



**THE NATIONAL TREASURY AND PLANNING
STATE DEPARTMENT FOR PLANNING**

**KEY NOTE ADDRESS ON MACROECONOMIC COSTS OF DROUGHT
AND FLOODS: THE KENYA EXPERIENCE BY DR. JULIUS MUIA, EBS,
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**DURING THE KIPPRA ANNUAL REGIONAL CONFERENCE ON
BUILDING RESILIENCE TO MITIGATE THE IMPACT OF DROUGHT
AND FLOODS, AT HILTON HOTEL, NAIROBI: 5TH- 6TH JUNE 2018**

**Distinguished Guests;
Ladies and Gentlemen;**

- I. It is a great pleasure for me to join you today at this conference on building resilience to mitigate the impact of drought and floods. I note that this conference comes at a time when the region and particularly Kenya has been suffering from frequent events of floods and drought.

- II. I commend KIPPRA, the National Drought Management Authority and the Agricultural Finance Corporation for their partnership in convening such a timely forum.

Ladies and Gentlemen,

- III. As we celebrate the World Environment Day today, there is a lot to reflect on the subject of the effects of climate change, particularly drought and floods. This is due to the apparent increase in the frequency and intensity of drought and floods as the resultant destruction of the livelihoods of the majority. This is not just for those

in the agricultural sector which is heavily impacted, but also those in various points in the value chain for various agricultural products.

- IV. Indeed, the fact that drought and floods seem to follow each other more closely and with amplified intensity implies that the destruction is sometimes reinforced, raising the subsequent costs of economic recovery.

Ladies and Gentlemen,

- V. In view of the significant impact of drought and floods, the Vision 2030, which is Kenya's long term development blue print, identifies Ending Emergencies from such occurrences as a priority in meeting the development goal of becoming an upper middle-income country. Furthermore, achievement of Kenya's Big 4 priority on Food and Nutritional Security is highly dependent on mitigation of floods and drought.
- VI. This is also in line with the SDG Goal 13 on Climate Action, whose one target, is to strengthen **resilience and adaptive capacity** to climate-related hazards and natural disasters in all countries.

Ladies and Gentlemen,

- VII. In the last two decades, Kenya has witnessed several episodes of drought, with an average of one episode in every two years. It has also been the case that prolonged dry weather spells are usually followed by episodes of severe floods either immediately or few years after. Recent weather patterns indicate that in almost every year Kenya deals with either drought or floods.
- VIII. For example about 20 years ago, the 1999 to 2001 drought in Kenya was estimated to have affected about 4.4 million people, destroying nearly two thirds of livestock in the Arid and Semi-Arid areas and caused massive crop failures in most parts of the Rift Valley, Coast, Eastern and Central regions of the country. Similarly, 10 years later, the 2011 drought led to severe food shortages, which affected about 3.75 million Kenyans. It is estimated that this drought had a combined negative economic impact of between 0.7 to 1.0 percent of Kenya's GDP.

- IX. Six years later, the recent drought spell which started in the last quarter of 2016 forced the Government to declare a national emergency in mid-February 2017 with 23 counties out of 47 having been affected. The number of food insecure people was estimated at about 2.7 million.
- X. Kenya also has a long history of floods. For example, following after the 2001 drought, the 2003 floods destroyed large parts of the earth embankments (dykes) constructed in 1970s to control water flows and displaced 25,000 people. Following the 2016 drought, heavy floods in 2017 were experienced in Kwale, Mombasa, TaitaTaveta and Garissa counties among others. The ongoing floods which accompanied the 2018 long rain season have witnessed substantial destruction of infrastructure including bridges and roads. In addition, many families were rendered homeless while others have lost lives including from the Solai dam incident in Nakuru which claimed about 48 lives. This flooding is also expected to have a negative effect on agriculture and related output; the extent of damage will only be felt later this year.

Ladies and Gentlemen,

- XI. It is evident that when drought and floods occur, they typically set in motion a complex chain of events that disrupt family livelihoods, local economy and in severe cases, the national economy.
- XII. Floods cause widespread destruction, resulting in the loss of both animal and human life, and damage to property and critical public infrastructure such as roads, bridges, schools, health facilities, electricity connection and water. In most, if not all the cases, this has always resulted in significant economic losses both directly and indirectly.
- XIII. Evidence shows that devastating droughts are harmful for agriculture, especially in rain-fed agricultural systems and may further create problems in water supply as well as power supply when there is high reliance on hydroelectricity. In addition, due to scarcity of food, droughts increase the level of malnutrition especially in the

ASAL areas. Furthermore, with the severe drought situation, sporadic conflicts tend to arise as communities seek pasture for their livestock.

Ladies and Gentlemen,

- XIV. The most obvious and direct macroeconomic cost of droughts and floods is the reduction in productivity of key sectors that have notable contribution to the Gross Domestic Product. In Kenya, agriculture and agro-processing industry are key contributors to GDP, and are both vulnerable to floods and droughts.
- XV. There are significant fiscal implications as well. For example, to mitigate food shortages resulting from the drought experienced in 2017, the Government allowed **duty free imports** of essential food items (maize, wheat, sugar, and milk) and introduced a **temporary subsidy** on maize meal prices. In addition, the National Cereals and Produce Board (NCPB) released maize from the **strategic reserves**. Further, Red Cross and companies donating to such agencies saw their donations exempted from **income tax**.
- XVI. The recent drought and floods between November 2016 and April 2018 are estimated to have affected over 3.4 million people and cost the Government over 20 billion shillings. The National Government further allocated Ksh 1.5 billion for flood victims and another Ksh 1 billion to Red Cross for supporting the evacuation and counselling of victims.
- XVII. One of the strategies that has been used to reduce loss of livestock during such calamities is livestock off-take. In this arrangement, the Government buys the livestock and sells the animals to the Kenya Meat Commission through commercial off-take. The farmers use the proceeds from such sales to restock when the floods or droughts are over. To help the pastoralists in the arid and semi-arid areas, the Government in Financial Year 2017/18 allocated Ksh. 600 Million for purchase of livestock during the dry season. In addition, Ksh. 215 million in insurance payouts across six counties were made by the end of February 2017 through the Kenya Livestock Insurance Program (KLIP) to avert future livestock losses.

- XVIII. Further, the National Treasury established the National Drought Emergency Fund in 2017, through the Public Finance Management Regulations. Every year, the National Assembly appropriates Ksh. 2 Billion to the Fund. The objectives of the fund are: (1) to facilitate timely response to drought during its different stages; (2) to provide for a common basket emergency fund to minimize the negative effects of drought; (3) to provide funds for capacity and technical expertise development to improve on drought management; and (4) to finance the establishment, management and coordination of projects, activities or programs to further the foregoing purposes.
- XIX. Given that drought and floods are considered as national disasters, they are catered for within the National Government Contingency Fund, and for the Financial Year 2018/19 Ksh 5 billion has been set aside.
- XX. In the 2018 Budget Policy Statement, the Government has also prioritized construction of large-scale dams across the country to harvest flood waters for storage and use in periods of drought. Protection of wetlands and water towers across the country is also a priority as well as the recently launched National Tree Planting Drive in May 2018 by His Excellency the President to increase the forest cover in the country.

Ladies and Gentlemen,

- XXI. Institution-wise, the Government has set up various institutions to deal with emergencies, these include the National Drought Management Authority, the National Disaster Operation Center (NDOC) and the National Disaster Management Unit.
- XXII. In regard to policy, the Government has deliberately increased its efforts in the development of a Comprehensive Disaster Risk Management Framework, this includes the enactment of the Disaster Risk Management Bill which has been approved by the Cabinet and will be tabled in Parliament for further discussion.

- XXIII. The Government has also embarked on mainstreaming climate change mitigation and adaptation strategies in all national development plans and programs including the Medium Term Plan III 2018-2022 of the Vision 2030. Going forward, the County Governments will also be required to mainstream disaster risk management within their County Integrated Development Plans.
- XXIV. Kenya is also signatory to global agreements and frameworks towards building resilience to risks posed by droughts and floods. These include the Sustainable Development Goals (SDGs), the United Nations Framework Convention on Climate Change (UNFCCC) Paris Agreement and the Sendai Framework for Disaster Risk Reduction.

Distinguished Guests, Ladies and Gentlemen,

- XXV. As I conclude, let reiterate what has come from previous presentations that the discussions we are having during this conference are very timely and important. I look forward to the innovative and sustainable action areas that will be proposed to enhance the current Government efforts in ending the emergence and mitigation of drought and floods. I wish to make a special appeal that we all pay attention to environmental degradation which is a major cause of the greater phenomenon of climate change. This is because conserving the environment, mitigating and adapting to climate change will reduce vulnerability against some effects of drought and floods.

I wish you fruitful deliberations.

THANK YOU