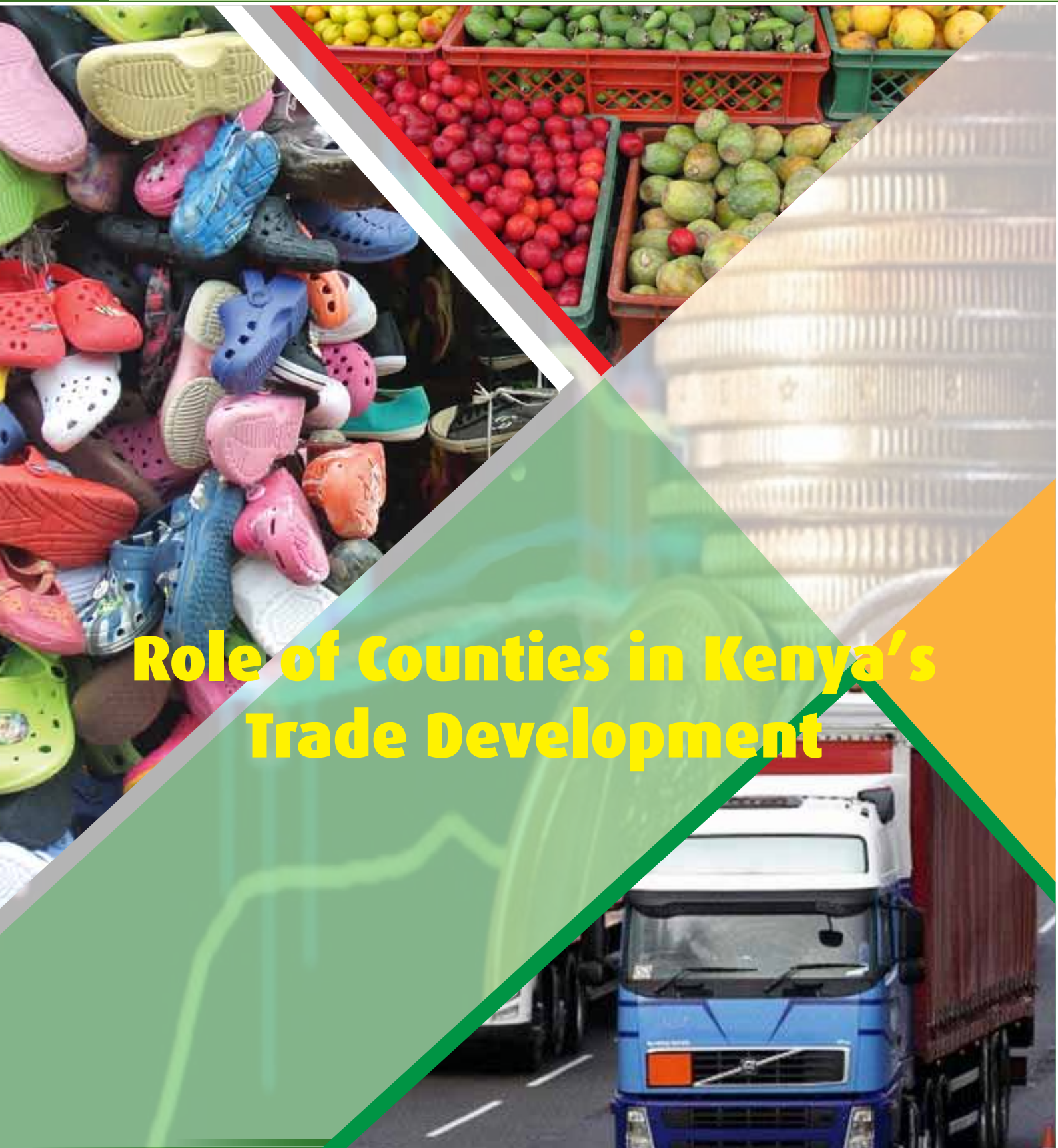




# POLICY MONITOR

Improving public policy making for economic growth and poverty reduction

Issue 6, No. 2 July - December 2015



## Role of Counties in Kenya's Trade Development

Issue 6, No. 2 July - December 2015



*KIPPR Ag. Executive Director, Dr Dickson Khainga, during the launch of the tea industry study*



*KIPPR stand at the Kisumu ASK regional show*



*KIPPR staff at a Switch Africa Green workshop in Nairobi*



*KIPPR showcases its publications at the Nakuru ASK show*



*African Union Mission officials visit KIPPR*



*Former Prime Minister, Right Hon. Raila Odinga signs the visitor's book at the KIPPR stand during the 18th Nairobi International Book Fair*



*Some of KIPPR's management staff during a Board/Management retreat in Naivasha*



*KIPPR participants during the 'Race to restore poor children's sight' StanChart Marathon*

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Published by: Kenya Institute for Public Policy Research and Analysis (KIPPRA)  
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**Mission**

To provide quality public policy advice to the Government of Kenya and other stakeholders by conducting objective research and through capacity building in order to contribute to the achievement of national development goals



*To create a globally competitive and prosperous nation with a high quality of life by 2030*

Issue 6, No. 2



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# EDITORIAL

The lead article in this issue of the Policy Monitor discusses the dynamics of trade, especially in the new constitutional dispensation that saw the creation of counties. Being a critical factor in the country's economic growth, national development and economic diplomacy, the government has established policies to promote Kenya's trade interests in the region and internationally. While the national government is mandated to sign agreements and trade treaties, county governments have the key role of internalizing and referring to them when developing their sub-national trade policies and strategies.

Land is one of the most important resources in a country's development. In Kenya, however, land has been a major source of conflict between communities, and understandably so. Most of the country's land – 67% of the total acreage – is classified under community land, which is commercially not viable due to diverse informal systems that govern it. This, however, is set to change once the Community Land Bill, 2015 becomes law. Read more to learn about the historical context of land in Kenya and how the new law will unleash the country's huge potential and fuel its economic take off.

Another law that is set to boost Kenya's economic growth through industrialization is the Special Economic Zones (SEZs) Act 2015. While manufacturing-led industrialization plays a catalytic role in inclusive economic growth and employment creation as well as holding the promise of achieving the Sustainable Development Goals (SDGs), the manufacturing sector's contribution to Kenya's Gross Domestic Product has been declining. However, with proper implementation of the SEZs, which embody a host of production cost reduction incentives such as physical infrastructure and fiscal measures, Kenya will turn the tide on industrial investment. Find out which countries have adopted SEZs to build their economies.

One of the flagship projects under Kenya's economic blueprint, Vision 2030, is the multi-billion dollar Lamu Port-South Sudan-Ethiopia Transport (LAPSSET) corridor. Estimated to cost



Dr Dickson Khainga  
Ag. Executive Director

US\$ 24 billion (Ksh 2.4 trillion), the project seeks to spearhead development in undeveloped Northern Kenya while providing South Sudan and Ethiopia, both landlocked countries, with an alternative route to the Indian Ocean through Lamu. Upon completion, the project is expected to transform regional trade by making the movement of goods and services easier. This mega project has, however, faced a number of challenges that have slowed its progress. Find out what they are and what the partner countries can do to overcome them.

Another of Kenya's economic pillars that has faced major challenges over the years is tourism. Terrorist attacks and subsequent travel advisories have threatened to cripple this crucial industry. However, a careful assessment of the devastating effect of these travel advisories, which are mostly issued by Western countries, reveals that there could be more to them than meets the eye. Get a deeper analysis and possible motive of travel advisories plus many other informative articles in this issue.

The magazine also highlights some of KIPPRA's events and activities during the last half of 2015. Have an engaging read.

# Economy's Resilience and Steady Growth Signify Better Times

By Benson Kiriga



Kenya's economy has gradually recovered to record impressive growth despite many challenges. Growth in 2014 was mainly driven by increased spending by both the government and households, which grew by 2.7 per cent and 5.5 per cent, respectively. There were also increased investments especially in the real estate sector, infrastructure and air transport equipment.

Economic growth was, however, slower in 2014 compared to 2013. This was occasioned by certain internal and external factors, with the main ones being slow economic growth for the trading partners and the diminishing fiscal space. Total cumulative revenue (including Appropriation-in-Aid) amounted to Ksh 081.2 billion in 2014/2015 against a target of Ksh 1,170.5 billion. Total government expenditure and net lending amounted to Ksh 1,616 billion in 2014/2015, compared to Ksh 1,297.8 billion in 2013/2014. In 2014/2015, recurrent expenditure accounted for 52 per cent of total expenditure while development expenditure was 31 per cent.

Overall fiscal deficit, including grants on a cash basis, amounted to Ksh 471.9 billion (8.3% of the Gross Domestic Product) compared to a target of Ksh 584.9 billion (10.2% of Gross Domestic Product). Deficit financing was largely from

domestic sources, amounting to Ksh 251.1 billion, which was higher than the target of Ksh 172.9 billion. External financing was Ksh 217.8 billion compared to a target of Ksh 261.2 billion. This represented a domestic financing and external financing of 4.4 per cent and 3.81 per cent of the Gross Domestic Product (GDP) in 2014/2015, respectively.

Diaspora remittances to Kenya increased by 3.2 per cent from US\$ 128.2 million in August 2014 to US\$ 132.9 million in August 2015. It increased by 1.4 per cent compared to inflows in July 2015. The increase was attributed to improvement in inflows from North America and Europe. Remittances from North America accounted for 48.3 per cent of all the total inflows. Inflows from Europe also rose by 1.1 per cent to US\$ 36.7 million from US\$ 36.6 million.

Given the current stable macroeconomic conditions, the medium term growth prospects

*Kenya's economy has gradually recovered to record impressive growth despite many challenges.*

are expected to be strong and positive. This is, however, based on the assumptions that:

- The structural reforms and public investment in infrastructure will continue as planned, thus improving the business environment and the potential GDP of the economy.
- The political climate, including smooth transition to the devolved system of government, continues to be stable and growth-oriented.
- Favourable weather conditions continue to sustain improvements in agricultural output.
- There will be a stable regional and global economic environment.

The decreasing international oil prices and the low inflation levels give an impetus for economic growth to rise in the medium term. The discoveries of minerals in Kenya, coupled with the huge infrastructural investments, are expected to support this expected high economic growth in

the medium term. The two quarters of 2015 recorded a growth rate of 4.9 per cent and 5.5 per cent, respectively.

The projections in the table below show that the economic growth in Kenya in the medium term will be gradual, and is likely to be 6.7 per cent by 2018. Private and government investments are both expected to continue growing rapidly, and will heavily contribute to the country's expected high economic growth rates.

Slow uptake of the Public Private Partnership (PPP) initiatives in the implementation of Medium Term Plan strategies may, however, lead to a slower rate of economic expansion than envisaged in the Vision 2030. In addition, weak implementation of the budget can adversely affect growth in the medium term.

### Economic projections for 2016 – 2018: Selected economic indicators

	2013	2014	2015	2016	2017	2018
<b>GDP growth</b>	5.7	5.3	5.9	6.3	6.5	6.7
<b>Inflation</b>	5.7	6.9	5.9	6	5	5
<b>Private consumption</b>	7.0	7.8	6.1	6.0	6.1	6.6
<b>Government consumption</b>	4.6	2.7	2.5	5.7	5.9	5.4
<b>Private investments</b>	-4.9	4.7	6.9	8.9	10.0	6.7
<b>Government investments</b>	25.2	21.9	22.1	5.1	4.5	4.3
<b>Export goods and services</b>	-0.7	2.3	2.1	3.3	4.2	6.2
<b>Import goods and services</b>	0.1	9.7	5.3	4.9	6.1	5.2
<b>Current account balance</b>	-10	-12	-13	-14	-16	-16
<b>Deficit</b>	-8.1	-7.4	-7.0	-6.4	-5.8	-5.3
<b>Public expenditure (%gdp)</b>	30	29	28	27	26	25
<b>Interest rate</b>	8.9	8.9	8.2	8.3	8.3	8.3
<b>Kenya shilling per dollar</b>	86.0	87.9	89.7	90.2	89.8	90.8

Source: KIPPRA Staff Estimates, KIPPRA-Treasury Macro Model (KTMM)

# The Role of Counties in Kenya's Trade Development Agenda

By Manaseh Otieno and Paul Odhiambo

Trade is a critical factor in Kenya's economic growth, national development and economic diplomacy. In terms of growth and development, it is through trade that the country can create gainful employment, increase national income and promote technological innovation that will enhance efficiency in production of goods and services.

Some of the objectives of the economic diplomacy pillar are geared towards promoting the country's trade interests, namely promoting exports in the region and beyond, expanding access to traditional markets and new markets, increasing capital flow into the country, strengthening regional economic communities, and promoting fair trade and equitable bilateral, regional and multilateral trade agreements.

In order to realize its trade interests, the government is engaged in the establishment of a trade policy that will be imperative for development of both domestic and international trade. Since the launch of Vision 2030 in 2007 and the promulgation of the Constitution in 2010, the government has strived to formulate policies that are in line with the economic blueprint and new constitutional order.

In a devolved system of government such as in the Kenyan case, there are national and sub-national policies that are executed at the county and national levels, respectively. This, however, is not to imply that the two are independent of each other. The sub-national policies should fit into the broader national policies to ensure consistency in the regulatory framework at both levels of government.

It is on this basis that counties should be at the forefront of implementation of the strategies as guided by the country's economic blueprint,

Vision 2030, and regional integration agreements such as the East Africa Community (EAC) Common Market Protocol, Common Market for Eastern and Southern Africa (COMESA), COMESA-EAC-SADC Tripartite Free Trade Area and the European Union (EU) Economic Partnership Agreement.

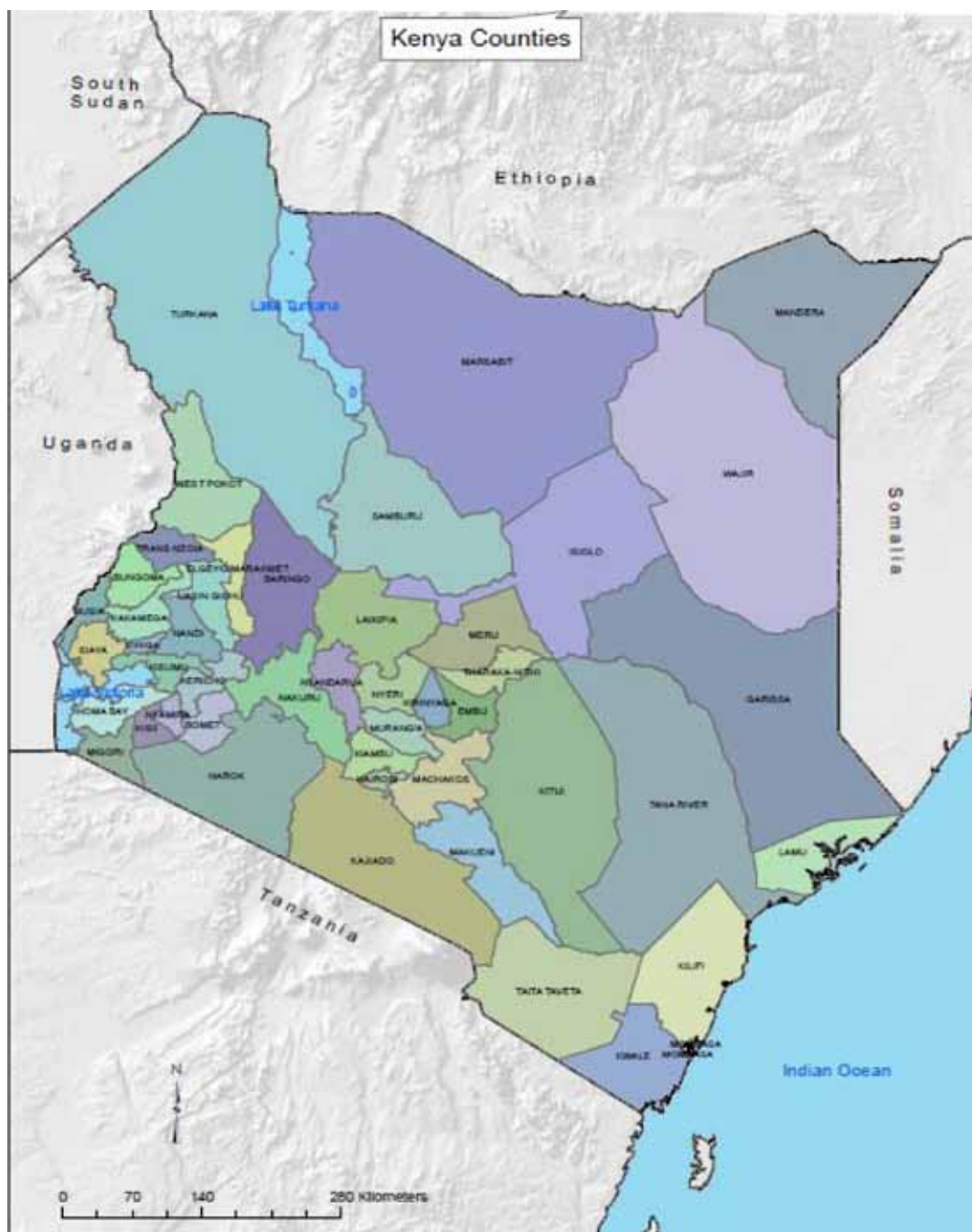
Regional trade agreements are signed by the national government and, once ratified by the legislature, form part of the country's domestic law. Ratification alone is, however, not sufficient to operationalize the trade treaties, since the ultimate beneficiaries of these agreements are the country's citizens. It is expected that the citizenry

*In addition to providing physical facilities, the county trade departments should act as business information centres for the local entrepreneurs. This will address the challenge of lack of market information both locally and internationally*

will have better access to outside markets, as the country opens up to regional and international trade.

All enterprises fall within the jurisdiction of a given county and, for this reason, counties are the first point of interaction for all businesses.

Therefore, it is important for the counties to familiarize themselves with the country's trade agreements and refer to them when developing their sub-national trade policies and strategies.



Map showing the 47 Counties

Counties, to a large extent, characterize the country's domestic trade environment. The sub-national regulatory and tax regime shapes the business environment and subsequently determines the success or failure of a given treaty. Trade agreements, in most instances, address the regulatory issues in a given sector.

In countries such as the United States, the federal government negotiates and signs treaties on behalf of the country and regulates both international and inter-state trade among other duties. On the other hand, the state governments regulate intra-state trade on businesses and issue business licences, among other roles. Other

countries in Africa that have quasi-federal or federal governance structures include South Africa, Nigeria and Ethiopia. In these countries, the national government develops trade policies while the sub-national units implement the agreements within their respective jurisdictions. The common denominator is that the overall trade policy is mirrored across the board as the sub-national units implement the country's desired objectives.

The provision of physical facilities such as roads, street lighting, warehouse facilities, markets, sewerage and drainage as well as waste disposal sites play an important role in creating an enabling



business environment. Infrastructure enables the steady flow of goods and services within and outside the counties.

In addition to providing physical facilities, the county trade departments should act as business information centres for the local entrepreneurs. This will address the challenge of lack of market information, both locally and internationally. Currently, there is very little information on domestic demand and supply of goods. It is difficult for producers to determine where there is demand for their produce and similarly, for consumers or willing buyers to establish where there is abundance of the same and at what prices. The counties can resolve this by setting up one-stop shops where business people can find all the information they need. More importantly, the counties, in collaboration with the national government, should assist business people identify foreign markets where surplus production could be sold at competitive prices.

Statistics on local business dynamics will assist the country and counties in planning and development of trade policies. The counties should take up the responsibility of mapping all the businesses in their jurisdiction. This will not only help in planning but will also be useful for revenue collection at both the national and county governments. A broader revenue base will help the government at both levels to reduce the tax rates imposed on businesses. This information, if shared with the national government, will assist in formulation of policies from a point of knowledge.

By virtue of being in close contact with entrepreneurs, the counties should hold interactive forums with the business people to sensitize them on the existing international trade agreements and the benefits of participating in global trade. Formation of business producer groups would also be important at the county level to increase bargaining power and reduce incidences of exploitation by middlemen.

County governments, therefore, have a very important role to play in the promotion and development of trade activity within the country. All that needs to be done is to create a framework to guide counties in promoting and developing trade in Kenya. The various institutions and rules provided for in the Constitution should form the basis for these guidelines.

Very instrumental will be the element of public participation and the use of inter-governmental institutions to achieve the desired ends. The Inter-governmental Relations Act 2012 established a framework for consultation and cooperation between national and county governments as well as between county governments. It more importantly provides mechanisms for dispute resolution; that is, disputes that may derail national and county governments from the agenda of trade development for economic growth and development.

Counties have a great potential of being the engine for Kenya's trade development agenda. As they begin to establish institutions that will support trade and investment, it is crucial that the two levels of government find a common ground on developing institutions that will advance the country's trade development agenda. The national government should endeavour to establish a trade policy that is geared towards making trade a critical tool for development. Moreover, the counties and other stakeholders in both levels of government should ensure that sub-national policies on trade are aligned to overall national trade policy and agenda, so that the country benefits from both domestic and national trade.

*The counties should hold interactive forums with the business people to sensitize them on the existing international trade agreements and the benefits of participating in global trade. Formation of business producer groups would also be important at the county level to increase bargaining power and reduce incidences of exploitation by middlemen*

# Land Bill will empower locals and lead to rapid development

By Joseph Kieyah

The Community Land Bill (CLB) 2015, which is before Parliament, has generated a lot of debate in the public and the media. This is not surprising because community land is home to millions of Kenyans and holds enormous untapped wealth running into trillions of shillings. This wealth, however, is locked up in form of dead capital that remains commercially invisible due to diverse informal systems that govern community land. Undoubtedly, the 98 million acres of community land, which translates to 67 per cent of total acreage, hold our nation's treasure trove. However, despite its huge potential, community land is the least researched or well known land category.

Conversation on community land must be viewed from a historical context. Before Kenya became a British Protectorate in 1895, the African customary laws, which embodied usufructuary and communal ownership, governed the land tenure. As a protectorate, the British had no legal power to own land unless such power was granted through agreements. Thus, they could not claim title on land occupied by Africans.

To circumvent this constitutional impasse, the British invoked the Foreign Jurisdiction Act of 1890 that gave jurisdictional power over unoccupied land. They enacted new laws to acquire land that was occupied by Africans. These laws denied Africans occupancy rights by segregating them to the so-called 'natives' reserves'. Africans, as matter of policy, became "tenants at the will of the Crown". In 1920, the policy was reversed after Kenya became a British colony.

As tenants at the will of the crown, the Africans' land rights were recognized and protected under the new land policy. Consequently, African reserves were reclassified as trust land, which was administered by the colonial government's representative on behalf of the Africans.

With attainment of independence in 1963, the Kenya government reclassified trust land into three broad categories: adjudicated, unadjudicated and public land. The trust land ownership was vested in the local government on behalf of residents within

its jurisdiction under the then old Constitution. The new Constitution renamed the trust land as community land and assigned ownership to communities on the basis of ethnicity, culture or community interest. The Constitution further mandated Parliament to enact legislation on community land. It is on this basis the CLB was formulated.

The Bill is an entrenchment of constitutional provisions on community land. Specifically, the Bill sets to recognize, protect and register community land rights. It also vests

Community land is home to millions of Kenyans and holds enormous untapped wealth running into trillions of shillings. This wealth, however, is locked up in form of dead capital that remains commercially invisible due to diverse informal systems that govern community land

ownership rights to the bonafide communities and unregistered community land to the county government. Once enacted, the Bill will repeal the Trust Land Act and cure the anomalies of land grabbing that were perpetuated by the local governments.

The formulation of the Bill followed the right process, including consultation with the Commission for Implementation of the Constitution (CIC). To begin with, members of the task force that drove the formulation process were drawn from the public and private sectors, civil society organizations and the National Land Commission (NLC). Furthermore, there is supporting evidence that the exercise met the participation threshold under the public participation doctrine. Obviously, the aforementioned discussion is contrary to the allegation that the exercise was not participatory.

The Bill is essentially anchored on the right to own property as enshrined in Article 40 of the Constitution. Accordingly, every person has the right, either individually or in association with others, to acquire and own property. Such association ownership enjoys constitutional protection under the sanctity of the title doctrine. The Bill is also bound by the principles of land policy of ensuring equitability, efficiency, productivity and sustainability as well as proper use and management of

community land as provided in Article 60.

Secondly, the Bill sets up a constitutionally-based registration framework of community land. The framework encompasses the adjudication process to ascertain ownership under the oversight of the NLC. Upon completion of the adjudication process, the ownership rights are then registered under the name of the community, clan or family, community association or traditional leader, with the community's consent. Thirdly, it recognizes the county government as the constitutional trustee of unregistered community land with a regulatory role of overseeing its development, management and use.

Fourthly, the Bill is alive to the temporal nature of land rights that are held communally and their tendency to evolve towards individual ownership. Such evolution is mostly driven by an increase in land value due to population pressure and commercial activities within the proximity, among others. The Bill, therefore, provides a framework of converting community land to private and

public land, respectively.

In conclusion, the CLB is timely because it removes the historical veil of obscurity that has surrounded community land. The colonial government created an export of legally protected enclave of European private settlement, while condemning majority of Kenyans to poor peasantry in the communal native reserves on the periphery. Legally recognizing and protecting land rights to community land is a major milestone towards righting the historical wrongs.

Embracing the community's right to property is a critical step towards the eventual unlocking of the vault storing untapped wealth that is desperately needed to fuel Kenya's economic take off.

More importantly, the formal registration of community land rights will mitigate the ticking time bomb of land-related conflicts, especially in areas where vast extractive resources have been discovered. The immediate strategy that the Bill embodies is to legally protect the community land rights and worry later about the individual land rights within these communities.



# Implement Special Economic Zones Strategically

By Adan Shibia

The celebration of the Africa Industrialization Day on 20 November, 2015 provided an opportunity to reflect on industrial policies and raise awareness on the challenges of industrialization in Africa. Despite such annual celebrations since 1990, the industrialization process in Africa has been elusive, with average contribution of the manufacturing sector to the Gross Domestic Product (GDP) sliding from 14 per cent in 1990 to about 10 per cent recently. In Kenya, the contribution of the manufacturing sector to GDP has declined from 12.7 per cent in 2006 to 10.0 per cent in 2014.

The 2015 Africa Industrialization Day theme 'Small and Medium Enterprises (SMEs) for Poverty Eradication and Job Creation for Women and Youth' is in congruence with the Vision 2030 blueprint and the second medium term plan. The youth aged 15-34 years account for over 35 per cent of the population. The expanding share of working age population results in an increase in labour supply and hence productive potential of the economy. To address high youth unemployment and realize demographic dividends from the youth bulge, a vibrant manufacturing sector is imperative for job creation.

Manufacturing-led industrialization plays a catalytic role in inclusive economic growth

and employment creation as well as holding the promise of achieving the Sustainable Development Goals (SDGs) adopted by the United Nations member states in September 2015. With SDG 9, the world leaders have promised action on sustainable industrialization. A shift from commodity exports to high value manufacturing accelerates per capita income growth, acting as an engine for catch-up of low income countries to developed economies.

The 10 per cent manufacturing contribution to GDP in Kenya lags behind those of Malaysia and Korea at 24 per cent and 30 per cent, respectively. These differentials reveal a contrasting development narrative of the three countries that were contemporaries in the 1960s. Malaysia and Korea aggressively pursued an export strategy that was anchored on the manufacturing sector. In contrast, Kenya delayed in shifting from protective import substitution policy to high value manufacturing export-led growth. Over the last 50 years, Korea and Malaysia realized remarkable GDP per capita compound growth rates of 12 per cent and 7 per cent, respectively, compared to Kenya at 5 per cent.

The recent enactment of Special Economic Zones (SEZ) Act 2015 marked a major policy milestone in Kenya's industrialization agenda. The Act sets



the stage for the roll out of SEZs that embody a host of production cost reduction incentives such as physical infrastructure and fiscal measures. SEZs can be an effective instrument in promoting industrial investment if implemented properly in light of a country's specific situation. The increasing popularity of SEZs emanate from economic benefits such as technology transfer, foreign direct investments, employment and export growth.

A living success story is China, which established the Shenzhen special economic zone in 1980 that proved to be a foreign investment hub and export powerhouse. Other success stories include Korea and Malaysia. The establishment of SEZs in Sub-Saharan Africa has had mixed results, with limited success stories.

Besides adapting to local contexts, other success factors warrant attention. First, a gradualist approach in roll out with a sound business environment that minimizes uncertainties in return on investments is key in attracting seed investments. Second, it is imperative to set clear targets in contribution to the economy with regards to such parameters as foreign direct investments, employment and exports. Third, linkages with international markets should be a priority. Success stories in Asia demonstrate that SEZs are strategically linked to international markets through sea ports, railways and airports.

Fourth, sustainability of industrialization calls for accelerated efforts towards efficient use of resources across the value chain. Granted that the product markets tend to be inefficient, the government should embrace the green economy initiative to mitigate production costs attributable to negative externalities.

*The enactment of the SEZ law is a boon for attracting investments in the industrial sector. However, given that SEZs in African economies have mixed results, roll-out of SEZs in Kenya should be strategically undertaken. Key considerations include adaptation to the local context, creation of a competitive business environment that lowers costs of production, access to markets, clear goals in terms of economic contributions, and efficient production across value chains.*

Indeed in response to rising environmental costs, China has implemented environmental standards and use of fiscal policies to incentivize firms to adopt green technologies. Adoption of green manufacturing would be especially vital for micro and small enterprises in lowering costs of production as well as ensuring sustained growth and access to international markets where green production is increasingly being emphasized.

In conclusion, the enactment of the SEZ law is a boon for attracting investments in the industrial sector. However, given that SEZs in African economies have mixed results, roll-out of SEZs in Kenya should be strategically undertaken. Key considerations include adaptation to the local context, creation of a competitive business environment that lowers costs of production, access to markets, clear goals in terms of economic contributions, and efficient production across value chains.



# LAPSSET Corridor

## Prospects and Challenges

By Augustus Muluvi and Paul Odhiambo

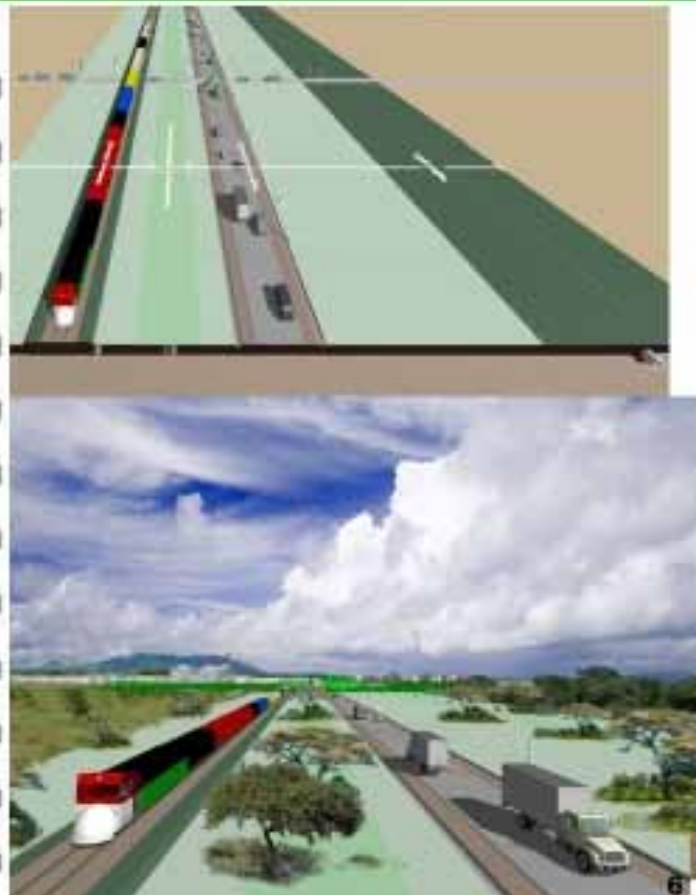
The Lamu Port-South Sudan-Ethiopia Transport (LAPSSET) corridor is a multi-billion dollar flagship project under Kenya's economic blueprint, Vision 2030. The project comprises seven major components: a port in Lamu; an oil pipeline from Juba, South Sudan to Lamu; oil refineries in Lamu and Isiolo; a railway link to South Sudan and Ethiopia; three resort cities and airports at Lamu, Isiolo and Lokichogio and high grand falls along River Tana for hydropower generation.

The LAPSSET project, with an estimated cost of US\$ 24 billion (Ksh 2.4 trillion) seeks to spearhead development in undeveloped Northern Kenya while providing South Sudan and Ethiopia, both landlocked countries, with an alternative route to the Indian Ocean through Lamu. The entire project is expected to enhance regional trade by making the movement of goods and services easier.

Recent developments in the region, however, cast doubt on the timely completion of the project. Three developments

explain this fear. First, the protracted conflict in South Sudan is impacting negatively on Kenya in terms of trade, investment and infrastructure development, which in turn delays LAPSSET's progress. Secondly, Ethiopia, another key country in the project, seems to be shifting her focus to developing infrastructure to link Addis Ababa with the Port of Djibouti. Thirdly, the prospects of the construction of Uganda-Kenya crude oil pipeline (through Hoima-Lokichar-Lamu) is in doubt after Uganda

### LAPSSET Corridor Design Layout



allegedly signed an agreement with Tanzania to explore the Tanga route, which is said to be cheaper.

Without the full participation of the three countries in the project, its completion is unforeseeable. This is mainly because the cost of the project will be too huge to be borne by one country. Also, with Ethiopia diverting her exports to Djibouti and declining exports (goods and oil) from South Sudan due to the conflict, the economic viability of the project will be jeopardized. Other factors likely to delay the project include security issues along the proposed corridor, the proximity of the project to Somalia where al Shabaab militants pose a security threat, and the acquisition of the land for the project.

Although Kenya is responsible for majority of the components of the LAPSSET corridor, the initial agreement was that countries expected to benefit from the project were to contribute part of the budget even as they seek donor funding. Kenya itself is having challenges in financing the LAPSSET projects owing to other investment programmes,

which require billions of dollars in financing and run simultaneously with LAPSSET. Even though the Government of South Sudan and the rebels signed the latest deal in August 2015, it remains to be seen whether the implementation will accelerate the country's return to normalcy.

On the other hand, continued conflict in South Sudan might mean that all attention and money is being diverted to finance the war rather than development projects. In addition, oil production from the country has considerably decreased since the beginning of the war. This is a major challenge for the project as a peaceful South Sudan was expected to generate about 46 per cent of freight volumes on the corridor. Although the Lamu Port project has already kicked off, without the South Sudan crude oil exports, the project may not be viable. Also, given that the bulk of financing for the project will be provided by external funders, the continued instability and uncertainty in South Sudan will likely deter potential investors.

In regard to Ethiopia, the country has in recent years signed major infrastructure development projects with Djibouti and hence casting doubt in her commitment to the LAPSSET corridor. The two countries have invested heavily in joint infrastructure in a bid to make the Ethiopian-Djibouti belt the logistic hub of the continent in the long term. Already a 752km railway linking the capital cities of the two countries, Addis Ababa and Djibouti, which is meant to cut the time taken to

transport goods between the two cities from two days to ten hours, is nearing completion.

Other new projects that are in the offing include a new rail line linking Djibouti with the northern Ethiopia town of Mekele and the construction of a 550km pipeline to transport diesel, gasoline and jet fuel from the port of Djibouti. With these projects, more than 90 per cent of Ethiopia imports and exports will pass through the port of Djibouti. So where does this leave LAPSSET, which initially targeted a substantial amount of cargo from Ethiopia?

Despite these emerging challenges, the objectives of the LAPSSET corridor are still valid. The Government of Kenya should remain focused in completing the project since it is anchored in the Vision 2030. It is critical that the government budgets for the project whether or not regional states contribute. Moreover, the completion of the corridor will attract not only South Sudan, Uganda and Ethiopia but also other distant countries since LAPSSET corridor is envisioned to connect East and West Africa. South Sudan remains a strategic partner with regards to the LAPSSET corridor. It is, therefore, important that Kenya continues to play an active role in the country's peace process.

*Other new projects that are in the offing include a new rail line linking Djibouti with the northern Ethiopia town of Mekele and the construction of a 550km pipeline to transport diesel, gasoline and jet fuel from the port of Djibouti. With these projects, more than 90 per cent of Ethiopia imports and exports will pass through the port of Djibouti.*



*To create a globally competitive and prosperous nation with a high quality of life by 2030*

# Road to recovery; moving Kenya's tourism beyond travel advisories

By Hannah Wang'ombe

International tourist arrivals to Kenya declined by 25 per cent in August 2015 compared to the same period last year. This is according to the Kenya Tourism Board (KTB). Travel advice on security risks by foreign governments to their citizens against traveling to Kenya, have had far more reaching social and economic effects to Kenya than was anticipated.

Recent terrorism-related incidences in Kenya range from kidnappings and shootings to major attacks such as the Westgate Mall in 2013 and the Garissa University in 2015, both of which left more than 200 people dead. While the Garissa attack did not target tourists per se, it sent signals to the international community about Kenya being an unsafe destination, at the time. Consequently the US, UK, France and Australia governments issued warnings to its citizens against travelling

to Kenya. The US even went as far as issuing warnings to its citizens not to attend the Global Entrepreneurship Summit that was held in Kenya in July 2015 and graced by President Barack Obama.

Declining passenger numbers have also seen leading airlines such as Virgin Atlantic pull out from Kenya. However, it is worth noting that Germany, one of the key tourist source markets for Kenya, did not issue any travel advisory. In fact, the country's airline, Lufthansa, recently resumed operations in Kenya after an 18-year absence.

The impact of terrorist attacks and resultant travel advisories have had negative effects on the local tourism industry, especially periphery sectors such as accommodation, transport and food industries that subsequently support micro, small and medium enterprises (MSMEs) as well

as people's livelihoods. Many hotels, especially in the coastal regions of the country, closed down, leading to massive job losses.

## Tourism remains key to Kenya's economy

Indicators of the abysmal performance of the tourism sector, according to the Kenya National Bureau of Statistics, 2015 Economic Survey, are telling. Between the year 2013 and 2014, decrease in bed-nights occupied, international conferences, visitor arrivals to national parks and game reserves as well as decline in tourism earnings from Ksh 94 billion in 2013 to 87.1 billion in 2014 were largely attributed to negative travel advisories. While most travel advisories were lifted in October 2015, the US has maintained caution against travelling to towns bordering Somalia and use of



the Likoni Ferry in Mombasa for its citizens.

Tourism has been a leading sector and contributes significantly to Kenya's economy. The industry accounts for 10 per cent of Gross Domestic Product (GDP), 18 per cent of foreign exchange earnings, employs 9-11 per cent of the total formal workforce in the country and in 2014 generated Ksh 1.7 billion towards government coffers through levies. Kenya has competitively remained a safari and beach tourism destination.

### A great deal at stake

With declining tourist numbers, Kenya continues to miss on its national development goals and specifically its Vision 2030 objective of attracting 3 million visitors annually. Ailing tourism-related businesses means that the government cannot collect the much needed revenues, and given the weakening Kenyan shilling, decrease in tourist expenditures and successive foreign exchange earnings will only worsen the country's trade deficit.

A policy analysis by the Kenya Institute for Public Policy Research and Analysis (KIPPRA), in its flagship publication, the Kenya Economic Report (KER) 2015, highlights the underperformance of the tourism sector in Kenya. The report underscores, among other challenges, insecurity brought about by acts of terrorism as a global challenge to tourism. More so, travel advisories and the harsh reality of their effect on developing

economies.

The expectation is not that foreign governments will resile from issuing travel advice, as their first call of duty is to protect their citizens. The argument for the travel advice by foreign governments is that they provide their citizens with information so they can make informed decisions on their travel plans.

However, on the other hand, scrutiny on the objectivity of these advisories has raised concern because of their devastating effects on destinations, especially in less developed countries. According to a report by Shirley Eber and Catherine Conway, which among other things analyses the motives and effects of travel advisories, some governments' motive to prolong travel advisories may not necessarily be 'security'-related but rather 'political and economic' to encourage tourists to take holidays in their home country. Also, given that many of Kenya's tourist destinations have hardly been affected by these attacks, the blanket travel advisories were largely unwarranted.

While policy makers hoped that injecting Ksh 1.567 billion in the financial year 2013/14, the highest allocation in the history of Kenya's tourism, as well as President Obama's visit, would turn things around for the tourism sector, the reality is different. In fact, international tourist arrivals in August 2015, according to KNBS, fell by 25 per cent compared to the

same period the previous year, despite it being the peak period for the annual wildebeest migration. This implies that travel advisories have a lasting impact and are highly likely to result in the sluggish growth of tourism in Kenya. Therefore, unless such advisories are in future shared in consultation with the government, the road to recovery for Kenya's tourism is going to be steep.

### Policy perspectives

While the government has made considerable effort to revive the tourism industry in Kenya, future terrorist attacks do not guarantee that foreign governments will not issue travel advisories. To militate against the impact of these advisories and ensure continued growth of the tourism sector, the following policy interventions could be considered:

- **Issuance:** Prior to any issuance of travel advisories, foreign governments should consult local authorities.
- **Content:** Careful consideration of spatial dimensions of which areas the advisory affects.
- **Timeliness of recanting advisories:** Timelines agreed upon with local governments about when the advisories should be withdrawn.

# Critical Lessons from the Thika Superhighway project

*By Humphrey Njogu, James Gachanja and Alex Oguso*

The 50.4km Thika Superhighway is the first of its kind and one of the mega construction projects in the region. Officially launched by Former President Mwai Kibaki in November 2012, the superhighway was built at a cost of US\$ 360 million, with funds from the Government of Kenya, African Development Bank and Exim Bank of China. It features a four-lane dual carriageway, with additional two-lanes of access roads on either side.

The project has been successful in delivering some key development objectives. It has not only changed the landscape, but eased traffic congestion and traffic flows in and out of Nairobi in comparison to pre-project conditions and aggregate 24hr traffic flows. The superhighway has also acted as a pull factor for property developers and various entrepreneurs to areas such as Ruaraka, Kasarani, Luckysummer, Githurai,

Ruiru, Juja and Thika. Evidently, the superhighway has enhanced trade and investments not only in surrounding areas, but also in the counties in Central and Eastern region of Kenya.

There are, however, critical and useful lessons to be gained from the conceptualization, planning, design, construction and operation of this premier superhighway. These lessons can be applied in ongoing and planned road projects.

## **Emerging traffic congestion**

Traffic conditions along the highway have continued to witness increased congestion since project completion. This has mostly been observed during peak hours. The peak hours have also continued to spread as well as the distance of congested roadway. Theoretical explanations



of the traffic congestion phenomena in analyses before the construction of the highway projects have manifested themselves practically after its completion. This means that the new highway capacity could have induced more travel demand thereby generating more trips and unlocked previously suppressed/latent demand. At the same time, some motorists could have diverted from previous routes to the new capacity, thereby quickly eroding the anticipated congestion relief in the long term.

However, off peak travel conditions are in general good with the likelihood of excess supply on a 24-hr cycle. It is, therefore, imperative to note that for future projects, a critical analysis of the travel demand will need to be conducted, with appropriate measures for mass public transport in the peak hours. Tentatively, current traffic volumes provide sufficient evidence to justify viability of low cost mass rapid transit options on account people per hour per day (PPHD), by direction.

### **Vandalism and destruction of road furniture**

Vandalism and destruction of the road furniture, is a challenge to the superhighway in terms of operation and maintenance costs. These losses have been attributed to unscrupulous metal dealers who target the road furniture, carting away lamp posts, street lighting cables, road signs, guard rails, ramps for the disabled pedestrians, and other safety materials. Vandalism on the highway furniture has cost the taxpayers millions of shillings in terms of repairs and replacements. It has also contributed to road accidents on the superhighway, as it deprives the road users of warning signs and other safety facilities.

The government, therefore, needs to move in fast and tackle the menace by imposing stiff penalties on the offenders, among other measures. The government plans to introduce toll stations on the superhighway through public-private partnership initiatives to increase surveillance. The proposal is for passenger vehicles to pay a minimum fee of Ksh 1.20 per kilometre, commuter taxis to pay Ksh 1.79 and multi-axle vehicles to pay Ksh 3.59. The concessionaire who will be in charge of the toll stations is expected to provide round-the-clock daily route patrol of the highway, maintain the highway in good condition, safeguard the road furniture, nab traffic offenders, and respond

quickly to accidents on the highway to ensure minimal interruption of traffic flow. Although the government is already implementing some of these measures to curb the vice, additional measures that address socio-cultural and behavioural factors need to be deployed to targeted segments of society. Further, innovative designs of road furniture that use materials that serve as disincentives for vandalism should be developed.

It is noted that there is already an indication of opposition to introduction of toll stations on the superhighway, with an argument that this will amount to double taxation of the motorists, since they are already paying a road maintenance levy of Ksh 12.00 for every litre of petrol purchased up from Ksh 9 in the previous years. However, the Kenya Roads Board observes that the maintenance needs of the highway cannot be adequately catered for by proceeds from the Fuel Levy Fund. In addition, there are views that the fuel levy fund is paid by all motorists across the country, most of whom do not have access to good quality roads such as the highway. Therefore, those using it should pay some extra fees to help maintain it.

### **Design constraints and amenities**

Another issue of concern on the highway is that it was designed in such a way that there are very few spots where motorists can pull over in case of an emergency. In view of high speed traffic on it, there are high chances of accidents occurring as a result of stalled vehicles.

Some of the signage on the superhighway is also not consistent with the Kenya highway signs that motorists and road users are used to. For instance, design issues have been raised on the gantry-mounted directional signs, among other road signs on the superhighway. Design issues that have been raised include: Crowded information; inconspicuous typography and colour; inconsistent labelling of road names, among others. The expected speed of vehicles on the highway and signs showing distance seemingly was not put into consideration when designing and placing the gantry-mounted directional signs.

The design of exit and access points to the highway has been challenging to motorists. This has been attributed to the short distance between

the signage and the exit points. Considering the high speed traffic on the highway, drivers need time and space to manoeuvre, before joining the service lanes.

It has been observed that the highway experiences flooding at some places during the rainy season. As witnessed in August 2013 and during other points in time, flooding of the highway during heavy rains caused a major concern. The massive floods that rendered the highway impassable led to concerns being raised on clogging and the capacity of the drainage system to handle high quantity of surface run-offs. While the clogging may be attributed to poor solid waste management, there are indications of hydraulic design issues as a factor to flooding. These challenges point to the need for collective responsibility in solid waste disposal and proper maintenance to ensure evacuation of storm water.

### Road safety

The road safety indicators reveal that the highway is hazardous, recording a significant number of accidents, injuries and deaths of road users. A number of road crashes have occurred across the lifecycle of the project, from the construction, operation and maintenance phases. The crashes have been attributed to human error, design factors and environmental factors. Speeding and reckless driving are the leading causes of crashes. Second, the 'complex' designs and expected Highway Code to inform behaviour have not been well internalised by many of the road users. In this regard, the learning curve for road users has been steep and fatal.

When it comes to safety of pedestrians and non-motorized road users, it is commendable to note that about 17 footbridges were built along the stretch from Nairobi to Thika town. Pedestrian and

non-motorized transport (NMT) lanes were also included on either side as well as bus stops. It is, however, observed that the additional planning, design and investment of new NMT bridges and facilities needs to be undertaken. Design of foot bridges, NMT lanes and bus-stops should be guided by thorough research and analysis of demand, abutting land uses and road user stated and or revealed preferences. Currently, the revealed user behaviour is not aligned with the design prescription. It is noted that in some instances, traders (hawkers) and motorcycle and vehicle taxis have also invaded the pavements or bicycle tracks, hence forcing pedestrians to dangerously walk along the road.

Going forward, the sector stakeholders will need to review the project appraisal and formulation criteria to ensure that economic, socio-cultural and environmental factors are allocated objective weights. Rigorous analysis of demand and supply options based on sound data will be required for multi-modal route planning and design.

Road planning and design needs to be informed by a richer database and rigorous research to take into account all unique technical and non technical specifications of a particular road. The design should be fitted to the dictates of the target society and environment as possible.

Socio-cultural aspects influencing road user behaviour will need to be incorporated into road planning and design. Multi-disciplinary aspects capturing social psychology and behavioural sciences will need to be given enhanced scope in project evaluation. To realize long-term gains from infrastructural developments such as the Thika Superhighway, Kenyans need to embrace collective responsibility to stop adverse behaviour.

Ultimately, there is need to consistently sensitize all road users on road safety. The revised Highway Code should be taught from as early as primary school level to inculcate positive road user values. When such a project is undertaken in future, all stakeholders, including road users, should be actively involved from the beginning to ensure that their views on issues such as where to put bus stops, crossing points, relocation of roadside traders and other concerns on road safety are incorporated.



# Going digital could change the fortunes of Kenya's publishing industry

By Hannah Wang'ombe and Winnie Nguyu



The increased pervasiveness of technology in today's society and its impact on digitization has, and will, transform the publishing industry in Kenya. Despite the advent of new technologies for knowledge distribution, such as the Internet and other computer-based innovations, traditional books and newspapers remain a primary source of information. Consequently, publishing remains pertinent to the kind of reading material that is produced and distributed. However, against the backdrop of increased digital platforms, it is highly likely that digitization will revolutionize the way Kenyans read, publish and even store reading material.

The 2015 Nairobi International Book Fair, which was themed *"Twende Digital"*, directly translated, *'let's go digital'*, saw book publishers congregate to showcase their products. This scenario may change if digital publishing is embraced. This will, however, depend on the ability of the industry to use existing infrastructure to innovate lucrative business models, map stakeholders needs and expectations and also enforce policies that will enhance market structures and demand for digital publishing in the country.

Notwithstanding the exponential growth of the publishing industry in Kenya in the last decade, its contribution to economic development of the country remains minimal. However, digital publishing may change this fact.

In Kenya, the publishing industry is estimated to be worth about Ksh 12 billion. According to a 2012 survey conducted by the Goethe Institute, textbooks alone generated 95 per cent of the total revenue, which was approximately US\$300 million per year. Digital publishing provides an opportunity which, if exploited, can result in immense industry growth.

The transition within the publishing industry from analogue to digital has been sluggish. Therefore, for electronic publishing to succeed, technological infrastructure should be in place.

Indeed Kenya has made many strides, evidenced by ranking top in championing digitization in the African continent. The number of digital platforms accessible to Kenyans is enormous, especially through the mobile phone. According to 2015 sector statistics report by

the Communications Authority of Kenya (CAK), Kenya has a mobile penetration rate of 80.5 per cent, with approximately eight out of every 10 Kenyan adults having access to a mobile phone. The number of estimated internet users stood at 23.2 million in 2015, with mobile data/internet subscriptions rising to 5.9 per cent to reach 14.7 million up from 13.9 million recorded in 2014.

From 2009, the government undertook a major project to roll-out fiber-optic cable across the country. The target to increase internet speeds and provide broadband at reduced cost was met, coupled with increased competition from mobile phone providers providing enormous digitization possibilities.

### The winning strategy

Apart from adoption of technology, availability of information about sales figures of digitally published resources through platforms such as Amazon is fundamental to a successful framework for digital publishing in Kenya. The challenge therein lies in not only lacking a best practice model for Kenya to adopt but also in developing price setting mechanisms as well as applying digital rights.



First, price factors will form the foundation of luring companies to venture into electronic publishing. The argument for digital publishing is that publishers have only to contend with fixed costs as variable costs are almost negligible in digital publishing. This couldn't be further from the truth.

Publishers will need to provide services such as maintaining subscriber records, sending renewal notices and billing. Variable costs will be inevitable as publishers will need to provide innovative services to authors and new readers. What digital publishing is guaranteed to do is temper costs, which should improve publishing houses profit margins.

Second, market demand by readers and libraries for electronic publishing will determine the extent of penetration, uptake and even costing of digital publishing services. This will only be informed by empirically establishing demand and supply factors; that is, the needs and expectations of local authors and readers on digital publishing.

Kenya's publishing industry, well beyond its "Gutenberg" stage, was in the past dominated by subsidiaries of international companies due to high investment for print. However, even with multinational companies' influence on the publishing of local books, indigenous companies have emerged on a large scale.

Digital publishing is rapidly changing and smaller companies that have more flexibility are able to take risks with smaller investments on newer platforms and have the opportunity to develop their organizations in an adaptable way.

As the rallying call for this year's Nairobi International Book Fair is "to go digital", the questions surmount whether the publishing industry in Kenya is ready for electronic publishing. While it remains a daunting task, opportunities in this digital age are numerous for the publishing industry in Kenya.

# Plastic bag levy is not enough to curb their use

By John Nyangena and Leonard Kirui



**A**lthough the 2014/2015 budget statement omitted the environmental sector from its list of six priorities, it contained two measures important for the sector: the need to reduce the environmental effects caused by Kenyan's production and consumption patterns, and the importance of reflecting the true social costs in the pricing of consumer commodities.

The plastic bag and its menace on the environment was recognized, and an excise duty of Ksh 120 per kilogramme introduced on all non-biodegradable plastic shopping bags, possibly to make it more expensive, reduce their use, and ultimately reduce the consequences on the environment. As an alternative, the Treasury Cabinet Secretary alluded to the use of brown paper bags. Bottled water was, however, surprisingly spared.

The use of special taxes to mitigate the environmental effects of production and consumption patterns was first proposed by Arthur Pigou in 1920. The tax commonly referred to as pigovian tax is meant to address problems of market inefficiency and is usually set at a level equal to the social cost of the associated negative effect. Such a tax has in the past been widely used to tackle consumption of tobacco and alcohol.

This is not the first time the government is intervening in the plastic bags industry. In 2007, the then Minister for Finance proposed a ban on all flimsy plastic bags with width a less than 30 microns. This was quickly abandoned following protests from manufacturers who threatened to pass on the cost of alternative materials to the consumers.

About 60 per cent of bags are less than 15 microns and mainly used for carrying consumer products such as bread, paraffin, wrapping vegetables, etc. Unlike the thicker, heavy bags, these ones are easily carried by air and disposed indiscriminately. The levy introduced in the budget did not discriminate on the basis of quality.

## Effects of non-biodegradable plastic bags

The environmental effects of plastic bags are well documented by the National Environmental Management Authority (NEMA). To begin with, they consume large amounts of petroleum, natural gas and energy during their production. For example, some estimates show that producing 100 bags requires petroleum enough to drive a small car for a distance of one kilometer. Non-biodegradable plastics take approximately 20 to 1,000 years to decompose, meaning that they can remain in the environment for a long period, with disastrous effects.

When disposed through burning, plastic bags infuse the air with toxic chemicals such as dioxins, which are highly toxic and can cause reproductive and developmental problems, damage the immune system, interfere with hormones and also cause cancer. In addition, they lead to deaths of livestock and other wild animals when ingested thereby threatening livelihoods and tourism.

Flimsy plastic bags also clog drainage and sewer systems, exacerbating flooding particularly in urban areas. The recent floods experienced in many urban areas were blamed on plastic bags, which block drainage conduits. Their capacity to hold water for long makes them perfect breeding ground for malaria-causing mosquitoes. In many parts of the country, plastics are an 'eye sore', littering everywhere, hence affecting the ambience of our landscapes.

Part II of the first schedule of the Excise Duty Bill, 2014 proposes a 50 per cent duty on plastic shopping bags of their excisable value. This is assumed to trigger a unit price increase to a level high enough to discourage their use while at the same time generate sufficient revenue to finance cleanup campaigns.

The problem with this is that taxes have their own inertia and, just like any other tax, consumers will adapt to them. However, these taxes will disproportionately hurt the lower income sectors of society since the full amount of the levy could be passed on to customers at the checkout or sales outlets including shops, supermarkets, and service stations.

A ban on these non-biodegradable products will, however, need to be carefully considered, as it may hurt the economy. According to a study by the Kenya Institute for Public Policy Research and Analysis (KIPPRA), the United Nations Environmental Programme (UNEP) and NEMA in 2005, the number of plastic bags industries is estimated at 120, employing about 11,000 people. These have an annual combined production capacity of 84,000 tonnes, while an additional 190 tonnes are imported annually.

The main outlet of the plastic bags is supermarkets, which disburse over 100 million units each year. This means that any policy intervention to curb the plastic bags menace must recognize source-directed measures and place them at the core.

### **Recycling is an alternative**

Most plastic bags as well as plastic bottles never get recycled. The budget should have provided for innovative financial support for recycling

and upgrading of plastic waste management infrastructure. This may include providing financial incentives to promote private public partnerships in the development and management of waste infrastructure at county level.

The proposed 50 per cent levy on plastic shopping bags should be used to support the development of alternative bags that are more durable, reusable and recyclable. There is also need to zero rate the recycled products to create a vibrant market for recycled products. The government, therefore, may need to urge plastic manufacturers in the country to own the entire life cycle of plastic products; and to convince policy makers to formulate rules that make companies fully responsible for their waste, which will likely boost the recycling rates in the country.

As Kenya gears towards a green economy transformation, a ban on all plastic bags will be a key measure but only if it is accompanied by accessible and affordable alternatives.





# AU Commission discusses KIPPRA's role in Agenda 2063

An African Union Mission delegation visited KIPPRA on Wednesday, 2 December 2015 to discuss the institute's role and contribution to the implementation of Agenda 2063. The team of five held a meeting with KIPPRA's management, including the acting Executive Director, Dr Dickson Khainga.

The visiting team was quite happy to learn that most of what KIPPRA does was in line with Agenda 2063's main objectives.

Agenda 2063 is a strategic framework for the socio-economic transformation of the continent over the next 50 years. It builds on, and seeks to accelerate the implementation of past and existing continental initiatives for growth and sustainable development. The guiding vision for Agenda 2063 is the AU Vision of "An integrated, prosperous and peaceful Africa, driven by its own citizens and representing a dynamic force in international arena".

According to the AU team, their visit to Kenya and other countries in Africa is meant to establish contact with key institutions expected to drive various aspects of the agenda.

Agenda 2063 aims to provide a framework and general policies as well as establish benchmarks and targets to guide the continent's socio-economic development. Each country is expected to develop specific policies and strategies depending on their endowments.

According to the team, African think tanks are required to mobilize themselves and see how to be involved in the implementation of Agenda 2063. The agenda's objectives are expected to either inspire new public policy debates or reinforce existing ones.

The AU team also highlighted four broad areas that the agenda is targeting to ensure its smooth implementation. The first is a detailed communication strategy, which the commission

is planning to roll out soon. According to the team, not many people know about the agenda but once the communication strategy is in place, the commission hopes the message will reach the relevant institutions and the general public.

The second area is capacity assessment, where the Commission intends to identify relevant institutions at the regional and continental levels that can drive the agenda as well as assess the skills and capabilities needed. The third is the establishment of an accountability framework and monitoring of progress. The commission reported that they were working on a set of parameters to guide sourcing of data and ensure regular reporting. The last area is the identification of resources to implement the agenda, the main one being domestic financing.

The team reported that there were already three draft documents in place: one, the framework, which is the main/technical document. The second is the 25-page popular version, which summarizes the main document. The last is the 10-year plan document.

The team explained that while there was a lot of convergence between the Sustainable Development Goals (SDGs) and Agenda 2063, the later had unique areas. The agenda clearly highlights the role of the service industry in Africa and looks to cut down on the export of low-value raw materials. It also clearly states the importance of culture in Africa's socio-economic development. It also has a broad infrastructure agenda, which aims at integrating both small and big economies in Africa. Agenda 2063 also clearly brings out Africa's space in the global agenda, which will affect future interactions. This includes Africa's participation in global markets and deep oceans, among other global arenas.

The KIPPRA team highlighted research programmes and collaborations the Institute had with local and regional organizations. KIPPRA was advised to work closely with the African

Capacity Building Foundation (ACBF) to come up with research that incorporates Agenda 2063 objectives.

The KIPPRA team wanted to know whether the agenda clearly outlined the role of agriculture, education and the private sector in Africa's development. The AU team reported that the

framework had incorporated all these areas but welcomed additions, as the document was yet to be finalized. The team promised to share the technical document with KIPPRA.



*The African Union Mission during a visit to KIPPRA*

## Switch Africa Green National Stakeholders Workshop

**S**witch Africa Green (SAG) project on national stakeholders workshop was held from 16-17 November 2015 at the Boma Inn, Nairobi. The two-day event provided an avenue for the common understanding of the project objectives and responsibilities, and expectations and required outputs of the country projects among the national stakeholders, grantees, partners and final beneficiaries (MSMEs).

The workshop's opening remarks were delivered by Thomas Musandu of the Ministry of Environment, and Rhoda Wachira from UNEP. The latter gave an overview of the SAG project, the grantees, and the expected outputs of the workshop. Participants were informed that the Ministry of Environment had developed a Green Economy Strategy to provide policy direction on green strategies. The forum also got to know that the Switch Africa Green budget of Ksh 19 million would be allocated to grants for Micro, Small and Medium Enterprises (MSMEs). The programme is being carried out in six

countries in Africa: Kenya, Uganda, Burkina Faso, Ghana, Mauritius and South Africa. In Kenya, the programme focuses on agriculture, manufacturing and tourism.

Mr Musandu, on the other hand, took participants through the SAG report co-authored with KIPPRA, and invited them to give comments. Other guests who made presentations on the SAG project and its importance to Kenya and the continent are Dr Patrick Mwesigye from UNEP and Dr Hezekiah Okeyo from the Ministry of Environment.

Most of the workshop, however, focused on the four grantees and their partners, who made detailed presentations on their specific projects. The first grantee was International Centre of Insect Physiology and Ecology (ICIPE), which together with its partners, is undertaking the 'Community-Based Domestication and Commercialization of the Traditional Medicinal and Insecticidal Plant, *Mondia whytei*, Adjacent to Kakamega Forest' project. The project aims to conserve the forest by enabling



the systematic harvesting of *Mondia whytei*, an indigenous medicinal plant, and the development of a new nutraceutical commercial product that is branded Mondia Tonic.

The second grantee to present was the Kenya Private Sector Alliance (KEPSA), which highlighted its work with various MSMEs to incorporate Sustainable Consumption and Production (SCP) processes and to promote resource efficiency, environmental quality, create green jobs and tackle poverty.

The third was SUS-TOUR, an initiative aimed at enhancing sustainable tourism innovation for community empowerment in Kenya. The project aims at ensuring greening of the tourism sector through SCP as well as empowering the community to ensure that they not only benefit from tourism activities but also participate in conservation efforts.

The last grantee, Common Market for Eastern and Southern Africa (COMESA), made its presentation on the second day of the conference. The presentation focused on the leather industry and its contribution to Kenya's economy. The participants learnt that the industry's output was higher than that of the sugar and tea sectors. The objectives of the project are to design and enhance competitiveness, promote recycling and reduction in the use of chemicals, develop a roadmap of improving effluent management and quantification of carbon footprint

of the leather sector.

Through the presentation, participants also learnt that the project uses the blended approach in the selection of MSMEs in the high, middle and lower ends and that its geographical coverage was Nairobi, Thika, Nyeri, Sagana and Nakuru.

The greening initiative has seen 30 per cent increase in labour productivity, 15 per cent reduction in energy consumption, 30 per cent reduction in machine idle time, 30 per cent reduction in solid waste and improved quality of soles produced using recycled materials.

Participants got a chance to comment and seek clarifications after every presentation.

The presentations were followed by group discussions where each grantee together with their partners discussed the challenges they faced in the implementation of the projects, coordination mechanisms during implementation and the approaches the MSMEs could use to engage with stakeholders.

After the group discussions, each group made presentations of their findings. The workshop ended with the presentation of dummy cheques to the grantees and a group photo of all the participants.

# Lively interaction with St. Austin's Academy students



**K**IPPRA had the privilege of hosting 30 senior students and two teachers from St. Austin's Academy, Nairobi on 4 November, 2015.

The students wanted to know what KIPPRA does and the subject combinations they needed to excel in to stand a chance of pursuing a career in public policy research.

The team was received by Prof. Joseph Kieyah, KIPPRA's acting Programmes Coordinator, who later gave a detailed presentation on the institute's mandate, its capacity building role, structure, stakeholders and partners as well as the functions of each division. He also highlighted some of the ways the institute interacts

with its stakeholders, including through policy taskforces and working groups; dissemination seminars and workshops; roundtable discussions and the secondment of government officers to the institute.

The presentation was followed by an interactive session where the students asked a variety of questions, including KIPPRA's role in the implementation of policies, Kenya's economy and whether it was all gloom and doom as well as the significance of President Obama's visit to Kenya.

Prof. Kieyah explained that after conducting an objective research and analysis on various issues affecting the economy, KIPPRA uses its

findings to advise policy makers in the country. This, therefore, means that once the research findings are disseminated, it is up to the policy makers and stakeholders to adopt what is relevant to their particular needs.

While acknowledging the challenges the country is currently facing, Prof. Kieyah said Kenya also had many success stories. To illustrate the marked progress Kenya had made in the last few years, Prof. Kieyah said after his more than two-decade stay in the US, he came back home to find a totally different country with good roads and massive development, especially in real estate. Other examples he used to illustrate Kenya's

success are: Lupita Nyong'o's win of the Oscar, Obama's recent visit to the country, the Mpesa innovation and the continued shining of Kenya's athletes in the Diaspora.

The session ended with Prof. Kieyah making a case for the pursuit and excellence in mathematics. According to him,

mathematics forms the basis for logical thinking; that to excel in any career, a grasp of the subject was paramount.

Before the students and teachers were served with refreshments and snacks, Anne Gitonga, a policy analyst in the Private Sector Development Division made

a brief presentation on the harmful effects of HIV and Aids to Kenya's economy. The students were, therefore, urged to be safe to avoid infection. The group later posed for a photo.

## Race to restore poor children's sight

The annual Standard Chartered Nairobi Marathon took place on 25 October 2015 and KIPPRRA could not miss an opportunity to be part of this worthy cause meant to raise funds towards the 'Seeing is Believing' initiative. The programme aims at raising funds for the needy in the community, especially children who need eye care and restoration of sight.

The marathon attracted more than 20,000 people who participated in six categories: Tricycles 42 Km, wheelchairs 21Km, full marathon (42Km), half marathon (21Km), 10Km and family fun run. Fourteen KIPPRRA staff were among majority of the runners who participated in the half marathon (21km) and 10km.

Enthusiastic Nairobians, fitness lovers and veteran athletes were up and early and most of them streamed into Nyanyo National Stadium before sunrise. The closure of the roads leading to the

stadium by 4a.m meant that vehicles were parked far and participants had to walk long distances to get to the venue.

The organizers of the race left nothing to chance when it came to security. Apart from various roads being closed early, there was a thorough frisking of participants and a heavy police presence in and around the stadium. Police choppers also hovered over the stadium for a better part of the morning.

KIPPRRA staff gathered at a central point before the races for a briefing and photo session. There were also photo sessions at the finish points and during the awarding of medals.

The marathon attracted people of all walks of life and ages. It was also graced by parliamentarians, senators, Nairobi County Deputy Governor and heads of various public and private institutions. Apart from some incidences of pickpocketing around the watering points and an imposter who caused drama after claiming to come second in the 42km race, the marathon went on smoothly.

The Nairobi Marathon is part nine races -- Jersey, Bangkok, Singapore, Dubai, Mumbai, Hong Kong, the Falkland Islands and Kuala Lumpur -- which are sponsored by the Standard Chartered Bank.



## Nairobi Trade Fair provides platform for interaction

The Kenya Institute for Public Policy Research and Analysis (KIPPRA) was among over 500 foreign and local exhibitors at the annual Nairobi International Trade Fair that took place from 28 September to 4 October, 2015.

Through the fair themed 'Enhancing Technology in Agriculture and Industry for Food Security and National Growth', KIPPRA got an opportunity to showcase its products, explain to the public its vital role in Kenya's public policy and enhance its image. Visitors got to know KIPPRA's vision, mission and core mandate and most of them were given the 'KIPPRA in Brief' to enable them learn more about the Institute. Through the publications distributed, researchers, students and government and public officials got a feel of some of the research work KIPPRA does.

Among the dignitaries who stopped by KIPPRA's stand included the Principal Secretary, State Department of Planning, Eng. Peter Oganga Mangiti and Senior Administrator at the Ministry of Devolution and Planning Hassan Noor Hassan.

"Our think tank!" remarked Mangiti before asking, "So what do you have for us today?" to which KIPPRA staff manning the stand responded with an explanation of the latest researches and publications the Institute had done.

The 13<sup>th</sup> edition of the trade fair also provided a platform for KIPPRA to interact and exchange ideas and experiences with other researchers and the public. A number of those who visited KIPPRA suggested that the Institute should do a lot of research on various forms of agriculture, including dairy and poultry farming as

well as the possible markets for the produce. They said this would educate the youth and other young farmers on best practices and the most profitable ventures. Some of the professionals and researchers who already knew about KIPPRA wanted information on Young Professionals Programme and how they could be part of it. They got a detailed explanation of the programme, its benefits and the process of application.

Since the fair coincided with the nationwide teachers strike that saw public schools closed for more than a month, student turnout was generally low. However, educationists and teachers who stopped by KIPPRA stand wanted to know whether the institute had conducted a research on teachers' salaries. It was explained to them that KIPPRA had conducted a research titled '*A Comparative Study on Public-Private Sector Wage Differentials in Kenya*', which could guide the Salaries and Remuneration Commission and the government on how to handle the salaries issue.

The trade fair was officially opened by President Uhuru Kenyatta who said the government was undertaking major reforms in the agricultural sector to boost production and increase profits for farmers.



## Going digital will change dynamics of Kenya's publishing industry



**K**IPPRA participated in 18<sup>th</sup> Nairobi International Book Fair, which took place from 23-27 September, 2015. Themed 'Twende Digital' (directly translated 'let's go digital'), the fair provided an opportunity for KIPPRA to inform the public of its mandate as well as showcase research publications.

Seven KIPPRA staff participated in the event that saw more than 500 people visit the stand, including the former Prime Minister Hon. Raila Odinga, senior government officials, academicians, publishers and students. During the week-long event, KIPPRA distributed 1,226 publications

with *A Comparative Study on Public-Private Sector Wage Differentials in Kenya* and the *Kenya Economic Report 2014* generating the most interest.

The official opening of the book fair was graced by Eng. Victor Kyalo, CEO ICT Authority, who, in line with the fair's theme, said efforts were underway for the government to deliver its promise of providing digital devices to primary school children. He noted that the approach in delivering the devices would be gradual but sustainable. A number of foreign and international exhibitors also attended the fair.

Eng. Kyalo reiterated that a thriving digital publishing industry was fundamental to building a successful knowledge economy. While the ICT Authority, in building the country's knowledge economy, would take a lead role in regulation and quality assurance of digital publishing, it would also create a platform to build capacity of publishers in developing content, networking and forging partnerships where ideas and innovations would be exploited. It would also provide a platform to bring together experts in the publishing industry.

## KIPPRA Engages in National Policy Dialogue on Domestic Climate Financing

As Kenya and the rest of the world continue to suffer adverse effects of climate change, experts and scientists have intensified efforts to find solutions. Their efforts, however, face various challenges, key among them finances.

For many years, the developing world looked up to Western countries to finance climate change adaptation and mitigation efforts, and justifiably so because the developed nations contribute most of the green house gases that are largely to blame for the menace. Funding from these countries has, however, been unreliable and developing countries, most of which are in Africa, are now forced to find homegrown sources of funding.

In this regard, the Kenya Institute for Public Policy Research and Analysis (KIPPRA) together with Food, Agriculture and Natural Resources Policy Analysis Network (FANRPAN) held a national policy dialogue on domestic climate financing on 13th August, 2015 at the Boma Hotel, Nairobi.

The workshop attracted experts from government ministries and departments, non-governmental organizations, civil society and UN agencies. Representatives from FANRPAN and KIPPRA made detailed presentations on the current state of climate financing in Kenya and Africa.

FANRPAN representative, Sithembile Ndema, outlined her organization's efforts in combating the effects of climate.

She said Africa must focus on climate-smart agriculture to ensure sustainable food security.

John Nyangena and Joshua Laichena of KIPPRA discussed the importance of policy and institutional frameworks in mobilizing domestic climate change financing. A clear policy framework would create incentives for climate response, generate public resources, define climate-resilient options and stimulate clean technology development. On the other hand, an institutional framework would coordinate climate finances, identify and address capacity needs, set standards and protocols for measuring, reporting and verification and would also link domestic to international processes.

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The first International Book Fair was held in Frankfurt, Germany in the year 1400 and it remains the largest of its kind to date with over 7,000 exhibitors from over 100 countries and more than 286,000 visitors taking part. Widely known as the father of publishing, Johannes Gutenberg is attributed to have printed the first book. Since then, books have been vessels of knowledge. However, the introduction of radio, television and most recently the internet has changed the dynamics of publishing, storing and even reading books. Therefore, Kenya, and by extension

KIPPRA, cannot afford to ignore digital publishing.

KIPPRA could contribute to the policy discourse by empirically establishing a baseline on digital publishing and the subsequent effect that such an industry would have on literacy levels and quality of books and other reading materials being produced digitally.

The chairman of the Kenya Publishers Association, David Waweru, who was one of the guest speakers during the official opening said: "Contributing to the knowledge economy will

require you to consume it in any form; to either constructively produce it or use it efficiently."

Other events during the book fair included workshops and seminars on topical issues, book launches and children activities. To crown the fair, the Kenya Publishers Association organized a dinner where the winners of the 2015 Text Book Centre Jomo Kenyatta Prize for Literature were announced.

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The KIPPRA policy analysts pointed out the various sources of climate change financing so far and that most of it was being used for mitigation and very little in adaptation activities. Nyangena and Laichena also highlighted some of the important elements in mobilizing domestic sources of funds. They include accountability, right policies, effective coordination and adequate capacity.

Emuhaya Member of Parliament Wilberforce Ottichilo, who is championing the Climate Change Bill in Parliament, said once the Bill becomes law, it will provide guidance on how to tackle climate change, including financing. Hon. Ottichilo narrated his tumultuous journey articulating and championing climate change issues since the early 1990s, saying many people did not initially understand his concerns and thought he was

exaggerating the potential effects of climate change.

The various government officials present at the dialogue enumerated the measures taken by the government to adapt to and mitigate the effects of climate change. They include giving incentives and tax holidays or exceptions to organizations and investors engaging in renewable energy and other climate-favourable

activities; promoting climate-smart agriculture; and ensuring incorporation of energy-saving techniques in construction.

Other key issues highlighted at the dialogue include the need to create a centralized pool of data on climate change research and activities in Kenya. This would ensure collaborative effort by the various stakeholders and proper allocation and monitoring of resources.



## KIPPRA's Presence at the Kisumu Regional ASK Show



**Principal Secretary, State Department of Livestock Prof. Fred Segor tours the Ministry of Devolution and Planning stand at the showground**

The Kenya Institute for Public Policy Research and Analysis (KIPPRA) was among exhibitors at the Agricultural Society of Kenya Kisumu Regional show that took place from July 28, 2015 to August 2, 2015.

The Knowledge Management and Communications Division spearheaded the institute's participation at the show whose theme was *"Enhancing technology in agriculture and industry for food security and national growth"*.

Under the Ministry of Devolution and Planning umbrella, the institute got an opportunity to

showcase its research outputs and interact with the public on public policy issues.

The show was officially opened by the Principal Secretary, State Department of Livestock Prof. Fred Segor. Other guests who visited the KIPPRA stand included the NGO Coordination Board Acting Chief Executive Officer Rebecca Ombete, Kenya School of Government (KSG) Director Academic Affairs Mrs. Leah Munyao, and Anti-Female Genital Mutilation Board Acting CEO Jane Mwereru among others.

The visitors who visited the Institute's stand made

recommendations, suggestions and appeals most of which are detailed in the visitors book (to be forwarded to concerned divisions).

The Anti-FGM Board, for instance, requested KIPPRA to include FGM issues in its surveys to help eradicate the vice in Kenya. Researchers running a project in one of the local universities further suggested that KIPPRA should consider conducting a research on the elderly in Kenya because so far, no data is in place.

KIPPRA's stand also attracted academicians, university and high school students,

researchers and many other curious visitors who wanted to know what the institute was all about.

Apart from getting a detailed explanation on KIPPRA's vision, mission and its core mandate, most of the visitors to the stand were given 'KIPPRA in Brief' to enable them learn more about the Institute. Some visitors wanted to know why KIPPRA was based in Nairobi yet the policy issues researched on affected the entire country. The KIPPRA staff at the stand took time to explain how the Institute undertakes its research; that researchers collect data from all

parts of the country, depending on the study.

Also, given that it was an agricultural show, many of the visitors expected to see publications on farming in general such as livestock breeding and fish farming.

The KIPPRA team took advantage of the presence of local and public universities' constituent colleges at the show to disseminate policy papers and other research materials that would on average not reach such institutions, as they are usually sent to the main

campuses. This effort was much appreciated with some of the university students hurrying to the stand to get materials for their personal reading and research.



*KIPPRA staff at the stand took time to explain how KIPPRA undertakes its research; that researchers collect data from all parts of the country, depending on the study.*

## KIPPRA Showcases Products at Nakuru ASK Show



**K**enya Institute for Public Policy Research and Analysis (KIPPRA) was among many organizations that exhibited their products at the Nakuru Agricultural Society of Kenya Show that took place from June 29th to July 4th 2015.

KIPPRA was among other Semi Autonomous Government Agencies (SAGAS) and directorates hosted under the Ministry of Devolution and Planning umbrella. Apart from improving KIPPRA's visibility, the event provided an opportunity to directly interact with the public and share policy ideas with stakeholders in the newly formed county government.

The show whose theme was *'Enhancing technology in agriculture and industry for food security and national growth'* attracted hundreds

of visitors, mostly students, researchers, government officials and businesspeople who were interested in the latest technological innovations and information in the agricultural field.

While officially opening the show, the Acting Cabinet Secretary for Agriculture, Livestock and Fisheries Mr Adan Mohammed, emphasized the need to embrace technology to enhance agricultural growth and ensure Kenya becomes an industrialized state in accordance with the Vision 2030.

Among the products that KIPPRA exhibited included policy papers on agriculture, food security, health, education, national cohesion and infrastructure, which mainly attracted university students and researchers. Many of them were very happy

to find relevant publications on their specific areas of research.

Other prominent visitors to the KIPPRA stand included the Nakuru County Governor Kinuthia Mbugua, county officials and representatives from various non-governmental organizations.

However, some of the visitors admitted that they did not know much about KIPPRA and were only drawn to the stand by the colourful mix of KIPPRA branding colours, the banners and other branding items that were prominently displayed in the stand. KIPPRA staff were on hand to educate such visitors on what the Institute was all about and even handed them relevant publications for further reading and information.

Some of the visitors who wanted to know more about



the Institute took their time to watch the KIPPRA documentary displayed on the plasma screen inside the stand.

Other visitors who knew about KIPPRA and had even interacted with the Institute in the past took the opportunity to air their views and respond to various issues touching on the Institute. One such visitor, Douglas Muhoho of Uwezo Fund, said after attending a recent forum by KIPPRA on policy formulation and operations for enhancing of

financial delivery, he realized that many of the relevant parties, such as major banks, financial institutions and autonomous bodies loaning community groups, were not

incorporated in the policy dialogue. He urged the Institute to ensure all relevant stakeholders were consulted in the course of policy formulation.



*KIPPRA staff at the stand took time to explain how KIPPRA undertakes its research; that researchers collect data from all parts of the country, depending on the study.*

Some visitors suggested that KIPPRA should device a mechanism to monitor public policy implementation to the grassroots. Other subjects suggested for research include devolution, county budgeting, land reforms, youth fund for devolved governments, fish farming, entrepreneurship and SME support.

## County validation workshops for the study on co-management of forests

The Kenya Institute for Public Policy Research and Analysis (KIPPRA) together with Environment for Development (EfD)-Kenya carried out county validation workshops for the study on co-management of Aberdare, Kakamega and Arabuko Sokoke forests.

The workshops took place in stations near each of forests from 15<sup>th</sup> to 18<sup>th</sup> December, 2015. The study was funded by the University of Gothenburg in Sweden.

The Forest Policy 2007 and Forests Act 2005 came up with new ways of managing

forests in Kenya. The Act provided for the involvement of neighbouring communities in forest conservation and management through Community Forest Associations (CFAs). It also provided for the establishment of Kenya Forest Service (KFS). The Act has specific provisions related to access rights and benefits sharing arrangement, which provide a role for communities in the utilization of forest resources and protection of forests. The participation of the community in decision making is meant to ensure sustainable forest conservation.

The purpose of the study, therefore, was to review the effects of the co-management and assess the extent to which the new management system is working to enhance forest conservation.

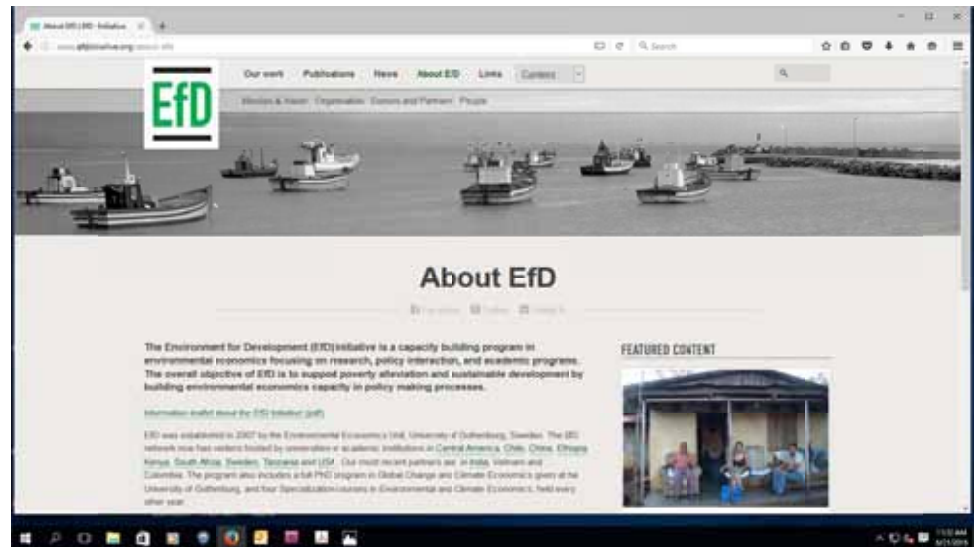
The study used household surveys, focus group discussions and key informants to collect data. Various aspects were analyzed to determine the level of each community's dependence on forest resources as well as their involvement in the management. These included the demographics of the community members

interviewed; their membership to CFAs, Community Based Organizations or other organizations; the benefits they derived from the forest; whether or not they paid fees to access the benefits and if so, how much; whether or not the CFA contributed to forest management and the hindrances to accessing forest benefits.

The workshops were meant to validate the findings of the study as well as gather additional comments and corrections. Most of the workshop attendees were CFA members. Others were KFS and KWS officials as well as local leaders.

Among the key benefits of forest co-management include: Firewood, grazing, rafters, farmland, prevention of soil erosion and maintenance of biodiversity. According to

the findings, most of those interviewed felt that CFAs played an important role in the conservation of forests.



Geita Community Forest Association

*Empowering Youth through  
Decent and Productive  
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# ABOUT KIPPRA

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The Kenya Institute for Public Policy Research and Analysis (KIPPRA) is an autonomous institute whose primary mission is to conduct public policy research leading to policy advice. KIPPRA's mission is to produce consistently high-quality analysis of key issues of public policy and to contribute to the achievement of national long-term development objectives by positively influencing the decision making process. These goals are met through effective dissemination of recommendations resulting from analysis and by training policy analysts in the public and private sectors. KIPPRA therefore produces a body of well-researched and documented information on public policy, and in the process assists in formulating long-term strategic perspectives. KIPPRA serves as a centralized source from which the Government and the private sector may obtain information and advice on public policy issues.

KIPPRA acknowledges generous support from the Government of Kenya (GoK), the African Capacity Building Foundation (ACBF), and the Think Tank Initiative (TTI) of IDRC. The TTI is a collaborative initiative of Hewlett Foundation, International Development Research Centre (IDRC) and other partners.

Other organizations are welcome to contribute to KIPPRA research either as core support, or support to specific projects, by contacting the Executive Director, KIPPRA.

*Send to us your comments on the articles published in this newsletter and any other aspects that may help to make the KIPPRA Policy Monitor useful to you. This may include policy issues you would like KIPPRA to prioritize.*

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2030*