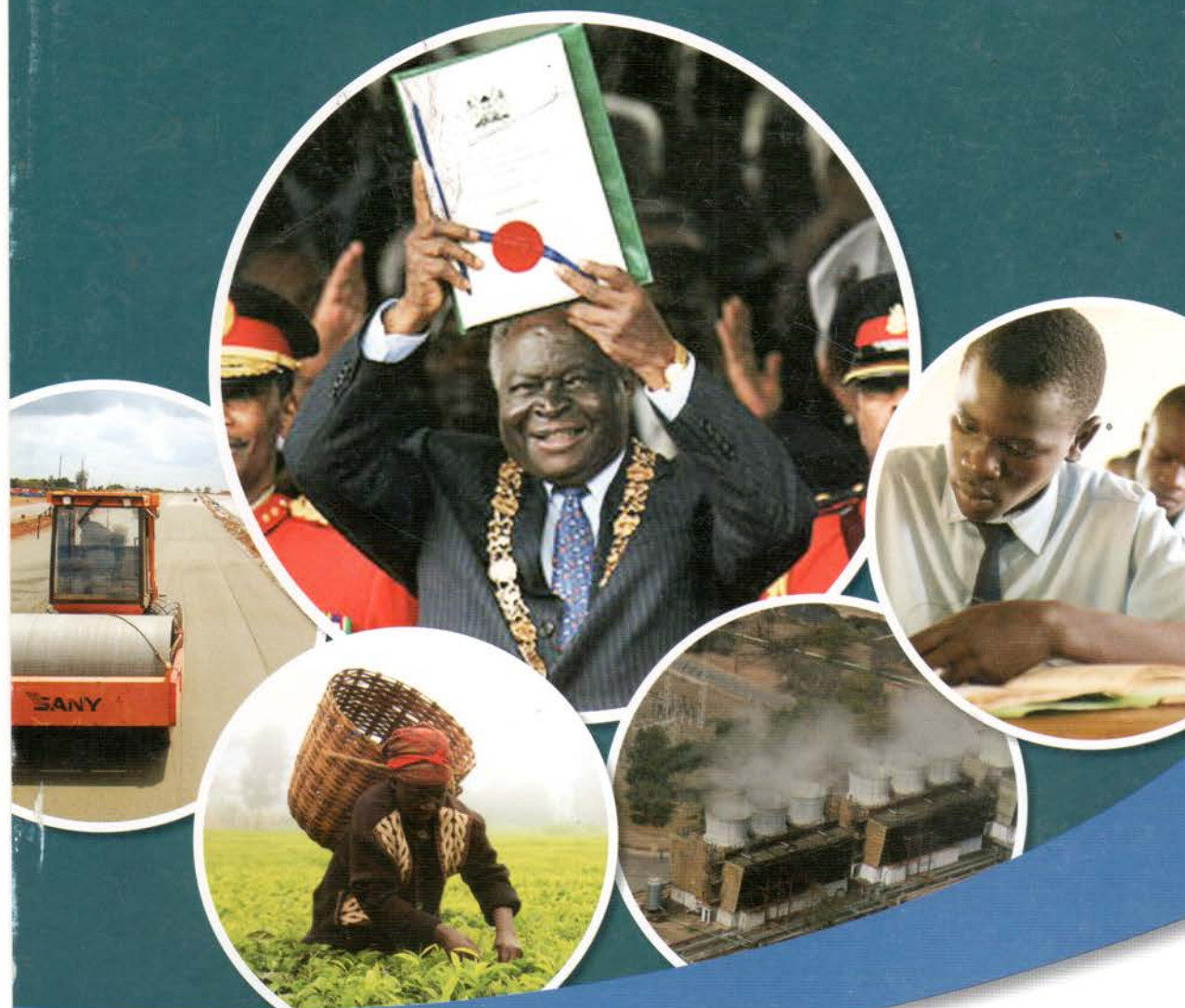


Second Annual Progress Report

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



KENYA
VISION **2030**



REPUBLIC OF KENYA

SECOND ANNUAL PROGRESS REPORT

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

**MONITORING AND EVALUATION DIRECTORATE
MINISTRY OF STATE FOR PLANNING, NATIONAL
DEVELOPMENT AND VISION 2030**

MAY 2011

Published by the Government of Kenya in May, 2011

© Government of the Republic of Kenya
Ministry of State for Planning, National Development and Vision 2030

TABLE OF CONTENTS

List of Tables	vii
List of Figures	viii
Acronyms and Abbreviations	ix
Forward	xiv
Acknowledgements	xvi
Executive Summary	xvii
CHAPTER ONE:	1
BACKGROUND	1
CHAPTER TWO: MACROECONOMIC FRAMEWORK	5
2.0 Overview	6
2.1 Overall and Sectoral Real GDP Growth Targets	6
2.1.1 Agriculture	7
2.1.2 Industry	7
2.1.3 Services	7
2.2 Performance of Key Macroeconomic Indicators	9
2.3 Employment	16
2.4 External Financing	17
2.5 Structural Reforms	18
CHAPTER THREE: FOUNDATIONS FOR NATIONAL TRANSFORMATION	21
3.1 Overview	22
3.2 Infrastructure	22
3.2.1 Policy Review and MTP Targets	22
3.2.2 Achievements	23
3.2.3 Policy, Legal and Institutional Reforms	27
3.2.4 Challenges	28
3.3 Energy	29
3.3.1 Policy Review and MTP Targets	29
3.3.2 Achievements	29
3.3.3 Policy, Legal and Institutional Reforms	31
3.3.4 Challenges	32
3.4 Science, Technology and Innovation	32
3.4.1 Policy Review and MTP Targets	32
3.4.2 Achievements	33
3.4.3 Policy, Legal and Institutional Reforms	34
3.4.4 Challenges	34
3.5 Information, Communication and Technology	35

3.5.1	Policy Review and MTP Targets	35
3.5.2	Achievements	35
3.5.3	Policy, Legal and Institutional Reforms	39
3.5.4	Challenges	39
3.6	Land Reforms	40
3.6.1	Policy Review and MTP Targets	40
3.6.2	Achievements	40
3.6.3	Policy, Legal and Institutional Reforms	41
3.6.4	Challenges	42
3.7	Public Sector Reforms and Transformation	42
3.7.1	Policy Review and MTP Targets	42
3.7.2	Achievements	43
3.7.3	Challenges	43
3.8	Labour, Human Resource and Manpower Development	44
3.8.1	Policy Review and MTP Targets	44
3.8.2	Achievements	45
3.8.3	Policy, legal and institutional reforms	47
3.8.4	Challenges	48
3.9	Security, Peace Building and Conflict Management	49
3.9.1	Policy Review and MTP Targets	49
3.9.2	Achievement	49
3.9.3	Policy, Legal and Institutional Reforms	51
3.9.4	Challenges	51
3.10	Nairobi Metropolitan Development	52
3.10.1	Policy Review and MTP Targets	52
3.10.2	Achievements	52
3.10.3	Policy, Legal and Institutional Reforms	54
3.10.4	Challenges	54
CHAPTER FOUR: ECONOMIC PILLAR		55
4.0	Overview	56
4.1	Tourism Sector	56
4.1.1	Policy Review and MTP Targets	56
4.1.2	Achievements	57
4.1.3	Challenges	59
4.2	Agriculture, Livestock and Fisheries Sector	59
4.2.1	Policy Review and MTP Targets	59
4.2.2	Achievements	60
4.2.3	Challenges	63
4.3	Manufacturing	63

4.3.1	Policy Review and MTP Targets	64
4.3.2	Achievements	64
4.3.3	Policy, Legal and Institutional Reforms	67
4.3.4	Challenges	68
4.4	Wholesale and Retail Trade Sector	68
4.4.1	Policy Review and MTP Targets	69
4.4.2	Achievements	69
4.4.3	Policy Reforms	72
4.4.4	Challenges	72
4.5	Business Process Outsourcing and Offshoring Sector	72
4.5.1	Policy Review and MTP Targets	72
4.5.2	Achievements	72
4.5.3	Policy, Legal and Institutional Reforms	74
4.5.4	Challenges	74
4.6	Financial Services Sector	75
4.6.1	Policy Review and MTP Targets	75
4.6.2	Achievements	75
4.6.3	Policy, Legal and Institutional Reforms	79
4.6.4	Challenges	79

CHAPTER FIVE: SOCIAL PILLAR

5.0	Overview	81
5.1	Education and Training Sector	82
5.1.1	Overview	82
5.1.2	Policy Review	82
5.1.3	Achievements	83
5.1.4	Challenges	90
5.2	Health Sector	92
5.2.1	Overview	92
5.2.2	Policy, Legal and Institutional Reforms	93
5.2.3	Achievements	93
5.2.4	Challenges	97
5.3	Environment and Natural Resources	97
5.3.1	Overview	97
5.3.2	Policy, Legal and Institutional Reforms	98
5.3.3	Achievements	99
5.3.4	Challenges	110
5.4	Water and Irrigation	111
5.4.1	Overview	111

5.4.2	Policy Review	111
5.4.3	Achievements	112
5.4.4	Challenges	112
5.5	Gender, Vulnerable Groups and Youth	113
5.5.1	Overview	113
5.5.2	Gender	113
5.5.3	Vulnerable Groups	115
5.5.4	Youth	118
5.6	Population, Urbanization and Housing	120
5.6.1	Population Matters under Kenya Vision 2030	120
5.6.2	The Housing Sector	121

CHAPTER SIX: THE POLITICAL PILLAR **125**

6.1	Overview	126
6.2	Policy Review and MTP Targets	126
6.3	Achievements	127
6.3.1	Constitutional Reforms	127
6.3.2	Truth, Justice and Reconciliation Commission (TJRC)	127
6.3.3	Independent Electoral Review Committee (IREC)	127
6.3.4	Commission of Inquiry into Post Election Violence (CIPEV)	128
6.3.5	National Cohesion and Integration Commission (NCIC)	129
6.4	Access to Justice	129
6.4.1	Legal Aid and Awareness Programme (NALEAP)	129
6.5	Rule of Law	130
6.5.1	National Review and Validation Forum for the Policy on Human Rights	130
6.5.2	Electoral and Political Processes	131
6.5.3	Democracy and Public Participation	131
6.5.4	Transparency and Accountability	132
6.5.5	Operationalization of the Public Complaints Standing Committee (PCSC)	133
6.5.6	Sector Wide Initiatives under the GJLOS Reform Programme	133
6.5.7	Policy, Legal and institutional reforms	133
6.5.8	Challenges	134

CHAPTER 7: NATIONAL MONITORING AND EVALUATION SYSTEMS **135**

7.1	Overview	136
7.2	The National Integrated Monitoring and Evaluation System	136
7.2.1	Targets	137

7.2.2	Achievements	137
7.3	The Role of MDAs in M&E	138
7.3.1	M & E Targets for Line Ministries	139
7.3.2	Achievements	139
7.4	Districts and other Devolved Level Monitoring and Reporting	139
7.4.1	District Targets for 2009-2010	140
7.4.2	Achievements	140
7.5	The National Economic and Social Council (NESC)	140
7.5.1	Policy Recommendations	141
7.6	Vision Delivery Board (VDB) and Vision Delivery Secretariat (VDS)	142
7.6.1	Achievements	143
CHAPTER EIGHT: CONCLUSION AND RECOMMENDATIONS		145
ANNEX		170

LIST OF TABLES

Table 2.1: Targeted and Actual Growth Rates	6
Table 2.2: Targeted and Actual Macroeconomic Indicators	9
Table 2.3: External Financing Requirements and Resources (US\$ Million)	17
Table 3.1: Performance of Selected ICT Indicators	36
Table 3.2: Progress in Implementation Police Reforms MTP (2008-2012) Flagship Projects	50
Table 4.1: Tourism Arrivals and Earnings	57
Table 4.2: Implementation Progress of The BPO Sector	73
Table 4.3: Financial Services Reforms	77
Table 5.1: Achievements on Implementation of Education Sector Flagship Projects	87
Table 5.2: Performance of Health Indicators 2009/10	94
Table 5.3: Land Use Types and Land Cover in Nzoia River Basin	101
Table 5.4: Achievements for Environment and Mineral Resources Sector: 2009/10.	105
Table 5.5: Gender Children and Social Development Indicators	117

LIST OF FIGURES

Figure 2.1: Targeted and Actual growth rate of the real GDP, 2008-2010	08
Figure 2.2: Percentage change in Overall inflation, Gross National Savings and Investment	11
Figure 2.3: Percentage change in selected financial indicators	12
Figure 2.4: Percentage change in Broad Money supply and credit to private sector	14
Figure 2.5: Performance of the External Sector	15
Figure 2.6: Targeted and Actual Jobs Created	16
Figure 3.1: Cost per Megabyte of Data Transmitted, 2007-2009/2010	36
Figure 3.2: Percentage of Population Using Internet	37
Figure 3.3: Jobs Created, Targets and Variance	45
Figure 4.1: Trend of tourism earnings (Ksh. Millions)	58
Figure 4.2: Percentage Contribution of Manufacturing Sector to the GDP	64
Figure 4.3: Performance of Wholesale and Retail Trades Sector	69
Figure 4.4: Gross Value Added of the Financial Services Sector	76

ACRONYMS AND ABBREVIATIONS

ACE	Adult and Continuing Education
ACT	Artemisinin Combination Therapy
ADB	African Development Bank
ADR	Alternate Dispute Resolution
AG	Attorney General
AIDS	Acquired Immune Deficiency Syndrome
AMS	Agricultural Mechanization Services
APR	Annual Progress Report
ASAL	Arid and Semi-Arid Land
ASCU	Agriculture Sector Coordination Unit
ATC	Agricultural Training Centres
AUSDGEA	African Union Solemn Declaration of Gender Equality in Africa
BMUs	Beach Management Unit
BOP	Balance of Payment
BPO	Business Process Outsourcing
BSPS	Business Sector Program Support
CBD	Central Business District
CCTV	Closed Circuit Television
CDF	Constituency Development Fund
CEDAW	Convention on Elimination of all forms of Discrimination Against Women
CIDC	Constituency Industrial Development Centre
CIPEV	Commission of Inquiry into Post Election Violence
CMEC	Constituency Monitoring and Evaluation Committees
COE	Committee of Experts Centre of Excellence
COMESA	Common Market for Eastern and Southern Africa
CPI	Consumer Price Index
CPPMUs	Central Project Planning and Monitoring Units
CRC	Convention of the Rights of the Child
CSDRMS	Commonwealth Secretariat Debt Recording and Management System
CSO	Civil Society Organizations
DDP	District Development Plan
DFZ	Disease Free Zone
DIT	Directorate of Industrial Training
DMECs	District Monitoring & Evaluation Committees
DRSRS	Department Of Resource Survey and Remote Sensing

EAC	East Africa Community
EASSy	East African Submarine Systems
ECDE	Early Childhood Development Education
EEZ	Economic Exclusive Zones
EFA	Education for All
EMCA	Environmental Management and Coordination Act
EPC	Export Promotion Council
EPZ	Export Processing Zones
ERC	Energy Regulation Commission
ERSWEC	Economic Recovery Strategy for Wealth and Employment Creation
ESP	Economic Stimulus Programme
EU	European Union
FDI	Foreign Direct Investment
FDSE	Free Day Secondary Education
FGM	Female Genital Mutilation
FOSA	Front Office Savings Account
FPE	Free Primary Education
GDC	Government Data Centre
GDP	Gross Domestic Product
GER	Gross Enrolment Rate
GIS	Geographical Information System
GJLOS	Governance, Justice, Law and Order Sector
GoK	Government of Kenya
GPS	Global positioning system
GRB	Gender Responsive Budgeting
HESTI	Higher Education, Science, Technology and Innovation
HIV	Human Immunodeficiency Virus
HMIS	Health Management Information Systems
HRD	Human Resource Development
HSSF	Health Sector Service Fund
ICC	International Criminal Court
ICT	Information Communication Technology
IDP	Internally Displaced Persons
IEC	Information, Education and Communication
IFMIS	Integrated Financial Management Information Systems
IIBRC	Interim Independent Boundary Review Commission
IIEC	Interim Independent Electoral Commission

ILO	International Labour Organization
IMF	International Monetary Fund
IMIS	Integrated Meteorological Information System
JICA	Japan International Collaboration Agency
JKIA	Jomo Kenyatta International Airport
JKUAT	Jomo Kenyatta University of Agriculture and Technology
KAA	Kenya Airports Authority
KCPE	Kenya Certificate of Primary Education
KCSE	Kenya Certificate of Secondary Education
KDHS	Kenya Demographic and Health Survey
KEBS	Kenya Bureau of Standards
KEMSA	Kenya Medical Supplies Agency
KENAO	Kenya National Audit Office
KEPSA	Kenya Private Sector Alliances Association
KETRACO	Kenya Electricity Transmission Company
KFA	Kenya Farmers Association
KIE	Kenya Institute of Education
KIPI	Kenya Industrial Property Institute
KIRDI	Kenya Industrial Research and Development Institute
KISE	Kenya Institute of Special Education
KLRC	Kenya Law Reform Commission
KMD	Kenya Meteorological Department
KMIS	Knowledge Management Information System
KNALS	Kenya National Adult Literacy Survey
KNBS	Kenya National Bureau of Statistics
KNEC	Kenya National Examination Council
KNFJKA	Kenya National Federation of Jua Kali Associations
KPA	Kenya Ports Authority
KPC	Kenya Pipeline Corporation
KPLC	Kenya Power and Lighting Company
KPRL	Kenya Petroleum Refineries Limited
KRA	Kenya Revenue Authority
LSK	Law Society of Kenya
M&E	Monitoring and Evaluation
M&ED	Monitoring and Evaluation Directorate
MAMER	Ministerial Annual Monitoring and Evaluation Report
MAPSKID	Master Plan for Kenya Industrial development

MDG	Millennium Development Goals
MFI	Micro Finance Institutions
MM&ECs	Ministerial Monitoring and Evaluation Committees
MoE	Ministry of Education
MoHEST	Ministry of Higher Education, Science and Technology
MoMS	Ministry of Medical Services
MoNMED	Ministry of Nairobi Metropolitan
MoPHS	Ministry of Public Health and Sanitation
MoT	Ministry of Trade
MoU	Memorandum of Understanding
MRA	Master Repurchase Agreement
MSE	Micro and Small Enterprises
MSMEsI	Micro, Small and Medium Enterprise Industries
MTP	Medium Term Plan
NACADA	National Campaign Against Drug Abuse
NALEAP	National Legal Aid Programme
NCAPD	National Coordinating Agency for Population and Development
NCIC	National Cohesion and Integration Commission
NCPB	National Cereals and Produce Board
NCPWD	National Council for Persons with Disability
NCTIP	Northern Corridor Transport Improvement Project
NIMES	National Integrated Monitoring and Evaluation System
NEMA	National Environment Management Authority
NEPAD	New Partnership for African Development
NESC	National Economic and Social Council
NHIF	National Hospital Insurance Fund
NLB	National Labour Board
NMS	National Manpower Survey
NMT	Non-Motorized Transport
NSE	Nairobi Stock Exchange
NSSF	National Social Security Fund
OSHIBA	Occupational Safety and Health Injury Benefits Authority
OVC	Orphans and Vulnerable Children
OVOP	One Village One Product
PBG	Producer Business Groups
PCBS	Port Community Based System

PCK	Productivity Centre of Kenya
PER	Public Expenditure Review
PEV	Post Election Violence
PLWHAS	People Living With HIV and AIDS
PMIS	Pensions Management Information Systems
PPOA	Public Procurement Oversight Authority
PPP	Public Private Partnership
PPSCs	Pilot Project Steering Committees
PSC	Parliamentary Select Committee ssion
PWDs	Persons With Disabilities
R&D	Research and Development
RBM	Result Based Management
RFPs	Request For Proposals
RRT	Rent Restriction Tribunal
RSIP	Road Sector Investment Plan
RTGSS	Real Time Gross Settlement System
SACCO	Savings and Credit Cooperatives Organization
SAGA	Semi-Autonomous Government Agency
SDCP	Small Holder Dairy Commercialization Program
SEZ	Special Economic Zones
SPINAP	Support Project for the Integrated National Action Plan
STI	Science Technology and Innovations
TB	Tuberculosis
TIVET	Technical, Industrial, Vocational and Entrepreneurship Training
TJRC	Truth, Justice and Reconciliation Commission
TORs	Terms of References
TSC	Teachers Service Commission
TTI	Technical Training Institute
UMR	Under-five Mortality Rate
UN	United Nations
USA	United States of America
VDB	Vision Delivery Board
VDS	Vision Delivery Secretariat
WEF	Women Enterprise Fund
YEF	Youth Enterprise Fund

FOREWORD

The Ministry of Planning, National Development and Vision 2030 issued the first Annual Progress Report of Vision 2030 in 2010. This is the second Annual Progress Report (APR) of the first Medium Term Plan (MTP) (2008-2012) of Kenya Vision 2030. Like the first Annual Progress Report, the Report, tracks the progress of implementation of the flagship projects as well as other key national policies and programmes identified under the Vision 2030 and the first MTP during the second year of its implementation, 2009/2010 financial year. In particular, the report provides an assessment of the Government's achievements and challenges experienced during the implementation of flagship projects and programmes in the 2009/2010 financial year. It also makes reference to other progress and developments made during the period July 2009 to December 2010. This is aimed at providing an up-to-date depiction of performance. The assessment is done on all the areas of interventions, namely the macro-economic framework, foundations for national transformation, economic, social and political pillars and the implementation framework of the Kenya Vision 2030 on the basis of key indicators selected by the Ministry's experts.

I am pleased to report that two years

after the launch of the *Kenya Vision 2030*; positive progress continues to be realized in the implementation of the initiatives earmarked in key policy documents. These important achievements are being made on the backdrop of a challenging international scene characterised by recession arising from the global financial crisis. On the domestic front, the country was coming out of an economic setback generated by the 2007 post-election violence. It is also evident from this report that there has been a considerable improvement in reporting and presentation of findings. At the heart of this is the concerted efforts made by the Ministry of State for Planning, National Development and Vision 2030 to build a responsive National Integrated Monitoring and Evaluation System (NIMES).

The second Annual Progress Report is founded on the gains made during the first year of implementation of the Vision 2030 and the MTP 2008-2012 that saw the country make positive strides on national healing and reconciliation that gave impetus to rapid economic growth. The efforts enabled the economy to register a growth rate of 2.6 per cent in 2009 supported by the resurgence of activities in the tourism sector and resilience in the building and construction industry. This growth rate,

though below target of 8.3 percent, represented a slight improvement over the subdued growth of 1.6 per cent realized in 2008. Implementation of Government's economic stimulus package through increased public spending on key infrastructure projects enhanced growth during the period under review 2009/2010.

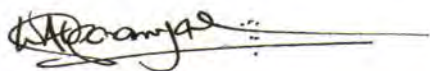
In acknowledging the broad and ambitious undertaking that the *Kenya Vision 2030* represents, this progress report indicates significant commitment of the Government of Kenya, line Ministries, Departments and Agencies, the Civil Society, Private Sector and support of bilateral and multilateral development partners.

It is important to reiterate that stronger efforts will be required to keep the momentum till 2012 and beyond if we are to fully realize the benefits of the *Kenya Vision 2030*. Ultimately it is upon all of us, Government, private sector, civil society and the citizens

of Kenya to ensure that we keep the momentum of implementation of the Kenya Vision 2030 and work tirelessly towards ensuring that Kenya attains a competitive edge and prosperity well into the future.

Kenyans have pledged themselves to achieve the aims of Vision 2030 of becoming a middle income country offering all its citizens a high quality of life in a clean and safe environment. I trust that this report will enlighten both Government and its partners and elicit more responsive and focused actions to realize the Kenya Vision 2030. The information in this report is intended to further improve on our budget preparation and policy formulation processes.

Let us safeguard our achievements and continue to look ahead with confidence by building on our strengths, addressing areas of concern, and working harder and smarter.



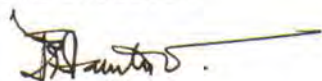
HON. WYCLIFFE AMBETSA OPARANYA, EGH, MP

Minister of State for Planning, National Development and Vision 2030

ACKNOWLEDGEMENTS

I would like to express my personal and institutional gratitude to all stakeholders, from the public and private sectors, development partners and civil society who actively participated in and contributed to the preparation of this Second Annual Progress Report on the implementation of the First Medium Term Plan 2008-2012 of the Kenya Vision 2030.

Accordingly, special recognition goes to all the technical officers from line Ministries and Districts that provided data and information that went into the report through the Ministerial Annual Monitoring and Evaluation Reports (MAMER), and the District Annual Monitoring and Evaluation Progress Reports (DAMER). I would also like to register my appreciation of the effort and active participation of the Second Annual Progress Report Technical Committee that was responsible for the data verification and analysis and the overall preparation of this report. Many stakeholders commented on the previous edition and their inputs have been incorporated into the Report. I thank them all and I look forward to continued collaboration in this endeavor.



EDWARD SAMBILI, CBS

Permanent Secretary

Ministry of State for Planning, National Development and Vision 2030

I wish to specifically mention the contribution of the Economic Planning Secretary, Mr. Stephen Wainaina and the Director of Monitoring and Evaluation Directorate, Mr. Samson Machuka, whose able leadership and supervision made the successful completion of this assignment possible. Special thanks go to Prof. Michael Chege, Prof. Wafula Masai, Dr. George Outa, Dr. John Omiti, Dr. Jacob Omolo, Mr. Hezbourne Mackobongo, Mr. Peter Orengo, Ms. Sophie Muluka and Ms. Miriam Rahedi, who demonstrated commitment in the editing and timely finalization of this Second Annual Progress Report. The list of persons, to whom the Ministry owes gratitude, is endless. I therefore take this opportunity to thank all those who, in very diverse ways, made production of this second Annual Progress Report successful.

The second Annual Progress Report can be found on both the Ministry of State for Planning, National Development and Vision 2030 website (www.planning.go.ke) and the website of the Monitoring and Evaluation Directorate (www.monitoring.go.ke).

EXECUTIVE SUMMARY

This second Annual Progress Report of the first Medium Term Plan (2008-2012) of *Kenya Vision 2030* was prepared through detailed reviews of Ministerial Annual Monitoring and Evaluation Reports (MAMERs) submitted by line Ministries, Progress Reports from various government agencies, the Handbook of National Reporting Indicators, the first Medium Term Plan (2008-2012) and the *Kenya Vision 2030* document itself. The report also incorporates inputs from Civil Society, Private Sector and Development Partners.

Like the first APR, this Report has been prepared within the framework of the National Integrated Monitoring and Evaluation System (NIMES), the Government's integrated system of monitoring and evaluation with the aim of assessing the progress made in the key performance indicators and first Medium Term Plan (2008-2012) of *Kenya Vision 2030* targets set out in the Handbook of National Reporting Indicators. Understanding these indicators in turn will help the country to respond to any perceived challenges in order to accelerate overall development in Kenya. The Second Annual Progress Report therefore assesses the progress of implementation of the Medium Term

Plan (2008-2012) of *Kenya Vision 2030* during 2009/2010 financial year, whilst making reference to other progress and developments during the period July to December 2010 so as to provide as complete a picture as possible.

The Report covers the achievements made in implementation of the MTP 2008-2012 of *Kenya Vision 2030* flagship projects as well as other key national policies and programmes, the challenges encountered during their implementation and the progress made in implementation of the National Integrated Monitoring and Evaluation System (NIMES) during 2009/2010 financial year implementation period.

This Report is structured into eight substantive chapters. Chapter One provides background information on the *Vision 2030* and the MTP (2008-2012). It also highlights the rationale for undertaking this review and preparing the APR. Chapter Two looks at the Macroeconomic framework upon which the MTP (2008-2012) is anchored while Chapter Three gives an exposition on the foundations for national transformation. Chapter Four to Chapter Six respectively present the progress of implementation of the specific interventions contained in the economic, social and political pillars of the *Kenya Vision 2030*. Chapter

Seven focuses on achievements made in the area of monitoring and evaluation. The last Chapter (Eight) contains highlights of lessons learnt during the implementation process of the various flagship projects and programmes. It also contains key policy and sector-specific recommendations that are critical to attainment of the sector targets. The following are the highlights of the findings contained in the Report.

MACROECONOMIC FRAMEWORK

Macroeconomic stability is one of the foundations on which the three pillars of Vision 2030 are anchored. Such stability is to be achieved through prudent management of macroeconomic policies from monetary, fiscal, external sector and real sector perspectives over the MTP (2008-2012) period. In addition to running appropriate fiscal and monetary policies, six key sectors of the economy were identified for special attention in terms of structural reforms to bolster the robustness of the desired macroeconomic stability. Flagship projects were selected in the six key sectors for implementation to achieve the macroeconomic stability objective over the plan period.

The broad performance of the six key sectors of the real economy, and the overall performance in the context of macroeconomic framework were a mix of improvement and

underperformance or outright deterioration when compared with the picture in 2008/2009 and with the targets that were to be reached in 2009/2010.

According to the Medium Term Plan (MTP) 2008-2012 of *Kenya Vision 2030*, the country's economy was targeted to grow at 8.3 per cent in 2009/2010, and to reach a level of 10 per cent per annum by 2012. In 2009, the economy registered a moderate growth rate of 2.6 per cent. This growth rate, though below the MTP target, represented a slight improvement over the subdued growth of 1.6 per cent realized in 2008. The dismal economic performance recorded in 2009 is attributed to the internal and external macroeconomic shocks that the country faced. These included 2007-2008 post-election violence, the global economic crisis, energy costs and high food prices. The Kenyan economy was expected to perform better in 2010 with a projected growth rate of 5.2 per cent, though still below the MTP target of 9.1 per cent. This rebound is envisaged to be supported by recovery in the agricultural sector and improved growth of the manufacturing and service sectors.

Overall inflation declined from 9.3 per cent in 2008/2009, to 3.8 per cent in 2009/2010. The 2009/2010 recorded inflation was within the MTP target of 5 per cent. The inflation decline in 2009/2010 was supported

by stability in international oil prices; prudent fiscal and monetary policies and improved food production due to favourable weather conditions. It is projected that inflation will remain within the MTP target of 5 per cent in 2010/2011 as the favourable macroeconomic conditions are expected to be sustained.

The gross national savings as a percentage of GDP declined marginally from 14.2 per cent in 2008/2009 to stand at 13.4 per cent in 2009/2010. It was however targeted to be 16.2 per cent in 2008/2009 and 18.5 per cent in 2009/2010 respectively. Investment as a proportion of GDP was expected to be at 23.2 per cent and 24.6 per cent in 2008/2009 and 2009/2010 fiscal years, respectively. However, the country realized an investment to GDP ratio of 20.3 per cent in 2008/2009 and 20.7 per cent in 2009/2010. A breakdown of the investment shows that a major portion of the investment realized during 2009 and 2010 took place in the public sector especially in **infrastructural development**. Only a small portion came from the private sector including foreign direct investment.

Revenue collection was above the MTP 2008-2012 target during the period under analysis. The total revenue collected as a proportion of GDP increased from 21.8 per cent in 2008/2009 to 22.6 per cent in 2009/2010. The recorded revenue

collection in 2009/2010 was 1.3 percentage points above the year's MTP target of 21.3 per cent. The increase in revenue collection is attributed to improved tax administration and broadening of the tax base. Similarly, the total expenditure and net lending as a percentage of GDP for 2009/2010 fiscal year was 29.3 per cent. This was 3.6 percentage points above the MTP target for the year. The increase in expenditure and net lending as a proportion of GDP is attributed to increased government expenditure on **infrastructure projects**. This is particularly so in the roads and energy sub-sectors, Constituency Development Fund (CDF) projects and programmes, and investments under the Economic Stimulus Programme (ESP).

In 2009/2010 fiscal year, the overall fiscal balance as a percentage of GDP worsened to a deficit of 6.3 up from an MTP target of a deficit of 2.9 per cent. The worsening position of the country's overall fiscal balance was attributed to the increased government expenditure on the Economic Stimulus Programme which was necessary to increase the economic growth in a recessional global economy and public projects, especially in the **infrastructure sector** as well as financing of the implementation of the New Constitution. At the same time, gross domestic debt as a proportion of the GDP increased from

23.2 per cent in 2008/2009 to 26.6 per cent in 2009/2010. The recorded levels of this indicator for 2008/2009 and 2009/2010 were above the MTP target of 20.8 per cent and 20.1 per cent, respectively.

The broad money supply declined from 17.4 per cent in 2007/2008 to 13 per cent in 2008/2009. In 2009/2010, the broad money supply increased to 23.7 per cent. These performances were against the MTP target of 17 per cent, 16.5 per cent and 16 per cent for 2007/2008, 2008/2009 and 2009/2010, respectively. The growth in broad money supply in 2009/2010 was attributed to increased economic activities during the year and sustained macroeconomic stability. Similarly, credit to the private sector registered a modest growth of 19.8 per cent in 2009/2010 from 19.7 per cent in 2008/2009. The level of credit to the private sector registered in 2009/2010 was above the year's MTP target of 16 per cent. The modest growth in the credit to private sector experienced in 2009/2010 is attributed to the increased private sector investment.

The current account, including official transfers, as a percentage of the GDP improved from a deficit of 6.6 per cent in 2008/2009 to 5 per cent in 2009/2010. The actual account balances were within the expected limits of the MTP targets. The improvement in the current account is attributed to the increased merchandise exports

especially to the Common Market for Eastern and Southern African (COMESA) countries.

The reserves or months of import cover increased marginally from 3 months of import cover attained in 2008/2009 to 3.5 months in 2009/2010, this was below the MTP target of 3.9 months and the Government has adopted a programme with IMF to boost external reserves and stabilize the currency. The total external debt as a percentage of GDP increased from 22.4 per cent in 2007/2008 to 24 per cent in 2008/2009. The external debt was above the MTP targets of 21.2 per cent and 22.5 per cent for 2007/2008 and 2008/2009, respectively. In 2009/2010, the external debt high at 22.8 per cent against the MTP target of 20.8 per cent.

The external account indicator on debt service ratio has been impressive over the period. The debt service ratio measured as a proportion of exports declined from 7.3 per cent in 2007/2008 to 4.2 per cent, in 2008/2009, and to a further 3.8 per cent in 2009/2010. The reported debt service ratios were in all instances below the MTP targets of 8.2 per cent for 2007/2008, 9.1 per cent for 2008/2009 and 10.9 per cent in 2009/2010, respectively. The decline in the debt service ratio is attributed to the improvement in the country's exports, increased reliance on concessional funding and economic growth.

The 467,300 new jobs created in 2008 were below the MTP target of 759,000. The slowdown in employment creation continued in 2009 with 445,900 new jobs being created compared to the MTP target of 787,000. Further analysis shows that 7.2 percent of the new jobs in 2008 were generated in the formal sector compared to 12.4 per cent in 2009. The trend shows reduction in the level of vulnerable employment in the country. Overall, the slowdown in employment growth in 2009 was attributed to the subdued economic growth, particularly in 2008 and 2009, effects of the global financial crises and labour market rigidities.

ECONOMIC PILLAR

The economic pillar of *Vision 2030* seeks to ensure prosperity of all Kenyans by achieving and sustaining a high economic growth rate of 10 per cent per annum. In pursuit of this goal, six productive sectors with the potential of raising annual economic growth to the desired 10 per cent level by 2012 were prioritized for special attention in the MTP (2008-2012). The sectors are tourism, agriculture and livestock, manufacturing, wholesale and retail trade, Business Process Outsourcing (BPO), and financial services. Flagship projects were identified for urgent implementation in each of the six sectors in order to acceleration contribution of the sectors to rapid growth of economic production. The general performance

of the six sectors, and the flagship projects implementation in the second year of the MTP (2008-2012) were a mix of satisfactory and under performance.

Tourism Sector

Tourism is one of the six key sectors identified to drive the 10 per cent economic growth rate envisaged in the MTP (2008-2012). **By focusing on the tourism sector, Kenya aspires to be a top ten long haul tourist destination offering a high-end, diverse, and distinctive visitor experience.** The MTP (2008-2012) prioritized development of three resort cities in Isiolo, Kilifi and Diani; premier parks initiative; under-utilised parks initiative; and development of niche tourism products as the key flagship projects. Translation of the tourism and wildlife policies into Wildlife and Tourism Act, and development of the heritage policy were also to be implemented.

The tourism sector experienced a rebound in 2009/2010. Total international tourist arrivals increased from 1.2 million in 2008 to 1.5 million in 2009, representing a growth of 23.9 per cent. The growth in arrivals was attributed to increase in the number of visitors on transit (58.7%), other visitors (56.8%) and holiday/business visitors (18.8%). The international arrivals realized in 2009 were 66.2 per cent of the target of 2.25 million set

in the MTP 2008-2012. The bed nights available also increased from 14,233.6 thousands in 2008 to 17,125.3 thousands in 2009. This was 7 per cent above the 2009/2010 MTP target of 16 million bed nights.

On the MTP flagship projects, expression of interest for the development of Isiolo Resort was advertised. A preliminary concept paper that outlines the situation analysis of Kilifi and Ukunda, their themes, boundaries and spatial plans for resort development and funding mechanisms has been prepared and a study on the transport corridor that has resort cities component has been commissioned. Two premier parks (Amboseli and Lake Nakuru National Parks) have been segmented and their entry fees raised to US\$60 as targeted in the MTP 2008-2012. Further, investors have been identified for Meru Conservation Area, Mwea, Hells Gate, Kisumu Impala and Ndere Island. Feasibility studies have also begun under the Tsavo Conservation Area under the PPP arrangement. In reforms, a draft National Tourism Policy has been prepared. The Wildlife (management and Conservation) Bill 2010 was published.

Agriculture, Livestock and Fisheries Sector

The overall goal of the sector is the attainment of food security and

increased incomes through value-addition by in-country processing of primary agricultural and livestock products. The MTP (2008-2012) therefore, seek to transform the sector and prioritized four flagship projects for implementation in the medium-term. These were enactment of the consolidated agricultural reform bill; investment in fertilizer-cost reduction; establishment of disease-free zones; and completion of Arid and Semi-Arid Lands development projects.

The slump in the agricultural sector continued in 2009 when it recorded a subdued growth rate of negative 2.7 per cent, up from negative 4.1 per cent in 2008. Consistent with the decline in agricultural output, prices of most agricultural commodities surged, leading to increase in the cost of living.

In terms of the MTP flagship projects, a comprehensive analysis of legal and regulatory framework in the agricultural sector was carried out. Further, 145,000 metric tonnes of previously procured fertilizers and 33,383 metric tonnes procured in 2009 were distributed to farmers. This was against the MTP target of 200,000 metric tonnes. At the same time, a proposal on fertilizer manufacturing was drafted and sent to various organizations for funding. To consolidate these efforts, a Fertilizer Management Committee was formed and held two meetings in 2009. The

government allocated Ksh. 71 million in 2010/2011 fiscal year towards a feasibility study on the establishment of a fertilizer manufacturing plant. During the year under review, electronic animal identification was piloted and 302 stakeholders sensitized. An appraisal of Laikipia-Isiolo complex zone as Disease Free Zone was done. Environmental impact assessment of zoning and drafting of zonal policy legislation have also been commenced. Four draft bills on the proposed reforms were also developed and a draft Cabinet Memo prepared. About 480 fish ponds were constructed under the Economic Stimulus Programme (ESP).

Manufacturing Sector

The MTP (2008-2012) envisions a robust, diversified and competitive manufacturing sector. To achieve this, the policy blueprint prioritized the development of two Special Economic Zones (SEZs), and five Small and Medium Enterprise parks. The contribution of the manufacturing sector to the GDP increased marginally from 10.4 per cent in 2007 to 10.6 per cent in 2008. It then declined by about one percentage point to 9.5 per cent in 2009. The MTP (2008-2012) envisaged the contribution of the manufacturing sector to the country's GDP to increase by at least 10 per cent per annum. The sector performance has, thus, continued to drift away from the MTP targets.

On the MTP (2008 – 2012) flagship projects, a Cabinet memo on bilateral co-operation with the Government of Singapore on the development of manufacturing and industrial zones has been drafted and a Memorandum of Understanding (MOU) was signed in February 2010. Eight, "One Village One Product" District committees were formed. Thirty prototype arc welding machines were developed through reverse engineering under the 4-K MSE 2030 initiative. In addition, a draft policy on subcontracting has been developed and business matching done between twenty three micro, small and medium enterprises, with large enterprises. A prototype Constituency Industrial Development Centre has also been designed and 179 sheds are at various levels of construction in some of the country's 210 constituencies. A project potential profile for each of the 210 constituencies has been developed. Finally, a master plan for Kenya Industrial Development has been developed, launched and is being implemented.

Wholesale and Retail Trade Sector

The MTP (2008-2012) identifies short and medium-term programmes that need to be implemented if the wholesale, retail and trade sector is to realize its aspirations. In 2009/2010, the MTP prioritized building of a free trade port in Mombasa; establishment of at least 10 hubs and 1,000-1,500

producer business groups, starting with a pilot in Maragua; and building of at least 10 tier one market, starting with a pilot project in Athi-River. Other flagship projects were construction of wholesale and retail hawkers' market in selected urban areas; development and institutionalization of capacity building and training programmes on technology and business procurement negotiations skills for the traders associations and their members; promotion of business linkage and subcontracting programme; supporting and promoting development of co-operative organizations; and establishment and strengthening of informal traders' associations to form SACCOs.

The wholesale and retail trade sector has experienced a mixed growth pattern over time, where periods of positive growth have been interspersed with periods of negative growth and subdued performance. Noticeable progress was made in the implementation of the various flagship projects and programmes that were lined up for the sector. A Steering Committee comprising members from both the public and private sectors was formed to coordinate the process of construction of the wholesale and retail markets. In addition, a concept paper on the same was developed, and Ministries have been requested to provide suitable land for construction of the markets in the identified areas.

A situational analysis on producer business groups was carried out in Central and Eastern provinces and needs of 100 business producer groups identified during the period under review. Further, branding of locally manufactured export products was done and a funding proposal to support the setting up of a product design and development Centre prepared and submitted to various development partners for consideration. Also, producers of handicrafts were trained in product design and development. Studies are also ongoing in Samburu and Wajir districts to facilitate the profiling of production of handicrafts by women and the youth. A concept note and a Cabinet Memo on the establishment of the Export Development Fund have been prepared. A draft policy on establishment of SEZs and a Bill to provide the legal and institutional framework for the SEZs has been prepared while profiling and surveying of land for the establishment of SEZs is in progress.

Business Process Outsourcing Sector

The *Kenya Vision 2030* and the MTP (2008-2012) envisages Kenya to be "the top off-shoring destination for Africa". Five flagship projects have been identified in the MTP to facilitate achievement of these milestones. The flagship projects are establishment of a BPO park at the Athi-River Export Processing Zones (EPZs); undertaking

marketing campaigns; conducting targeted training programmes; development of a BPO incentive framework; and formulation of BPO and Contract Centre (CC) policy. In 2009/2010, the sector was expected to lay 5,000 kilometres of sub-marine fibre-optic and 5,500 kilometres of terrestrial fibre-optic cables. In addition, the sector was expected to develop five Information and Communication Technology (ICT) policies.

During the review period, the Government completed the purchase of 5,000 acres of land for construction of the Malili Technopolis and an environmental impact assessment has been completed. Additionally, 619 BPO jobs were created; 5,000km undersea fibre optic and 5,500 km of terrestrial fibre optic cables were laid and are fully operational; 1,341 youths were trained in BPO and entrepreneurship skills; 135 institutions connected; 10 digital villages established; and 38 BPO operators granted bandwidth subsidies.

Financial Services Reforms

Financial services play a critical role in the development of the country by providing intermediation between saving and investments. The key targets for the financial services sector in 2009/2010 were review of the banking sector legal and regulatory frameworks, enactment of the Crime

and Money Laundering (Prevention) Bill, and establishment of credit reference bureaus. During the period under review, the Banking Act was amended; a real time gross settlement (RTGS) system introduced; Anti-Money Laundering Act enacted and banking (credit reference bureaus) regulations, 2010 was operationalized.

FOUNDATIONS FOR NATIONAL TRANSFORMATION

The Kenya Government recognizes the need for anchoring the *Kenya Vision 2030* on solid foundations if it has to effectively drive, influence and realize the economic, social and political transformation of the country. Improved and expanded infrastructure; energy; information communication; science, technology and innovations; land reforms; human resource; security, peace building and conflict management; public sector reforms and Nairobi Metropolitan Development are key enablers for national transformation. The achievements realized in these areas during the period under review were:

Infrastructure

The key targets for infrastructure development in 2009/10 included implementation of the first national spatial plan and national integration transport master plan; development of a new transport corridor to southern Sudan and Ethiopia and fast tracking

the implementation of the national road safety action plan; development of road maintenance and management system, establishment of rapid bus transportation system and light rail for Nairobi and its suburbs. In this respect; the national road safety programme is being implemented; the integrated national transport policy was presented to Cabinet and approved; the construction of Lamu-Sudan-Ethiopia transport corridor is at feasibility study Phase and tendering for construction in process; modernization of Jomo Kenyatta International Airport, improvement of Kisumu International Airport and Wilson Airports and rehabilitation of 10 airstrips across the country are in progress; and construction, rehabilitation and maintenance of major and regional roads such as Nairobi-Thika Road, Nairobi Bypass and the Northern Corridor are ongoing.

Energy Sector

The interventions in the energy sector are designed to provide adequate, quality, reliable and affordable energy. The 2009/2010 MTP targets for the sector were to increase the country's power generating capacity by 1,516Mw, increase the number of Kenyan households with electricity connections by 27 percent and mobilise private sector capital for generation of electricity, especially from renewable energy sources. During the period

under review, the third unit of Olkaria II was constructed and is generating an additional 35Mw. Further, various alternative sources of energy were explored and contracts procured for Sangoro Hydro Power Station and coal-fired power plant at Mombasa. Besides, 27,561 new customers were connected and 228 public institutions were installed with solar electricity generators. Additionally, restructuring of the energy production and delivery system in the country led to the creation of Rural Electrification Authority and Kenya Geothermal Development Company amongst others.

Science, Technology and Innovation Sector

This sector seeks to achieve key objectives of enhanced access, equity, relevance and quality of outcomes in Higher Education, Science, Technology and Innovation (HESTI). During the period under review, the sector focused on strengthening the technical capacities and capabilities of Science Technology and Innovation, UE and TIVET institutions and systems; developing a core mass of highly skilled human resources; intensifying innovation in priority sectors including setting up a functional National Innovation System; and enhancing awareness of policy makers, implementers and beneficiaries on the role of knowledge in promoting productivity and competitiveness. The milestones achieved during the

reporting period are that 14,000 students in TIVET Institutions were awarded bursaries. A research fund was also established, operationalized and research grants disbursed to selected research institutions. Further, a national Scientific Conference aimed at popularizing STI was organized. At the same time, 11 Technical Training Institutions were funded to procure equipment. This was in a bid to transform them into centres of excellence. Consultations on one/single University Education Bill were also initiated during the period under review.

Information Communication Technology Sector

This sector is one of the country's major drivers of achieving *Vision 2030*. It acts as a catalyst for improving the country's socio-economic development in general and the welfare of the population in particular. The 2009/2010 MTP targets for the sector were improvement of telecommunications infrastructure by reducing the cost per Megabyte of data transmitted to Kshs. 2,000; increasing the number of households with access to radios and TVs to 97 per cent and 90 per cent, respectively; and improving access to ICT countrywide by ensuring 50 per cent of the population have mobile phones and 13 per cent use internet. Others were to: develop five ICT policies; roll out biometric passport systems in Kisumu, Mombasa

and Eldoret, establish 210 digital villages; and connect two learning, social and government institutions with broadband support system. A lot of progress was made towards realization of these targets. The cost per Megabyte of data transmitted was, for example, reduced from Kshs. 2,500 charged in 2008/2009 to Kshs. 500 in 2009/2010. The number of households with access to radios and TVs stood at 74 per cent and 28 per cent; and the number of households with access to mobile phones and internet facilities were 63.2 per cent and 3.6 per cent, respectively.

Land Reforms

Land plays a significant role in promoting social, economic and political development. Accessibility to land remains a key aspect of the MTP (2008-2012) and critical ingredient in achievement of Vision 2030 goals. The 2009/2010 MTP targets for the sector were to modernize land registries, preparation of the National Spatial Plan, establishment of a National Land Information Management System, development of National Land Use Master Plan, and implementation of a land ownership documents replacement programme. The following were accomplished during the period;

- (i) Five land registry offices constructed, eleven were rehabilitated and construction of

two land registry offices in Isiolo and Kitale initiated.

- (ii) A total of 125,000 land records and 61,000 cadastral survey plans were scanned and safeguarded.
- (iii) A report on harmonization of land reference numbers has been prepared and models of integration developed. The terms of reference for development of the National Land Information Management System (NLIMS) is also being developed; and
- (iv) 126 topographical maps sheets database and 10 topographical maps for extended Nairobi Metropolitan area were updated. In addition, thematic maps for the proposed Nairobi Metropolitan and Nairobi Wetlands (riparian areas) were prepared.

Labour, Human Resource and Manpower Development Sector

Kenya aspires to become a globally competitive country offering high quality of life to all its citizens by 2030. Attainment of this vision hinges on the extent to which the country is able to create a competitive and adaptive human resource base to meet the requirements of a rapidly industrializing and globalizing economy. Indeed, all the three pillars of *Kenya Vision 2030* (economic, social and political) are anchored on the existence of a skilful, productive, competitive and adaptive

human resource base. Effective human resource planning, development and utilization are, therefore, imperative for achievement of Vision 2030 goals. The 2009/2010 MTP target for the sector was the creation of 787,000 jobs; settlement of 70 per cent of the industrial disputes reported; and upgrading of additional 80 MSE worksites. In addition, the sector was to place 9,500 trainees on industrial attachment, train 5,500 students in relevant industrial skills, improve productivity in 10 companies, train 65 productivity technical service providers, conduct pilot National Manpower Survey, prepare and submit an MSE Bill and a National Occupational Safety and Health policy to the Cabinet. Key achievements realized were:

- (i) A total of 445,900 jobs were created
- (ii) A total of 9,773 students were placed on industrial attachment
- (iii) A total of 5,636 students were trained in various industrial skills
- (iv) Productivity improvement undertaken in 10 companies
- (v) A total of 70 productivity service providers were trained
- (vi) A total of 32 MSE worksites were rehabilitated.
- (vii) A total of 11,400 (74.9 per cent)

disputes were reported resolved and 479 Trade Dispute Awards announced.

- (viii) Pilot National Manpower Survey conducted and
- (ix) A total of 5 industrial training centres were rehabilitated

Security, Peace Building and Conflict Management Sector

The role of security, peace building and conflict management in promoting global competitiveness and national development cannot be gainsaid. Indeed, the economic, social and political pillars of the *Kenya Vision 2030* are grounded on the existence of security, peace and tranquillity. The 2009/2010 MTP target for the sector were establishment and equipping of a forensic laboratory; installation of surveillance cameras in Nairobi, Mombasa, Nakuru and Kisumu; improvement of police staff housing; and security and policing reforms. Other reforms to be implemented were to target the prison service, starting with reduction of the number of suspects in remand homes, improved training and working conditions for prison staff; and the reorientation of the Kenya prisons service to focus on correctional activities. The achievements recorded by the sector were:

- (x) 800,000 ten print forms (P20s) which can now be linked

with corresponding criminal attributes forms (C8s) through Bar Codes and PIN were developed;

- (xi) Hydrocarbon Detectors, Electrolytic Restoration Enhancers, Darkroom latent fingerprint developer, Alternative light sources and Forensic Chemicals acquired;
- (xii) Digital Printers QSS 3300 has been installed and in operation;
- (xiii) Security Identification Machine and 2 printers installed and are operational;
- (xiv) A bomb laboratory that is already in operation.
- (xv) 1,615 housing units for the Kenya Police and 1,478 units for the Administration Police were completed;
- (xvi) On-going construction of 1,754 housing units for police staff;
- (xvii) Community Policing Policy harmonized and rolled out in 271 districts and;
- (xviii) Police Reforms Implementation Committee (PRIC) has been established.

SOCIAL PILLAR

The main sectors under this pillar include education and training, health,

water and irrigation, environment, housing and urbanization, gender, sports, youth and culture.

Education and Training

The main goal of the education sector is to improve access to quality education and training for sustainable development. The 2009/2010 MTP targets for education and training sector were the construction and equipping of 560 secondary schools; expansion and rehabilitation of existing schools; recruitment of 12,600 additional teachers; establishment and implementation of a computer supply programme; construction and rehabilitation of at least one boarding primary school in each constituency in arid and semi-arid lands; and establishment of a voucher feeding programme in five of the poorest districts.

During the period under review, 2009/2010, the net enrolment rates in pre-primary schools increased from 43 per cent in 2008 to 49 per cent in 2009. Admissions to primary schools increased from 92.5 per cent in 2008 to 92.9 in 2009, while for secondary schools the net enrolment rates increased from 28.9 per cent to 35.8 per cent. At the same time, a number of activities were undertaken through the Economic Stimulus Programme. In this respect, a total of Kshs. 6 billion was disbursed to 200 secondary schools for construction/rehabilitation

works. This was meant to facilitate transformation of the schools into centres of excellence. In addition, two primary schools in each constituency were identified to benefit from Kshs. 3.5 million for construction/rehabilitation of physical facilities. A National Schools' Rehabilitation Fund was also established with an initial allocation of Kshs. 278 million. These funds benefitted Mangu High School (Kshs. 128 million) and Maseno School (Kshs. 150 million). Other achievements included:

- (i) Construction of 560 secondary schools which is ongoing
- (ii) A total of Kshs. 6.3 billion disbursed to 355 secondary schools to transform the schools into centers of excellence.
- (iii) Kshs. 544,122,000 disbursed to 31 districts in arid and semi-arid lands for construction of primary schools.
- (iv) 420 primary schools were allocated Kshs. 3.5 million each under the Economic Stimulus Programme to rehabilitate and transform them into model primary schools.
- (v) Voucher feeding programme in 5 poorest districts is under preparation
- (vi) 18,060 teachers were recruited on contract terms.

Health

The health sector aims at providing quality and affordable health care to all citizens. The 2009/2010 MTP targets for the sector were improvement of access to quality reproductive health, family planning and gender-based **anti-violence** services; finalization of gazettelement of the Health Sector Services Fund, training and development of management resources that are precursor to channelling of funds directly to health centres and dispensaries through the Health Sector Service Fund (HSSF); rehabilitation of rural health facilities to enable provision of integrated and comprehensive health care by constructing 200 model health centres and recruiting 3,866 nurses countrywide under the Economic Stimulus Programme; and development of a human resource strategy for health sector. Others were development of a policy framework for public-private-partnerships; development of a financing strategy for the entire health sector; and review of National Social Health Insurance Fund to be in line with a wider-based financing strategy for primary health care.

There were marked improvements in the health outcomes. These included improvement in under-five mortality rates from 92 per 1,000 live births in 2007 to 74 per 1,000 live births in 2009. This milestone was lower than

the year's MTP target of 55 deaths per 1,000 live births. Immunization coverage improved from 71 per cent to 77 per cent. Maternal mortality rates, however, deteriorated to 488 deaths per 100,000 births in 2009 up from 417 per 100,000 births in 2007. Along the same lines, nine hospitals were completed and 44 are at various stages of implementation as part of the interventions to offer integrated and comprehensive healthcare. In addition, construction of one model health centre and recruitment of 20 nurses per constituency under the same initiative is almost completed. Towards this end, 200 health centres in 200 constituencies were each allocated Kshs. 20 million under the Economic Stimulus Programme to rehabilitate and turn them into model facilities. A total of 3,866 nurses were also employed under the same programme during the period under review. Other achievements were:

- (i) A draft Health Policy Framework has been prepared
- (ii) Human Resources Strategy has been prepared and is being implemented
- (iii) Output Based Approach (OBA) rolled out to 64 new health facilities
- (iv) Guidelines for management of Health Sector Service Fund and gazettelement of the same at national and sub national levels,

has been done. Disbursement of the Fund to health facilities has begun

Environment and Natural Resources

Sustainable management of environment and natural resources is critical for long-term growth and development. During the period under review, 2009/2010, an additional Airport Weather Observation Station (AWOS) was installed at Wilson Airport bringing the total number of AWOS installed to three. Further, three new seismic stations were acquired. These are in addition to the four tidal gauges with meteorological sensors that had been acquired earlier. The three new stations are yet to be installed at Kibwezi, Lodwar and Voi. These initiatives are aimed at fostering a multi-hazard approach to disaster management. To rehabilitate and restore Nairobi river basin, 4,000 fast growing indigenous tree seedlings were planted on various sections of the river. These included Kangemi, Kijabe Street, Grogan, Gikomba, Shauri Moyo, Hazina Korogocho, Huruma, Bahati, and Laini Saba. Further, the river channel was de-silted resulting in free flow of water and less loss of soil from the riparian land. Direct flow of water in the riparian land was also reduced by cutting off drains while the riverbank was stabilised by construction of gabions.

Housing

Housing units under the civil servants housing scheme are at various stages of completion. The construction of 600 housing units at the Kibera Decamping site was completed during the review period.

Gender, Vulnerable Groups and Youth

The sector aims at achieving gender equity in social, economic and political spheres. It also envisions improvement in the livelihoods of the society, particularly the vulnerable groups. The MTP target for the sector in 2009/2010 were gender mainstreaming, implementation of affirmative action policies by ensuring women have at least 30 per cent representation at all levels, and implementation of the Women Enterprise Fund. Remarkable progress was made in realizing these targets. During the year under review, the sector provided Orphaned and Vulnerable Children cash transfers of Kshs. 1,500 per month to 82,362 households out of the targeted 85,000 for the year. During the same period, 33,000 households with aged persons (65 and above) were supported in 44 districts. At the same time, 98,173 women accessed loans under the Women Enterprise Fund, while 1,875 women entrepreneurs were trained. To enhance youth development, 105 youth polytechnics were equipped with a set of tools while six Youth Empowerment Centres were constructed. Further, 23,995 youths

were engaged through the trees for Jobs program as part of the *Kazi Kwa Vijana* Programme. Proposals on establishment of Gender, Research and Documentation Centre have also been developed.

POLITICAL PILLAR

This pillar envisions a democratic political system that is issue-based, people-centred, result oriented and accountable to the public. The 2009/2010 MTP target for the political pillar was:

- (i) Finalize draft new constitution and present it to the public through a national referendum
- (ii) Operationalize the Truth, Justice and Reconciliation Commission
- (iii) Facilitate the implementation of Interim Boundaries Review Commission and CIPEV recommendations.
- (iv) Facilitate establishment and operationalization of national cohesion and integration commission
- (v) Continue with the implementation of the pilot legal aid awareness programme

The following achievements were made in the political pillar

- (i) The draft New Constitution went through a referendum

and was promulgated on 27th August 2010.

- (ii) The Truth, Justice and Reconciliation Commission has been set up and its work is progressing
- (iii) The Interim Independent Electoral Commission created a new voter register and developed a modern system of collecting, collating, transmitting and tallying electoral data. It held, successfully, by-elections in Shinyalu, Bomachoge, South Mugirango, Wajir, Starehe, Juja and Makadara.
- (iv) The National Cohesion and Integration Commission was operationalized.
- (v) Legal aid and awareness programme operated six legal aid pilot projects. Advocates were recruited in the 6 regions to take up cases on voluntary basis.

NATIONAL MONITORING AND EVALUATION SYSTEMS

The National Integrated Monitoring and Evaluation Management System is intended to improve the *monitoring and evaluation* of all government policies and programmes in the country. This system was launched in 2004. It has facilitated the Ministry

of State for Planning, National Development and Vision 2030 to track progress made against Medium Term Plan 2008-2012 sectors. A draft Monitoring and Evaluation policy has also been prepared. This policy is expected to provide operational guidelines and legal framework for coordination and implementation of the monitoring functions.

The Government, through the Monitoring and Evaluation Directorate, has consistently been preparing Annual Progress Reports, Public Expenditure Review Reports and District Annual Monitoring and Evaluation Reports as part of the broad framework for promoting and deepening monitoring, evaluation and reporting in the Government. A Master Plan for the coordination of

National Integrated Monitoring and Evaluation Management System has also been prepared.

Further, guidelines and/or standards document for preparation, appraisal, monitoring and evaluation of development projects has been prepared through a consultative process. The document is already being used by the line ministries. A National Indicators Handbook for reporting on Government programmes and/or projects was prepared through a consultative process. The same has been distributed to line Ministries for their use. During the period, a Public Expenditure Review for 2010 was finalised and launched. Backstopping of the National Integrated Monitoring and Evaluation System at the national and regional levels is on-going.



CHAPTER ONE BACKGROUND



KENYA VISION 2030

Kenya Vision 2030 is the country's long term national development blueprint.

Kenya Vision 2030 is the long term development blueprint for the country. It aims at making Kenya a newly industrialized, middle-income country providing a high quality of life to all its citizens by the year 2030. The Vision is anchored on three pillars: economic, social and political. The economic pillar aims at ensuring prosperity for all Kenyans through an economic development programme. This programme seeks to achieve a high and sustained economic growth rate of 10 per cent per year up to 2030. The social pillar seeks to build a just, cohesive and equitable society living in a clean and secure environment. The objective of the political pillar is to have a democratic political system that respects the rule of law and offers protection of the rights and freedom of all individuals in society. The economic, social and political pillars of the Vision 2030 are based on macroeconomic stability; continuity of reforms in governance; enhanced equity and more wealth creation opportunities for all citizens; and infrastructural development. Kenya Vision 2030 also seeks to achieve improvement in the energy sector; exploit science, technology and innovation; carry out land reforms; expand labour and human resource development; manage security through peace building and conflict resolution; and promote public sector reforms and transformation.

To operationalize the Vision 2030, the Kenya Government developed the Medium Term Plan (2008-2012), through a participatory and consultative process. The Medium Term Plan (2008-2012) is the first of a series of successive 5 year plans which will implement the *Kenya Vision 2030*. The MTP (2008-2012) contains flagship projects identified under the Vision 2030 as well as other key national policies and programmes to be implemented over the plan period. The MTP (2008-2012) calls for increased levels of savings and investments to facilitate envisaged growth and development by 2012. The plan also places emphasis on faster job creation, poverty reduction, improved income distribution, regional balance and gender equity. It also identifies policy, legal and institutional reforms needed to facilitate implementation of the various programmes and projects over the plan period. A large part of financing for the plan is expected to come from the private sector through the Public-Private Partnerships (PPP).

During the MTP 2008-2012 to-date, the Government has also implemented an Economic Stimulus Programme (ESP) as a short to medium-term, high intensity, high impact programme aimed at jump-starting the economy towards long-term growth and development. The ESP also aimed at providing security for the livelihoods of Kenyans and addressing the challenges

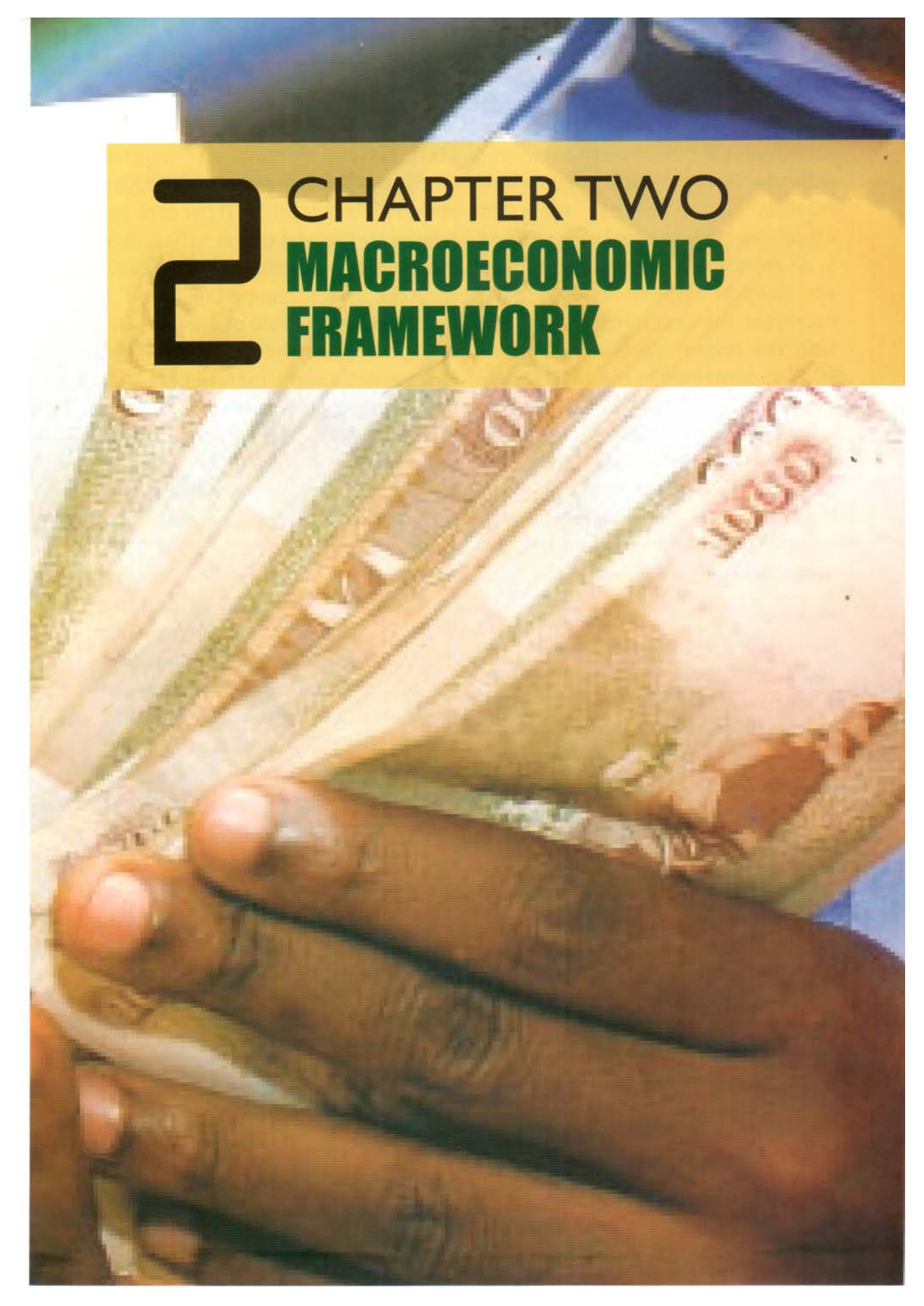
of regional and inter-generational inequity. The ESP focused on sectors that were expected to generate maximum benefit, restore confidence of Kenyans and assist the business community to weather the period of poor economic growth, while creating employment, especially for the youth. The ESP covered all regions of the country. Key activities financed under the ESP were expansion of irrigation-based agriculture; construction of wholesale and fresh produce markets; construction of fish ponds; *Jua-Kali* sheds and tree planting. Others activities were construction of social infrastructure and projects to develop human resources.

To monitor and strengthen implementation of the *Kenya Vision 2030* MTP (2008-2012) and the ESP, the Government through the Ministry of State for Planning, National Development and Vision 2030 initiated an Annual Progress Reporting (APR) system. The APR seeks to track progress of implementation of the MTP (2008-2012) and the steps taken to achieve

Vision 2030 objectives. This is the Second APR on the implementation of the MTP (2008-2012) of *Kenya Vision 2030*. The first APR of the MTP covered the period 2008/2009 of implementation of *Kenya Vision 2030*. This APR reviews benchmarks, targets, outputs and outcomes. It also assesses the progress achieved in the second year of implementation of policy reforms, flagship projects and other programmes at the national and sub-national levels. In particular, the second APR provides an assessment of the achievements and challenges encountered in implementation of the flagship projects and programmes during the 2009/10 financial year. The report makes reference to other progress and developments made during the period July 2009 to December 2010. This is aimed at providing an up-to-date picture of performance. Furthermore, the APR contains a policy review of specific interventions. The report documents progress made in the implementation of the MTP (2008-2012) as well as the challenges encountered.



Kenya Shilling exchanging hands



2 CHAPTER TWO MACROECONOMIC FRAMEWORK

2.0 Overview

Kenya aspires to achieve a high and sustained economic growth consistent with the Government's employment creation and poverty reduction objectives. This can only be realized in an environment of macroeconomic and political stability. In 2009/2010 fiscal year, the Government continued with the reform agenda initiated in 2008 as contained in the MTP (2008-2012) but with a low real GDP growth starting point, the recovery has been gradual and the initial targets of the MTP proved far too ambitious. In 2008/2009, the macroeconomic situation was adversely affected by the global economic crisis.

However, the countercyclical macroeconomic policies such as ESP and accommodative monetary policy adopted by the Government have succeeded in stimulating the growth and avoiding recession. The progress of implementation and achievement of the key macroeconomic framework areas are explained below.

Growth Targets

When the Vision 2030 was launched in 2008, Kenya's economy was targeted to grow at 8.3 per cent in 2009/2010 and to reach a level of 10 per cent per annum by the end of the MTP (2008-2012) implementation period, 2012. In 2009, the economy registered a moderate growth rate of 2.6 per cent. This growth rate, though below target, represented a slight improvement over the subdued growth of 1.6 per cent realized in 2008. The dismal economic performance recorded in 2009 is attributed to the internal and external macroeconomic shocks that the country faced following the 2007-2008 post-election violence. The Kenyan economy was expected to perform better in 2010 with a projected growth rate of 5.2 per cent. This rebound was pegged on the envisaged recovery in the agricultural sector and improved growth of the manufacturing and service sectors and the improved global economic recovery. Table 2.1 gives a summary of the targeted and actual growth rates realized over the period 2008-2010.

2.1 Overall and Sectoral Real GDP

Table 2.1: Targeted and Actual Growth Rates

Sector/Year	2008		2009		2010
	Target	Actual	Target	Actual	Target
Overall	6.2	1.6	8.3	2.6	9.1
Agriculture	3.1	-4.1	8.1	-2.7	6.0
Industry	5.1	4.9	9.3	2.4	10.2
Services	5.3	2.6	8.0	4.3	9.6

Source: Economic Survey, 2010 and MTP 2008 - 2012

2.1.1 Agriculture

The agricultural sector continued with the negative growth rate trend in 2009. As illustrated in Table 2.1, the sector registered a growth rate of negative 2.7 per cent against an MTP target of positive 8.1 per cent. This represented an improvement of 1.4 percentage points over the 2008 growth rate of negative 4.1 per cent. The dismal performance of the sector was attributed to severe drought in 2009, coupled with the effects of the global financial crisis, high fuel and food prices. The agricultural sector was projected to grow by 6 per cent in 2010.

Improved implementation of policy initiatives in the agricultural sector will ensure sustained growth of the sector in 2010. Some of the policy initiatives being considered to spur growth in the sector include legal and policy reforms in the agricultural sector, reduction in cost of fertilisers, increased investment in irrigation projects and setting up of disease-free zones in arid and semi-arid areas. Continued investments in agriculture will require a complex mix of factors. These include facilitating access to inputs and credit, increased utilization and absorption of outputs of research and innovations and provision of agricultural information. Other interventions will be improvement of socio-economic infrastructure, functional and efficient institutions and

maintenance of a stable and predictable macroeconomic environment, and continued implementation of the Constitution.

2.1.2 Industry

Table 2.1 shows that the industrial sector recorded a reduced growth rate of 2.4 per cent in 2009 compared to 4.9 per cent realised in 2008 and below the 2009 MTP target of 9.3 per cent. The sector was expected to register a growth rate of 10.2 per cent in 2010. The slowed performance of the sector is particularly attributed to the deceleration in the performance of some of the key sub-sectors of industry. Performance of the mining and quarrying sub-sector, for example, plummeted from 2.9 per cent in 2008 to negative 4.2 per cent in 2009 while electricity and water supply contracted from 5.4 per cent in 2008 to negative 3.1 per cent in 2009. The negative growth rates in these key sub-sectors of the industrial segment masked the improved performance of the construction sub-sector of 14.1 per cent in 2009, up from 8.2 per cent in 2008.

2.1.3 Services

The services sector registered improved growth of 4.3 per cent in 2009 compared to 2.6 per cent in 2008. As shown in Table 2.1, the sector's performance was in all instances lower than the MTP targets of 5.3 and 8 per

cent 2008 and 2009, respectively. The sub-sector growth in 2009, represents a 78.9 percentage point increase during the period under review. The impressive growth in services sector was supported by the recovery of the hotels and restaurants sub-sector. At the same time, transport

and communication sub-sector also registered improved growth of 6.4 per cent in 2009, compared to 3.1 per cent in 2008. Figure 2.1 shows targeted and actual growth rates in overall and sectoral GDPs over the period 2008-2010.

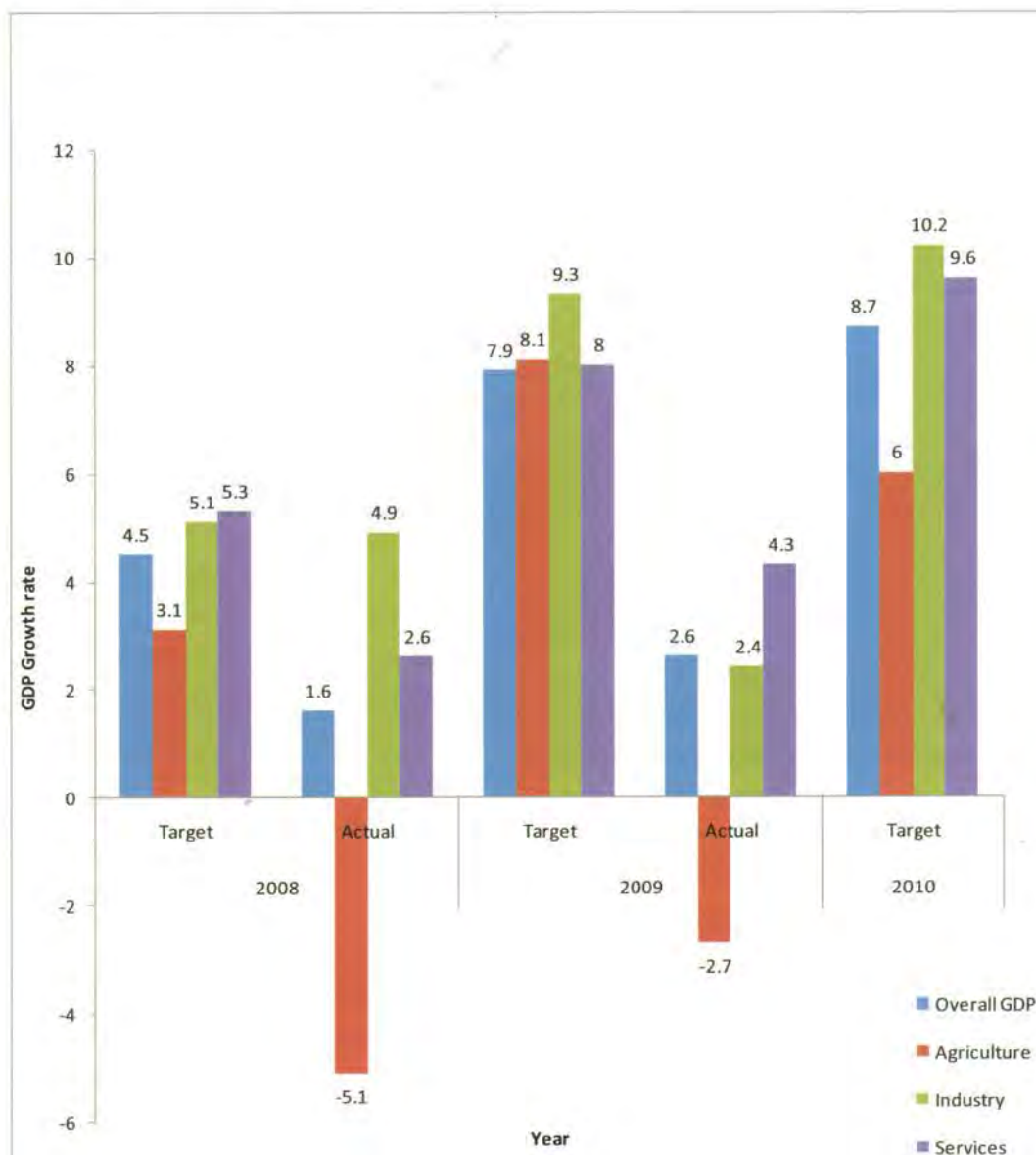


Figure 2.1: Targeted and Actual growth rate of the real GDP, 2008-2010

2.2 Performance of Key Macroeconomic Indicators

Table 2.2 shows that the rate of growth in the country's Gross Domestic Product (GDP) slowed from 7 per cent in 2007/2008 to 1.6 per cent in 2008/2009. In 2009/2010, the economy grew by 2.6 per cent. The recorded growth rates in 2008/2009 and 2009/2010 were in all instances lower than the MTP targets of 6.2 and 8.3 per cent for 2008/2009 and 2009/2010, respectively. The improvement in economic performance during the period under review is attributed largely to growth in tourism, and transport and communication sectors.

Overall inflation declined from 9.3 per cent to 3.8 per cent in 2008/2009 and 2009/2010 respectively. The 2009/2010 recorded inflation was within the MTP target of 5.0 per cent. The decline in inflation rate to 3.8 per cent in 2009/10 was supported by stability in international oil prices; prudent fiscal and monetary policies; and improved food production due to favourable weather conditions and change in methodology for computation of the Consumer Price Index (CPI). It is projected that inflation will remain below the MTP target of 5.0 percent in 2010/2011 if the favourable macroeconomic conditions achieved in 2009/2010 are sustained.

Table 2.2: Targeted and Actual Macroeconomic Indicators

Macroeconomic Indicators	2007/2008		2008/2009		2009/2010	
National Accounts and Prices (% change)	Target	Actual	Target	Actual	Target	Actual
Real GDP	5.7	7.0	6.2	1.6	8.3	2.6
Overall Inflation	28.5	16.0	7.5	9.3	5.0	3.8
GDP Deflator	11.9	9.1	11.0	12.0	5.8	6.0
Gross national savings (% of GDP)	16.7	14.0	16.2	14.2	18.5	13.4
Investment (% of GDP)	22.9	19.4	23.2	20.3	24.6	20.7
Central Government Budget						
Total revenue collection (% of GDP)	21.4	22.0	20.9	21.8	21.3	22.6
Total expenditure and net lending (% of GDP)	29.5	27.5	26.2	26.6	25.7	29.3
Development spending (% of GDP)	8.3	6.7	7.1	7.2	7.1	8.7
Overall balance (incl. grants) (% of GDP)	-5.2	-3.9	-3.9	-4.0	-2.9	-6.3

Macroeconomic Indicators	2007/2008		2008/2009		2009/2010	
National Accounts and Prices (% change)	Target	Actual	Target	Actual	Target	Actual
Gross domestic debt (% of GDP)	22.2	21.9	20.8	23.2	20.1	26.6
Monetary Sector (% change)						
Broad money (M3)	17.0	17.4	16.5	13.0	16.0	23.7
Credit to private sector	17.1	19.6	16.5	19.7	16.0	19.8
External Sector						
Current account incl. official transfers (% of GDP)	-6.1	-5.6	-7.0	-6.6	-6.1	-5.0
Reserves (months of import cover)	3.3	3.7	3.7	3.0	3.9	3.5
Total external debt (% of GDP)	21.2	22.4	22.5	24.0	20.8	22.8
Debt service ratio (% of Exports)	8.2	7.3	9.1	4.2	10.9	3.8

Source: Economic Survey 2010, and Central Bank of Kenya (2010)

In 2007/2008, 2008/2009 and 2009/2010, the MTP 2008-2012 envisaged the gross national savings as a percentage of GDP to stand at 16.7 per cent, 16.2 per cent and 18.5 per cent respectively. However, it increased marginally from 14 per cent in 2007/2008 to 14.2 per cent in 2008/2009 before recording a 0.8 percentage point decline to stand at 13.4 per cent in 2009/2010. In all the three years, savings remained markedly below the MTP targets. Investment as a proportion of GDP was expected to be at 22.9 per cent in 2007/2008 and to increase thereafter to 23.2 per cent and 24.6 per cent in 2008/2009 and 2009/2010 fiscal years, respectively. The country, however, realized an investment to GDP ratio

of 19.4 per cent in 2007/2008, 20.3 per cent in 2008/2009 and 20.7 per cent in 2009/2010. A decomposition of the investment shows that a major portion of the investment during 2009 and 2010 took place in the public sector, especially in infrastructural development, while a small portion came from the private sector including foreign direct investment. The below-target level of the two macroeconomic indicators realized during the period under analysis is attributed to the political and economic shocks that the country experienced in 2007, 2008 and 2009. Figure 2.2 illustrates the trends of the targeted and realized levels of the three macroeconomic indicators over the period 2007/2008 to 2009/2010.

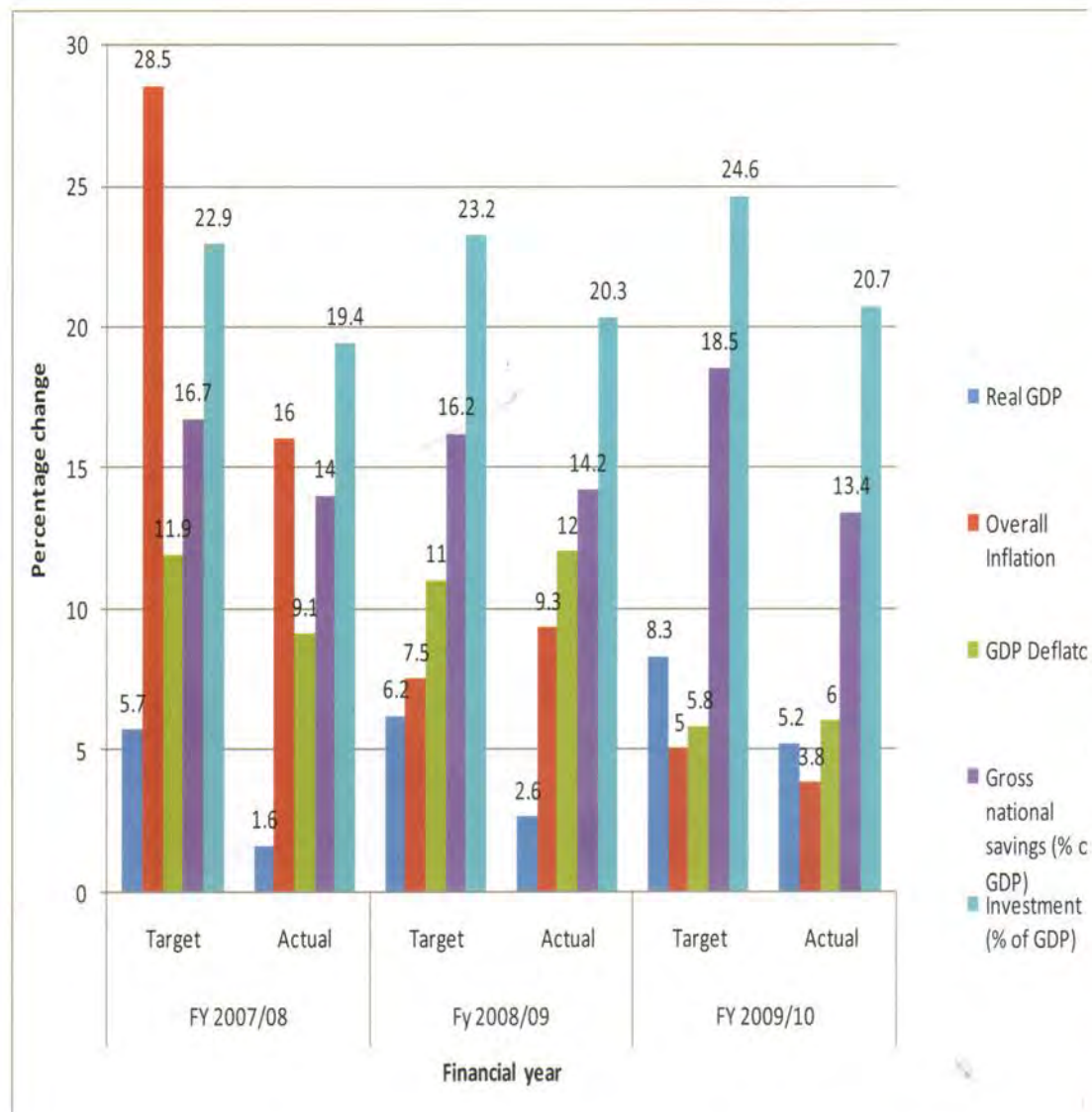


Figure 2.2: Percentage change in Overall inflation, Gross National Savings and Investment

Kenya's fiscal framework has been consistent with the Budget Policy Statement as reflected in the actual budget implementation. Figure 2.3 gives a summary of the performance in selected fiscal framework indicators.

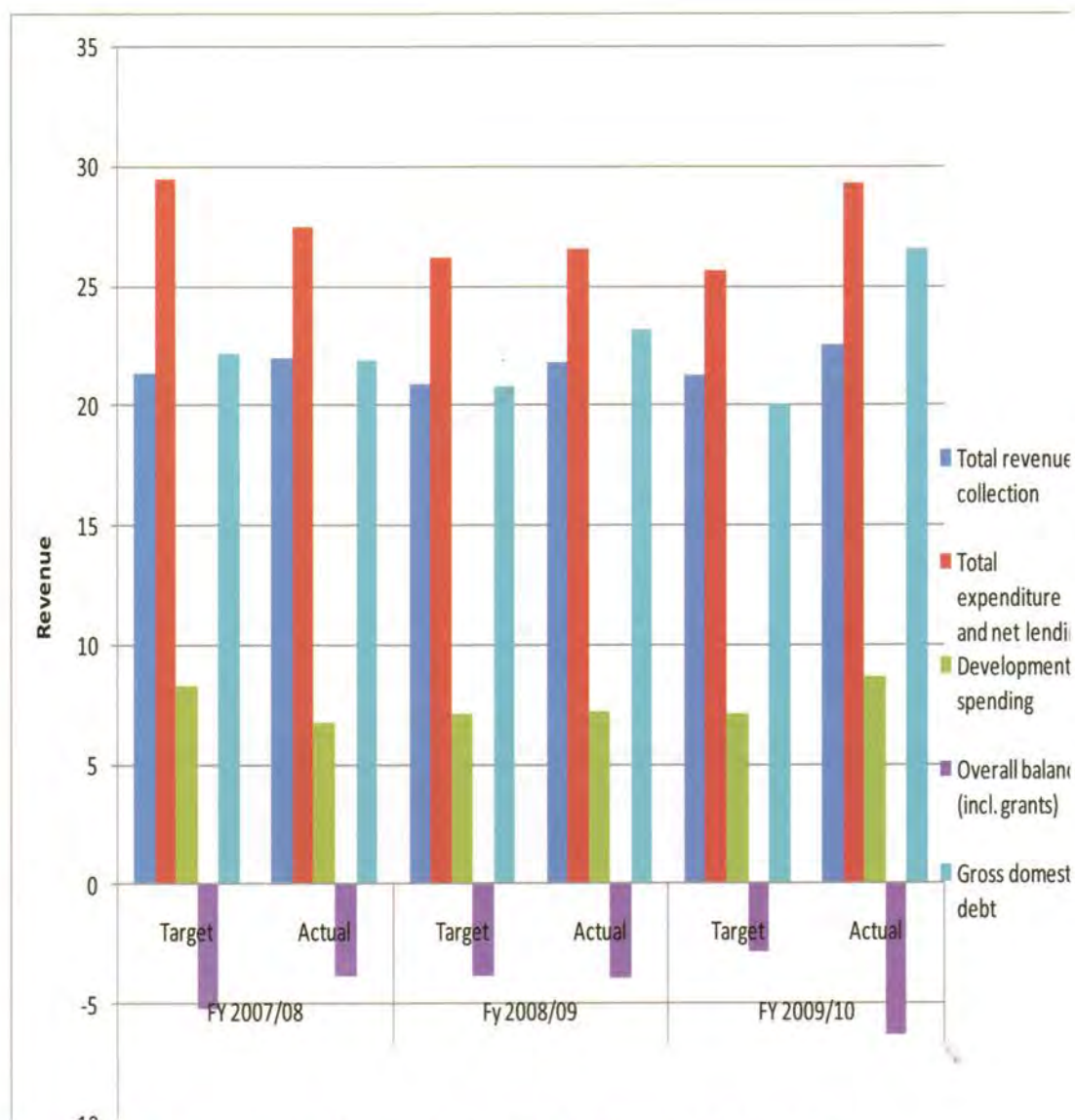


Figure 2.3: Percentage change in selected financial indicators

As shown in Figure 2.3, revenue collection has been slightly above the (MTP 2008-2012) target over the period under analysis. The total revenue collected as a proportion of GDP increased from 21.8 per cent in 2008/2009 to 22.6 per cent in 2009/2010. The recorded revenue collection in 2009/2010 was 1.3

percentage points above the year's MTP target of 21.3 per cent. The increase in revenue collection is attributed to improved tax administration and broadening of the tax base.

Total expenditure and net lending as a percentage of GDP declined from 27.5 per cent in 2007/2008 to 26.6 per cent in 2008/2009. As reflected

in Figure 2.3, the realized expenditure and net lending levels of 27.5 per cent for 2007/2008 was percentage points below the year's MTP target of 29.5 per cent. The 2008/2009 achievement was also marginally above the targeted level of 26.2 per cent for 2008/2009. The total expenditure and net lending as a percentage of GDP for 2009/2010 fiscal year was 29.3 per cent. This was 3.6 percentage points above the MTP target for the year. The increase in expenditure and net lending as a proportion of GDP is attributed to increased government expenditure on infrastructure projects. This is particularly so in the roads and energy sub-sectors, Constituency Development Fund (CDF) projects and programmes, and investments under the Economic Stimulus Package (ESP).

The overall balance, including grants, as a percentage of GDP worsened slightly from a deficit of 3.9 per cent in 2007/2008, to 4 per cent in 2008/2009. This was against the MTP targets of a deficit of 5.2 in 2007/2008 and 3.9

per cent in 2008/2009. Figure 2.3 shows that in 2009/2010 fiscal year, the overall balance as a percentage of GDP is expected to worsen to a deficit of 6.3 up from the MTP target of a deficit of 2.9 per cent. The worsening position of the country's overall balance is attributed to the increased government expenditure on public projects, especially in the infrastructure sector as well as financing of the implementation of the New Constitution. At the same time, gross domestic debt as a proportion of the GDP increased from 21.9 per cent in 2007/2008 to 23.2 per cent in 2008/2009. In 2009/2010, the gross domestic debt as a proportion of GDP was estimated at 26.6 per cent. The recorded levels of this indicator for 2008/2009 and 2009/2010 were above the MTP target of 20.8 per cent and 20.1 per cent, respectively. Stability in the monetary sector has resulted in slow growth in monetary aggregates. Figure 2.4 provides a schematic representation of the performance of the monetary sector.

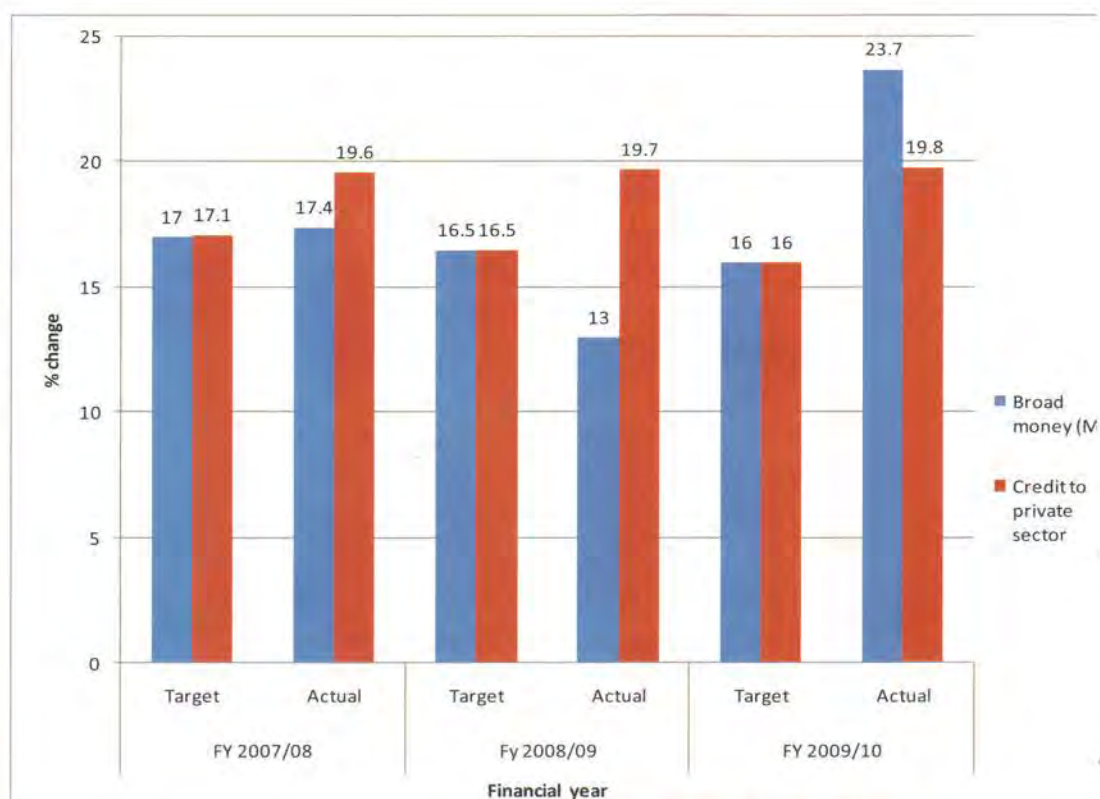


Figure 2.4: Percentage change in Broad Money supply and credit to private sector

As illustrated in Figure 2.4, the broad money supply declined from 17.4 per cent in 2007/2008 to 13 per cent in 2008/2009. In 2009/2010, the broad money supply increased to 23.7 per cent. These performances were against the target of 17 per cent, 16.5 per cent and 16 per cent for 2007/2008, 2008/2009 and 2009/2010, respectively. The growth in broad money supply in 2009/2010 was attributed to increased economic activities during the year and sustained macroeconomic stability.

Credit to the private sector registered a modest growth of 19.8 per cent

in 2009/2010 from 19.7 per cent in 2008/2009. The level of credit to the private sector registered in 2009/2010 was above the year's MTP target of 16 per cent. The modest growth in the credit to private sector experienced in 2009/2010 is attributed to the increased private sector investment.

The performance of the external account has been satisfactory with all the key indicators falling within MTP target levels.

Figure 2.5 gives an illustration of the external sector over the period 2007/2008 to 2009/2010.

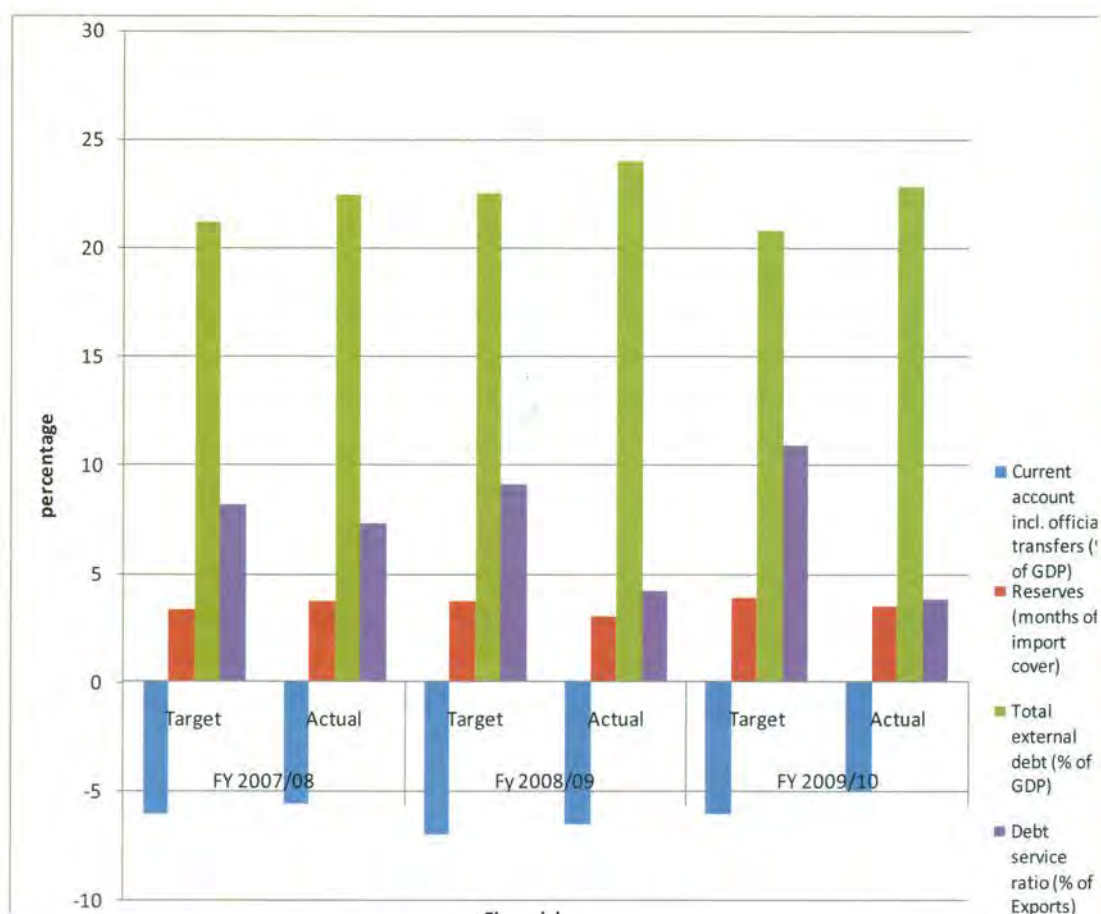


Figure 2.5: Performance of the External Sector

Figure 2.5 shows that the current account, including official transfers, as a percentage of the GDP worsened from a deficit of 5.6 per cent in 2007/2008 to 6.6 per cent in 2008/2009. In 2009/2010, the current account balance was at a deficit of 5 per cent. This represented a slight improvement compared to the status in the previous years. The reported current account balances were within the MTP targets. The improvement in the current account is attributed to the increased merchandise exports especially to the Common Market

for Eastern and Southern African (COMESA) countries.

The reserves or months of import cover declined from 3.7 months in 2007/2008 to 3 months in 2008/2009. While the realized import cover in 2007/2008 was above the year's target of 3.3 months, the 3 months cover attained in 2008/2009 was below the target for the year. The reserves were, however, estimated to have improved marginally to 3.5 months in 2009/2010 compared to a targeted level of 3.9 months.

As illustrated in Figure 2.5, the total external debt as a percentage of GDP increased from 22.4 per cent in 2007/2008 to 24 per cent in 2008/2009. The performance in external debt was above the targets of 21.2 per cent and 22.5 per cent for 2007/2008 and 2008/2009, respectively. In 2009/2010, the external debt was projected to have declined to 22.8 per cent against a target of 20.8 per cent.

The debt service ratio measured as a proportion of exports declined from 7.3 per cent in 2007/2008, to 4.2 per cent in 2008/2009 and to a further 3.8 per cent in 2009/2010. The reported debt service ratios were in all instances

below the MTP targets of 8.2 per cent for 2007/2008, 9.1 per cent for 2008/2009 and 10.9 per cent in 2009/2010, respectively. The decline in the debt service ratio is attributed to the improvement in the country's exports, increased reliance on concessional funding and economic growth.

2.3 Employment

The goal of the (MTP 2008-2012) is to promote the creation of productive and sustainable employment opportunities consistent with poverty reduction. Figure 2.6 gives a summary of the trends of targeted and actual jobs created in 2008 and 2009.



Figure 2.6: Targeted and Actual Jobs Created

Figure 2.6 shows that the actual number of jobs created in 2008 was 467,300 down from the 2007 baseline figure of 485,500. The total jobs created in 2008 were below the MTP target of new jobs of 759,000 for the year. The slowdown in employment creation continued in 2009 with 445,900 new jobs being created compared to the MTP target of 787,000 new jobs for the year under review. Though not directly observable from Figure 2.6, analysis of the new jobs created in 2008 shows that 7.2 per cent of the jobs were generated in the formal sector compared to 12.4 per cent in

2009. The trend shows reduction in the level of vulnerable employment in the country. Overall, the slowdown in employment growth in 2009 was attributed to the subdued economic growth, particularly in 2008 and 2009, effects of the global financial crises and labour market rigidities.

2.4 External Financing

Table 2.3 gives a summary of the targeted and realized external financing requirements and resources for the period 2007/2008 to 2009/2010.

Table 2.3: External financing requirements and resources (US\$ million)

	2007/2008		2008/2009		2009/2010	
	Target	Actual	Target	Actual	Target	Actual
External Financing Requirements	-2,981	-2,762	-3,633	-2,121	-3,524	-2,856
Current account (excl. official transfers)	-1,940	-1,787	-2,443	-2,073	-2,369	-1,997
Scheduled amortization (official)	-252	-242	-249	-239	-310	-240
IMF payment	-11	-11	-14	-15	-22	-22
Reduction in arrears	0	0	-89	-20	0	-17
Build-up of gross official reserves	-777	-722	-837	226	-823	-580
Resources	2,981	2,762	3,633	2,121	3,524	2,856
Official external support	1,270	963	1,430	828	1,356	1,133
IMF	59	58	0	209	0	326
Program loans	20	20	0	0	0	0
Program grants	57	58	0	0	0	0
Project Support	1,134	827	1,430	619	1,356	807
Commercial financing/Sovereign bond	0	0	300	0	152	0
Private financing, net	1,171	1,799	2,279	1,293	2,168	1,723
Accumulation of arrears	0	0	-89	0	0	0
Rescheduling of debt	0	0	0	0	0	0
Financing Gap	0	0	0	0	0	0

Source: Ministry of Finance, 2010

Table 2.3 shows marked deviation between the actual and the targeted external financing requirements. According to Table 2.3, the gap between targeted and actual external financing requirements increased rapidly from 7.3 per cent in 2007/2008 to 41.6 per cent in 2008/2009. In 2009/2010, the gap was 19 per cent. Table 2.3 also illustrates that the actual external financing requirements reduced from US\$ 2,762 million in 2007/2008 to US\$ 2,121 million in 2008/2009. Thereafter, the actual external financing requirements increased by 34.7 per cent to US\$ 2,856 in 2009/2010. The increase in external financing requirements in 2009/2010 was attributed to decline in the level of gross official reserves, exchange rate losses and economic slowdown emanating from the global financial crisis. The resources required mirrored the levels of external financing requirements. The resources were mainly drawn from the International Monetary Fund (IMF) project support, and private financing.

2.5 Structural Reforms

The Kenya Government in collaboration with the private sector, civil society, development partners and other stakeholders continued to implement policy and structural reforms over the period 2009/2010. Key interventions included improvement in total factor productivity, creation of fiscal space for financing of planned programmes,

public financial management reforms, anti-corruption efforts, streamlining of procurement regulations and improved management of devolved funds. These reforms have yielded remarkable results leading to stable macroeconomic environment, increased resilience of the economy to various social, economic and political shocks and general economic recovery. The specific achievements during the year were:

- i) Improved business environment through marked reduction in the number of licenses required to operate a business, and operationalization of the electronic licenses registry. This has enhanced the security and transparency of licensing. At the same time, a Bill that seeks to revise the Companies' Act was forwarded to the Attorney General's Office.
- ii) Simplification of the procedures for application and processing of land title deeds. This has enabled land owners to acquire titles, thereby increasing investments and land development. Further the stamp duty on title deeds has been reduced.
- iii) The Kenya Revenue Authority (KRA) has continued to enhance the use of information

technology and automation of its functions to hasten service delivery as well as increase revenue collection. The KRA has put in measures to accelerate actualization of the free movement of persons, labour and services as envisaged in the East African Community (EAC) Common Market Protocol.

- iv) Demutualization of the Nairobi Stock Exchange Market was initiated and it is poised to facilitate effective management, increased transparency and protection of investor funds.
- v) Enhanced capacity at the Public Procurement Oversight Board (PPOB) to effectively carry out its mandate.
- vi) Operationalization of the Pensions Management Information System (PMIS). This has hastened the processing of pension claims.
- vii) Increased efficiency of the Kenya National Audit Office (KENAO).
- viii) The rolling out of the Integrated Financial Management Information System (IFMIS) to all Government ministries and Departments. This has improved budget implementation, accounting and reporting.

Efforts to integrate the IFMIS with the Integrated Payroll Personnel Database (IPPD) are on-going.

- ix) Publication and implementation of the Medium Term Debt Management Strategy (2010/11–2012/13).
- x) Use of Commonwealth Secretariat Debt Recording and Management System (CS-DRMS) at the Ministry of Finance. This has led to improvement in debt recording and analysis.
- xi) Improvement in fiduciary review auditing and forensic auditing through use of Risk-Based Audit Approach (RBAA) in the audit management systems.
- xii) Improvement in Parliamentary Budget Oversight role. This has been realized through capacity building of the Parliamentary Committee members on the Finance Bill 2010 and the budget process, particularly domestic resource mobilisation.
- xiii) Continued implementation of programme budgeting.
- xiv) Enhanced implementation of public financial management reforms.



Construction of Nairobi-Thika Super Highway in progress

3 CHAPTER THREE FOUNDATIONS FOR NATIONAL TRANSFORMATION



3.1 Overview

The *Kenya Vision 2030* must be anchored on solid foundations if it is to realize its long-term goals. These foundations are popularly known as enablers. The enablers are critical in catalyzing and driving the social, political and economic transformations required for the attainment of Vision 2030 goals and the MTP (2008-2012) objectives. The foundations for national transformation as identified in the MTP are: physical infrastructure; information communication and technology; Science, Technology and Innovations (STI); energy; land reforms; human resources development; security, peace building and conflict resolution; governance and public sector reforms; and Nairobi Metropolitan Development.

This chapter of the report presents an assessment of progress made in the implementation of the MTP (2008-2012) targets during the period 2009/2010. The assessment starts with a policy review of the foundations in terms of their roles in national transformation and realization of Vision 2030 goals, and MTP objectives. This is then followed by a detailed discussion of the progress made in implementation of the identified strategic interventions and achievements in each of the targets areas. It is noted, however, that even though the enablers have been discussed as separate themes,

they are strongly interrelated, acting in concert to produce positive change in Kenya's national development.

3.2 Infrastructure

The MTP (2008-2012) seeks to accelerate infrastructure development in the country with a focus on quality, aesthetics and functionality of the infrastructure services. Interventions in this area are based on the realization that effective and reliable infrastructure is critical in promoting the country's competitiveness at the national, regional and global levels.

3.2.1 Policy Review and MTP Targets

Efficient physical infrastructure is imperative for Kenya's socio-economic transformation. The goal of the *Kenya Vision 2030* is to ensure that the country is firmly interconnected through an efficient network of roads, railways, ports, airports, water ways, and telecommunications. Towards this end, the MTP (2008-2012) has identified and prioritized a number of physical infrastructure improvement programmes for implementation. These include development of a National Spatial Plan, development and implementation of a National Integrated Transport Master Plan and constructing a new transport corridor to Southern Sudan and Ethiopia. At the same time, there is resolve to initiate and fast track the implementation of the National Road Safety Action

Plan and development of a roads maintenance and management system. A light rail for Nairobi and its suburbs is expected to be constructed during the MTP period. Other targets are road network expansion and upgrading programme, dredging of the port of Mombasa, expansion and modernization of the port of Mombasa and formulation of a mass-rapid-transit programme for Nairobi Metropolitan region. Interventions under the infrastructure foundation aimed at providing clean and safe water and modern sanitation facilities to all Kenyans. A national monitoring target set for the infrastructure sector to reduce the proportion of the road network in bad/poor condition, from 30 per cent in 2007/2008 to 28 per cent in 2008/2009 and to 24 per cent in 2009/2010.

3.2.2 Achievements

The following milestones were realized during the period under review, 2009/2010.

(i) Modernization of Jomo Kenyatta International Airport (JKIA)

The MTP targets under this intervention were: construction of an apron at terminal unit 4, taxiways and associated facilities; construction of terminal unit 4 building and a multi-storey car park; and renovation and remodelling of units 1, 2, 3 and arrivals building. Construction of apron at terminal unit 4, taxiways and

associated facilities was completed during the period under review and the facilities are already in use. Further, package three which includes construction of terminal unit 4 building and a multi-storey car park is being reviewed to conform to KAA Master Plan was approved by the KAA Board.

(ii) Improvement of Kisumu International Airport

The MTP target under this activity was construction of the terminal building and extension of the runway. The construction period was estimated at 22 months. In this respect, the construction works commenced in October 2008. Ninety eight percent of the work was completed in 2009/2010. The improvement programme is, therefore, within schedule. The project is estimated to be completed and commissioned by May 2011. Further, a Cabinet paper requesting for additional funds to extend the runway by 300 meters to accommodate Code E planes (B767) was prepared and approved by the Cabinet in 2009/2010.

(iii) Improvement of Wilson Airport

The improvement intended here was renovation and upgrading of security system at the Airport. In this respect, detailed designs for the renovation were finalized and key security equipment installed at the airport in 2009/2010. Additionally, KAA has initiated dialogue with stakeholders

on the design of the new terminal building. The project is being funded jointly the World Bank and the KAA.

(iv) Rehabilitation of Airstrips

In 2009/2010, nine airstrips were targeted for rehabilitation. Ten airstrips namely Masalani, Garissa, Nyeri/Nyaribo, Mitunguu, Bomet, Kericho/Karenga, Kehancha, Taveta, Nakuru and Njoro were rehabilitated in 2009/2010. The achievement under this area was marginally above target.

(v) Dredging of Mombasa Port

This intervention aims at deepening the Mombasa port channel to 14.5m. This is expected to facilitate the docking of post Panamax vessels to access the port. The project is estimated to cost Ksh. 5.2 billion. In 2009/2010, it was expected that Government would mobilize Ksh. 7 billion towards the activity. In this respect, basic project design was completed and implementation is ongoing.

(vi) Development of 2nd Container Terminal

The MTP target under this intervention was awarding of contract to facilitate development of the container terminal. In this regard, the Government has guaranteed a loan of Japanese Yen 26.5 billion from the Government of Japan to KPA. This is meant to finance development of the first phase of the terminal. This loan is in addition to

Ksh. 8.4 billion that has been provided jointly by the Government and the KPA as local contribution to the project. This phase of the second container terminal is expected to be completed by the year 2015.

(vii) Mass Rapid Transit System for Nairobi Metropolitan Region

The 2009/2010 MTP target for this activity was conducting of a feasibility study. Plans for the development of a rapid bus transport system within the Nairobi Metropolitan Region are at an advanced stage. The procurement process to build a 107 kilometer transport corridor connecting Athi-River and Kikuyu town is at an advanced stage, while the construction of the transport corridor between Thika town and the Nairobi Central Business District (CBD) is ongoing. Rehabilitation of the road from Jomo Kenyatta International Airport (JKIA) to the Nairobi CBD is almost complete. At the same time, a number of Nairobi road improvement projects have been undertaken. The projects include expansion of Museum-Hill Road up to Gigiri, addition of an extra lane between JKIA and Nyayo stadium, improvement of Enterprise Road, and installation of street lighting and traffic lights. Further, a feasibility study on Nairobi Metropolitan Rapid Transit System (NMRTS) is almost complete.

(viii) Development of Lamu-Sudan-Ethiopia Transport Corridor

The MTP anticipated a feasibility study on the development of the Northern Corridor to be completed in 2009/2010. This was accomplished and major roads linking Kenya to Ethiopia are at various stages of implementation. The Isiolo–Merile portion is almost complete, while the Merile–Marsabit part is at the procurement stage. At the same time, the construction of the Marsabit–Turbi stretch has been tendered while, discussions are in progress with the African Development Bank (ADB) on the financing of the Turbi–Moyale portion. The terms of reference for a feasibility study in respect of the construction of the transport corridor linking Kenya to Southern Sudan were developed and Expression of Interest (EOI) made. At the same time, consultancy services for a feasibility study, preparation of preliminary designs, master plan for Lamu Port, and detailed designs for the first three berths were awarded during the year under review. The study was commissioned in June 2010 and expected to be completed in 2011. Bids for consultancy services for undertaking a feasibility study and detailed design of the Leseru–Kitale–Marich via Lodwar–Nadapal road (600 km) have been completed and are awaiting approval by the World Bank. In addition, the 35 kilometre stretch of road between Miritini and Maji ya Chumvi, and the 96 kilometre stretch between Maai Mahiu and Naivasha–Lanet have been completed. Other

on-going road constructions under this intervention include:

- a. Sultan Hamud–Machakos turnoff (55 km)
- b. Machakos turn off– Athi River– Embakasi (33 km)
- c. Lanet–Nakuru–Njoro turnoff (14km)
- d. Njoro turnoff–Mau Summit–Timboroa (83km)
- e. Mau Summit–Kericho–Kisumu (145km)

(ix) Proposed Free Port at Dongo Kundu

In 2009/2010, the MTP targeted undertaking of a feasibility study to facilitate the development of a free port at Dongo Kundu. In this regard, a task force was constituted to coordinate the development of a Free Trade Zone at the port of Mombasa. This is to be undertaken through the PPP arrangement. The calls for EOI for consultancy services to undertake the feasibility study closed on 9th January 2009. A total of 22 firms/consortiums responded; the EOIs were evaluated and 11 firms short listed to proceed to the Request for Proposal (RFP) stage. Three out of the 11 shortlisted firms submitted their RFPs and these have been evaluated. The procurement process has been put on hold awaiting conclusion of discussions with the Singapore Government, which is the potential financier.

(x) Nairobi-Thika Road

The MTP target for the activity was awarding of contract for the construction of this road and completion of 12km of the road in 2009/2010, and a further 18km in 2010/2011. The contract for rehabilitation and upgrading of the 50 kilometer stretch between Nairobi, Ruiru and Thika was awarded and work commenced in 2009. The activity involves construction of eight lanes and six interchanges to replace the existing roundabouts. This is aimed at easing the current traffic congestions and improvement of major arterial connectors such as Outer-Ring Road, Ngara, Muranga and Forest Roads linking Pangani to Uhuru Highway.

(xi) Nairobi Bypasses and Missing Links

The MTP target is construction of Nairobi bypasses and missing links. The bypasses are Northern, Eastern and Southern. The Northern bypass starts at Ruaka Trading Centre on Limuru Road, passes through Runda and joins the Eastern bypass ending at Ruiru. The Eastern bypass starts at City Cabanas, passes through Ruai and ends at Ruiru (With loop at Ruai) while the Southern the bypass (30 Km) starts on Mombasa Road at St. James Hospital and ends on Naivasha Road after Kikuyu Town. The Northern bypass (31 Km) is under construction, while a further 26 kilometer out of the MTP target of 40 Km on the Eastern

bypass has already been completed. Construction of the Southern bypass is yet to start.

(xii) Development of a Standard Gauge Railway Line between Kenya and Uganda

The MTP envisaged the construction of a standard gauge railway line to link Kenya and Uganda. In this respect, a joint Steering Committee composed of members from the two countries was formed to spearhead the commencement of this project. The team has finalized the drawing of the draft bilateral agreement to herald the design and the construction of the new standard gauge railway line.

(xiii) Rehabilitation and Maintenance of Roads

Rehabilitation and maintenance of existing roads is one of the key activities envisaged in the MTP. To facilitate this, a consultancy contract for the development of the Road Sector Investment Plan (RSIP) was awarded and a final RSIP report submitted to the Ministry of Transport. The plan is expected to guide the prioritization of projects in the next 10 to 20 years.

Over 40 road rehabilitation/reconstruction projects are ongoing across the country at a cost of over Kshs. 63 billion. These projects have been identified in terms of their catalytic role in enhancing growth and the performance of key sectors of the

economy. Rehabilitation and upgrading of other major roads connecting Kenya with other countries within the region are also in progress. The roads being upgraded are Merille River-Marsabit (122 Km), and Marsabit-Turbi (121 Km). Those being rehabilitated include:

- a. Malindi-Mombasa-Kilifi-Lunga Lunga (200 Km)
- b. Mau Summit – Kericho – Kisumu (B1) (145 Km)
- c. Timboroa-Eldoret-Webuye-Malaba Road A104 (boarder with Uganda)
- d. Voi-Mwatate-Taveta (125 Km)
- e. Turbi-Moyale Road A2 (123 Km)
- f. Likoni-Shelly Beach-Diani-Vanga (80 Km)
- g. Lamu-Witu-Kiunga
- h. Dongo-Kundu bypass
- i. Garissa-Modogashe
- j. Greater Eastern bypass

(xiv) Developing computerized pavement and bridge management systems

Procurement of a consultant to design and establish the computerized pavement and bridge management system is in progress.

(xv) Effectiveness of the Roads 2000 Strategy

The expected results within the current Roads 2000 commitments include: routine maintenance of 886.2 kilometres of roads; creation

of 60,000 jobs; and training of 1,250 labour based contractors. The actual coverage of Roads 2000 Strategy has been increased from 37 to over 150 districts. This is expected to facilitate achievement of the set MTP targets.

(xvi) Axle Load Control

The axle load control aims at modernisation of weighbridges to enable monitoring of operations from a central control room. In this respect, two existing weighbridges, namely Mariakani and Athi-River are being upgraded to improve their efficiency. The axle-weighing system is also being installed with structures constructed in six weighbridges located in various parts of the country. These are Mtwapa, Isinya, Juja, Busia, Mai Mahiu and Eldoret. In addition, ten mobile weighbridges are in the process of being procured.

3.2.3 Policy, Legal and Institutional Reforms

A number of Policies, legal and institutional reforms were initiated in the sector in 2009/2010 to facilitate achievement of MTP goals. These were:

(I) Development of Legal Framework to support Public Private Partnerships

The Government encourages PPP in development and management of transport infrastructure. This is particularly so in areas such as

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 on the required legal framework commenced and resulted in the gazettment of Public Procurement and Disposal Regulation 2009 as legal Notice No. 38 of 2009.

(ii) Finalization of the Integrated National Transport Policy

An integrated national transport policy was approved by the Cabinet. The policy has been aligned to the new constitution and has also received comments from various stakeholders. A Sessional Paper has been finalized and submitted to Parliamentary Committee on Transport, Housing and Communication for discussion.

(iii) National Road Safety Programme

A National Road Safety Council was established to oversee the implementation of the Roads Safety Action Plan. Three committees of the Council have been formed. They will deal with Infrastructure and Engineering; Enforcement; and Information and Education. In addition, a consultancy service to implement the second generation driving licenses is awaiting finalization. A task force constituted to develop regulations governing the re-introduction of the passive Alcosensors to control drunken driving

finalized its report and submitted it to the Ministry of Transport. The report is awaiting stakeholder validation for possible adoption. A consultancy service to develop the National curriculum for training, testing and licensing of drivers was awarded in 2010. The consultancy firm will also review Traffic Act, CAP 403, for possible amendments.

(iv) Introduction of instant fines and ticketing for traffic offences

Review of existing laws, particularly Traffic Act, CAP 403, to allow for an on-spot fine of petty traffic offenders is on-going.

3.2.4 Challenges

A number of challenges were faced during the implementation of the 2009/2010 priority areas. Crucial among them were inadequate budgetary provisions; slow procurement processes; and getting authorization particularly for donor funded projects. There are complexities in some projects due to their large size, inadequate technical staff- especially in air accident investigation, low investment in transport infrastructure and weak enforcement of rules and regulations. Others are inadequate road maintenance equipment, low capacity by local consultants and contractors, limited private sector participation in roads development, financing and management, increased

traffic volume and inadequate land use policy and attendant encroachment on road reserves.

3.3 Energy

Kenya's energy policy is designed to provide adequate, quality, reliable and affordable energy to stimulate high and sustained economic growth. This is expected to lead to higher incomes, increased employment and reduced poverty. The country's energy policy, in the medium-term, is geared towards meeting the energy needs of the country. The policy is also intended to facilitate development, tapping and access of modern energy sources to all sectors of the country's economy. The interventions are also meant to encourage private sector partnership in the generation of renewable energy sources.

3.3.1 Policy Review and MTP Targets

Energy is one of the infrastructural enablers of the economic, social and political pillars of the *Kenya Vision 2030*. The level and intensity of commercial energy use in a country is a key indicator of the degree of the country's economic growth and development. Access to energy is, thus, an imperative for rapid and sustained economic growth and poverty reduction. The Government is committed to continue with structural, policy and institutional reforms in the energy sector. These include

increasing installed power generation, enhancing access to electricity, putting in place a strong energy sector regulatory framework, and improving the operational efficiency of power utilities. Others are encouraging private investment in generation of power, delinking generation of power from its distribution, and connecting Kenya to energy-surplus countries in the region. Other crucial interventions include exploration and development of new sources of energy and the tapping of geothermal power, coal, and other renewable energy sources.

3.3.2 Achievements

The following were the achievements by the sector during the period under review.

(i) Transmission Lines

This intervention involved the construction of 400kv transmission line in the 450 km stretch between Nairobi and Mombasa; and installation of an interconnector 300megawatts of electricity between Kenya and Ethiopia. Tender for the construction of high capacity transmission line consisting of 450 km double circuit 400 kV between Nairobi and Mombasa has been awarded as set out in the MTP. The project will be implemented on a turn-key basis. At the same time, a feasibility study for the construction of a 1,047 km of 400 kV line between Kenya and Ethiopia is underway.

(ii) Customers with Electricity Connection

In 2009/2010 a total of 27,561 new customers were connected with electricity against a target of 400,000 new connections for the same period. An additional 200,000 new connections were projected for 2010/2011. The new connections are, however, below the one million energy scaling benchmark provided for in Vision 2030. This implies that the target was missed.

(iii) Wind power plants

The MTP (2008-2012) target for wind power was construction of a 300MW wind power station at Lake Turkana and generation of 15 MW. The contract for the construction of the Lake Turkana 300MW wind power plant was developed and approved by the Energy Regulatory Commission (ERC) during the year under review. The investor and Kenya Power and Lighting Company (KPLC) signed the tariffs agreement in 2010. The plant is expected to be commissioned in 2011.

(iv) Coal Energy

Production of coal energy is one of the flagship projects under the energy sector. The MTP (2008-2012) targeted production of 1 MW of coal energy by 2009/2010 and an additional 7 MW in 2010/2011. These were to be drawn from the Athi River Mining Coal Power

Station. On this front, negotiations with the successful bidder commenced in February 2010 for plants 1 and 2 at Athi River Mining Coal power station. The Plant is expected to be commissioned in 2011.

(v) Geothermal power plants

Geothermal projects are expected to be commissioned between 2010 and 2011. The first 5 MW out of 87 MW of the Geothermal Well Head project is expected to come on stream in June 2011. Preliminary work commenced in June 2010 on the power plant in accordance with the agreement.

(vi) Hydro power plants

The MTP (2008-2012) targeted construction of 21MW capacity hydro plant at Sondu-Miriu spillway (Sangoro) and generation of 2 MW from the station in 2009/2010 period, and achievement of its full capacity in 2010/2011. Construction of the plant is underway. It is expected to be completed in 2011. The implication is that construction and generation of hydro-power from the Sangoro power station is behind schedule thereby undermining the achievement of this target.

(vii) Feed in tariff Projects

The 2009/2010 MTP target was to generate an additional 3.9MW through Genpro Power Ltd at Teremi falls in Mt. Elgon (3MW) and Imenti

Tea Factory (900KW). These were to be accomplished through the Power Purchase Agreement (PPA) arrangements. The PPA for the 3MW mini-hydro project by Genpro Power Ltd was approved in 2009/2010 while the PPA for the 900kW plant by Imenti Tea Factory Ltd, of which 284kV will be fed into the national grid was signed in 2010.

(viii) LPG Infrastructure

The MTP (2008-2012) target was to have the tender and construction work start in 2009/2010 with 10 per cent of the construction work completed within the financial year. The project is being implemented by Kenya Pipeline Corporation (KPC), Kenya Petroleum Refineries Limited (KPRL) and private sector investors. The facility will have a storage capacity of 6,000 MT. Twenty per cent of the construction work was completed in 2009/2010. Another LPG storage and distribution facility at Nairobi with a storage capacity of 2,000 MT is being implemented by KPC and Bharat Petroleum Corporation Limited (BPCL) of India. This is a joint public/private sector venture that will be operated on a "common-user" principle.

(ix) Capacity Enhancement of Oil Pipeline

The Mombasa-Nairobi Pipeline (Line-1) capacity enhancement project was commissioned in November 2008. Additional upgrade

is being done at Kipevu oil storage facility to improve the suction pressure to enable the pipeline operate at 880,000 litres per hour as envisaged. Already the construction of a parallel 14-inch diameter pipeline (Line-4) from Nairobi to Eldoret has commenced and is expected to be completed by June 2011. The Kenya-Uganda Oil Pipeline Extension Project is expected to have been commissioned by the end of 2010. The project is being implemented by the two Governments of Kenya and Uganda, and Tamoil East Africa Ltd (TEAL). Construction of a reversible pipeline is being considered within the project following discovery of oil in Uganda.

3.3.3 Policy, Legal and Institutional Reforms

Sessional Paper No. 4 of 2004, which provides the policy framework for the energy sector, proposed the undertaking of various policies, legal and institutional reforms in the sector. Among the key reforms envisaged in the MTP was establishment of a sector regulator to consolidate all regulatory functions; establishment of a tribunal to arbitrate disputes in the sector; and formation of a specialised agency to promote and ensure higher uptake of rural electrification programmes. Others were commissioning of a company to undertake geothermal resource assessment, and a company that would be responsible for

electricity transmission. As part of the reform process, the Energy Regulation Commission (ERC), Energy Tribunal and the Rural Electrification Authority (REA) were formed and have been operational since 2007. Other institutions proposed in the sector's policy framework namely, the Kenya Electricity Transmission Company Limited (KETRACO) and the Geothermal Development Company (GDC) were formed in 2009.

3.3.4 Challenges

The major challenges facing the energy sector include high initial capital investment, long lead times required in the development and operationalization of energy infrastructure and unfavourable fiscal and legal regimes. The sector also suffers from low levels of outlay due to inadequate awareness of the economic potential of the sector. In addition, the high cost of network extension, low consumer densities and over-reliance on the hydro-electric power have also undermined the growth and development of the sector, particularly the hydro-power subsector. Further, escalating cost of petroleum products in the international markets, inefficient oil refinery, lack of strategic stocks, inadequate storage facility, and the high cost of seismic exploration have inhibited full exploitation of the potential of the petroleum industry in Kenya.

3.4 Science, Technology and Innovation

Science, Technology and Innovations (STI) sector is recognized globally as being essential for the economic growth and international competitiveness. It also constitutes key components of social integration and sustainable development. The *Kenya Vision 2030* recognizes the role of the sector in poverty reduction and enhancing access to basic needs for majority of Kenyans.

3.4.1 Policy Review and MTP Targets

The STI sector in Kenya seeks to integrate knowledge into all production and trading systems. The strategic thrust of the sector is enhanced access, equity, relevance and quality of outcomes in Higher Education, Science, Technology and Innovation (HESTI). This sector also seeks to strengthen governance and management at sector and institutional levels, enhance endurance and financial sustainability of the sector, and ensure improved environment in which HESTI business is conducted. The MTP (2008-2012) targets for the sector were establishment and implementation of a Knowledge Management Information System (KMIS), establishment of programmes of excellence, establishment of Open University and Pan African University, provision of physical infrastructure

and capital equipment in HESTI institutions, and implementation of a knowledge transfer programme.

3.4.2 Achievements

The STI sector continues to make progress towards achieving the Kenya Vision 2030 and the MDGs. The following were accomplished during the period under review.

(i) Strengthening STI Capacities and Capabilities

The MTP (2008-2012) target was strengthening of STI capacities and capabilities to support the key national transformation areas. As part of the preparation, a national STI indicator survey was undertaken during the period under review. The survey is meant to inform other STI initiatives that are planned in the medium-term. At the same time, mechanisms for the establishment of one Science and Technology Park and three industrial incubators were initiated during the year under review. A Memorandum of Understanding (MOU) was signed between the Ministry of Higher Education, Science and Technology (MoHEST) and the Korean City of Djeon. Plans for the construction of 8 new Technical Training Institutes (TTIs) are also in progress. So far the identification process is completed, contracts advertised and evaluation was on-going as at the end of 2009/10.

(ii) Developing a pool of qualified STI personnel

The MTP target is to develop a pool of qualified STI personnel. Towards this end, a total of 14,000 students in Technical, Industrial, Vocational and Entrepreneurship Training (TIVET) institutions were awarded bursaries in 2009/2010.

(iii) Intensification of innovations in priority sectors

A Research Fund to promote intensification of innovations in priority sectors was operationalized during the period under review. Further, research grants were awarded and disbursed to selected research institutions. Two strategic collaborations were also established under the Fund and a collaboration framework reviewed.

(iv) Enhancing awareness on Higher Education, Science and Technology Innovations

A framework to collate and disseminate information on STI awareness was established. National and regional committees have been set up to organize educational and information exchange Fairs. During the period under review, five regional TIVET Fairs were held. Further, two outreach programmes were carried out in eight selected institutions across the country. Also, a national scientific conference with an exhibition to popularize STI was organized. At the

same time, a regional robot contest for universities and technical institutions was organized.

(v) Expanding access to equitable, quality and relevant Higher Education and TIVET

Activities undertaken in this area include upgrading and modernization of training equipment in the technical training institutions, improvement of physical facilities and development of centres of excellence. Others were capacity building of the personnel in training institutions and review of the TIVET curriculum. Towards this end, equipment requirements were benchmarked and 11 Technical Training Institutions funded to procure the relevant equipment. Also, seven TIVET Curricula were reviewed while specifications for training equipment and facilities for three curricula were done. Designs and contracts for rehabilitation and expansion of eight Technical Institutions have been finalized. In addition, needs assessment and procurement for upgrading Technical Training Institutions to National Polytechnics was completed. Further, a concept paper aimed at establishing an Open University in Kenya was finalized and shared with stakeholders.

3.4.3 Policy, Legal and Institutional Reforms

Three draft Bills were prepared during the period under review. These are

the STI Bill, University Education Bill and TIVET Bill. The three draft Bills are yet to be debated in Parliament. Once enacted, the instruments will provide the requisite enabling environment and institutional reforms necessary for achieving sector objectives. A Bio-Safety Regulation was also finalized and is being implemented.

3.4.4 Challenges

The sector faces a number of challenges. These include lack of a centralized and well-coordinated system for collecting, collating, storing, retrieving and disseminating essential information. In addition, most facilities in STI institutions lack both basic infrastructure and state-of-the-art equipment to undertake training and Research and Development (R&D) programmes. Other challenges are inadequate resources; inadequate human resource capacity; weak financial management and accountability systems; weak balance between operation of income generating initiatives and maintaining educational quality; limited linkages and weak collaboration between the supply and demand sides of the labour market; skills mismatch; outdated Kenya National Occupational Classification Standard (KNOCS); and logistics for rolling out STI services in all the 47 counties; in keeping with the new constitutional dispensation.

3.5 Information, Communication and Technology

Kenya aspires to achieve the status of a knowledge and information-based society by the year 2030. This aspiration is linked to the growth in the global business outsourcing industry that has opened a new window for developing countries to exploit a new growth area for IT enabled Services (ITES) and BPOs. Information and Communication Technology (ICT) is an area that has been aptly identified by the *Kenya Vision 2030* as a vital growth area. Effective and full exploitation of the opportunities in this emerging sector is expected to translate into high and sustainable economic growth and boost international competitiveness. It is also expected to improve standards of living and aid in equitable income distribution amongst the population.

3.5.1 Policy Review and MTP Targets

Information Communication Technologies has become a critical factor in driving growth and productivity in global economies. Indeed, ICT has been a key driver of Kenya's economic growth over the last decade. For example, the sector has outperformed all other seg-

ments of the economy and grown at an average of 23 per cent per annum. This tremendous growth has seen the combined transport and communications sector to be the second largest in Kenya's economy. Growth in the ICT sector alone accounted for 13 per cent of growth in Kenya's GDP during the last decade. The ICT also has considerable indirect effects on the economy through the efficiencies it creates in other sectors. This includes improvements in delivery of healthcare services and provision of water. The MTP (2008-2012) targets for the ICT sector in 2009/2010 were: Marketing Kenya as a BPO destination; creation of 1,500 BPO seats; operationalization of the under-sea fibre optic cable and terrestrial fibre optic cable and; establishment of 210 digital villages and digitalization of land registry.

3.5.2 Achievements

Table 3.1 shows the performance of selected ICT indicators: cost per Megabyte (Kshs.); Population using the internet (%); Households with access to radio (%); households with access to TV (%) and population with mobile phones (%) from 2007/2008 to 2009/2010.

Table 3.1: Performance of selected ICT indicators

Indicator	2007	2008/2009		2009/2010	
	Baseline	Target	Actual	Target	Actual
Cost per Megabyte (Kshs.)	6,000	5,000	2,500	2,000	500
Population using the Internet (%)	7.7	8	10	13	10
Households with access to radio (%)	90	95	95	97	95
Households with access to TV (%)	80	85	80	90	86
Population with mobile phones (%)	39	40	45.7	50	63.5

Source: Ministry of Information and Communication, KNBS

The cost per Megabyte (MB) of data transmitted declined by more than half from the 2007 baseline figure of Kshs. 6,000 to Kshs. 2,500 in 2008/2009 as shown in Table 3.1. It is also noteworthy that the decline in the cost per MB of data transmitted was more rapid than envisaged under the MTP. According to the MTP, the cost per MB of data

transmitted was targeted to decline by 16.7 per cent from Kshs. 6,000 in 2007 to Kshs. 5,000 in 2008/2009. The actual decline was, however, 58.3 per cent. By 2009/2010, the actual cost per MB of data transmitted was Kshs. 500 against MTP target of Kshs. 2,000 as illustrated in Figure 3.1.



Figure 3.1: Cost per Megabyte of Data Transmitted, 2007-2009/2010

The proportion of Kenyan population using internet also increased from 7.7 per cent in 2007 to 10 per cent in 2008/2009. The actual proportion of the population that were found to be using the internet in 2008/2009 was two percentage points above the MTP target for the year. In 2009/2010, the MTP had targeted the proportion of the population using the internet to have increased to 13 per cent. However, the actual figure realized in 2009/2010 was 10 per cent. This was

three percentage points lower than target for the year. It is important to note that even though the MTP target for the year was missed, the actual number of people using the internet increased in keeping with the increased population. Figure 3.2 gives a graphical representation of the trends in the targeted and actual proportion of the population using the internet over the period of the analysis.

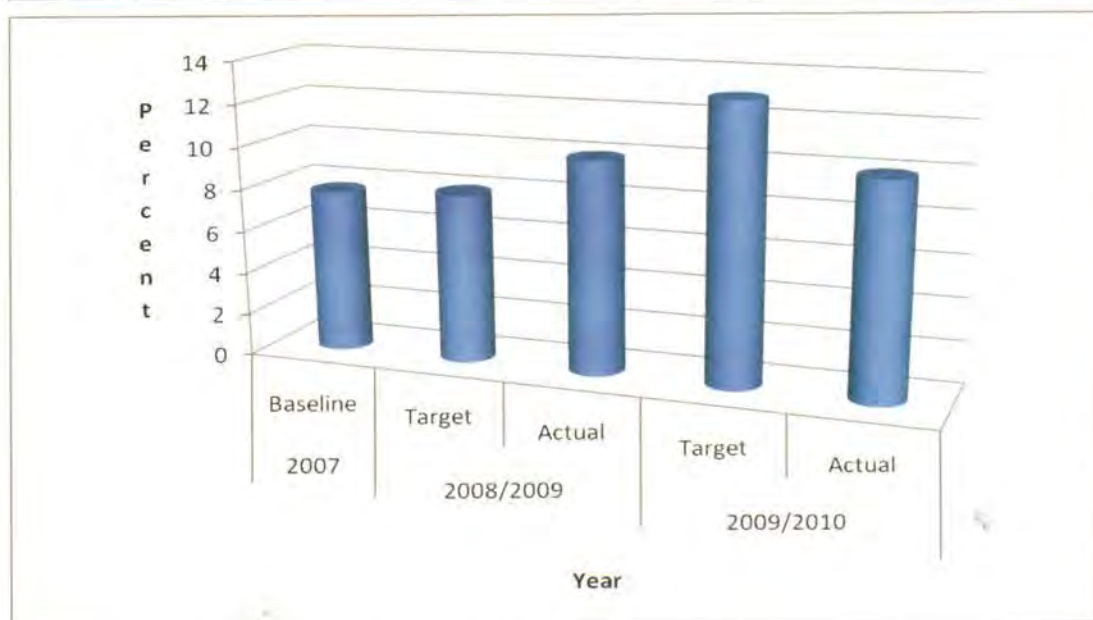


Figure 3.2: Percentage of Population Using Internet

As shown in Table 3.1, the proportion of households with access to radio increased from the 2007 baseline figure of 90 per cent to 95 per cent in 2009/2010. While the MTP target for 2008/2009 for this indicator (95 per cent) was met in 2008/2009, the same was missed by two percentage points

in 2009/2010. The Table also shows that the percentage of the population with access to television (TV) increased from 80 per cent in 2007 to 86 per cent in 2009/2010. According to the MTP, access to TV was expected to have increased from 80 per cent of the population in 2007 to 85 per cent

in 2008/2009 and to 90 per cent in 2009/2010. It is, hence, clear that the MTP target for the two indicators was missed, albeit narrowly over the two years. This notwithstanding, there are indications that with increased rural electrification, enhanced economic growth, improvements in the standards of living, enhanced levels of awareness amongst the population, and press freedom, 100 per cent access to radio and TV by 2012 is plausible.

Table 3.1 illustrates that the proportion of the population with mobile phones has increased over time. It increased from 39 per cent in 2007 to 45.7 per cent in 2008/2009 against the MTP target of 40 per cent. The proportion of the population with access to mobile phones in 2008/2009 was, thus, 6.7 percentage points above the 2007 figure and 5.7 percentage points above the MTP target for the year. In 2009/2010, half (50 per cent) of the Kenyan population were expected to have mobile phones. This target was surpassed in 2009/2010 as the actual proportion of the Kenyan population with mobile phones was recorded at 63.5 per cent. This improved performance is attributed to reduction in the cost of handsets and calling rates, and increase in the number of players in the mobile telephony industry among other factors. In terms of achievement of the ICT flagship projects;

- a. The sector acquired land for ICT/BPO Park and a feasibility study

is on-going;

- b. 619 BPO jobs were created and 1,341 youths trained in BPO and entrepreneurship skills;
- c. A total of 135 institutions were connected;
- d. 5,000 km of under-sea fibre optic cable and 5,500 km of terrestrial fibre optic cables were laid and are fully operational;
- e. Further, 10 digital villages are in place. This is 200 below the MTP target for the year;
- f. A contract has also been awarded for digitalization of land registry and the company registry system.

Other milestones that have been realized in the ICT sector are the adoption of shared services by the Government. Implementation of the shared services platform is on-going at Treasury. A study on ICT expenditure across all ministries has also been undertaken to jumpstart the shared service master plan programmes. To make Government a leader in ICT applications, e-applications and e-content development, aggressive promotion of use of internet in learning, social and Government institutions in all levels of service delivery in the country have been initiated. This has seen digitization of several Government registries and records and introduction of mobile services to citizens. Further, Kenya

now has three major submarine cables namely, SEACOM with a capacity of 1.2 terabytes; the Eastern African Marine System (TEAMS with a capacity of 1.3 terabytes; East African Submarine Systems (EASSy) cable with a capacity of 1.3 terabytes; and an expanded backbone ICT infrastructure network.

3.5.3 Policy, Legal and Institutional Reforms

The ICT sector is significant in providing essential services required for Kenya's social, economic and political development. Sound and responsive policies, legal and institutional frameworks are, however, necessary for the sector to realize its full potential. Consequently, an ICT policy has been developed. An e-Government Strategy Paper has been developed and launched. The strategy paper provides the roadmap for the delivery of improved and efficient services to the public. It also enhances communication within Government, with its citizenry and the business community. Measures are also underway to establish the infrastructure required to facilitate delivery of on-line government services to the public. This is to be undertaken at the county and constituency levels. A programme has also been launched to facilitate digitization of Government records to enhance the delivery of e-government services.

On the legal front, the Kenya Communication Amendment Act (2009)

was enacted during the year. Other instruments such as the Information and Communications Regulations, Competition Policy and the Broadcasting Guidelines were also put in place. The institutional reforms undertaken include establishment of a Government Data Centre (GDC). This is meant to facilitate storage for all Government data bases. All ministries, departments and agencies have been requested to provide content for the GDC. The government has also entered into strategic partnerships with a number of countries and international organizations to facilitate the development of the ICT sector in the country. Some of these partnerships include; GOK/World Bank to develop the Kenya Transparency Communication Infrastructure project as well as for the development of the ICT Park; Government of Kenya/Government of Singapore Memorandum of Understanding (MoU) to develop e-Government services and capacity building; and the Government of Kenya/Chinese Government and private companies to develop telecommunication infrastructure.

3.5.4 Challenges

The efficacy of ICT as a development catalyst in Kenya has not been fully exploited. This is mainly constrained by the poor and inadequate ICT infrastructure in the country. There also exist other challenges that hinder effective operations in the sector.

These are weak collaboration between the Government and the private sector; limited local ICT talent pool; inadequate financial resources and effects of the slowdown in the global economy. Other challenges are weak institutional and legal framework, particularly to govern automated services and electronic transactions, poor access and availability of ICT infrastructure, and language and content limitations.

3.6 Land Reforms

Land plays a significant role in promoting social, economic and political development. Accessibility to land remains a key aspect of the MTP (2008-2012) and a critical ingredient in achievement of Vision 2030 goals. This makes efficient management of land an imperative.

3.6.1 Policy Review and MTP Targets

Land has both economic and cultural value. This makes it one of the most sought-after resources in the country. It also explains why land stands as one of the major sources of conflict in Kenya. Land reforms in Kenya aim at improving fair access to land; and ensuring better utilization of the natural resource. The transformation envisaged under the *Kenya Vision 2030* is dependent on the formulation and implementation of a National Land Use Policy. This policy is expected to facilitate the process of land

administration, computerisation of land registries, and establishment of a National Spatial Data Infrastructure. The infrastructure is expected to facilitate the tracking of land use patterns, and introduction of an enhanced legal framework for faster resolution of land disputes. Other flagship projects programmed under the MTP (2008-2012) are development of a National Land Information Management System, preparation of a National Spatial Plan, development of a National Land Use Master Plan, development of resort cities land use plans, and implementation of a land ownership documents replacement programme.

3.6.2 Achievements

The following is a summary of the key milestones realized with respect to land reforms during the period under review.

(i) The Land Information Management System

In 2009/2010, a total of 125,000 land records and 61,000 cadastral survey plans were safeguarded and scanned. A state of the art scanner that is able to scan 100,000 land paper records per day has been acquired through the support of the Swedish International Development Agency (SIDA). A report on harmonization of land reference numbers was also prepared and models of integration developed. Further, preparation of terms of reference for

development of the National Land Information Management System (NLIMS) was initiated during the year under review.

(ii) Modernization of Land Registries

During the year under review, the Government constructed five new land registry offices. These were in Bondo, Siaya, Uasin Gishu West, Thika and a banking hall in the Ministry of Lands headquarters in Nairobi. The Ministry also rehabilitated 11 district land registries. These were done in Kericho, Kwale, Nyeri, Kajiado, Garissa, Mandera, Koibatek, Kisumu, Kisii, Naivasha and Migori districts. A similar rehabilitation programme was done in the Ministry headquarters. The construction of Isiolo and Kitale land registry offices was also initiated during the year.

(iii) The National Spatial Plan

The MTP target in this area was finalization of a concept paper on National Spatial Plan and operationalization of thematic groups. The concept paper on the National Spatial Plan was prepared as envisaged in the MTP.

(iv) Land cover and land use mapping

A total of 126 topographical maps sheets database were created in 2009/2010 compared to the MTP target of 100. In addition, 10 topographical maps for extended Nairobi Metropolitan area

were also updated as envisaged in the MTP. The topographical maps updated were Limuru (148/1), Kiambu (148/2), Ngong (148/3), Nairobi (148/4), Thika (149/1), Mua Hills (149/3), Loodo (161/1), Isinya (161/2), Ariaka (162/1), Machakos (162/2) and Konza (163/1). In addition, thematic maps for the proposed Nairobi Metropolitan and Nairobi Wetlands (riparian areas) were prepared.

(v) Development of resort cities land use plans

Concept papers for the three resort cities at Diani/Ukunda, Kilifi and Isiolo were finalized. About 40 per cent of the preparations of land use plans for Diani/Ukunda and Kilifi resort cities have been done.

3.6.3 Policy, Legal and Institutional Reforms

The land reforms that continue to be undertaken in the country must be anchored on strong policy, legal and institutional frameworks. Land reform is one of the key agenda items listed in the National Dialogue and Reconciliation Accord of February 2008. The Accord committed Kenya's Grand Coalition Government to deliver on land reforms among the list of fundamental issues identified for long-term resolution. A National Land Policy was developed and adopted by Parliament in 2009. The policy is being implemented. Public awareness fora were also held to educate and raise the

awareness of members of the public about the policy and its contents. In addition, a concept paper on National Land Use Policy and National Spatial Plan were prepared during the period under review. At the same time, a draft Kenya National Spatial Data Infrastructure Policy was developed and shared with stakeholders during the year. It is yet to be submitted to the Cabinet. Further, preparation of a Bill that seeks to provide a framework for the establishment of the National Land Commission and its constituent organs as contained in Kenya's New Constitution is underway.

3.6.4 Challenges

Several challenges were encountered in undertaking the land reforms envisaged under the MTP (2008-2012). Key among these was inadequate funding, which particularly constrained the development of a NLIMS, National Land Use Plan and other operational activities within the Ministry. Others were lack of comprehensive land policy, population and cultural practices that promote fragmentation and sub-optimal use of land, disparities in terms of land ownership, adjudication and registration, inefficient land administration systems and manual land information systems.

3.7 Public Sector Reforms and Transformation

Public sector management reforms are a central feature of economic policy

reform programs in Kenya. It is aimed at improving efficiency, effectiveness and quality of public service delivery in the country. Public sector reform is also geared towards improving Kenya's overall fiscal performance in the medium and long term. This draws from the recognition that an efficient public sector is pivotal for enhanced national competitiveness, economic growth and development.

3.7.1 Policy Review and MTP Targets

An efficient, motivated and well-trained public service is one of the major foundations of the *Kenya Vision 2030*. Indeed, Kenya seeks to build a public service that is citizen-focused and results-oriented, a process whose achievements have so far received international recognition and awards. Some of the interventions to achieve this is intensification of efforts to bring about attitudinal change in the public service. Such change would emphasize on putting value to transparency and accountability to the citizens of Kenya. Results-Based Management (RBM) and performance contracting have also been prioritized and emphasized. The RBM is expected to make it easier to reward public servants on merit and performance. Reforms in the public service are expected to further enhance strategic planning in government, continuous improvement, and stakeholder engagement. A Kenyan School of

Government is to be established to provide research and training on transformative leadership.

3.7.2 Achievements

The following were the achievements made under the public sector reforms.

(i) Promotion of Results Based Management System

The use of RBM was enhanced during the period under review through the use of Rapid Results Approach (RRA). Staff in the public service was reacquainted with the broad objectives of the RBM and building focus and momentum towards the realization of the *Kenya Vision 2030*. Capability reviews were also conducted in eight Ministries and 20 other institutions. This was meant to assess their capacity in implementing RBM. In 2009/2010, Rapid Results Initiatives (RRIs) were rolled out in 193 institutions consisting of Ministries, Departments and Agencies (MDAs). Efforts were also made to mainstream RBM in the wider public sector to enhance efficiency and effectiveness in service delivery and performance management.

(ii) Performance Contracting

All the 46 Government Ministries/ Departments were put on performance contracts in 2009/2010. In addition, 168 State Corporations, 175 Local Authorities and 68 Tertiary Institutions

were also put on performance contract. All the Ministries, Departments and other Government agencies on performance contracts were required to submit their quarterly and annual reports to Office of the Prime Minister in accordance with performance contracting guidelines and the sector performance standards framework.

(iii) The Kenya School of Government

The main objective of the school will be inculcating public service values and ethics as well as enhancing transformative leadership within the service. A taskforce was constituted and concept papers developed. Collaboration with the Kenya Institute of Administration was also sought for the adoption of the concept with a view to establishing a school of Government.

3.7.3 Challenges

Implementation of the public sector reforms faced various challenges. These included inadequate emphasis on the need for implementation of public sector reforms and its role in improving public service delivery. Since the enactment of the National Dialogue and Reconciliation Accord in February 2008 and particularly implementation of Agenda IV items, the Government has appeared to prioritize democratic governance reforms with relatively less attention accorded to other governance reform programs such as public sector

and public financial management reforms. In addition, public sector reforms have suffered from overly ambitious, inadequately prioritized and sequenced reforms in the service. The public financial management, for example, is implemented by 17 components. This has been assessed as being too ambitious to be achieved within the obtaining resource limitations. Further, public sector reforms are implemented by many organizations, with little coordination and limited cross-fertilization with the other reforms. The weak culture and capacity for Monitoring, Evaluation and Reporting (MER) in the public service has also led to much focus being put on process and inputs with insufficient emphasis on results.

3.8 Labour, Human Resource and Manpower Development

Effective human resource planning, development and utilization are imperative if meaningful improvement in the socio-economic well-being of a country is to be realized. Kenya aims at creating a globally competitive and adaptive human resource base to meet the requirements of a rapidly industrializing economy. Indeed, all the three pillars of *Kenya Vision 2030* are anchored on existence of a skilful, productive, competitive and adaptive human resource base. This is to be achieved through life-long training and capacity building. A human resource data base will also be established

to facilitate effective planning, development and utilization of human resources. Measures will also be taken to raise labour productivity, reduce skills mismatch and improve the employability of Kenyans, particularly the youth.

3.8.1 Policy Review and MTP Targets

The goal of the *Kenya Vision 2030* and the MTP (2008-2012) is for every Kenyan to have decent and gainful employment. This is based on the recognition that Kenya's main potential lies in its people. This is in terms of their creativity, work ethic, education, entrepreneurial and other skills. To achieve this, the Labour, Human Resource and Manpower Development sector has continued to undertake measures aimed at improving the policy, legal, institutional and structural frameworks of the labour market. The interventions are aimed at ensuring industrial peace and harmony, creation of productive and durable employment opportunities, enhancing the growth and development of the MSEs and ensuring safety and health in workplaces. Others are promotion of industrial training, productivity management and minimizing on the vulnerability of the workers and their families through maintenance of an effective social security system.

The MTP (2008-2012) targets for the Labour, Human Resource and

Manpower Development sector in 2009/2010 were creation of 787,000 jobs up from 759,000 in 2008/2009; settlement of 70 per cent of the industrial disputes reported; and upgrading of additional 80 MSE worksites. In addition, the sector was to place 9,500 trainees on industrial attachment, training of 5,500 students in relevant industrial skills, administering of trade tests to all registered students, improving productivity in 10 companies and training 65 productivity technical service providers. Others were conducting pilot National Manpower Survey (NMS), preparing and

submitting an MSE Bill to cabinet, and developing and submitting to the cabinet a National Occupational Safety and Health policy.

3.8.2 Achievements

The following milestones were realized by the sector.

(i) Employment Creation

Available data (see Figure 3.3) shows that the actual number of jobs created in 2008 was 467,300 compared to a target of 759,000. In 2009, the economy created 445,900 jobs compared to the MTP target of 787,000 new jobs.

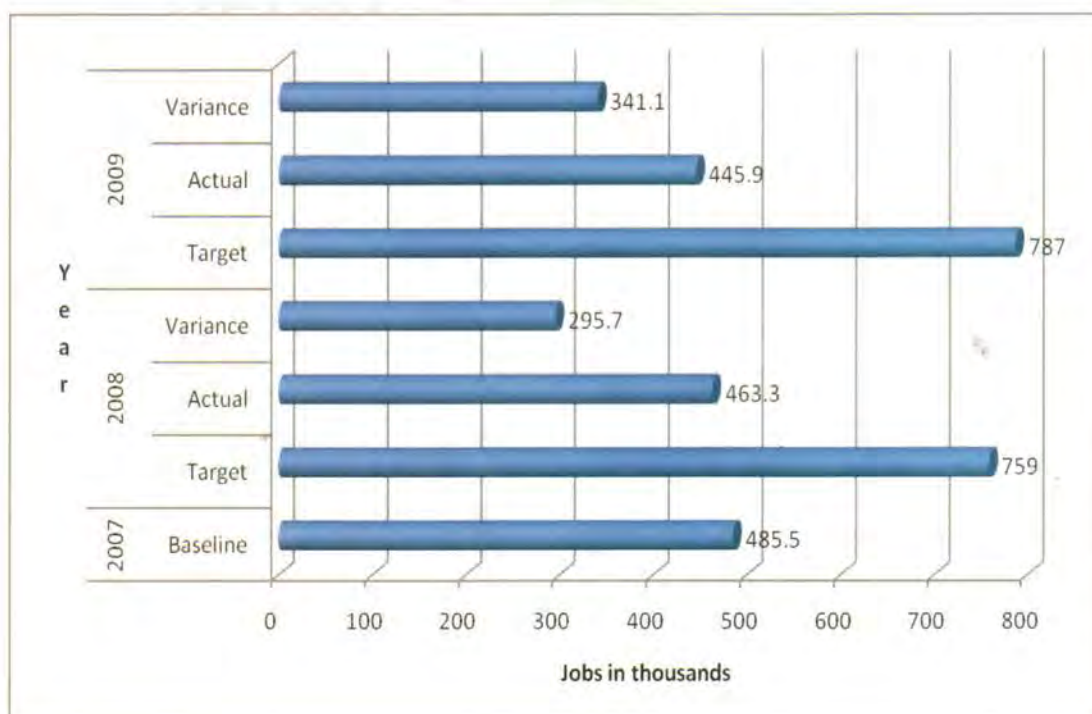


Figure 3.3: Jobs Created, Targets and Variance

Figure 3.3 shows the trend in targeted number of jobs as per the MTP (2008-2012), the actual jobs created and the variance. It is clear from Figure 3.3 that the economy has not been able to create the desired number of jobs. While the target for employment creation was missed by 38.4 per cent in 2008, this gap increased by about five percentage points to 43.3 per cent in 2009. The increase in the variance between the target and the actual jobs created is attributed to slow job growth. This may be explained by weak economic performance, especially in 2008 and 2009, negative effects of the internal and external shocks, and structural and institutional rigidities within the Kenyan labour market.

(ii) Strengthen linkages between industry and training institutions

The MTP targets for the sector was placement of 9,500 trainees on industrial attachment, training 5,500 students on relevant industrial skills and administering trade tests to registered students. These interventions are meant to strengthen linkages between industry and training institutions. In 2009/2010, the Ministry of Labour placed 9,773 students on industrial attachment, trained 5,636 students in various industrial skills and administered trade tests to 42,240 candidates. In addition, a consultant was commissioned to finalize preparation of the industrial training policy.

(iii) Productivity improvement, measurement and promotion

In 2009/2010, the Ministry of Labour undertook productivity improvement in 10 companies and trained 70 productivity technical service providers from both the public and private sectors of the economy. It is noted that while the exact target for organizational productivity improvement was realized, the actual number of productivity technical service providers trained exceeded the year's target by 7.7 per cent.

(iv) Development of a National Human Resource Database

A pilot survey is a key preparatory activity towards undertaking of a main National Manpower Survey (NMS) and development of a National Human Resource Database. The Ministry of Labour conducted pilot NMS as per target. The pilot survey covered 475 establishments, 12,962 employees, 81 education and training institutions and 47 informal sector organizations. It was conducted in 16 of the original 69 districts. A report of the pilot survey was produced and shared out with other stakeholders.

(vi) Development of the MSE Sector

The Ministry of Labour carried out rehabilitation works in 32 worksites out of a target of 31 MSE worksites. However, the Ministry did not undertake the establishment of MSE

Centres of Excellence because it was not budgeted for by the Government during the review period.

(vii) Improved Industrial Peace and Harmony

During the period under review, the Ministry of Labour received 9,800 new disputes. A total of 5,416 disputes had also remained unresolved in 2008/2009 culminating into a total of 15,216 disputes to be handled in 2009/2010. Out of these, 11,400 disputes were resolved during the reporting period. This represents 74.9 per cent of the total disputes. The Ministry further arbitrated and gave awards in 479 trade disputes out of a target of 300 disputes. It is noted that there has been a considerable increase in the number of reported disputes with the implementation of the revised labour laws. The new laws allow individuals to file their cases directly with the Industrial Court unlike in the past where workers could file grievances to the Court only through their unions.

3.8.3 Policy, legal and institutional reforms

A number of policies, legal and institutional reforms were undertaken during the period under review. These were:

(i) Employment Policy

A draft employment policy and strategy for Kenya has been prepared.

It is awaiting stakeholder validation and submission to cabinet for consideration and approval.

(ii) Labour Export Policy

A draft labour export policy has been developed. The policy is yet to go through stakeholder validation, and executive and legislative processes.

(iii) Diaspora Policy

A draft diaspora policy has been prepared. It has, however, not gone through internal and external stakeholder validation processes.

(iv) National Occupational Safety and Health Policy

A draft National Occupational Safety and Health policy was developed and presented to stakeholders for validation. The revised draft policy was forwarded to the cabinet for consideration and approval.

(v) Industrial Training Policy

A draft industrial training policy has been prepared. A consultant has been commissioned to finalize the policy in readiness for stakeholder validation and submission to cabinet.

(vi) Productivity Policy

A draft productivity policy has been developed through a participatory and consultative approach. The draft policy has gone through stakeholder validation and is awaiting submission

to the cabinet for consideration and approval.

(vii) Implementation of the Revised Labour Laws

Implementation of the revised labour laws is in progress. The laws are geared towards transforming the Kenyan labour market to be dynamic and responsive to contemporary economic and social challenges in the labour sector.

(viii) Micro and Small Enterprises Bill

A draft MSE Bill was prepared through a consultative and participatory approach. A validation workshop was conducted and the Bill submitted to the cabinet for consideration and approval.

(viii) Strengthening of Labour and Social Dialogue Institutions

Strong institutions of social dialogue are critical for achievement of industrial democracy, productivity and labour market efficiency. The Labour Institutions Act 2007 provides for the establishment of a National Labour Board (NLB) as the apex labour and employment policy institution in the country. Other institutions provided for under the Act are the Rules Board for the Industrial Court of Kenya, the Wages Councils, the National Council for Occupational Safety and Health (NACOSH), Occupational Safety and Health Fund, Occupational Safety

and Health Injury Benefits Authority (OSHIBA) and an Occupational Safety and Health Institute. The NLB, Wage Councils and NACOSH have been established and are operational. Measures are underway to establish and operationalize the other labour and social dialogue institutions.

3.8.4 Challenges

The labour, human resource development sector experienced several challenges in implementing the MTP targets. Key among them is inadequate funding, particularly for the execution of the flagship projects and programmes. Other challenges include weak capacity for implementation of the revised labour laws. Effective implementation of the laws require the setting up of new institutions that will play key roles 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. While some of these institutions are already established, they all lack the requisite capacity to discharge their mandates effectively in accordance with the laws. Further, the new laws have increased the workload on the part of the implementing institutions in the midst of inadequate staffing and other resources. In addition, duplication and functional overlaps, particularly on projects targeting the MSE sector have continued to create confusion within the sector, weaken the targeting of

sector interventions and achievement of targeted outcomes.

3.9 Security, Peace Building and Conflict Management

Kenya's vision for security, peace building and conflict management sector is "a Nation of peace and stability; a society free from danger and fear". The *Kenya Vision 2030* and the MTP (2008-2012) recognizes security as the foundation of good governance, individual social welfare and economic development. Freedom from danger, which entails protection from physical or direct violence, and freedom from fear in terms of a sense of safety and overall well-being provide an enabling environment for individuals, investments and businesses to thrive. The security, peace building and conflict management also forms the bedrock of the political pillar of Vision 2030.

3.9.1 Policy Review and MTP Targets

The role of security, peace building and conflict management in promoting global competitiveness and improvement in the standards of living of the population cannot be overemphasized. Indeed, the economic, social and political pillars of the *Kenya Vision 2030* are grounded on existence of security, peace

and tranquillity. The MTP (2008-2012) focus is to improve security to facilitate investments, national competitiveness and to provide Kenyans with a more secure living and working environment. Specific flagship projects prioritized by the MTP (2008-2012) for implementation in this area are establishment and equipping of a forensic laboratory, installation of surveillance cameras in Nairobi, Mombasa, Nakuru and Kisumu, police staff housing and security and policing reforms. Other reforms to be implemented will target the prison service, starting with reduction of the number of suspects in remand homes, improved training and working conditions for prison staff; and the reorientation of the Kenya prisons service to focus on correctional activities.

3.9.2 Achievement

Table 3.2 gives a summary of the milestones realized in the security, peace building and conflict management during the period under review. Additionally, to guarantee security of men and women and their property, the police to population ratio was improved to 1:560 in 2009/2010 from 1:600 that was reported in 2008/2009. However, this was below the envisaged MTP target of 1:500 in 2009/2010.

Table 3.2: Progress in implementation of security and police reforms MTP (2008-2012) Flagship Projects

Flagship Projects	Implementation Status 2009/10
Establishment and equipping of a forensic laboratory	☐ Prepared over 800,000 ten print forms (P20s) which can now be linked with corresponding criminal attributes forms (C8s) through Bar Codes and PIN ☐ Material for preparing Bar Codes and PIN Numbers for records delivered. ☐ Hydrocarbon Detectors, Electrolytic Restoration Enhancers, Darkroom latent fingerprint developer, Alternative light sources and Forensic Chemicals acquired ☐ Digital Printers QSS 3300 has been installed and in operation. ☐ Security Identification Machine and 2 printers installed and operational. ☐ Operational bomb laboratory
Installation of surveillance cameras in Nairobi, Mombasa, Nakuru and Kisumu	☐ A pilot phase in Nairobi is in place ☐ Consultant on board to undertake a feasibility study in Mombasa, Nakuru and Kisumu.
Establishment of a National Security Database	☐ Consultancy awarded and initial studies done
Security and policing reforms initiative	☐ 1615 housing units for the Kenya Police and 1478 for the Administration Police have been completed ☐ Construction of 1754 housing units on-going ☐ Community Policing Policy harmonized and rolled out in 271 districts. ☐ Police Reforms Implementation Committee (PRIC) established ☐ (v) Five Bills developed. These include Independent Police Oversight Authority Bill, Private Security Bill and Police Reforms Bill

Flagship Projects	Implementation Status 2009/10
Construction of six new prisons in Mwingi, Nyamira, Kwae, Rachuony, Vihiga and Kaloleni	☐ Construction of a ward in each of the following constituencies is ongoing. The constituencies are Vihiga, Nyamira, Kwale and Rachuonyo.
Construction of 16,000 staff houses	253 houses were constructed and completed. However, part of the funds availed for this project was used to clear pending bills for the 2008-2009 phase II project

Source: Ministry of State for Provincial Administration and Internal Security, Office of the Vice President and Ministry of Home Affairs

3.9.3 Policy, Legal and Institutional Reforms

Police reforms have been given a high priority by the Government, particularly after the 2007-2008 Post Election Violence (PEV). The Government adopted and implemented the recommendations of the task force on police reforms. This saw the establishment of Police Reforms Implementation Committee.

3.9.4 Challenges

Kenya is compounded with complex safety, security and conflict prevention

challenges that negatively affect access to and provision of services in this sector. The challenges include widespread availability and ease of access to illicit small arms and light weapons in informal markets; competition for access to and control and ownership of resources. Other challenges are lack of an integrated and comprehensive policy to address peace, security and conflict; high levels of unemployment; poverty; inadequate human resource capacity; drug and substance abuse; and human trafficking.

3.10 Nairobi Metropolitan Development

Cities, such as Nairobi, all over the world are experiencing rapid urbanization and globalization. Cities are centres of production and consumption, and the nodes for international trade and commerce. They serve as the critical link between the urban and rural production and as value-adding service providers. Cities are the entities that make globalization work and thereby create opportunities for sustaining the society. It follows, therefore, that proper planning of cities has to be done if meaningful progress is to be realized in national development.

3.10.1 Policy Review and MTP Targets

The Nairobi Metropolitan Region (NMR) extends to about 32,000 square kilometres, whose residents substantially depend on the city for employment and social facilities. The Nairobi Metropolitan Development Region comprises 15 independent local authorities. These are the local authorities, which for ease of administration, one of their wards fell within the initial 40 km radius delineated by the functional criteria. These include City Council of Nairobi, Thika Municipal Council, Thika County Council, Machakos Municipal Council, Mavoko Municipal Council, Kiambu County Council, Kiambu Municipal Council, Karuri Municipal Council, Kangundo Town Council, Kikuyu Town

Council, Ole Kejuado County Council and Ruiru Municipal Council.

The Nairobi Metropolitan Region's strategic location as the central gateway to the Eastern and Central Africa as well as its positioning on the Northern Corridor and the Cape to Cairo highway presents significant strengths for the region. The Nairobi Metropolitan area is in a position to effectively serve the surging economies of Asia as they trade and invest in West, East and Central Africa. Nairobi Metropolitan is also a host to a large number of regional and international bodies that serve the global economy, and the region. These include the United Nations, regional headquarters for leading transnational corporations as well as leading research and non-governmental organizations.

To achieve the objectives of the Nairobi Metropolitan region, the MTP (2008-2012) identifies implementation of five flagship projects. These are construction of Nairobi Metropolitan Bus Transit System; construction of light rail for Nairobi and its suburbs; conversion of Nairobi into a 24-hour economy; implementation of a Metropolitan Road Safety Programme; and construction of 100,000 housing units annually.

3.10.2 Achievements

A number of developments took place in regard to implementation of the MTP flagship projects. These are:

(i) Metropolitan Road Safety Programme

A number of measures have been taken to enhance road safety status in the Nairobi Metropolitan Region. These include provision of Non-Motorized transport (NMT) facilities; upgrading of roads; enhancement of safety and security within the Metropolitan. Specific interventions under the provision/improvement of NMT were improvement works undertaken along 1st Avenue Eastleigh and the on-going works from Muthurwa to Uhuru Highway along Haile Selassie, Moi roundabout to University Way along Moi Avenue. In terms of road improvement, several roads were upgraded, rehabilitated and widened. These included rehabilitation of Dunga, Mukenia, Mariakani, Kapiti, Chepkoria, Kapiti and Dar-es-Salam roads and rehabilitation of Bunyala Road and Commercial Street.

Safety and security interventions included installation of pilot CCTV in Nairobi; installation of CCTV cameras at the road junctions to monitor movement and to have a control room/help in traffic control management in the city; installation of 530 streetlights and 80 floodlights across the city; street lighting installation along Ambira, Kitengela, Gitanga, Othaya and Oloitoktok roads. In addition, five modern Ambulances were procured and distributed to Machakos Municipal Council, Thika County Council, Thika

Municipal Council, Kikuyu Town Council and Kangundo Town Council. Four Land Rovers equipped with modern fire-fighting equipment's were also bought and distributed to Limuru Municipal Council, Kiambu Municipal Council, Ruiru Municipal Council, and Olekajiado County Council. Further, a Metropolitan Street Address System has also been developed in the CBD and Industrial area. This is besides finalization of the numbering of all buildings and streets, and the base map for addressing industrial area.

(ii) Traffic decongestion

Traffic decongestion programmes for Nairobi were identified and launched in August 2009. Commissioning of consultants to undertake some of the projects that involve elaborate designs and works under the programme are in progress.

(iii) Preparation of Metro wide spatial planning framework

The concept on spatial planning was completed and the winning concept was prepared. A firm has been contracted to execute the plan. The GIS and planning studio were enhanced during 2009/2010. This was achieved by procuring of GIS software and hardware.

(iv) A 24-hour economy

A cabinet memorandum for transforming Nairobi into a 24-hour

economy was prepared and submitted to the Cabinet for consideration and approval. A Sessional Paper on the same is being developed.

3.10.3 Policy, Legal and Institutional Reforms

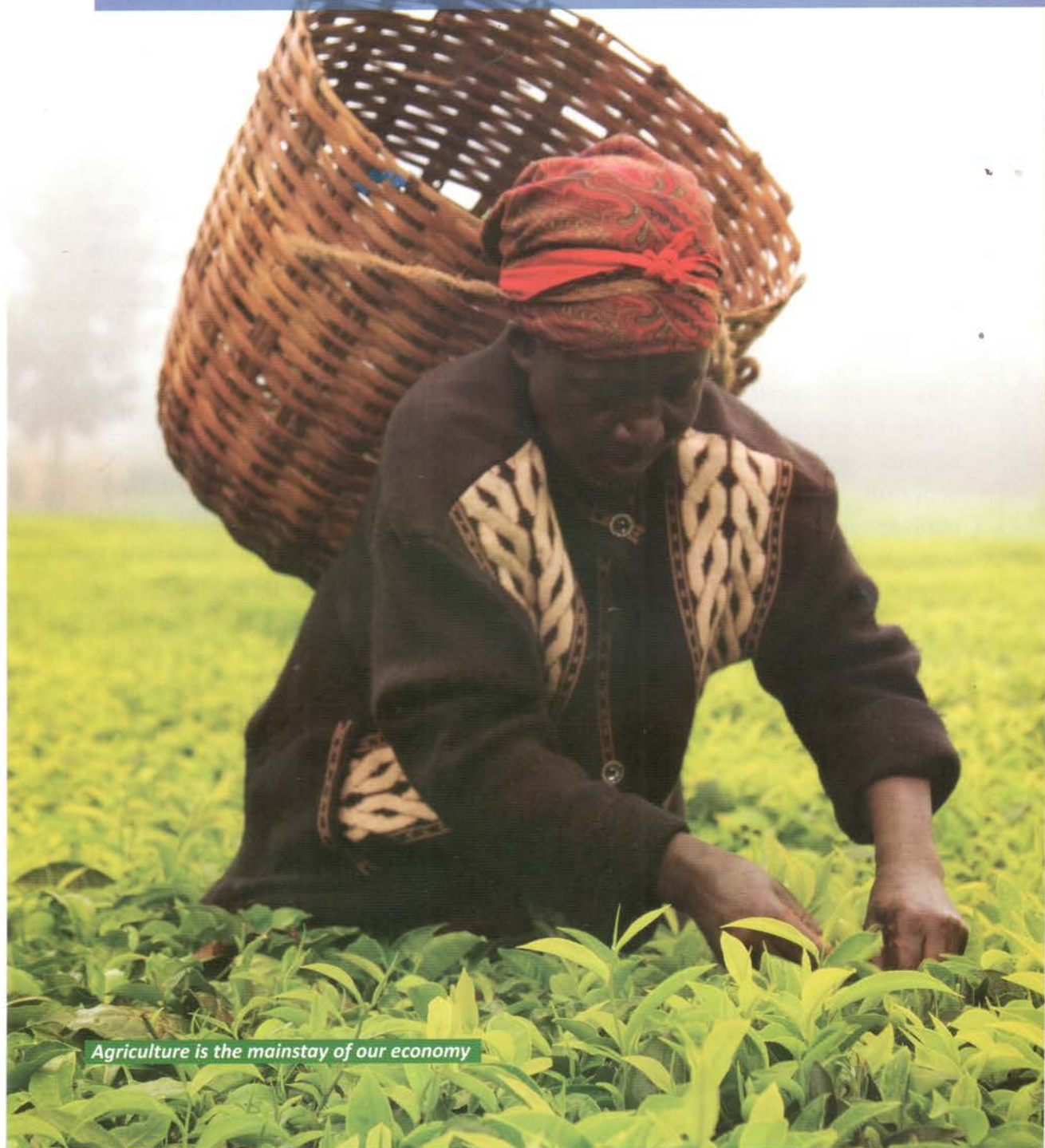
Requisite policy, legal and institutional reforms are imperative for effective implementation of the Nairobi Metropolitan Region's strategies and achievement of its goals. Some of the reforms to be undertaken are preparation of Urban Development Policy, Integrated Transport Policy and Solid Waste Management Policy. The legal instruments required are Nairobi Metropolitan Development

Bill and Traffic Law Enforcement. At the institutional level is establishment of a Metropolitan Police Service.

3.10.4 Challenges

The Nairobi Metropolitan Region is faced with many challenges. This is reflected in lack of comprehensive, up-to-date land use plan and development control guidelines. These often lead to land conflicts, unreliable infrastructure services, poor logistics and weak supply chain management, urban poverty, poor governance, encroachment of conservation areas including heavy pollution of the Athi and Tana River catchments.

4 CHAPTER FOUR ECONOMIC PILLAR



Agriculture is the mainstay of our economy

4.0 Overview

The economic pillar of the *Kenya Vision 2030* seeks to ensure prosperity of all Kenyans. It aims at achieving a high and sustained economic growth rate of 10 per cent per annum. The MTP (2008-2012) prioritized six productive sectors that have the potential of raising annual economic growth to the desired 10 per cent level by 2012. The sectors are tourism, agriculture and livestock, manufacturing, wholesale and retail trade, Business Process Outsourcing (BPO) and financial services. Output from these sectors constitutes 57 per cent of the country's GDP. They account for approximately half of total formal employment in the country.

This chapter evaluates the progress made in the implementation of the various interventions under the economic pillar and the outcomes realized vis-a-vis the targets. It also tracks progress of implementation of the flagship and other projects in the pillar, and the policy, legal and institutional reforms undertaken and/or proposed.

4.1 Tourism Sector

Tourism is one of the six key sectors identified to drive the 10 per cent economic growth rate envisaged in the MTP (2008-2012). The sector is also expected to contribute significantly to

employment creation. By focusing on the tourism sector, Kenya aspires to be a top ten long haul tourist destination offering a high-end, diverse, and distinctive visitor experience. To achieve this, the Kenya Government has been spearheading initiatives to reverse the impact of the post-election violence experienced in late 2007 and early 2008, and the global financial crisis and economic meltdown.

4.1.1 Policy Review and MTP Targets

The MTP (2008-2012) prioritized implementation of four key flagship projects as part of the long term intervention to improve the competitiveness of the tourism sector. The flagship projects were development of three resort cities in Isiolo, Kilifi and Diani; the premier parks initiative, which seeks to brand the country's most popular parks; the under-utilised parks initiative, which aims at revamping the capacity utilization of some of the country's parks; and development of niche tourism products. During the review period, two key legal and policy reforms were to be undertaken. These were translation of the tourism and wildlife policies into the Wildlife and Tourism Act, and development of the heritage policy for effective and efficient utilization and management of existing heritage facilities.

4.1.2 Achievements

(a) Sector Performance

The tourism sector made a rebound in 2009 after the slowdown triggered by the adverse effects of the post-election

violence, the global economic crises and financial contagion that gripped the US and other European countries in 2008. Table 4.1 illustrates the trends in tourism arrivals and earnings over the period 2005-2009

Table 4.1: Tourism Arrivals and Earnings

Year	Holiday/ Business Visitors	Visitors on Transit	Other Visitors	Total International (Tourist) arrival)	Bed nights available	Earnings (Kshs Billions)
2005	1,269,200	79,800	130,000	1,479,000	10,845,600	48.9
2006	1,313,549	137,165	149,829	1,600,541	13,003,500	56.2
2007	1,520,700	130,900	165,200	1,816,800	14,711,600	65.2
2008	1,045,500	62,000	95,800	1,203,200	14,233,600	52.7
2009	1,241,800	98,400	150,200	1,490,400	17,125,300	62.5

Source: Economic Survey, 2010

Table 4.1 shows that total international tourist arrivals increased from 1.2 million in 2008 to about 1.5 million in 2009. This represented a growth of about 25 per cent. The growth in arrivals was attributed to increase in the number of visitors on transit (58.7%), other visitors (56.8%) and holiday/business visitors (18.8%). The international arrival realized in 2009 was 66.2 per cent of the 2.25 million MTP target. Along the same lines, the bed nights available increased from 14,233.6 thousands in 2008 to 17,125.3 thousands in 2009. This was 7 per cent above the 2009/2010 MTP target of 16 million bed nights. The improved performance of the sector in the two areas of international arrivals and bed nights is attributed

to aggressive marketing campaigns undertaken beyond the traditional tourism markets, enhanced security initiatives and favourable political environment arising from increased harmony in the working of the Coalition Government.

Figure 4.1 shows that tourism earnings increased from Kshs. 52.7 billion in 2008 to Kshs. 62.5 billion in 2009. This represented an increase of 18.6 per cent over the one year period. The tourism earnings was, however, 47.9 per cent below the MTP target of Kshs. 120 billion that was to be realized in 2009/2010. The increase in tourism earnings over the period is attributed to growth in international arrivals and revamping of domestic tourism.

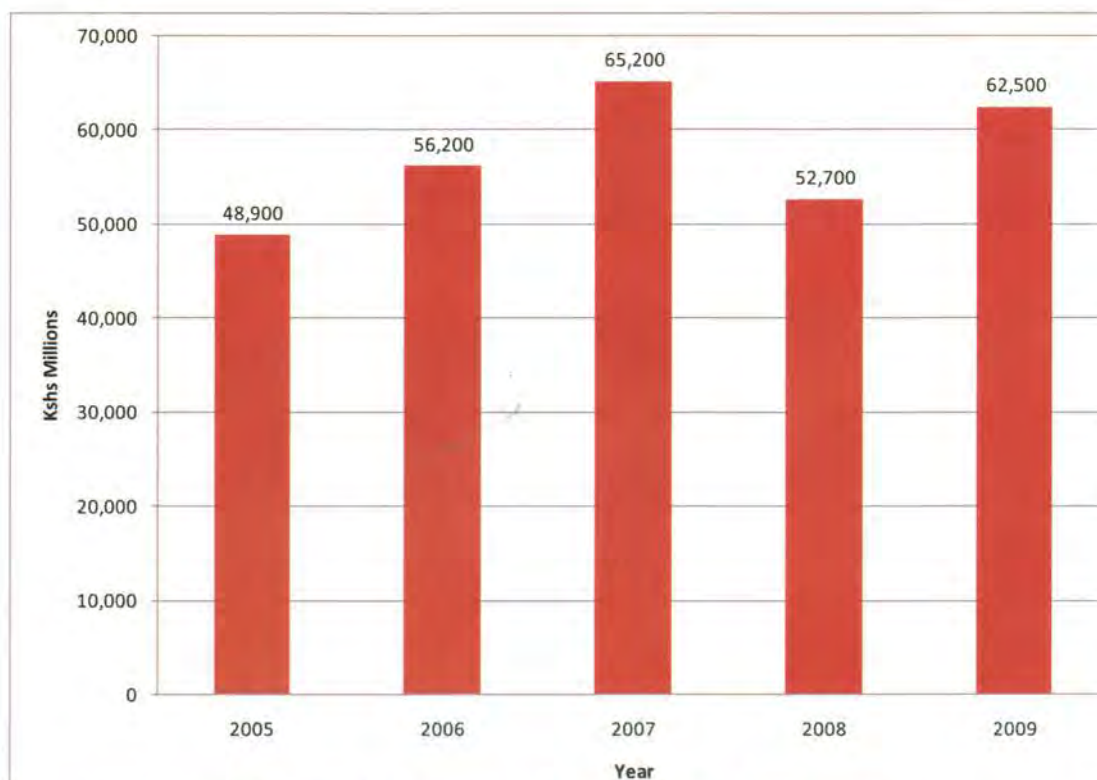


Figure 4.1: Trend of tourism earnings (Kshs. Millions)

(b) Flagship projects

Kenya's long-term goal as contained in Vision 2030 is to transform the tourism sector into a major contributor to the economic growth and development. Apart from the initiatives aimed at reversing the effects of post-election violence, four flagship projects were identified by the MTP for implementation in the sector.

i) Development of three Resort Cities in Isiolo, Kilifi and Diani

Three resort cities are to be developed in Isiolo, Kilifi and Diani during the MTP period. In this respect, expression of interest for the development of

an Isiolo Resort was advertised. In addition, a preliminary concept paper that outlines the situation analysis of Kilifi and Ukunda, their themes, boundaries and spatial plans for resort development and funding mechanisms have been prepared by the Government. At the same time, a study on a transport corridor that has resort cities component has been commissioned.

ii) Premium Parks

Two premier parks, Amboseli and Lake Nakuru National Parks, were segmented and their entry fees raised to US\$60 as targeted in the MTP. This intervention is meant to facilitate

control of numbers due to the fragility of the environment and the high demand for the sites. This move is expected to increase the earnings from these parks and improve the quality of the services offered therein.

iii) Underutilized Parks Initiative

Investors were identified for Meru Conservation Area, Mwea, Hells Gate, Kisumu Impala and Ndere Island. The projects are at various stages of implementation. Feasibility studies have also begun for the Tsavo Conservation Area under the PPP arrangement. No investor was, however, identified for Saiwa swamp during the period under review.

(c) Policy Reforms

A draft National Tourism Policy was prepared during the period under review. The policy seeks to develop and diversify tourism products in Kenya. The strategies to be used are to develop and diversify tourism products focusing on eco-tourism, sports and cultural tourism. Tourism potential has been identified in Lake Victoria, the Western region, North Rift, Central and North Eastern parts of Kenya.

4.1.3 Challenges

The tourism sector is faced by inadequate bed capacity, especially in the new tourism circuits of Western Kenya and North Eastern regions. The areas have poor and inefficient

infrastructure in some tourist circuits. Growth and development of the sector is also hampered by inadequate financial resources, particularly for tourism marketing. The tourism sector is also faced by stiff competition from other tourism destination areas in Africa such as South Africa, Egypt and Morocco.

4.2 Agriculture, Livestock and Fisheries Sector

The long-term goal of Agricultural sector is attainment of food security and increased incomes. This is consistent with the sector vision of *a food secure and prosperous nation* and the desire to have an *innovative, commercially oriented and competitive agriculture*. The goal of the sector is to be achieved through enhanced food production, creation and maintenance of an enabling environment for development of agriculture, livestock and fisheries, formulation and implementation of appropriate agricultural policies and strategies, and employment creation.

4.2.1 Policy Review and MTP Targets

The MTP (2008-2012) seeks to transform the agricultural sector into profitable economic venture. To realize this, a number of policies, legal and institutional reforms were lined up to be undertaken in the sector in the medium-term. In addition, four flagship projects were earmarked

for implementation in the medium-term besides the one-year recovery programme targeted at ameliorating the negative effects of the post-election violence. The flagship projects were enactment of the consolidated agricultural sector reform bill, investment in fertilizer-cost reduction, establishment of disease-free zones and completion of Arid and Semi-Arid Lands (ASAL) development projects.

4.2.2 Achievements

(a) Sector Performance

The downturn in the agricultural sector continued in 2009. The sector recorded a subdued growth rate of negative 2.7 per cent in 2009 up from negative 4.3 per cent in 2008. The slow growth rate in the sector is attributed to the lagged effects of the global economic recession experienced in the US and other European countries in 2008, and the effects of the drought that hit various parts of the country during the period under review. Consistent with the decline in agricultural output, prices of most agricultural commodities surged, leading to an increase in the cost of living.

(b) Flagship Projects

The overall goal of the sector is the attainment of food security and increased incomes through value-addition by in-country processing of primary agricultural and livestock products. The MTP (2008-2012) therefore, seek to transform the sector and prioritized four flagship projects

for implementation in the medium-term. To achieve the sector vision, reverse the downward growth trend and expedite growth efforts, three agriculture-specific flagship projects were identified for implementation during the medium-term.

i) Enactment of the Consolidated Agricultural Sector Reform Bill

During the year under review, a comprehensive analysis of legal and regulatory framework in the agricultural sector was carried out. In addition, four draft bills on the proposed reforms were developed and a draft Cabinet Memo prepared.

ii) Fertilizer Cost Reduction Initiative

Under this MTP flagship project, 145,000 metric tonnes of previously procured fertilizers and 33,383 metric tonnes procured in 2009 were distributed to farmers. This was against the MTP target of 200,000 metric tonnes. The fertilizers were mainly distributed through National Cereals and Produce Board (NCPB). The private sector assisted in distributing 10,000 metric tonnes of the fertilizers in Central and Eastern Provinces where NCPB depots are far flung from farmers. At the same time, a proposal on fertilizer manufacturing was drafted and sent to various organizations for funding. To consolidate these efforts, a Fertilizer Management Committee

was formed and held two meetings in 2009. The Treasury also allocated Ksh. 71 million in 2010/2011 fiscal year towards a feasibility study on the establishment of a domestic fertilizer manufacturing plant.

The fertilizer cost reduction is a subsidy initiative aimed at lowering and stabilizing fertilizer prices. This objective is increasingly being achieved. The price of a 50 kilogram bag of DAP, for example, reduced from Ksh. 6,400 in 2007 to Ksh. 2,500 in 2008 and further to Ksh. 2,200 in 2009. It is expected that the prices will stabilize at the 2009 price of Ksh. 2,200.

iii) Establishment of Disease Free Zone in ASAL regions

This flagship project targeted the setting up of four livestock Disease Free Zones (DFZ) in Coast, Laikipia, Isiolo and North Rift. During the year, electronic animal identification was piloted and 302 stakeholders sensitized. An appraisal of Laikipia-Isiolo complex Disease Free Zone was done. At the same time, environmental impact assessment of zoning and drafting of zonal policy legislation has been commenced. It is noted, however, that progress towards realization of this target has been slowed down by inadequate funding.

(c) Fisheries Sub-Sector

In the Fisheries sub-sector, the Fish Farming Enterprise Productivity

Programme implemented under the Economic Stimulus Programme (ESP) led to construction of 27,000 fish ponds in 2009. These ponds were distributed in 140 of the 210 constituencies in the country. In addition, upgrading to international standards of six fish landing sites along Lake Victoria was 90 per cent complete by end of June 2010, while the establishment of a cold storage facility at Vanga in Kwale District is complete. Three other cold storage facilities at Lamu, Malindi and Mombasa are at various stages of completion. These initiatives are aimed at reducing postharvest losses of fish occasioned by contamination, ensuring fish safety and quality, and improving the livelihoods of the fishing community. To promote sustainable utilization of fisheries resources, Management Committees from 10 Beach Management Units (BMUs) were trained on fish management. The training is expected to improve management of fisheries resources and reduce conflicts among users.

(i) Policy Reforms

Seven draft sector policy documents were prepared in 2009 against a target of four. The draft policies are on horticulture, agribusiness, emerging crops, urban and peri-urban agriculture, root crops and livestock zoning. Further, four agricultural policy bills were prepared. These were Tea (Amendment) Bill, Coffee (Amendment) Bill, Seed and Plant

Varieties (Amendment) Bill, and Agriculture (Farm Forestry) Rules 2009. Under the Consolidated Agriculture Policy and Legal Framework flagship project, four draft bills and a draft Cabinet Memo were prepared. For the livestock sub sector, a review of various sub-sector policies was undertaken. These included policies on apiculture, poultry, animal breeding, veterinary pharmaceutical and animal feeds. At the same time, Veterinary Surgeon Bill and Veterinary Surgeon and Para-professional Bill are ready. In addition, Apiculture Rules and Regulations and Veterinary Medicines Bill were developed and approved by the Cabinet.

(d) Co-operatives Sub-sector

The cooperatives sub-sector plays a critical role in the development of the country. It facilitates institutional ownership and participation of farmers, workers and other members of the society in mobilizing savings and capital formation. Indeed, the *Kenya Vision 2030* recognizes the cooperatives sub-sector as critical in addressing the challenges of low productivity, inappropriate land use systems, poor marketing systems, and low value-addition in the country. To actualize this, key flagship projects were identified for implementation by the sector during the MTP (2008-2012) period. These interventions included review of the co-operative development policy and

legal framework, establishing and implementing an effective regulatory and operational mechanism for Savings and Credit Co-operative Organizations (SACCOs), and undertaking relevant policy and institutional reforms in the sub-sector.

Specifically, the interventions envisaged in the sub-sector are strengthening of the co-operatives regulatory framework, enhancement of professionalism in the management of co-operative societies, initiating corporate governance reforms within the co-operative sub-sector and facilitating education and training within the movement as key sub-sector interventions. Others are building research and marketing capacities of the co-operatives, improving the quality of co-operative investments, supporting value-addition and investment in new co-operative ventures, and enhancing the capital base of the co-operatives.

(ii) Policy Reforms

The co-operatives sub-sector is a major building block towards achieving the vision of promoting an innovative, commercially-oriented, and modern agricultural sector. In 2009/2010, a Draft Co-operative development policy and a SACCO development strategy were finalized. These policy instruments are expected to facilitate effective targeting and improve service delivery to members

of the respective societies. During the period, informal sector associations were established and strengthened to promote mobilization of savings and access to financial services. At the same time, SACCOs were encouraged to explore and diversify their products and services, and to review their approaches to be consistent with the changing needs and aspirations of the members, and the national, regional and global economies. Re-structuring and strengthening of key co-operative societies was also undertaken during the period.

4.2.3 Challenges

The agricultural sector continued to face several challenges that constrained its productivity and competitiveness. Some of the main challenges experienced included low and declining soil fertility; high cost, adulteration and low application of key inputs; slow absorption of modern and appropriate technology; and poor disaster preparedness and response. Other challenges are limited capital and inadequate access to affordable credit; pre and post-harvest losses; inadequate markets and poor marketing infrastructure; weak quality control systems; inappropriate legal and regulatory framework; and low budgetary provision. Inadequacies in the policy, legislative and regulatory framework, poor governance and mismanagement of the co-operative societies, and weak internal capacity

for marketing of co-operative products and services dampened the growth and development within the co-operative sub-sector. Other challenges faced by the sub-sector were undercapitalization of the societies and imprudent investment decisions. These lowered returns to farmers.

4.3 Manufacturing

Kenya's aspiration as contained in the Vision 2030 is to have a robust, diversified and competitive manufacturing sector capable of supporting the country's socio-economic development agenda. This is to be achieved through employment creation, wealth generation, attraction of Foreign Direct Investment (FDI), and providing the required impetus towards attainment of the Millennium Development Goals (MDGs). Accordingly, the MTP (2008-2012) interventions in the manufacturing sector targets to increase the sector's contribution to the country's GDP by at least 10 per cent per annum. This is to be achieved through: strengthening of production capacity and content of domestically manufactured goods; generation and increased absorption of research and development outputs; raising the share of manufacturing products in the regional market from 7 to 15 per cent; and development of niche products.

4.3.1 Policy Review and MTP Targets

The MTP (2008-2012) envisions a robust, diversified and competitive manufacturing sector. To achieve this, the policy blueprint initially prioritized development of two specialized economic zones, and five Small and Medium Enterprise (MSE) parks. However, these milestones were downscaled due to lack of funding, renewed Government directive to establish and host Special Economic Zones (SEZs) in the Ministry of Trade

and to develop MSE sheds at the constituency level.

4.3.2 Achievements

(a) Sector Performance

The performance of the manufacturing sector as measured by its contribution to the country's GDP has been static at about 10 per cent per annum. Figure 4.2 illustrates trends in the performance of the manufacturing sector between 2007 and 2009.

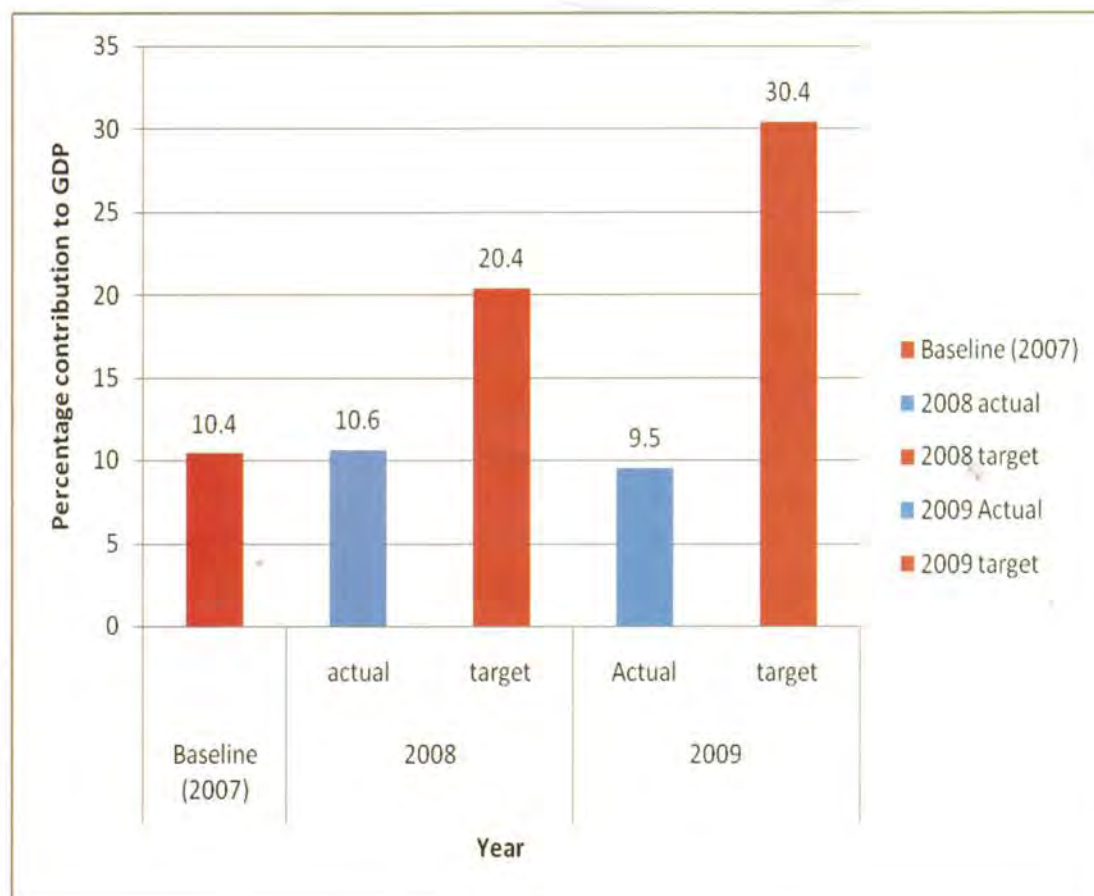


Figure 4.2: Percentage Contribution of Manufacturing Sector to the GDP

As illustrated in Figure 4.2, the contribution of the manufacturing sector to the GDP increased marginally from 10.4 per cent in 2007 to 10.6 per cent in 2008. It then declined by about one percentage point to 9.5 per cent in 2009. The MTP (2008-2012) expects the contribution of the manufacturing sector to the country's GDP to increase by at least 10 per cent per annum. It is clear from Figure 4.2 that the sector performance has continued to drift away from the set targets. While in 2008 the sector missed the MTP target by about 10 percentage points, in 2009 the differential between the target and the actual widened to about 21 per cent.

The increase in the target-actual performance gap experienced by the sector can be attributed to a number of factors. Key among them are the effects of the 2007-2008 post-election violence, drought, poor infrastructure, the global financial crises and other internal and external shocks. At the same time, the performance of the manufacturing sector has remained static at about 10 per cent per annum for almost a decade now. This means that the sector requires a re-examination and a paradigm shift in interventions to realize the expected turn-around. In addition, for a country like Kenya that is endeavoring to industrialize by the year 2030, the competitiveness of the manufacturing sector is critical. This can only be

attained through effective integration of industrial activities, sustained promotion and mainstreaming of productivity, enhancement in the value of the manufactured products, expansion in markets, and removal of constraints to competitiveness.

(b) Flagship Projects

Kenya's long-term objective of attaining a newly industrialized country status by 2030 greatly hinges on the performance of the manufacturing sector. The sector is crucial to the country's transformation given its contribution to total output, employment and exports. What follows are the achievements made in the various areas of interventions made under the sector.

(i) Development of manufacturing and industrial zones and SMEs

A Cabinet memo on Government to Government co-operation between Kenya and Singapore on the development of manufacturing and industrial zones was drafted and shared with stakeholders. A Memorandum of Understanding (MOU) between the Kenya Government and the Government of Singapore was signed in February 2010. As a follow up, two missions from Singapore visited Kenya to operationalize the MOU. A study report and draft terms of reference were hence developed to facilitate a feasibility study on the establishment

of SEZs in Mombasa and a free port in Dongo Kundu. The draft terms of reference have been forwarded to the Treasury for review and advice, particularly on their conformity to regulations governing procurement of services and contracts between the two governments.

(ii) One Village One Product Project

Eight "One Village One Product" (OVOP) District committees were formed. These were in West Pokot, Garissa, Isiolo, Kwale, Bomet, Nandi Hills, Vihiga and Kisii. Project selection in 3 pilot districts namely, Milk packaging in Nyeri North, Wood curving in Yatta and Aloe Vera, Honey and Bee keeping and Maize processing in Laikipia were finalized. These were forwarded to the identified financiers (ILO, JKUAT, Gatsby and Techno Serve for possible support). In addition, three large scale investors dealing in agro-based industries and machinery were approached.

(iii) 4K-Micro and Small Enterprises 2030 Initiatives Project

This is an initiative that brings together four key institutions in the MSE sector. These institutions are the Kenya Bureau of Standards (KEBS), Kenya Industrial Research and Development Institute (KIRDI), Kenya Industrial Property Institute (KIPI) and

Kenya National Federation of Jua Kali Associations (KNFJKA). During the period under review, 30 prototype arc welding machines were developed through reverse engineering under this initiative. The machines were exposed to performance testing by selected *jua kali* artisans and institutions in 2009, and the performance report compiled.

(iv) Promotion of Investment in Regions outside Nairobi

The sector carried out surveys on regional resource endowments in Coast and Eastern provinces. Four investment fora were also held in Loitoktok, Mwingi, Naivasha and Busia.

(v) Facilitate Subcontracting between large and micro, small and medium enterprises

A draft policy on subcontracting was developed and a business matching was done to link 23 micro, small and medium enterprises (MSMEs) with large enterprises.

(vi) Promotion and Development of Youth and Women Enterprises

A needs assessment survey and capacity building was carried out in four provinces. A total of 453 women and youth entrepreneurs were trained in entrepreneurship.

(vii) Micro, Small and Medium Enterprises Competitiveness Project

Five financial products were developed during the period under review. In addition, five studies were undertaken on the improvement of the financial sector for the MSMEs and a total Ksh. 25 million (US\$ 321,359.5) was disbursed as technical assistance funds to MSMEs. These funds were part of the Small and Medium Enterprises (SME) Risk Capital Fund. In addition, 2,000 business plans were submitted, 630 entrepreneurs trained on business planning, and 45 entrepreneurs awarded under *Jitihada* competition. Further, 8 pilot projects were started under the value chain matching grant facility. The projects were in coffee (4), leather (2) and one each in cotton and pyrethrum.

(viii) Establishment of Constituency Industrial Development Centers

A prototype Constituency Industrial Development Centre (CIDC) was designed. Further, 179 sheds are at various levels of construction in some of the country's 210 constituencies. A project potential profile for each of the 210 constituencies was also developed. At the same time, the tender documents for procurement of user tools and equipment has been prepared, advertised and contracts awarded. The constituencies were

facilitated to identify user tools and equipment.

(ix) Business Sector Program Support

The Business Sector Programme Support (BSPS), which is a Danida funded program, supported the construction of a mini tannery in West Pokot district during the period under review. The tannery, which is ready for launch, is expected to facilitate value addition in hides and skins. Further, 15 prototypes of local welding equipment were developed and issued to SMEs for market testing. A fish pilot plant for wet blue processing was also installed and operationalized.

(x) Development of Master Plan for Kenya Industrial Development

A master plan for Kenya Industrial Development (MAPSKID) was developed, launched in 2009 and is being implemented.

4.3.3 Policy, Legal and Institutional Reforms

A number of policies, legal and institutional reforms are required to facilitate the transformation envisaged in the manufacturing sector. Reforms that were initiated / undertaken in the sector during the period under review were as follows:

- a) At the policy level, a MAPSKID was developed, launched and is being implemented;
- b) Three draft policies were also developed. These are the National Industrialization policy, National Incubation policy and National Policy Agenda for Industrialization in Kenya. The first two policy documents were submitted to the Cabinet for consideration and approval while the third was presented to the National Economic and Social Council (NESC) for appropriate action;
- c) At the legal framework front, an MOU between the Government of the Republic of Kenya and the Government of Singapore on establishment of SEZs and establishment of SME parks was signed;
- d) A legal framework for coordination of industrial activities in Kenya and establishment of an Industrial Development Fund to cater for the financing of industrial projects is in the process of being developed;
- e) At the institutional level, the Kenya Anti-Counterfeit Agency was operationalized, and CIDCs established.

4.3.4 Challenges

The manufacturing sector is faced with numerous challenges. The key ones, which played out in 2009/2010 were: inadequate funding, shortage

of skilled manpower, weak PPP, and lacklustre collaboration from other implementing agencies. Others were delays in procurement and logistical challenges, particularly in the construction and equipping of the CIDCs, poor infrastructure and infiltration of the local market by counterfeit, contra-band and substandard goods.

4.4 Wholesale and Retail Trade Sector

The wholesale and retail trade sector is one of the priority sectors expected to spur the Kenyan economy towards attainment of Vision 2030 goals. The *Kenya Vision 2030* envisions a wholesale, retail and trade sector that is formal, efficient, multi-tiered and diversified in product range and innovativeness. The sector is a major contributor towards achievement of MDGs, particularly goal one on eradicating extreme poverty and hunger, and goal seven on developing global partnership for development. The wholesale and retail trade sector is also crucial in supporting the creation of productive and durable employment opportunities and realization of the desired 10 per cent GDP growth rate envisioned in both the *Kenya Vision 2030* and MTP (2008-2012). The key areas of intervention in this sector include promotion of private sector development, improvement in business environment and promotion of favourable investment climate.

Others are broadening and deepening of the local and export market base, and fostering productive linkages and collaboration mechanisms.

4.4.1 Policy Review and MTP Targets

The MTP (2008-2012) identifies a number of short and medium-term programmes that need to be implemented if the wholesale and retail trade sector is to realize its aspirations. In 2009/2010, the MTP prioritized building of a free trade port in Mombasa; establishment of at least 10 hubs and 1,000-1,500 producer business groups, starting with a pilot in Maragua; and building of at least 10 tier one market, starting with a pilot project in Athi-River. Other flagship projects were construction of wholesale and retail hawker's

market in selected urban areas; development and institutionalization of capacity building and training programmes on technology and business procurement negotiation skills for the traders' associations and their members; promotion of business linkage and subcontracting programme; supporting and promoting development of co-operative organizations; and establishment and strengthening of informal traders' associations to form SACCOs.

4.4.2 Achievements

(a) Sector Performance

Figure 4.3 gives a schematic representation of the performance of the wholesale and retail trade as measured by its growth and contribution to GDP.

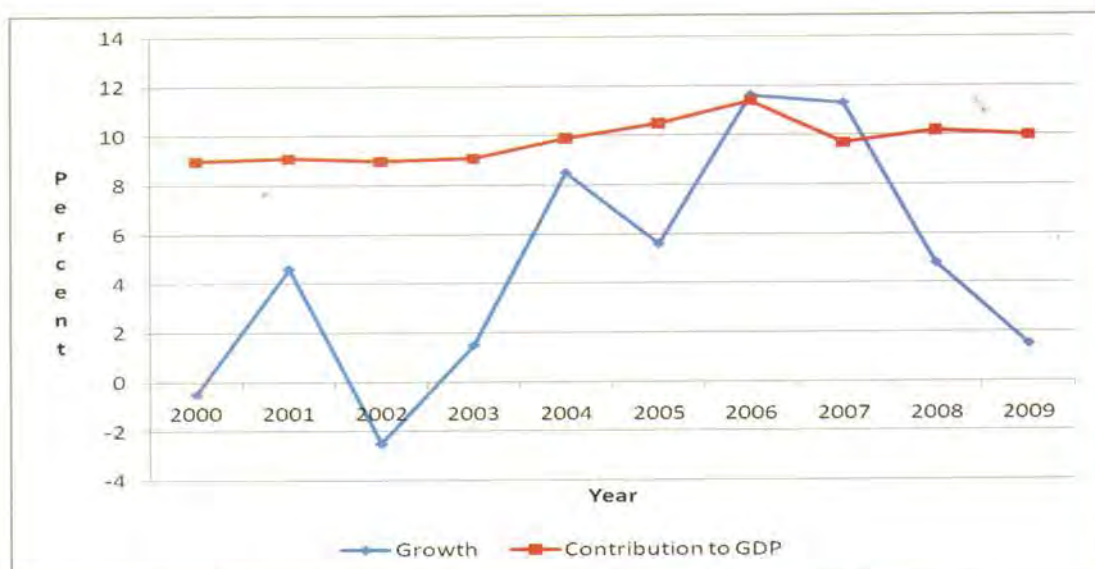


Figure 4.3: Performance of Wholesale and Retail Trade Sector

Figure 4.3 show that the wholesale and retail trade sector has experienced a mixed growth pattern over time. In this case, periods of positive growth have been interspersed with periods of negative growth and subdued performance. The sector appeared to have entered a high growth path in 2005, registering a growth rate of 5.6 per cent. This more than doubled to 11.6 per cent in 2006 before declining marginally to 11.3 per cent in 2007. This growth trend was, however, curtailed by the internal and external shocks experienced in the country in the last quarter of 2007 and a better part of 2008. Consequently, the sector recorded a subdued growth of 4.8 per cent in 2008, declining further to 1.5 per cent in 2009. Figure 4.3 reveals that contrary to the cyclical growth pattern exhibited by the sector; its contribution to the GDP manifested mild crests and troughs. It oscillated between 9 and 9.1 per cent per annum in 2000-2003. The sector's contribution to the GDP then grew from 9.1 per cent in 2003 to 11.4 per cent in 2006. The sector accounted for 10.2 and 10 per cent of the country's GDP in 2008 and 2009, respectively.

The cyclical growth trend exhibited by the sector and its marginal contribution to the GDP can be attributed to effects of the 2007-2008 post-election violence and the global financial crises, drought, poor infrastructure, and other internal and

external shocks. The sector also suffers from low levels of competitiveness occasioned by absence of productivity mainstreaming strategies and other structural rigidities, weak linkage and integration of sector activities, low value-addition, slow absorption of technology and innovation, and limited markets and market information.

(b) Flagship Projects

Noticeable progress was made in the implementation of the various flagship projects and programmes that were lined up for the sector. The achievements made were:

(i) Building of 10-tier markets

The MTP 2009/2010 target for the sector on this flagship project was to build one market in Athi-River. This target was missed. However, as part of the process, a Steering Committee comprising members from both the public and private sectors was formed to coordinate the process of construction of the wholesale and retail markets. In addition, a concept paper on the same was developed, and Ministries have been requested to provide suitable land for construction of the markets in the identified areas.

(ii) Creation of Hubs and Producer Business Groups

In 2009/2010, the MTP (2008-2010) envisaged the creation of one hub in Maragua besides establishment of

producer business groups. While **no hub was created** as expected in the MTP, a situational analysis on producer business groups was carried out. These were done in Central and Eastern provinces. The needs of 100 business producer groups were also identified during the period under review.

(iii) Improving the Quality of Products

The wholesale and retail trade sector aims at improving quality of products. Towards this, the sector undertook a branding of the locally manufactured export products. In addition, a funding proposal to support the setting up of a product design and development centre was prepared and submitted to various development partners for consideration. Also, producers of handicrafts were trained in product design and development.

(iv) Deepening and Expansion of Markets

A market privatization framework that will guide the country's trade promotion programmes over the MTP period was developed. In addition, a trade flow analysis for several countries was conducted. The countries included Japan, Spain, Germany, India and South Africa.

(v) Promotion of Value-addition and Diversification of Export Base

Studies are on-going in Samburu and Wajir districts to facilitate the profiling

of production of handicrafts by the women and youth. Further, product design and development specialists have already been contracted to work with the producer business groups to help them develop products that meet the export standards. A strategy for promoting exports of professional services has also been developed through a consultative and participatory process. The strategy has prioritized accounting, insurances, BPO, shipping and non-banking financial services for immediate export promotion. At the same time, an export consortium for targeted service sub-sector has been established and a committee constituted to coordinate and oversee the implementation of the strategy.

(vi) Establishment of Export Development Fund

A concept note on the establishment of the Export Development Fund has been prepared. In addition, a cabinet memo seeking to establish the fund has been prepared and forwarded to the cabinet for consideration and approval.

(vii) Creation of external market linkages

During the period under review, Kenyan exporters were linked to the markets in the Common Market for Eastern and Southern Africa (COMESA), East African Community (EAC), Asia and African Growth and Opportunity Act (AGOA)-United States

of America (USA). The sector players also participated in trade promotion events held in Uganda, Tanzania, Malawi, Zambia, Rwanda, Congo, China, USA, Egypt, Korea and Sudan.

4.4.3 Policy Reforms

A draft policy for the establishment of Special Economic Zones has been prepared to guide the sector. In addition, a draft Bill has been prepared to provide a legal and institutional framework for the establishment and operation of the SEZs.

4.4.4 Challenges

A number of challenges were experienced while implementing the MTP programmes and projects. The challenges included low financing in the areas of focus. In addition, the sector has contended with perennial shortage of technical staff to spearhead the sector activities, particularly at the districts, provincial and Kenya missions abroad. These constraints led to the slow pace of implementation of the interventions identified in the MTP (2008-2012).

4.5 Business Process Outsourcing and Offshoring Sector

The Business Process Outsourcing and Offshoring (BPO) sector is a small and new part of the Kenyan economy accounting for less than 0.01 per cent of the GDP. It has about 500 seats and 1,000 employees. The Kenya

Vision 2030 and the MTP (2008-2012) envisages Kenya to be "the top offshoring destination for Africa". Five flagship projects have been identified in the MTP to facilitate achievement of these milestones. The flagship projects are establishment of a BPO park at the Athi-River Export Processing Zones (EPZs); undertaking marketing campaigns; conducting targeted training programmes; development of a BPO incentive framework; and formulation of BPO and Contract Centre (CC) policy.

4.5.1 Policy Review and MTP Targets

The BPO sector is an emerging and growing sector in Kenya. It is expected to be the sector of choice for employment of the youth and young professionals. The sector is expected to create at least 20,000 direct BPO jobs and increase its contribution to GDP by Ksh. 10 billion. In 2009/2010, the sector was expected to lay 5,000 kilometres of sub-marine fibre-optic and 5,500 kilometres of terrestrial fibre-optic cables. In addition, the sector was expected to develop five Information and Communication Technology (ICT) policies.

4.5.2 Achievements

(a) Sector Performance

Kenya's BPO sector has continued to grow in scope. In 2009/2010, the sector created 619 direct BPO jobs and 4,168

jobs indirect jobs through facilitation of BPO operators. The direct jobs created by the sector represented a dismal 8.3 per cent of the targeted jobs for the year. The dismal performance of the sector is attributed to inadequate positioning of the sector to exploit its full potential, poor telecommunication infrastructure, high cost and unreliable energy and inadequate dedicated BPO

facilities.

(b) Flagship Projects

Table 4.2 gives a summary of milestones realized by the sector during the period under analysis and that the sector is on course as far as implementation of the five MTP targets is concerned.

Table 4.2: Implementation Progress of the BPO Sector

MTP Target	INDICATOR	TARGETS FOR 2009/10	ANNUAL ACHIEVEMENTS 2009/10	CUMULATIVE ACHIEVEMENTS 2008-2010
Establish ICT Park	A state of the art ICT park established	Finalize procurement of land, carry out feasibility and impact studies, and prepare master plan.	Sign a PPP contract by 30th June 2010 and undertake a feasibility study.	Land registered under GOK Feasibility Study on-going Master Plan in place. Environmental and impact assessment study complete.
Market Kenya as a BPO destination	7,500 Jobs Created	Market Kenya as a BPO destination. 1,500 BPO seats	619 BPO jobs	4168 Jobs created through facilitating local BPO Operators
Capacity Building	Increased ICT Talent Pool	Develop/Identify Skills development training programmes Train 1000 Kenyan youth in BPO specific Skills	JKUAT awarded the contract as the lead trainer. 1,341 youths trained in BPO and entrepreneurship skills	JKUAT awarded the contract as the lead trainer. 1,341 youths trained in BPO and entrepreneurship skills

MTP Target	INDICATOR	TARGETS FOR 2009/10	ANNUAL ACHIEVEMENTS 2009/10	CUMULATIVE ACHIEVEMENTS 2008-2010
Prepare a BPO Incentive Policy	Improved BPO Business Environment	Draft BPO Incentive Policy in place	BPO Incentive Policy in place and is being implemented 38 BPO Operators received bandwidth subsidies.	BPO Incentive Policy in place and is being implemented 38 BPO Operators received bandwidth subsidies.
Mainstream ICT in the economy	E-commerce Mainstreamed in the economy	Finalize the development and Gazette the Communication Amendment Act 2008	Kenya Communications Amendment Act 2008 in place New Broadcasting guidelines developed and gazetted Media Broadcasting Council Established	Kenya Communications Amendment Act 2008 in place New Broadcasting guidelines developed and gazetted Media Broadcasting Council Established

Source: Ministry of Information and Communication

4.5.3 Policy, Legal and Institutional Reforms

A draft BPO incentive policy has been developed. In addition, the Kenya Communication Act 2008 continues to be implemented and a review of the Kenya Communications and Broadcasting Guidelines has been undertaken. Further, a Media Broadcasting Council has been established and operationalized.

These interventions are expected to catalyze investment in the ICT sector.

4.5.4 Challenges

The BPO sector faces numerous challenges that have undermined its growth and development. Key among the challenges includes poor telecommunication infrastructure, high cost and unreliable energy and inadequate dedicated BPO facilities.

Others are inadequate supply of BPO software and hardware, weak BPO incentive structure, low uptake of the BPO initiative and inadequate skilled manpower. These constraints have led to high costs of transmitting data locally and internationally and low attractiveness of the country as a primary BPO destination, contrary to the aspirations in Vision 2030 and the MTP (2008-2012).

4.6 Financial Services Sector

The financial services sector plays a critical role in the development of the country by providing intermediation between savings and investments. The *Kenya Vision 2030* envisages “a vibrant and globally competitive financial sector driving high levels of savings and financing Kenya’s Investment need”. Achievement of these goals is underpinned on implementation of four key flagship projects. These are consolidation of the banking sector through enhanced capital base; increased financial access through formalisation of microfinance; deepening of capital markets by raising institutional capital and expanding bond and equity markets; enhancing leverage remittance and long-term capital flows.

4.6.1 Policy Review and MTP Targets

The financial services sector is one

of the foundations upon which achievement of Vision 2030 goals is based. It is a key instrument in facilitating the mobilization of investment funds required to implement the projects identified in Vision 2030. The key objective of the financial services sector as contained in the macroeconomic framework of the MTP (2008-2012) is to mobilize savings to realize a savings to GDP ratio of 25-28 per cent. This level of savings is expected to sustain an increase in the ratio of investment to GDP of around 30-32 per cent. The bulk of these resources are expected to be channelled to support the six Vision 2030 priority sectors, besides facilitating lending to MSMEs. Thus, the significance of the financial services sector to national growth and development cannot be gainsaid.

4.6.2 Achievements

(a) Sector Performance

The financial services sector contributes about 4 per cent of the GDP and provides assets estimated at 40 per cent of the GDP. The sector has been on growth path since 2004. Figure 4.4 gives a summary of the gross value added of the financial services sector in Ksh. million.

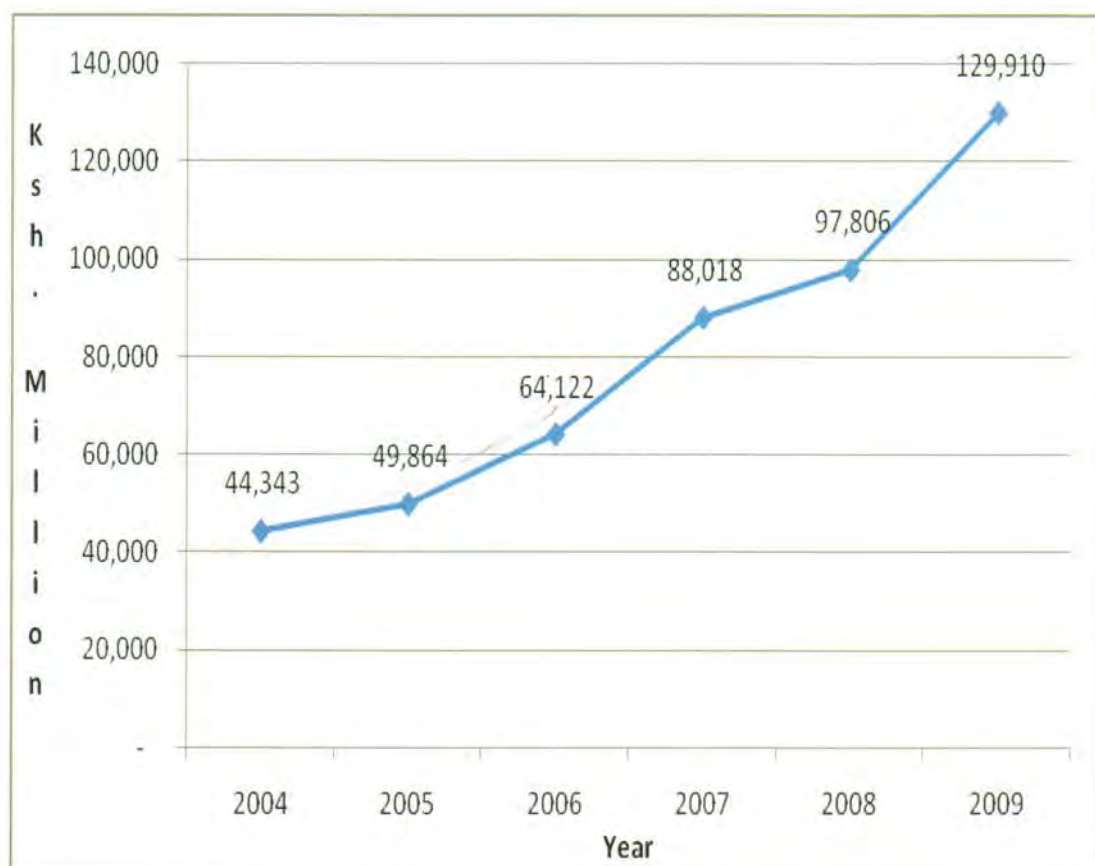


Figure 4.4: Gross Value Added of the Financial Services Sector

Figure 4.4 shows that the value of financial services more than doubled from Ksh. 44,343 million in 2004 to Ksh. 129,910 million in 2009. The greatest leap in the sector performance was witnessed in 2008-2009 when the sector's GDP at current prices increased by Ksh. 32,104 million or

32.8 per cent.

(b) Flagship Projects

Table 4.5 summarises the implementation status of key financial services reforms that were undertaken in 2009/10 fiscal year.

Table 4.3: Financial Services Reforms

MTP Objectives	Status in 2009/2010
Maintenance of sound fiscal and monetary policies	Fiscal Overall fiscal deficit on a commitment basis excluding grants, stood at 7.5 per cent of GDP Public debt, including those publicly guaranteed stood at 46.8 per cent by April 2010 External debt stood at 21 per cent of GDP Domestic debt stood at 25.8 per cent of GDP Share of development expenditure to total expenditure stood at 28.5 per cent BOP improved from a deficit of US\$ 497 million in May 2009 to a surplus of US\$ 317 million in May 2010
	Monetary: Overall annual average inflation stood at 5.4 per cent in June 2010 12 months CPI was 9.2 per cent in December 2009 compared to 16.2 per cent in 2008. Official foreign exchange reserves stood at 3.8 months of import cover on the basis of 36 month average of imports of goods and non-factor services declined to 3.2 month in the first quarter of 2009 but improved in June –August quarter 2009 at 4.0 months of import cover. Broad money supply M3 grew by 26.2 per cent in June 2010 compared to 13.0 per cent recorded in June 2009.
Review the legal and regulatory framework of the banking sector and align it to international supervisory best practices	Amendments to the Banking Act done
Enact Proceeds of Crime and Money Laundering (Prevention) Bill	Anti-Money Laundering Act, 2009 (Act No. 9 of 2009) passed by Parliament in December 2009 and came into operation in June 2010.

MTP Objectives	Status in 2009/2010
Facilitate credit information sharing	The Banking (Credit Reference Bureau) Regulations operationalized in February 2009.
Promote competitive, sound and efficient banking system, including strong micro financial institutions	Minimum core capital requirements for commercial banks and non-bank financial institutions increased to over a period of two years. New monetary policy instruments (Horizontal REPO market) introduced for inter-bank participants
Establish and develop vibrant non-banking financial institutions	Microfinance Act (2008) operationalized One institution licensed and eight applications for license are being processed.
Develop a well regulated and supervised insurance sector	Insurance Act amended
Promote and maintain strong pension systems	Retirement Benefits Act amended Minimum funding levels for all defined benefits schemes increased from 80 per cent to 100 per cent
Develop a safe and reliable payments system	National payments system is being modernized Value capping for all payments above Ksh.1 million effected in October 2009 <i>MPESA</i> account holders increased to 9 million; total transactions increased to over Kshs. 48 billion a month (or Ksh.1.6 billion a day) and agents increased to 17,000 in the last 3 years.

Source : Office of the Deputy Prime Minister and Ministry of Finance

4.6.3 Policy, Legal and Institutional Reforms

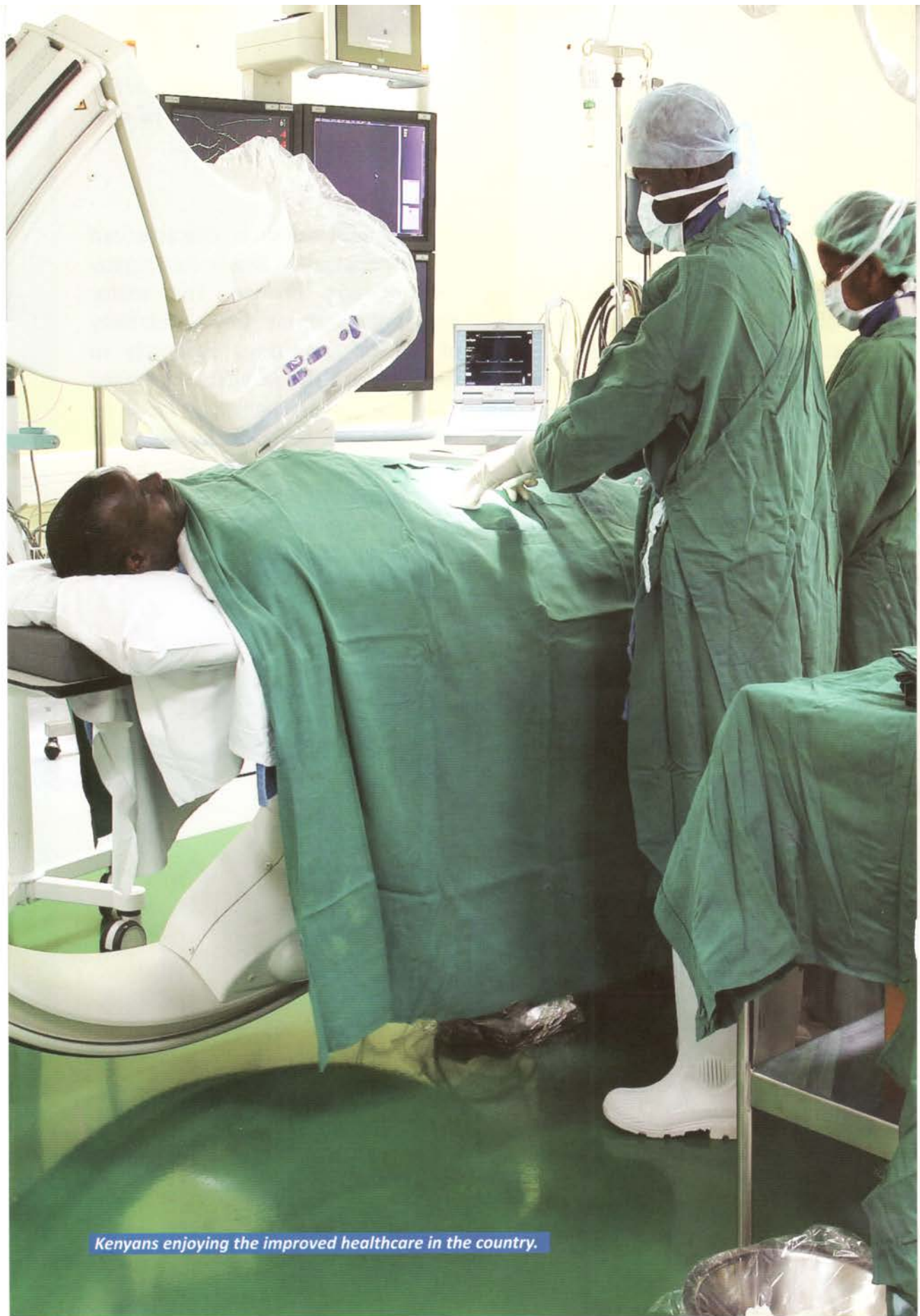
A number of legal and institutional reforms were undertaken in the sector. These reforms focused on facilitating achievement of the sector vision of a “vibrant and globally competitive financial sector driving high levels of savings and financing Kenya’s Investment need”. The reforms were in form of enactment of the Anti-Money Laundering Act (2009) and amendments to the various Acts of Parliament governing operations in the financial sector. These included the Retirement Benefits Act, Insurance Act and the Banking Act. Other interventions involved operationalization of Banking

Regulations and the Micro Finance Act (2008), and introduction of new monetary policy instruments.

4.6.4 Challenges

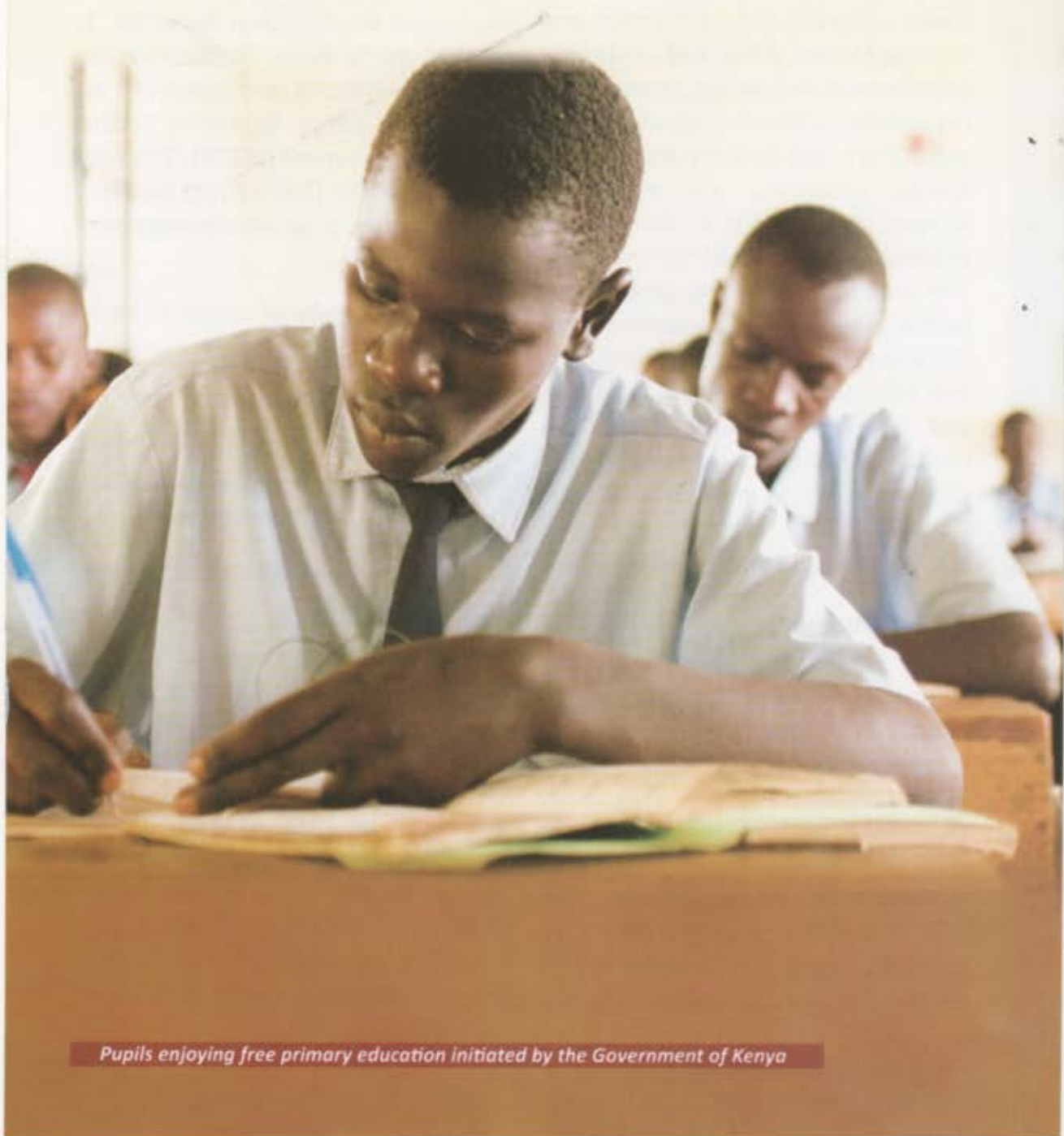
The financial sector is characterized by low penetration and limited supply of long-term finance. The sector also suffers from low availability of ICT infrastructure, especially in rural areas. This inhibits increased coverage. Other challenges faced by the sector are overcapacity and price competition, corruption and fraud, poor corporate governance, negative public perception and limited skilled manpower, particularly in actuarial studies.

2030



Kenyans enjoying the improved healthcare in the country.

5 CHAPTER FIVE SOCIAL PILLAR



Pupils enjoying free primary education initiated by the Government of Kenya

5.0 Overview

The Government is committed to investing in social services in order to improve the welfare of the people of Kenya. The efforts are aimed at transforming the country into a just, equitable and cohesive society that prioritises and targets transformation of some eight key social sectors. These sectors include: Education and Training, Health, Water and Sanitation, Environment, Population, Housing and Urbanisation, Gender, Sports, Youth and Culture, and Forestry and Wildlife. Special provisions are made for Kenyans with various disabilities and previously marginalized communities. The commitment by the government further targets to achieve international development commitments including the Millennium Development Goals and Education For All (EFA). This chapter presents a review of the progress achieved in 2009/2010.

5.1 Education and Training Sector

5.1.1 Overview

Kenya aspires to become a globally competitive and prosperous country offering high quality of life to all its citizens by 2030 as envisaged in Vision 2030. Consequently, it is a signatory to international development commitments including the Millennium Development Goals (MDGs) and EFA. Successful implementation of these commitments is expected to enable the country have a 'Globally

Competitive Quality Education and Training for Sustainable Development'. This will in turn result in a critical mass of a human resource base that is well equipped with quality education and training.

5.1.2 Policy Review

The education sector continues to implement the Sessional Paper No. 1 of 2005 on "a Policy Framework for Education, Training and Research" as well as the Kenya Education Sector Support Programme (KESSP). The first phase of KESSP (2005-2010) had the following four program development objectives.

- a. Ensuring equity of access to basic education;
- b. Enhancing quality and learning achievement;
- c. Providing opportunities for further education and training; and
- d. Strengthening education sector management.

The Government's strategic thrusts in this sector are to enhance access to all levels, quality, equity and science, technology and innovation. This will result in achievement of EFA and MDGs by 2015, in tandem with national and international conventions and commitments and the integration of ICT in education. Following the successful implementation of KESSP I, the Government is finalizing KESSP II

that aims to balance the education and training demands with a strategy that builds on the achievements realized under KESSP I. In order to consolidate the gains realized by the sector, the following specific policy initiatives are being pursued:

- a. Implementation of the Free Primary Education (FPE);
- b. Implementation of Free Day Secondary Education (FDSE);
- c. Implementation of policies outlined in the Sessional Paper No.1 of 2005 on Policy Framework for Education, Training and Research and KESSP;
- d. Review of strategies especially KESSP to embrace emerging issues and address lessons learnt;

5.1.3 Achievements

(a) Sector Performance

i) Early Childhood Education Development and Education (ECDE)

Performance in ECDE programme registered improvement from 1.69 million children (880,000 boys and 810,000 girls) in 2007 to 1.72million children in 2008 and further increasing to 1.914 million (967,544 boys and 946,678 girls) in 2009. The Gross Enrolment Rate (GER) increased from 60.2 per cent (61.6 for boys and 58.7 for girls) in 2008 to 64.7 per cent (65.0 for boys and 64.3 for girls) in 2009.

Similarly, Net Enrolment Rate (NER) recorded improvements increasing from 42.1 per cent (43.1 per cent for boys and 41.1 per cent for girls) in 2007 to 50.7 per cent (51.6 per cent for boys and 49.9 per cent for girls) in 2008 and further to 51.1 per cent (52.1 per cent for boys and 50.1 per cent for girls) against the MTP target of 68.0 per cent (68.5 for boys and 67.5 for girls) in 2009. The MTP target for 2009/10 was not met partly due to the trend where 4-5 year-old children directly join primary schools without the relevant background thus negatively affecting retention and quality.

ii) Primary Education

The number of pupils in public primary schools increased from 8.6 million (4.4 million boys and 4.2 million girls) in 2008 to 8.8 million (4.5 million boys and 4.3 million girls) in 2009. The GER increased from 109.8 per cent (112.2 per cent and 107.3 per cent for boys and girls respectively) in 2008 to 110.0 per cent (112.8 per cent and 107.2 per cent for boys and girls respectively) in 2009.

The NER increased from 92.5 per cent (94.6 and 90.5 per cent for boys and girls respectively) in 2008 to 92.9 per cent (93.6 and 92.1 per cent for boys and girls respectively) in 2009. Despite this impressive performance, regional and gender disparities still exist, with gender parity index at

primary level remaining constant at 0.94 between the years 2007 and 2008 and registering improvement of 0.98 in 2009.

In an effort to enhance education opportunities in ASAL regions the government has provided grants to low cost boarding primary schools to pay salaries and retirement benefits to non-teaching staff at the rate of Ksh. 4, 000 per child annually.

Other achievements include; implementation of differentiated staffing norm at primary level allowing for a Pupil Teacher Ratio (PTR) of 45:1. In high potential areas, the pupil teacher ratio of 45:1 attained in 2008 was maintained in 2009 even though it had been targeted in MTP that the ratio was to be reduced to 42:1 in 2009. The number of primary school teachers increased from 170,059 teachers in 2008 to 171,302 teachers in 2009.

The Textbook-Pupil ratio for lower primary was maintained at 1:2 textbook per child in 2009 as well as that of upper primary which was maintained at 1:1 in 2009 even though it had been targeted in the MTP that by 2009 the ratio was 1:1 for both lower primary and upper primary.

Completion rates rose from 79.8 per cent (85.1 per cent and 74.5 per cent for boys and girls respectively) in 2008 to 83.2 per cent (88.3 and 78.2 per cent for boys and girls respectively)

in 2009. Transition rates from primary to secondary schools increased from 64.1 per cent (61.3 per cent for male and 67.3 per cent for female) in 2008 to 66.9 per cent (64.1 per cent for male and 69.1 per cent for female) in 2009. Primary to Secondary transition rate increased from 64.1 per cent (67.3 per cent for boys and 61.3 for girls) in 2008 to 66.9 per cent (69.1 per cent for boys and 64.1 for girls) against An MTP target of 75.0 per cent (78.5 for boys and 71.6 for girls) in 2009.

iii) Secondary Education

The Secondary education strategy recommends for the expansion of secondary education by constructing new schools of at least three streams and increasing class size from 40 to 45 students. This is mainly aimed at increasing access. The number of public secondary schools increased from 6,566 in 2008 to 6,971 in 2009 against 26,666 primary schools over the same period. Enrolment grew from 1,328,964 (735,680 boys and 593,284 girls) students in 2008 to 1,500,015 (804,119 boys and 695,896 girls) students in 2009. The GER for secondary education increased from 42.5 per cent (46.3 for boys and 38.8 for girls) in 2008 to 45.3 per cent (49.0 for boys and 41.8 for girls) in 2009. The NER in schools increased by 28.9 per cent (29.8 per cent for boys and 27.9 per cent for girls) in 2008 to 35.8 per cent (36.5 per cent for boys and 35.1 per cent for girls) in 2009. The

Gender Parity Index improved from 0.94 in 2008 to 0.96 in 2009. North Eastern region recorded a NER of 31.9 per cent (39.3 per cent for boys and 24.5 per cent for girls) against a target of 42.5 per cent (44.4 per cent for boys and 40.3 per cent for girls) in 2009 from NER of 27.0 per cent (33.1 per cent for boys and 24.5 per cent for girls) in 2007.

iv) Adult Literacy

The Kenya National Adult Literacy Survey (KNALS, 2007), revealed that, 61.5% of the adult population has attained minimum literacy level leaving 38.5% (7.8 million) adults illiterate. At the same time, only 29.6% of the Kenyan adult population has attained the desired mastery of literacy competency while 29.9% of the youth aged 15 to 19 years and 49% of adults aged 45 to 49 years are illiterate. The survey further revealed high regional and gender disparities in literacy achievements with Nairobi recording the highest at 87.1% and North Eastern province recording the lowest at 8%. Since no similar survey was conducted in 2009 it could not be established whether the target 65.0 per cent literacy level was attained.

v) Curriculum Review and Quality

The education sector through Kenya Institute of Education (KIE) continues to review the curriculum to improve its relevance and incorporate emerging

issues. KIE undertakes: development and revision of the curriculum; digitization of primary and secondary curriculum; development of curriculum support materials (course books) in areas less attractive to publishers, orientation activities, enhancement of outreach programmes; establishment of outreach centres; capacity building, needs assessments, development of adult education and Non Formal Education (NFE) curriculum, adaptation of education for learners with special needs and child minders, as well as monitoring and evaluation of curriculum at primary, secondary and tertiary education levels. Teacher training curriculum will be reviewed with a view to modernizing it to reflect changing technological and delivery methods. Private sector will participate in curriculum review and implementation to ensure its relevance to labour market skills needs.

vi) Exams and Certification

Kenya Certificate of Primary Education (KCPE) examination candidates increased remarkably from 695,732 pupils (367,085 boys and 328,647 girls) in 2008 to 727,100 pupils (381,600 boys and 345,500 girls) in 2009. Similarly, there was an increase in KCSE candidates, from 305,015 students (165,591 boys and 139,424 girls) in 2008 to 333,816 students (182,475 boys and 151,341 girls) in 2009.

(b) Flagship Projects

i) Construction and fully equipping 560 secondary schools and expansion and rehabilitation of existing ones

During the 2009/2010 financial year, the government disbursed a total of Ksh.6.3 billion to 355 secondary schools (Kshs. 30 million to each) for the construction/rehabilitation works to transform them into centres of excellence. This was in line with the 2009/2010 MTP target. Construction works in these schools were initiated and on-going.

ii) Recruitment of 28,000 additional teachers

Under the ESP, the Ministry of Education was to recruit 18,060 teachers on contract terms during the MTP 2008-2012 period. During the period under review, 6000 teachers were recruited as interns thereby meeting the target as shown in Table 5.1. However, there is a shortfall of about 10,000 teachers required in order to meet the recommended teacher: student ratio.

iii) Establishment of a Computer Supply Programme

This programme was targeting 20,229 public primary schools, 4,000 public secondary schools, 20 PTTCs, 2 diploma colleges, 10 Model e-learning centres for Adult and Continuing Education

(ACE) and the 7 public universities. During, 2009/2010, a total of 230 teachers and 30 ICT champions were trained to support the coordination and harmonization of ICT in education issues particularly integration of ICT in teaching and learning.

Under the *Tafakari II* programme, the MOE in collaboration with its partners is providing all Primary Teachers Training Colleges as well as selected neighbouring schools with LAN (Local Area Networks) and internet connectivity. The MOE supplied selected District Education Offices with computers, printers and LAN connectivity to roll out the Education Management Information System (EMIS). Twenty secondary schools were equipped with content delivery system under the Multimedia Project (Televic), which aims to ultimately cover 240 schools. The KIE and MOE developed Digital Content for all subjects in Form One in Secondary schools' use and will complete digitization exercise for form two to four.

iv) Construction and Rehabilitation of at least one Boarding Primary School in each Constituency

During the period under review, a total of Kshs. 544,122,000 was disbursed to 37 ASAL districts for the construction/rehabilitation of primary schools. Under the ESP, two primary schools in each constituency were

identified to be developed into model primary schools. Each school received Kshs.3.5 million for construction/rehabilitation of physical facilities. In total, 420 schools benefitted under this initiative and construction is still going on. Construction/rehabilitation of existing infrastructure in low cost boarding (LCB) primary schools in each constituency in ASAL districts was also supported using normal primary school infrastructure programme during the same period.

v) Establishment of a Voucher System Programme in Five Poorest Districts

The implementation of a voucher system was initiated to support learners from poor households and children rescued from early marriages and child abuse, similar to the voucher systems being implemented by the Ministries of Health and Home Affairs. In 2009/2010, consultations on how best to implement this programme were conducted with a view to anchoring them under KESSP II.

Table 5.1: Achievements on Implementation of Education Sector Flagship Projects in 2009/2010

MEDIUM TERM OUTPUT/ OUTCOME	INDICATOR	Target 2009/10	ACHIEVE- MENT 2009/10	CUMULATIVE ACHIEVE- MENTS JULY 2008-DECEM- BER 2010	COMMENTS
Construction and fully equipping of 560 secondary schools and expansion and rehabilitation of existing ones	No. of schools	140 schools rehabili- tated	355 rehabili- tated	355 rehabili- tated	Target exceeded. The Ministry disbursed funds to 355 secondary schools for rehabilitation/ construction into centres of excellence
Recruitment of 28,000 additional teachers	No. of teachers	6,000 recruited	6,000 recruited	18,060 recruited	Target was met

MEDIUM TERM OUTPUT/ OUTCOME	INDICATOR	Target 2009/10	ACHIEVEMENT 2009/10	CUMULATIVE ACHIEVEMENTS JULY 2008-DECEMBER 2010	COMMENTS
Establishment of a Computer Supply Programme	No. of teachers trained	200 trained	230 trained	230 trained	The target was met. Training of ICT champions and teachers has set a good platform for implementation of the programme
	No. of ICT champions trained	30 trained	30 trained	30 trained	The target was met.
Construction and Rehabilitation of at least one Boarding Primary School in each constituency in ASAL districts	No of schools	37 LCB rehabilitated	Disbursement of funds for rehabilitation of 37 existing LCB primary schools in ASAL areas	Disbursement of funds to rehabilitate 37 existing LCB primary schools in ASAL areas	Target was not met since construction is on going
Construction of (2 model primary schools in each constituency (420 schools)	No. of schools	420 schools constructed	Disbursement of Kshs. 3.5 million to all the 420 schools	Disbursed Kshs. 3.5 million to all the 420 schools	The target was met.
Establishment of a Voucher System Programme in Five Poorest Districts	No. of districts	Five poorest districts issued with a voucher	Consultations conducted	Consultations conducted	Target not met. Ministry still putting in place modalities for implementation which will be spelt in KESSP II

Source: Ministry of Education

(b) Other Programmes

During the period under review, other programmes were implemented to support the development of the education sector in line with the MTP 2008-2012.

(i) School Feeding, Nutrition and Health Programme

The long-term objective of the programme is to promote universal basic education for socio-economically disadvantaged and nutritionally vulnerable children, especially girls in pre-primary and primary schools in targeted ASAL districts and slums in Nairobi. The programme provides mid-day meals to approximately 1.2 million pre-primary and primary school children in 64 ASAL districts and slums of Nairobi. Out of the 1.2 million children, 540,000 are under the Home Grown School Feeding Programme initiative which is funded by the Government in collaboration with the New African Partnership for Development (NEPAD) and the Millennium Development Project Hunger Task Force. It attempts to achieve the dual objectives of increasing national food production through expanding the demand base as well as to ensure that Kenyan children grow up healthy with real opportunities to learn.

Achievements under the School

Feeding Programme include:

- a. Enhanced school community and parents participation in education, improvement of school facilities and sustaining school feeding programme;
- b. 560,000 pupils in 3,500 schools located in the poorest areas benefited from treatment and health promotion initiatives;
- c. 1.2 million pupils in 7,500 schools received immunization plus interventions;
- d. 3,500 health education IEC materials produced;
- e. Public health interventions incorporated in school activities; and
- f. 1,068,500 pre-primary school children provided with a daily mid-day meal and optional mid-morning snack

ii) Non Formal Education Programme

Under the programme, a total of 474 Non-Formal Schools (NFS) have been registered and are receiving grants, surpassing the MTP 2008-2012 target of 300 schools meant to receive grants during the period under review. However, a lot still needs to be done to ensure that the NFS are provided with the necessary support.

iii) National Secondary Schools Rehabilitation initiative

A National Schools' Rehabilitation Fund has been established with an initial allocation of Ksh. 278 million of which Kshs. 128 million was allocated to Mang'u High School and Kshs. 150 million to Maseno School. The two schools undertook rehabilitation works during the period under review and the initiative will be rolled out to all national schools countrywide.

iv) Secondary Schools Bursaries

A total of Kshs. 500 million was disbursed to all schools for bursaries in 2009/2010 targeting vulnerable groups including orphans, girls and children from poor families in slum areas, pockets of poverty in high potential areas, and ASAL districts.

5.1.4 Challenges

During the year under review, the Ministry of Education made progress towards the realization of its targets and objectives which focus on promoting access, gender parity, retention, and increased completion and transition rates in education. Despite the progress made, there still exists a significant variance between the targets set out and achievements made so far. The challenges which have slowed down the sector in achieving its targets include the following:

a) Existence of Regional and Gender Disparity: Although participation

indicators such as GER and NER indicate very impressive achievement at national level, there exist regional disparities especially in North Eastern, Upper Eastern, Upper Rift and parts of Coast where GER is very low compared to the other regions.

b) Non-funding of ECDE programme:

At the ECDE level, the sector has been providing community support grants to ECD centres. Although the MOE had proposed to take over the payment of salaries for ECDE managers beginning the 2008/09 financial year, the funds were not allocated. As a result, full integration of ECDE to basic education is yet to be achieved.

c) Poor Quality and Inadequate Infrastructure:

The growing enrolment in both primary and secondary schools due to FPE and FSE respectively, has overstretched existing facilities. Most facilities in the learning institutions still require improvement; impacting negatively on the sector's effort to achieve high transition rates to secondary education. In ASAL and informal settlement areas, ECD facilities are inadequate forcing children to delay entering the schooling process at Standard One compared to children in other areas. Sanitation facilities are in poor state or are lacking in most of the centers.

- d) Weak Coordination:** A number of new schools have been started through the support of CDF all over the country. However, weak coordination between the Constituencies Development Committees and other stakeholders such as Teachers Service Commission has had a negative effect on deployment of teachers to the schools.
- e) The School Feeding, Health and Nutrition Programme** that targets children in ASALs and urban slums are still limited in scope. This has been worsened by the prolonged drought which has affected households across the country hence making it necessary to extend the programme to many other areas.
- f) Lack of policy on Adult and Continuing Education:** The sector is yet to develop a policy on Adult and Continuing Education (ACE) to address issues of inadequate teachers to implement the ACE programmes; lack of appropriate learning facilities both for the regular and for learners with special needs; inadequate equipment/tools to monitor and evaluate ACE programmes; and HIV and AIDS which has claimed the lives of many teaching personnel. This has led to existence of high levels of illiteracy as revealed by the KNALS of 2007 (7.8 million people illiterate).
- g) Non Formal Education.** Challenges in this area include: lack of a well-informed database to adequately guide the support of NFE; lack of an NFE Policy and NFE Service Standard Guidelines to guide the sub-sector; weak management of NFE institutions for proper transparency and accountability; and a majority of teachers in NFE institutions are semi-skilled, hence raising the issue of quality.
- h) High Costs of Special Needs Education(SNE):** Establishment and maintenance of SNE institutions requires costly equipment, well trained teachers and other enabling facilities. So far, less than 10 per cent of children with special needs have been assessed and less than 3 per cent were enrolled in educational programs. Community support to achieve the set targets is still very low. Current efforts by the sub-sector to create a friendly learning environment for these children require additional finances to renovate and modernize existing facilities in all education institutions and human resources to address the special needs.
- i) Inadequate Staffing Levels:** The outstanding deficit in teacher deployment has caused a high PTR in most of the public schools. This impedes the quality of learning and performance of the pupils. The staffing levels are low and

largely due to high staff turn-over since the sub-sector does not employ and pay ECD teachers. For most ECD centers that operate as separate entities, transition to formal primary schools are still low due to limited capacity at class one in public schools. In addition, the increase in the number of new districts without a corresponding growth in the number of quality assurance officers has made it difficult for the sector to carry out quality assurance activities effectively, thereby affecting the quality of learning.

j) Reaching the un-reached: One of the challenges facing the delivery of educational services is the inability to reach the hard to reach children. This is due to weak implementation structures of programmes targeting such children and inadequate funding for the same.

k) HIV and AIDS Prevalence: The achievement of EFA target is seriously threatened by the HIV/AIDS pandemic which has devastating and far reaching impacts on education. HIV and AIDS is eroding the quality of education, weakening demand and access, drying up the country's pool of skilled workers and increasing the cost in relation to available public resources. It is estimated that about 1.8 per cent

of the country's 245,000 teaching force are dying annually from the scourge. The sector's effort to mitigate the impact of the HIV and AIDS is hampered by: high prevalence of HIV and AIDS, which has led to increased number of orphans in schools; absenteeism – many children who cannot regularly attend school because they have to offer care and support for the infected, leading to poor performance in school; teacher absenteeism and high mortality and morbidity rates on the part of infected teachers; stigmatization of the infected; and limited access to ARVs for the infected.

5.2 Health Sector

5.2.1 Overview

The achievement of the economic goals anticipated in the Kenya Vision 2030 will depend on a healthy working human resource, which will be achieved through provision of quality, efficient and acceptable health care systems. The health sector is therefore expected to play a key supportive role in maintaining a healthy population necessary for enhanced productivity that Kenya requires for global competitiveness.

The sector has continued to make progress as a result of increased resource allocation and enhanced implementation of reforms and improved management of health

delivery systems. Although the Medium Term Plan places emphasis on preventive healthcare, preventable diseases continue to be the leading cause of morbidity in Kenya. For instance, malaria and respiratory diseases continue to account for more than half of all reported outpatient cases. HIV prevalence has shown little signs of decline; while 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 still faces a number of challenges namely: inadequate infrastructure and human resources due to underfunding; high cost of medical care; and inaccessibility of drugs and supplies.

5.2.2 Policy, Legal and Institutional Reforms

The policies guiding the Health Sector in the medium term include Kenya Health Policy Framework (1994); the National Health Sector Plan I (1999 – 2004); National Health Sector Plan II (2005 – 2010); the first MTP (2008-2012) and the Vision 2030 Health Sector Plan (2008-2012). In the medium term, the focus of the health sector is on health promotion and provision of comprehensive support to the six different phases of human life cycle. This will be achieved through scaling up community based care and

expanding the role of community health workers and reducing geographical and financial barriers to accessing health care.

The Health Sector also aims at strengthening procurement and distribution of health commodities; improvement of infrastructure; provision of medical equipment and health care financing. As a result of a rapidly changing health sector, the crucial legal and institutional framework will be put in place. The Public Health Act and the National Social Health Insurance Scheme as a means of financing curative and rehabilitative services and the direct funding of the public health facilities will be reviewed. In addition, the Output Based Approach (OBA) aimed at enabling poor and vulnerable women of reproductive age access quality reproductive health and gender-based anti-violence services through the application of a voucher system will be scaled up.

5.2.3 Achievements

The main highlights of the achievements and the progress made in the Health Sector during 2009/2010 period are outlined below. The performance of the health status outcome provides insight into how the interventions being implemented have impacted on the well-being of Kenyans.

i) Child Mortality

According to latest information based on Kenya Demographic and Health Survey 2008/2009, the national under-five mortality rate (UMR) stood at 74 per 1,000, with regional estimates ranging from 51 per 1,000 in Central to 121 per 1,000 in Western and 149

per 1,000 in Nyanza. There has been considerable decline in child mortality rates despite the regional disparities. However, the MTP target of the under-five mortality of 55 per 1,000 live births in 2009/2010 was not attained, as shown in Table 5.1.

Table 5.2: Performance of Health Indicators 2009/10

MEDIUM TERM OUTPUT/OUT-COME	INDICATOR	UNIT	TARGET 2009/10	ACHIEVE-MENT 2009/10	COMMENTS
Reduced Under Five mortality	Under Five mortality rate	per 1,000 Live births	55	74	Not Achieved
Reduced Maternal Mortality	Maternal Mortality Rate	per 100,000	254	488	Not Achieved
Increased proportion of skilled attendant at birth	Skilled Attendant at Birth	%	64	43	Not Achieved
Immunization Coverage	Children under 1 year fully immunized	%	85	77	Not Achieved
Reduced HIV Prevalence	HIV Prevalence Rate	%	6.4	6.3	Achieved
Access to HIV health care services	Patients on ARVs	%	60	56.2	Not Achieved. Lack of funds to upscale
Reduced malaria incidence	Proportion of inpatients with malaria	Ratio	17	16	Almost achieved. This was attributed to high resistance to malaria drugs

Source: Ministry of Public Health and Ministry of Medical Services

ii) Maternal Mortality

Maternal mortality is another indicator used for assessing the quality of a health care system. During the year under review, the Kenya Vision 2030 envisaged to reduce maternal mortality to 254 per 100,000 live births. This MTP target was not achieved. Instead, there was an increase in maternal deaths to 488 per 100,000 live births from the estimated MMR of 414 per 100,000 births in 2007. In this regard, maternal mortality levels still remain a major challenge for the country. In terms of provision of skilled attendants at birth, the MTP target of increasing it to 64 per cent during the period under review was not met. Only 43 per cent of deliveries were carried out by skilled birth attendants indicating a decline from 51 per cent in 2007.

iii) Immunization

Although significant progress was made in immunization, the national MTP target of 85 percent immunization coverage for the period under review was not met. According to the 2008/2009 Kenya Demographic Health Survey (KDHS), 77 per cent of children are fully immunized with minimal difference in terms of coverage between urban (81%) and rural (76%). However regional disparities are evident with the lowest proportion of immunized children being residents of North Eastern (48%) and Nyanza (65%) while highest in Central (86%) and Rift Valley (85%).

iv) HIV and AIDS

The Kenya Vision 2030 and MTP 2008-2012 envisaged to reduce national HIV and AIDS prevalence rate to 6.4 per cent by 2009/2010. According to Kenya Demographic Health Survey 2008/2009, the national prevalence rate was estimated at 6.3 per cent showing that the MTP target was met. However, alarming regional disparities are apparent, with Nyanza reporting 13.9 per cent that is twice the national estimate.

In terms of access to ARVs, the target of 60 percent of eligible people accessing ARVs was marginally missed given that only 56 per cent of the people accessed the drugs during the period under review. The proportion of people accessing ARVs is therefore showing a downward trend when compared with the 58 per cent in 2007. One of the major challenges is the lack of funding to scale up availability of ARVs.

v) Malaria

Malaria continues to be the leading cause of morbidity in the country, accounting for over 30 per cent of new cases of morbidity annually. During the period under review, the MTP target was to reduce the proportion of malaria inpatients to 17 per cent in 2009/2010. This target was not met even though the sector managed to achieve a proportion of 16 per cent. Interventions stepped up during the

period include integrated malaria control activities such as provision of intermittent preventive treatment to pregnant mothers; introduction and provision of Artemisinin combination therapy (ACT); and environmental management. However resistance to malaria drugs remains high and poses a major challenge in addressing the disease.

b) Flagship Projects

The progress and achievements of flagship projects during the period under review are highlighted as follows:

i) Rehabilitation of the Health Infrastructure

In an effort to improve health infrastructure network in the country, the government continued to invest in the construction and rehabilitation of health care infrastructure. During the 2009/2010, a total of 53 hospitals were under rehabilitation: 9 hospitals were completed 14 hospitals are above 50% complete; 26 hospitals are below 50% complete; and 4 hospitals are at foundation stage. The challenge pointed out is securing adequate funding to support planned rehabilitations, for instance, 9 facilities did not receive funding.

ii) Strengthening Kenya Medical Supplies Agency (KEMSA)

The MTP 2008-2012 aims at strengthening KEMSA to be a strategic

procurement and supplies agency for the entire health sector. During the period under review, a new KEMSA Board was constituted and launched and all procurement and distribution of health commodities are being done by KEMSA.

iii) Development of Equitable Health Financing Strategy

The MTP 2008-2012 aims at implementing the National Social Health Insurance Scheme to finance curative and rehabilitative services; channeling of funds directly to the health facilities; capacity building of health facility boards to manage and supervise resources that are generated locally and those from the central government. During the period under review, the following were achieved;

- a. Draft Health Financing Strategy prepared and shared with National Economic and Social Council (NESC) and key stakeholders in the health sector;
- b. Study tours in United Kingdom, Germany to learn best practices on social health insurance undertaken;
- c. Cabinet Memorandum on review of National Health Insurance Fund (NHIF) developed and submitted to Office of the Prime Minister;
- d. NHIF cover for outpatients piloted in Mumias and Nairobi;
- e. Legal Notice (No. 155) dated 16th October 2009 on Hospital

- Management Services published;
- f. Names of various Hospital Committees gazetted and inaugurated.

Other achievements under the health financing include:

- (a) Addressed access to quality reproductive health, family planning and gender-based violence services by continuing the roll-out of Output-Based Approach (OBA). In 2009, OBA coverage was increased by 64 health facilities;
- (b) Finalization of gazette ment, training and development of management resources that are precursor to channelling of funds directly to health centres and dispensaries through the Health Sector Service Fund (HSSF). Disbursements of HSSF funds to the peripheral health facilities will commence in 2010/2011 financial year;
- (c) Rehabilitation of rural health facilities to enable provision of integrated and comprehensive health care. The sector constructed 200 model health centres and recruited 3,866 nurses countrywide under the ESP;
- (d) A Human Resource Strategy for health sector was developed and is under implementation

5.2.4 Challenges

The following are some of the challenges facing the sector in implementing interventions to improve the health status of the population:

- (i) Inadequate funding to support planned and initiated activities,
- (ii) Low rate of maternal deliveries at health facilities despite high Antenatal Care (ANC) coverage,
- (iii) HIV and AIDs pandemic,
- (iv) High poverty levels remain a major factor affecting affordability of health services and health care seeking behaviour of the population,
- (v) Inadequate and uneven distribution of health personnel which hampers service delivery
- (vi) Inadequate health infrastructure,

5.3 Environment and Natural Resources

5.3.1 Overview

To support the social pillar, Kenya aims to provide its citizens with a clean, secure, and sustainable environment by the year 2030. To achieve this, the Kenya Vision 2030 and MTP 2008-2012 have set goals such as increasing forest cover from less than three per cent of its land base at present to four per cent by 2012 and to lessen by half all environment related diseases by 2012. Among the strategies for achieving these goals are promoting environmental conservation to help achieve MDGs among others. Kenya's economic growth depends on sustainable exploitation of natural resources and environmental goods and services. During the financial year

2009/2010 the sector continued to intensify environmental conservation and management to ensure a clean and secure environment for sustainable economic growth. For example, fish landing in the country rose from 135.4 thousand tonnes in 2008 to 145.5 thousand tonnes in 2009. However, the quantity of mineral production declined by 9.4 per cent to 1,399 thousand tonnes in 2009. The population of most wildlife species declined due to severe drought conditions during the period under review. Forest plantation stocks also decreased from 114.0 thousand hectares in 2008 to 107.0 thousand hectares in 2009, mainly as a result of high planting failures and fire damages. Climate change remains a major challenge affecting productivity of land, ecosystems and species survival, service and ground water levels. The sector therefore developed a National Climate Change Response Strategy (NCCRS) in 2009 to address the challenges posed by the current climate variability range through development of mitigation and adaptation programmes and projects.

5.3.2 Policy, Legal and Institutional Reforms

The sector is guided by various national policies, strategic objectives and interventions pursued and implemented by the specific Ministries within the context of Kenya Vision

2030 and its First Medium Term Plan (2008 - 2012) and Ministerial Strategic Plans. These include Sessional paper No. 6 of 1999 on Environment and Development; Environment Management and Coordination Act (1999); and Mining Act Cap (306) of 1940.

In recognition of the importance of good governance, the government has instituted a number of legal and institutional reforms. The enactment of the Environmental Management and Coordination Act (EMCA) of 1999 provides the avenue for the harmonization of about 77 sectoral statutes. However, the major challenge relates to weak enforcement of the provisions of the Act. This has been occasioned by inadequate institutional capacity to oversee implementation and low level of environmental education and awareness in the country. Further, the low stakeholder involvement of the public, civil society, institutions of higher learning and the private sector is another challenge. To address these challenges, the sector continued to develop environmental standards and regulations. These include noise and air quality regulations, and draft national land use guidelines.

In the mining sub-sector, the Mining Act of 1940, CAP 306, is being used although it is out-dated. A revised draft Mining Bill and policy were forwarded to the Attorney General's (AG's) office

during the financial year 2008/09. They are awaiting approval by parliament. The revised Act will attract more investments in the mining sector and guide the sharing of benefits between investors in the industry and the local communities.

Under the provision of meteorological services the Kenya Meteorological Department (KMD) requires a legal framework designating it as the single authoritative voice and source of meteorological data and information mandated to provide Meteorological warnings, alerts and advisories in Kenya. This is expected to enhance coordination and efficiency in provision of meteorological services. Further this will enable the Department to monitor the market to ensure protection of consumers against inaccurate meteorological information from questionable sources, as is the common practice today. To implement this activity, an inter-ministerial committee was formed to draft a policy document and steer other activities that include international and regional benchmarking, engage a consultant and organize a stakeholder's workshop.

5.3.3 Achievements

a) Secure Wildlife Corridors and Migratory Routes

During the period under review, the following were achieved:

- i) Kitengela wildlife corridor between Nairobi National Park and Athi/Kapiti plains was mapped and is being maintained through an easement programme.
- ii) The gazettement of Lake Elementaita National Wildlife Sanctuary is at an advanced stage. The boundary plan has been approved by the Survey of Kenya.
- iii) The draft Gazette notice has been endorsed by the State Law Office for signature by the Minister of Forestry and Wildlife.
- iv) The establishment of a 9 kilometre wildlife corridor linking Mt. Kenya Forest Reserve and Lewa Wildlife Conservancy (LWC) to the North-east of Mt. Kenya was surveyed and mapped and an electric fence has been constructed on both sides of the corridor.

Further work was undertaken in the following areas:

(b) Rangeland assessment and monitoring

During the period under review, aerial surveys on wildlife and livestock were carried out in order to provide information to facilitate informed decision making for sustainable management of environment and natural resources. The department of Resource Surveys and Remote Sensing (DRSRS) completed surveys in the

targeted districts of Narok, Turkana, Tana River, and the entire Ewaso Nyiro North Ecosystem (Laikipia district, the protruding arm of Isiolo district and about 75 per cent of Samburu district). The collected data showed the numbers and spatial distribution of wildlife and livestock, in addition to habitat conditions.

(c) Human and Wildlife Conflict

Human-wildlife conflict is a serious obstacle to wildlife conservation worldwide and is becoming more prevalent as human populations increase, development expands, the global climate changes and other human and environmental factors put people and wildlife in greater direct competition for a shrinking resource base. In order to reduce the human and wildlife conflict in Tsavo National Park and the surrounding areas, a study was undertaken to identify the major human wildlife conflict causes in and around Tsavo National Park and the impacts on the local community. The major causes of conflicts were identified to be land use changes in the dispersal area, competition for resources (mainly water and forage), and influx of livestock inside the park during dry spells among others. The results of the study will be used towards better management of rangelands, wildlife resources and improving the livelihoods of the local community.

(d) Rehabilitation and Protection of Indigenous Forests in the Five Water Towers

Forests in Kenya constitute only a small percentage of the total land area and significantly contribute directly or indirectly to the other key sectors of the economy. Further, forests support major ecosystems in the country. However, due to the increasing population, the forests are threatened by human activities calling for regular monitoring with a view to protecting and conserving the forests.

In view of the above, a reconnaissance aerial survey of the five water towers in the country was carried out in January/February 2010. The survey did not identify any major disturbance in the forests. However, scars left by past activities of degradation are still evident especially in the Mau forest complex which showed the highest level of degradation with wide sections of the forest area having no trees. Further, there was evidence of fires that had left huge chunks of the forest without trees.

In Mt. Kenya, the reconnaissance survey showed no evidence of recent or on-going destruction in the forest. Most of the forest sections were well stocked except in regions with plantation forests where there is poor replanting. It was evident that South Imenti forest block which was depleted in year 2000 is on a recovering path with green vegetation dominating the

whole forest. In Mt. Elgon, a detailed survey showed wide cleared areas in the forest in the formerly settled forest areas, where communities had been evicted. In the northern block of the forest, Plantation Establishment and Livelihood Improvement Scheme (PELIS) was being practised as there are farms in the forest.

In Cherangani Hills, the survey found that, there were wide cleared areas within the forest especially where human settlements are close to the forest. This might be associated with the unclear demarcation of the forest border in Chemurokoi, Cheboit, Sogotio and Kipkunur forest blocks. The area requires frequent monitoring due to the unclear demarcation of the forest boundary. In Kapchemutwa forest block, farmers

had cleared the forest in readiness for their planting (including planting of trees) under Plantation Establishment and Livelihood Improvement Scheme (PELIS). Similarly, PELIS was being practiced to rehabilitate some areas of the Sogotio block that had been cleared.

e) Land Use and Land cover mapping

(i) Land Use/Cover of Lower Nzoia River Basin Programme

The objectives of the programme were to document land use types, cover and distribution within the catchments of Nzoia river basin; and determine the impact of land cover and land use within the catchments. The information on land cover and land use types in terms of area coverage (hectares) is given in Table 5.2.

Table 5.3: Land Use Types and Land Cover in Nzoia River Basin

Land Cover / Land Use Types	Area of Coverage (Hectares)
Grazing	34,115.0
Maize	29,383.0
Sugarcane	7,372.0
Forest	2,246.7
Woodlots	975.0
Hedges and Structures	508.7
Roads, Tracks and Paths	551.1
Bush land	1,738.0
Ploughed land	1,526.0
Others	1,526.0

Source: Urban land use mapping of Eldoret Municipality

The aim of the land use mapping for Eldoret municipality was to: collect information on urban land use/cover of Eldoret municipality using high resolution Quick-Bird imagery; update the existing spatial information on land use in the municipality and develop an urban land use information system. During the period under review 7,742 hectares were mapped and land use/cover identified.

(ii) Weather Modification Programme

The programme entails rainfall enhancement for increased water availability over the Eastern and North Eastern parts of Kenya; hailstone suppression over the Kericho-Nandi hills areas to reduce and prevent loss of tea yields; snow pack augmentation research on Mt. Kenya to increase perennial flow of streams from the catchments; and enhancement of research to suppress fog and frost over high ground areas, mainly in the highways and airports. The programme will also include establishment of a cloud chamber laboratory at the KMD headquarters. During the period under review, the department tendered for one Automatic Weather Station (AWS) to be installed at Mt. Kenya (Chogoria).

(iii) Modernization of Meteorological Systems

The project's objective is to improve the issuance of timely and accurate

weather, climate forecasts and warnings; and automation of observing, transmitting, processing and archiving systems. This will be achieved through replacement of old, obsolete and antiquated manual systems in order to be in line with global trends. This will also enhance weather and climate modelling capabilities to facilitate detection of weather and climate anomalies well in advance.

Under the modernization programme, the Kenya Meteorology department tendered for twelve (12) new AWS to bring the total number installed to thirty six (36). An additional Airport Weather Observation Station (AWOS) was installed at Wilson Airport. This brings the total number of AWOS installed to three (3). Similarly, under the early warning system for Tsunami within a multi hazard approach framework, the department acquired three (3) new seismic stations yet to be installed at Kibwezi, Lodwar and Voi. This is in addition to the four (4) tidal gauges with meteorological sensors already installed at Shimoni, Kilifi, Lamu and Malindi.

In 2009/10, the KMD tendered for a new Electronic Public Weather Display (EPWD) initially scheduled to be installed at Muthurwa bus terminus but later re-located to Aga Khan Walk within Nairobi Central Business District (CBD). This brings the total number of EPWD to three (3) after its

installation. To increase the number of community radio stations, KMD also renovated and customized the studio at Kwale. The KMD also acquired a new transmitter for dissemination of weather information from the existing three (3) operational community radio stations based in Kangema, Suswa and Budalangi.

(iv) Rehabilitation, Regeneration and Restoration of Nairobi Rivers

The objective of the programme was to rehabilitate and restore Nairobi rivers basin. The planned interventions included: planting of trees; de-silting of the Nairobi river channel; erecting gabions; fencing; cut-off drainages; removal of informal commercial activities; and surveillance and scouting.

A total of 4,000 fast growing indigenous tree seedlings have been planted on various sections along Nairobi River basin. These include Kangemi, Kijabe Street, Grogan, Gikomba, Shauri Moyo, Hazina, Korogocho, Huruma, Bahati, and Laini Saba. In addition, the river channel was de-silted using excavating machines resulting in free flow of water and less loss of soil from the riparian land. Direct flow of water in the riparian land was also reduced by cutting off drains while the riverbank was stabilised by construction of gabions. To ensure sustainability of the programme, fencing was done on the areas reclaimed particularly Kijabe Street, Kipande road and Kamukunji. In addition, surveillance

teams were established in all the rehabilitated sections through *Kazi Kwa Vijana* (KKV).

Baseline surveys and delineation of riparian reserves was carried out to map structures along the Nairobi River and its tributaries that are within the 100 metres buffer zone. 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) developed at 100 metres buffer zone along the rivers. The census done at 50 metres and 30 metres buffer zones revealed over 7,000 and 4,000 structures respectively. The project also succeeded in the removal of unfriendly commercial activities along the river by recovering and reclaiming an average of 2–5 metres of riparian land in some parts of the Nairobi River.

f) Waste Management System

During the 2009/2010 financial year, the dump sites baseline survey of 2008/9 was updated. The survey covered 36.8 kilometres stretch out of the targeted 40 kilometres along the Nairobi River. Further, out of the sixty four (64) illegal dump sites identified in the previous period, thirteen (13) were removed. In addition, thirty five (35) new dump sites were identified and seven (7) stopped. During the same period, four (4) dump sites were

rehabilitated (Kawangware Chiefs' Office, Gikomba, Donholm Bridge and Kariobangi).

g) Geological Mapping

The sector continued to geologically map geo-hazard occurrences (4 areas were mapped) in the country and surveyed thirteen (13) possible sites for installing seismic equipment. Awareness creation was enhanced in geo-hazard prone areas of Murang'a district.

h) Exploration and Mining

The Mines and Geology department enhanced operational capacity in the field offices by constructing office blocks in Garissa and Taita. Regarding mineral exploration, the department undertook assessment of clay in Machakos-Kibwezi area to identify minerals for industrial development. The focus on Machakos-Kibwezi was mainly because there is shortage of suitable clay for use in the ceramics industry, and assessment of the material in areas close to major industrial areas such as Nairobi and Thika is considered a priority. Similarly, dolomite exploration in Mbooni district was undertaken with an aim of delineating deposits of the mineral in order to facilitate establishment of glass industry which is required as one of the raw materials. Limestone was also assessed in Kajiado, while gypsum was assessed in Garissa

area. Other activities included on-going exploration for Thorium and Uranium in Mt. Elgon area and Iron ore assessment in Mariene area of Meru. The sector also prepared a draft brochure on investment opportunities in Kenya's mineral sector.

i) Disaster Preparedness

Crop Forecast for Food Security

The department of Resource Surveys and Remote Sensing (DRSRS) has been carrying out harvest forecast of maize and wheat since 1984. This information is collected using remote sensing techniques and gives details of estimated 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.

Assessment and Monitoring of vegetation and ecological changes in Kajiado and Taita Taveta Districts

The project aims 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 included land use, settlements, land degradation aspects (erosion, overgrazing), and human population changes. The project was finalized and a report is under preparation.

Development of geo-spatial data infrastructure for environmental and natural resource management

Availability of timely and accurate data and information are very crucial for proper management of environment and natural resources. To this end, DRSRS aimed at updating and upgrading the geo-spatial database. This was in thematic areas of wildlife and livestock, land use and land cover, crop forecast, forest cover, vegetation, and land degradation. The overall goal is to contribute towards capacity building for environmental and natural resource information management. During the period under review, DRSRS acquired Arc info software to enable creation and analysis of data on wildlife and livestock, staple crop production, and land use and land cover. A database of about forty-two (42) gigabytes on these thematic

areas has been created. In addition, DRSRS acquired a platform for satellite imagery and data interpretation of land use and forest cover and five (5) high resolution imageries for Cherangani Hills, Aberdares, Mt. Elgon, Eldoret Municipality, and Nairobi River.

iv) Invasive Species

The DRSRS continued to take inventory of the alien invasive weeds in the coastal and Mt Kenya zones with a focus on water bodies. The aim of the inventory is to document the alien invasive weeds in the water bodies and determine the spread with a view to informing decision makers for appropriate intervention measures.

Table 5.3 provides a summary of the achievements made under Environment and Natural Resources sector.

Table 5.4: Achievements for Environment and Mineral Resources Sector: 2009/2010

MEDIUM TERM OUTPUT/ OUTCOME	INDICATOR	BASELINE VALUE AND YEAR	TARGET 2009/2010	ACHIEVEMENT 2009/2010
Reduced human wildlife conflict.	No. of sample units surveyed	6,356 sample units (2008/09)	6,500 sample units surveyed in Narok, Samburu, Turkana and Tana River.	6,976 sample units surveyed Narok, Samburu, Turkana and Tana River

MEDIUM TERM OUTPUT/ OUTCOME	INDICATOR	BASELINE VALUE AND YEAR	TARGET 2009/2010	ACHIEVEMENT 2009/2010
Reduced Effect of Solid waste in Nairobi.	No. of dumpsites removed.	Baseline survey was conducted and 64 illegal dump sites identified. 13 were removed against a target of 7 (2008/09)	-Update baseline survey of illegal dump sites; -Stop 7 illegal dump sites of updated baseline	- Baseline survey updated and 35 new dump sites were identified. -NEMA stopped all of the targeted 7 illegal dump sites -4 sites rehabilitated (Kawangware, Gikomba, Donholm bridge and Kariobangi).
Developed pollution inventory.	Availability of information on pollution sources.	Baseline survey on the illegal effluent discharges in Nairobi river. (2008/09)	Update baseline survey of illegal effluent discharges.	Baseline survey of 2008/09 was updated for 36.8 Km stretch out of the targeted 40 Km.
Survey maps on land use and land cover	No. of sample units surveyed	270,000 hectares (2008/09)	Map lower catchments of Nzoia river basin	346,000 hectares mapped
Development of geo-spatial data infrastructure for environmental and natural resource management.	Number of licences renewed for GIS, and Remote Sensing.	12 licences renewed (2008/09)	10 licences renewed	10 licences renewed
	No. of satellite imagery acquired for resource mapping.	2 areas (Nairobi river and Mau forest) (2008/09)	4 areas (Cheranganyi hills, Mt. Elgon, Eldoret municipality, and Nairobi river)	5 areas (Cheranganyi hills, Aberdares, Mt. Elgon, Eldoret municipality, and Nairobi river)

MEDIUM TERM OUTPUT/ OUTCOME	INDICATOR	BASELINE VALUE AND YEAR	TARGET 2009/2010	ACHIEVEMENT 2009/2010
-Installed Weather monitoring instruments at Mt. Kenya. -Prepared initial pre-feasibility research.	No. of Automatic Weather Stations (AWS) and Global Atmospheric Watch (GAW) station.	1 Global Atmospheric Watch (GAW) (2008/09)	-Tender for Automatic Weather Station (AWS) to be installed at Mt. Kenya (Chogoria) -Train 2 officers on weather modification	-Tendered for Automatic Weather Station (AWS) -2 officers trained on weather-modification in Israel.
Installed 72 Automatic Weather Stations (AWS)	No. of AWS installed and operational	12 Automatic Weather Stations (AWS) acquired (2007/2008)	Tender for 12 additional Automatic Weather Stations (AWS).	Tender awarded
Installed Airport Automatic Weather Observing Stations (AWOS)	No. of AWOS installed and operational	2 AWOS (2008/2009)	Install one (1) AWOS	Installed AWOS at Wilson Airport
Modified weather and meteorological services	Integrated Hydro-Meteorological Information and Decision Support System	Installed 10 automatic hydro-meteorological stations (2007/2008)	Acquire additional automatic hydro-meteorological stations.	Site identified, surveys conducted and specifications prepared.

MEDIUM TERM OUTPUT/ OUTCOME	INDICATOR	BASELINE VALUE AND YEAR	TARGET 2009/2010	ACHIEVEMENT 2009/2010
Transformed KMD into a Data Collection and Production Centre (DCPC)	Established Data bank, Data exchange system, Sector specific products system; and Central information processing system.	Data exchange system (2007/2008)	Acquire an Integrated Meteorological Information System (IMIS)	-Site survey for IMIS at KMD headquarters finalized -Contract for supply of IMIS signed.
Upgraded upper air stations	No. Of upgraded Upper Air Sounding Equipment	1 upper air stations upgraded (2008/2009)	Acquire 2 new upper air stations for Garissa and Lodwar.	Tenders awarded
Installed Electronic Public Weather Display (EPWD) systems and TV-Met.	No. Of Electronic Public Weather Display (EPWD) systems installed.	2 Electronic Public Weather Display (EPWD) systems installed (2007/2008)	Acquire One Electronic Public Weather Display (EPWD) system.	Tender awarded
Launched Meteorological/ Radio- InterNET – Frequency Modulation (RANET-FM) rural Community Radio Stations	No. Of Community Radio Stations launched.	3 rural Frequency Modulation (FM) Community Radio Stations launched (2008/2009)	Launch one rural FM Community Radio Station at Kwale.	-Studio building acquired, refurbished and customized for broadcasting -Transmitter equipment acquired.

MEDIUM TERM OUTPUT/ OUTCOME	INDICATOR	BASELINE VALUE AND YEAR	TARGET 2009/2010	ACHIEVEMENT 2009/2010
Cleaned Nairobi river and established water front businesses and recreation activities.	No. Of illegal discharges stopped	-346 illegal discharge points identified, -79 illegal effluent discharge points were stopped. (2008/09)	Stop 23 of the identified illegal discharge points.	Out of the targeted 23 discharge points the NEMA stopped 30 points.
	No. Of trees planted in the reclaimed land	300 seedlings planted 2008/09	Plant 4000 seedlings	Planted 3,700 seedlings
Developed management and control strategy for Alien Invasive Species (AIS).	Availability of AIS Management and control strategy.	AIS database (2007/08)	Updating of database.	Database updated by adding Central and Eastern regions of Mt. Kenya.
Prepared mineral assessment reports.	No. Of exploration reports	4 exploration reports produced (2007/08)	4 exploration reports on mineral deposit assessment.	-5 exploration reports produced -5 draft investigative notes on iron ore, gold, gypsum, gemstones and lime stones; -Brochure on investment opportunities developed.
Developed national and regional geo-hazard maps.	No. Of geo-hazard areas mapped.	4 geo-hazard areas mapped (2007/08)	Map 4 geo-hazard areas	4 geo-hazard areas mapped
	Operational seismological network.	Zero (0) (2007/08)	13 sites identified for installation of seismological equipment.	Civil works carried out for 2 new stations.

MEDIUM TERM OUTPUT/ OUTCOME	INDICATOR	BASELINE VALUE AND YEAR	TARGET 2009/2010	ACHIEVEMENT 2009/2010
Completed Disaster Preparedness plans/ strategies.	Accessibility of seasonal maize/ wheat yield forecasts.	2 forecasts per season (2007/08)	2 forecasts per season	2 forecasts per season
Installed early warning system for Tsunami.	Accessibility of early warning information for disaster preparedness and mitigation.	-2 officers trained in Japan -4 tidal gauges with meteorological sensors installed at Shimoni, Kilifi and Malindi. (2007/08)	-Capacity built in tsunami early warning and disaster preparedness -Installed 3 seismic stations.	-1 officer trained in Japan -Acquired 3 seismic stations to be installed in Kibwezi.
Increased forest cover	Proportion of land area covered by forest	2 per cent	3 per cent	2 per cent

Source : Ministry of Environment and Mineral Resources

5.3.4 Challenges

The main challenges and constraints, which inhibited effective and efficient implementation of the planned activities during the period under review included:-

- (a) Financial constraints, which were as a result of delays in the release of funds and low budgetary allocation and thus negatively affecting project implementation and maintenance of the highly specialised equipment in the technical departments;
- (b) Inadequate policy and legal framework to guide data and information sharing, partnerships, intellectual property rights, besides inadequate specialized equipment for data collection;
- (c) Heavy rains during the year under review also hampered fieldwork especially in mineral exploration and mapping;

- (d) Inadequate technical staff and high rate of technical staff turnover due to attractive opportunities for highly skilled scientists from the technical departments of KMD, DRSRS, Mines and Geology; and
- (e) Limited awareness by the public and policy makers on the various environmental products and services of the Ministry.

5.4 Water and Irrigation

5.4.1 Overview

Water is a resource necessary not only to support life but also to sustain economic activities in the different sectors of the economy. The centrality of water in economic and social development of the country is acknowledged in the *Kenya Vision 2030* and the MTP (2008-2012). Water is critical to successful performance of key sectors of the economy such as agriculture, livestock, energy, manufacturing and tourism. The role of water in promoting growth and development within these sectors and the national economy depends on its availability and reliability.

5.4.2 Policy Review

Policy priorities of the Government centre on: the expansion of water coverage with a view to achieving the country's aspiration as contained in *Kenya Vision 2030*, MTP and MDGs; expansion of sewerage facilities for

both safe and good living environment; scaling up water storage facilities to improve water security for the country in the midst of climate variability; scaling up irrigation in order to reduce dependence of rain-fed agriculture; addressing food security and reducing the food import bill; and catchment conservation targeting the main water sources towers.

Overall objectives of reforms in the water sector seek to decentralize water supply services and empower local communities. To enhance service delivery to the people through the established water companies, the Government in consultation with stakeholders developed Water Services Rules to promote good corporate governance in the companies' operations.

Reforms in the water sector guided by the Water Act 2002 have resulted in the creation of various institutions (Institutional Framework) with specific roles and functions in the categories of policy and supervision, regulatory and service delivery. These institutions are now operational and capacity is being built to enable them function effectively.

Additionally, the government developed a draft irrigation policy to guide the country in the exploitation of its irrigation potential by recognizing various stakeholders' roles especially the small-holder farmers and the private sector. The policy has been

submitted to the cabinet for approval before tabling in parliament.

Internationally, Kenya is being classified as a chronically water scarce country with its water per capita standing at less than 650m^3 against the world recommended level of 1000m^3 . The most affected water towers are the Mau complex, Aberdares and Cherengani hills. This calls for an integrated approach to water resource management in order to halt and begin to reverse the trend.

5.4.3 Achievements

The following achievements have been realised against the set targets in 2009/2010.

a) Rehabilitate and expand urban water supply

A total of 12 urban and 128 rural water supplies have been rehabilitated, 148 boreholes drilled, and 112 water pans and dams constructed and now serving additional 2.5 million people consisting of 1.3 million people in rural areas and 1.2 million people in urban.

b) Develop 24 medium sized multi-purpose dams

Construction of 5 large dams namely Kiserian, Umaa, Chemususu, Badasa and Maruba at a total cost of Kshs 9.5 billion to be completed by 2012 is ongoing and will increase the national water storage capacity by 21 million m^3 (per capita storage capacity of 0.6m^3).

Maruba dam in Machakos district was completed and commissioned in June 2010. Rehabilitation of Sasumua Dam was commenced and was expected to be complete by November 2010. This is expected to bring an additional storage capacity of 12 billion litres of water to the city. As a long term measure, the proposed giant Maragwa dam (which is 3 times Ndakaini dam) is being prepared for implementation expected to provide enough water for Nairobi and its environs up to 2030.

c) Construction of irrigation and drainage schemes to expand the area under irrigation

During the year under review, 6,500 hectares were rehabilitated and put under irrigation that produced 185,000 bags of maize and 805,000 bags of rice.

5.4.4 Challenges

- Lack of irrigation and drainage policy to guide development of the subsector. The policy has been drafted and public consultations done. Declining water resources availability due to catchment degradation, reluctance of land owners to be compensated in areas where water facilities are proposed for construction and climate change.
- Increased pollution of water sources caused by commercial farming and industrial growth.

- c) High operation and maintenance cost for water services due to high energy costs.
- d) Lack of investment in water storage resulting in increased water insecurity

5.5 Gender, Vulnerable Groups and Youth

5.5.1 Overview

The sector endeavours to contribute to achievement of the Kenya Vision 2030 aspirations by providing quality services to the youth and social services to the disadvantaged groups in the country. These groups cut across all categories of the population and include women, children, Persons with Disabilities (PWDs), the ageing and the elderly. The sector aims at promoting gender equity in power, resource distribution, improved livelihoods for vulnerable groups and a responsible, globally competitive and prosperous youth. As part of its contribution to the attainment of goals contained in Vision 2030 and the MTP (2008-2012), the sector lays emphasis on specific mechanisms, programmes and projects and a number of policies, legal and institutional reforms to address the concerns of these targeted groups.

5.5.2 Gender

a) Policy review

The Government has been promoting gender mainstreaming in national

development processes, and engendering the national budget over the years. This is attributed to the importance of mainstreaming gender in the development process with the aim of promoting gender equity and has formulated and implemented various programmes and policies towards this achievement.

The Government aims at domesticating, disseminating and ensuring compliance with national, regional and international instruments and commitments related to gender, children and social development. The Government has also ratified various international and regional instruments and commitments that support 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) and MDGs.

The MTP identified the need to address gender concerns for the country to attain sustainable development. It recognized 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 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.

b) Achievements

Several achievements were made in addressing gender concerns during the year under review. These achievements include the following:

- (i) Women Enterprise Fund received Kshs. 440 million in 2009/2010 financial year;
- (ii) Two public fora were held with elders in Meru and Kuria districts to declare abandonment of FGM;
- (iii) Proposal on establishment of Gender Research and Documentation Centre developed;

- (iv) A total of 98,173 women drawn from all parts of the country were provided with funds, and 1,875 women entrepreneurs trained;
- (v) Data from line Ministries and Parastatals on compliance level of the 30 per cent Presidential directive on affirmative action was analysed and reports produced;
- (vi) Baseline survey on perception of voters towards voting for women standing for elections was conducted and report disseminated;
- (vii) National Framework for monitoring sexual and gender based violence was developed.

c) Challenges

The following are some of the challenges faced during the period under review:

- (i) Delays in exchequer releases and insufficient funding hinder implementations of various activities in Vision 2030 and MTP. Development exchequer release has been unpredictable and in most cases below the printed estimates thus slowing down the implementation of development projects or resulting to pending bills.
- (ii) Some Gender Divisions in Line Ministries and Parastatals are ineffective or non-functional due

to lack of adequate capacity and resources.

- (iii) Retrogressive cultures and traditional beliefs such as early marriages and FGM that negatively affect women and children continue to be deep rooted in some communities.
- (iv) Gender based violence that mainly affect women and girls and limits their participation in economic, political and social activities is prevalent
- (v) Public awareness on the women Enterprise Fund is still low.
- (vi) Gender gaps continue to exist in access to and control of resources and socio-economic opportunities. These include access to credit facilities, participation of women in modern sector employment, gross under representation of women in decision making positions within the civil service and low participation of women in political leadership positions. Inadequate business skills and management competencies for women entrepreneurs to enable them to effectively utilize funds to operate micro-enterprises.

5.5.3 Vulnerable Groups

a) Overview

It is estimated that vulnerable persons in Kenya comprise about 40 per

cent of the total population. These groups have diverse problems and are faced by multiple challenges in their daily lives including high levels of poverty, stigmatization 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.

b) Policy Review

The Government has taken deliberate steps to address the plight of vulnerable groups. The Disability Act was, for example, enacted in 2003 with a view to restoring citizenship and humanity. The Act provides a framework for fighting stigma, guaranteeing rights to employment, promoting conducive environment for sports and recreation. The Government has also been implementing a cash transfer programme targeting Orphans and Vulnerable Children since 2004. The programme ensures that destitute children receive some cash each month to feed and clothe them and enable them to go to school. Kenya also operates several social protection interventions. These are broadly categorized into state social safety nets, and community and family

to lack of adequate capacity and resources.

- (iii) Retrogressive cultures and traditional beliefs such as early marriages and FGM that negatively affect women and children continue to be deep rooted in some communities.
- (iv) Gender based violence that mainly affect women and girls and limits their participation in economic, political and social activities is prevalent
- (v) Public awareness on the women Enterprise Fund is still low.
- (vi) Gender gaps continue to exist in access to and control of resources and socio-economic opportunities. These include access to credit facilities, participation of women in modern sector employment, gross under representation of women in decision making positions within the civil service and low participation of women in political leadership positions. Inadequate business skills and management competencies for women entrepreneurs to enable them to effectively utilize funds to operate micro-enterprises.

5.5.3 Vulnerable Groups

a) Overview

It is estimated that vulnerable persons in Kenya comprise about 40 per

cent of the total population. These groups have diverse problems and are faced by multiple challenges in their daily lives including high levels of poverty, stigmatization 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.

b) Policy Review

The Government has taken deliberate steps to address the plight of vulnerable groups. The Disability Act was, for example, enacted in 2003 with a view to restoring citizenship and humanity. The Act provides a framework for fighting stigma, guaranteeing rights to employment, promoting conducive environment for sports and recreation. The Government has also been implementing a cash transfer programme targeting Orphans and Vulnerable Children since 2004. The programme ensures that destitute children receive some cash each month to feed and clothe them and enable them to go to school. Kenya also operates several social protection interventions. These are broadly categorized 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 operated 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 international protocols 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 recognizes 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 recognized standards.

c) Achievements and Progress in Implementation

The following achievements among others have been realized during the implementation period:

- (i) Cabinet Memos finalized and submitted to cabinet on Persons with Disability Policy and the Children Policy.
- (ii) Draft Children Amendment Bill was developed.
- (iii) A total of 82,362 households hosting Orphans and Vulnerable Children's were provided with financial support which was below the target of 85,000 as shown in Table 5.4.
- (iv) A total of 33,000 households with elderly persons were provided with financial support, against a target of 30,000.
- (v) A total of 1,154 self help groups received grants through support to community development initiative for poverty alleviation.
- (vi) National guidelines and procedures for handling children in need were developed.

- (vii) A standard referral tool on children was developed.

d) Challenges

The main challenges which inhibited effective and efficient implementation of programmes, projects and activities planned during the review period include:

- (i) Insufficient funding to support the achievements of MTP targets relating to the vulnerable group
- (ii) Delays in exchequer releases which hinder implementations of various activities within the Ministry
- (iii) Inadequate staff resulting from an increase in the number of districts.
- (iv) Insufficient disaggregated data on different categories of the vulnerable groups in the country.
- (v) Underfunding of the National Council for Persons with Disability (NCPWD).

Table 5.5: Gender Children and Social Development Indicators

MEDIUM TERM OUTPUT/ OUTCOME	INDICATOR	TARGET 2009/10	ACHIEVEMENT 2009/10	CUMULATIVE ACHIEVEMENTS JULY 2008-JUNE 2010	COMMENTS
Increased equity	Proportion of Women recruited in the public sector	30%	33.1%	38.6%	Target was meant and surpassed
Improved livelihoods of households taking care of orphans and other vulnerable children	No. of eligible households with OVCs receiving cash transfers	10.6 (85,000)	10.3% (82,362)	10.3% (82,362)	Inadequate funds led to non achievement of the target The current beneficiaries continue receiving the funds

MEDIUM TERM OUTPUT/ OUTCOME	INDICATOR	TARGET 2009/10	ACHIEVEMENT 2009/10	CUMULATIVE ACHIEVEMENTS JULY 2008-JUNE 2010	COMMENTS
Improved livelihoods of vulnerable groups	No. of eligible households with vulnerable persons (elderly) receiving cash transfer	30,000	33,000	33,300	More funds were received to support the elderly

Source: Ministry of Gender

5.5.4 Youth

a) Overview

The youth in Kenya represent a considerable proportion of the country's population. The youth, aged between 15 and 35 years, constitute about 38 per cent of the population, with 57 per cent being females and 43 per cent being male. The youth have a vital role in shaping the present and future of the country's social, economic and political development. The youth are dynamic, full of energy and can play a key role in promoting growth and development within the economy.

Youth unemployment is estimated at 75 per cent in Kenya. This is a major concern since it is a precursor to increasing poverty. The cause of the growing unemployment is partly

attributed to lack of appropriate skills required in the labour industry. It is estimated that up to 3 million youths are currently unemployed. In addition, 800,000 young people are entering the job market every year with high expectations for wage employment. Due to high youth unemployment and low participation levels, Kenya's youth remain marginalized and unable to contribute to their full potential in national development. It is also of great concern that a third of all HIV and AIDS patients are young. Over 75 per cent of new HIV and AIDS infections are amongst the youth with the females bearing the greatest brunt. The realization of Vision 2030 and the attainment of the MDGs, critically depend on the degree of inclusion of the youth in the development agenda.

Young people, today and in the future,

will be the principal stakeholders and beneficiaries of the Vision 2030. Therefore issues affecting young people should be fully integrated and harmonized into every aspect of public policy and across all Ministries and government agencies. Under the Vision 2030, specific policies and interventions are spelt out for implementation to fully develop the youth potential as well as prepare and engage them in socio-economic development.

b) Policy Review

The formulation of the National Youth Policy and the establishment of the Youth Council are important advances towards enhancing youth development in Kenya. This will be achieved through offering specific affirmative guidelines on representation of youth in governance organs at local, regional and national levels.

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 being formed to facilitate, coordinate, monitor, advocate and promote youth

issues and other youth led initiatives. This institutional framework will minimize duplicity and enhance efficiency and effectiveness of service delivery to the youth.

Ministry of Youth Affairs and Sports has therefore proposed priority measures for enhancing youth development. These priority measures include:

- (i) lobbying for funds to facilitate operationalization of the National Youth Council Bill;
- (ii) Facilitating transformation of Youth Enterprise Development Fund into a Youth Credit Guarantee Fund;
- (iii) lobbying for enactment of the Sports Bill;
- (iv) Developing Kenya National Sports Stadia Authority Bill;
- (v) Developing a National Policy on Youth Polytechnic and vocational sector; and
- (vi) Review of National Youth Service Act to keep in tune with new developments since its inception.

c) Achievements and Progress in Implementation

The following key achievements were realized during 2009/2010:

- (i) Equipped 105 youth polytechnics with a set of tools for various trades;
- (ii) Upgraded 28 Km on Hola-Garsen Road up to all weather road status;

- (iii) Supported 504 youth polytechnics through subsidized tuition fee;
- (iv) Developed four Instructors' Guides for option II;
- (v) Developed a Scheme of Service for instructors;
- (vi) Held 48 national sports championships;
- (vii) Identified and nurtured 18,200 youth on sports talents;
- (viii) Trained 8,692 youth on necessary skills for national development;
- (ix) Trained 7,500 youth on entrepreneurship countrywide;
- (x) Held 3 sports programs for vulnerable youth;
- (xi) Developed 4 Community sports facilities;
- (xii) Engaged 23,995 youth through the Trees for Jobs program;
- (xiii) Constructed 6 Youth Empowerment Centres;
- (xiv) Held 40 workshops against Crime, Drugs and Substance abuse countrywide;
- (xv) Inspected 505 youth polytechnics on Quality Assurance and Standards;
- (xvi) Inducted 323 youth polytechnic instructor on Special Needs Education, Pedagogy and Quality Assurance Standards; and
- (xvii) Conducted a training Needs Assessment Survey.

d) Challenges

- (i) Inadequate funds to implement most of the flagship projects of

the ministry e.g. construction and equipment of youth empowerment centres, International Sports Academy, Regional Sports Stadia among others

- (ii) Youth are discouraged from enrolling into youth polytechnics for fear of being regarded as school failures.
- (iii) Bureaucracy and red tapes in the Ministry of public works- This caused delays in issuance of certificates and rehabilitation works of Mombasa and Kipchoge Keino stadia did not take place due to bureaucracies especially in acquisition of Bills of Quantities.
- (iv) Lack of or inadequate qualified instructors in youth polytechnics leading to high trainee/instructor ratio.
- (v) Inadequate physical facilities as well as high cost of tools and equipment for youth empowerment centres and youth polytechnics.

5.6 Population, Urbanization and Housing

5.6.1 Population Matters under Kenya Vision 2030

(a) Overview

The total population of Kenya as at 2009 was recorded at 38,610,097 representing an increase of 35 per cent from the 1999 census. This showed a marginal increase of inter-censal

population growth rate from 2.9 per cent in 1999 to 3.0 per cent in 2009. With this trend of population growth rate, over one million people are added to the population of the country every year. This, therefore, shows that by 2012 the total population will be more than 41,610,097 people. At the same time, population density has been increasing over the years. It increased from 19 persons per square kilometre in 1969 to 66 persons in 2009. The population density is expected to remain high for many years to come. Further, the average number of children per woman has dropped to around four from eight in the 1980s. This constitutes one of the fastest-ever national declines in family size in the country. Contraceptive use has been growing overtime.

The Government, through the National Coordinating Agency for Population and Development, has initiated a review of the National Population Policy for Sustainable Development. This review is aimed at updating the said policy blueprint, which was formulated in the mid-1990s and whose implementation period ended in December 2010. The review aims at aligning the population policy, strategies and programmes with the MDGs, and *Kenya Vision 2030*. It also seeks to incorporate the newly emerging population issues within the development framework.

(b) MTP Targets for Internal Migration and Urbanization Sector

The urbanization process in Kenya has been so rapid with the City of Nairobi for example recording an increasing Population since from 2,143,020 in 1999 to 3,138,369 people in 2009. The net effect of rapid urbanization is continued deterioration in maintenance of both the current services and the environment.

5.6.2 The Housing Sector

(a) Overview

Kenya suffers from inadequate, unaffordable and indecent housing particularly for low income earners both in the urban and rural areas. The country also faces low levels of urban home ownership at a dismal 16 per cent of the population. There also exist extensive and inappropriate dwelling units within the informal settlements and the rural areas. Kenya requires 150,000 housing units annually in the urban areas. However, the country is only capable of building 35,000 units per annum. This is notwithstanding the varying nature of their quality. It is estimated that only 20 per cent of houses constructed cater for the low income earners. The rate of urbanisation has increased from 15 per cent in 1979 to 18 per cent and 19 per cent in 1988 and 1999, respectively. According to the 1999 figures, the urban population

was estimated at 5.4 million while the 2009 Kenya population and housing census gives the numbers as 12,487,375. The increase is mainly rural-urban migration. It is estimated that urbanisation will be growing at 3.9 per cent per year in the period 2005-2010 and is expected to account for 32 per cent of the total population by the year 2012. The growth of Kenyan urban areas has mainly been characterised by spontaneous growth and haphazard development that has mainly taken place outside urban planning intervention

The government thus plans to build 200,000 housing units by 2012 by way of providing incentives to the private sector to construct houses, establishment of secondary mortgage Finance Corporation and encouraging local authorities to provide serviced land for low cost housing. It is presently estimated that by 2030, 60 per cent of the Kenyan population will be living in the urban areas.

The housing sector in Kenya today is characterised by:

- (i) Inadequate affordable decent housing;
- (ii) Low levels of urban home ownership;
- (iii) Extensive and inappropriate dwelling units;
- (iv) Under investment in lower and middle cost housing by both the public and private sector;

(v) Out-dated legal and regulatory framework;

(vi) Inadequate financing to buyers and developers; and

(vii) Poor governance;

The *Kenya Vision 2030* identifies opportunities that would facilitate the provision of adequate serviced land by both the central government and local authorities. These include: encouraging private investments through the PPP approach; improving the legal and administrative reforms to facilitate the country to meet its demands for housing; addressing the inaccuracies that exists at the land registries and issuance of title deeds; and providing affordable finance for mortgages and property development. The housing sector was negatively affected by the 2007 post-election crisis. This led to the destruction of houses owned by a large section of Kenyans. During MTP period, the Government envisions fully exploiting the existing opportunities through the preparation of comprehensive metropolitan and investment plans in six urban regions namely Mombasa, Nairobi, Kisumu-Kakamega, Nakuru-Eldoret, Wajir-Garissa-Mandera and Kitui-Mwingi-Meru. Other areas include strategic development and investment plans for special border towns and all municipal councils, and the preparation of the land use plan and policy covering the entire country.

Specific initiatives in housing and urbanisation aimed at revising the damages caused by the post-election skirmishes include: developing a strategy for resettlement of the Internally Displaced Persons (IDPs); addressing safety and security measures; advocating for peace and co-existence; creating incentives to attract investments; re-investment in basic infrastructure; and building houses for the IDPs.

(b) Policy, Legal and Institutional Reforms

Improved housing policies and programmes are a major component of achieving the goal of adequate shelter for all. It is also important to note that access to adequate housing and sanitation has been entrenched in the new constitution. The development of efficient, effective and affordable housing delivery systems is an essential element of this objective. In order to facilitate the construction of 200,000 housing units annually by 2012, the government has approved a number of incentives to boost housing development by the private sector. Similarly, housing infrastructure development projects have been initiated in all urban areas through the laying down of physical infrastructural facilities that will open up the underdeveloped land for housing development. Centers for Appropriate Building Technologies (ABT) were also initiated to promote

the use of locally available and low cost housing materials. At the same time, the government is also facilitating civil servants to own homes through the Housing Development and Mortgage Disbursements through the Civil Servant Housing Scheme Fund.

The rent restriction tribunal has been strengthened to efficiently arbitrate residential rent disputes. This is to be achieved through case resolution, continued holding of public fora to sensitize the public on activities of rent tribunal and establishing more Rent Restriction Tribunal (RRT) satellite stations. Legislation governing the housing sector have also been reviewed with a view to developing a comprehensive and facilitative legal framework.. These initiatives have resulted in the following:

- (i) Draft Housing Bill, 2006;
- (ii) Draft Landlord and Tenant Bill, 2007;
- (iii) Draft Building Laws and Regulations

(c) Achievements and Progress in Implementation

During the period under review, the Ministry of Housing accomplished the following:

- (i) Completed the construction of 600 housing units at the Kibera Decamping Site;
- (ii) Relocated the Soweto East Zone A residents;

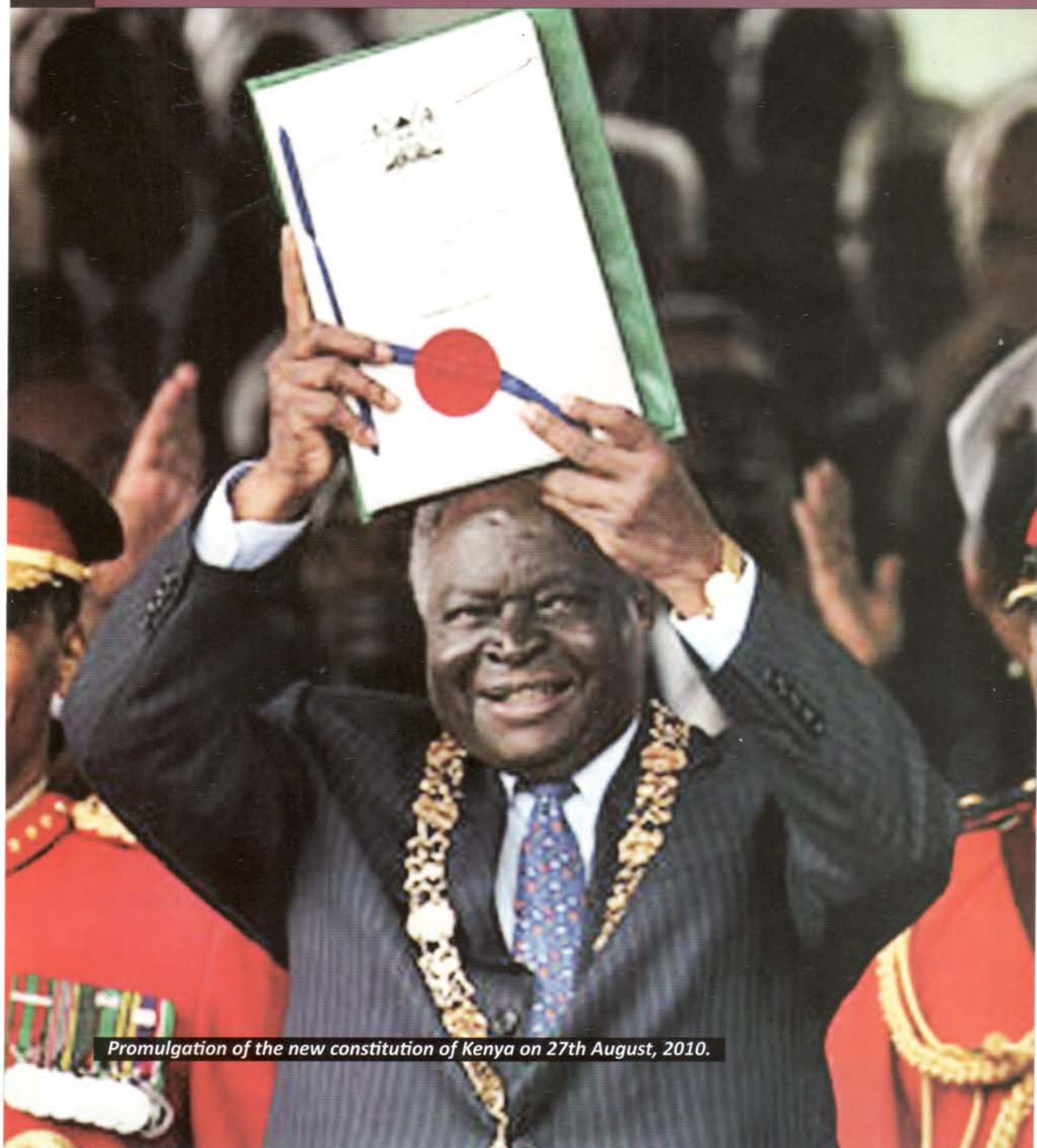
- (iii) Housing Units under the civil servants housing scheme are under various stages of completion;
- (iv) Installation of physical infrastructure to open up more land in places such as Nairobi, Thika, Mavoko and Eldoret;
- (v) Twenty constituency appropriate building centres were established and are operational;
- (vi) The Housing Bill of 2006 as well as the Tenant and Landlord Bill of 2007 were completed and forwarded to parliament for consideration and approval;
- (vii) Refurbishment of 2,274 government houses
- (viii) Registration of 3,130 government houses and
- (ix) Security fencing for 583 government houses and plots
- (ii) Lack of comprehensive housing sector legislation;
- (iii) Inadequate human resource capacity;
- (iv) Inadequate public-private partnerships due to lack of a comprehensive PPP framework;
- (v) Inadequate funding for the sector for housing development coupled with slow implementation of housing incentives has affected implementation of activities;
- (vi) High cost of building materials leading to low levels of maintenance of government houses;
- (vii) Lack of guidelines to harmonise leasing of government offices and residential accommodation leading to wasted space;
- (viii) The 2007 post-election violence depressed investor confidence and had adverse effects on the whole economy with houses destroyed leaving many Kenyans without shelter. The impact was worse in slums and informal settlements.

(d) Challenges

- (i) Inadequate construction of low cost houses, particularly by the private sector.



CHAPTER IX POLITICAL PILLAR



Promulgation of the new constitution of Kenya on 27th August, 2010.

6.1 Overview

Governance reforms are crucial in laying the foundation for achievement of Vision 2030 goals. The reforms are **necessary to align the law to adhere to good governance practices** required to facilitate rapid and sustained economic growth and development. The political pillar also aims to change Kenya's national politics from "ethnic to issue-based politics". The MTP (2008–2012) is focused on achieving transparent, accountable, effective and efficient citizen centred service delivery. Governance reforms thus entail critical constitutional, institutional and legal reforms that were identified under Agenda Four. The end results of the programme are intended to address challenges such as impunity, corruption, misuse of power and failure to adhere to the rule of law, that are vital for the future stability of the country. Among these are the constitutional review and support to electoral reforms.

Governance reforms invariably seek to contribute to the culture of respect and promotion of progressive realization of human rights by accelerating reforms in the public service. This is necessary for enhanced service delivery within a decentralised framework. The reforms further aims at entrenching an all-inclusive, accountable and participatory development programming, policy

formulation and implementation at the national and local levels. This is expected to promote respect for the rule of law, citizens' responsibility, constitutionalism, tolerance, and access to justice and the realization of basic human rights.

Through the historic promulgation of the new constitution of Kenya on 27th August 2010, Kenya completed one of its main flagship projects under the political pillar.

6.2 Policy Review and MTP Targets

The political pillar of Vision 2030 envisions a democratic political system that is issue-based, people-centred, results-oriented and accountable to the public. The 2009/2010 MTP targets for the sector were finalization of the draft new constitution and presenting it to the Kenyan public through a national referendum; operationalizing the Truth, Justice and Reconciliation Commission (TJRC); facilitating the implementation of the recommendations of the Independent Electoral Review Committee (IREC) and the Commission of Inquiry into the Post Election Violence (CIPEV); facilitating the establishment and operationalization of the National Cohesion and Integration Commission; and continuing with the implementation of the pilot legal aid and awareness programme.

6.3 Achievements

6.3.1 Constitutional Reforms

A Committee of Experts (CoE) was appointed in February 2009 to spearhead the finalization of the Draft New Constitution. The Committee undertook extensive consultations, which included receiving memoranda from interested parties and convening of reference groups. The CoE published the list of contentious issues in May 2009. The contentious issues identified included the system of Government, levels of devolution and transition. The Harmonized Draft Constitution was subjected to review by the Parliamentary Select Committee (PSC), tabled and discussed in Parliament, and approved. The Harmonized Draft Constitution was later presented to the public through a national referendum on 4th August 2010 and was passed by 67 per cent of those who voted. The New Constitution was promulgated on 27th August 2010. The New Constitution opened opportunities for local and international investors by providing a conducive economic and political environment, and security. It also provides for a new layer of 47 County Governments at community level that will take responsibility for a wide range of development programmes.

6.3.2 Truth, Justice and Reconciliation Commission (TJRC)

The TJRC was established to deal

with the historical injustices and abuse of human rights and bring about national reconciliation. The TJRC was established in July 2009 and the commissioners sworn to office in September 2009. The TJRC has held several sensitization fora and embarked on collecting of views in areas that were perceived to have had injustices in the past. The TJRC's work is still on-going.

6.3.3 Independent Electoral Review Commission (IREC)

The IREC, commonly referred to as the "Kriegler Commission" handed its report to the President in September 2008. Among the recommendations of the report were the establishment of the Interim Independent Electoral Commission (IIEC), the Interim Independent Boundaries Review Commission (IIBRC) and the Interim Independent Constitutional Dispute Resolution Court (IICDRC). Commissioners of the Interim Independent Electoral Commission (IIEC) were officially appointed in May 2009 with the responsibility of: overseeing electoral reforms and in particular fresh voter registration and the creation of a new voter register; development of a modern system for collection, collation, transmission and tallying of electoral data, promotion of voter education, and efficient conduct of elections and referendum.

The IIBRC was formally appointed and sworn-in in May 2009. The

IIBRC was operationalized to roll out public hearings to receive views on the delimitation of boundaries. The specific mandate of the IIBRC was:

- (i) To make recommendations to Parliament on the delimitation of constituencies and local authority electoral units and the optimal number of constituencies on the basis of equality of votes taking into account: population density, and in particular the need to ensure adequate representation of urban and sparsely-populated rural areas; population trends; means of communication; geographical features; and community interest; and,
- (ii) To make recommendations to Parliament on administrative boundaries, including the fixing, reviewing and variation of boundaries of districts and other units.

The commission managed to visit all the districts and collected views from the public and came up with additional 80 constituencies to be added to the existing 210. The list was tabled to parliament and passed in December 2010 for implementation. Creation of these electoral and administrative units will improve the management of resources, promote equity in the distribution of the national budgeted funds and provide growth prospects/development opportunities to underdeveloped areas.

Following a joint induction of the IIEC facilitated by local and international experts in July 2009, the Commission participated in the organization of the National Conference on Electoral Reforms held in August 2009. The Commission also undertook provincial visits and consultations with stakeholders with a view to collecting and analysing data.

In November 2009, Parliament approved the names of six Kenyans and three foreigners to sit as judges of the IICDRC. The judges were appointed and sworn-in in January 2010. The court provided guidance and listened to various cases that were brought up during the referendum and before the promulgation of the new constitution. The court wound up in November 2010.

6.3.4 Commission of Inquiry into Post Election Violence (CIPEV)

The Government published the Special Tribunal for Kenya Bill, 2009 that would have set up the special tribunal for Kenya. However, Parliament debated and rejected the Bill. With the expiry of the deadline for the establishment of the Tribunal, the names of post-election violence suspects were handed over to the International Criminal Court (ICC), at The Hague in Netherlands in July 2009. In November 2009, the ICC prosecutor filed a request to pre-trial judges for an authorization to begin investigations into the post-

election violence in Kenya. Following the approval of the request, the ICC conducted extensive and independent investigations stretching beyond the Waki list of suspects that led to the naming of the six suspects in December 2010 for further investigations that may lead to their trial.

6.3.5 National Cohesion and Integration Commission (NCIC)

The National Cohesion and Integration Commission (NCIC) was set up and operationalized. The NCIC has a broad mandate of handling issues of national cohesion and integration. These include tackling inequality; consolidating cohesion and unity; and promoting ethnic harmony and cohesion. During the period under review, the Commission engaged with various communities and stakeholders and received and processed complaints regarding discrimination, hate speeches. The NCIC also hosted an Elders' Conference to explore avenues for promoting national cohesion, healing and integration. The Commission managed to achieve the following:

- a) A national Elders' Conference on cohesion and integration was held in April 2010, bringing together community elders to create national cohesion. Among the outcomes of the conference was the agreement to promote the establishment of a legally constituted National Council

of Elders and the commitment by all elders present to promote the peaceful co-existence between communities and the support of Government efforts towards national cohesion and integration;

- b) The Commission received complaints and information on hate speeches and successfully investigated over 21 cases. Seven Members of Parliament (MPs) were summoned after weeks of investigations where evidence was collected and passed to the police.
- c) Three Members of Parliament were arrested in June 2010 during the campaigns for the constitution referendum and charged in court alongside with a political activist. So far, the President has suspended an Assistant Minister pending determination of alleged hate speech case.

6.4 Access to Justice

6.4.1 Legal Aid and Awareness Programme (NALEAP)

The National Legal Aid (and awareness) Programme (NALEAP) has fully been operationalized. The main objective of NALEAP is to enhance access to justice for the poor, marginalized and vulnerable. The Programme operated two legal aid pilot projects in Nairobi and one each in Mombasa, Kisumu, Nakuru and Eldoret. The Programme

seeks to achieve its objectives through facilitating the provision of legal advice, assistance and representation, creating legal awareness, training and supporting paralegal work and promoting the use of Alternative Dispute Resolution (ADR).

Through partnership with the Law Society of Kenya (LSK), advocates were recruited in the five regions to take up cases on voluntary basis. Cases of needy litigants and disputants were referred to these lawyers on need basis. During the period under review NALEAP undertook the following activities:

- (i) Conducted stakeholder review on the legal aid policy and proposed changes which were incorporated in the policy and draft Legal Aid Bill.
- (ii) A draft Legal Aid Bill, 2010 was prepared to establish a system of legal aid and to promote legal awareness and greater access to justice.
- (iii) Prepared and disseminated to the public, fact sheets on legal rights and procedures and established six legal aid pilot projects around existing initiatives by Non-Governmental Organizations and the Law Society of Kenya (LSK), to pre-test the suitability of each model with the view to rolling out a National Legal Aid

Scheme based on best practices of different models.

- (iv) Offered free legal aid in six legal aid pilot projects through collaboration with pro bono lawyers
- (v) Developed media strategy on legal awareness
- (vi) Trained a panel of 30 pro bono lawyers and six pilot projects coordinators
- (vii) Created and trained a pool of 40 trainers on ADR; and,
- (viii) Developed a draft regulatory framework for paralegals.

The Programme held a number of meetings for the pilot Projects Steering Committees (PPSCs). These meetings were held as monitoring mechanisms and to come up with customised Memorandum of Understanding (MoU) between the Programme and the various stakeholders' institutions in line with the Programmes' and the respective institutions mandates.

6.5 Rule of Law

6.5.1 National Review and Validation Forum for the Policy on Human Rights

A National Policy on Human Rights was developed and subsequently, a national review and validation forum was held in March 2010. Additionally, Kenya's third periodic report on the International Covenant on Civil and

Political Rights was also prepared, validated and submitted to the UN Human Rights Committee.

6.5.2 Electoral and Political Processes

The Kenya Law Reform Commission prepared the Draft Elections Bill and presented it to the Attorney General. The Bill seeks to consolidate the various election laws that are operational in Kenya. These laws include the National Assemblies and Presidential Elections Act, the Local Government Act and the Election Offences Act. It also seeks to provide for the conduct of elections to the office of the President, the National Assembly and Local Authorities. It also provides for the procedure and conduct of referenda and seeks to prevent election malpractices. Once passed, the sources of laws governing elections will reduce from the current numerous statutes to the Constitution and the Election Act.

A draft Electoral Commission of Kenya Bill was prepared and presented to the Attorney General. The Bill seeks to make provisions for the effective operation of the Electoral Commission of Kenya, independence and powers of the Commission and other related matters. It also seeks to ensure that the constitutional provisions on the Electoral Commission are supported by detailed provisions in a specific Act of Parliament. During the same period the IIEC also undertook the following activities:

- (i) A nation-wide voter registration exercise was conducted and by the closure of the registration period in May 2010, the IIEC had registered over 12.5 million voters.
- (ii) The commission conducted a successful referendum and by-elections in 8 constituencies and 27 electoral wards during the reporting period.
- (iii) Seven election petitions were filed and successfully concluded.
- (iv) Electronic voter registration was carried on in 18 constituencies on a pilot basis.
- (v) The results in 7 by-elections and the referendum were transmitted electronically reducing the delays and chances of manipulation of the results; and,
- (vi) 42 political parties were funded.

The activities of the IIEC restored public confidence in the electoral process, a sign of stability in the political system that is vital in maintaining a stable economy.

6.5.3 Democracy and Public Participation

During the period under review the Kenya Law Reform Commission (KLRC) played a key role in the development of legislations implementing the National Accord and mostly which seek to broaden the democratic and public participation. Among the Bills

drafted are:

- (i) The Constitution of Kenya Amendment Bill, 2009;
- (ii) Draft Ratification and Domestication of International Treaties Bill;
- (iii) Draft Elections Bill;
- (iv) Draft rules and regulations on Political Parties Act; and,
- (v) Draft Electoral Commission of Kenya Bill.

6.5.4 Transparency and Accountability

Under the transparency and accountability thrust, the governance systems are envisioned to promote integrity, free flow of information and enhance accountability of leaders to the citizenry. During the period under review, draft amendments to the Anti-Corruption and Economic Crimes Act 2003 (No. 3 of 2009) were finalised and forwarded to the Attorney General. On the Whistle-Blower Protection Bill, stakeholders were engaged in efforts to finalise the proposals for the necessary amendments and development of the relevant Bill subsequent upon which salient recommendations for amendments were compiled and the finalised Draft Whistle Blower Protection Bill forwarded to the Attorney General.

On the strengthening of the Anti-Corruption Agencies, an Annual workshop for joint Anti-Corruption

Agencies was held in February 2010. The recommendations given at the workshop provided adequate background for the development of the proposed National Anti-Corruption Policy. The workshop:

- (i) Evaluated the status of the war against corruption from the political, legal, administrative and institutional perspective.
- (ii) Evaluated the progress in implementation of key recommendations of previous joint Anti-Corruption Agencies forums
- (iii) Developed mechanisms that foster better collaboration, synergy, networking and information sharing between Anti-Corruption Agencies, and
- (iv) Began the process of developing a National Anti-Corruption Policy by validating the draft concept paper prepared by the Ministry of Justice, Constitutional Affairs and National Cohesion.

On the development of a National Anti-Corruption Policy, stakeholders' consultations were held and a draft concept paper for the development of the policy was validated. The recommendations made during the forum addressed the challenges related to the war against corruption.

6.5.5 Operationalization of the Public Complaints Standing Committee (PCSC)

Through the Public Complaints Standing Committee (PCSC) the following were achieved:

- (i) Preparation and Implementation of PCSC media programmes
- (ii) Preparation and Implementation of PCSC advocacy and outreach strategy, and
- (iii) Conducting of stakeholders' review of the draft Ombudsman Bill 2009.

6.5.6 Sector Wide Initiatives under the GJLOS Reform Programme

The first phase of the GJLOS multi-sectoral Programme brought together 33 government agencies and several Semi-Autonomous Government Agencies, Non-Government Organizations and development partners. The phase came to an end in September 2009. Consequently, an evaluation took place at the end of the programme life (October 2009 – December 2009) as anticipated in the programme design. The overall aim of the evaluation was to ensure independent and objective reflection of the programme in terms of its achievements, constraints and lessons learnt as well as possibilities of designing a new programme aligned to the Kenya Vision 2030 and the new Constitution.

During the period under review, the Programme implemented Medium Term Strategy (MTS) work plans where a total of over 430 activities were approved for the various Government Ministries, Departments and Agencies (MDAs) in the GJLOS sector. 100 officers from various MDAs were sensitized on activity implementation. Further the GJLOS phase I Programme was reviewed and evaluated and the Next Phase Design framework prepared. The bridging and coordination framework was developed and 4 draft M&E reports prepared.

6.6 Policy, Legal and institutional reforms

The ambitious development programmes to be implemented within the MTP 2008-2012 period required the backing of key policy, legal and institutional reforms. These can be categorised into two namely;

- (i) National policy and legal reforms; and,
- (ii) Policy, legal and institutional reform across the strategic thrusts of the political pillar. These are rule of law, electoral and political processes, democracy and public participation, transparency and accountability, public administration and service delivery, and security, peace building and conflict management.

The strategy for governance under the rule of law focuses on rebuilding confidence among Kenyans to ensure that their access to justice is guaranteed. Electoral as well as other forms of disputes will need to be resolved through legally-provided channels. Moreover, structures need to be put in place to ensure that Kenyan citizens can participate in free, fair, credible and decisive elections.

The programmes and projects under the political pillar are categorized into three (3) broad groups namely,

- (i) Flagship projects that take into account the post-election crisis of 2007 and aim to build a strong governance and rule of law foundation for the achievement of the Kenya Vision 2030.
- (ii) Other new and on-going programmes across the key strategic priority areas; and,
- (iii) Sector-wide initiatives within the scope of the Governance, Justice, Law and Order Sector (GJLOS) Reform Programme.

The second category of programmes comprise of continuing programmes

covering the four strategic priority areas mainly: the rule of law; electoral and political processes; democracy and public participation; and transparency and accountability.

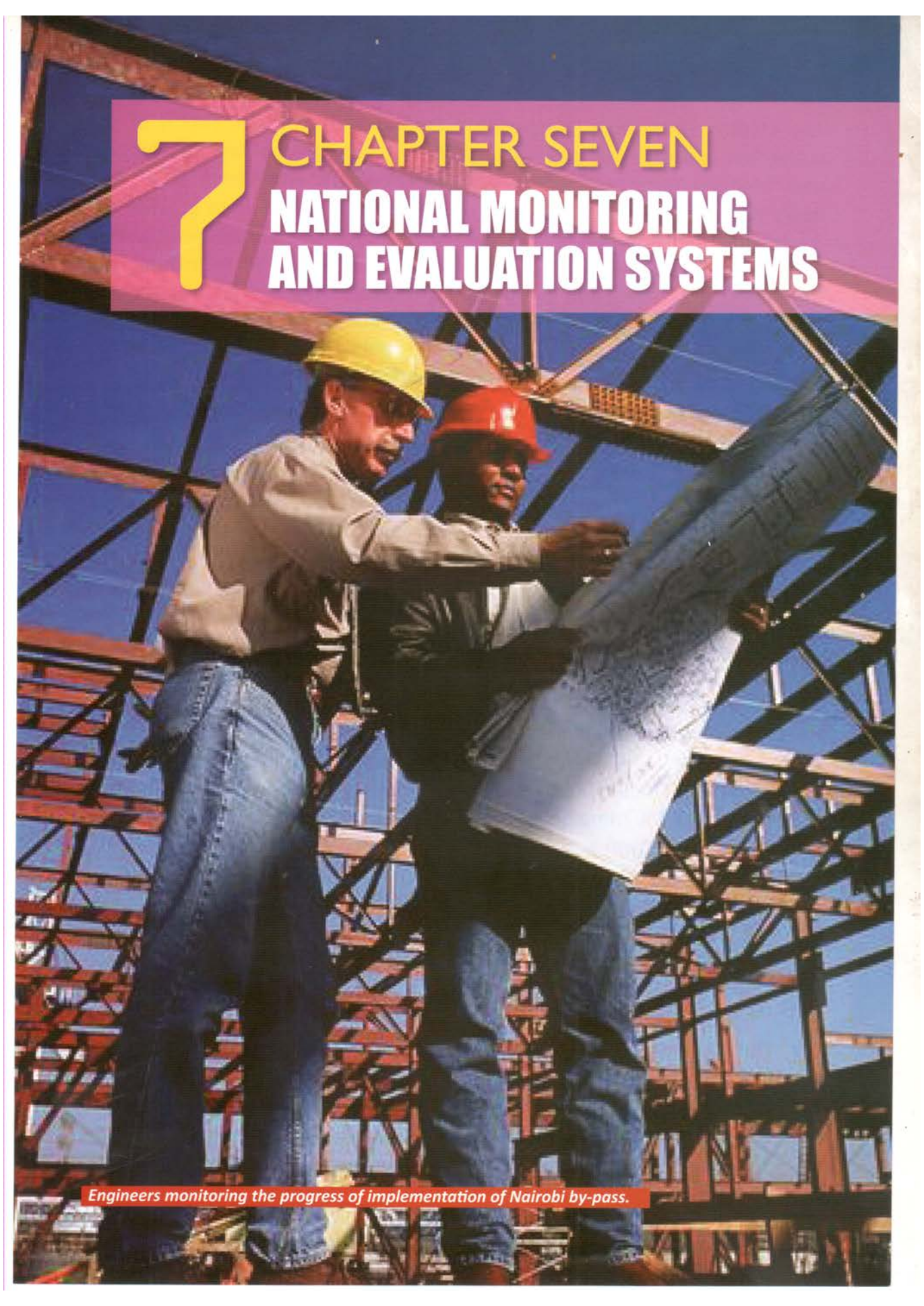
6.7 Challenges

The following challenges were encountered during the year under review:

- (i) Capacity challenges: following the expanded mandate of the sector over the last few years due to additional areas of focus emerging from the post-election crisis; it became crucial to progressively build the sector's capacity. However this has not been possible partially due to government's stringent policies and guidelines for recruiting staff.
- (ii) Unforeseen programmes: in some instances and resulting from other national emerging needs, new programmes have been introduced in the middle of financial years. This poses challenges in terms of requisite funding as well as in the mainstreaming the programmes into the sector's annual work plans.

7

CHAPTER SEVEN NATIONAL MONITORING AND EVALUATION SYSTEMS

A photograph of two men, likely engineers, standing on a construction site. They are wearing hard hats (one yellow, one red) and safety glasses. They are holding and looking at a large set of blueprints. The background shows a complex steel framework of a building under construction, with a clear blue sky.

Engineers monitoring the progress of implementation of Nairobi by-pass.

7.1 Overview

The Medium Term Plan (2008-2012) is the first in a series of successive 5 year Medium Term Plans which will implement the *Kenya Vision 2030*. Successful implementation of the MTP requires an efficient and effective Monitoring, Evaluation and Reporting (MER) system. The MER system should emphasise on equality, partnership, full and complete participation of all stakeholders in all aspects of national development, and an all-inclusive feedback mechanism.

To provide leadership and coordination in implementation of the first MTP (2008 – 2012), the Government identified monitoring and evaluation of various policies, programmes and projects as vital in spearheading national development. This was informed by the successful reporting on the progress of implementation of the Economic Recovery Strategy for Wealth and Employment Creation (ERS) from 2003-2007. Implementation of the ERS and effective monitoring, evaluation and reporting of its implementation progress ensured that the economy remained on projected growth path during the 5 year period of its implementation.

7.2 The National Integrated Monitoring and Evaluation System

The National Integrated Monitoring and Evaluation System (NIMES) was established in 2004. The NIMES was

established under the Monitoring and Evaluation Directorate (MED) of the Ministry of State for Planning, National Development and Vision 2030. The objective of NIMES is to provide the Government with a reliable mechanism and framework for measuring the efficiency and effectiveness of Government programmes, projects and public policies. The MTP has prioritized the following:

- (i) Strengthen institutional framework to ensure that all programme activities by the Government, civil society, the private sector and donor partners, particularly for the MTP are effectively monitored. In addition, the framework seeks to ensure that timely and corrective action is initiated to monitor the successful implementation of the Vision 2030 and its MTP.
- (ii) Receive information on progress made in the implementation of MTP from line ministries, Parastatals, local authorities, reform programmes, civil society, private sector and development partners through online systems.
- (iii) Produce quarterly and Annual Progress Reports on the implementation of MTP and make them available on the MED website.
- (iv) Regularly review M&E indicators to fast track the implementation of the Kenya Vision 2030 and its

MTPs; and,

- (v) Undertake various surveys including poverty surveys and the National Integrated Household Budget Survey.

7.2.1 Targets

The Ministry of State for Planning, National Development and Vision 2030 commits to continue with the momentum of building a culture of M&E in Kenya. The Ministry, through MED, proposed to accomplish the following in the period under review:

- (i) Finalize monitoring and evaluation policy for the country.
- (ii) Develop capacity needs strategy for M&E at both the devolved and national levels.
- (iii) Conduct M&E Capacity Needs Survey and implement the findings and recommendations.
- (iv) Conduct training on M&E and provide an M&E enabling environment for Government ministries, departments and agencies.
- (v) Develop a national and sub-national reporting framework in consultation with the line Ministries, Departments and Agencies. This is to be realized by preparing national and devolved level indicators and targets to be monitored and reported on by stakeholders.
- (vi) Finalize the project monitoring

standards document to enable efficient tracking of development initiatives.

- (vii) Build capacity of officers in Government on M&E
- (viii) Build capacity for indicator development for the MTP and the Kenya Vision 2030.
- (ix) Finalise and launch the first Annual Progress Report of the MTP
- (x) Disseminate key findings of the M&E to users and stakeholders and refine the M&E Information Education and Communication (IEC) strategy.
- (xi) Develop research agenda and proposals, and commission research
- (xii) Prepare policy briefs and share them with policy makers for informing policy and decision making.
- (xiii) Monitor the use of the project M&E standards to ensure efficiency and effectiveness in their implementation.
- (xiv) Produce a PER report for the year 2010, and
- (xv) Disseminate NIMES at both national and devolved levels.

7.2.2 Achievements

During the period under review, the following were accomplished;

- (i) NIMES was operationalized through the National Reporting

Framework and the sub-national (district/devolved) level reporting framework.

- (ii) A draft M&E policy was prepared through consultative and participatory processes and awaits further revision in line with the New Constitutional dispensation.
- (iii) Guidelines and/or standards document for preparation, appraisal, M&E of the development projects was prepared through a consultative process and is currently in use by the line Government Ministries, departments and agencies.
- (iv) Thenationalindicatorshandbook for reporting on government programmesand/orprojects was prepared through a consultative process and is currently in use.
- (v) The 2010 PER was finalised and launched.
- (vi) Backstopping of the NIMES at the national and devolved (provincial/district) levels is on-going.
- (vii) The first Annual Progress Report of the MTP 2008-2012 was finalised and launched.

7.3 The Role of Line Ministries, Departments and Other Government Agencies (MDAs) in M&E

Line Ministries and other government Departments/Agencies play a

key role in feeding the national level M&E reporting framework. These institutions undertake the implementation of various flagship projects identified in the MTP and other targets that contribute to the achievement of the *Kenya Vision 2030*. Central Planning and Project Monitoring Units (CPPMUs) established in each Ministry are responsible for the Integrated Monitoring and Evaluation and reporting on all programmes and projects.

During the period under review, line ministries were expected to:

- (i) Develop technical as well as other capacities to carry out Data Collection for input into the NIMES framework through the Statistical Capacity Building Project of Kenya National Bureau of Statistics (KNBS).
- (ii) Support the CPPMUs responsible for the monitoring of development projects and programmes administered in various ministries and sectors.
- (iii) Align ministerial and departmental strategic plans to the MTP and the Kenya Vision 2030.
- (iv) Align their performance contracts to meet the targets in their strategic plans.
- (v) Align Ministerial/Departmental work plans to their strategic

plans and annual performance contracts.

7.3.1 M & E Targets for Line Ministries

During the period under review, ministries were to:

- (i) Strengthen Ministerial M&E Committees (MMECs) to help in guiding the overall M&E reporting for ministries while the CPPMUs continue to be focal points and/or secretariats of the respective MMECs.
- (ii) Use established monitoring indicators for reporting the achievements of the MTP and Vision 2030.
- (iii) Report on quarterly basis on the progress and achievements made in the implementation of the key flagship projects and other government programmes.
- (iv) Collaborate with the KNBS to operationalize the Kenya Socio-economic data base, and train Ministries and other stakeholders on its use.
- (v) Enhance the capacity of CPPMUs to continue with their responsibility of monitoring projects being implemented in their respective Ministries and sectors.
- (vi) Conduct M&E capacity needs assessment in the line Ministries and other devolved structures.

7.3.2 Achievements

The following were accomplished in the period under review:

- (i) All Ministries formed MMECs to coordinate all issues related to the M&E function in the Ministries;
- (ii) Ministries, Departments and other Government Agencies prepared their second generation Strategic Plans that were appropriately aligned to the MTP and the Kenya Vision 2030;
- (iii) All Ministries, Departments and other Government agencies prepared their M&E Indicators and submitted them to MED;
- (iv) All Ministries prepared and submitted to MED two quarterly reports. These reports highlighted the progress in the achievements of flagship projects and other programmes;
- (v) Ministries prepared Ministerial M&E reports that contributed to the preparation of the 2008/09 APR.
- (vi) MED, in collaboration with the KNBS, operationalized the Kenya Socio-economic data base and trained ministries and other stakeholders on its use.

7.4 Districts and other Devolved Level Monitoring and Reporting

Implementation of the MTP (2008-2012) is to be cascaded down to the devolved levels, especially in the

districts and the counties. Devolved level M&E is aimed at ensuring effectiveness and efficiency in implementation of the MTP targets at the devolved levels. Devolved level monitoring, evaluation and reporting are meant to strengthen the linkage between national policies, programmes and projects with the devolved structures. Progress reports that are generated from tracking of the implementation of the MTP and their outcomes play a major role in ensuring effective implementation of the plan.

7.4.1 District Targets for 2009/2010

During the year under review, all districts were expected to undertake the following activities:

- (i) Prepare District M&E quarterly reports highlighting achievements and progress made in the realization of the set MTP targets;
- (ii) Complete the preparation of the 2008-2012 District Development Plans (DDP);
- (iii) Set up or revive District Monitoring and Evaluation committees (DMECs).

7.4.2 Achievements

The following achievements were realized during 2009/2010:

- (i) District Monitoring and

Evaluation Committees (DMECs) were revived in all the former districts and constituted in some new districts. These committees are chaired by the District Commissioners and are responsible for coordinating M and E activities in the Districts, including preparation of M and E reports;

- (ii) The DMECs were strengthened through trainings on M and E and project planning and management and provision of computers;
- (iii) All districts finalized their DDPs that cover the first MTP period. The plans have been launched and implementation is on-going;
- (iv) The districts finalized and submitted their first and second quarter M&E reports to MED

7.5 The National Economic and Social Council (NESC)

The National Economic and Social Council (NESC) was established in 2004 to provide high level advice to the Government of Kenya on new policies aimed at promoting economic growth and socio-economic development. The policy recommendations are aimed at accelerating economic growth, social equity, employment creation and poverty reduction. The Council has 49 members half of whom are

Cabinet Ministers. The rest are local and international experts. The Council arrives at its recommendations through a consultative process that is evidence-based.

7.5.1 Policy Recommendations

The policy recommendations made by NESC in the year under review, (July 2009 – December 2010) were as follows:

- (i) The Vision 2030 ought to be domesticated and localised from the national to the grassroots level in order to create awareness and promote ownership among the citizens. It was further, recommended that a symbolic monument for the Vision 2030 be considered.
- (ii) There is need to fast track upgrading of the Jomo Kenya International Airport to strengthen its competitiveness as the regional transportation hub.
- (iii) The Land Bank Initiative under the Ministry of Lands should be fast-tracked to ensure availability of land for the implementation of the Vision 2030 flagship projects.
- (iv) Conservation of water towers should be prioritized. Further, measures to supply water across the country should be scaled up. Other interventions should include investments in reforestation and water harvesting and storage.
- (v) Kenya should actively pursue the nuclear electricity generation as a possible alternative source of clean, affordable and sustainable source of energy. The nuclear energy option should be pursued and featured in the energy mix. An Atomic Energy Commission to spearhead this initiative has been set up. Further, members recommended the floatation of external sovereign bonds for long-term financing of geothermal power development at a pace consistent with the rising demand for energy to power the nation.
- (vi) Deliberate efforts should be made to diversify over-reliance on cereals to other crops such as fruits and vegetables, and concerted efforts should be made by the Government to ensure that farmers have adequate information on time so that they can utilise the seasons' forthcoming rains. It was also recommended that the National Food Security and Nutrition Policy be fast-tracked.
- (vii) The implementation of the Kenya Dialogue and Reconciliation process (Agenda 4) should be fast tracked as part of the key political reforms towards the realization of the Vision 2030.

- (i) The need for the private sector to be involved in providing substantial funding and construction of affordable housing through Public-Private Partnerships (PPPs) and other appropriate initiatives was highlighted.
- (ii) The country should identify natural clusters based on Kenya's comparative advantage and the Government should continue to ensure that the enabling environment is provided for doing business in the country.
- (iii) Efforts should be pursued to make Nairobi a commercial services hub for the Eastern, Central and Southern Africa. This will be supported by an appropriate international financial services centre with proper physical infrastructure, ICT and structures such as an infrastructural court and legal jurisdiction and appropriate incentive mechanisms.
- (iv) The ESP and the KKV initiatives should be fully implemented and sustained over the medium term to realise the intended purpose of stimulating wealth creation and sustainable economic growth.
- (v) The constraints to low absorption of development budget including donor funding such as procurement inefficiencies and reporting mechanisms be urgently addressed to ensure higher development spending critical to realization of higher growth.
- (vi) Set up a special National Data Infrastructure to enable the country prepare for disasters.
- (vii) The Government should revise the Kenya Medical Supply Agencies (KEMSA) legislation in order to provide more autonomy and better governance, and transform it into a business-oriented government enterprise that can effectively deliver on its mandate. Further, the Government should create Centres of Medical Excellence that offer advanced care through strategic partnerships with the private sector and help promote Kenya as a preferred medical service destination in the region. A committee should be set up to secure land for funded healthcare projects.
- (viii) The Government should commit adequate resources to finalise the on-going studies on the coal and iron ore deposits in Kenya that are suitable for commercial exploitation.

7.6 Vision Delivery Board (VDB) and Vision Delivery Secretariat (VDS)

In an effort to realize the Vision 2030 goals, the Vision Delivery Board (VDB) and the Vision Delivery Secretariat (VDS)

were established to operate under the guidance of the Ministry of State for Planning, National Development and Vision 2030. The Secretariat is Semi-Autonomous Government Agency (SAGA) guided by the independent board (VDS) established by way of a legal notice by the Minister of State for Planning, National Development and Vision 2030. The VDS has clear institutional linkages with other existing institutions, structures and organizations both in public and private sectors.

7.6.1 Achievements

During the period under review, the VDS achieved the following:

- (i) Undertook perception and awareness study of the Vision 2030 and developed a communication strategy for the Vision Delivery Secretariat (VDS)
- (ii) Formed Sector Delivery Secretariats that are now being operationalized to implement the flagship projects;
- (iii) Held Dissemination and awareness raising campaigns on Vision 2030 at provincial levels;
- (iv) Disseminated Vision 2030 to key stakeholders in the private and public sectors of the economy.
- (v) Held forums with Media Owners Association, participation in TV and radio talk shows, writing of media articles on the Kenya Vision 2030 and training of media personnel on the Vision 2030.
- (vi) Undertook out-door communication campaign by erecting 10 billboards on the Kenya Vision 2030 with messages covering various sectors in Nairobi, Mombasa, Nakuru, Kisumu and Eldoret. Four billboards with information on the new constitution and Vision 2030 were put up in Nairobi and its environs.
- (vii) Provided technical input in policy formulation in budgeting, Public Private Partnerships, Office of the Prime Minister, review of Performance Contracting and formation of Sector Delivery Secretariats.
- (viii) Participated in two Diaspora fora in London and Boston in October, 2010 to rally and drive participation of the Kenyans in the Diaspora in business and investment opportunities towards achievement of the Kenya Vision 2030 goals.
- (ix) Participated in developing links with international partners in areas of common interest in the realization of Vision 2030 like Singapore, Botswana, Morocco and China.





CHAPTER EIGHT

CONCLUSION AND RECOMMENDATIONS



Envisaged Nairobi Metropolitan in 2030

8.1 Conclusion

This second APR covers progress made in the implementation of the first Medium Term Plan of Kenya Vision 2030 for the period 2009/2010. *Kenya Vision 2030* is a long term development blueprint, which aims to transform Kenya into a newly industrialized middle-income country that provides high quality life for all its citizens by the year 2030. The Vision is anchored on economic, social and political pillars. The economic pillar aims at ensuring prosperity to all Kenyans through an economic development programme, while the social pillar seeks to build a just, cohesive and equitable society living in a clean and secure environment. The political pillar focuses on actualising an objective and democratic political system that respects the rule of law, and offer protection to the rights and freedom of all its citizens. Achievement of the goals of *Kenya Vision 2030*, thus, rests on macroeconomic stability; continuity in governance reforms; enhanced equity and wealth creation opportunities for the poor; and infrastructural development. Others are improvement in the energy sector; science, technology and innovation; land reforms; labour and human resource development; security, peace building and conflict management; and public sector reforms and transformation.

The MTP (2008-2012) is a five-year plan aimed at operationalizing Vision

2030. It contains flagship projects identified under the Vision 2030 as well as other key national policies and programmes to be implemented over the plan period. The MTP places emphasis on faster job creation, poverty reduction, improved income distribution, regional balance and gender equity. It identifies policy, legal and institutional reforms needed to facilitate implementation of the various programmes and projects over the plan period.

Consequently, the Government has formulated and implemented an Economic Stimulus Programme (ESP). The ESP is a short to medium-term, high intensity, high impact programmed aimed at jumpstarting the economy towards long-term growth and development. It seeks to secure the livelihoods of Kenyans and address the challenges of regional and inter-generational inequity. It focuses on sectors that are expected to generate maximum benefit, restore confidence of Kenyans and assist the business community to weather the storm, while also protecting the livelihood of the poor and creating employment for the youths. Key activities covered under the ESP are expansion of irrigation-based agriculture; construction of wholesale and fresh produce markets, fish ponds and *Jua-Kali* sheds; and tree planting. Others are construction of social infrastructure and exploiting the potential of the human resources.

From the evidence presented in this APR, positive progress was made towards implementation of the MTP flagship projects and attainment of set targets. Full and effective implementation of the milestones and achievement of the set targets were, however, hampered by some key policy, legal and institutional challenges. Where set-backs were encountered from domestic and international shocks, as happened in 2008, the Government has already initiated policies to bring back the country to the path projected in the vision 2030. Issues of capacity and financial resource limitations stood out as the key constraints. The salient findings, challenges and recommendations are as highlighted hereunder:

Macroeconomic Framework

Kenya's economy did not grow as fast as was envisaged in the MTP 2008-2012 of Kenya Vision 2030. Real GDP was projected to grow at 8.3 per cent in 2009/2010 and to reach a level of 10 per cent per annum by 2012. In 2009, the economy registered a below target growth rate of 2.6 per cent. The growth rate, however, represented a slight improvement over the subdued growth of 1.7 per cent realized in 2008. The dismal economic performance recorded in 2009 was attributed to the internal and external macroeconomic shocks that the country faced following the 2007-2008 post-election violence. The economy was projected to grow at

5.2 per cent. Overall inflation declined from 9.3 per cent in 2008/2009, to 3.8 per cent in 2009/2010. The 2009/2010 recorded inflation was within the MTP target of 5 per cent. The decline in inflation rate in 2009/10 was aided by stability in international oil prices and prudent fiscal and monetary policies, augmented by improved food production. Inflation is projected to remain below 5 per cent in 2010/11. Gross national savings as a percentage of GDP increased marginally from 14 per cent in 2007/2008 to 14.2 per cent in 2008/2009 before recording a 0.8 percentage point decline to stand at 13.4 per cent in 2009/2010. It was, however, targeted to be 16.7 per cent, 16.2 per cent and 18.5 per cent in 2007/2008, 2008/2009 and 2009/2010, respectively. The investment to GDP ratio stood at 19.4 per cent in 2007/2008, 20.3 per cent in 2008/2009 and 20.7 per cent in 2009/2010. This was against the MTP targets of 22.9 per cent in 2007/2008, 23.2 per cent in 2008/2009 and 24.6 per cent in 2009/2010.

The total revenue as a proportion of GDP increased from 21.8 per cent in 2008/2009 to 22.6 per cent in 2009/2010. This was 1.3 percentage points above the year's MTP target of 21.3 per cent. The increase in revenue collection is attributed to improved tax administration and broadening of the tax base. Total expenditure and net lending as a percentage of GDP declined from 27.5 per cent in 2007/2008 to

26.6 per cent in 2008/2009 and to a further 29.3 per cent in 2009/2010. The total expenditure and net lending level realized in 2009/2010 was 3.6 percentage points above the MTP target for the year. The recorded increase in expenditure and net lending was attributed to increased government expenditure on infrastructure projects, particularly in roads and energy sub-sectors, CDF projects and programmes, and investments under the ESP.

As a result of higher expenditure the fiscal balance did not reach its MTP target and deficits have widened.

The overall balance as a percentage of GDP worsened to a deficit of 6.3 per cent up from an MTP target of a deficit of 2.9 per cent in 2009/2010 fiscal year. This was attributed to the increased government expenditure on public projects as well as financing of the ratification and implementation of the New Constitution. Gross domestic debt as a proportion of the GDP increased from 23.2 per cent in 2008/2009 to 26.6 per cent in 2009/2010. The recorded level of this indicator 2009/2010 was above the MTP target of 20.1 per cent for the year. The broad money supply increased 13 per cent in 2008/2009 to 23.7 per cent in 2009/2010. This was against the 2009/2010 MTP target of 16 per cent. The growth in broad money supply in 2009/2010 was attributed to increased economic activities during the year and sustained

macroeconomic stability. Further, credit to the private sector registered a modest growth of 19.8 per cent in 2009/2010 from 19.7 per cent in 2008/2009. This was above the year's MTP target of 16 per cent. The current account worsened from a deficit of 6.6 per cent of the GDP in 2008/2009 to 5 per cent in 2009/2010. The actual current account balances were within the expected limits of the MTP targets. Months of import cover improved from 3 months in 2008/2009 to 3.5 months in 2009/2010 compared to a targeted level of 3.9 months. The total external debt as a percentage of GDP declined from 24 per cent in 2008/2009 to 22.8 per cent against a target of 20.8 per cent. The debt service ratio has been impressive. It declined from 4.2 per cent in 2008/2009, to 3.8 per cent in 2009/2010. This was below the target 10.9 per cent in 2009/2010.

Job creation has fallen behind targets.

The actual number of jobs created in 2009 was 445,900 compared to the MTP target of 787,000. Of the new jobs, 12.4 per cent were created in the formal sector. This shows the relatively high level of vulnerable employment in the country. The slowdown in employment growth in 2009 was attributed to the subdued economic growth, particularly in 2008 and 2009, due to the effects of the global financial crises and labour market rigidities.

A number of challenges were experienced in undertaking the interventions under the macroeconomic framework. These challenges led to subdued and/or below performance in the critical areas. The challenges included unstable macroeconomic environment and internal and external economic shocks. Others were inadequate political will to spearhead effective implementation of policies and programmes, and weak framework of collaboration between the Government, private sector and development partners.

Foundations for National Transformation

The *Kenya Vision 2030* must be anchored on solid foundations if it is to realize its long-term goals. The enablers are critical in catalyzing and driving the social, political and economic transformations required for attainment of Vision 2030 goals and the MTP (2008-2012) objectives. The foundations for national transformation are physical infrastructure; information communication and technology; Science, Technology and Innovations (STI); energy; land reforms; human resources development; security, peace building and conflict resolution; governance reforms; and public sector reforms.

A number of **infrastructure** projects were initiated during the period

under review. Modernization of JKIA is on-going. The works on activity one relating to construction of apron at terminal unit 4, taxiways and associated facilities was completed during the period under review and the facilities are already in use. Evaluation of bids for activity two in respect of construction of terminal unit 4 building and a multi-storey car park is complete and a draft bid evaluation report has been prepared and submitted to the World Bank for review. Construction of the terminal building and extension of Kisumu airport runway commenced in October 2008. So far 40 per cent of the work is complete. At the same time, a Cabinet paper requesting for additional funds to extend the runway by 300 meters to accommodate Code E planes (B767) was prepared and approved by the Cabinet during the reporting period. Other infrastructure improvement projects are improvement of Wilson airport, rehabilitation of airstrips, dredging of Mombasa port, development of a rapid bus transport system within the Nairobi metropolitan region, construction of Lamu-Sudan-Ethiopia transport corridor, Northern corridor transport improvement project and rehabilitation and upgrading of the 50 kilometre stretch between Nairobi, Ruiru and Thika, which commenced in March 2009 and is on-going. The policy, legal and institutional reforms initiated in the sector in 2009/2010 to facilitate achievement of MTP goals

were development of a legal framework to support PPP; finalization of an Integrated National Transport Policy; implementation of the National Road Safety Programme; and measures to introduce instant fines and ticketing for traffic offences.

A number of challenges were faced during the implementation of the 2009/2010 priority areas. Key among them are inadequate budgetary provisions, slow procurement processes, particularly for donor funded projects, complexity and large size of projects, inadequate technical staff, especially air accident investigation, low investment in transport infrastructure and weak enforcement of rules and regulations. Others are inadequate road maintenance equipment, low capacity by local consultants and contractors, limited private sector participation in roads development, financing and management, increased traffic volume and inadequate land use policy and attendant encroachment on road reserves.

The Energy Sector realized several achievements during the period under review. These included targets on transmission lines where tenders for the construction of high capacity transmission line consisting of 450 km double circuit 400 kV between Nairobi and Mombasa has been awarded. At the same time, a feasibility study for the construction of a 1,047 Km

of 400 kV line between Kenya and Ethiopia is on-going. In 2009/2010 a total of 27,561 new customers were connected with electricity compared to 400,000 new connections targeted in 2009/2010 and 200,000 additional connections projected for 2010/2011. The new connections are, however, below the 1,000,000 new connections energy scaling up benchmark provided for in Vision 2030. In addition, the contract for the construction of the Lake Turkana 300Mw wind power plant has been developed and approved by ERC. The plant is expected to be commissioned in June 2011.

The MTP (2008-2012) targeted production of 1 Mw of coal energy by 2009/2010 and an additional 7 Mw in 2010/2011. Negotiation with the successful bidder for plants 1 and 2 at Athi River Mining Coal Power Station commenced in February 2010. The Athi River Mining Coal Cogeneration Plant is expected to be commissioned in 2011. Geothermal projects are expected to be commissioned between 2010 and 2011. The first 5 Mw out of 87 Mw of the Geothermal Well Head project is expected to come on stream in June 2010. On hydro power plants, Sangaro 20Mw hydro plant at Sondu-Miriu spillway is under construction and the expected completion is November 2011. Also, the PPA for the 3Mw mini-hydro project by Genpro systems (EA) Ltd was approved during the period under review. Further, PPA for the

900kW plant by Imenti Tea Factory co. Ltd of which 284kV will be fed into the national grid was signed in June 2010. The Mombasa-Nairobi Pipeline capacity enhancement project was commissioned in November, 2008. Additional upgrade is being done at Kipevu oil storage facility to improve the suction pressure and to enable the pipeline operate at 880,000 litres per hour as anticipated. In addition, construction of a parallel 14-inch diameter pipeline from Nairobi to Eldoret commenced and is expected to be completed by June 2011. The Kenya-Uganda Oil Pipeline Extension Project is expected to have been commissioned by the end of 2010.

On policy, legal and institutional reforms, a tribunal to arbitrate disputes in the sector has been established. A specialised agency to promote and ensure higher uptake of rural electrification programmes has also been set up. Other interventions were commissioning of a company to undertake geothermal resource assessment, and a company that will be responsible for electricity transmission. As part of the reform process, the ERC, Energy Tribunal and the Rural Electrification Authority are in place. Other institutions established are the KETRACO and GDC.

The major challenges facing the energy sector include high initial capital outlay, long lead times required in the development and operationalization

of energy infrastructure and unfavourable fiscal and legal regimes. The sector also suffers from low levels of investment due to inadequate awareness of the economic potential of the sector. In addition, high cost of network extension, low consumer densities and over-reliance on the hydro-electric power have also undermined the growth and development of the sector, particularly the hydro-power subsector. Further, escalating cost of petroleum products in the international markets, inefficient oil refinery, lack of strategic stocks, inadequate storage facility, and the high cost of seismic exploration have inhibited full exploitation of the potential of the petroleum industry in Kenya.

The Science, Technology and Innovations sector continues to make progress towards achieving the *Kenya Vision 2030* and the MDGs. A number of milestones were realized during the period under review. These included undertaking of a national STI indicator survey, initiations of mechanisms for establishment of one science and Technology Park and three industrial incubators, and signing of an MOU between MoHEST and the Korean City of Djeon. These interventions were aimed at strengthening STI capacities and capabilities. At the same time, plans for construction of 8 new TTIs are on progress. Along the same lines, a total of 14,000 students in

TIVET were awarded bursaries as part of the initiative to develop a pool of STI personnel. A Research Fund to promote intensification of innovations in priority sectors was operationalized, research grants awarded and disbursed to identified researchers during the period under review. In terms of enhancing awareness of HESTI, a framework to collate and disseminate information on STI awareness was established. National and regional committees have also been set up to organize educational and information exchange. A national scientific conference with an exhibition to popularize STI and a regional robot contest for universities and technical institutions were organized. Further, upgrading and modernization of training equipment, improvement of physical facilities and development of centres of excellence were undertaken. In this respect, 11 TTIs were funded to procure the relevant equipment. On policy, legal and institutional reforms, three draft Bills namely STI Bill, University Education Bill and TIVET Bill were prepared. A Bio-Safety Regulation was also finalized.

The STI sector faces a number of challenges. These include lack of a centralised and well-coordinated system for collecting, collating, storing, retrieving and disseminating essential information. In addition, most facilities in STI institutions remain short of basic infrastructure and state-of-the-art

equipment necessary for undertaking quality training and R&D programmes. Other challenges are inadequate resources, weak financial management and accountability systems, weak balance between operation of income generating initiatives and maintaining educational quality, and limited linkages and low levels of collaboration between the supply and demand sides of the labour market. Others are skills mismatch, out-dated national occupational classification standards, and logistics for rolling out STI services in all the 47 counties.

The Information, Communication Technology Sector

aspires to achieve the status of a knowledge and information-based society by the year 2030. This aspiration culminates from the growth in the global business outsourcing industry. During the period, the cost per Megabyte (MB) of data transmitted declined by more than half from the 2007 baseline figure of Kshs. 6,000 to Kshs. 2,500 in 2008/2009. This was against the MTP target of a reduction in price from Kshs. 6,000 in 2007 to Kshs. 5,000 in 2008/2009. By 2009/2010, the actual cost per MB of data transmitted was Kshs. 500 against MTP target of Kshs. 2,000. Consistent with the reduction in the cost per MB of data transmitted the proportion of the Kenyan population using internet increased from 7.7 percent in 2007 to 10 percent in 2008/2009, and to

a further 13 percent in 2009/2010. Along the same lines, the proportion of households with access to radio increased from 90 percent in 2007 to 95 percent in 2009/2010. This was against the 2009/2010 MTP target of 97 percent. At the same time, the percentage of the population with access to TV increased from 80 percent in 2007 to 86 percent in 2009/2010. This was four percentage points below the 2009/2010 target of 90 percent. In addition, the proportion of the population with mobile phones increased from 39 percent in 2007 to 45.7 percent in 2008/2009 and to a further 63.5 percent in 2009/2010. The 2009/2010 MTP target on this indicator was 50 percent.

Other milestones realized in the ICT sector are adoption of shared services by the Government, and the laying of three major submarine cables. These are SEACOM with a capacity of 1.2 terabytes, the Eastern African Marine System (TEAMS with a capacity of 1.3 terabytes, and East African Submarine Systems (EASSy) cable with a capacity of 1.3 terabytes. Others achievements include expanded backbone ICT infrastructure network.

On the policy, legal and institutional reforms front, an ICT policy and an e-Government Strategy Paper have been developed. Measures are also underway to establish infrastructure required to facilitate delivery of on-line government

services to the public. Further, the Kenya Communication Amendment Act (2009) was enacted during the year. Other instruments such as the Information and Communications Regulations, Competition Policy and the Broadcasting Guidelines were also put in place. The institutional reforms undertaken included establishment of a Government Data centre.

The efficacy of ICT as a development catalyst in Kenya has not been fully exploited. This is mainly constrained by the poor and inadequate ICT infrastructure. Other challenges are weak collaboration between the Government and the private sector, limited local ICT talent pool, inadequate financial resources, effects of the slowdown in the global economy, weak institutional and legal framework, particularly to govern automated services and electronic transactions, poor access and availability of ICT infrastructure, especially to rural and poor urban areas, and language and content limitations.

Land Reforms play a significant role in promoting social, economic and political development. During the period under review, a total of 125,000 land records and 61,000 cadastral survey plans were safeguarded and scanned. A report on harmonization of land reference numbers was also prepared and models of integration developed. Further, preparation of terms of reference for development of the National Land information

Management System (NLIMS) was initiated. On modernization of land registries, five land registry offices were constructed and 11 district land registries rehabilitated. A similar rehabilitation programme was also done in the Ministry headquarters. Construction of Isiolo and Kitale land registry offices were also initiated. Further, a total of 126 topographical maps sheets database were created in 2009/2010 compared to the MTP target of 100. In addition, 10 topographical maps for extended Nairobi Metropolitan area were also updated as envisaged in the MTP.

On policy, legal and institutional reforms, a National Land Policy was developed and adopted by Parliament in 2009 as is being implemented. Public awareness meetings were also held to educate and raise the awareness of members of the public about the policy and its contents. A concept paper on National Land Use Policy and National Spatial Plan were prepared during the period under review. At the same time, a draft Kenya National Spatial Data Infrastructure Policy was developed and shared with stakeholders. A Bill that seeks to provide a framework for the establishment of the National Land Commission and its constituent organs as contained in the Kenya New Constitution is also underway.

Several challenges were, however, encountered in undertaking the land reforms envisaged under the MTP (2008-2012). Key among these was inadequate funding. Others were lack of comprehensive land policy,

population and cultural practices that promote fragmentation and sub-optimal use of land, disparities in terms of land ownership, adjudication and registration, inefficient land administration systems and manual land information systems.

Public Sector Reforms and Transformation

is a central feature of economic policy reform programs in Kenya. It is aimed at improving efficiency, effectiveness and quality of public services in the country. The following were the achievements made under the public sector reforms. A concept paper for establishment of Kenya School of Government has been prepared. Besides, all the 46 Government Ministries/ Departments, 168 State Corporations, 175 Local Authorities and 68 Tertiary Institutions were put on performance contracts. The use of RBM was also enhanced where RRIIs were rolled out in 193 Ministries, Departments and Agencies. Implementation of the public sector reforms was faced with various challenges. These included inadequate emphasis on the need for implementation of public sector reforms and its role in improving public service. Public sector reforms have also suffered from overly ambitious, inadequately prioritized and sequenced reforms. Further, public sector reforms are implemented by many organizations, with little coordination and limited cross-fertilization with the other reforms.

The weak culture and capacity for MER in the public service has also led to much focus being put on process and inputs with insufficient emphasis on results.

Labour, Human Resource and Manpower Development Sector is a key enabler of national transformation and achievement of Kenya Vision 2030. A total of 445,900 jobs were created in 2009 compared to a target of 787,000 jobs. At the same time, 9,773 students were placed on industrial attachment, 5,636 students trained in various industrial skills and administered trade tests to 42,240 candidates. In addition, productivity improvement was undertaken in 10 companies and trained 70 productivity technical service providers from both the public and private sectors of the economy. Further, a pilot survey was conducted as per MTP target. It covered 475 establishments, 12,962 employees, 81 education and training institutions and 47 informal sector organizations. The sector also carried out rehabilitation works in 32 worksites out of a target of 31 MSE worksites. During the period under review, 11,400 disputes were resolved out of 15,216 that had been reported and/or pending. Further 479 trade disputes were arbitrated on and awards given.

A number of policies, legal and institutional reforms were also undertaken during the period under review. These were development

of draft policies on: employment; labour export; diaspora; National Occupational Safety and Health; industrial training; and productivity. In addition, implementation of the revised labour laws is in progress. Further, a draft MSE Bill has been prepared. Further, measures are underway to establish and operationalize the key labour and social dialogue institutions.

The Labour, Human Resource Development Sector experienced several challenges in implementing the MTP targets. Key among them is inadequate funding, particularly for the execution of the flagship projects and programmes. Other challenges include weak capacity for implementation of the revised labour laws. Effective implementation of the laws require the setting up of new institutions that will play key roles 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. While some of these institutions are already established, they all lack the requisite capacity to discharge their mandates effectively as per the laws. Further, the new laws have increased the workload on the part of the implementing institutions in the midst of inadequate staffing and other resources. In addition, duplication and functional overlaps, particularly on projects targeting the MSE sector have continued to create

confusion within the sector, weaken the targeting of sector interventions and achievement of targeted outcomes.

Security, Peace Building and Conflict Management is critical to promoting global competitiveness and improvement in the standards of living of the population. In 2009/2010, 800,000 ten print forms (P20s) which can now be linked with corresponding criminal attributes forms (C8s) through Bar Codes and PIN were developed. In addition, Hydrocarbon Detectors, Electrolytic Restoration Enhancers, Darkroom latent fingerprint developer, Alternative light sources and Forensic Chemicals were acquired; Digital Printers installed and are in operation; 1,615 housing units for the Kenya Police and 1,478 for the Administration Police completed while construction of 1,754 housing units on-going. The security, peace building and conflict management sector continue to face challenges. The challenges include availability and access to illicit small arms and light weapons; structural deficiencies; enhancing and sustaining the Government's capacity to respond to early warning; violence and conflict; competition for access, utilization, and control and ownership of resources. Other challenges are lack of an integrated and comprehensive policy to address peace, security and conflict; high levels of unemployment; poverty; inadequate human resource

capacity; drug and substance abuse; and human trafficking.

Nairobi Metropolitan Development

is crucial for national and regional development. The strategic location of Nairobi Metropolitan region as the central gateway to the Eastern and Central Africa as well as its positioning on the Northern Corridor and the Cape to Cairo highway presents significant strengths. A number of milestones were achieved in respect to implementation of the MTP flagship projects for the Metropolitan. These included initiations of plans to develop a rapid bus transport system within the Nairobi metropolitan area; putting in place mechanisms for transforming Nairobi into a 24-hour economy; implementation of traffic decongestion programmes; and undertaking of measures enhance road safety status in the Nairobi Metropolitan Region. In terms of policy, an urban development policy, integrated transport policy and solid waste management policy have been prepared. The development of the region is, however, not without challenges. Key among them is poor land use planning and management practices. This manifest in lack of comprehensive up-to-date land use plan and development control guidelines. Such often lead to land conflicts, unreliable infrastructure services, poor logistics and supply chain management, urban poverty, poor governance, encroachment of

conservation areas including heavy pollution of the Athi and Tana River catchments.

Economic Pillar

The MTP (2008-2012) has prioritized six productive sectors that have the potential of raising annual economic growth to the desired 10 per cent level by 2012. These are tourism, agriculture and livestock, manufacturing, wholesale and retail trade, Business Process Outsourcing and financial services.

The Tourism Sector experienced a rebound in 2009/2010. Total international tourist arrivals grew by 23.9 per cent from 1,203.2 thousands in 2008 to 1,490.4 thousands in 2009. The international arrivals realized in 2009 constituted 66.2 per cent of the 2.25 million target set in the MTP. Bed nights available also increased from 14,233.6 thousands in 2008 to 17,125.3 thousands in 2009. This was 7 per cent above the 2009/2010 MTP target of 16 million bed nights. The growth in tourist arrivals was bolstered by increase in the number of visitors on transit, other visitors and holiday/business visitors. On flagship projects, expression of interest for the development of Isiolo Resort was advertised. A study on transport corridor that has resort cities component has been commissioned while two premier parks (Amboseli and Lake Nakuru National Parks) have

been segmented and their entry fees raised to US\$60 as targeted in the MTP. Investors have also been identified for Meru Conservation Area, Mwea, Hells Gate, Kisumu Impala and Ndere Island. A draft National Tourism Policy has been prepared.

The tourism sector is, however, faced by several challenges. These include inadequate bed capacity, especially in the new tourism circuits of Western Kenya and North Eastern regions. At the same time, incidents of insecurity in some tourist attraction areas are impacting negatively on marketing of the country as a safe tourist destination. Growth and development of the sector is also hampered by inadequate financial resources, particularly for tourism marketing. The other challenge is stiff competition from other tourism destination areas in Africa such as South Africa, Egypt and Morocco.

The Agricultural Sector recorded a subdued growth rate of negative 2.7 per cent in 2009 up from negative 4.3 per cent in 2008. Prices of most agricultural commodities also surged in keeping with the decline in output. In terms of the flagship projects, a comprehensive analysis of legal and regulatory framework in the agricultural sector has been carried out. A total of 178,383 metric tonnes of fertilizers were distributed to farmers in 2009. This was against the MTP target of 200,000 metric tonnes.

A proposal on fertilizer manufacturing has been drafted and is under review. Electronic animal identification system has been developed, piloted and 302 stakeholders sensitized. In addition, environmental impact assessment of zoning and drafting of zonal policy legislation have been commenced. Four draft bills on the proposed reforms were also developed and a draft Cabinet Memo prepared.

The Agricultural Sector continued to face several challenges that constrained its productivity and competitiveness. The key challenges experienced included, low and declining soil fertility; high cost, adulteration and low application of key inputs; slow absorption of modern and appropriate technology; and poor disaster preparedness and response. Others are limited capital and inadequate access to affordable credit; pre- and post-harvest losses; inadequate markets and poor marketing infrastructure; weak quality control systems; inappropriate legal and regulatory framework; and low budgetary provision. Inadequacies in the policy, legislative and regulatory framework, poor governance and mismanagement of the co-operative societies, and weak internal capacity for marketing of co-operative products and services dampened the growth and development within the co-operative sub-sector.

The performance of **the Manufacturing Sector** has continued to drift away from the set targets. The contribution of the sector to the GDP declined marginally from 10.6 per

cent in 2008 to 9.5 per cent in 2009. The MTP target is for the sector's contribution to GDP to increase by at least 10 per cent per annum. On flagship projects, a Cabinet memo on Government to Government co-operation on the development of manufacturing and industrial zones has been drafted. A Memorandum of Understanding (MOU) between the Kenya Government and the Government of Singapore was signed in February 2010. A draft policy on subcontracting has also been developed. Further, eight One Village One Product District committees were formed; 30 proto-type arc welding machines developed under the 4-K MSE 2030 initiative; and 23 micro, small and medium enterprises linked with large enterprises. A prototype Constituency Industrial Development Centre has also been designed and 179 sheds are being constructed in selected constituencies. Finally, a master plan for Kenya Industrial Development has been developed, launched and is being implemented.

The Manufacturing Sector is faced with numerous challenges. The key ones, which played out in 2009 were: inadequate funding, shortage of skilled manpower and weak PPP and lacklustre collaboration from other implementing agencies. Others were delays in procurement and logistical challenges, particularly in the construction and equipping

of the CIDs, poor infrastructure and infiltration of the local market by counterfeit, contra-band and substandard goods.

The **Wholesale and Retail Trade Sector** has experienced a mixed growth pattern over time. Noticeable progress has, however, been made in the implementation of the various flagship projects and programmes under the sector. A Steering Committee was formed to coordinate the process of construction of wholesale and retail markets. A concept paper on the same was developed, and Ministries have been requested to provide suitable land for construction of the markets in the identified areas. A situational analysis on producer business groups was carried out and needs of 100 business producer groups identified. Further, branding of locally manufactured export products was done and a funding proposal to support the setting up of a product design and development centre prepared and submitted to various development partners for consideration. Studies are also ongoing in Samburu and Wajir districts to facilitate the profiling of production of handcrafts by women and the youth. A concept note and a Cabinet Memo on the establishment of the Export Development Fund have been prepared. A draft policy on establishment of SEZs and a Bill to provide the legal and institutional framework for the SEZs has been

prepared. Further, profiling and surveying of land for the establishment of SEZs is in progress.

Two key challenges were experienced while implementing the MTP programmes and projects in the wholesale and retail trades sector. These included low financing in the areas of focus, and perennial shortage of technical staff to spearhead the sector activities, particularly at the districts, provincial and Kenya missions abroad.

The **BPO Sector** was expected to have laid 5,000 kilometres of sub-marine fibre-optic and 5,500 kilometres of terrestrial fibre-optic cables in 2009/2010. In addition, the sector was expected to have developed five Information and Communication Technology (ICT) policies. In terms of achievement of the ICT flagship projects, 5,000 km of under-sea fibre optic cable and 5,500 km of terrestrial fibre optic cables were laid and are fully operational. Further, 10 digital villages are in place. This is 200 below the MTP target for the year. The sector also acquired land for ICT/BPO Park and a feasibility study is on-going. In addition, 619 BPO jobs were created and 1,341 youths trained in BPO and entrepreneurship skills. Further, a total of 135 institutions were connected. A contract has also been awarded for digitalization of land registry and the company registry system.

The **BPO Sector** faces numerous challenges that have undermined its growth and development. Among the challenges are poor telecommunication infrastructure, high cost and unreliable energy, inadequate dedicated BPO facilities and lack of skilled manpower. Others are inadequate supply of BPO software and hardware, weak BPO incentive structure and low uptake of the BPO initiative. These constraints have led to high cost of transmitting data locally and internationally and low attractiveness of the country as a primary BPO destination, contrary to the aspirations in Vision 2030 and the MTP (2008-2012).

Financial services play a critical role in the development of the country by providing intermediation between saving and investments. During the period under review, the Banking Act was amended; a real time gross settlement (RTGS) system introduced; Anti-Money Laundering Act passed and banking regulations (credit reference bureaus) operationalized. The financial sector is characterized by low penetration and limited supply of long-term finance. The sector also suffers from low ICT infrastructure, especially in rural areas. This inhibits increased coverage. Other challenges faced by the sector are overcapacity and price competition, corruption and fraud, poor corporate governance, negative public perception, limited

skilled manpower, particularly in actuarial studies, and low use of information technology.

Social Sector

Education and Training Sector

continues to implement the Sessional Paper No 1 of 2005 as well as the Kenya Education Sector Support Programme. The strategic thrust of the sector is to enhance access, quality, equity and science, technology and innovation. During the period under review, the net enrolment rates in pre-primary schools increased from 43 per cent in 2008 to 49 per cent in 2009. Admissions in primary schools increased from 92.5 per cent in 2008 to 92.9 in 2009, while for secondary schools the net enrolment rates increased from 28.9 per cent to 35.8 per cent. A number of activities were undertaken through the Economic Stimulus Programme. In this respect, a total of Kshs. 6 billion was disbursed to 200 secondary schools for construction/rehabilitation works. In addition, two primary schools in each constituency were identified to benefit from Kshs. 3.5 million for construction/rehabilitation of physical facilities. A National Schools' Rehabilitation Fund was also established with an initial allocation of Kshs. 278 million. These funds benefitted Mangu High School (Kshs. 128 million) and Maseno School (Kshs. 150 million). Other achievements included construction of 560 secondary schools, which is on-going; disbursement of Ksh.6.3

billion to 355 secondary schools; disbursement of Kshs.544,122,000 to 31 districts in arid and semi-arid lands for construction primary schools; allocation of Kshs. 3.5 million each to 420 primary schools under the ESP; and recruitment of 18,060 teachers on contract terms.

The challenges faced by the sector included existence of regional and gender disparity, non-funding of ECDE programme, poor quality and inadequate infrastructure, weak coordination, and lack of policy on Adult and Continuing Education. Other challenges are non-formal education, high costs of Special Needs Education, inadequate staffing levels, difficulties of reaching remote areas, and high HIV and AIDS prevalence.

The Health Sector aims at providing quality and affordable health care to all citizens. There were marked improvements in the health outcomes. These included improvement in under-five mortality rates from 92 per 1000 live births in 2007 to 74 per 1000 live births in 2009. This milestone was lower than the year's target of 55 deaths per 1,000 live births. Immunization coverage improved from 71 per cent to 77 per cent. Maternal mortality rates, however, deteriorated to 488 deaths per 100,000 births in 2009 up from 417 in 2007. Along the same lines, nine hospitals were completed and 44 are at various stages of implementation as part of

the interventions to offer integrated and comprehensive healthcare. In addition, construction of one model health centre and recruitment of 20 nurses per constituency under the same initiative is almost completed. Towards this end, 200 health centres in 200 constituencies were each allocated Kshs. 20 million under the Economic Stimulus Programme to rehabilitate and turn them into model facilities. A total of 3,866 nurses were also employed under the same programme during the period under review. Other achievements were development of a draft Health Policy Framework and Human Resources Strategy. Others are rolling out of OBA approach in 64 new health facilities and formulation of guidelines for management of Health Sector Service Fund.

Some of the challenges facing the sector are inadequate funding to support planned and initiated activities, weak co-ordination of activities that are jointly done by the two ministries dealing with Health, low rate of maternal deliveries at health facilities despite high antenatal care coverage, HIV and AIDs pandemic and high poverty levels. Others are inadequate and uneven distribution of health personnel which hampers service delivery, and inadequate health infrastructure.

Environment and Natural Resources Sector is vital for long-term growth and

development of the country. During the period under review, an additional Airport Weather Observation Station was installed at Wilson Airport bringing the total number of stations installed to three. Further, three new seismic stations were acquired. These are in addition to the four tidal gauges with meteorological sensors that had been acquired earlier. In addition, 4,000 fast growing indigenous tree seedlings were planted on various sections of Nairobi River. At the same time, the river channel was de-silted resulting in free flow of water and less loss of soil from the riparian land. Direct flow of water in the riparian land was also reduced by cutting off drains while the riverbank was stabilised by construction of gabions.

A number of challenges face the sector. These include weak enforcement of the provisions of the Environmental Management and Coordination Act. This has been occasioned by inadequate institutional capacity to oversee implementation and low level of environmental education and awareness in the country. Further, the low stakeholder involvement is another challenge. Others are lack of a legal framework to facilitate effective operation of the Meteorological department.

Gender, Vulnerable Groups and Youth Sector aims at achieving gender equity in social, economic and political spheres. Remarkable progress was

made in realizing the 2009/2010 MTP targets for the sector. During the year under review, the sector provided OVC cash transfers to 82,362 households out of the targeted 85,000 for the year. In addition, 33,000 households with aged persons (65 and above) were supported in 44 districts. Further, 98,173 women accessed loans under the Women Enterprise Fund, 1,154 self-help groups received grants while 1,875 women entrepreneurs were trained. To enhance youth development, 105 youth polytechnics were equipped with a set of tools while six Youth Empowerment Centres were constructed. Further, 23,995 youths were engaged through the trees for Jobs program as part of the *Kazi Kwa Vijana* Programme. In addition, 18,200 youths were identified and nurtured on sports talent, 8,692 were trained on necessary skills for national development, 7,500 trained on entrepreneurship skills and six Youth Empowerment Centres constructed.

The Gender, Vulnerable Groups and Youth sector, however, faced various challenges in the period under review. These included delays in exchequer releases and insufficient funding; weak and ineffective Gender Divisions in some line Ministries and Parastatals; retrogressive cultures and traditional beliefs such as early marriages and FGM; gender based violence; low levels of public awareness on the Women Enterprise Fund; and

persistence of gender gaps in access to and control of resources and socio-economic opportunities. Other challenges are inadequate business skills and management competencies for women entrepreneurs; low staff levels; negative attitudes and perception of the youth on craft courses; delays in issuance of certificates and rehabilitation works of identified stadia; and inadequate physical facilities as well as high cost of tools and equipment for youth empowerment centres and youth polytechnics.

Population, Urbanization and Housing

Sector are major components of the social pillar. A number of milestones were realized in the housing sector. These included completion of construction of 600 housing units at the Kibera decamping site; refurbishment of 2,274 government houses; registration of 3,130 government houses and fencing for 583 government houses and plots. Other achievements were relocation of the Soweto East Zone A residents; and continued construction of housing Units under the civil servants housing scheme. These were in addition to installation of physical infrastructure to open up more land, establishment and operationalization of 20 constituency appropriate building centres, and finalization of the Housing Bill of 2006 as well as the Tenant and Landlord Bill of 2007.

The housing sector in Kenya today is characterised by inadequate, affordable decent housing; low levels of urban home ownership; extensive and inappropriate dwelling units; under investment in lower and middle cost housing by both the public and private sector; and out-dated legal and regulatory framework. Other challenges are inadequate financing to buyers and developers and poor governance.

Political Pillar

This pillar envisions a democratic political system that is issue-based, people-centred, result oriented and accountable to the public. The achievements made in the political pillar included approval and promulgation of the New Constitution, setting up of the Truth, Justice and Reconciliation Commission, creation of a new voter register and development of a modern system of collecting, collating, transmitting and tallying electoral data. In addition, the National Cohesion and Integration Commission, was operationalised. Further a legal aid and awareness programme operated six legal aid pilot projects. Advocates were also recruited in the 6 regions to take up cases on voluntary basis. Key challenges faced in undertaking reforms under the political pillar included capacity limitations, inadequate funding as well as weak mainstreaming of programmes into

the sector's annual work plans.

8.2 Recommendations

Achievement of the goals outlined in *Kenya Vision 2030*, the MTP (2008-2012) and other national policies, programmes and projects are hinged on effective implementation of flagship projects and interventions in all the thematic areas. Maintenance of a stable macroeconomic framework, transformations envisaged under the enablers, interventions prioritized in the three pillars *Kenya Vision 2030* and MTP (2008-2012) inclusive of effective Monitoring, Evaluation and Reporting are all critical and must be properly undertaken. The implication is that measures have to be put in place to redress the implementation challenges identified in the foregoing discussions.

Macro-Economic Framework: Stable macroeconomic framework is a key ingredient for national growth and development. To realize this, it is critical the country's top leadership, the politicians and the general public promotes efforts towards implementation of national policies and programmes. At the same time, the political leaders need to tone down on negative political statements that have the potential of causing tensions in the country. It is also crucial that structural and institutional reforms be undertaken to enhance collaboration between Government, private sector, civil society and development

partners.

Foundations for National Transformation

Infrastructure: Effective development of infrastructure is key to achievement of *Kenya Vision 2030* and MTP (2008-2012) goals. Some of the crucial measures required are enhanced training of contractors and consultants to upscale their capacity. There is also need to encourage foreign contractors to participate in partnership with local contractors in bidding for future contracts. This is necessary in facilitating the building of capacities of local contractors for sustainability. To bridge the financing gap in infrastructure development, it would be necessary to mobilize additional capital for infrastructure development through involvement of the private sector under the PPP framework. At the same time, infrastructure Bonds should be explored as supplementary funding options for major infrastructure flagship projects.

Energy: Performance of the energy sector is inhibited by inadequate internal technical capacity. This can be addressed by soliciting for technical assistance to the Ministry of Energy. This is particularly required to enable the Ministry to complete the preparation of the next least-cost power development plan or the load forecast. There is also need for improvement in implementation capacities of committed projects,

especially the Kenya Energy Sector Environment and Social Responsibility Programme. This should include procurement management and drawing up of the strategies to operationalise and implement the provisions of the New Constitution as it relates to the energy sector.

Science, Technology and Innovations:

For the STI sector to exploit its potential and play its rightful role in national transformation, it would be crucial that the sector continues to pursue and identify more opportunities with quick wins. This approach has been prudent in producing results that have tended to motivate the sector stakeholders to support the rest of the activities outlined for implementation in the sector. There is also need for the Government, in collaboration with the development partners, to fully refurbish and equip Universities and TTIs with requisite modern equipment. This is necessary to facilitate provision of quality and relevant training in the country, and meet the aspirations of the *Kenya Vision 2030*. There is need to fast track enactment of Universities and TIVET Bills.

Information, Communications and Technologies:

Growth and development of this sector, and effectiveness in its catalytic role requires existence of a conducive environment and investments in infrastructure. This is necessary to facilitate universal access, capacity building and marketing of

Kenya as an ICT hub.

Land Reforms: Land reform is critical in promoting social, economic and political development in Kenya. In this respect, the Government should fast track the implementation of the National Land Policy.

Public Sector Reforms and Transformation:

- (i) There is need to focus the scope of the programs on key essential deliverables; to enhance their coordination and synergies; and to communicate their results better to citizens.
- (ii) There is need to have a well-designed M&E framework that is able to capture the progress and results of the totality of the Public Sector Reform programmes and appropriately link them to the National Integrated Monitoring and Evaluation System (NIMES).

Labour, Human Resource and Manpower Development

- (i) There is need to allocate more funds to complete stalled Jua Kali projects and consolidate the projects in the Labour, Human Resource and Manpower Development sector under the Ministry of Labour and Manpower Development.

Security, Peace Building and Conflict Management

- (i) Increased police visibility and sustained Police to Population

ratio at 1:600 from Dec 2007 has led to reduction of the crime rate. The ratio therefore needs to be enhanced to achieve the UN recommended ratio and the national target of 1:450 by 2012

(ii) 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 should be enhanced.

(iii) There should be enhanced Provision of Modern equipment and technology such as vehicles (to increase mobility, to reduce opportunities for crime), fingerprinting equipment (to aid in the detection of crime), and anti-riot gear and modern communication technology equipment including the need to counter cyber-crime.

(iv) It is imperative to develop and institutionalize appropriate conflict and early warning mechanisms to militate against the risks posed by reactionary tendencies like the ones that the country experienced during the 2007/8 post-election violence.

Nairobi Metropolitan Development

(i) There is need to aggressively

undertake awareness campaigns with a view to creating a receptive attitude among stakeholders and the public towards the programmes and activities of the Nairobi Metropolitan Development;

(ii) There is need to harmonize the various services offered by different Ministries to avoid overlaps between the activities of different Ministries to ensure efficiency in delivery of services. This has been recognized as one factor that hinders or cause delays in the delivery of various services.

Economic Pillar

Tourism

(i) There is need to channel more resources to address the problem of inadequate bed capacity in the new tourism circuits of Western Kenya and North Eastern regions and the inadequate and inefficient infrastructure in some tourist circuits.

(ii) Security should be enhanced in order to address incidents of insecurity in some tourist attractions areas that are impacting negatively on the marketing of the country as a safe tourist destination.

(iii) There should be increased funding for marketing of the country as a tourist destination in view of the stiff competition being experienced from other tourist destinations in Africa such as South Africa, Egypt

and Morocco.

Agriculture

There is need to increase investments in the agricultural sector and provide incentives to farmers so as to ensure food security and national food self-sufficiency.

Manufacturing

- (i) The consolidation of all industrial acts and policies is vital for the promotion of micro, small and medium industries through investment in physical facilities to improve access to affordable long term financing and credit facilities.
- (ii) Public Private Partnership needs to be strengthened and a proper framework of engagement developed as the private sector plays a key role in the implementation of the major flagship projects/programmes.

Business Process Outsourcing

- (i) There is urgent need to establish a BPO park to provide superior telecommunication infrastructure. Further, marketing campaigns to promote BPO in targeted regional market through the country's foreign missions needs to be up-scaled to attract investors.
- (ii) Training programmes focusing on ICT requirements for BPO should be established to build

the required size and quality of the national talent pool. The government should also provide comprehensive incentives to improve the attractiveness of the country as a BPO destination;

- (iii) There is need for a more conducive environment and investments in infrastructure to facilitate universal access, capacity building and marketing of Kenya as an ICT hub.

Social Pillar

Education

- (i) There is need to strengthen partnerships with stakeholders in the provision of education.
- (ii) There is need to continue the funding the critical programmes such as FPE and FDSE

Health

- (i) Although the sector has made considerable progress in reducing child mortality, it is important to address disparities that exist between regions in child mortality.
- (ii) The capacities of databases that are critical for generating information to monitor the performance of health status indicators continue to constrain annual reporting. For instance mortality data currently depend on Kenya Demographic and Health Surveys that are conducted

every 5 years. There is therefore need for the development of proxy indicators that can be monitored on annual basis.

Environment and Natural Resources

- (i) Enhanced networking, sustained strategic partnerships, collaboration within government ministries/ departments, and all the other relevant stakeholders are vital for the sector to deliver quality services to Kenyans.
- (ii) Continued enforcement of environmental standards, guidelines and regulations is necessary for sustainable national development and environmental conservation
- (i) There is need to increase investments for construction of water storage facilities, namely large and small dams and water pans to boost the national water storage capacity for irrigation, domestic and industrial use as well as ensuring that floods control is imperative
- (ii) There is need to develop a water storage investment plan to be financed with participation of the public private partnership to move water storage from 5.3 Cubic metres to 16 Cubic metres by 2012.
- (iii) There is need to build the capacity of Water Resources Management Authority (WRMA) to cope with the challenges of water resources management and protection including water quality surveillance, monitoring and enforcement of standards.
- (iv) There is need to intensify the exploitation of the country's irrigation potential to significantly contribute to national the food production and national food security through improvement in production of crops such as sugar, rice, horticulture, maize and other no traditional food crops.
- (v) There is need to increase investments in construction, expansion and the rehabilitation of urban and rural water supplies to cope with the growing demand of water for domestic use that has resulted into water rationing, water trucking and water use conflicts due to its scarcity particularly in the ASALs.

Gender, Vulnerable Groups and Youth

- (i) There is need for Gender Responsive Budgeting (GRB) in order to facilitate the prioritizing of gender issues in planning, allocation and implementation of the budget and subsequently analyzing the impact it has on both genders.
- (ii) Capacity building for women entrepreneurs in business skills

and management competencies is critical for effective utilization of the funds. Training more women entrepreneurs should thus continue. Secondly, additional awareness forum should be undertaken on the Women Enterprise Fund to provide opportunities for more women countrywide to access and benefit from the Fund.

- (iii) Additional funds are needed to upscale the cash transfer programme for the elderly and orphans and Vulnerable Children (OVCs) besides widening its coverage.
- (iv) Finalization and Implementation of the National Social Protection Policy and Strategy and Community Development Policy is necessary
- (v) Additional 3,000 youth polytechnics instructors need to be recruited urgently to address the current shortage. Overall, there is need

to enhance the management of youth polytechnics with subsidized tuition and bursary schemes.

Population, Urbanization and Housing

- (i) There is need to increase investment in housing and related social infrastructural facilities through building partnerships with the private sector for the management of basic services and utilities
- (ii) There is urgent need for the provision of incentives and enactment of crucial laws ;

Political Pillar

- (i) There is need for increased funding to address programmes resulting from national emerging needs under the GJLOS Sector ;
- (ii) There is need to continue with the implementation of the legal aid awareness programme and fast

truck the implementation of the new constitution.

ANNEX

LIST OF THE TECHNICAL COMMITTEE THAT PREPARED THE SECOND ANNUAL PROGRESS REPORT ON IMPLEMENTATION OF THE FIRST MEDIUM TERM PLAN 2008-2012 OF KENYA VISION 2030

NAME	MINISTRY/AGENCY/DIRECTORATE	CHAPTER
Mr Hezbourne Mackobongo	Monitoring and Evaluation Directorate	Executive Summary
Ms. Vivienne Simwa	Monitoring and Evaluation Directorate	Chapter 1: Background
Ms. Nina Wabuke	Monitoring and Evaluation Directorate	
Mr Francis Muteti	Monitoring and Evaluation Directorate	Chapter 2: The Macroeconomic Frameworks And Chapter 4: Economic Pillar Convener: Benson Kiriga Co-convener: Benson Mapesa
Mr. Aloyce Ratemo	Monitoring and Evaluation Directorate	
Mr. Benson Kimani	Rural Planning Directorate	
Mr. Samuel Gicheru	Ministry of Agriculture	
Mr. Joseph Sirengo	KIPPRA	
Mr. Peter Kihara	Kenya National Bureau of Statistics	
Ms. Maureen Odongo	Macro Planning Directorate	
Mr. Andrew Welime	Monitoring and Evaluation Directorate	
Mr. James Maina	Macro Planning Directorate	
Mr. James Mwanzia	Monitoring and Evaluation Directorate	
Mr. Domnic Nyambane	Assistant Minister's Office	Chapter 3: Foundations for National Transformation Convener 1: Katherine Muoki Convener 2: Stephen Odhiambo Co-convener: Hezbourne Mackobongo
Mr. Joseph Masila	Permanent Secretary's Office	
Mr. Cleopus Wangombe	Macro Planning Directorate	
Mr. Jackson Otieno	Rural Planning Directorate	
Ms. Mary Kerema	ICT	
Mr. Samuel Kimote	ISTID	
Mr. Erick M. Kiilu	Poverty Eradication Commission	
Ms. Nina Wabuke	Monitoring and Evaluation Directorate	

Mr. Evelyn Anupi	Ministry of Education	Chapter 5: Social Pillar Convener: John Owuor Co-convener: Vivienne Simwa
Mr. J. O. Akuma	Ministry of Environment and Natural Resources	
Mr. Boscow Odhiambo	Monitoring and Evaluation Directorate	
Mr. Nickson Mala	Monitoring and Evaluation Directorate	
Mr. Gachoki Munene	Ministry of Environment and Natural Resources	
Ms. Vivienne Simwa	Monitoring and Evaluation Directorate	Chapter 6: Political Pillar Convener: Titus Nderitu Co-convener: Baridi Manyasi
Mr. Joseph Masila	Permanent Secretary's Office	
Ms. Lilian Mueni	Monitoring and Evaluation Directorate	Chapter 7: National Monitoring and Evaluation Systems Convener : Baridi Manyasi Co-convener: Harry Kaudo
Mr. Andrew Welime		
Ms. Lilian Mueni	Monitoring and Evaluation Directorate	Chapter 8: Conclusions and Recommendations Convener : James Mwanzia
Ms. Vivienne Simwa		



Kenya's competitiveness in the global economy

NOTES

KENYA

2030

NOTES

KENYA

2030



REPUBLIC OF KENYA

KENYA
VISION 2030

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: +254-020-2252299 Ext.33101/33328

Email: ps@planning.go.ke

Website: www.planning.go.ke



ISO 9001:2008
Certified

