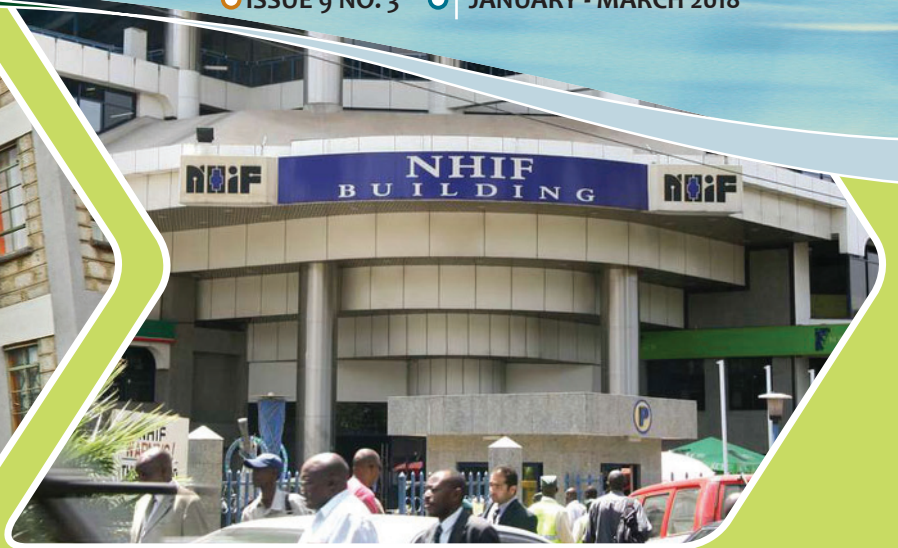


Policy Monitor

Supporting Sustainable Development through Research and Capacity Building

ISSUE 9 NO. 3 | JANUARY - MARCH 2018



Realizing the “**Big Four**” Agenda
through Energy as an Enabler

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An international centre of excellence in public policy research and analysis

MISSION

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

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Editorial

Welcome to the January-March 2018 edition of the **KIPPRA Policy Monitor** with a focus on the ‘Big Four’.

On 12th December 2017, His Excellency President Uhuru Kenyatta announced his new plan, the ‘Big Four’, which will guide the development agenda of the country in the period 2018-2022. It focuses on key basic needs that are critical in uplifting the standard of living of Kenyans on the path to becoming an upper middle-income country by 2030. Prioritized is affordable and decent housing, affordable healthcare, food and nutritional security, and employment creation through manufacturing. These four areas are expected to bolster strong inclusive economic growth.

The agricultural sector is a major driver of the economy, but Kenya is still classified as a food deficit country. Food production has been declining due to dependence on rain-fed agriculture, low adoption of technology including biotechnology, frequent attacks by pests and crop diseases, adverse weather, degradation of agricultural land, encroachment of urbanization into arable land, and rural-urban migration of the young people. To improve on food and nutrition security, efforts need to focus on promoting indigenous food consumption and diversifying the staple foodstuffs; enhancing reduction of food wastage and food loss; strengthening the supply chains and linkages to value addition; improving on food information market systems; and increasing investment especially in agriculture infrastructure.

Manufacturing has the potential to advance socio-economic development through increased and diversified exports, reduced import bills and enhanced employment creation. As such, policy interventions towards promoting the competitiveness of the manufacturing sector should aim at enhancing product diversity and complexity, improving the business environment, developing relevant infrastructure, enhancing credit and market access, strengthening technology transfer and innovation, and building an industrial culture.

The edition also looks at energy as a critical enabler in the realization of the “Big Four” Agenda. Despite

the government initiatives such as feed-in tariffs, development of Energy Local Content Regulations, and investment in renewable energy technologies, there are still challenges in generation, transmission and distribution. Key strategies that could enhance availability of energy for the actualization of the “Big Four” agenda include intensification of energy diversification, promoting transition from traditional fuels to modern sources of fuels, adoption of energy efficiency technologies, promotion of off-grid options, and attaining a more efficient energy mix with reduced share of thermal power generation.

Upscaling of insurance scheme to all Kenyans is considered as an imperative step in realizing universal healthcare coverage. Currently, the National Health Insurance Fund (NHIF) only covers a small percent of the population, but other initiatives are being implemented to enhance universal healthcare coverage, including Health Insurance Subsidy Programme and *Linda Mama* Programme (Free Maternity Service). Partnership and collaboration between levels of government and working closely with the health service providers in the private sector is key in the realization of universal healthcare coverage. Other policy interventions could include development of adequate healthcare workforce, equitable distribution of healthcare human resources, reduction of reliance on external support, strengthening of county supply chain management systems, and enhancing coordination in disease prevention, detection and response.

Finally, I take this opportunity to announce our upcoming KIPPRA Annual Regional Conference scheduled for June 2018. The conference themed ‘*Building Resilience to Mitigate the Impacts of Drought and Floods*’ will share experiences in responding to emergencies of droughts and floods, explore existing gaps in policy and institutional structures that hinder building resilience to avoid disasters from such events, and learn from various initiatives what else is required to enhance coordination among the various key players. For more information on the conference contact us on conference@kippra.or.ke.

**Executive Director
KIPPRA**



The gross public debt in December 2017 was Ksh 4,574.1 billion, which was higher than Ksh 3,827.4 billion recorded in December 2016, comprising 51.5% external debt.

Performance of the Kenyan Economy

By Benson Kiriga

The Kenya Vision 2030 targets a sustained 10.0% economic growth over time. In 2017, the first three quarters registered an average economic growth rate of 4.7%. The fourth quarter is expected to record an economic growth of at least 4.9%, translating to an overall growth rate of 4.8% for 2017/2018. The third medium term plan envisages economic growth to reach 10.0% by 2022 and be sustained onwards.

The inflation levels for 2018 have exhibited remarkable performance, with January recording 4.83%, February 4.46% and March 4.18%. This is attributed mainly to mild changes in food and non-alcoholic prices and the rains received in the month of March. The Kenya shilling exchange rate to US dollar was stable in 2017 as it averaged at Ksh 103.4 to one US dollar. The 91 day Treasury bill interest averaged 8.4% in 2017, which is attributed

to constant maintenance of the Central Bank rate at 10.0% and also the interest rate capping. Private sector credit continued to have a low growth in 2017 and slowed further from 3.9% in December 2017 to 1.8% in January 2018 partly attributable to interest rate capping.

For fiscal performance, total cumulative revenue including A-I-A as at December 2017 was Ksh 709.4 billion (8.1% GDP) which was higher when compared to Ksh 674.2 billion (9.4% GDP) realized in December 2016. However, the target was Ksh 777.7 billion, giving a shortfall of Ksh 68.3 billion attributed to shortfalls in Excise tax, PAYE, VAT imports and A-I-A as economic activity slowed with the prolonged political uncertainty. For the same period, total expenditure and net lending was Ksh 907.0 billion (10.5% GDP) against a target of Ksh 1,029.3 billion. This was mainly due to low absorption in both recurrent

and development expenditures as government activity slowed in the prolonged electioneering period. This resulted into a cumulative overall fiscal balance at Ksh 197.6 billion (2.28% of GDP), which was below a target deficit of Ksh 251.6 billion (2.91% of GDP).

The gross public debt in December 2017 was Ksh 4,574.1 billion, which was higher than Ksh 3,827.4 billion recorded in December 2016, comprising 51.5% external debt. The increased public debt was mainly attributed to increased public investments that are financed generally from external borrowing.

Growth Forecast for Kenya

The growth expectation assumes the prevailing

policy environment continues without any major or structural changes. The downside risks include, at domestic level, the persistent drought effects; uncertainties in political climate; inability to complete the targeted flagship projects; and continued slow growth in credit to the private sector. At global level is the continued slowdown in growth of the trading partners, which would constrain growth in exports performance. The poor performance in the private sector credit would adversely affect investments as investors generally depend on banking sector for finance. In addition, drought condition could see increased imports bill and therefore a deterioration in external balance. Without any policy interventions, growth recovery will be weak. The projected growth in this scenario is similar to what IMF has projected in the recent Kenya Economic Update for April 2018.

Economic growth prospects, 2018-2021

	2015	2016	2017	2018	2019	2020	2021
GDP Growth	5.7	5.8	4.8	5.5	5.9	6.1	6.2
Inflation	6.6	6.3	8.0	6.7	5.1	5.0	4.9
Private Consumption	2.5	7.2	5.9	5.8	5.9	6.0	6.2
Government Consumption	13.0	7.0	5.7	5.5	5.8	6.4	5.9
Private Investments	6.1	-11.5	-1.2	2.5	3.8	4.0	5.3
Government Investments	2.0	-9.1	4.4	6.7	6.1	7.3	6.2
Exports Goods and Services	6.2	0.6	2.9	3.2	5.3	5.0	6.2
Imports Goods and Services	1.2	-4.7	2.4	3.9	4.9	4.9	5.0
Current Account Balance	-6.8	-5.1	-5.1	-5.4	-5.1	-5.8	-5.5
Fiscal Deficit	-6.0	-5.4	-6.4	-6.4	-5.5	-5.3	-5.1
Public Expenditure	26.1	25.2	26.4	25.8	25.4	24.1	24.6
Interest Rate	10.8	8.5	8.6	8.8	8.8	8.8	8.8
Ksh per Dollar	98.2	101.5	103.4	103.4	103.5	102.9	102.4

Source: KIPPRA Treasury Macroeconomic Model (KTMM)

Any uncertainties in the economy will see a slow recovery in private investments, while government investments particularly in infrastructural projects will continue to support growth in investments. However, slow completion of targeted projects could inhibit economic growth to a single digit level. This implies that specific and directed efforts are required to boost total investments to reach the aspired levels of 30% of GDP. This indicates

a strong complementarity between public and private investments. Further, drastic changes in weather conditions will slow recovery in agriculture and exports growth. While investment in irrigated agriculture will contribute to sustaining food security, diversity in exports is necessary, including upscaling value addition to achieve strong growth in exports.

Realizing the “Big Four” Agenda through Energy as an Enabler

By Dr Helen Hoka, Dr Humphrey Njogu and Brian Obiero

Energy is one of the key enablers of economic growth and has productive interlinkages with other socio-economic activities such as industrial, services, agricultural, commercial, social institutions and households. Electricity and petroleum are the major sources of energy in Kenya, with electricity consumption having increased by 2.9% in 2016 from 7,826.4 GWh to 8,053.2 GWh while petroleum consumption rose by about 6.5% from 4,738.50 thousand tonnes to 5,044.20 thousand tonnes in the same period. Increased consumption of electricity could be explained by increased electricity access as a result of the last mile connectivity project and rural electrification programme. The main objective of the Last Mile Connectivity Project is to support the government’s initiatives of ensuring increased electricity access to Kenyans. Since 2013, after closure of the Kenya Oil Refinery, Kenya has continued to import petroleum products and, as such, the growing consumption of petroleum contributes to higher petroleum import bill.

Several initiatives are being undertaken to enhance the performance of the energy sector. For example, on the supply side, the government introduced feed-in tariffs in 2008 (revised in 2010 and 2012) to encourage private investment into renewable energy by providing a secure long-term tariff mainly valid for a 20-year period and guaranteed access to the grid. In addition, the 2014 Energy Local Content Regulations aim to fast-track implementation of the local content plan that focuses on Kenyan services, goods, labour and on-job training. The government is also exploring several initiatives aimed at boosting generation, transmission and distribution; for instance, the development of power plants particularly the 310 MW Lake Turkana Wind Power Plant, and the two units in Olkaria that are expected to add approximately 210 MW of cheap power to the grid. To boost the demand side, the government made plans to increase investment in renewable energy technologies which were considered to

Low cost electricity will guarantee and accelerate the realization of the “Big Four” agenda.

have lower levelized costs and would lead to cheaper electricity for all. Further, the government is continuing to invest in the construction of more electricity sub-stations, transmission lines and distribution of transformers to boost the availability of electricity to sustain demand.

Despite these initiatives, the sector faces several challenges in generation, transmission, and distribution that jeopardies the energy performance of the sector. For example, private investment in the power sector remains low. Development in generation industry is limited by, among others, the following: long delays, as projects are capital intensive and take inordinately long time from conception to commissioning; high generation tariffs; and time consuming government guarantees and letters of credit. Currently, electricity generation heavily relies on hydro-power and thermal power where each contributes a share of 35% of total generation. Hydro power generation relies on the levels of water that comes from rain; if the water is unavailable, hydropower generation will not take place. In such situations, thermal power generation is used as an alternative power generation source. Thermal power generation is costly because of high international prices of fossil fuels that is used to generate power. Prospects for off-grid option have been left out in the generation and transmission master plan. Off-grid power solutions can create a

successful path out of energy poverty especially in areas beyond the grid. Therefore, off-grid systems provide the roadmap towards electricity access.

Transmission and distribution challenges include the rising demand for electricity, which is growing faster than the ability to install additional generation plants. In addition, distribution is adversely affected by shortage of transformers and overstressed distribution network. Regarding the petroleum energy, the most important challenge of all is the increasing international prices of fossil fuels. This is significant amidst the rising consumption rates vis-à-vis the increasing depletion rates of global oil supplies that make harnessing of such resources expensive as complicated technologies become mandatory.

Low cost electricity will guarantee and accelerate the realization of the “Big Four” agenda. Manufacturing is expected to be a major consumer as a result of increased investment in industries, which will require massive energy, particularly in the textile and apparel, leather, agro-processing and the blue economy.

To enhance food and nutrition security, focus will be on expanding food production and supply, reduction of food prices to ensure food affordability, and supporting value addition in the food processing value chain. Critical initiatives that will demand energy include: enhancing large scale production; irrigation and production of agricultural inputs; adoption of post-harvest technologies such as establishing additional strategic food reserve for storage; and developing cold storage facilities.

With regard to achieving 100% Universal Health Coverage (UHC) for all households, there will be demand for energy to support initiatives that enhance quality service delivery and affordable healthcare for citizens, including powering equipment and modern technologies in health facilities.

The government plans to provide at least 500,000 affordable and decent housing by 2022. It is expected that once the units are developed, the house demand for energy will increase. To reduce the cost of energy, it will be important to introduce gradual transition from traditional fuels to modern fuels, encourage energy efficiency technologies and private sector participation in the development of the country’s energy sector. For example, in Ethiopia, the current generation capacity is hydro contributing to 89%, wind 8.0%, and thermal 3.0%. Botswana reduced the use of emergency power





In order to strengthen planning, coordination and effective implementation, it is important for the government to establish integrated development programmes that link energy interventions with demand.

2015 recognizes the importance of planning and advanced technology as key inputs to enhancing effective harnessing of energy resources. In order to strengthen planning, coordination and effective implementation, it is important for the government to establish integrated development programmes that link energy interventions with demand. These interventions should inform the national master plans on generation and transmission and link it with the rural electrification plan.

generators which currently accounts for about 1% of electricity generated locally. While in South Africa, coal takes 80%, gas 7%, nuclear 4%, solar 2% and hydro 4%. Kenya has a large share of thermal power that is currently at 35%. Kenya can learn from these countries by reducing at gradual levels the thermal power generation from the current 35% to lows of less than 5%. Kenya has a higher electricity tariff of US\$ 15 cents (Ksh15) per kilowatt hour, compared to Ethiopia whose tariffs are as low as US\$ 0.4 (Ksh 4.14) per kilowatt hour. Electric tariffs in Botswana and South Africa are US\$ 0.738 (Ksh 7.38) and US\$ 0.739 (Ksh 7.39) per kilowatt hour, respectively.

Slow implementation of complementary projects, poor due diligence and lack of clear policy on what happens when a grid reaches unconnected areas are some of the challenges that need policy review in the Energy Bill 2015. Reducing approval processes for permits and licences, in terms of time, and also government bodies' involvement is necessary. Moreover, reducing the difficulties in accessing the grid, to making it certain on the expected duration and cost of access is important.

Kenya has a power mismatch between what is demanded and supplied, which is made worse by poor planning, coordination and implementation. The Draft National Energy Petroleum Policy of

In addition, more off-grids projects are being integrated as additional models for enhancing electrification and to address local remote power demand and power outages. There is need for clear regulations on what happens in the future when such areas become potential for grid electrification.



Food and Nutrition Security in Kenya: Elusive Goal Five Decades Later

By Nancy Laibuni, John Nyangena and Joshua Laichena



Food security is one of the government's key plan

The Agriculture Sector Development Strategy (2009-2020) was developed to align the sector initiatives to Vision 2030. The 2011 National Food Security and Nutrition Policy (NFSNP) aims at enhancing food and nutrition security, information management systems and coordination of the roles of various ministries and agencies to achieve food security.

The agricultural sector contributes approximately 30% of Gross Domestic Product (GDP) annually. However, Kenya is classified as a food deficit country. Currently, close to 1 in every 3 Kenyans (14.5 million) suffer from chronic food insecurity and poor nutrition annually. In addition, about 30% of the children countrywide are stunted, 13% moderately wasted, while 7% are moderately underweight. Approximately 20% of the population does not attain the minimum dietary requirements to sustain a healthy and productive life.

Generally, close to 50% of rural and urban poor households are net buyers of food, spending between 50-70% of their budget on food. According to the Kenya National Bureau of Statistics (2018), 68.3% of total food consumed in urban areas are sourced from purchases. This is not very different from rural areas where 57.4% of food

consumed is also purchased. This implies that the amount of food being produced is not enough and, therefore, households are forced to go to the market to meet their food needs. This scenario puts most household in a precarious situation, leaving them vulnerable to food and nutrition insecurity. In order to cope, households adopt strategies such as skipping meals and foregoing non-food expenditures, and often requiring their children to participate in income generating activities.

Kenya's population has been changing over time in all respects – in terms of size, structure, and distribution. The 2009 Kenya Population and Housing Census enumerated a total of 38.6 million people, representing an increase of about 35% from the 1999 census of 28.7 million persons. Agricultural production has not increased in tandem with the rapid growth in population, and with increased



Need for market-driven value chain for the livestock sector

competition for land, the area under agriculture has been declining with time. As a result, demand for food has outstripped production. The Ministry of Agriculture and Irrigation estimates the annual food available per person at 81kg for maize, 7kg for rice and 21kg for potatoes. Further, the per capita annual production for cassava is about 13kg and for sweet potatoes 15kg; these root tubers can be used to complement maize supply. Estimates for pulses is 5kg and for sorghum 2kg, an indication that traditional foods are competed out in production.

The low levels of food crop supply has been as a result of several factors, namely: high cost of farm inputs, low adopting of technology, rising prevalence of pests and diseases, climate change and variability, collapsed marketing system, and the conversion of agricultural land into other uses. In addition, migration from rural to urban areas especially among young people has meant that only old people are left in rural areas to carry on agricultural production activities. As a result, the yields realized in the production of the country's staple food crops remain below optimal level. Unlike crops, livestock production has shown tremendous growth since 1969 when the first comprehensive census was conducted. Livestock contribute to food security directly through consumption or indirectly through income generation. Meat is the most important livestock product whose production in

2016 stood at 702,090 metric tonnes, 75% of which was beef, with mutton, chevon, pork, rabbit and poultry accounting the rest. In Kenya, the bulk of the beef is produced in ASAL counties where pastoralism is the dominant livelihood activity and is highly vulnerable to drought.

Milk is another livestock product contributing to food security needs. Milk has high nutritional value and defines food security in majority of pastoral communities. In 2016, the total milk production was 650 million litres, having increased from 423 million litres in 2007. Current per capita milk consumption ranges from 19 kg in rural areas to 125 kg in urban ones.

The high cost of production, low value addition, poor animal husbandry, recurring drought and inadequate infrastructure, among other factors, constrain the potential of livestock to contribute to the food security needs.

Policy Responses

The government in response to recurrent food crises since independence has in the past attempted to tackle the crises through formulation of various policies. These policies have largely been targeted on three types of interventions, namely: increasing supply; stabilizing prices; and enhancing income related policy interventions. The National Food

Policy (Sessional Paper No. 4 of 1981) is perhaps Kenya's first food policy that aimed at maintaining a broad self-sufficiency in major foodstuffs and to ensure equitable distribution of food of nutritional value to all citizens. Then came Sessional Paper No.2 of 1994 developed following the 1991-94 drought, which aimed at promoting a market driven approach to food security.

The implementation of these policies failed to produce the desired results, prompting the government to refocus the interventions. The Kenya Rural Development Strategy (KRDS) 2002-2017 was developed as a long-term framework with a broad range of strategies for the improvement of Kenya's rural areas over the preceding 15 years. The strategy emphasized food security as the initial step towards poverty alleviation/reduction and accelerate rural development. Previously, Kenya had embraced major strategies for rural development, including the District Focus Strategy (DFS) which made the district the operational centre for rural development in 1983, the Rural - Urban Balance Strategy (RUBS) in 1986, and the Integrated Strategy to Rural Development Planning in 1990s. This integrated approach to planning emphasized effective implementation of both the district focus and rural - urban balance strategies through increased location of light agro-based industries in the rural areas and small towns to provide immediate market for agricultural produce and raw materials to industries, among other things.

The next policy intervention was through the Economic Recovery Strategy (ERS) for wealth and

employment creation 2003 -2007, which majorly focused on achieving good governance, transparency and accountability and providing a lasting solution to hunger, poverty and unemployment. The Strategy for Revitalizing Agriculture (2004-2014) was developed with the primary objective of providing a framework to increase agricultural productivity, promote investment and encourage private sector involvement in agriculture. The Agriculture Sector Development Strategy (2009-2020) was developed to align the sector initiatives to Vision 2030. The 2011 National Food Security and Nutrition Policy (NFSNP) aims at enhancing food and nutrition security, information management systems and coordination of the roles of various ministries and agencies to achieve food security. This further informs implementation of Article 43 of the Constitution which establishes Kenyans' right to be free from hunger and to have adequate food of acceptable quality.

These policy interventions are yet to attain food and nutritional security in Kenya. With this realization, the Government has prioritized food and nutrition security under the "Big Four" agenda. It has pledged to ensure that all Kenyans are food secure by the year 2022 through expansion of food production and supply, reduction of food prices to ensure affordability, and through support to value addition in the food processing value chain. This is an ambitious achievable target considering that the population size will have increased to over 50 million, more than five times compared to the population at independence.



Water management in agriculture is a big challenge in Kenya.





Strategic Interventions

Promotion of indigenous food consumption: Maize has become one of the dominant staple foods; as a result, shortages due to poor harvest lead to food crisis in the country. Traditionally, Kenyans have had a variety of foodstuff such as sweet potatoes, cassavas, yams, arrow roots, bananas, sorghum, millet and a variety of legumes. However, many people today mainly rely on maize and a few other cereals as their main source of carbohydrates, because the production of traditional foodstuff is no longer given much attention. Promotion of indigenous foods could contribute to diversification of staple food and boost the total volume of food production in the country. Since indigenous crops are often grown under intercropping system, their promotion would also lead to preservation of soil and conservation of the environment.

Reduce food wastage and food loss: At national level, there is need for better awareness on the levels of food loss and wastage in order to make appropriate interventions. Currently, there are minimal efforts or evidence in data gathering, data sharing, and data analysis, in addition to limited capacity to carry out an assessment of wastage and loss. There is need for a holistic approach to addressing food wastage that is participatory, involving stakeholders at all levels of the food value chain. This should be followed up with a legislative framework on reducing food wastage. Concerted efforts need to be made to ensure cooperation and participation of both levels of government.

Strengthening the supply chain and linkages to value addition: Currently, traders determine prices

and often take advantage of deficiencies in the market. The common maize and vegetable gluts are usually artificial as prices remain high in distant markets in urban areas or in arid parts of the country where there is huge shortage. Efforts need to be made to provide short-term financing instruments in support of enhancing value addition and storage facilities so that farmers do not have to dispose of their produce immediately after the harvest to meet urgent cash needs.

Enhancing food markets information systems: There is need to put in place mechanisms that provide accurate information on both global, regional and local markets. Currently, there is inadequate capacity to produce consistent, accurate and timely agricultural market data and analysis especially in response to weather shocks such as floods or droughts. Likewise, information is required on production forecasts, food stocks, and food prices, on both cash and future markets.

Increased investments in the agriculture sector: There is need to expand public spending on rural infrastructure including feeder roads, extension services, and promoting agricultural research, science and technology including biotechnology. Resource allocation to the agriculture and rural development sector has averaged about 3% per annum of national expenditure, which falls short of the Malabo Declaration; spending on the sector following devolution is even lower. It is therefore critical to mobilize more financial resources to the agricultural sector.



Tapping Opportunities for **Employment Creation** in the Manufacturing Sector

By Anne Gitonga-Karuoro and Adan G. Shibia

The growth of manufacturing sector is expected to play a vital role in supporting the country's social economic development particularly with regard to employment creation. A vibrant manufacturing sector is key to this policy aspiration due to its high labour intensity and linkages with other sectors of the economy such as agriculture and services. Currently, Kenya's manufacturing sector accounts for 9.2% of GDP, 11.7% of total employment in the formal sector, and 20.4% of informal employment. A significant proportion of enterprises in the sector operate informally, employing nine times the formal manufacturing enterprises. The manufacturing sector is in fact the second largest source of employment in the informal sector after wholesale and retail trade, hotels and restaurants. Additionally, over 90% of the manufacturing sector enterprises, formal or informal, are micro and small - defined as enterprises employing less than 50 persons - yet they contribute to only about 20% of the sector's GDP.

In terms of structure of manufacturing value added, the top sub-sectors include food products, beverages, textiles and wearing apparel, printing and reproduction of recorded media, chemical products, metal products and furniture which account for 75% of manufacturing total value added and 70% of total manufacturing sector employment. The agro-processing, textile and wearing apparel, leather, and blue economy which are identified as key drivers in the "Big Four" account for 54% of manufacturing value added and 60% of the sector employment. With the policy target of realizing 15% contribution of the manufacturing sector to GDP and absorbing surplus labour from the agricultural sector, the sector needs to more than double its growth rate in the next five years.

According to the Kenya Association of Manufacturers (KAM) 2018 Manufacturing Priority Agenda, approximately 18% of locally produced manufactured goods are

exported. The key export destinations include COMESA and the European Union. It means therefore that currently, the manufacturing sector is inwardly looking as most of the locally manufactured products are consumed domestically. The key manufactured exports include food products, non-metallic mineral products, chemical products, metal products, pharmaceutical and botanical products, textiles and apparels. A few Kenyan manufacturing firms have their presence in the EAC through subsidiaries. Kenya's composition of trade has, however, remained unchanged over the years because of high reliance on a few agri-based primary commodities such as tea, coffee and horticulture which account for 50% of total export. For the sector to drive export growth it needs to enhance its competitiveness by shifting to medium and high technology products in order to attain more product complexity.

The Kenya Vision 2030; the National Industrialization Policy



Framework for Kenya 2012-2030; and Kenya's Industrial Transformation Programme define the policy framework in growing the manufacturing sector. Despite the various policy interventions undertaken over time, the sector is still faced with persistent challenges that have reduced its competitiveness. These challenges include high fuel prices, inadequate and unreliable power supply, cheap imports, unfair competition particularly because of counterfeits, high cost of credit, and low technological adoption. These factors contribute to low productivity, low product diversification, low value addition, and low market access for manufactured products. According to the Kenya National Trade Policy, Kenya's manufacturing sector has a relatively under-developed intermediate and capital goods industry. Additionally, the level of research and development undertaken by the industry is still relatively low, which is attributed to limited capability, infrastructure, equipment and machinery to undertake research and development as well as weak industry-research linkages. The multiplicity of licenses, fees and charges that have emerged under devolved governance structure especially at the county levels is

further complicating the business environment for investors.

It is important that manufacturing sector policy interventions are holistic and comprehensive in addressing input and market needs, as well as supporting the value chain. Three broad strategic areas for intervention which the government can prioritize over the next five years under the "Big Four" agenda include the following: skills and technology development and technology transfer to enhance innovation capabilities in supporting product diversification; provision of an enabling business environment at both national and county government levels including the regulatory interventions; and external market access interventions.

Skills and technology development and transfer

To address the skills and capacity gaps, it is important to adopt innovative policies that enhance partnerships between universities and the industry and create avenues for technology and skills transfer. One such approach would be to promote university-based incubators that encourage development of innovative ideas that contribute to the development agenda. Universities, through technology transfer offices, can enter into joint ventures with the private sector where both exploit strengths in research and technology development and production and market access, respectively. Such partnerships have a further potential of nurturing start-ups or spin-off companies. Other approaches include strengthening subcontracting especially between the large and small enterprises and promoting local content

policies. Technology and skills diffusion through strategies such as personnel exchanges, collaboration in production, joint research and enhanced interactions through industrial parks and other clustering strategies also ultimately enhance the technological capabilities.

Currently, Kenya's R&D fund is designed to support research facilities and research systems, with limited opportunity to fund business research expenditure. Funding for R&D in Kenya is limited. Particularly for the private sector, the function of R&D Fund established by the Science, Technology and Innovation (STI) Act should be amended to facilitate funding to the private sector.

The Kenya National Innovation Agency (KENIA) innovation database offers another opportunity through which expired or abandoned patents which are in the public domain and free to use and offer technical description that can be accessed by manufacturers. In addition, there is need to create awareness on intellectual property rights especially among innovative youth who should further be the target for the KENIA National Innovation Award Competition.

Innovation is also critical in making *Jua Kali* sector products marketable and competitive. Market access can further be enhanced through *Jua Kali* associations. They can play a critical role in promoting partnerships among the enterprise production chains and in the formation of clusters aimed at enhancing production. The associations can also facilitate business matching, establish vertical networks, and promote joint production activities among members.

It is important that manufacturing sector policy interventions are holistic and comprehensive in addressing input and market needs, as well as supporting the value chain.



A call centre in Nairobi. Service sector to drive Kenya's economy.

Enabling business environment

The reforms aimed at improving compliance among enterprises through the introduction of *Huduma Centers* should be oriented towards ensuring that all government services provided to businesses, including licensing, are comprehensively available from one single location. The challenge of multiplicity of licensing and charges also needs to be addressed through appropriate laws, policies and regulatory impact assessments.

The competitiveness of the manufacturing sector is hinged on access to affordable and reliable electricity. The Energy Bill, once enacted, will provide the framework for regulation, promotion and commercial utilization of different energy sources.

Given the role that Micro, Small and Medium Enterprises (MSMEs) play in employment creation, and given that the

government aims to create 1,000 SMEs in manufacturing within five (5) years, providing a favourable business environment will call for regulatory reforms which are pro-MSMEs. A critical aspect of this is the business environment infrastructure. Special Economic Zones (SEZs), for instance, offer such an opportunity. Though the SEZ Act does not identify SME parks as among the designated SEZs, it provides a great opportunity for promotion of SMEs. The SEZ Authority should design the standards for classification in a manner that promotes investments by SME manufacturers. This can be achieved through infrastructure, regulatory and fiscal incentives as well as technical assistance that matches the specific needs of SMEs.

Market access

To support diversification and expansion of export base, providing trade information on market preferences, ensuring compliance to standards, technical regulations and requirements

as well as export facilitation measures aimed at simplifying, modernizing and harmonizing export process are critical to successful implementation of Kenya's export strategy. This calls for improved technical and institutional capability to support local manufacturers. The manufacturing sector will also require innovative financing mechanisms that are suited to their needs. Countries such as India and China, for example, have established financial institutions to facilitate exports (For instance, Export-Import Bank of India and Export-Import Bank of China).

In complementing the market expansion interventions, three additional measures need to be considered. First, the KENIA innovation database presents an opportunity to catalogue locally manufactured products. Second is the continued development of e-commerce, which calls for appropriate payment and consumer protection, and last, the promotion of product quality and competitiveness.

Achieving Universal Healthcare Coverage in Kenya

By Phares Mugo Kirii

Universal healthcare coverage is one of the focus areas in the next five years under the “Big Four” agenda of the Government of Kenya. Kenya aspires to have Universal Health Care (UHC) by the year 2022. The UHC captures the population covered, the services provided and the cost of services covered. The government aims at achieving this by scaling up the National Health Insurance Fund (NHIF), increasing insurance coverage and achieving 100% coverage of the poor. This should contribute to reducing the 26% out-of-pocket (OOP) health expenditure to 12% by 2022. As a result, Kenyans would be guaranteed access to medical care and at minimal cost. Other sources for financing healthcare in the country apart from insurance include: general tax financing contributing 34%; out-of-pocket health spending contributing 26%; and development partners and non-government organizations (NGOs) who contribute 40%.

The NHIF currently covers 16.5 million people (36% of the total population), making it the principal insurance scheme for Kenyans as shown below. Currently, the scheme mainly targets formal sector workers who make mandatory contributions per month, with the remaining insurance coverage divided between private health scheme and

community-based health financing schemes. In the period 2018-2022, the government aims at reaching 13 million principal members from the current 6 million, which will get close to 40 million Kenyans under the umbrella of UHC given that each principal member has an average of three dependents. This is expected to offer financial protection against the high OOP. For the country to achieve UHC, the government targets to increase the population covered to 100% by 2022 for the projected 51.5 million citizens.

Population growth and projected NHIF coverage by 2022

	2017	2018	2019	2020	2021	2022
Population (million)	46	46	47.3	48.7	50.1	51.6
Population covered (million)	16.5	25.7	33.5	41.6	50.1	51.6
% of population covered	36%	56%	71%	85%	99%	100%

Source: Ministry of Health (2017)



Apart from a 50% reduction of out-of-pocket medical expenses, the other key deliverable to achieve UHC in the next five years is 100% coverage of the poor covered by the government. To date, over 181,000 households are under the Health Insurance Subsidy Programme, enjoying various healthcare benefits without discrimination. This is set to increase to 350,000 households by the end of 2018 and all older persons over 70 years who are slightly above 1 million will be covered. Additionally, the government will expand the *Linda Mama* programme (Free Maternity Service) which currently covers deliveries including antenatal and postnatal care. As a country, drumming up support for enrolment for health insurance is essential. This requires citizens across the country to understand that access and lack thereof to healthcare is a shared burden and UHC has mechanisms to cushion every Kenyan. For this to happen, the government should require the support of village elders, administrators such as chiefs and county commissioners, church leaders as well as trade unions.

County governments need to invest in enhancing access to essential health services through provision of infrastructure and qualified health professionals. This can be achieved through efficient deployment of doctors, nurses and specialists in all medical fields. Further, counties need to work closely with the health workers' unions in addressing frequent industrial actions that the country has witnessed in the recent past by improving the Collective Bargaining Agreements (CBA) negotiation process. The number of referral institutions should be increased, and each county should have at least two specialized hospitals that are well equipped to the required standards. Expanded training of adequate human resources for health will help address the gaps in meeting the norm for health workers per population, in addition to improving the management of health workers to ensure that all trained experts are placed equitably in all regions in the country to address the skewed distribution of health workers in favour of urban and more developed counties. Special emphasis should be placed on training clinical officers who are in the middle of the health system of the country.

The private sector will be instrumental in realizing the universal healthcare agenda. Privately-owned healthcare facilities should be enhanced so that citizens are not deprived of their rights in accessing healthcare as enshrined in the Constitution under the Bill of Rights. The private sector will play a role

in improving access to quality medicines through co-payments for all Kenyans which will reduce the cost of community medical services. The private sector should also not only be viewed as a source of funding but also a source of experience and capabilities. The value and contribution that the sector can bring to this process by delivering innovation, increasing access, and helping to strengthen healthcare systems is being recognized more and more, and the sector should be ready in supporting the government in achieving UHC.

It will be a major setback in the health care system to have infrastructure which cannot complete the treatment loop due to lack of quality affordable medicines, medical supplies and functional medical equipment. UHC cannot be achieved without adequate financing for essential medicines for communicable and non-communicable diseases, which can be quite expensive. In order to improve access to medicines by ensuring availability, affordability and physical accessibility to quality generic medicines, there is need to introduce a more cost-efficient and effective system of pooled procurement of medicines for public health institutions, along with establishment of in-house drug retailers in public health facilities.

At least 10% of the country's total budget should be allocated to health as opposed to the current 7% allocations which is not adequate to meet the UHC coverage. Although devolution has expanded the financial envelope, much more can be done to ring-fence the budgets for health to adequately finance health-related needs at the devolved units. The financing of health interventions dependent on donors in strategic programmes such as immunization, HIV, Malaria and TB should be reviewed by the national government to ensure sustainability of these programmes when external assistance is no longer feasible.

A key challenge in achieving UHC is the increased burden of non-communicable diseases and traffic accidents. Given that the country already has a shortage of medical equipment and specialists, the government should fast-track the establishment of centres of excellence for cancer and kidney, health commodity storage centres, regional referral hospitals and laboratories which have the required health personnel. The national government and counties should embark on sensitization of safe deliveries, immunizations, ante-natal and postnatal care and general utilization of health facilities for communities where health uptake is low.



Capital Markets

The Capital Markets (Securities Lending, Borrowing and Short Selling) Regulations 2017 were gazetted in December 2017. According to the regulations, securities lending means “the temporary transfer of securities from a lender to a borrower with the concurrent written agreement to return the securities either on demand or at a future date”. This involves three lenders, lending agent and the borrowers. The regulations establish that the Capital Markets Authority is to prescribe the criteria for identification of securities that may be lent; prescribe the criteria to identify securities that may be subject to short sales; as well as receive the reports on securities lending and borrowing transactions undertaken. The regulations further provide what is to be included in a lending agreement.

Micro Finance (Amendment) Bill 2018 and Regulations

The Central Bank of Kenya has proposed to introduce amendments to boost corporate governance in the sector, and to enhance minimum capital requirements for MFBIs to enable them build resilience against financial downturns and enhance consumer protection. With eminent dangers from increasing and more sophisticated cyber-crime, the bill proposes guidelines to enhance mitigation against cyber risk and domestication of business continuity planning and management. As at December 2017, there were 13 licensed micro financing institutions with 114 branches country wide with total assets of Ksh 69,170 million and loan advances of Ksh 43,051.

Change of Names under the Companies Act 2015

In compliance with section 53 of the Companies Act 2015 which states that companies which are both limited and public companies be registered with a name ending with public limited company or the abbreviation Plc while section 54 states that companies that are both limited and private companies may be registered only with a name that ends with limited or the abbreviation ‘Ltd’, Safaricom limited has changed its names to Safaricom Plc. This follows a resolution passed by the shareholders last year for the company to change its name. Other companies which have already changed their names to Plc include, Standard Group, British American Tobacco (BAT) Kenya, KCB and Stanbic Holdings Plc.

Sacco (Amendment) Bill 2018

This bill aims to ensure that individuals with criminal records, fraudsters and directors of failed co-operatives do not form part of the boards of Kenyan savings and credit co-operatives. Those convicted or are under investigation for financial impropriety, fraud, corruption or economic crimes are also not fit to hold an office in another Sacco. This proposal is part of the Sacco (Amendment) Bill 2018 which has been gazetted by the National Treasury, seeking to streamline the operations of Saccos. Saccos hold over US\$ 5 billion of members’ savings. This, if passed, will strengthen the corporate governance within Saccos.

County Government Amendment Bill 2017

The Senate Standing Committee on Delegated Legislation received public views in March 2018 on the County Government Amendment Bill 2017 which seeks to address existing gaps within the Constitution and the County Government Act 2012

with regard to assumption of the office of the governor and deputy governor. The bill will provide a legal framework to address the challenges that have faced counties in the past when one dies or resigns from office.

Government Imposes Moratorium on Logging

The government issued a 90-day ban on logging to help arrest the wanton destruction of the forest cover. This led to formation of a taskforce to look into resource management and ongoing activities in Kenya's major forests by the Environment ministry. Although this is laudable, a lot more needs to be done towards reforestation efforts.



The Constitution of Kenya (Amendment) Bill 2018

The principal object of this Bill is to amend the Constitution to ensure that the membership of the National Assembly and the Senate conforms to the two-thirds gender principle provided for in Article 81(b) of the Constitution. The Bill seeks to give effect to the two-thirds gender principle through the creation of special seats that will ensure that the gender principle is realized in Parliament over a period of twenty years from the next general election. It is hoped that by that time, both genders will have been given a level playing field and will be able to compete on an equal plane.



The Constitution of Kenya (Amendment) (No. 2) Bill 2018

The principal objective of the Bill is to amend the Constitution of Kenya by changing the existing date for the general election for members of Parliament, the President, member of County Assembly and the county governors and deputy county governors from second Tuesday of August in every fifth year to third Monday in December in every fifth year. The Bill seeks to introduce a new date for conducting a general election that would be more favourable to Kenya's circumstances.

The Assumption of Office of the County Governor Bill 2018

The Warehouse Receipt System Bill, 2018

The objective of this Bill is to provide a legal framework for the development and regulation of a warehouse receipt system for agricultural commodities to address marketing challenges associated with cereals and grain sub-sectors in Kenya.

The principal object of this Bill is to provide for the procedure and ceremony for the assumption of the office of Governor by a Governor elect. There is presently no legal framework governing the assumption of the office of the Governor. The framework is important as it would ensure a successful and smooth transition into the office of Governor by a Governor-elect.



Domestic Policy News

Earnings from Coffee and Tea Decline

Coffee has been performing well since the beginning of the year, with prices going up since the first auction of 2017. Market data from the Nairobi Coffee Exchange (NCE) indicate that the value of coffee dropped from Ksh 9 billion last year in February to Ksh 8 billion in the period under review, representing a 10% decline. This was attributed to changes in the international markets, especially the New York Coffee Exchange where Kenyan coffee is mostly traded and any change in price affects the local sales. Similarly, the volumes of the tea to Kenya's traditional export markets decline by 30%, with the exception of Egypt. The report shows total



volume of tea exported to Pakistan, UK, Russia and UAE dropped to 49%, 26%, 25% and 5%, respectively. The country is now scouting for new markets for its beverage to boost the sub-sector.

Kenya Fisheries under Threat from Imports

The importation of fish from China has caused concerns among fish traders in Kenya. Importers are reportedly selling tilapia from China directly to retailers at extremely low prices, thus negatively affecting Kenyan wholesale traders. However, the government has noted that lack of fish feeds has been a bottleneck to commercial fish farming in Lake Victoria. Investment in the fisheries especially in inland fish sources (Lake Victoria, Lake Turkana, Lake Naivasha), aquaculture, and marine fisheries could ensure that the country not only produces enough fish for the domestic market but also for export.

Skills Gap Challenge in Kenya's Public Service

The number of civil servants set to retire within the next 10 years which has risen by 37% may lead to a skills gap within the public sector. To address this, the government plans to introduce management trainee programme to fast-track graduates into executive roles, trigger promotions and review blanket ban of fresh hiring to ease the effects of the ageing workforce. The government is likely to support this intervention by other measures, including extension of the retirement age.

Development in the Energy Sector

Fuel prices will rise by about a shilling per liter if the energy regulator, Energy Regulatory Commission, adopts proposals to increase the profit margins of oil dealers. Kenya's pump prices are set to rise even further as the National Treasury moves to impose a delayed 16% value added tax on petroleum later this year. The Energy Regulatory Commission also proposes that energy prices be harmonized to eliminate cost disparities in a controlled market. If adopted, Mombasa motorists will be hardest hit in this subsidization of transport costs by consumers, who are nearer the source to offset the burden of those further away. Despite this outlook, the cost of fuel is expected to reduce after completion of a Ksh 48 billion Mombasa-Nairobi pipeline Line 5 within the third quarter of 2017/2018.

In the upstream oil and gas sector, companies developing Kenya's first oilfields expect to conclude agreement on construction of an export pipeline by the middle of this year, according to Toronto-listed Africa Oil. With production set to begin in 2021-2022, oil companies are looking for strategic partnerships in the pipeline development. British oil explorer Tullow has started setting up equipment in Turkana oilfields to separate crude oil from impurities in readiness for export. It has pumped an additional US\$ 2.9 billion (Ksh 293 billion) into the Turkana operation to achieve the commercial scale needed to start exporting Kenya's oil in the next four years. In January, French firm Total SA committed to invest in the Lokichar-Lamu pipeline, boosting Kenya's efforts to develop its own oil fields and realize its ambition of joining the league of oil exporters.

Kenya's Institutional Reforms in Financial Service Providers

Following the announcement to merge Uwezo Fund, Youth Fund, Kenya Industrial Estates (KIE), Industrial Development Bank of Kenya and the Development Bank of Kenya, Parliament has called for probing into the accounts of the six state organizations before being collapsed into one. This probe will be carried out by Special Funds Accounts Committee which has been formed. The merger is aimed at enhancing efficiency in service delivery as the agencies are seen to be having overlapping mandates and functions.

The initial institution reform as presented in the 2013 Report of the Presidential Taskforce on Parastatal Reforms was the establishment of the Kenya Development Bank (KDB) by merging Kenya Industrial Estates (KIE), IDB Capital, Industrial and Commercial Development Corporation (ICDC), Agricultural Finance Corporation (AFC), and Tourism Finance Corporation. A similar initiative was later presented in the 2013 Budget Statement which proposed the establishment of a Biashara Kenya Bill. In the Second Medium Term Plan 2013-2017

(MTEP II), Biashara Kenya is identified as a strategy to provide funding and leverage investment for the sector by transforming the Youth Enterprise Development Fund and the Kenya Industrial Estates into a new national enterprise.

Opportunities in Kenya's Water Towers

A team of experts drawn from the government and the European Union (EU) is holding talks with the aim of unlocking the Ksh 3.6 billion suspended aid meant to protect Kenya's five water towers. The aid was suspended due to conflict arising from forceful eviction of local communities living in forests within the earmarked water towers. The six-year EU funded programme is aimed at tackling poverty by promoting productivity of ecosystem services at Cherangany and Mt Elgon forests, and covers 11 counties. Meanwhile, semi-arid counties of Northern Kenya will get improved water supply in a Ksh 3.5 billion plan between a US development agency and the Ministry of Water. Running for five years, the public-private partnership will cover Garissa, Isiolo, Marsabit, Turkana and Wajir counties.

Developments in Kenya's Mobile Banking and E-Commerce

According to data from the Central Bank of Kenya, mobile money transfers over the last quarter of 2017 stood at Ksh 930.597 billion. It is reported that mobile banking has improved Kenya's financial inclusion as a number of financial sector players incorporate mobile money transactions in their operations. According to State of Industry Report on Mobile Money by GSMA, mobile money is strengthening the banking industry going by the volumes of flows to and from the banks. Further, increased e-commerce through online businesses facilitated by e-commerce platforms such as OLX, Jumia, Cheki, Kilimall, Vitumob, Africa Sokoni and Safaricom's Masoko have also contributed to growth in mobile money transactions.

Financial inclusion brought about by mobile money is not limited to Kenya but in 92 countries around the world. Mobile money has also paved way for a number of innovations that enhance transactions and service delivery, and contributed to additional

social benefits. The growth and potential of Kenya's e-commerce is documented in a report by the Statista on the digital market outlook which in 2017 projected Kenya's e-commerce to reach US\$ 28,942 million by 2022 for the entire continent.



Current KIPPRA Research Projects

KIPPRA Wide Survey on Drought and Floods in Kenya

Climate induced extremes constrain Kenya's economic growth, thus threatening achievement of Vision 2030 and the "Big Four" agenda. KIPPRA is undertaking a nationwide survey on 'Resilience Measures to Mitigate the Impact of Drought and Floods in Kenya' covering 27 counties particularly prone to drought and floods. The objective of this study is to examine the impact of droughts and floods with a view to recommending options for reducing future emergencies. The study will contribute towards understanding of drought and flood dynamics in Kenya. The field work was conducted in February and March, 2018 across the 27 counties and data was collected from households, firms, schools, health institutions and from people knowledgeable on the subject matter, drawn mainly from the county governments and various relief agencies. Preliminary findings of the study will be presented at a regional conference planned for June 2017.

National Information Platform for Food and Nutrition in Kenya (NIPFN)

This is a four (4) year project (January 2018 - December 2022) jointly implemented by KIPPRA and the Kenya National Bureau of Statistics with funding from the European Union. The aim of this research is to strengthen evidence-based decision making to contribute to better nutrition for Kenya's population as enshrined in Article 43(c) of the Constitution. The process of providing evidence to inform policies, programmes and interventions for improving food and nutrition requires the analysis of current policies and programmes to identify issues; inter-sectoral analysis of existing data and information, nationally and internationally, that influence nutrition such as agriculture, health, water and sanitation, education and social protection unit will also advice on the policy processes associated with the NIPFN.

Monitoring and Analyzing Food and Agricultural Policies (MAFAP) Programme in Kenya

The MAFAP programme supports the development of a sustainable system for monitoring food and agricultural policies in Kenya. Central to this system is the generation of indicators and analyses that monitors the effects of policy and market performance on price incentives for producers and other actors in key agricultural value chains; the level and composition of agricultural public expenditure; and the degree of coherence between government policy objectives, measures adopted to achieve these objectives and the effects they generate. The aim is to allow the Government of Kenya to identify policies and/or market failures constraining agricultural development. The project is in its 2nd Phase, which started in May 2015 and comes to a close in June 2018. Currently, the database on public expenditure in the agricultural sector is being updated as well as the technical note to 2016/17 fiscal year.



KIPPRA News and Events

Roundtable: Building Economic Complexity in Kenya

On 28th February 2018, KIPPRA hosted a roundtable on Building Economic Complexity in Kenya and Expanding Economic Opportunities for Women and Youth. The objective of the roundtable was to discuss policy options Kenya can adopt to achieve structural transformation to enable expansion of economic opportunities for disenfranchised youth and women. The roundtable brought

together stakeholders within the manufacturing sector who helped identify key constraints, such as skills, access to capital, infrastructure, technology, red-tape/bureaucracy, facing the shift to proposed product spaces. Further, it sought to understand whether shifts into the identified products are likely to result in the pursuit of more inclusive growth patterns that benefit youth and women. It was noted that there is

broad consensus that integration into the global economy is a reliable way for countries to grow, which supports the view of countries pursuing an export-led growth and that there is need for analysis of the current manufacturing product space, as well as the identification of new products into which the economy can move into, given current capability and production levels.



Participants at the roundtable on Building Economic Complexity in Kenya

Roundtable: Economic Inclusion of Youth and Women through Inclusive Entrepreneurship in Kenya

On 16th February 2018, KIPPRA in conjunction with the Economic Policy Analysis Unit of CIRES (CAPEC) in Cote d'Ivoire and Laboratory of Quantitative Analysis SAHEL (LAQAD-S) in Burkina Faso hosted a workshop in Nairobi to launch the project on economic inclusion of youth and women through inclusive entrepreneurship. The project is being supported by the International Development Research Centre (IDRC). The aim of the launch was to present the study concept to key stakeholders in order to get their inputs and to seek collaborative partnerships. The main objective of the study is to analyze the



Participants at the roundtable on Economic Inclusion of Youth and Women through Inclusive Entrepreneurship in Kenya

contribution of inclusive business to the well-being of young people and women in Côte d'Ivoire, Burkina Faso and Kenya. Further, the research project aims to understand inclusive businesses and particularly how and where inclusive business initiatives

are adopted; the internal and external choice factors; the beneficiaries; and the effects on the enterprise on employees and the economy, with emphasis on youth employment and women empowerment.

Validation Workshop for Kenya Economic Report 2018

KIPPRA held a validation workshop of the Kenya Economic Report (KER) 2018 on 23rd March 2018. The workshop, attended by over 60 participants, was graced by Mr Jamshed Ali, the Chief Economist who represented the Principal Secretary, State Department of Planning. The report focused on the impetus on total investments that can deliver the desired 10% economic growth envisaged in Vision 2030 and highlighted the status of investments in Kenya; opportunities and risks for investments; constraints and challenges. Specifically, the report covered investments in transforming the manufacturing sector, human capital development, trade, tourism, food security, and infrastructure investments. For Kenya to boost

investments, the report made a number of recommendations including maintaining momentum in implementation of the institutional and structural reforms to enhance competitiveness; an elaborate coordination framework for

the various initiatives with the devolved system of government; promoting cooperation among the EAC partner States; and a clear framework for regional economic blocs established by the county governments.



Participants at the roundtable on validation workshop for Kenya Economic Report 2018

KIPPRA at Makueni Universal Healthcare Conference

KIPPRA disseminated findings of a recent study on “Assessment of healthcare under devolution” during the National Conference on Universal Healthcare (UHC) held in Makueni County from 4th - 5th April 2018. The conference, themed “Meeting Kenya’s UHC Challenge” brought together Makueni and Laikipia governors, deputy governors as well as leaders in the health sector from various county governments, the Ministry of Health, non-governmental organizations and private institutions dealing with health issues. Notably, KIPPRA made a call to move to provision of quality healthcare and patient-centred care in all private and public institutions and delivery of healthcare as a human right. This will require the national



Participants at the Universal Health conference in Makueni County

and county governments to enhance dialogue on human resource management, including provision of minimum health services and running of critical care units. Other key issues that stood out during the conference were: the importance of good leadership and stewardship in

the achievement of UHC; the need to look into the welfare of health workers such as ensuring they have health insurance and work in a safe environment; and negotiation of minimum service agreements to avert crises during strikes.

Kenya Deepens its Bilateral Cooperation

Bilateralism is central in the realization of Kenya's foreign policy objectives. Since the beginning of the year, Kenya has intensified its bilateral ties with South Africa, Sudan, Tanzania, Cuba and Mozambique, among others. President Kenyatta's three-day visit to South Africa in January was important in deepening partnership and bilateral ties between Nairobi and Pretoria on areas of mutual interest, namely trade, digital infrastructure, visa exemption, training and regional peace and security. Other issues discussed included a review of the progress in the implementation of previous cooperation agreements and several memorandum of understandings (MoUs) that had been dealt with in 2016 during President Zuma's visit to the country. In addition, Kenya seeks to deepen its economic cooperation with Sudan in order to increase production of lower-cost sugar and boost the country's tea exports to Khartoum. The development follows bilateral talks between President Uhuru Kenyatta and Mr Kamal Ismael, envoy of Sudan's President Omar Al-Bashir at State House, Nairobi on 25th January 2018. The President reiterated that Kenya could learn from the technologies Khartoum has employed over the years to be one of the lowest-cost producers of sugar in the world. The President

showed interest in learning about cotton farming in Sudan. Cotton production is key for textiles and apparels that could play a considerable role in the manufacturing sector (one of the Big Four).

Kenya's President Uhuru Kenyatta and Tanzania's President John Magufuli met on the margins of the 19th Ordinary Summit of the EAC Heads of State in Kampala and directed their ministers to resolve long running trade/business disputes between Kenya and Tanzania immediately. The two leaders noted that it was in the interest of the two countries to have cordial relationships in order to prosper and experience economic development. Kenya also sought to strengthen its bilateral ties with Cuba during President Kenyatta's three-day visit to the Caribbean nation on 14-16th March 2018. The President's historic visit is expected to boost his "Big Four" agenda since Nairobi is keen on learning fundamental lessons behind Havana's success in its well-developed universal healthcare system. The bilateral talks between leaders of the two countries also included trade, sports and blue economy.

Global Policy News

Financing Infrastructure Developments in East African Community

Deliberations from the EAC Heads of State Joint Retreat on Infrastructure and Health Financing and Development, held in February 2018 in Uganda, indicate that East African Community (EAC) partner States will maintain high budgetary allocations geared towards financing infrastructure development within their national borders. By 2025, the EAC will have 7,600 km of road surface, laid 4,000 km of standard gauge railways, and increased the combined installed capacity of electrical power generation from 4,245 MW to 6,734 MW. It was noted that the ongoing infrastructure development projects were meant to interlink the partner States and create a strong common market in the region, with sights on the Tripartite Grand Free Trade Area.

Financial Markets Deepening in Africa

According to the Barclays Africa group financial markets index 2017, African countries are building strength in enhancing financial markets' deepening. Notably, many countries are not only putting in place policies to attract foreign direct investments but also building capacity for domestic investors. The report focuses on 17 economies in Africa under 6 pillars which include market depth, access to foreign exchange, market transparency, tax and regulatory environment, capacity of local investors, macroeconomic opportunity, and legality and enforceability of financial market agreements. Overall, South Africa was ranked top with 92 points out of 100, followed by Mauritius, then Botswana. Kenya was ranked at position 5 with Tanzania and Uganda at 11 and 10, respectively, and Ethiopia closing the list with 22 points due to challenges of market depth and low local investor capacity.

To improve the performance of financial markets in Africa, the report makes recommendations for establishment of a regional financial markets bourse, harmonization of financial markets standards across the continent, and encouragement of cross border listings. It is also necessary for each country to enhance the capacity of local investors through sensitization and public awareness, and minimize capital controls to foster good flow of capital for investment.

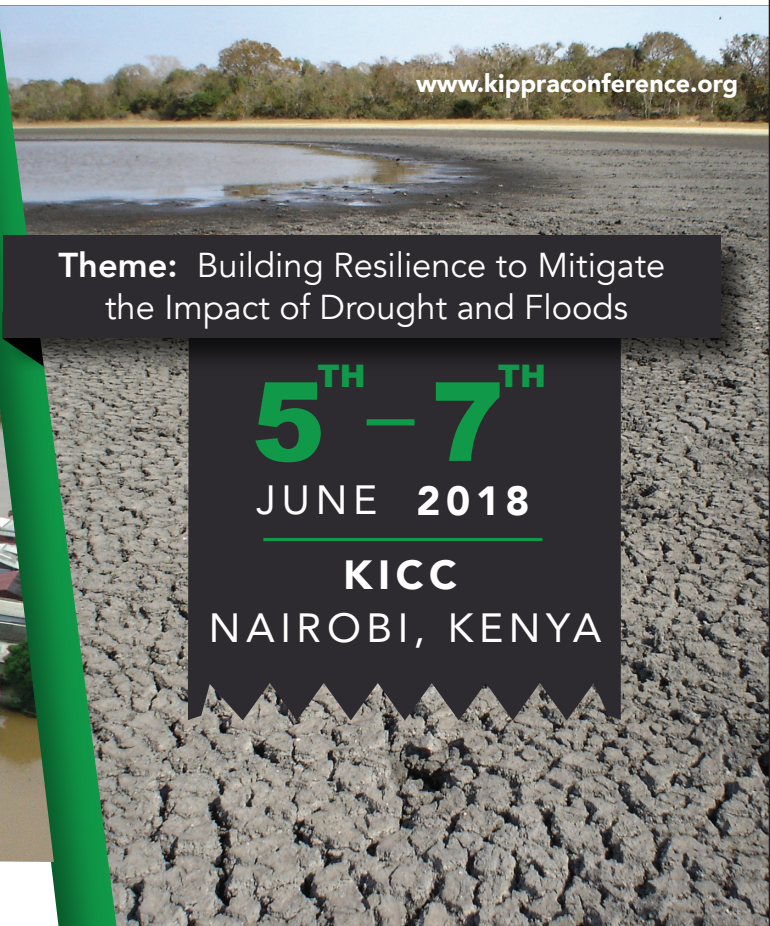
FORTHCOMING EVENTS

KIPPRA to Participate at the Devolution Conference

KIPPRA will participate in the annual Devolution Conference scheduled to take place in Kakamega County from 23rd April to 27th April 2018. The event, organized by the Council of Governors, Ministry of Devolution and ASAL areas, the Senate, the County Assemblies Forum and the Presidency will bring together national and county government representatives, citizens, civil society organizations and development partners. The theme for this year's conference is "Sustainable, productive, effective and efficient governments for results delivery." The event will take a sector approach to support the realization of the "Big Four" agenda including universal healthcare, affordable housing; food security; and manufacturing. The Ministries, Departments and Agencies including KIPPRA will showcase their respective products, especially the capacity development programmes on offer by KIPPRA, and various research outputs.

KIPPRA to Conduct PEFA Validation Workshop in Kakamega

KIPPRA is set to conduct the Public Expenditure and Financial Accountability (PEFA) validation workshop in Kakamega County on 24th April 2018. During the workshop, a team of PEFA assessors including KIPPRA's Trade and Foreign Policy Department staff and two officers from the Office of Auditor General and National Treasury will share the findings of the PEFA assessment undertaken in Kakamega County in March 2017. The participants from the Kakamega County will largely comprise staff from various departments. It is expected that the results of the PEFA assessment in Kakamega County will inform policy reforms to strengthen public financial management systems in the devolved unit.



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Theme: Building Resilience to Mitigate the Impact of Drought and Floods

5TH – 7TH
JUNE 2018

KICC
NAIROBI, KENYA

This conference will provide a forum for sharing knowledge with discussion on:

- 1 Emergencies of drought and floods.
- 2 Socio-economic costs of drought and floods.
- 3 Gender dynamics.
- 4 Impact on children, elderly and other vulnerable groups.
- 5 Food security, agriculture systems and climate change.
- 6 Coping mechanisms and the role of culture.
- 7 Coordination and Institutional framework for disaster risk management.
- 8 Adaptation and mitigation strategies.

This conference brings together delegates comprising officials from national and county governments, representatives of national authorities in the East Africa and other regional blocs, regional think tanks, agencies in charge of disaster management and managing programmes to mitigate drought and floods as well as development partners and civil society representatives.

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ABOUT KIPPRA

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 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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