Projects in the Health Sector

The following flagship projects and key initiatives were identified by the *Vision 2030* for implementation by the health sector:

1. Rehabilitation of health facilities, primarily community health centres to promote preventive health care and to treat diseases at community level;

2. Establish strong community based information system to facilitate access to health related information and outreach;
3. Delinking the Ministries of health from service delivery to focus on regulation and supervision;
4. Providing autonomy to the levels 4, 5 and 6 (district, provincial and national hospitals). This initiative is aimed at establishing a functional referral system at all levels;
5. Integration of local communities in the management of health care;
6. Development of an equitable health financing mechanism.

5.2.3 Medium Term Flagship Projects and Targets

In the medium term 2008-2012, the health sector pledged to undertake the following flagship projects:

1. Rehabilitation of the health facilities;
2. Strengthening of Kenya Medical Supply Agency;
3. Develop community based information systems;
4. Delink the Ministries of Health (Medical Services and Public Health and Sanitation) from service delivery;
5. Development of a Human Resource Strategy and the implementation of Human Resource Information System;
6. Development of a National Social Health Insurance Scheme;
7. Channelling health funds directly to public health facilities such as hospitals, health centres and dispensaries

through the Health Sector Services Fund.

The following outcome targets were set for health sector during the MTP period:

1. Reduce under 5 mortality rate to 33 per 1,000 live births;
2. Reduce maternal mortality rate 147 per 100,000 live births;
3. Increase proportion of birth deliveries by skilled attendant to 95%;
4. Increase immunisation coverage for children under 1 year to 95%;
5. Reduce cases of TB to 444 per 100,000 persons;
6. Reduce inpatients malaria fatality to 3%;
7. Reduce HIV prevalence to less than 2%.

5.2.4 Achievement and Implementation Progress

The main highlights of the achievements and the progress made during 2008/09 period in the three key areas are as follows:

a) Rehabilitation of the Health Infrastructure

In an effort to provide a functional, efficient and sustainable health infrastructure network in the country, the government continued to invest in the construction of and rehabilitation of health care infrastructure. During the 2008/09, the following initiatives were undertaken:

1. Formation of a Task Force by Ministry of Medical Services in process
2. The Government has invested in putting up new facilities through the CDF to complement existing efforts in the health sector – Resource allocation for the CDF Facilities – fi-

nancial, personnel, medical supplies and equipment

3. 1 (one) health facility was rehabilitated during the period under review

b) Strengthening Kenya Medical Supplies Agency (KEMSA)

During 2008/09, a number of initiatives were put in place or accelerated to facilitate the achievement of the reforms proposed by the MTP. A major initiative was the generation of a Draft Policy.

c) Development of Community Based Information Systems

A major intervention implemented during the period under review was the development of a Community Strategy to enhance awareness of promotion and preventive aspects of health.

d) Delinking the Ministries of Health from Service Delivery

Under this flagship project, the MTP aims at the establishment of a Health Service Commission mandated with service delivery leaving the Ministries of Health with the role of providing policy guidance, standards and regulation. A number of initiatives were to be put in place to facilitate the splitting of roles. During the period under review the following were undertaken:

1. A concept Paper on the second Health Policy Framework was developed;
2. Draft Report on the second Health Policy Framework development was prepared.
3. Expanded engagement and wider consultation on the next Health Policy Framework

e) Development of a Human Resource Strategy

Human Resources for Health (HRH) is key in the delivery of health services and the achievement of the *Vision 2030* goals and MDGs. The Health Sector recognises that misallocation, inadequate and inequitable distribution of health personnel continues to constrain health sector planning, health care delivery and ultimately health outcomes of Kenyans. During the period under review, the following achievements and progress were made on the proposed initiatives in the Medium Term Plan (MTP):

1. Development of the Human Resource Strategy
2. Implementation of the Human Resources Information System

f) Development of a National Social Health Insurance Scheme

During the period under review the following initiatives were undertaken:

1. Health Financing Task Force was established in January 2007 to provide leadership in the development of a long term fiscally sustainable, equitable and efficient approach to financing health services in the country.
 - A draft report on Health Policy Framework with data analyses and a roadmap compiled
 - Pilot for coverage for out-patient cover launched in November 2009 in two sites in Western Kenya and Nairobi
2. National Health Accounts Working Group on health sector resource Mobilisation and utilisation in place

3. Cabinet Memorandum on the Revitalisation, restructuring and expanded coverage of the National Health Insurance Fund (NHIF) to include informal employees was prepared, presented to the Cabinet and returned for revision.

facilities, in particular at health centres, is being scaled up. Women delivering at health facilities, get medical attention from health professionals thus improving maternal health outcomes

g) Channelling of funds to health facilities

Under this flagship project, the following were undertaken during the period under review:

1. Legal Notice No. 401 Of 2007 which was gazetted in December 2007 on the establishment of Health Sector Services Fund for channelling funds directly to the public health facilities – health centres and dispensaries has been reviewed and awaits Government approval.
2. The Guidelines for channelling funds and management of resources have been developed.
3. The National HSSF committee has been gazetted and inaugurated by the ministers.

h) The Output Based Approach

The following have been undertaken in the scale up of Output Based Approach (OBA):

1. OBA has been rolled out to 64 health facilities in three districts, two slum areas in Nairobi (Viwandani and Korokocho) and North Eastern Province. Activities of OBA include
 - Recruitment of poor pregnant mothers into the project as per criteria and selection of service providers in the OBA sites.
 - Financial incentive to encourage pregnant women to deliver at health

i) Performance of the Health Indicators

The performance of the health sector was assessed using various indicators agreed upon with the stakeholders in 2008. Under the National Reporting Framework, the health sector has a total of 10 outcome indicators monitored on an annual basis. Table 16 below presents the performance of the health status indicators for the period under review.

j) Child Mortality

The medium term plan targeted a reduction of under-five mortality to 74 per 1,000 live births by the end of period under review. According to preliminary results of the Kenya Demographic and Health Survey 2008, the under five mortality declined to 74 per 1,000 indicating that the target was met. This is a significant decline from the 2003 estimate which stood at 115 per 1,000 live births.

k) Maternal Mortality

During the period under review, there was a significant achievement in the utilisation of contraceptives. The decline in the contraceptive prevalence rates (CPR) appears to have been reversed according to the data emerging from the Kenya Demographic and Health Survey 2008. The CPR increased to 43% in 2008 up from 39% in 2003. *(To consult RH Division MoPHS for initiatives implemented)*

Table 15: Performance of Health Status Indicators 2008/09

Medium Term Plan Outcome	Outcome Indicator	Unit	Base-line Year	Baseline Value	Actual 2008/2009	Target 2008/09
Reduced Under Five mortality	Under Five mortality rate	per 1,000	2007	92	74	74
Reduced Maternal Mortality	Maternal Mortality Rate	per 100,000	2007	414	Not available	325
Increased proportion of skilled attendant at birth	Skilled Attendant at Birth	%	2007	51	43.8	61
Immunization Coverage	Children under 1 year fully immunized	%	2007	71	70.4	80
Reduced HIV Prevalence	HIV Prevalence Rate	%	2007	7.4	7.1	6.4
Access to HIV health care services	Patients on ARVs	%	2007	58	58	59
Reduced malaria incidence	Proportion of inpatients with malaria	Ratio	2007	19	15	15

Source: Ministry of Public Health and Sanitation, Central Project Planning and Monitoring Unit, 2009; preliminary results KDHS 2008-09.

l) Immunisation

Although remarkable progress was made, MTP target of 80% immunisation coverage for the period under review was not met.

m) HIV and AIDS

The MTP targeted to reduce national HIV prevalence to 6.4% by 2008/09. According to Kenya AIDS Indicator Survey, although prevalence had reduced to 5.1 by the end of 2006, the prevalence rate was registered to be 7.4% during the period under review indicating that the target was not met. However, there has been increase in the number of eligible people accessing ARVs from 237,881 (including 20,517 children) in December 2008 to 353,150 (who included 28,692 children) by January 2010 out of 600,000 people who need treatment

with ARV drugs. Nearly 95 % of the patients on ARV drugs depend on donor funding whose sustainability is not guaranteed for such a life-prolonging intervention and the Ministry of Medical Services has yet to earmark annual allocation for ARV drugs in its budget.

n) Malaria

A new indicator for malaria is reduction in the number of outpatient clinical malaria cases in public health facilities. The target for this indicator is reduction of clinical malaria cases from 29% in 2008/2009 to 27% in 2009/2010. This is to be achieved through integrated malaria control activities including: indoor residual spraying using insecticides; distribution of insecticide treated bed nets; provision of intermittent preventive treatment to pregnant mothers; pro-

vision of effective antimalarial medicines (ACT); and environmental management by ensuring that proper drainage is sustained.

5.2.5 Implementation Challenges in Health Sector

Preventable Diseases

- The health sector continues to face challenges in addressing preventable diseases e.g. HIV pandemic; tuberculosis (especially the multi-drug resistance tuberculosis strain); malaria and non-communicable diseases which are on the increase;
- Target not being met;
- Limited process indicators – rehabilitation of health facilities, no. of cadres employed, trained etc to monitor HRH;
- The inability to conduct surveys to capture data that monitor indicators on a yearly basis;

5.2.6 Lessons Learned and Way Forward for Health Sector

- Need to review targets to link with the objectives which are currently only linked to outcomes. For example there is need to know how many health facilities to be rehabilitated each financial year and how many to be constructed or equipped during each reporting period.
- Existing conflicting data from surveys e.g. immunisation status, child mortality.
- Some of the targets on the performance indicators in the MTP and the National Reporting Framework are not harmonised.

As a result of these lessons the following recommendations are made for the way forward.

- Harmonise reporting of the outputs with Health Sector Plan implementation matrix.
- Need for harmonisation of targets as well as sources of data/methodologies/objectives.
- The inequalities in the distribution of health personnel will continue to constraint the provision of health services. In this regard, there is need to fast track the implementation of the Human Resource Strategy and cascade it to the sub national level for better management of the human resources for health.
- The inconsistency of targets set for the sector continues to constrain the analysis of the performance indicators of health. There is therefore need to Harmonise units for some of the indicators such as access to ARVs and malaria.
- Leadership, systems strengthening and capacity building of the Health Management Information Systems (HMIS) is critical for generating accurate information and data to monitor the performance health status indicators. There is therefore need to upgrade the HMIS, introduce modern technology exploiting the well developed ICT infrastructure and communication systems in the country including mobile telephony to facilitate the timely flow of data for analysis and monitoring of the key health indicators.

5.3 Water and Sanitation Sector

The overall objective of Environment, Water, and Sanitation Sector as indicated in the 2008-2012 MTP is enhancing access to clean, secure and sustainable environment, water and sanitation. The sector forms the bedrock for a clean, secure and sustainable environment for the citizenry by promoting the quality of the country's environment and natural resources. This sector further forms critical linkages between environment and the productive sectors.

The major challenges under this sector include environmental degradation; deterioration of water quality and quantity; pollution and waste management; impacts of Climate change and Global Warming; inadequate adoption of Bio-Technology and lack of an integrated environmental planning strategy towards attaining the sustainable development objective.

5.3.1 Policy Review of Water and Sanitation Sector

Kenya is a water-scarce country, with the existing water resources being unevenly distributed. Currently, the country has renewable fresh water per capita at 647 m³ against the recommended minimum of 1,000 m³. In 2005, the estimated per capita was about 612 m³ for all uses. Unless effective measures are implemented, this scarcity is projected to worsen to about 235 m³ per capita by 2025. This poses a serious threat to socio-economic development and the integrity of national ecosystems.

Water is an environmental resource necessary not only to support life but also sustain economic activities across different sectors. The country faces enormous challenges in the development and management of limited water resources. Furthermore, the magnitude and severity of the water crisis cut across most sectors of the economy thus

making water resources management a high priority that requires urgent attention.

Sanitation and waste management are closely related to human health. The challenges of addressing sanitation and waste management have been compounded by rising population, improvement in the standards of living, and high rural urban migration which is responsible for the development of densely populated informal settlements in urban and peri-urban areas with poor sanitation facilities. Pollution and waste management is exacerbated by dumping of waste into rivers, streams and other water bodies coupled with inadequate strategies leading to serious health implications.

In the water subsector, the current legal and institutional framework is anchored in the National Water policy, 1999 and the Water Act, 2002. The Water Act called for the establishment of Water Service Boards, the Water Service Regulatory Board, the Water Service Trust Fund and the transfer of water assets from the Ministry of Water and Irrigation to the water boards. The Ministry of Water and Irrigation is left in charge of the coordination, financing and policy formulation while the Water Services Regulatory Board is the water services regulator. The Water Service Boards are the asset holders and are responsible for efficient service provision in their areas of operation either through an agent (water service provider-company etc) or directly where there are no agents. This aims at commercializing and improving water services by increasing participation by non-state actors.

5.3.2 First MTP Targets and Outcome Indicators for Water and Sanitation

In order to ensure water and improved sanitation availability and access to all by the

year 2030 as envisaged in *Vision 2030*, the 2008-2012 MTP identifies two strategic goals for the sub-sector:

1. To improve access to water and sanitation and mitigate post-election crisis impact on the sector.
2. To increase access to safe water and sanitation.

To address the impact of the post-election crisis, a one year (2008-2009) recovery strategy was also put in place to address particular needs:

1. Rehabilitation of water infrastructure destroyed during the violence.
2. Provision of water to the displaced persons.

The water and sanitation sector also earmarked the following flagship projects to be implemented during the first MTP period:

1. Rehabilitate, regenerate and restore Nairobi Rivers (includes the full rehabilitation of the catchment basin of the Nairobi River and the Ngong River);
2. Acquire and install new hydro-metric stations in strategic and vulnerable water resources (surface and ground water) and linked to World Hydrological Observation Cycle (WHYCOS);
3. Rehabilitate 600 hydro-metrological stations;
4. Undertake Ground water Hydro-geological Mapping in Turkana and Marsabit for purpose of planning groundwater development in the two districts and replicated in other ASAL districts;
5. Build capacities of Water Resource Users Associations to collect records and monitor data acquisition instruments;

6. Formulate four water Catchment Management Strategies (CMS) for Lake Victoria South, Ewaso Ngiro North, Ewaso Ngiro South and Athi Catchment areas;
7. Construct large multi-purpose dams along Rivers Nzoia and Nyando. In addition, construct water dyKshs along the lower reaches of Nzoia and Nyando Rivers;
8. Construct a 54 Km intern-basin water transfer canal in Rahole area connecting to Tana River to Garissa District;
9. Undertake the development of High Grand Falls Multipurpose reservoir with a storage of 5.4 billion cubic meters;
10. Rehabilitate and expand the Mzima water supply Pipeline;
11. Construct 180 water and sanitation projects;
12. Drill 140 boreholes and construct 160 small dams/pans in ASAL areas;
13. Construct the Tana Delta Irrigation Project;
14. Expand the Bura, Hola, Kano Plains, Nzoia(Upper, Middle and Lower), Perkera, Kerio Valley, Mwea, Taita Taveta, Ewaso Nyiro North and Ngurumani(Kajiado) Irrigation schemes;
15. Extend the Yatta Canal for another 100 Km to cover Yatta District, parts of Kitui and Mwingi Districts. The extension will also involve the construction of a 1 Km uptake dam above the existing intake point along Thika River;
16. Repair Mathauta and Muyu Dams to serve as the starting point of the extension of the Yatta Canal;

17. Expand drainage areas in Western province (Busia, Kakamega, Butere, Mumias, Bungoma, Teso) and Central (Thika and Nyandarua-North and South); and
18. Carry out research to enhance efficiency and productivity of rain-fed agriculture.

5.3.3 Policy, Legal and Institutional Reforms

In order to achieve the targets indicated above the following reforms were also to be undertaken during the MTP period:

1. Review of Water quality standards to ensure that they conform to the country's water situation and needs.
2. Enact a policy on trans-boundary water management.
3. Enact a policy on ground water protection.

5.3.4 Outcome Indicators and Targets for Water and Sanitation

The following outcome indicators and targets have been tracked under the National Integrated Monitoring and Evaluation System (NIMES).

1. Improve access to safe water in Urban Households from 62.5% in 2008/09 to 75% in 2012/2013.
2. Improve access to safe water in Rural Households from 44 % in 2008/09 to 60 % in 2012/2013.
3. Increase water storage and harvesting capacity from 11 Cubic meters in 2008/09 to 17 Cubic meters by 2012/13.
4. Increase access to sanitation in urban households with individu-

al or shared access to toilet facilities from 35% in 2009/09 to 55% in 2012/2013.

5. Increase access to sanitation in rural households with individual or shared access to toilet facilities from 5% in 2009/09 to 8% in 2012/2013.

5.3.5 Achievement and Implementation Progress for the Water Sector

The following achievements have been realised as set against their targets.

1. **Rehabilitate 600 Hydro-meteorological stations:** 230 meteorological stations were rehabilitated during the financial period 2008/09 and they are currently working. Data collection and routine maintenance of the stations is ongoing. By 2010/2011 250 hydro- meteorological stations are earmarked to be rehabilitated. Ground water Hydro-geological mapping in Turkana and Marsabit has been planned for the financial year 2010/11.
2. **Construct large multi-purpose dams along Rivers Nzoia and Nyando:** Feasibility studies were done for the construction of 2 large multi-purpose dams along Nzoia and Nyando rivers. Rehabilitation of dyKshs and river training was also carried out. The detailed design for the construction of the large multi-purpose dams as well as the construction and rehabilitation of the dyKshs has been planned for 2010/2011.
3. **Develop 24 medium sized multi-purpose dams:** Construction of 5 dams namely Umma Dam in Kitui District (Kshs 824 million), Kiserian Dam in Kajiado District (Kshs 989 million), Chemususu Dam in Koibatek District (Kshs 4.9 billion),

Maruba Dam in Machakos District (Kshs 325 million) and Badasa Dam in Marsabit District (Kshs 2.5 billion) is ongoing. Construction for the first 5 dams will continue in 2010/111 as well as the construction of 9 other dams. Detailed designs for 10 other dams will also be finalised in the financial year 2010/11.

4. **Rehabilitate and expand urban water supply and sewerage in satellite town:** Works started in 6 towns in 2008/09 (Ruiru, Machakos, Siaya, Kehancha, Maua and Kitui, targeting to serve 1 million people. In the year 2010/2011 rehabilitation and augmentation works will start for water supply and sewerage in Narok, Mararal, Wajir, , Ruiru, Athi river, Isiolo, Hola, Lowdar, Olkalou, Matuu, and Moi's bridge.

5. **Rehabilitate and expand Mzima water supply pipeline:** Mzima I rehabilitated and working producing 100,000 m3/day of water for Mombasa town. Implementation works for Mzima II to start targeting production of 200,000 m3/day of water in 2010/2011.

6. **Construction of irrigation and drainage schemes to expand the area under irrigation:** rehabilitation and expansion of Bura scheme is ongoing, targeting 2,500 hectares. Expansion of Irrigable land in Bura, Hola, Kano Plains, Nzoia, Perkerra, Kerio Valley, Mwea, Taita Tavate, Ewaso Nyiro and Nguurumani by additional 4,500 hectares has been planned in the year 2010/2011.

Achievements in Outcome Targets

Table 16: Achievement in Outcome Targets for the Water and Sanitation Sector

Medium-Term Plan Outcome	Outcome Indicators	Unit	Baseline Year	Baseline Value	2008/09		
					Actual	Target	
Improved Access to Safe Water	Urban Households with Access to Piped Water	%	2007/08	60	61	62.5	Target not met. The prolonged periods of drought have resulted to low water levels in the water sources thus limiting available water to urban households, also low investment in infrastructure and dilapidated water supplies caused the target not to be realised.
	Rural Households with access to Water from a Protected Source	%	2007/08	40	42	44	Target not met. The prolonged periods of drought have resulted to low water levels in the water sources thus limiting available water to urban households, also low investment in infrastructure and dilapidated water supplies caused the target not to be realised.
Increased Water Storage and Harvesting Capacity	Water Storage per Capita	Cubic Meters	2007/08	8	5.4	11	The target was not realised due to lack of/limited water harvesting and storage methods and low investment in infrastructure and dilapidated water supplies.

Increased Access to sewerage / Sanitation	Urban Households with Individual or Shared Access to Toilet Facilities	%	2007/08	30	32	35	Target not met.
	Rural Households with Individual or Shared Access to Toilet Facilities	%	2007/08	5	5	5	Target met.

5.3.6 Challenges faced in Implementing Projects in the Water and Sanitation Sector

- 1. Old water, sanitation and irrigation infrastructure:** Having been constructed many years ago, most of the country's water, sanitation and irrigation infrastructure is today in poor maintenance condition, and in need of major repairs or replacement. Even with significant funding within the sector going into rehabilitation, the rapid population expansion particularly within urban locations limits the sector's capacity to put up modern and efficient infrastructure in synchrony with the growing demand for services.
- 2. Staff issues:** A major pending aspect of the water sector reforms involves finalisation of the Transfer Plan, specifically the process to de-link staff absorbed in the water sector institutions and capacity building to strengthen the institutions for efficient delivery of services. This requires additional funds for Harmonisation staff salaries and allowance and provide equipments and tools.
- 3. Sustainability of the new institutions:** Water Services Boards (WSBs) which were established as part of reforms within the sector were expected to be self sustaining after the first 5 years. This has not happened: the Government continues to support some WSBs in critical areas such as payment of electricity, purchase of chemicals and staff salaries. A contributory factor to the Boards' lack of sustainability is their low appropriation-in-aid (A-i-A) collection, itself the result of poor cost recovery from communities unable to pay for water services.
- 4. Operations of Water Service Providers (WSPs):** WSPs are appointed by the WSBs and the quality of their services reflects on the performance of the water sector as a whole

as they provide the end product in the water sector. In order to provide efficient services, WSPs require to have their water supplies infrastructure rehabilitated, signaling the need for sustained funding and sound financial management, two aspects in which WSPs display weaknesses.

5. **Persistent droughts and other natural disasters:** The country's weather is cyclic with adverse climate changes causing droughts and floods that affect the lives of the people together with their livestock. Policies and measures need to be developed to provide early warning systems and mitigation measures to prevent the perennial loss of life and livelihoods.
6. **National irrigation policy and irrigation reforms:** Neither the policy nor the guidelines on Irrigation Water Users Associations (IWUAs) have been developed. Coupled with inadequate infrastructure development for irrigation and drainage including water storage facilities, this implies poor irrigation and drainage support services (access roads, cooling centres, markets, market information, research, extension, training, credit etc) leading to high production costs and slow irrigation and drainage expansion.
7. **Management of water resources:** Many of the water catchment areas have been degraded thus affecting the quality and adequacy of water resources. Uncoordinated and over abstraction of water due to poor enforcement of water allocations has also affected the management of water resources. This has brought about intense competition and water-use conflicts amongst groups of

water user communities, irrigation users and other users.

8. **Water scarcity:** Renewable fresh water per capita stands at 647 cubic meters and is projected to fall to 235 cubic meters by 2025 if supply does not keep up with population increase. There are also regional imbalances in water availability and utilisation that must be addressed. Highland areas, the Coast and the Lake Region have better water access than the ASAL districts. The state of existing water supply system will be upgraded to address the high unaccounted for water (currently estimated at 50%) and improve customer satisfaction especially in urban areas. The distances to the nearest water points pose a challenge particularly to women and girls who bear the responsibility of fetching water. Much time is spent fetching water hence compromising the girls' education and time for other productive activities for the women.
9. **Water quality:** The quality of water has deteriorated overtime due to increased commercial farming activities, rapid industrialisation and laxity in law enforcement among other factors. In many instances, effluents and chemical waste from various sources are discharged directly into water bodies.
10. **Monitoring of resources management:** Currently, water resource monitoring covers only 30% of the total estimated available supply. This constrains effective water resource planning and management. In the plan period, relevant capacity for monitoring trends in water flows and abstraction will be given priority.

- 11. Expenditure - related challenges:**
Slow cash flows; budget cuts (especially at the point of budget revision), slow disbursement of donor funds; and resource shifts (resulting from unpredictable weather conditions) are among the factors which impinge on public spending within the sector.

5.4 Environment and Natural Resources Sector

The policies, strategic objectives and interventions pursued and implemented within the context of *Kenya Vision 2030* and its *First Medium Term Plan* (2008 – 2012) were to be realised through the Ministry's proposed strategic interventions that include:

1. Development of Environment, Mining and Mineral Policies, laws and regulations;

2. Inventory and Mapping of Mineral Resources;
3. Lake Victoria Environmental Management;
4. Environmental co-ordination;
5. Water catchment area conservation, control and protection;
6. Mineral exploration and mining;
7. Provision of meteorological services and training;
8. Co-ordination of Climate Change affairs;
9. Protection and regulation of marine ecosystems;
10. Natural resources information management policy.

Table 17. Summary of Vision 2030 and Medium Term Plan (2008-2012) Overall Objectives and Targets

Overall Objective: To conserve strategic natural resources in a sustainable manner without compromising economic growth	
Objectives	Target
To raise awareness of education awareness at all levels	ESD policy formulated and curricula at all levels reviewed to address ESD concerns
To develop techniques for the management and control of alien and invasive species	Management and control strategy
To protect and sustainably manage the environment through rehabilitation of disused mines and quarries	A friendly and sustainably managed environment

Overall Objective: To conserve strategic natural resources in a sustainable manner without compromising economic growth	
To prepare physical development plans to map and secure the wild-life corridors and migratory routes to minimize human-wildlife conflict	Reduce human and wild-life conflict
Overall Objective: Enhance Management of Pollution and Waste	
To commercialize waste management and implement National Health Care Waste Management Strategy	Reduce effects of Solid Waste in the city
To conduct a GIS mapping to develop a pollution source inventory	- Develop pollution inventory - Improve knowledge on pollution sources
To create a clean and secure environment	- Clean Nairobi river and establish waterfront businesses and recreation activities - Replicate river basin cleaning exercises in Kisumu, Mombasa and Nakuru
Overall Objective: Map of ASAL and high risk disaster Zones	
To prepare national and regional geo-hazard zone-maps to mitigate and monitor geo-hazard occurrences	National Geo-hazard and Seismological Network in place
Overall Objective: To promote environmental planning and governance	
To build relevant capacity to address environmental issues	Develop capacity on environmental information management and CDM schemes
To build capacity for enforcing various regulations and standards, training on legal aspects of environment, awareness, prosecutions to enhance compliance	Enhance levels of enforcement

5.4.1 Environment and Natural Resources Flagship Projects for the First MTP

The water and natural resources sector was expected to implement the following flagship projects:

1. Rehabilitation of Water Towers and management of catchment areas (Mau, Cherengany, Mt. Elgon, Aberdare and Mt. Kenya);
2. Secure wildlife corridors and migratory routes;
3. Solid wastes management system developed in five municipalities;
4. Solid Waste Management System established for Nairobi;
5. Establishment of three climate change data bases;
6. Five adaptation programmes on Climate Change and Desertification piloted;
7. Land Cover/Land use Mapping;
8. Disaster preparedness;
9. Environmental education and awareness;
10. Rehabilitation, and restoration of Nairobi Rivers' basin;
11. Management and control of alien and invasive species;
12. National and regional geo-hazards zone maps;
13. Clean Development Mechanism;
14. Enforcement of environmental legislation;
15. Disused mines and quarries;
16. Proportion of Marine areas protected;

17. Geological Mapping;
18. Exploration & mining;
19. Weather modification programme and Modernisation of meteorological services.

5.4.2 Achievements and Progress made in Environment and Natural Resources Sector

The following is a summary of achievements and the progress made so far in the sector.

a. *Weather Modification and Modernisation of Meteorological Services*

The project objective is to improve the issuance of timely and accurate weather and climate forecasts and warnings; automation of observing, transmitting, processing and archiving systems meant to replace old, obsolete and antiquated manual systems in line with global trends. This will also enhance weather/ climate modelling capabilities to facilitate detection of weather and climate anomalies well in advance.

Under the Modernisation programme, the Ministry's Department of Meteorology has installed at least 24 Automatic Weather Stations (AWS), 10 Automatic Hydromet stations, 2 Airport Weather Observing Systems (AWOS), 4 tidal gauges with meteorological sensors along Kenya's coastline for Tsunami Early Warning systems (TEWS), MeteoFactory for generation of Sector Specific products, Automatic Message Switching Systems (AMSS) at headquarters with a back up located at Moi International Airport, (1) Global Atmosphere Watch (GAW) station for background pollution and atmospheric chemical composition monitoring, four (4) lightening detectors, three (3) Satellite Ground Receiving stations and GPRS/EDGE & VSAT communication systems.

b. National and Regional Geo-Hazards Zone Maps

Under National and regional geo-hazards zone maps six (6) geo-hazard areas were mapped, and one broad band seismological equipment was located in Voi. A further two sets of the same equipment has already been purchased with the help of donors and are only awaiting installation.

c. Rehabilitation of Disused Mines and Quarries

The activities of this flagship have not been implemented as they are tied to the enactment of the proposed new Minerals and Mining law that was submitted to the Attorney General's Office.

d. Geological Mapping

Geological reconnaissance mapping for Garissa Area, Degree Sheet No. 46 was carried out.

e. Exploration and Mining

Overall, there was an increase in production and export of minerals during the year under review. There was also an increase in applications for mining concessions, and in the number of investments in the mining industry with four (4) new entrants. The mineral database was increased in size from two (2) Gigabytes to four (4) Gigabytes. The mining sector continued to play an important role in employment for the rural population. However, due to the global economic meltdown and the post-election crisis, a good number of mining companies scaled down their operations, thus impacting negatively on employment creation. Progress was also made towards Operationalisation of the proposed fiscal and legislative framework, whose aim is to reduce the discretionary power of the licensing authorities, thus providing greater security of tenure for in-

vestors, therefore attracting greater investments in the mining sub-sector.

f) Livestock/Wildlife Surveys

Aerial census surveys on wildlife and livestock was conducted with the aim of providing information to facilitate informed decision making for sustainable management environment and natural resources.

During the period under review, the Ministry completed the following surveys:

1. Greater Narok District (including Transmara District);
2. Special survey in Magadi & Amboseli areas in collaboration with African Conservation Centre (ACC);
3. Greater Marsabit District; Laikipia District.

g) Nairobi Rivers Basin Rehabilitation and Restoration Project

The objective of the NRBP is to rehabilitate, restore and manage the Nairobi River ecosystem in order to provide improved livelihoods, especially for the poor, enhanced biodiversity, and a sustainable supply of water for domestic and industrial, recreational and emergency uses.

h) Carry Out a Baseline Surveys and Delineation of Riparian Reserves

Mapping of structures along the Nairobi River and its tributaries was performed using satellite imagery by the DRSRS in the first quarter of the financial year under review. The results revealed over 17,000 structures (mainly residential) at 100m buffer zone along the rivers. The census done at 50m buffer and 30m buffer revealed over 7,000 structures and over 4,000 structures respectively.

i) Rehabilitation of Water Towers and Management of Catchment Areas (Mau, Cherengany, Mt. Elgon, Aberdare and Mt. Kenya)

A study to find out the effect of human degradation on the Mau Forest Complex was conducted. The results indicate that 34,104 ha of South west Mau and 13,648 ha of Maasai Mau forest blocks have been encroached. In south west Mau, communities have settled deep in the forest where cultivation and cattle rearing commonly occur. Such activities are associated with fires used for slash and burn cultivation. The combined effects of forest excisions and encroachment have reduced the forest cover by 64% and 62% in the Eastern and south western Mau forest blocks respectively.

The five blocks studied have contributed a 23% reduction in the total forest cover in the Mau Forest Complex. While there was a slight reduction in the overall area encroached in 2009, Maasai Mau forest block indicated an increase of about 1,500 ha. Forest fires claimed about 3,333 ha of forest cover in March 2009 mainly concentrated in the East Mau and south West Mau blocks. Normalized Differential Vegetation Index (NDVI) values showed an overall decline in the forest health. The results show that human encroachment has affected the roles of the Mau Forest Complex. The study proposes that the excisions be revoked and communities living in the forest evicted.

There is need for further monitoring of the forest to identify its ability for self-recovery and this recovery should be supplemented with enrichment planting in highly degraded sites.

5.4.3 Land Cover/Land Use Mapping

Under this activity, number of interventions have been realised as follows:

a) Land Use/Cover of Upper Nzoia River Basin

Effective planning at the district level requires availability of timely, cost effective and accurate information on the status of resources. To achieve this, the Ministry has been carrying out land cover/use inventories in various districts in the country using remote sensing techniques.

In 2008/09 a study was done in three Districts: West Pokot, Trans Nzoia and Uasin Gishu. The three districts' aerial photographs were analyzed and field checks were carried out. Tabulation and statistical analysis of the results have been done.

b) Urban Land Use Mapping of Eldoret Municipality

Eldoret town land cover mapping was also done during the year. The results revealed that physical planning was at 100%, land use at 70%, settlement at 50% and infrastructures at 20%. The project was not completed since the municipality boundary intended to be covered, has instead expanded.

c) Crop Forecast for Food Security

Crop forecasts for food security were carried out to forecast harvests of maize and wheat since 1984. This information is collected using remote sensing techniques and gives details of estimates of areas planted with maize and wheat as well as yields, production and consumption trends. The programme aims at providing timely pre-harvest production for early warning for food security planning and management.

In 2008, maize was forecasted to be about 29 Million bags (90kg) from an area of about 1.25 million hectares. It was noted that there has been a reduction of maize yields in Western Kenya and North Rift attributed to post-election violence and high prices of fertilizers during the year. However, wheat

harvest increased especially in Uasin-Gishu. Following this forecast, the Ministry advised the government to import 6 Million bags of maize to substitute the crop production deficit

d) *Forest Fragmentation in Mangea Hills Forests and Brachystegia Woodlands*

A study was conducted in Kilifi District of South East Kenya Mangea forest which is under trust land and managed by the county council. It is one of the remnants of the coastal forests of East Africa, and is known for its endemism and biodiversity. It is also a major catchment area for the semi-arid region and a source of various forest products e.g. herbs, thatching material, building

poles etc. The forest is threatened through clearing for cultivation, charcoal burning and selective harvesting of hard wood and other species for various purposes.

e) *Monitoring of Ecological Changes in Baringo and Nakuru Districts*

The project aimed at monitoring the ecological changes within different eco-zones in the country by documenting changes in various biological and physical parameters. Some of the parameters considered include land use, settlements, degradation aspects (erosion, overgrazing), and human population changes. The project was finalised and a report is under preparation.

Table 18: Summary Matrix Showing Output and Outcome achievements for Environment and Natural Resources Sector for the Period 2008/2009

[illegible]

Flagship Projects/ Programmes	Expected Outcome	Medium Term Output (2008-2012)	Output Targets And Achievements				Outcome Targets And Achievements			
			Indicator	Baseline value and Year	Target 2008/09	Achievement 2008/09	Indicator	Baseline value and Year	Target 2008/09	Achievement
Solid Waste Management System established for Nairobi	Reduced Effect of Solid waste in the city	Waste management system Baseline survey	No.	N/A 2007/08	100	100	N/A	N/A	100	100
		No. reduced	No.	2007/08	N/A	13 186%	7 100%	100	Reduce by 20%	Target over achieved 64 illegal dump sites identified. 13 removed against a target of 7
	En-	Number and type of data-base es-	No.	2007/08	N/A	N/A	Functional data base	N/A	3	3

Flagship Projects/ Programmes	Expected Outcome	Medium Term Output (2008-2012)	Output Targets And Achievements				Outcome Targets And Achievements			
			Indicator	Baseline value and Year	Target 2008/09	Achievement 2008/09	Indicator	Baseline value and Year	Target 2008/09	Achievement
Land Cover/Land use Mapping	Increased Land Cover/Use Mapping	A report on the extent of forest & vegetation cover types	Ha	1,750 2007/2008	2,500	2,500	Improved sustainable management and conservation of vegetation resources	1,750 2007/2008	Improved sustainable management and conservation of vegetation resources	Improved sustainable management and conservation of vegetation resources
	Improved sustainable environmental management and conservation	A report on the coverage of different landuse/cover types (for- est, agricultural, urban, etc.)	Ha	250,000 2007/2008	270,000	270,000	Better landuse practices	250,000 2007/2008	Increased hectareage under Improved & sustained environmentally friendly	270,000

Flagship Projects/ Programmes	Expected Outcome	Medium Term Output (2008-2012)	Output Targets And Achievements				Outcome Targets And Achievements			
			Indicator	Baseline value and Year	Target 2008/09	Achievement 2008/09	Indicator	Baseline value and Year	Target 2008/09	Achievement
Disaster preparedness	Improved food security planning	Annual maize/wheat yield per Ha (90kg bag); Hectarage under wheat/maize	A report on time	A report by 30 th Sep. 2007 2007/2008	Report by 30 th Sept. 2008	Report by 30 th Sept. 2008	Reduced incidences of food shortage	2007/2008	Improved food security and plans	Food security measures & plans in place
	Improved country awareness and preparedness to seismic events	Seismological network established	No. of stations installed	(1)2007/08	1	1	Less loss of life and property	20% awareness created	40% awareness created	35% created in Muranga District and Kerio Valley
	Enhanced	Environ-								

Flagship Projects/ Programmes	Expected Outcome	Medium Term Output (2008-2012)	Output Targets And Achievements				Outcome Targets And Achievements			
			Indicator	Baseline value and Year	Target 2008/09	Achievement 2008/09	Indicator	Baseline value and Year	Target 2008/09	Achievement
Environmental education and awareness	Enhanced stakeholder participation in environment conservation & management	No. of documented materials and disseminated Environmental information materials developed and disseminated	No. of Materials developed and disseminated	2007/08	50000	5000	Net awareness materials developed and disseminated	100	Enhance awareness on 5 regulations through development of 5000 copies	Awareness enhanced on 5 regulations through development and dissemination of 5000 copies
Environmental education and	Enhanced stakeholder participation in environment	No. of organisations involved in environmental activities Create environmental awareness on	No. of Barazas held to create awareness	2007/08	71	21	Total number of Barazas held to enhance environmental awareness	N/A	Enhance Environmental awareness in 71 Districts	Environmental awareness enhanced in 21 Districts

Flagship Projects/ Programmes	Expected Outcome	Medium Term Output (2008-2012)	Output Targets And Achievements				Outcome Targets And Achievements			
			Indicator	Baseline value and Year	Target 2008/09	Achievement 2008/09	Indicator	Baseline value and Year	Target 2008/09	Achievement
Rehabilitation, and restoration of Nairobi Rivers' basin	Monitored Nairobi Rivers' Basin Clean up Exercise	Nairobi Rivers' Basin monitored	Photos & images of Nairobi Rivers' basin of before & after the clean up exercise	N/A 2007/2008	Photos of Nairobi Rivers' basin of before & after the clean up exercise -Acquired & processed Quick bird images covering the Basin	Photos & processed images in place	Clean & free flowing Nairobi rivers	N/A 2007/2008	Improved water quality of Nairobi rivers	Improved water quality of Nairobi rivers
	Nairobi River cleaned	Monitor illegal discharge								Target over achieved Out of the 346 illegal discharge point identified, 100 were in the

Flagship Projects/ Programmes	Expected Outcome	Medium Term Output (2008-2012)	Output Targets And Achievements				Outcome Targets And Achievements			
			Indicator	Baseline value and Year	Target 2008/09	Achievement 2008/09	Indicator	Baseline value and Year	Target 2008/09	Achievement
Management and control of alien and invasive species	Inventorized & monitored invasive water weeds in Kenyan five regions (Coastal, Mt. Kenya, Rift Valley, North Eastern & Lake regions)	An inventory of alien water weeds in a region	A report on alien water weeds in the regions covered.	2007/2008 1 (50% Lake region)	1 (50% Lake region)	1(50% of the lake region)	Controlled water weeds in the Kenyan water bodies	2007/2008 1 (50% Lake region)	Control of water weeds in the Lake region	Control of water weeds in the Lake region
		5 Wet-								Target not fully achieved

Flagship Projects/ Programmes	Expected Outcome	Medium Term Output (2008-2012)	Output Targets And Achievements				Outcome Targets And Achievements			
			Indicator	Baseline value and Year	Target 2008/09	Achievement 2008/09	Indicator	Baseline value and Year	Target 2008/09	Achievement
National and regional geo-hazards zone maps	Reduction of risk from geo-hazard e.g. landslides, earthquakes etc	Geohazard reports with recommendations on mitigation measures	No. of reports	(3)2007/08	5	5	No. of reports	(3)2007/08	5	5
Geological Mapping	Availability of Geological information leading to discovery of minerals	Geological reports and maps	No. of reports produced	1(2007/08)	1	1	Proper planning and environmental management	80% of country mapped	82	82

Flagship Projects/ Programmes	Expected Outcome	Medium Term Output (2008-2012)	Output Targets And Achievements				Outcome Targets And Achievements			
			Indicator	Baseline value and Year	Target 2008/09	Achievement 2008/09	Indicator	Baseline value and Year	Target 2008/09	Achievement
Weather modification programme & Modernisation of meteorological services	Suppressed hailstorm	Reduced damages & losses caused by hailstorms in Kericho & Nandi Hills.	No.	2007/08	N/A	N/A	-	N/A	-	Project newly started this Financial Year-2009/10
	Enhanced rainfall	Reduced undesirable effects of drought among the pastoralists communities in the Arid and Semi arid areas of Wajir & Garissa	mm	2007/08	N/A	N/A	-	N/A	-	Project newly started this Financial Year-2009/10

5.4.4 Challenges in the Environment and Natural Resources Sector

The main challenges and constraints which inhibited effective and efficient implementation of programmes, projects and activities planned during the review period included the lack of a national policy on Mineral Resources and Mining, and lack of a National Land Use Policy so as to regulate wealth sharing with local communities. Land degradation and pollution were the other challenges faced in the sub-sector. The Ministry was also constrained by inadequate institutional capacities, like inadequate or lack of specialised equipment for technical departments beside human resource. Key example include lack of Aircraft and spectrometer used in surveys and Doppler Weather Surveillance System used to monitor weather to provide necessary information to facilitate decision making and planning for national development. In addition, the ministry was faced with challenges and constraints mainly in form of financial and institutional capacities. These included human resources, equipment and facilities and inadequate policies and legal frameworks.

5.4.5 Lessons Learnt and Recommendations for Way Forward

A number of lessons have been learnt in the sector. These include the importance of networking, collaboration, and team work by relevant organisations and stakeholders at all levels of planning and in the implementation of flagship projects. This is crucial towards prudent management of the environment and natural resources for sustainable socio-economic development.

One of the key achievements under policies, legal and institutional reforms include the review of the Mining Act Cap (306) of 1940 and draft Mining Policy that were submitted to the Attorney General's Office, the development of a draft Natural Resources and In-

formation Management Policy, and the establishment of Environment Directorate.

As a way forward, the Ministry therefore realised that to be more effective and efficient there is need to:

1. Enhance networking, collaboration, teamwork and synergies within the Ministry, government departments and stakeholders;
2. Enhance strategic planning and prudent management of the limited resources;
3. Hasten the review and development of the institutional and legal framework;
4. Enforcing compliance to environmental standards, guidelines and regulations;
5. Initiating and sustaining strategic partnerships;
6. Capacity building and institutional strengthening;
7. Population, Housing and Urbanisation.

5.5 Population Matters under Kenya Vision 2030

High population growth, rapid rural urban migration, skyrocketing costs of housing construction materials and high costs of housing finance and their implications on socio-economic development have been of concern and a challenge to the Government since independence. The adoption of the first Population Policy, the Housing Policy and other urban policies soon after independence by the Government was recognition of policies as important tools to commit resources to meet the needs of the population, and address the resultant challenges faced in social, economic and political cycles. The development of *Vision 2030* has therefore constitute an important frame-

work for the Government's commitment to improve the welfare of her people especially in the urban areas where planning for the high population on scarce land amidst high costs of housing is a big challenge.

The first census was carried out in Kenya in 1948 and gave an estimated population of 5.4 million while the last census was undertaken in 1999 giving an estimated population of 28.7 million. The population is currently estimated to be 38.3 million and is projected to increase to 42.4 million in 2012. Likewise, the population density has increased from 19 to 49 people per square kilometre in 1969 and 1999. Population projections indicate that Kenya's population will remain youthful between 2008-2012. The segment of the population aged 15 to 24 years old increased from 4 million in 1989 to 6 million in 1999 and is projected to increase to 8 million by 2012.

During the MTP period (2008 – 2012), the government intends to make a more concerted effort in addressing the Nation's Population issues by reviewing the current Population Policy for Sustainable Development (*Sessional Paper No. 1 of 2000*) which was developed in the mid 90's and expire in 2010. The review aims to align the Population policy, strategies and programmes around the MDGs and *Kenya Vision 2030* goals and incorporate emerging issues such as aging population and also succeed the current policy which is due to end in 2010. A plan of action to implement the revised policy will also be developed. New policies may have to be developed to address emerging issues related to population and development.

5.5.1 MTP Targets for Internal Migration and Urbanisation Sector

Internal migration is also a major component of population dynamics that redistributes population. The population resid-

ing in urban areas is estimated to reach 60 percent of the total population by the year 2030. The urbanisation process in the country has also been lopsided, with the City of Nairobi having a population of 2,143,020, about four times bigger than the next largest urban centre (Mombasa) with a population of 660, 080. (KNBS, Local Authority Urban population, 2006). The net effect of rapid urbanisation is continued deterioration in maintenance of both the current services and the environment.

Most of these urban centres have grown organically without any physical development plans to guide their growth. Only 30 percent of Kenya's urban towns are planned, of the total 175 local authorities in the country, only Nairobi, Mombasa, Kisumu and Eldoret have planning units within their establishments. Urban areas are therefore grappling with the proliferation of informal settlements, poor living conditions, traffic congestions, pollution and inefficient and costly transport systems. Therefore emphasis on urban planning and management cannot be overemphasised.

Key to urbanisation process is the question of land. In Kenya land is an emotive issue and most of the issues on land or urban land involve choices between competing claims and interests in various sectors. For this reason, actions on land tend to influence and affect other sectors. The country currently lacks a broad national spatial framework to guide decisions on land use. A concern with land, its use and physical development must remain central to the planning. This calls for the preparation of a national land use plan to guide not only the urbanisation process but also the pattern and use of land in the country. To achieve high quality life as envisaged in *Vision 2030*, access to basic services such as security, water, sanitation and transportation networks to the urban population, is priority. Recognising the long-term needs and the implications of the current situation of limited access to services,

the challenge is development of strategies that promote sustainable urban development and transforming the urban centres into 24-hour economies.

The Kenya Vision 2030 therefore provides a framework to guide the integrated regional and urban planning and management of Kenya. During the 2008-2012 implementation period the government has set to:

1. Develop an urban development policy to guide urban developments countrywide.
2. Develop a Markets development policy.
3. Develop strategic development, physical and investment plans for all urban areas.
4. Enhance institutional urban and regional planning capacity.
5. Implement decentralised devolved structures.
6. Improve financial management of local authorities.
7. Institutionalise participatory planning and development.
8. Establish waste management systems in selected Local Authorities.
9. Develop a National Land use plan.
10. Recovery strategies for Kisumu, Kericho, Eldoret, Nakuru and Naivasha.

5.6 The Housing Sector

Housing development is a major concern in *The Kenya Vision 2030* and its strategic thrust is to facilitate the development and access of affordable and adequate housing for all Kenyans. This concern is influenced by the fact that the improvement in housing stock is a strategically important social and economic investment. In addition, well-planned housing combined with infrastructure of acceptable standards and affordable

cost; and essential services affords dignity, security and privacy to the individual, the family and the community as a whole. Besides the social function, housing is also an investment good contributing directly and indirectly towards employment generation, raising of incomes, improved health and increased productivity of the country's labour force.

Unfortunately, the Kenyan Housing sector has over the years been struggling to accommodate the housing demands of the nation's rising population, especially in the urban areas. It is estimated that out of a total 150,000 housing unit required annually in urban areas, only an estimated 35,000 are produced. In the rural areas it is estimated that there is a need to improve the quality of over 300,000 housing units every year.

The shortage of housing for low-income households is particularly acute in urban areas, with only an estimated 6,000 housing units (20 percent) produced catering for the low income residents. Considering that more than 60 percent of the Kenyan population is younger than 25 years. It is clear that the demand for adequate housing will rise steadily as those aged 20 and below reach adulthood and start family life.

The government has therefore committed itself to increase the urban housing production and improve the rural housing units. The government has steered its development strategies towards securing and servicing urban land with physical and social infrastructure (including the use of public private partnerships), developing national construction capacity, enhancing utilisation of appropriate building materials and low cost construction technologies, implementing a building materials cost reduction initiative as well as other housing sector initiatives and market re-engineering measures.

In order to increase access to housing finance, the government during the *Vision 2030* period, will be pursuing long-term fi-

nance mobilisation initiatives, intent on facilitating housing and infrastructure bonds and introducing mortgage-backed securities as well as develop a secondary mortgage market. Various other initiatives have been targeted to be implemented by 2030 with the aim of bringing down the cost of housing finance. 200,000 housing units will also be produced annually through a mixture of initiatives, 20 slums in urban areas will have physical and social infrastructure installed, appropriate low cost building materials

Key reforms in the legislative, institutional and regulatory framework in the housing sector are therefore required to attain integrated regional and urban planning and management, as well access to adequate and affordable housing for all Kenyans by 2030. It is for this reason that the government has prioritised the finalisation and enactment of the Housing Bill to provide a legislative framework for the Housing Policy which was formulated in 2004. The finalisation and implementation of the Private Public Partnership guidelines, draft land policy, Tenant Landlord Bill and secondary mortgage facilitative law are all critical during the MTP period. In addition, the housing sector standards and codes, and zoning regulations will be enforced. Appropriate institutions will be created to strengthen the implementation of these policies and frameworks for Public Private Partnerships in the Housing sectors will be established.

5.6.1 KV2030 Targets and Flagship Projects in the Housing Sector

The following is a summary of the housing and urbanisation initiatives targeted under the period:

1. Prepare six Metropolitan Development Plans (Nairobi, Mombasa, Kisumu-Kakamega; Nakuru-Eldoret,

Wajir-Garissa-Mandera, Kitui-Mwingi-Meru);

2. Prepare integrated strategic development plans in 12 special local authorities and border towns and Prepare integrated strategic development and investment plans in remaining 33 municipalities;
3. Improve livelihoods of 200,000 slum dwellers under the Kenya Slum Upgrading Programme;
4. Service 10,000 plots through Private Public Partnerships;
5. Produce 55,000 units under employer incentivised programme and 100,000 under urban renewal/redevelopment programme;
6. Improve 1 million rural houses;
7. Increase access to finance for low income households by 30%;
8. Increase access to finance by developers by 30%;
9. Reduce the housing plans approval period from more than 180 days to no more than 90 days;
10. Increase by 50% every year the number of contractors in various categories.

Specific MTP Objectives, Targets and Flagship Projects (2008-2012) are as follows:

1. Reduce population growth rate from 2.7 percent in 2007/08 to 2.4 percent by 2011/12.
2. Reduce the proportion of population urban population from 3.9 percent in 2007/08 to 3.0 percent by 2012.
3. Achieve integrated regional and urban planning and management.
4. Increase the annual urban housing production from 35,000 in 2008 to

102,500 units and improve 200,000 rural housing units.

In order therefore to achieve these overall goals, the following Flagship Projects and initiatives will be implemented during the 2008-2012 period:

1. Prepare and implement strategic development and investment plans in six metropolitan regions (Nairobi, Mombasa, Kisumu-Kakamega; Nakuru-Eldoret, Wajir-Garissa-Mandera, Kitui-Mwingi-Meru). Similar plans will also be developed for special border towns and all other municipalities;
2. Position the City of Nairobi as an all-round globally competitive city in business and in tourism, and provide a high quality of life to all its residents. Turn Nairobi into a 24-hour business city;
3. Prepare a national land-use plan in order to facilitate better urban planning;
4. Install physical and social infrastructure in slums in 20 urban areas to formalise slums, permit construction of permanent houses and attract private investment;
5. Produce 200,000 housing units annually by 2012 through a mixture of initiatives in order to fill the huge housing gap in the country (e.g. build/enhance capacity in local authorities to provide serviced land; and/or to produce low-cost housing);
6. Establish housing technology centres in each constituency to increase access to decent housing by promoting location-specific building materials and low-cost housing;
7. Establish a secondary mortgage finance corporation to increase access to housing finance;
8. Enact the Housing Bill, 2006 to legislate for a one-stop housing development approvals mechanism to fast-track approval of housing plans and reduce the time cost of construction;
9. Undertake the 2009 Population and Housing Census and Socio-Demographic Surveys to inform Policy and Programmes;
10. Prepare an urban development policy to guide urban developments countrywide;
11. Preparation of a markets development policy;
12. Establish waste management systems in selected Local Authorities;
13. Prepare Physical Development Plans for the Resort Cities (Isiolo, Diani & Kilifi);
14. Preparation of integrated physical infrastructure investment plans;
15. Metropolitan growth strategies;
16. Strategic physical development plans;
17. Recovery strategies for Kisumu, Kericho, Eldoret, Nakuru and Naivasha.

5.6.2 Policy Reforms in the Housing Sector

In support of the MTP objectives and targets, the following Policy, Legal and Institutional reforms were earmarked for accomplishment by 2012:

1. Review of the current population policy.
2. Review and harmonisation of the existing legal and institutional framework governing urbanisation.

3. Enactment of the Housing Bill 2006.
4. Enactment of the Landlord and Tenant Bill.
5. Formulation and implementation of the Urban Development Policy and National Land .
6. Preparation of a markets development policy.

5.6.3 Achievements and Implementation Progress in the Housing Sector

The government has remained committed towards achieving the targets set out in the Kenya *Vision 2030* and its 1st Medium Term Plan. During the first year of the *Vision 2030* the following achievements and progress were realised:

1. **Installation of physical and social infrastructure in slums in 20 urban areas to formalise slums, permit construction of permanent houses and attract private investment.**

The general objective is to improve the lives and livelihoods of people living and working in slums, thereby contributing to the creation of a better urban environment with higher productivity, better safety conditions, and reduction in health problems.

To date the program has made progress in provision of infrastructure within the informal settlements. Progress has also been made in capacity building for settlement communities and local authorities in the management of various project components, resource generation, allocation and good governance.

The construction of 600 units at the Kibera, Langata decanting site

has been completed; Construction of 400 housing units at Mavoko to cater for the high, middle and low income groups under sustainable neighborhood programme is ongoing; physical and social infrastructure development is also being done in Kibera, Mombasa, Kisumu and Kakamega; The Ministry is facilitating formation of cooperatives in slums and informal settlements to empower communities in these areas to them access housing.

2. **Produce 200,000 housing units annually by 2012 through a mixture of initiatives in order to fill the huge housing gap in the country** (e.g. build/enhance capacity in local authorities to provide serviced land; and/or to produce low-cost housing).
3. **Various initiatives have been identified and are under implementation, including:**

a) *Incentives to Boost Housing Development*

A report on incentives that proposes various initiatives and housing sector market re-engineering measures to boost housing development by private sector was done and sent to Ministry of Finance for implementation. Various incentives and measures are proposed to facilitate the realization of affordable and decent housing for all and they include:

1. Infrastructure Development incentives;
2. Employers and Employees Incentives;
3. Savings Mobilisation Incentives;
4. Housing Finance Mobilisation Incentives;

5. Diaspora & Capital Markets Resource Mobilisation Measures and Incentives;
6. Housing Development Process and Slum Improvement Measures/ Incentives;
7. The Ministry of Housing has disseminated the existing incentives to various housing developers and continues to negotiate with the Treasury for more incentives.

b) Housing Infrastructure Development

The Housing Infrastructure Programme was initiated to address the issue of access to serviced land and opening up new areas for housing development. During the 2008/09 period, a water and sewerage project in Kiandutu – Thika was completed; a road was constructed to open up the NHC's flats in Lang'ata to other neighbouring areas. Other infrastructure projects are under implementation in Mavoko, Athi River, Langas in Eldoret, Nyeri, Kakamega and Jogoo Road, Nairobi.

c) National Housing Corporation

NHC has been revamped by the Government through capital injection; The Government has allowed NHC to recover debts owed by local authorities. This will enable NHC to develop more housing particularly for the low and middle income categories.

d) Housing Development for Civil Servants

In line with the Housing Policy, the Government as an employer continues to encourage employers to facilitate their employees own housing. The government is implementing this initiative through civil servants housing scheme through development of housing for sale and loan facility.

5.6.4 Development of Government Funded Housing

Development here include:

a) Ngara Phase II

Construction of 288, 3 bedroom units, 238, 2 bedroom units, a nursery school and a commercial centre commenced on April 2008 and is expected to be completed in December 2010. The construction of the project is 62% complete.

b) Shauri Moyo

Construction of 280, 1 bedroom units on Public Private Partnership basis between government and investor was initiated and works are 42% complete.

c) Makueni Road, Kileleshwa

Construction of 22, four bedroom apartments is 20% complete.

d) Kilimani Phase II Project

Construction of 20, four bedroom apartments is 67% complete.

e) Nyeri Road

Construction of 40; four bedroom apartments. The project was earlier awarded to a contractor; however the contractor failed to perform and contract terminated in March, 2008. However, the project is 55% complete.

f) Other Projects

The government has identified sites in Nairobi i.e. Parkroad, Starehe and Pangani which are proposed to be developed on Public Private Partnership. The Ministry is evaluating proposals from

investors. Plans are under way to redevelop houses in Ngong, Machakos, Athi River and Nyeri for civil servants housing.

g) Housing Loans Schemes

The Civil Servants Housing Scheme in partnership with Savings & Loans and Housing Finance is facilitating Civil Servants to own houses either through purchase of developed houses or construction. So far loan worth Kshs. 700 million have been granted.

3. Establish housing technology centres in each constituency to increase access to decent housing by promoting location-specific building materials and low-cost housing:

- 8 centres have been established in the 8 Provinces. The National/Regional Centre is under construction at Mavoko;
- Thirteen Constituency centres have been identified in (Malindi, Meru South, Kipipiri, Mathioya, Kitui Central, North Horr, Kanduyi, Keiyo South, Kuria, Sotik, Sabatia, Machakos and Webuye).

4. Enact the Housing Bill, 2006 to legislate for a one-stop housing development approvals mechanism to fast-track approval of housing plans and reduce the time and cost of construction.

- The Housing Bill was forwarded to the AG for finalisation;
- The AG requested for clarification on certain issues which have been responded to.

5.6.5 Other Achievements

The following have also been realised in the Housing sector.

- 1. Preparation of a national land-use plan in order to facilitate better urban planning:** A draft National land policy has been prepared and addresses the critical issues of land administration, access to land, land use planning, restitution of historical injustices, environmental degradation, conflicts, unplanned proliferation of informal urban settlements, outdated legal framework, institutional framework and information management. It also addresses constitutional issues, such as the eminent domain and the police power as well as tenure. It recognises the need for security of tenure for all Kenyans (all socio-economic groups, women, pastoral communities, informal settlement residents and other marginalized groups).
- 2. 2009 Population and Housing Census and Socio-Demographic Surveys to inform Policy and Programmes:** The 2009 Population and Housing Census (KPHC) was conducted from the night of 24/25 August, 2009. The main objective of the census is to provide bench-mark socio-demographic data at all administrative and political levels. The information is useful for measuring and analysing changes in population dynamics to facilitate evidence-based decision-making, policy formulation and implementation of the same. In particular, the 2009 KPHC will provide information for the implementation of *Vision 2030* and global development agenda such as the Millennium Development Goals (MDGs) and International Conference on Population and Development (ICPD).
- 3. Establishing and strengthening of partnerships and coalitions to mobilise support for policy and programmes:** The government of Ken-

ya issued detailed PPP guidelines which are now being reviewed by various stakeholders including the World Bank. A strategic implementation framework is also being developed, to create an environment conducive for investment in public-private partnerships.

- 4. Preparing of Physical Development Plans for the Resort Cities (Isiolo, Diani & Kilifi):** A Pre-feasibility study was completed for the Isiolo Resort City. The Ministry of Tourism and Wildlife has been coordinating an Inter-Ministerial Taskforce whose terms of reference is to conceptualize the Isiolo resort city project idea by exploring suitable socio-economic activities befitting a resort city, project geographical area and land acquisitions requirements, infrastructural and service development requirements, funding, project institutional framework and action plan.

The technical team and its secretariat have done a preliminary report and a cabinet memorandum dated August, 2007 was presented to the Cabinet for approval. The Phase I of the project which runs for five years will be laying the groundwork and will involve: Pre-feasibility studies; Study tours; laying institutional framework; drawing investment plan among others. Other activities include developing a model design of the proposed city; Comprehensive Regional Physical Development Plan for the project area and its hinterland; Environmental impact assessment (EIA) for the area; Investors' conferences; Reports preparation and publication.

- 5. Preparing of Integrated Physical infrastructure investment Plans: A National Integrated Transport Mas-**

ter Plan has been developed and through it the government of Kenya intends to mobilise private and public investment in transport infrastructure and services.

5.6.6 Challenges of the Implementation in the Housing Sector

The crucial and common shortcomings in the housing sector include inadequate human resource capacity; lack of comprehensive housing sector legislation (legal framework) that limit the Ministry's effectiveness in providing leadership for the housing sector; inadequate public and private partnerships in housing due to lack of PPP framework; high cost of building materials among others; under-collection of rent from government houses leading to low levels of maintenance of government houses; low level of government funding to housing development and slow implementation of the housing incentives; lack of guidelines to Harmonise leasing of government offices and residential accommodation leading to payment for unused and under-used space.

5.6.7 Lessons Leant and the Way Forward for the Housing Sector

Lessons learnt from good policies can guide national and local governments with limited resources when they wish to focus on strategic priorities and make best use of the opportunities offered by the urban economy. The following are the key lessons learnt during the first year of the MTPs implementation:

1. Development of Legislation on Public Private Participation (PPP) needs to be fast tracked to enhance private sector participation in the housing sub sector.

2. There is need to implement proposed incentives to attract private sector participation in housing development.
3. Utilisation of term contractors for both minor and major refurbishment and maintenance works for government houses and buildings as well as cleaning and garbage collection in estates is more efficient, leads to job creation and minimizes challenges faced on shortage of technical personnel and transport.
4. To address the wide gap between demand and supply of houses, there is need to identify additional land for development of houses for sale to civil servants and encourage PPPs in development of houses.
5. Involvement of all key actors in Slum upgrading and spelling out clear responsibilities to avoid conflicts and duplicating of services is necessary.
6. Finalisation of Landlord and Tenant Bill and the Housing Bill will provide the required legislative framework for effective implementation of the housing policy and strategies.

5.7 Overview of Gender, Vulnerable Groups and the Youth

The Medium Term Goal for Gender, Vulnerable Groups and Youth is “Gender Equity in power resource distribution, improved livelihoods for vulnerable groups and a responsible, globally competitive and prosperous youth”. The MTP identified specific mechanisms to address the concerns of these targeted groups through specific programmes and projects. These are aimed at alleviating their conditions, improving their socio-economic status and thus enhancing their contribution towards meeting the aspirations

of the *Vision 2030*. A number of policies, legal and institutional reforms were also envisaged.

The Government has over the years recognised the importance of mainstreaming gender in the development process aimed at promoting gender equity and has formulated and implemented various programmes and policies towards this end. The National Policy for Gender and Development (2003) and *Sessional Paper No.2 of 2006 on Gender Equality and Development* provide the framework for mainstreaming gender in a coordinated manner in all spheres of the country’s social, political and economic agenda as well as related policy, institutional and legal reforms. They provide a basis for the Government to underscore its commitment to gender equity and empowerment of women. In addition, they recognise that gender is both central and cross cutting and therefore programme strategies should incorporate gender equality as a goal. A plan of Action (2008-2012) draws from both the National Policy of gender and development and *Sessional Paper No. 2 of 2006* to facilitate the mainstreaming of gender concerns in all areas of the development process and to provide a basis for stakeholders to initiate programmes to promote gender equity in the country.

The Government has also ratified various international and regional instruments and commitments that advocate for deliberate interventions by Governments to promote gender equity and Women Empowerment. These include the Beijing Declaration and Platform for Action, Convention on Elimination of all forms of Discrimination against Women (CEDAW), Convention on the Rights of the Child (CRC), Millennium Development Goals among others.

The MTP identified the need to address gender concerns in order for the country to attain sustainable development. It recognised that gender disparities in Kenya must

be addressed with the objective of ensuring equity between men and women in access to social, economic and political opportunities. This is in line with Millennium Development Goal No. 3 on Gender equality and Women's empowerment.

The MTP articulates the Government's commitment to continued mainstreaming of gender into government policies, plans, budgets and programmes as an approach geared towards achieving gender equity in all aspects of society and as a means of realizing the aspirations of *Vision 2030* goals. Further the Government aims at increasing the participation of women through the affirmative action policy of at least 30 percent representation in all economic, social and political decision making processes and platforms as well as through economic empowerment; enhancing dissemination of gender disaggregated data and providing equal access to financial services. In addition, more campaigns to eliminate retrogressive cultural practices such as female genital mutilation and early marriages are included.

5.7.1 MTP Targets for Gender Equity

The MTP set very specific targets aimed at addressing gender mainstreaming and empowerment of women as follows:

Flagship Targets

1. **Gender Mainstreaming:** A government policies, plans and programmes to ensure that the needs and interests of each gender (i.e. women and men, girls and boys) are addressed. Further, the operationalisation and strengthening of gender desks in all ministries and state corporations to aid the gender mainstreaming process.

2. **Gender Disaggregated Data:** Continuous collecting and analysing gender disaggregated data to form the basis of developing gender sensitive policies, plans and programmes.
3. **Affirmative Action Policy:** To Increase Women Representation by ensuring that women have at least 30% representation in recruitment, promotion and appointment at all decision making levels.
4. **Women Enterprise Fund:** To provide Kenyan women with access to alternative financial services and entrepreneurial training. This initiative is aimed at reducing poverty through the economic empowerment of women by providing alternative financial service at very reasonable interest rates without the requirement of cumbersome sureties and other bureaucratic processes.

5.7.2 Other Gender Targets

Other gender targets were specified to include the following:

1. Promotion of campaigns to eliminate retrogressive traditional and cultural practices such as FGM and early marriages;
2. Doubling the number of births attended to by skilled health personnel;
3. Reducing the rate of high risk sex through increased access to safe methods;
4. Using of the decentralised funds to provide social amenities at close proximity in order to reduce the amount of time taken by people to access services;
5. Putting in place an efficient legal system to help protect the rights of the people in order to reduce gen-

der-based violence and any human rights violations;

6. Policy, legal and institutional reforms included in the MTP to aide gender mainstreaming and the empowerment of women include;
7. Implementing a national policy on FGM to provide guidelines to the stakeholders involved in FGM programming and to safeguard the rights of girls/women regarding the practice.

5.7.3 Achievements and Implementation Progress for Gender

Several achievements were made in addressing gender concerns during the First year of implementing the MTP. These achievements include the following:-

1. Women Enterprise Fund received additional Kshs 315 million in 2008/2009 financial year – Kshs 682 million (Kshs 513 million and Kshs 167 million was disbursed through financial intermediaries and Constituency Women Enterprise Scheme respectively) to 92,000 women entrepreneurs; 12,000 women spread throughout the country through MFIs and another 80,000 through Constituency Women Enterprise Scheme.
2. A rapid Assessment Survey on Women Enterprise Fund was undertaken.
3. 215 Gender Officers were trained on gender mainstreaming.
4. Analysis of data from line ministries and Parastatals on compliance level of 30% presidential directive on affirmative action was done and 2 reports produced.

5. A National Policy on Female Genital Mutilation has been formulated (Check if final or draft) to provide guidelines to the stakeholders involved in FGM programming and to safeguard the rights of girls and women regarding the practice. The Plan of Action on FGM has also been developed and is being implemented. In addition the District plan of Action on FGM was implemented (is this developed or implemented?) in Tana River and Garissa Districts.
6. 7th Country report on the International Convention on Elimination of all forms of discrimination against women (CEDAW) was prepared.
7. Kenya Gender data Sheet 2008 which provides a general picture on both gender current positions across social, economical, political and health arena among others was produced.
8. Drafting of Gender based violence policy ongoing (Not reported but based on drafters knowledge).

5.7.4 Implementation Challenges in the Gender Sector

The following are some of the challenges faced during the first year of implementation of the MTP:

1. Glaring gender gaps continue to exist in access to and control of resources and socio-economic opportunities; these includes access to credit facilities; participation of women in modern sector employment; gross under representation of women in decision making positions within the civil service; low participation of women in political leadership positions (for example currently only 9.6 percent of the Parliamentarians are women).

2. A number of UGI's established in Ministry's and Parastatals are ineffective or non functional due to lack of adequate capacity and resources.
3. Inadequate business skills and management competencies for women entrepreneurs to enable them to effectively utilise funds to operate micro-enterprises.
4. Public awareness on the Women Enterprise Fund is still low.
5. Retrogressive cultures and traditional beliefs such as early marriages and FGM that mainly affect women and children negatively continue to be rooted in some communities
6. Gender based violence that mainly affects women and girls and limits their participation in economic, political and social activities is prevalent.
7. Inadequate staff in comparison to the Demand of services
8. The increase in number of Districts which has not been accompanied by recruitment of technical staff to man the Districts.
9. Insufficient funding hampered the achievement of some of the activities set in *Vision 2030* and MTP. Development expenditure release has been unpredictable and in most cases below the printed estimates thus slowing down the implementation of development projects or resulting in pending bills.

5.7.6 Lessons Learnt and the Way Forward in Addressing Gender Issues

The following are some of lessons learnt, including proposal for the way forward.

1. Partner coordination is very important within Ministries as it enables Ministries to ensure that efforts of different stakeholders with related activities are aligned with the Ministries objectives and their priorities. There is also need to have a partner coordination mechanism with partners who support various activities within Ministries.
2. Gender responsive budgeting (GRB) is necessary in order to facilitate the prioritizing of gender issues in the planning, allocation and implementation of the budget and subsequently analysing the impact it has on both genders.
3. There is need to enhance the capacity of UGI's and provide them with sufficient resources to enable them facilitate effective mainstreaming of gender issues in their respective Ministry's / agencies
4. Capacity building for women entrepreneurs in business skills and management competencies is critical for effective utilisation of the funds
5. Awareness creation on the Women Enterprise Fund is important to provide an opportunity for all women country wide to access and benefit from the fund.
6. Development and dissemination of the National Policy and its plan of action on the Abandonment of FGM is necessary.
7. Recruitment of adequate staff (particularly technical cadres) for effective and efficient service delivery.
8. Enhanced budgetary allocations in order to accelerate the realization of the envisaged aspirations.

5.7.6 The Vulnerable Groups

It is estimated that vulnerable persons in Kenya are about 40 percent of the total population. These groups have diverse problems and are faced by multiple challenges in their daily lives including high levels of poverty, stigmatisation and various forms of deprivation. Vulnerable groups in Kenya include Orphans and Vulnerable Children (OVC), Persons with Disabilities (PWDs), People Living with HIV and AIDs (PLWHAs), the aged persons, offenders and ex-offenders, widows, widowers, internally and externally displaced persons, marginalized persons and pastoralists living in the Arid and Semi Arid Lands (ASAL), among others.

Over the years the Government has taken some deliberate steps to address the plight of vulnerable groups. For example the Disability Act 2003 was enacted with the aim of restoring citizenship and humanity. It provides a framework of fighting stigma, guarantees rights to employment without discrimination, rehabilitation, barrier-free environment, sport and recreation to achieve equalization of opportunities and to enforce rights and privileges of PWDs who are estimated at approximately 3.7 million. The Government since 2004 has also been implementing a cash transfer Programme targeting Orphans and Vulnerable Children. The programme ensures that destitute children receive some cash each month to feed and clothe them and go to school. Kenya also operates several social protection interventions. These are broadly categorised into state social safety nets, and community and family safety nets. The state social safety nets are provided through core poverty programmes, constituency funds, direct cash transfers in form of social assistance and social insurance, and in-kind transfers among others. The social assistance and social insurance operated include the provident fund and old age pension under the NSSF, occupational pension schemes oper-

ated by both public and private sector employers, and the health insurance scheme managed under the NHIF. The coverage of these schemes are mainly limited to formal sector employees, thereby exposing the growing majority of informal sector workers and entrepreneurs, unpaid family workers and the unemployed to great levels of vulnerability and destitution. Kenya is also a signatory to various instruments aimed at protecting the rights of different categories of vulnerable groups; these include the Convention on the Rights of the Child (CRC) and Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW) among others

The MTP recognises the need to take deliberate efforts to reduce vulnerabilities for all the vulnerable target groups through for example reducing poverty levels across the board, prohibit retrogressive cultural practices and social ills as well as improve access to essential services. In order to deal with challenges facing the group, legislations, policies and programmes to enhance their empowerment are included in the MTP. The MTP also articulates the Government commitment to ensuring that the country upholds the basic rights of children in line with internationally recognised standards.

5.7.7 MTP Targets for Vulnerable Groups

The MTP identified flagship and other targets for vulnerable groups are as follows:

Flagship Projects

1. **Establishment of Consolidated Social Protection Fund:** for purposes of dispensing cash transfers to Orphans and Vulnerable Children (OVCs) and support to the elderly and other persons facing vulnerabilities.

2. **Implementation of the Disability Fund:** To provide credit facilities to empower the persons with disabilities in their business as well as provision of equipment and facilities.
3. **Representation of PWDs in decision making processes at all levels:** To ensure that issues that directly affect the PWDs are adequately addressed in policies and legal frameworks, programmes and projects.

Other Programmes

1. **Developing an Integrated Data Management System for Vulnerable Groups:** To guide stakeholders and development partners in addressing concerns of vulnerable groups. This information will help to improve their conditions and enable them to get equitable opportunities to participate in socio-economic activities. In addition, the system is important for informing policy development and targeted interventions for vulnerable groups.
2. **Implementing HIV and AIDS program:** aimed at reducing the high risk sex through increased access to safe sex methods and provision of counselling services.
3. **Empowering children through improved Child Rehabilitation Programme:** To safeguard the rights and welfare of children and empower children.
4. **Strengthening child protection programmes** such as enhancing alternative family care services (adoption, foster care and guardianship); and eliminating child labour, discrimination and malpractices as well as other retrogressive practices causing vulnerabilities among the target groups.

5. **Increasing the level of public awareness** on the needs, aspiration and capacities of vulnerable groups.
6. Establishing the National Drought Contingency fund.
7. Establishing the Hunger Safety Nets programme.
8. Improving and expanding existing prison penal institutions for youthful offenders, aged and other vulnerable groups.
9. Restructuring pension schemes to increase savings for the old in order to reduce their dependency.

In addition there were policy, legal and institutional reforms that were envisaged in the MTP for the vulnerable groups, including:

1. The developing of and implementation of the national policy on Children's rights;
2. Developing a national policy on the ageing and the elderly: to facilitate mainstreaming issues and concerns of older persons in national development as well as facilitating older persons to exploit their potential fully.

5.7.8 Achievements and Implementation Progress of Policies for the Vulnerable Groups

The following are some of the developments realised so far:

1. The Government scaled up the allocation to the Cash Transfer Programme from the seed money allocated in 2005/2006 to Kshs 577 million in 2008/09 financial year. It is estimated that by 2012, a total of 130,000 households will have received support through the Fund. As at June 2008, 8280 households had

been supported and it is projected that by 2012, a total of 150,000 households will have received support.

2. A Social Protection Policy which is to give guidelines on the management of the Consolidated Social Protection Fund (flagship project for *Vision 2030*) was developed and Social Protection Strategy has been finalised the preparation of the two was spearheaded by a multi-stakeholder National Steering Committee.
3. Community Development Policy which is to establish an integrated approach to community development activities by various players has been developed has been initiated.
4. On social Protection initiative, 300 clients (PWDs, Elderly and terminally ill) have been identified and supported with grants.
5. International Day for Older persons and PWDs were celebrated on 1st October 2008 and 3rd December 2008 respectively to create awareness on Social Development issues.
6. Rapid Assessment of Nyando Cash Transfer Projects was carried out.
7. National Policy on Ageing and older persons which will facilitate mainstreaming issues and concerns of ageing and Older persons in national development as well as facilitate them to exploit their potential fully has been developed
8. Through support to community initiatives for poverty alleviation, 1,154 Self Help Groups were supported with grants.
9. Cash Transfer funds disbursed to 31,315 households through Or-

phans and Vulnerable Children's programmes in 40 Districts.

10. 74,081 cases involving children were reported and handled by District Children Offices.
11. Draft National Policy on Children Rights has been developed. Cabinet memorandum on the policy and draft children bill was also developed. In addition a draft National Plan of Action on Children has also been developed.
12. 600 inspection /supervision of charitable institutions was done.
13. An analysis of the Cash Transfer – Orphans and Vulnerable Children Beneficiaries in terms of establishing whether the funds go to the intended purposes and how the funds have improved levels of OVC growth and development (before and after receiving the funds) was carried out.
14. Brochures on Adoption, Charitable Children Institutions, Orphans and Vulnerable Children have been developed.
15. Reform programme guidelines on statutory children institutions were developed.
16. The Helpline no. 116 toll free has been widely disseminated in the media.
17. Disability Funds Act is awaiting gazettment.

5.7.9 Implementation Challenges for the Vulnerable Groups

Some of the challenges in the implementation of the vulnerable groups programmes are as follows:

1. There is insufficient disaggregated data on the different categories of

the vulnerable groups in the country.

2. The vulnerable groups in society continue to be faced by a vicious cycle of poverty due for example stigmatisation, limited education opportunities, inadequate access to economic opportunities and access to labour market. Even though various legislations and policies that govern service delivery to this group have been developed in the past, some are outdated while others have not been fully implemented.
3. The National Council for Persons with Disability (NCPWD); the agency responsible for implementing the Disability Act 2003 faces an acute shortage of funds and staff to implement its programmes. The organisation lacks full mandate to operationalise its functions hence the need for the organisation to be autonomous to facilitate provision of services effectively.

5.7.10 Lessons Learnt and the Way Forward for Vulnerability

1. To aid effective policy formulation, planning, targeting and implementation up to date education and vocational training policy and legislation to address concerns of PWDs.
2. There is need to upscale the cash transfer programme to widen its coverage and benefits.
3. Finalisation and Implementation of the National Social Protection Policy and Strategy and Community Development Policy is important.
4. The implementation of the Disabilities Act 2003 should be fast-tracked to facilitate the creation of the nec-

essary frameworks necessary for the Act to meet its objectives.

5. National Policy on Ageing and Older Persons will be developed and implemented to provide a framework for the integration of the concerns of the ageing and older persons in all spheres of development.
6. Community Development Policy will be finalised to establish an integrated approach to community development activities by various players thus enhancing collaboration and synergy. It will also foster a shared understanding not only of the concepts of community participation but also of community development practices and processes.

5.8 Youth Affairs

The youth constitute about 38 percent (57 percent female; 43 percent male) of Kenya's population and have a vital role in shaping the present and future of the country's social, economic and political development. The youth are thus a key resource that can be tapped for the benefit of the country.

The National Youth Policy provides a comprehensive framework aimed at addressing the challenges faced by the youth and ensuring they play their role in the development of the country. The policy proposes guidelines and strategies that can be used to facilitate participation of youth in national development. The policy also spells out the strategic areas that must be addressed in order for Kenya's young people to effectively play their role in nation building. These are: Employment creation, health, education and training, sports and recreation, the environment, art and culture, the media and participation and empowerment. An implementation plan was formulated to ensure that the policy becomes a reality. A National Youth Council is in the process of

formation to facilitate, coordinate, monitor, advocate and promote youth issues and youth led initiative. This institutional framework will minimize duplicity and enhance efficiency and effectiveness of service delivery to the youth.

The MTP recognised the youth as a remarkable resource whose potential required to be nurtured and deployed for purposes of further socio-economic development of the country. In addition the need to address the minimal involvement of young people in gainful employment and economic participation as well as their exclusion from decision making thus posing a threat to the stability of the country was addressed. Other important factors affecting the youth that are highlighted in the MTP are increased crime, drug and substance abuse, and other symptoms of social disorder, in addition the vulnerability of the youth to HIV infections and teenage pregnancies are also given mention. Government policy is geared towards developing and implementing operationally effective mechanisms of integrating the majority of Kenyan youth into mainstream economic, social and political activities.

The Government has developed a Youth Employment Marshal Plan that will be implemented over the medium term. The Plan aims at creating more than 500,000 new employment opportunities for the Kenyan youth annually. This will be achieved through commissioning of labour intensive programmes and youth labour export, establishment of Youth Empowerment Centres and sports lottery, and development of sports infrastructure among other important initiatives.

As a key strategy to implementing *Vision 2030*, the Government is implementing Programmes aimed at equipping Youth with life skills through Technical and Vocational training; these are carried out at the National Youth Service, Vocational Train-

ing Centres and Youth polytechnics. This will also enable the youth be marketable at regional and international labour markets. In addition, the establishment of the Youth Enterprise Development Fund (YEDF) in 2006 has enabled young entrepreneurs to access credit through MFIs and the Constituency Youth Enterprise Scheme (C-YES). This has created employment opportunities to over 300,000 youth countrywide. Further, through the Youth Labour Export programme, youth are facilitated to secure jobs outside the country

Sports and recreation are identified as important for the psychological and physical development of the youth. They also contribute to their personal development by promoting good health, personal discipline, and leadership and team skills. Sports industry also provides a wide range of opportunities for investment, employment creation and income generation. Kenyan sportsmen and sportswomen continue to prosper through their participation in local and international competitions. Funds earned out of their participation are invested locally in various sectors of our economy. Besides the economic benefits, sport is a tool for promoting peace, national cohesion and engages the youth productively by instilling discipline and promoting leadership qualities. To promote sports, the Sport Stadia Management Board was established in 2003 to develop and manage sport facilities in the country. In addition, award scheme for medallists has been introduced and promotion of sports at grass root level enhanced through budgetary allocation to each constituency.

Kenya is a multicultural society with a vast and rich diversity, cultural expressions and indigenous knowledge systems that have potential to offer significant contribution to the social economic development of the nation. Tapping the potential benefits of the cultural/creative industry requires skills development and provision of institutional

and physical infrastructure for the industry to produce high quality cultural goods and services that can compete both nationally and internationally. Further, this will improve development of the indigenous /traditional knowledge and technologies for sustainable development. The Kenya Government has recognised potential contribution of the sector and has put in place programmes, policies and legal frameworks. To this end, the Government approved the National Heritage and Culture Policy with a view to revitalize the sector. It has also been appreciated that culture will further play a major role in promotion of peace, national integration and national cohesion which is fundamental for social economic development.

Music is a multibillion-shilling industry worldwide. Besides economic benefits, music plays an integral part in the development of the human person, their perspectives to life, attitudes to cultural heritage and national identity. Music facilitates bonding amongst people and communities. This is essential for national cohesion regardless of inherent ethnic, social or religious barriers. Music remains the most obvious form of inculcating positive virtues in the society. In Kenya, however, high levels of consumption of music have not translated into employment opportunities for the youth, wealth for musicians or a viable tax base due to piracy, lack of enabling legislations and development centres.

5.9.1 MTP Targets Youth Affairs

The MTP targets for the sector included both flagship projects and other programmes as follows:

Flagship Projects

1. **The Youth Enterprise Development Fund:** To facilitate the access to credit by the youth. In addition to accessing the fund, equipping the youth with appropriate skills to crea-

tively engage in economically viable activities. *Revitalisation of the Youth Polytechnics:* To facilitate the training of young people in technical, vocational and entrepreneurial skills in an effort to increase their productivity and equip them with skills to participate fully on productive activities. In addition, they will also be equipped with creative skills to deal with advances in technology.

2. **Affirmative Action Policy for Youth:** To ensure that the youth have a 30 percent in appointments in public service, management and development committees, political, social and economic sectors.
3. **Youth Empowerment Centres in Every Constituency:** To creatively engage young people with a view to tapping their talent and creating opportunities for them. In addition, the Centres will be utilised in the fight against the prevalence of drug and substance abuse among the youth and equipped to provide services such as counselling and health services, ICT facilities, library and information services, and training facilities for music, dance and the performing arts (information kiosk). The centres will also provide basic literacy and continuing education opportunities for school leavers in each constituency.
4. **Revision of education and training curriculum at all levels of learning:** To improve the production of skills that are demand-driven as well as teach behavioural and life skills in order to impart positive character traits that will help the youth to make appropriate choices in life. *Revitalisation of youth polytechnics:* To facilitate the training of young people in technical, vocational and en-

trepreneurial skills in an effort to increase their productivity and equip them with skills to participate fully in productive activities. *Roads 2000 and other Labour Intensive Programmes for the Youth*: As a tool of choice in reducing youth unemployment. The implemented projects by Government in collaboration with the private sector include: Construction, Maintenance and Repairs of Roads; One Billion Tree Planting Campaign under the Trees for Jobs Programme; To meet the global recommended level of forest cover, the Government will encourage public and private sector players to plant 90 million trees annually. This initiative is targeted at promoting tree planting and at the same time facilitating employment creation and income generating opportunities; Water Conservation and Environmental Sustainability programmes.

5. International Academy of Sports:

An institution for advanced training in all areas of Sports at the Moi International Sports Centre Kasarani to cater for top level skills development of the sports men and women whose talent is tapped and developed from the grassroots level countrywide as well as train sports administrators, instructors and coaches. To also serve as an international centre for excellence in sports and thus contribute to Kenya's tourism package. *Regional Sports Stadia*: 30 regional stadia established around the country to promote the development of sports within each of the regions as well as tap the immense talent of the youth.

6. Establishment of a sports lottery fund:

To provide a tool for raising funds targeting sports development. It was estimated that the lottery

fund will have the potential to inject more than ksh.500 million into the sports budget annually. The funds raised would then be used for the less developed sports in the country to increase their diversity and to supplement the budgets of major sports events. Another use of the funds is to train the necessary technical personnel to enhance competitiveness of the country's sportsmen and women.

7. International Centre for Arts and Culture:

A state of the Art International Arts and Culture Centre at the Moi International Sports Centre, Kasarani which will also house the National Hall of Fame geared towards development of the youth potential and nurture talent with a view to empowering them economically. The facility is to be a centre of excellence to revitalize culture as a resource for sustainable development. The centre will provide showrooms, exhibition and performance halls for marketing and showcasing Kenya's cultural goods and services, act as a linkage with tourism, provide platform for cultural exchange and dialoguing. The centre will also act as a resource centre for linkages with related sectors. The Hall of fame that will be housed at the Centre will be used for honouring and Recognising special talents from all walks of life in the area of sports, music, culture and other cultural contributions.

8. Increase of allocation to secondary and tertiary level bursary programmes:

To greatly increase the opportunities particularly for destitute young people to continue with education irrespective of their poor background as well as reduce the burden on parents who are unable

to pay for their children's secondary and tertiary education

5.8.2 Other Youth Affairs Targets and Programmes

1. Campaign Programmes to reduce HIV and AIDS infections, teenage pregnancies and drug abuse among the youth.
2. Intense youth rehabilitation programmes for drug addiction and criminals.
3. Promotion of a sustainable reading culture through expansion of Kenya National Library Services.
4. Establish a systematic programme to document, conserve, preserve and disseminate the music and dance heritage of Kenya.

The main policies, legal and institutional reforms that relate to youth in the MTP are the following:

1. Developing an National Youth Council Bill.
2. Implementing the Sports Bill and Kenya National Sports Stadia Authority Bill.
3. Revising the Kenya National library Act Cap 225.
4. Developing a national music policy.
5. Developing a national cultural policy.
6. Implementing the Adult and Continuing Education policy.
7. Developing a National Policy for Youth Polytechnic and Vocational Training.
8. Implementing the Betting Lotteries and Gaming Act (Cap 131 of 1966).

5.8.3 Achievements and Implementation Progress for the Youth Affairs

The following is an outline of progress made during the period under review in meeting the targets set in the MTP:

1. International Academy for Sports and Sports stadia projects has not been initiated, but was expected to take off in the financial year 2009/2010;
2. Draft Cabinet memorandum on the Sports Lottery was forwarded to the Attorney General's Office;
3. Interministerial meetings have been held between the Ministry of Youth and Sports and Ministry of National Heritage and Culture on developing a National Cultural Policy;
4. The Ministry of Youth Affairs and Sports is in the process of availing land at Kasarani Sports Centre for the purpose of putting up an International centre for sports and culture. A committee has been formed to develop the terms of reference for the designs and construction work;
5. One national symposium on Music was held in April 2009. 150 youths took part in the symposium and 20 researchers presented papers;
6. A National Youth training camp was held in May 2009. This training targeted youths from the Coastal region. Other training programmes will be held in the next financial year;
7. The Youth Enterprise Fund received an additional Kshs 500m during 2008/2009 financial year budget, The Youth Enterprise Fund has also been expanded through leverage agreements between the Ministry

and financial institutions. The fund has since then increased to Kshs 4.5 billion from 2.2 billion;

8. Youth Employment is a component for Agenda 4 reforms – the Kazi for Vijana programme is ongoing.

5.8.4 Implementation Challenges for youth Programmes

1. The benefits intended by the Youth Development Fund have not been fully exploited by the Youth. This is because the majority of the youth lack collateral that would enable them secure bank loans and other financial services. Further, the youth generally lack business experience and expertise. There is also generally lack of training in entrepreneurship and mentoring in business, resulting in failed business start-ups.
2. In addition, the Youth Development Fund (YDF) faces challenges in the repayment of loans. Although YDF is a revolving fund, it appears weak in terms of fund management. In addition lack of adequate staffing to manage and carry follow ups on loan disbursements, repayments and training is evident.
3. Most of the vocational training institutes lack equipment and are understaffed.
4. Indulgence of youth in drugs and substance abuse has rendered many unproductive thus hindering their contributions to national development. Despite the fact that the prevalence of Drug and Substance Abuse is highest among the youth of this country, the government still has inadequate rehabilitation facilities for persons dependent on drugs. Most rehabilitation centres are either too expensive for this age group or sub

standard resulting in high cases of secondary addiction or what is referred to as relapse.

5. Cultural beliefs surrounding early marriages, land tenure systems, amongst other cultural practices has hindered the involvement of many young women in national development particularly where they cannot access land and consequently cannot use it as collateral for acquiring credit for investment in businesses and economic empowerment.

5.8.5 Lessons learnt and the Way Forward in Sustaining Youth Affairs Programmes

1. Ministry of Youth Affairs and Sports is key in carrying the youth agenda forward by offering real opportunities for promoting and empowering the Youth in all spheres of socio-economic development. Establishment of the Youth Development Fund has fast tracked employment and generated income for the youth.
2. In order to complement the effective utilisation of the Youth Development Fund, it is important for the Ministry of Youth Affairs and Sports to organize awareness creation seminars and business courses.
3. Unless the fight against drug and substance abuse is enhanced, the gains made in addressing youth unemployment may be erased. There is thus urgent need for facilitation of effective treatment and rehabilitation for drug users. To this end the Government will work in partnership with private sector medical institutions, private sector sponsors and private and community groups on initiatives that support the treatment and rehabilitation of drug users.

ers, within a holistic context that also includes post-rehabilitation counseling.

4. As Kenya moves further in the implementation of the MTP, a collaborative effort between the government and stakeholders including the youth themselves is important to address the youth agenda.

5. Enactment and Implementation of the National Youth Council Act is important in order to promote the goals and objectives of the National Youth Policy and mainstream, promote, and co-ordinate youth programmes. The Act will also enhance the representation of youth in strategic leadership and in decision making locally, nationally and internationally.

6

The POLITICAL PILLAR



*A Democratic Political Culture
Guarantees Development for All*

6.0 An Overview of the Political Pillar

The Political Pillar of *Vision 2030*, which envisions “a democratic political system that is issue-based, people-centred, result-oriented and accountable to the public”. The events following the 2007 elections clearly point to the need to address and solve underlying issues behind ethnic tensions, destruction of property and violence that was experienced. The MTP has outlined the key programmes and reforms that are required so as to lay the foundations for a democratic accountable political system.

This chapter summarizes progress achieved and challenges met during implementation of planned programmes and activities under the Political Pillar, during the year ending June 2009. The programmes are categorised into three (3) broad groups, namely, (i) flagship projects which take into account the post-2007 election crisis and aim to build a strong governance and rule of law foundation for the achievement of *Vision 2030* (ii) other (new and ongoing) programmes across four strategic priority areas and (iii) a sector-wide initiatives within the scope of the Governance, Justice, Law and Order Sector (GJLOS) Reform Programme. The second category of programmes comprises continuing programmes covering four strategic priority areas mainly, the Rule of Law, Electoral and Political Processes, Democracy and Public Participation, and Transparency and Accountability. GJLOS is a multi-sectoral programme which brings together 33 government agencies and several semi-autonomous government agencies, non-governmental organisations and development partners¹. In addition to the above programmes, the MTP also outlines measures to be implemented during the medium

term plan period so as to enhance decentralisation.

6.1 MTP Targets for the Political Pillar

During the early part of the Medium-Term Plan period, the following flagship projects are to be undertaken:

1. A draft new Constitution to be finalised and presented to the public through a national referendum;
2. An independent Truth, Justice and Reconciliation Commission (TJRC) to begin its operations in 2008/09;
3. The Independent Electoral Review Committee (IREC or the Kriegler Committee) to finalise its operations and present a comprehensive report to the relevant authorities in the 2008/09 fiscal year;
4. The Commission on Post-Election Violence (The Waki Commission) to finalise its operations and present its report to the relevant authorities in the 2008/09 fiscal year;
5. The Ethnic Relations Commission of Kenya to commence operations in the 2008/2009 fiscal year, to deal with issues of ethnic relations, and especially the problem of negative ethnicity, and
6. To enhance and fast-track Kenya's pilot Legal Aid & Education Programme focused on legal counselling directed at Kenyans affected and traumatised by the post-election events.

Other Political Pillar programmes involved policy and legal reforms aimed at ensuring rule of law, improving electoral and political processes, democracy and public participation, transparency and accountability, as well as decentralisation. It was also planned that during the MTP period, the GJLOS pol-

¹ A summary of the key achievements and challenges of GJLOS, which came to an end during the period covered by this Review, is included in a subsequent section of this chapter.

icy framework would be finalised and operationalised. In addition, the GJLOS Reform Programme would be accelerated and transparency and accountability among the GJLOS institutions would be enhanced.

6.1.1 Achievements and Implementation Progress in the Political Pillar

Achievements and progress made in the Political Pillar are outlined hereunder:

a) Constitutional Reforms

In 2008/2009, two Constitutional Bills, namely, the Constitution of Kenya Review Bill, 2008 and the Constitution of Kenya (Amendment) Bill, 2008 were passed by Parliament and assented to by H.E. the President. The Constitution of Kenya Review Act, 2008 was assented to on 11th December 2008 and commenced operation on 22nd December 2008. The Act provided a road map on the constitutional review process and the roles of the various constitutional review organs, that is, the Committee of Experts (CoE); Parliamentary Select Committee; the National Assembly, and the Referendum.

On the other hand, the Constitution of Kenya (Amendment) Act, 2008 became operational on 29th December 2008, effectively entrenching the review process in the Constitution of Kenya. The Act also led to the established the Interim Independent Constitutional Dispute Resolution Court (IICDRC) to hear and determine matters related to the review process. The Committee of Experts was appointed on 23rd February 2009 and released a harmonised draft Constitution on 17th November 2009.

b) Truth, Justice and Reconciliation Commission (TJRC) process

The Truth, Justice and Reconciliation Bill was enacted in 2008 came into force on 9th March 2009. The Act establishes a Truth, Justice and Reconciliation Commission (TJRC) and a Selection Panel to recruit the commissioners to the TJRC. Parliament considered and approved the list of TJRC commissioners on 25th June 2009. The Commissioners were eventually appointed by the President on 22nd July 2009. The Commissioners were officially sworn in August 3rd 2009 and have established a Secretariat.

c) The Independent Review Commission (IREC)

The Kriegler Commission was appointed by the President on 14th March 2008 through Gazette Notice. On 17th September 2008, the Committee's report was submitted to H.E. the President. Cabinet approved the implementation of the Kriegler Report on the 14th October 2008 and established a 10 Member Committee to prepare an implementation plan. On 27th November 2008, Cabinet considered and approved the matrix for the implementation of the Kriegler Report.

Following the enactment of the Constitution of Kenya (Amendment) Act, 2008 and its commencement on 29th December 2008, the Electoral Commission of Kenya (ECK) was disbanded and replaced with the Interim Independent Electoral Commission (IIEC) and the Interim Independent Boundaries Review Commission (IIBRC).

IIEC is responsible for overseeing electoral reforms and in particular fresh voter registration and creation of a new voter register, development of modern system for collection, collation, transmission and tallying of electoral date, promotion of voter educa-

tion and efficient conduct of elections and referenda.

The IIBRC is responsible for reviewing electoral and administrative boundaries. The names of IIEC and IIBRC were approved by the National Assembly and appointments were effected on 7th May 2009 and 12th May 2009, respectively.

d) *The Commission to Investigate the Post-election Violence (CIPEV)*

The President appointed Waki Commission by Gazette Notice on 23rd May 2008. The Commission was tasked with investigating facts and circumstances surrounding the violence that followed the 2007 Presidential election, as well as the actions and omissions of state security agencies. The Waki Commission presented its report to the President on 15th October 2008.

The CIPEV report recommended that a Special Tribunal to try post-election violence (PEV) suspects be established by January 30th 2009. On 27th November 2008, Cabinet noted the Waki Report and established a 10 member Committee to prepare an Implementation Plan/ Matrix. The Cabinet approved the establishment of the Special Tribunal. The Ministry of Justice published the Constitution of Kenya (Amendment) Act, 2009 and the Special Tribunal for Kenya Bill, 2009 on 28th January 2009.

However, in February 2009, Parliament failed to entrench the Special Tribunal in the Constitution. The Government's efforts to establish the Special Tribunal continued to be frustrated by partisan politics as well as ethnic interests. Thereafter, the Panel of Eminent African Personalities (PEAP) headed by His Excellency Dr. Kofi Annan handed over the confidential envelope naming suspected masterminds of the PEV, to the International Criminal Court (ICC). As at 6th October 2009, the Government opted to accord

priority to reconciliation while leaving the door open for suspects bearing the greatest responsibility to be tried by the ICC.

e) *National Cohesion*

The National Cohesion and Integration Bill was enacted in 2008 came into force on 9th March 2009. The Act establishes the National Cohesion and Integration Commission to promote national cohesion.

f) *Post-election legal counselling*

The National Legal Aid and Awareness Programme (NLAAP) was established on 30th November, 2008. The NLAAP is expected to facilitate provision of legal aid, advise, awareness and representation to the poor, the marginalized and the vulnerable population who do not access justice through the courts or by other dispute resolution mechanisms. The Programme has been operationalised and background research and stakeholder consultation held on the development of legal aid- **No Progress Reported.**

g) *The Rule of Law*

The National Action Plan (NAP) on Human Rights was initiated with the goal of enhancing the rule of law and upholding respect for human rights. Three regional hearings were conducted with the aim of gathering stakeholder views on the status of human rights. Based on these views, a draft policy framework was finalised and is to be and launched as the primary Government policy document on human rights. The NAP initiative was supported by the following related efforts:

1. Cessation of violence – Over the period under review, security forces successfully partnered with communities in restoring calm within “flashpoint” areas where political violence occurred. This calm has

been sustained to date. This review notes however, that gang or criminal violence and resource-based conflicts have not been eliminated in all regions.

2. Respect for the sanctity of human life – In the wake of the PEV, the country's security forces escalated their onslaught against known organized criminal organisations, which previously undermined the sanctity of human life. Despite such efforts, this review notes that the problem of militias continues to pose a huge dilemma, particularly in the absence of a clear policy framework to deal with such groups.
3. Restoration of fundamental rights and freedoms – The Government lifted live-TV and radio-broadcast ban, which had been imposed as part of the strategy to contain the PEV. Lifting of the bans effectively restored citizens' right to receive and share information. The Government also suspended plans to enact the contentious Kenya Communications (Amendment) Act, 2008. This suspension was aimed at enabling further consultations with the media fraternity, which had raised major concerns about some provisions of the proposed new law.
4. Addressing the humanitarian crisis – Three significant achievements were made in this regard. First, all officially established camps for Internally Displaced Persons (IDPs) were closed down. Operation Rudi Nyumbani, the Government's resettlement programme which was launched in May 2008, assisted IDPs who were willing to return to their respective homes. In order to assist the IDPs to re-establish their lives,

a humanitarian fund was initiated. Secondly, peace and reconciliation committees were established in areas worst affected by the PEV. Thirdly, special District Officers (DOs) trained in peace and conflict resolution were deployed to PEV areas, and a Department of Mitigation and Resettlement was set up within the Ministry of Special Programmes to support efforts to address the humanitarian crisis.

5. Promotion of gender equality and empowerment of women – Five Bills (i.e. the Marriage Bill, the Matrimonial Properties Bill, the Domestic Violence (Family Protection) Bill, the Equal Opportunities Bill, and the Affirmative Action Legislation) were finalised and forwarded to Cabinet, which recommended further consultations under the auspices of the Ministry of Gender.
6. Promotion of free-market economy – The Competition Bill 2008 was developed to replace the Restrictive Trade Practices, Monopolies and Price Control Act. Revisions to the Company Act were undertaken resulting in the Draft Company Act (Amendment) Bill. The Proceeds of Crime and Anti-Money Laundering Bill was finalised and presented to Parliament.
7. Laws to improve access to justice – The Small Claims Court Bill and Private Prosecutions Bill were finalised and forwarded to the Attorney-General. The Draft Legal Aid Bill was prepared, and amendment to the Alternative Dispute Resolution (ADR) Act was done by way of Statute Law Miscellaneous Amendment Act, 2009 which introduced ADR in the courts. The Judicial Service Bill was prepared by the Task Force on

Judicial Reforms and forwarded to the Cabinet. Additionally, the Community Service Orders Act was reviewed, and the Contempt of Court Bill, the Freedom of Information Bill, and the Persons with Disabilities (Amendment) Bill were finalised and forwarded to the AG pending enactment.

8. Other reforms to enhance rule of law – The following additional five key reforms were undertaken to enhance the rule of law:

- Establishment of a national forensic laboratory – this project is ongoing and the AFIS component is being installed;
- Installation of surveillance cameras in Nairobi, Mombasa, Nakuru and Kisumu – during the period under review, a smaller project was already under way in Nairobi with cameras mounted at the Kenya National Archives building on Moi Avenue. It is expected that the project will be rolled out on pilot basis throughout Nairobi as well as in Mombasa, Nakuru and Kisumu;
- Construction of 20,000 police housing units – 2,102 housing units have been completed under this ongoing initiative;
- Construction of six new prisons in Mwingi, Nyamira, Kwale, Rachuonyo, Vihiga and Kaloleni.- Mwingi, Kwale, Rachuonyo and Kaloleni prisons were completed and are operational.

Work on Nyamira and Vihiga is ongoing. Bomet prison, though not part of *Vision 2030* flagship projects was also completed;

- Establishment of an Integrated Population Registration System – this commenced in 2007/08 and a draft Policy and Legal Framework on Integration of Population Registration Services has been developed.

h) Electoral and Political Processes

The Electoral Commission of Kenya (ECK) was disbanded and replaced with the Interim Independent Electoral Commission (IIEC). The IECC conducted 2 by-elections successfully. It will embark on Voter registration. In addition, during the period under review, the National Assembly (Standing Orders) were reviewed, streamlined and operationalised.

i) Democracy and Public Participation

To promote the inclusion of women and other disadvantaged groups in electoral and political processes, an Equal Opportunities Bill, Persons with Disabilities (Amendment) Bill and an Affirmative Action Bill was also developed and finalised (**No Progress Reported**)

1. The freedom of information bill was to be enacted –**No progress reported**
2. The Political Parties Act has been operationalised
3. The Public-Private Partnership guidelines were gazetted in 2009

j) Transparency and Accountability

Anti-corruption programme: A notable achievement under the country's anti-corruption programme was the completion of the draft Mutual Legal Assistance Bill, which is expected to contribute -- alongside other legal instruments and institutions -- towards various anti-corruption efforts.

k) Governance Justice, Law and Order Sector

The Governance, Justice, Law and Order Sector (GJLOS) reform programme was launched in November 2003 by the then newly-elected NARC government. GJLOS was the first initiative of its kind worldwide that integrated governance, justice, law and order functions. Led by the government, GJLOS brought together 33 key ministries, departments and agencies (MDAs), with the goal of achieving "a safe, secure, democratic, just, corruption-free, human rights-respecting and prosperous Kenya for all". The mission of GJLOS was to "reform and strengthen sector institutions for enhanced protection of human rights, efficient, accountable and transparent governance and justice". Based on its goal and mission, GJLOS is therefore clearly aligned to *Vision 2030's* political aspirations. In addition, it bears an obvious relevance for Agenda IV issues under the National Reconciliation Agreement of 2008.

During the period under review, various activities were completed under the Governance, Justice, Law and Order Sector (GJLOS) reform programme. The activities included capacity building workshops, attitude change workshops and assessment of unmet needs. Unifying these activities was a widely inclusive approach, which enabled partner institutions to successfully apply horizontal and vertical consultations. In turn, this provided a basis for enhanced citizen participation. According to an inde-

pendent evaluation of the GJLOS, the programme achieved numerous other successes:

1. It catalysed change and encouraged open dialogue within the governance, justice law and order sector, thus encouraging innovation and placing the reform agenda at the centre of governance;
2. It re-oriented the roles of participant MDAs towards efficient, responsive and effective public service delivery as evidenced by adoption of service charters and public complaints mechanisms;
3. It raised public awareness -- as well as expectations -- thus demystifying key sector institutions;
4. It underscored the importance of adequate funding to key sector institutions e.g. the State Law Office, the Kenya Law Reform Secretariat, which subsequently utilised funding under the programme to record great strides; and,
5. It strengthened the coordinating ministry i.e. Ministry of Justice, National Cohesion and Constitutional Affairs and illuminated the erstwhile ignored roles of non state actors including private sector and civil society organisations.

6.1.2 Progress Made in the Fight against Corruption

The Kenya Anti-Corruption Commission pursued its mandate as stipulated in the Anti-Corruption and Economic Crimes Act, 2003 and implemented its priorities outlined in its Strategic Plan and the MTP. The main thrust of the Commission's work continues to be directed at the public sector. Key achievements/milestones in the period under review are as described hereunder;

i. Corruption Reports and Investigations

The number of reports received by the Commission has continued to be polished as a result of more informed publics of the Commission's mandate. In the reporting year, the Commission received and processed 4335 reports of which 1270 fell within the Commission's mandate and were taken up for investigations. The level of relevance of reports received by the Commission continued to increase steadily reaching 30% in the reporting year compared to 25% in the previous year. The anonymous internet based corruption reporting system that guarantees the security and confidentiality of the whistleblowers has continued to record increased usage.

Some of the major cases fully investigated during the year include: Kenya Pipeline Company with Triton Petroleum Company; Kenya Tourism Board (KTB), National Social Security Fund (NSSF), the Kenya Medical Research Institute (KEMRI), National Cereals and Produce Board (NCPB), and the Ministry of Health.

As a result of all investigations carried out in the year, KACC forwarded 122 files to the Attorney General of which 94 recommended prosecutions of suspects. The Attorney General concurred with KACC's recommendations in 87 files. Consequently, a sitting Permanent Secretary, Chief Executive Officers as well as other senior public officers and prominent personalities were arraigned in court. The total number of files forwarded to the Attorney General since September, 2004 are 498 of which a total of 382 recommended prosecution of suspects and our recommendations were accepted in 325 files.

ii. Asset Recovery

Turning to KACC's asset recovery function, the Commission intensified its efforts and in the reporting year, KACC recovered assets

worth Kshss.148.31 million and 398 suits with an estimated value of over Kshss.5.0 billion were instituted. Notable cases include 12 filed against current and former Members of Parliament including Cabinet Ministers for recovery of substantial allowances paid illegally to them in their capacity as members of the Parliamentary Service Commission, several cases seeking to recover land belonging to Kenya Agricultural Research Institute (KARI) and the Nairobi City Council among other recovery suits. Assets recovered since inception cumulates to over Kshss.4.5 billion.

iii. Corruption Prevention

Preventive activities focus on reforming policies, practices, and procedures with a view to sealing corruption loopholes and other inefficiencies that lead to loss, poor service delivery and multifarious malpractices. Grand corruption that pervades high levels of Government, leads to a broad erosion of confidence in the Government, undermines governance, the rule of law and impedes economic growth among other ills. KACC continues to partner with external organisations that share our commitment in innovating integrity solutions for transforming our institutions.

During the reporting year, the Commission infused its services in all the three arms of Government in an effort to minimize loopholes and opportunities for corruption that motivate public officers to indulge in corrupt practices. For instance, the Commission's investigation into payment of irregular allowances to members of Parliamentary Service Commission and the subsequent suits to recover the illegal payments has put an end to the practice in Parliament and discouraged illegal payments in the public service with resulting savings to the Exchequer.

Intense scrutiny of public appointments has resulted in greater transparency in the appointment to public offices. KACC has had

a beneficial presence in Police and military recruitment processes as well as other employment in the public service and are happy to note the tremendous improvement in recruitment and appointment processes.

To improve service delivery in the public sector, it was found prudent to institutionalise anti-corruption strategies in public institutions. To this end, the Commission reached an agreement with Public Sector Reform Secretariat to take advantage of synergies resulting from our complementary roles by implementing performance targets under the "Corruption Eradication" indicator in the performance contracts and laid the framework for addressing corruption in public institutions. KACC continues to refine the indicators and assess the impact of this strategy annually and this has enhanced service delivery, reduced corruption loopholes and increased accountability in the public service.

The establishment of the Public Complaints Standing Committee (Ombudsman) is yet another initiative aimed at increasing accountability in public service. Complaints of maladministration previously received by KACC have now found their rightful place. We laud the government for this intervention and remain committed to deepening our cooperation with all public agencies in the promotion of good governance and transparency.

The commission is alive to the dynamic disposition of the corrupt. As they become more wary and sophisticated, KACC employs a high degree of care and skill to detect and pursue them. Through its proactive strategies in corruption prevention, KACC has had its presence felt where many mega corruption deals were being hatched and have disrupted and frustrated many corruption partakers. This strategy has rendered corruption an unattractive venture.

iv. Public Education

The importance of education in changing people's attitude towards corruption cannot be overemphasised. KACC continues to educate members of the public on the causes, dangers and effects of corruption and to enlist their support in corruption detection, prevention and eradication. The Commission infused education programmes through various organisations in the public sector, local authorities, the education system, the religious sector, youth organisations as well as the general public. It has used various vehicles to reach these groups including the media, workshops, conferences and meetings, music, drama and Information Education and Communication (IEC) materials. As a result, various surveys undertaken during the year indicate that the Commission's work is supported by the broad mass of the public. Without this support our effectiveness would be radically curtailed.

v. Strengthening the Policy and Legal Framework for Anti-corruption, Integrity and Ethics

In pursuance of the strengthening of the policy, legal and institutional framework for anti-corruption, ethics and integrity to guarantee a transparent and accountable public service through: review of the Anti-Corruption and Economic Crimes Act, 2003 and Public Officer Ethics Act, 2003, the Commission undertook a comparative analysis of anti-corruption laws in specific countries and made proposals to the Kenya Law Reform Commission for consideration in the amendments of the evidence Act, Chapter 80 Laws of Kenya as follows; i) Admissibility of evidenced captured in tape, audio and visual devices; and ii) admissibility of evidence in electronic records and information.

In the support for the enactment of laws that reinforce the war against corruption and economic crime such as the Mutual Legal Assistance Bill and the Proceeds of Crime and Anti-Money Laundering Bill; and the Whistleblower Protection Bill among others; the Commission; i) made proposals to the Inter-Ministerial task team on the Mutual Legal Assistance Bill, 2009 in regard to including the Commission as a competent Authority. In addition, the Commission's proposal to amend the Criminal Procedure Code to provide for plea bargaining was affected by way of amendment by Parliament.

In an effort to realise this objective, the Government has introduced the Proceeds of Crime and Anti-Money Laundering (PCAML) Bill, 2008. The Commission submitted proposals to the Parliamentary Committee on Administration of Justice and Legal Affairs on the need to align and Harmonise the provisions in the proposed Bill with ACECA, to obviate duplication or competition between institutions established under the two sets of laws and to ensure focused employment of scarce public resources.

vi. Domestication of the International Anti-Corruption Instruments

The Commission is spearheaded a multi-sectoral GAP Analysis to evaluate compliance of the national legislative framework with UNCAC and make recommendations to redress governance lacunae and make Kenya UNCAC compliant. The Commission participated in a national forum initiated by the United Nations Office on Drugs and Crimes to evaluate Kenya's compliance with the United Nations Convention against Corruption with a view to identifying areas where technical assistance in the fight against corruption may be required. The Gap Analysis report has since been published and is

available on the Commission website www.kacc.go.ke.

vii) Modernisation of Government Operations and Service Delivery

The commission carried out three examinations and risk assessments into the legal, policies, procedures and systems at Kenya Maritime Authority, Pensions Department and Local Authority Transfer Fund (LATF) and made recommendations towards revising methods of work to seal corruption loopholes.

6.1.3 KACC Legal Challenges and Desired Reforms

There continues to be serious challenges faced locally in cases that transcend the national borders. The Commission remains prohibited by a court order from requesting, receiving or using information through Mutual Legal Assistance. As part of removing that obstacle, the Attorney General has tabled a Mutual Legal Assistance Bill before Parliament. This Bill expressly recognises all investigative Agencies established by law as competent authorities to seek, give and use Mutual Legal Assistance. The Bill is still pending before Parliament.

The Money Laundering and Proceeds of Crime Bill was enacted and accented to by H.E. the President in December 2009. The act will become effective after six months or at such other earlier date as shall be accented by the Minister.

The Money Laundering and Proceeds of Crime Act and the enactment of Mutual Legal Assistance Bill will facilitate the Commission to be able to pursue corruption and economic crimes across the borders. The Commission further continues to suffer under the burden of inability to conclude investigations into the Anglo-leasing scam as a result of Judicial orders barring investigations into those security contracts. The

Commission has appealed against all those judgments. The Commission remains hopeful that during the ongoing Constitutional Review, the Commission will be entrenched in the Constitution. Such action will mitigate some of the legal challenges encountered by the Commission.

6.1.4 Decentralisation of Government

Under *Vision 2030's* Political Pillar, Kenya aspires to be a country in which equality is entrenched -- between individuals and regions. The country's political system is set to become more people-centred i.e. responsive to the needs and rights of citizens, whose participation in all public policies and resource allocation processes is not only fully appreciated but also enabled. To this end, the Political Pillar's guiding principles include "decentralisation" and "devolution" of governance structures both at the national and local levels. Specifically, Kenya has undertaken to adopt a democratic decentralisation process with substantial devolution in policy-making, public resource management and revenue sharing through selected devolved funds. In furtherance of this pursuit, the following three activities were initiated under the review period:

1. Improvement of funding for constituency development projects under the national budget. The management frameworks for the resources are continually being reviewed and strengthened. The Constituency Development Fund Act was amended to include hiring of managers who are now in place in all constituencies. This is meant to enhance transparency and efficiency in the management of these resources.
2. Development of a national decentralisation policy – A draft national Decentralisation framework has been completed and is awaiting

adoption through the anticipated new Constitution.

3. Reforms of Local Authorities. During the period under review, the Local Government Act was reviewed to make local authorities more efficient and accountable. Among the proposed changes is the direct election of mayors and councillors. Various reforms are being undertaken under the Kenya Local Government Reform Programme (KLGRP) aimed at strengthening financial accountability. Local Authorities Integrated Financial Operations and Management System has been introduced in 44 out of 175 LAs. The KLGRP developed the concept of a LA Budget Day during which LAs are expected to present their budgets to the citizens in their jurisdiction and defend their performance. Additionally, revised financial regulations for LAs were prepared and approved by the Ministry in March 2007, performance contracting has been introduced and capacity building for LAs has been on-going.

6.1.5 Implementation Challenges for the Political Pillar

In spite of the substantial gains recorded under *Vision 2030's* Political Pillar, a major gap has been noted including the fact that baseline surveys were not undertaken for most governance programmes thereby making the tracking of progress difficult. In addition, the absorption rate for most projects remained low mainly due to the mechanisms for procurement of goods and services. Further, the legislative process for developing and enacting new laws has been slow, thereby undermining the speed of governance and other reforms.

Also, the successes of GJLOS notwithstanding, the programme experienced some sig-

nificant challenges, key amongst which was the relatively weak focus on the 'demand-side' (i.e. consumers or beneficiaries) leading to a lower impact on citizens compared with the impact on public institutions. Related to this was the limited awareness of the programme among sector institutions despite concerted efforts to engage the media and the public at large. The independent evaluation noted that the programme's high level policy infusion or support waned, and that the programme was not well aligned to the government MTEF budget process. Moreover, interruptions arising from changes in government over the programme's implementation period (i.e. from the NARC government, to the post 2005 referendum, to the current grand coalition) led to different political environments. This constrained the full engagement of MDAs in the programme. Finally, GJLOS suffered from inadequate resourcing and priority mismatches resulting from the fact that the programme's planning involved separate work plans.

Other general implementation-related challenges under the Political Pillar include:

1. Inadequate financial resources;
2. Weak inter-agency cooperation and cross-agency collaboration across the governance and rule of law institutions;
3. Low public confidence in governance, security and rule of law institutions, especially after the events succeeding the 2007 election;
4. Whereas calm has been sustained, gang or criminal violence and resource-based conflicts have not been eliminated in all regions; and
5. Partisan politics and ethnic interests may delay reforms.

6.1.6 Lessons Learnt and Way Forward for the Political Pillar

The *Vision 2030* strategy acknowledges that a fundamental shift to business unusual', as well as a new management philosophy is needed to deliver on the aspired results. Whereas the political pillar has made great strides in both regards, significant challenges were experienced in the process. The following are among the most outstanding challenges:

1. **Volatility of the political environment:** Following the catastrophic PEV of 2007/2008, Kenya's political environment remains volatile. This volatility -- combined with early electioneering ahead of the 2012 polls as well as impassioned efforts to formulate a new Constitution and establish new electoral jurisdictions -- weakened governance reform initiatives during the review period. Looking forward, the volatile political environment also means that future governance reforms are fairly unpredictable. An improved management of the political environment by all stakeholders is needed to avoid a repeat of a crisis like the one experienced in 2007/2008.
2. **Management of the Coalition Government:** Having no previous experience in coalition politics, the country's governance structures have not sufficiently adapted to the requirements of the national accord. Despite commendable attempts by the Principals, attainment of the sort consensus needed to unify Government policy during the period under review has been very slow. In order to preserve national peace and tranquillity and ensure efficient and effective service delivery, faster and more sustainable consensus building particularly within Parliament will remain crucial.

3. Politicisation of governance reforms:

Efforts by the Government to implement some key governance reforms have met with stiff opposition from political interests keen on preserving the status quo or pursuing other interests not for the common good. Resistance by parliamentarians to entrenchment within the Constitution of a Special Tribunal to try post-election violence (PEV) masterminds is a case in point. So too is the habit by parliamentary and civic legislators mentioned in corruption cases of activating their political groups and ethnic communities. Usually aimed at swaying general public sentiments, this practice has often undermined due judicial processes, even if temporarily.

4. Sluggishness of the legislative process:

Except for the fast tracking of Constitutional amendments to create the current Coalition Government, there has not been a remarkable shift from slow, reactive to fast, proactive legislating as was envisaged. Key legislation and administrative reforms suggested in *Vision 2030* are being implemented in a slow way prompting one to doubt whether the vision will be attained. Examples include consolidation of agricultural policy reform legislation; adoption of special budgeting laws to facilitate high and “ring fenced” investments; and, simplification and reduction of taxes to create a conducive business environment. These and other legal processes need urgent attention.

5. Lack of comprehensive indicators and benchmarks:

The absence of a comprehensive baseline somewhat complicates an objective review of progress made under the political pillar. More complicated however, is any attempt to benchmark the pace and scope of progress under the political pillar. In her quest for high levels of sustained growth, Kenya has no socially heterogeneous and mul-

ti-ethnic political “peer” or comparator among popular democracies. The country has tried to benchmark with the Tigers of South East Asia whose socio-economic profiles are different something which may complicate attainment of *Vision 2030*. This is a challenge that needs to be properly addressed.

6. The other lessons from this experience can be summarised as follows:

- The importance of anchoring reform initiatives on national and international transitional processes in order to secure sustainability;
- The necessity of multi-sectoral and multi-institutional collaboration, and of systematic and formal structures to coordinate information flows;
- The importance of gender integration processes as well as the need to focus on the invisible, voiceless, often forgotten and marginalized groups e.g. the disabled, orphaned and vulnerable children, the youth and the aged;
- Work-planning helps improve project implementation and should be broadened to ensure an integrated approach by the MDAs; that governance programmes need to be properly embedded in the government planning and budgeting process through the MTEF budget process; and, that high level policy infusion and support is critical in driving governance reforms;
- The importance of integrating and clarifying the roles of state actors (such as Parliament) with the roles of non-state actors, and also to holding regular stakeholder consultations.



7 Implementation, Monitoring and Evaluation of the First MTP



*Quality Health
and Medical Services for all Kenyans
is a Basic Right*

7.0 Overview of the Monitoring and Evaluation Process

With the launch of the *Vision 2030* as a long-term development blueprint for the country in 2008, the government initiated its implementation through five year Medium Term Plans (MTP) of which the 2008-2012 is the first in a series of successive 5 years MTPs. The successful implementation of the MTPs requires an effective monitoring and evaluation system which entails a collaboration of various development stakeholders and complete involvement, commitment and uttermost effort.

For leadership and coordination in the implementation of the first MTP, the government conceived various issues and players to be key in spearheading the processes by addressing or playing different roles. Monitoring the implementation of various policies programmes and projects was identified as a key ingredient in governance. Thus monitoring and Evaluation was recognised as important for development and has since 2004 been given increasing prominence in various policy documents. The following were the MTP planned activities and the achievements in the financial year under review.

7.1 The National Integrated Monitoring and Evaluation System

During the ERS era, the National Integrated Monitoring and Evaluation System (NIMES) was established under the Monitoring and Evaluation Directorate in the Ministry of State for Planning National Development and *Vision 2030*. The NIMES objective was to provide the government with a reliable mechanism and framework for measuring the efficiency of government programmes and the effectiveness of public policy in achieving its objectives. During the MTP period the government was to:

1. Strengthen institutional framework to ensure that all programmatic activity by the government, civil society, the private sector and donor partners, particularly for *Vision 2030*'s MTP 2008-2012 are effectively monitored. In addition, the framework will ensure timely and corrective action is initiated to monitor the successful implementation of the *Vision 2030* Medium Term Plan programmes and policies.
2. Receive information from line ministries, Parastatals, local authorities, reform programmes, civil society, and the private sector and development partners through on line system on progress made in the implementation of MTP 2008- 2012.
3. Produce quarterly and Annual Progress Reports on the implementation of MTP and be made available on the MED website.
4. Regularly review M&E indicators to fast track the implementation of the Kenya *Vision 2030*.
5. Undertake various surveys including poverty surveys and National integrated household budget survey.

7.1.1 Financial Year Target for M&S

To set the right conditions for M&E in the country, the government through the MED proposed to accomplish the following in the year under review:

1. Finalise a monitoring and evaluation policy for the country;
2. Develop a national and Sub national reporting framework in consultation with line Ministries, Departments and agencies by preparing national & devolved level indicators and targets to be monitored and reported on by stakeholders;

3. Finalise the project monitoring standards;
4. Build capacity of officers in government on monitoring and evaluation;
5. Review and produce a monitoring and evaluation end term report on the ERS ;
6. Produce a PER report for the year 2009;
7. Disseminate NIMES further at both National and Devolved levels.

7.1.2 Achievements under NIMES

During the year under review, the government has accomplished the following;

1. NIMES has been operationalised vide the National reporting framework and the Sub- national (District/Devolved) level reporting framework. A draft M and E policy has been prepared through a consultative and participatory process;
2. Finalised and printed Guidelines/Standards for preparation, appraisal, Monitoring and Evaluation of development projects;
3. Finalised, printed and launched National Indicators Handbook for reporting.
4. Finalisation and launching of *ERS End Term Review Report*;
5. Finalised, printed and launched *Public Expenditure Review Report 2009*;
6. Launching of National Integrated Monitoring and Evaluation System (NIMES) Nationally and some Districts;
7. Production of two District quarterly Monitoring and Evaluation reports

7.1.3 Role of Line Ministries and Government Departments in M&E

Line Ministries and government Departments were key in feeding the National level reporting framework. They were to undertake the implementation of various flagship projects identified in the MTP among other targets which were set in consultation with stakeholders. Ministries supported by the CPPMUs were to be responsible for the Integrated Monitoring and Evaluation of all programs and projects.

During the MTP period, Line ministries were to:

1. Develop technical as well as other capacities of line ministries to carry out Data Collection for input into the NIMES through the Statistical Capacity Building Project of Kenya National Bureau of Statistic (KNBS)
2. Support the CPPMUs responsible for monitoring projects administered in various ministries and sectors;
3. Align ministerial and departmental strategic plans to the MTP;
4. Align the Performance contracts to closely meet the targets in their strategic plans;

7.1.4 Financial Year Targets M&E for Ministries

In the period under review, ministries were to:

1. Set up Ministerial Monitoring and Evaluation Committees to act as overall reporting bodies for ministries on matters of M&E while the CPPMUs act as secretary to the committees;
2. Make available MED indicators that could be monitored for their ministries;

3. Report on quarterly basis the progress/ achievements made in the implementation of flagship projects;
4. To train on the operationalisation of KENINFO database by KNBS;
5. Give the CPPMUs responsibility for monitoring projects administered in their various ministries and sectors.

7.1.5 Significant Achievements under M&E

The following were accomplished for M&E in the financial year under review:

1. All Ministries formed Ministerial Monitoring and Evaluation Committees (DMEC) to coordinate all issues related to M & E in their Ministries;
2. Ministries, Departments and other Government Agencies prepared second generation *Strategic Plans* aligned to the *MTP 2008-2012*;
3. All Ministries, Departments and other Government Agencies prepared their Indicators and submitted to Directorate of Monitoring and Evaluation, Ministry of Planning, National Development and *Vision 2030*;
4. Two Quarterly reports were prepared and submitted to MED, highlighting the progress in the achievements of flagship projects;
5. KNBS, a statistical body established in the Ministry of Planning operationalised the KENINFO data base and trained ministries and other stake holders on its use.

7.1.6 District/Devolved Level Reporting and Monitoring

In the District/Devolved level reporting and monitoring the following were planned for the MTP:

1. A revised DFRD report was to be institutionalised;
2. DPMUs and the DMECs were to be strengthened and integrated more effectively within NIMES;
3. The constituency Monitoring and Evaluation Committees (CMEC) were to be established according to provisions of the revised DFRD;
4. The Annual District Monitoring reports to be published.

7.1.7 Financial year Targets for Districts and Implementation Achievement

In the year under review, all districts were expected to:

1. Prepare their District M&E quarterly reports highlighting, achievements and progress made in the realization of the set targets. This shift of quarterly reporting was aimed at early identification and correction of the off-tracks in the implementation of various policies, programs and projects and the encouragement of consistent planning for development at the devolved level;
2. Develop District Development Plans (DDP); and
3. Set up or revive District Monitoring and Evaluation committees DMECs.

The Achievements during the year under review include the following:

1. District Monitoring and Evaluation committees (DMECs) were revitalized in all the former districts except for the newly created districts. These committees are chaired by the District Commissioners and are responsible for coordinating M&E activities in the Districts, including preparation of M&E reports;

2. The District Monitoring and Evaluation Committees (DMECs) were strengthened through training and provision of computers;
3. All Districts finalised their District Development Plans that covers the first MTP period. The Plans have been launched ready for implementation;
4. The districts finalised and submitted their first and second quarter monitoring and Evaluation reports to MED.

7.2 The National Economic and Social Council

The National Economic and Social Council (NESC) established through the Kenya Gazette Notice No. 7699 of September 24, 2004 has the primary mandate of advising the Government on coordinated policies aimed at promoting economic growth, social equity and employment creation, and reducing poverty and inequality. It is also mandated to offer advice, on request, to the private sector and civil society, and to express professional opinion on development issues. In carrying out its mandate, NESC interrogates Government policies for their effectiveness in achieving economic and social transformation; engages a diverse range of stakeholders, especially private and social sector players, for their input into policy recommendations; and mobilises knowledge and technical resources from relevant knowledge networks, including research and education institutions.

During the MTP period, the NSEC was expected to continue playing the advisory role on all development matters across sectors, and further provide the important liaison function and feedback mechanism through its links with the private sector and civil society organisations.

7.2.1 Financial Year Targets and Summary of NESC's Achievements

In the year under review, the council was expected to:

1. Prepare an advisory report to the cabinet on the economic performance of the country;
2. Hold consultative meetings with key stakeholders on the country's economic development;
3. Hold consultations with the president and the prime minister on issues of economic development;

During the period under review the achievements and progress can be summarised as follows:

1. Following the formation of the grand coalition government H.E. the President made changes in the representation in NESC by expanding its membership and terms for a further three years through appointments as per gazette notice No. 8436 and 8437 of 12th September 2008. The following Ministries are therefore represented by their Ministers: Agriculture, Environment and Mineral Resources, Energy, Information and Communication, Roads, Transport, industrialisation, Nairobi Metropolitan Development, Planning, National Development and Vision 2030, Higher Education, Science and Technology, Justice, National Cohesion and Constitutional Affairs and Public Health and Sanitation. Other members include, the Attorney General, Local Experts, Members from Private Sector, Registered Professional Bodies, Labour Unions, Commission for Higher Education, Farmers Associations, National Council for Science and Technology, Private Health Care Providers, International

Experts, The Permanent Secretary, Secretary to the Cabinet and Head of the Public Service, Office of the President and the Governor, Central Bank of Kenya.

2. NESC made recommendations aimed at radically transforming the City of Nairobi into a world Class City acting as a regional & internationally competitive hub for services such as manufacturing, Financial Services, Education, and ICT & Back office services, Health Services, Air, Rail, Road & Maritime Transportation Services, and International Organisation etc.
3. NESC also underscored the importance of Science, Technology and Innovation (STI) in fast tracking economic growth, poverty reduction, international competitiveness and the achievement of Millennium Development Goals (MDGs). This is to be achieved through substantial re-orientation of the national development policies to integrate STI into all social and economic production systems leading to a scientific and technological transformation of the economy.

73 The Vision Delivery Secretariat, the Board and its Achievements

In an effort to realise the *Vision 2030* goals, Vision Delivery Board (VDB) and Vision Delivery Secretariat (VDS) were to be established as SAGAs operating under the guidance of the Ministry of State for Planning National Development and *Vision 2030*. The Secretariat was to be a Semi-Autonomous Government Agency (SAGA) with an independent board established by way of a legal notice by the Minister of State for Planning, National Development and *Vision 2030*.

The VDS was to have clear institutional linkages with other existing institutions, structures and organisations both in the public and private sector.

The role of the VDS is to:

1. Particularly ensure timely implementation of flagship projects;
2. Establish a Vision Delivery Board to play a policy making and advisory role and provide overall leadership, oversight, guidance, setting of target, evaluation of results and policy direction in the implementation of the *Vision 2030* and ensure momentum in the realization of the Vision's aspirations;
3. Provide clear institutional linkages with other existing structures and organisations both in the public and private sector.

The role of the VDB on the other hand, is to provide overall leadership, oversight, guidance and policy directives in the implementation of the *Vision 2030* and sustenance of momentum and realization of the Vision goals and targets. The Board is to be responsible for setting targets and evaluation of the achieved result. The board members to be gazetted by the Minister of State for Planning, National Development and *Vision 2030* and serve for a period of five years on honorary basis.

The VDS and the VDB were established by the president under a legal notices No 1386 of 17th February, 2009 and have undertaken the following since their establishment:

1. Appointment of a Director-General in June, 2009;
2. Recruitment of four Directors to work with the Director-General;
3. Visiting two benchmarking countries;
4. Commencement of regional Dissemination of *Vision 2030*;

5. Undertaken the dissemination of *Vision 2030* to key groups and institutions by engaging different Sector Ministries to fulfil their various mandates;
6. Operationalised the process of the delivery structures for the Vision beyond the VDS and VDB.

End of Report

KENYA VISION 2030



REPUBLIC OF KENYA

ALL ENQUIRIES:

The Permanent Secretary
Ministry of State for Planning, National Development and
Vision 2030

Treasury Building
P.O. Box 30005 - 00200, Nairobi, Kenya

Tel: +254-020-252299 Ext. 101/195.

E-mail: psplanning@treasury.go.ke

Website: www.planning.go.ke