# Policy Monitor

*Thinking Policy Together*

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***Kenya @60 and Industrialization Prospects under BETA***

The KENYA INSTITUTE for PUBLIC POLICY RESEARCH and ANALYSIS

*Thinking Policy Together*

# KIPPRA POLICY MONITOR

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**Kenya @60 and Industrialization Prospects under BETA**

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# Editorial

Welcome to the KIPPRA Policy Monitor, the July- September 2023 issue. This issue comes at a momentous juncture as Kenya prepares to celebrate its 60th year of independence on 12th December. As such, this edition is themed **" Kenya @60 and Industrialization Prospects under BETA "**.

The main articles in this issue take a historical perspective focusing on economic growth in the 60 years; priority export crops in driving transformation agenda; micro and small enterprises as a bedrock for industrial take off under the Bottom-up Economic Transformation Agenda (BETA) and Kenya's journey in the Industrial Revolution Eras.

The Policy Monitor highlights KIPPRA's capacity building activities, including KIPPRA Mentorship Programme for Universities and TVETs (KMPUT) at Laikipia University, capacity building for the Somali Central Bank on Macroeconomic Modelling and Forecasting and for state agencies on the Executive Public Policy Making Process (PPMP). The Institute also continued with building capacity for policy clubs in universities.

The Policy Monitor also highlights KIPPRA's demand-driven projects, including the role of Global Public Investments (GPI) in climate change financing and the role of Special Drawing Rights (SDRs) in addressing the negative economic and the debt distress shocks and informing policy reforms to access the Resilience and Sustainability Trust (RST) financing.

For collaborative projects, KIPPRA is collaborating with the National Treasury, African Economic Research Consortium (AERC), and the University of Copenhagen on a three-year economic research and policy making project geared towards developing 14 research papers that will inform tax reforms in Kenya in areas such as VAT system, income tax system, excise tax system, among others. In addition, IFPRI is supporting the Institute in setting up the KIPPRA Modeling Hub. Further, in the spirit of corporate social responsibility, we share our activities, including a tree-planting initiative in Elgeyo Marakwet County and participation in the Plant your Age Initiative.

Finally, the Policy Monitor highlights key policy news at domestic, regional, and international levels, and legislative developments at the National Assembly and the Senate. We also give you a glimpse on upcoming KIPPRA events such as sectoral dissemination workshop of the Kenya Economic Report 2023.

On behalf of the entire KIPPRA fraternity, we trust that you will find this issue informative and engaging as we reflect on Kenya's journey, celebrate its achievements, and explore the path forward in these transformative times.


# Kenya's Economic Growth: A Journey from Independence to Prosperity

*By Hellen Chemnyongoi and Daniel Omanyo*

## Introduction

This article presents a snapshot of macroeconomic developments during the July-September quarter and extensively discusses Kenya's economic growth pattern since independence, with a focus on the sources of economic growth.

## Overview of Recent Economic Performance

Macroeconomic performance during the July-September quarter of 2023 was stable, supported by prudent monetary and fiscal policies. Table 1 presents a summary of key macroeconomic indicators during the July-September quarter and comparative fiscal position as at the end of June 2023 and 2022. Notable was the continued tightening of monetary policy to anchor the inflation expectation within the target range in July 2023. With the good long rains, food prices declined, thus contributing to easing the overall inflation rate to an average 6.9 per cent in the quarter compared to 8.7 per cent during a similar quarter in 2022. This notwithstanding, fuel inflation rose to 13.93 per cent from an average of 9.4 percent in July-September quarter of 2022. The high energy prices partly reflect the increase in Value Added Tax in fuel to 16 per cent in July 2023. On the fiscal front, the country registered improved fiscal performance in 2022/23 compared to 2021/22 signified by growth in total revenue and reduction in fiscal balance. That said, public debt stock increased to Ksh 10,189.5 billion as of 30th June 2023 compared to Ksh 8,629.0 billion as of 30th June 2022, on account of external loan disbursements and exchange rate depreciation during the period.

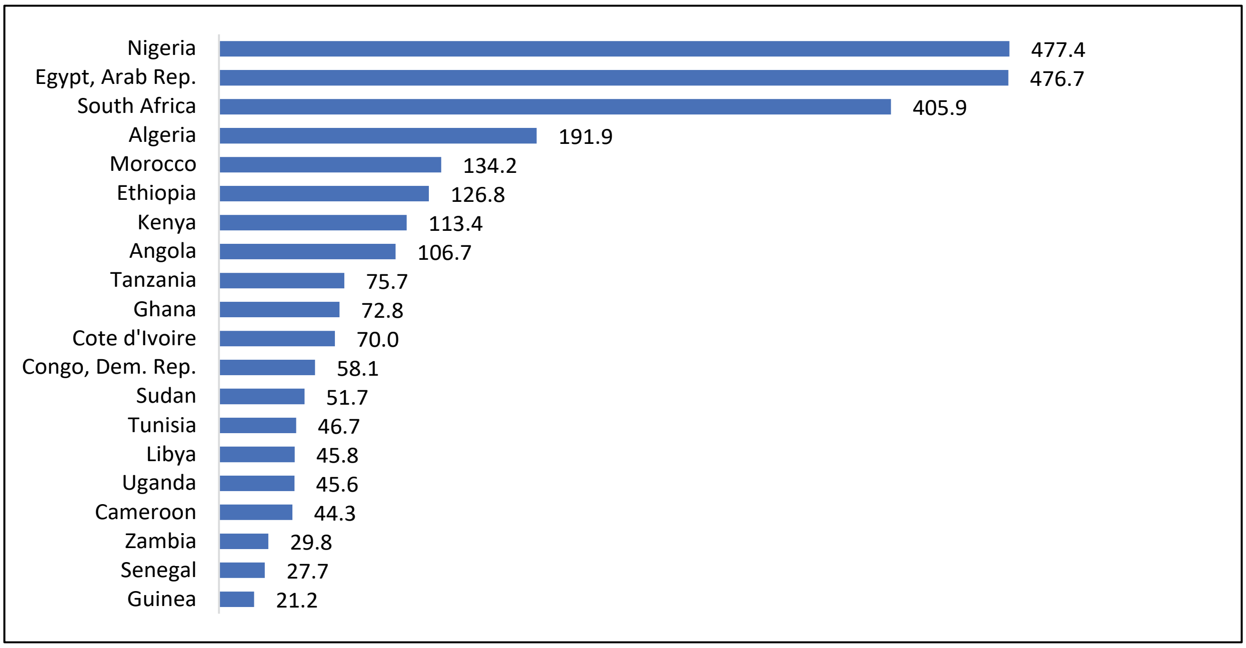
**Table 1: Key macroeconomic indicators (July - September for 2022 and 2023)**

| Indicator | July - September 2022 | July - September 2023 |
|---|---|---|
| Average overall inflation (%) | 8.70 | 6.93 |
| Average food inflation (%) | 15.40 | 8.00 |
| Average fuel inflation (%) | 9.40 | 13.93 |
| Average core inflation (%) | 3.20 | 3.73 |
| Central Bank rate (%) | 7.75 | 10.50 |
| Exchange rate, Ksh/US$ | 119.40 | 144.05 |
| | **As of 30th June 2022** | **As of 30th June 2023** |
| Real GDP growth (%) (Jan-June) | 5.7 | 5.5 |
| Total revenues (Ksh million) | 2,199,808.00 | 2,360,510.00 |
| Total expenditure (Ksh million) | 3,027,518.00 | 3,218,187.00 |
| Fiscal balance (% of GDP) | 6.50 | 5.90 |
| Total gross public debt (Ksh Million) | 8,629,047.00 | 10,189,532.00 |
| Current account deficit (US$ million) | 5,833.90 | 4,629.40 |
| Current account (% of GDP) | 5.10 | 4.60 |

*Source: The National Treasury, KNBS and Central Bank (Various reports)*

Kenya attained lower-middle-income status following the National Accounts' rebasing, pushing the country's per capita gross national income (GNI) above US$ 1,046 in 2014.[1] In 2022, with a gross domestic product (GDP) of US$ 113.4 billion and per capita GNI of US$ 1,726.9, the country is ranked the seventh largest economy in Africa and the fourth in Sub-Saharan Africa (SSA) (Figure 1). Moreover, Kenya is the dominant economy in the East African Community (EAC).

**Figure 1: African countries with highest Gross Domestic Product (GDP) in 2022 (billion US$)**




*Source: World Bank (2023), World Development Indicators*

1 Countries in this category typically have a GNI per capita of more than US$ 1,046 but less than US$ 4,125. Those in the upper middle-income have yearly income levels of US$ 4,126 to US$ 12,735.

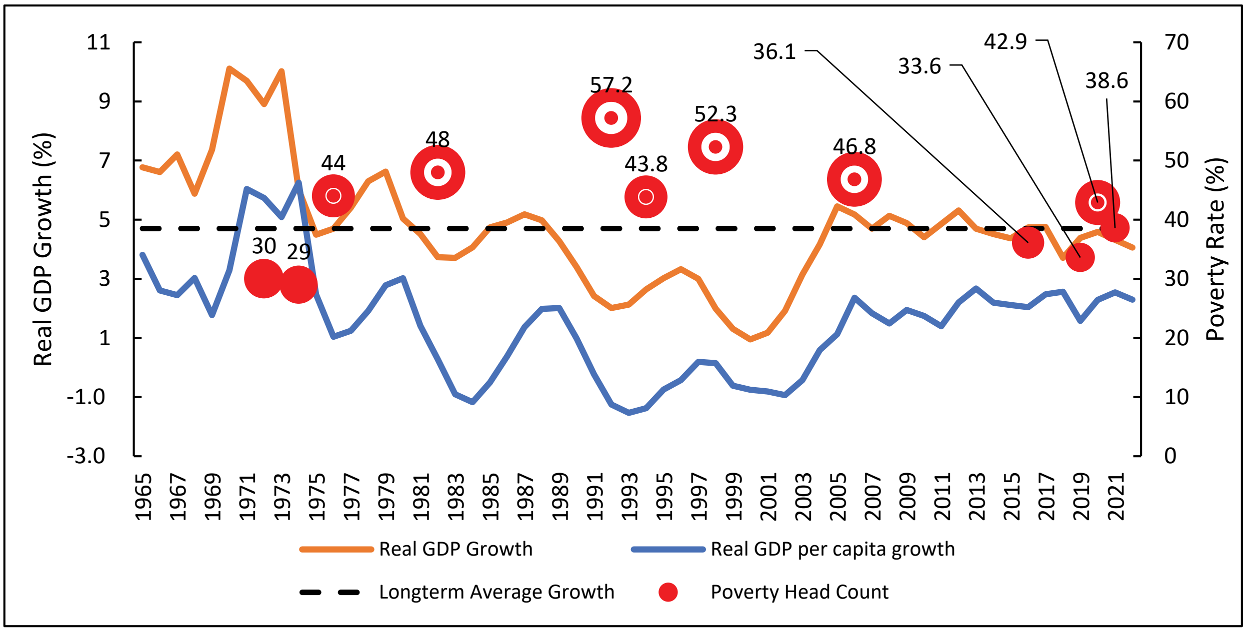
## Economic Growth Pattern Since Independence

Growth performance has varied considerably since independence, revealing interesting episodes (1965-1990; 1991-2002; and 2003-2022) of economic performance and welfare implications for the citizenry (Figure 2). These episodes exhibit a period of growth right after independence, a period of economic slowdown, and an episode characterized by sustained growth. Between 1965 and 1990, the economy registered remarkable GDP growth averaging 5.9 per cent, way above the average long-term growth of 4.6 per cent. The 1965-1990 episode has two phases. Firstly, the phase of high growth performance (1965-1974) when growth averaged 7.9 per cent. In this period, the economy was busting with activities driven by renewed optimism after attaining self-governance. In this phase, per capita GDP growth averaged 4.1 per cent, and income inequalities remained low, with 30 per cent and 29 per cent headcount poverty rates in 1972 and 1974, respectively.

Secondly, the 1975-1990 phase is characterized by growth that remained above the long-term trend but on a declining trajectory. During this phase, growth averages 4.8 per cent. The declining growth reflected the 1973 and 1979 oil shocks, which was further aggravated by bad policies, particularly the poor management of the 1976/77 coffee boom,[2] leading to balance of payments problems that necessitated the government to seek conditional financing from the International Monetary Fund (IMF) and the World Bank. Subsequently, several donor-driven reforms were instituted in the 1980s and 1990s across all economic sectors, including foreign exchange market liberalization, trade and payments system, domestic financial and capital markets, and privatization and commercialization of public corporations. In this phase, per capita GDP growth averaged 1 per cent, and poverty rose to 44 per cent and 48 per cent in 1976 and 1982, respectively. This period was also headlined by the attempted military coup of 1982 and the severe drought experienced from 1982-1984. The confluence of these factors dragged growth and adversely affected the population's economic well-being. The reforms instituted during this period and mainly in the 1990s did not successfully return the economy to a growth trajectory.

2 Mwega, F. M. And Ndung'u, N. S. (2004), Explaining African economic growth performance: The case of Kenya.

**Figure 2: Real GDP, real GDP per capita growth and poverty rates (1965- 2022)**




*Source: KNBS (Various), Economic Surveys; Kenya Integrated Household Budget Survey - KIHBS (2005/06 and 2015/16)*

The second growth episode is from 1991-2002 was marked by a worsening economic environment. During this period, overall growth averaged 2.2 per capita GDP with a negative average per capita GDP growth of -1.0 per cent and high poverty rates of 57.2 per cent, 43.8, and 52.3 per cent in 1992, 1994, and 1998, respectively. Myriad shocks mark this period. The intensified political activity led to repealing of Section 2A of the independence constitution, making Kenya a multi-party state. As a result, the 1992 and 1997 elections were conducted under the new dispensation and were characterized by ethnic clashes that slowed economic activity in these years. Further, the 1991/92 drought and the dramatic global oil price spikes in 1991/92 following the Persian Gulf War, combined with the aid embargo of 1991-1993, resulted in high inflation and exchange rate depreciation in the liberalized forex market. Economic growth was further hampered by the aid embargo in 1997-2000 and the erratic weather conditions headlined by the 1997/98 El Nino, which resulted in exceptionally heavy rainfall, deadly floods, and the subsequent prolonged drought from 1999 through 2000.

The third episode in Kenya's growth story is the 2003-2022 period, which is the period of take-off and sustained growth. In this period, economic growth averaged 4.7 per cent and was less erratic. Further, per capita income growth averaged 2.1 per cent, with income inequalities falling as poverty rates declined from 46.8 per cent in 2006 to 38.6 per cent in 2021. However, the COVID-19 pandemic interrupted this trend. Aside from massive job losses and economic contraction, for the first time since 1998, the country recorded an increase in poverty rates. The national poverty rate increased to 42.9 per cent in 2020 before declining to 38.6 per cent following the relaxation of COVID-19 restrictions on movements and the ensuing rebound in economic activity. It is important to note that the government responded to the pandemic with large social spending programmes to mitigate the COVID-19 economic shocks and keep businesses and families afloat. A budget of Ksh 44.8 billion, equivalent to 0.46 per cent of GDP, was allocated for increased healthcare spending and COVID-19 monitoring costs and enhanced social protection, cash transfers, and food relief programmes. The 2003-2022 episode is marked by improved policy and legal frameworks supporting growth. The long-term economic planning through the Kenya Vision 203o and its implementation through medium-term plans have ensured consistency and progress towards national development goals despite changes in political regimes. The 2010 constitution and the establishment of county governments have not only provided impetus to safeguard economic prosperity but have ensured that resources are deployed across the country systematically, and this has tremendously ensured increased economic activity across counties and improved welfare of citizens.

Overall, periods of strong growth have been marked by reduced poverty, and slowed growth has attracted high poverty rates. While the economy remains on its long-term growth path, it is evident that prudent management of economic gains and safeguarding against external economic shocks and extreme climatic conditions remain critical for elevating the economy to a higher income status. Moreover, improved governance and peace are essential for thriving business and economic activity.

## Sources of Economic Growth

The sources of growth since independence, informed by changes in policies, similarly mirror the three episodes as shown in Figure 3. During the first episode, rapid economic growth was mainly promoted by agricultural production and industrial sector performance. At the first decade of independence, the economy was mainly agriculture-based, contributing an average of 37 per cent of GDP (1963-1973). Agricultural performance was supported by redistribution of estates, which opened new areas for cultivation, favourable weather condition during most of the years, recovery of coffee following adverse effects of coffee berry disease and diffusion of new crop strains. However, the sector performance declined in the 1980s due to a cumulative effect of the drop in world prices of coffee and tea, and bad weather that adversely affected production of some crops. To avert the decline in the growth of the agriculture sector, the government instituted a policy on increasing producer prices and emphasized supporting smallholder farmers through input subsidies.

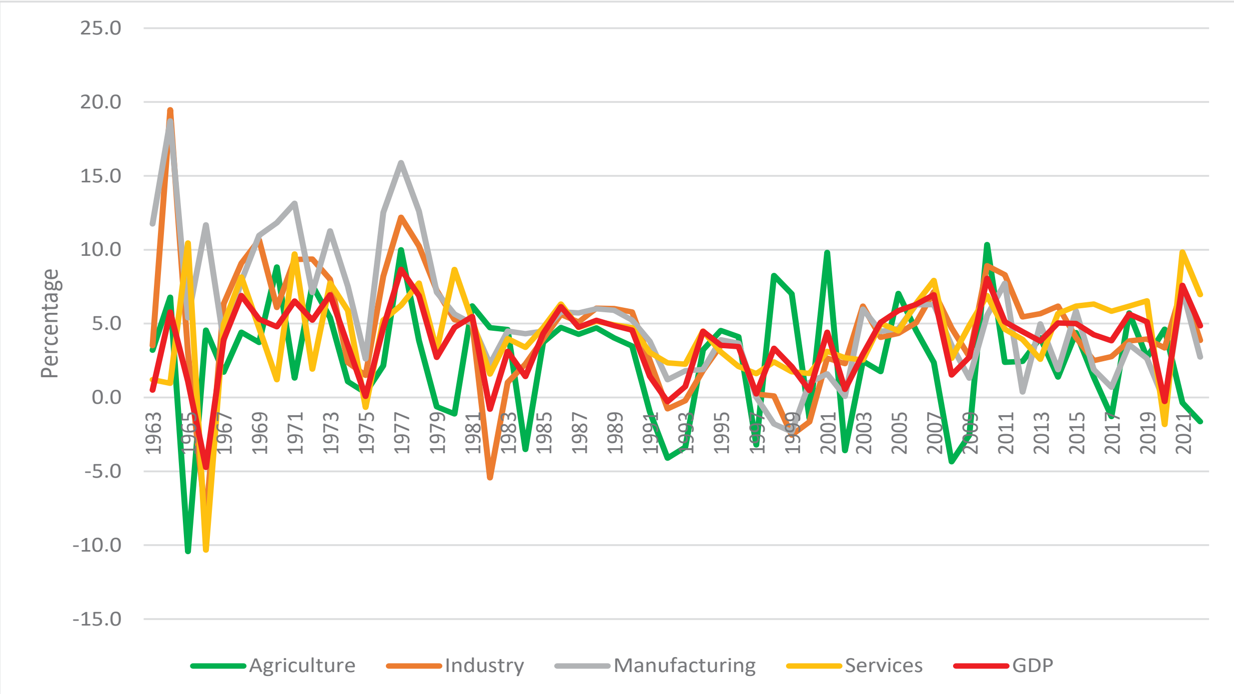
Therefore, the agriculture sector continued to be the main engine of economic growth, accounting for about 39 per cent of GDP and 89 per cent of exports in the 1980s.

The industrial sector performance was similarly robust and contributed an average of 41.3 per cent of GDP between 1963 and 1991. The sector grew at an average of 5.6 percent over the same period, supported by a vibrant manufacturing sector that registered an average growth of 7.9 per cent. The impressive performance of the manufacturing sector was attributed to steady growth in agricultural output, the rise in international coffee and tea prices, export promotion measures, which encouraged export of manufactured goods, and higher domestic demand for manufactured goods owing to higher incomes from agricultural production. The overall industrial performance was also supported by a conducive policy environment.

In the first two decades after independence, Kenya pursued an import-substitution (IS) strategy. The IS strategy focused on rapid growth of the industry sector, reduced balance of payment pressure, higher productivity and high-income employment. To achieve this, the government provided both direct support and tariff protection for the industrial sector. The implementation of the strategy led to a higher rate of industrial growth during the first decade after independence, with the manufacturing sector growing at an average of 8 per cent and was second only to agriculture in terms of employment creation during the same period. The strategy was also successful in establishing industries in textile and garments, food, beverage and tobacco, which are still dominant industries in the current regime.

Further, in the1980s, the government introduced structural adjustment programmes (SAPs) to strengthen competitiveness and reduce excess capacity in the industrial sector to address the distortions caused by the IS strategy. These included virtual removal of price controls and liberalization of imports through the removal of import and foreign exchange licensing and rationalized tariff regimes. The publication of Sessional Paper No. 1 of 1986 on "Economic Management for Renewed Growth", which aimed at removing the 'anti-export bias', was a major restructuring of policies and institutional frameworks. These policies supported the industrial sector amid the external and internal shocks it faced.

**Figure 3: Trends in sectorial growth (1963-2022)**




*Source: KNBS (Various), Economic Surveys*

During the second episode, economic performance slowed down due to deceleration in the agriculture sector occasioned by unfavourable weather conditions, low world coffee prices and a decline in manufacturing output. The industrial sector similarly slowed down to grow at an average of 1.5 per cent. As such, growth during this period was mainly supported by the services sector, which grew at an average of 2.7 per cent followed by the agriculture sector with a growth of 2.0 per cent. The performance of the services sector was attributed to increased share of contribution from trade, restaurants and hotels from 10.6 per cent in 1982 to 12.7 per cent in 2003. Similarly, the financial sector increased its share contribution from 7.5 per cent in 1982 to 10.5 per cent in 2003.

The slowed industrial performance in the 1990s led the government to liberalize the market through removal of restrictive import licensing and tariffs to cushion the sector. Specifically, the government abolished import licensing schedules in 1993 and capital and current transactions were fully liberalized in 1994 with the removal of all price controls. In the same year, Kenya joined the World Trade Organization (WTO), and the Kenyan economy was declared 'open.' Therefore, structural adjustment programmes (SAPs) led to liberalization of the economy and opened it to international competition. Despite the liberalization, the country faced other challenges such as insufficient exchange rate adjustment and export promotion strategies. The result was a persistent bias against exports despite the announced shift from import substitution to an outward-looking export strategy.

In its quest to expand markets for its products, Kenya joined the Common Market for Eastern and Southern Africa (COMESA) in 1993. With the failure of SAPs to promote economic growth and improve people's welfare, the country renewed its momentum towards export promotion. With increased liberalization of the domestic economy in the early 1990s, the government introduced further reforms to enhance efficiency and competitiveness of manufacturing firms in both domestic and foreign markets. The objective was to promote industrial efficiency by switching to an outward-looking policy, central to which was the encouragement of an export-oriented manufacturing sector. The impact of the export promotion programmes on industrial exports was limited partly owing to weaknesses in the implementation and coordination of various policies.

In the last episode, economic growth has mainly been from the services sector and industrial sector registering an average growth rate of 5.3 and 5.0 per cent, respectively. Performance in the services sector was supported by growth in the financial and insurance activities as the country embraced financial inclusion, accommodation and food services sector following increase in tourists and transport and storage as the government increased infrastructural investments. Similarly, significant policy changes have occurred since 2000 that have had key implications for industrial development in Kenya. The policy reforms since 2000 have been spelt out in three blueprints, the Poverty Reduction Strategy Paper, the Economic Recovery for Wealth and Employment Creation, and the Kenya Vision 2030. The documents detail the proposals targeting the productivity and general growth of the Kenyan industry. Specifically, the Kenya Vision 2030 aimed at transforming Kenya into a newly industrialized nation by creating a robust, diversified and competitive industrial sector. To achieve the aspirations outlined, the government focused on improving power supply, tax reforms and tax incentives, more vigorous export promotion and liberal trade incentives that helped firms take advantage of the expanded market outlets. There was also a focus on improving the overall business climate, including the rationalization of business licenses. The proposed interventions were implemented in phases through five-year Medium-Term Plans (MTPs). On sectoral priorities, the government's blueprint for economic recovery recognizes productive sectors such as agriculture, industry and tourism. In general, sectoral emphasis has been on agriculture and manufacturing, but the services sector has also played a significant role in the country's economic growth.

## Economic Growth in 2023 and Beyond

The government focus in the medium-term, through the Bottom-Up Economic Transformation Agenda (BETA), is geared towards economic turnaround and inclusive growth. To achieve this, the agenda emphasizes agricultural transformation. Acknowledging the role of agriculture in creating employment, boosting the country's exports, providing food supply and ending poverty, revitalizing the sector is a timely move by the government. To boost agricultural productivity, the government has subsidized fertilizer to ensure affordability and availability, removed tax on livestock feeds to make dairy farming more profitable, reinstated the stalled milk coolers' programme and distribution of 650 milk coolers to farmers and identified 24 counties to benefit from a sunflower promotion project that aims to boost local production of sunflower oil, among others. Going forward, the government is focusing on providing adequate working capital to farmers, revamping under-performing cash crops, providing input finance and intensive agricultural support, and raising productivity of key value food chains.

Boosting agricultural productivity will also benefit the industry sector through the value chain approach as it is considered a win not only for the people but also the government. The approach aims at ensuring that the industry sector remains competitive while addressing the bottlenecks that impede the growth of the sector. The government priority areas in transforming the sector include, but not limited to leather and leather products, building and construction materials, garments and textiles sector, dairy products, edible and crop oils and the tea sub-sector. The sector will also benefit from the housing and settlement plan that aims to provide affordable housing to Kenyans. The plan will directly boost the construction sector, and the manufacturing sector indirectly through provision of building materials.

Investments in the agriculture and industry sectors under BETA are expected to spur growth and create more jobs, hence increasing income levels and improving the living standards of Kenyans. The value chain approach is envisaged to boost Kenya's exports, which will be key in improving the country's balance of payments. Overall, industrialization presents significant benefits for the country as it enables development of infrastructure (roads, water, electricity), enhances agricultural production and utilization of natural resources, fosters internal relations through trade of raw materials and finished products and ensuring continuous supply of domestic goods, thus reducing over-dependence on imported goods. Therefore, supporting the sector through adequate financing and enhanced necessary infrastructure is vital in realizing the expected benefits.

# Priority Export Crops in Driving Transformation Agenda

*By Hillary Wakhungu, Francis Kaloi, Jecinta Anomat and Joshua Laichena*

## Introduction

The government, through the Bottom-Up Economic Transformation (BETA) plan is focused on transforming the agriculture sector by revamping the under-performing export crops such as coffee and expanding emerging ones such as avocado and macadamia nuts, while at the same time putting measures to move up coffee and tea value chain through value addition. The new approach by the government is to ensure that no other export value crop suffers under-performance. The lessons learnt from previous value crops that have continued to struggle is evident. For instance, the pyrethrum industry, which was once a lucrative export crop for the country, has suffered setbacks in revival efforts. Corruption and mismanagement in the sector, and the liberalization of the market with synthetic pesticides, led to the collapse of the pyrethrum sector.

Recent efforts to revive it have been hindered by high initial costs and lack of commitment from young farmers. In 2020, the government allocated Ksh 200 million to the Pyrethrum Processing Company of Kenya (PPCK) based in Nakuru to jumpstart processing of pyrethrum and revive the sector. However, the sector has not regained its past position. In the same manner, the cotton sector, which was a lucrative sector and supported the local textile industry and export market has also struggled to regain its past position. The sector started experiencing setbacks when Kenya liberalized the textile market. From the lessons learnt from the faltering fortunes of these two once-promising export crops, the government has refocused its attention toward strategies that emphasize value addition and innovative approaches, all geared towards enhancing the competitive performance of four identified BETA priority crops (tea, coffee, avocado and macadamia) in the global market.

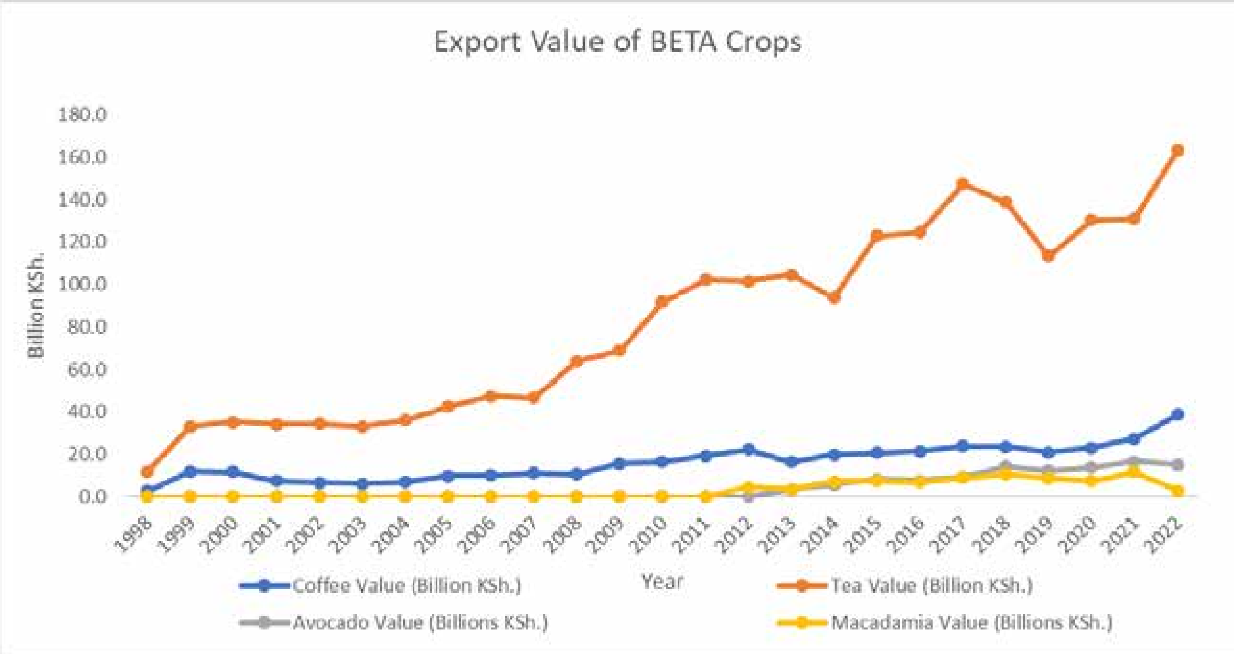
The Export Promotion Council (EPC) established in 1992 has over the years played a critical role of promoting the export of agricultural goods such as tea, coffee, avocado, macadamia nuts, pyrethrum, and cut flowers. It also conducted export training for SMEs in various agricultural value chains, including avocado, macadamia nuts, bananas, and cashewnuts. The EPC has now been restructured through the State Corporations Act, Cap 446, Legal Notice No. 110 of 9th August 2019 into the Kenya Export Promotion and Branding Agency (KEPROBA) to promote and brand Kenya as a supplier of high-quality goods and services. These high value goods are meant to improve Kenya's competitiveness in the international market and fetch higher export returns. This calls for the adoption of ingenious ways to be incorporated in the agricultural value chains before export.

The Crop Acts No. 16 of 2013 introduces measures to promote the production, processing, marketing, and distribution of crops through value addition. These initiatives by the government have further been advanced by the Kenya Vision 2030 and anchored in the Bottom-Up Economic Transformation Agenda (BETA). Therefore, in line with these aspirations, Kenya stands a chance to earn more export revenue and grow its GDP through implementation of value addition in its key export crops.

## Value Addition in Priority Export Crops

The country is a major agricultural exporter for high value crops such as tea, coffee, macadamia nuts and avocado (Figure 4). Although tea has continued to show growth over the years, some key export crops such as coffee and macadamia have not met their full potential. Avocado, a high value fruit, is emerging as a potential high profit export crop as witnessed by its high export revenue over a short period of introduction.

**Figure 4: Value of key export crop products: 1998-2022**




*Source: FAOSTAT (2023); Agriculture and Food Authority (AFA), 2023: KenTrade 2023; Central Bank of Kenya (2023)*

Value addition involves processing farm produce and provision of cold storage and market linkages so that farmers can easily find the market for their highly perishable goods. Agricultural value addition provides a viable option for smallscale crop and fruits farmers to enhance product shelf-life and offer them a ready market for produce, besides providing nutritious food. A report by the International Food Policy Research Institute (IFPRI) estimates that horticultural losses in Kenya are as high as 50 per cent, mainly due to poor storage, low value addition and poor handling practices resulting in significant losses to the farmers. Value addition becomes important in this case as prioritized under the BETA plan. For the international market, value-added goods are in greater demand. Therefore, it is essential that farmers, investors, and other participants in the value chain figure out how to seize the chances to add value to the abundant high value crops, fruits and vegetables before exporting. The method of first discovering what traits the markets desire in their agricultural goods and then inventing or manufacturing products with those attributes is swiftly displacing the attitude of producing raw agricultural commodities and then selling them.

## Coffee

Over the last decade, the coffee sector has been a key pillar of Kenya's economic development, contributing an average of Ksh 23 billion in foreign exchange earnings and ranking fourth after tourism, tea and horticulture. The sector supports a workforce of over six million Kenyans, both directly and indirectly. Additionally, it plays a crucial role in poverty alleviation and aligns with Kenya's Vision 2030, the nation's economic blueprint centred on agricultural transformation and fostering inclusive growth. The total coffee acreage is around 150,000 hectares. Smallholder farmers typically produce an average of 2 to 3 kilogrammes of cherry per tree, even though the potential yield could exceed 30 kilogrammes per tree. This lower productivity, combined with high production costs, presents a challenge. To alleviate this, the government has introduced a fertilizer subsidy programme aimed at reducing production costs. Furthermore, the Coffee Research Institute has developed various coffee varieties, with the potential to increase farmers' income, with noteworthy examples being Batian, Ruiru 11, and the SL series, encompassing SL28 and SL34. Batian and Ruiru 11 are recognized for their disease resistance, resulting in higher yields and reduced disease management expenses. The SL series, while susceptible to diseases, commands premium prices in specialty coffee markets due to its exceptional cup quality.

There are two methods of coffee processing, namely dry processing and wet processing. Proper coffee processing sustains bean quality and thus ensures better prices for growers. Almost all Kenyan coffee is processed by a wet method to ensure the best quality. Growers pick only the red-ripe cherry. At the factory, the cherries are sorted before processing and unripe, over-ripe, or diseased cherries removed. The cherries are then pulped to remove the outer skin. The slimy sugary coating (mucilage), which remains on the beans is removed through fermentation process. The final step on the farm involves drying the coffee. Once the coffee is completely dried, it is then bagged and prepared for transportation to the mills.

There are two marketing channels in the country through which coffee is sold, namely: the Central Auction and Direct Sales. The Central Auction is overseen by the Nairobi Coffee Exchange Management Committee, comprising industry stakeholders. Coffee marketing agents, contracted by growers, competitively present coffee to coffee dealers (exporters) at the auction, with sales going to the highest bidders. Annually, the Coffee Directorate licenses these marketing agents and auction participants. Presently, the government is implementing reforms to address significant price variations. This includes the establishment of the New Kenya Plant Cooperative Union (NKPCU), which markets coffee for its smallholder farmer members, aiming to improve their earnings. The NKPCU sells coffee to licensed coffee dealers for export to various global destinations, rectifying the income disparity faced by farmers selling at the Nairobi Coffee Exchange (NCE) compared to the New York Exchange. Leveraging the African Continental Free Trade Area (AfCFTA) offers a promising avenue to enhance the marketing of both coffees. AfCFTA facilitates easier access to a broader African market by reducing trade barriers. For Kenya's renowned coffee industry, this means improved competitiveness, joint branding, sustainable practices, and efficient supply chains.

## Tea

Tea production in Kenya has displayed a consistent upward trajectory since 1963. The smallholder sub-sector plays a pivotal role, contributing up to 60 per cent of the total tea crop in the country, largely due to the expansion of tea acreage and adoption of highly productive cultivars. Notably, Kenya boasts the highest average yields per unit area globally, and this success is attributed, in part, to effective integration of research and development (R&D) outputs throughout the production value chain, predominantly by the Tea Research Institute (TRI). TRI's efforts have resulted in a substantial increase in tea yields, elevating them from an average of 1,500 kg to an impressive 3,300 kg of made tea per hectare per year (mt/ha/yr) on large estates, and from 600 kg to a commendable 2,300 kg mt/ha/yr under the smallholder production system. These improvements in yield and tea quality are attributed to the successful development and commercialization of enhanced tea cultivars and innovative production technologies. Over time, TRI has made significant strides, creating over 1,000 improved cultivars, of which 53 superior cultivars have been carefully selected for consistent yield and quality and subsequently released for commercial use by both smallholder and large estate growers. However, the current diversification of tea products remains limited, comprising less than 1 per cent of the total tea production in the country. This presents a unique opportunity for expansion, as broadening the range of tea the tea processing industry is undergoing notable changes.

Advanced technology is being integrated into processing methods, improving efficiency, and maintaining quality. Sustainability is a growing concern, with a focus on eco-friendly practices and certifications such as Rainforest Alliance. The industry is diversifying its products to meet consumer demands, including flavoured and functional teas. Health and wellness teas, featuring antioxidants and natural ingredients, are gaining popularity. TRI has developed and released a new tea cultivar (''Purple tea'') that is rich in a pigment called anthocyanin, which is a powerful antioxidant. Research is also assessing the potential health benefits of purple tea as they have anti-inflammatory and anti-parasite properties and may be used to protect the liver from damage.

The tea auction market in Mombasa was opened in 1969 when it was decided by both producer and buyer members of the association that, as tea was mainly warehoused, handled, and shipped from Mombasa, the auctions be moved from Nairobi to the Port of Mombasa. The tea brokers and buyers are responsible for purchasing tea on behalf of the farmers and tea factories. The tea factories deliver their tea to the auction through the brokers, who then sell the tea to the buyers. The buyers export tea to different parts of the world. The auction is only open to registered tea brokers and buyers who have been authorized by the Tea Board of Kenya. While farmers may not directly participate in the auction process, their interests are represented and managed by authorized brokers, ensuring that they receive fair prices for their tea and that their produce reaches the market effectively. The country's tea industry can benefit from streamlined logistics, favourable trade agreements, and collaborative marketing efforts, ultimately leading to increased market reach and economic growth. By capitalizing on AfCFTA, Kenya can elevate its position as a key player in tea sectors within the African market.

### Avocado

Avocados account for 84.5 per cent of Kenya's fruit export revenue, more than US$ 100 million (Horticultural Authority Report, 2017-2018). The avocado has been re-branded as the green gold due to its high demand and versatility. It has been identified in BETA as one of the value fruits that can be exploited to boost export revenue and earn Kenya additional income. An estimated 70 per cent of Kenyan avocados are produced on smallholder farms and the main cultivars grown for export are Fuerte (80) and Hass (20) per cent. Hass is the main export variety, and Fuerte is preferred for processing. Kenya can, however, invest in research to help develop other varieties that are in demand to increase its exports. Currently, the avocado export has been on the rise and plans are underway to increase its exports from Ksh 15 billion to Ksh 30 billion yearly over the next five years in response to rising demand for the nation's agricultural products on the global market.

Processing and marketing of avocados in Kenya involves sorting, grading, and packing for export. The value chain in Kenya faces several challenges, including poor storage and insufficient infrastructure that leads to loss of produce by up to 50 per cent. To overcome the losses in the avocado value chain, value addition should be embraced. Value addition activities such as processing and packaging can increase the profitability of avocado production in Kenya. Processing avocados into products such as avocado oil, guacamole, and frozen avocado pulp can improve their shelf-life and fetch more income on the international market. Solutions in storage such as aggregation, packaging, and processing can be valuable in the Kenya avocado sector, especially related to export.

The Kenya Trade Network Agency (KenTrade) has partnered with the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) through the German Alliance for Trade Facilitation to assist farmers with simplifying export processes for avocado farmers. They sensitize and build capacity of farmers through workshops where they learn about export processes, requirements, and information on foreign trade.

Additionally, Kenya is being presented with an opportunity to increase exports of avocados to the rest of Africa through the Africa Continental Free Trade Area (AfCFTA). The agreement will enable a continent-wide market that will reduce trade costs.

### Macadamia

Kenya is the third-largest macadamia producer globally, with a market share of 13 per cent (7,750 tonnes on kernel basis). The crop has become an increasingly important cash crop for foreign exchange earnings in Kenya, with exports of macadamia kernel having a value of Ksh 1,380 per kilo in 2018, making it one of the most lucrative cash crops in Kenya after tea. The bulk of Kenyan macadamia is produced by around 200,000 smallholder farmers. Production has increased rapidly over the last decade from around 11,000 tonnes nut-in-shell (NIS) production in 2009 to 42,500 tonnes in 2018. In 2022, macadamia production in Kenya was 65,000 tonnes, surpassing the projected 60,000 tonnes by the Agriculture and Food Authority (AFA). The increased production was attributed to more farmers embracing the venture and putting more acreage under the crop due to its increased returns. One of the pioneer companies in Kenya involved in the production process is Kenya Nut Company. The company established its own plantation on about 400ha and set up a propagation nursery.

The Kenya Agricultural and Livestock Research Organization has released four varieties of macadamia *integrifolia (MRG-20, KRG-15, KMB3 and EMB-1.* These improved varieties yield more and better-quality nuts and kernels than the un-grafted non-improved type. This is expected to counter the challenge on low quality nuts from farmers, which has been attributed to insufficient support from the government.

Macadamia nuts from farmers are processed into kernels used as snacks. 90-80 per cent of what is produced targets the export market. Kenya exports macadamia to Canada, Great Britain, United States of America, Australia and Somalia. Inadequate raw nuts due to low production causes stiff competition among processors. Market dynamics are influenced by international forces; thus, prices keep on fluctuating. The pricing of the kernel continued to fluctuate, with one kilogramme valued at US$ 7.56 / kg (Ksh 1,134) in 2023. Global trade in Macadamia nuts grew by 6.51 per cent between 2020 and 2021. Production in Kenya is indicating a rising demand for this product. Smallholder farmers in Kenya, who form the bulk of macadamia growers, often receive low returns, while middlemen take home high profit margins.

Value addition can help increase the income of small farmers by enabling them to sell processed and packaged macadamia nuts directly to consumers or exporters. This can be done if farmers form associations and invest in procuring processors. Processing Macadamia nuts into kernel, oil, or other products can also lead to the creation of more job opportunities in the country and thus spur economic growth as envisioned in the BETA plan. Further, Kenya can position itself as the number one producer and supplier of macadamia nuts in Africa and take advantage of the African Continental Free Trade Area (AfCFTA) and move its processed goods to the regional and international markets.

To be more competitive, value addition will help Kenya differentiate its macadamia nut products from those of other major exporters, such as South Africa and Australia. Further, by focusing on quality finished products, packaging, and branding, Kenya can position itself as a premium supplier of macadamia nuts in the global market, thus standing a chance to earn more export revenue from the evolving market.

## Conclusion

In conclusion, economic transformation of Kenya can be achieved by incorporating value addition practices along the value chain in identified value crops before export. This can be achieved by engaging different cooperative societies, shortening the value chain, and linking producers directly to exporters. The Crop Acts No. 16 of 2013 and the State Corporations Act, Cap 446 of 2019 needs to be amended to ensure that only value-added crop products are exported. Additionally, there is need to aggressively promote a big and viable domestic market for the commodity by investing more in local processing facilities and partnerships The adoption of value addition in tea, coffee, avocado and macadamia will make their farming a viable venture, increase the financial value of the produce, and improve the income of smallholder farmers. Creating product diversity will increase returns and create job opportunities for Kenyans undertaking value addition, thus helping Kenya achieve the goal of industrialization as envisioned in the Kenya Vision 2030 blueprint and the BETA plan.

# Micro and Small Enterprises as a Bedrock for Industrial Take Off Under the Bottom-up Economic Transformation Agenda

*By Elizabeth Emongor*

## Introduction

Micro and Small Enterprises (MSEs) consist about 95 per cent of the manufacturing sector enterprises in Kenya. They are found largely in agro-processing, wear apparel, fabricated metal production, and furniture. MSEs total employment contribution in 2016 was about 14.9 million jobs, with manufacturing contributing the largest proportion of 17.8 per cent (KNBS, 2016). Additionally, the contribution of MSEs to gross value added in 2016 averaged 20 per cent, and manufacturing contributed about 24 per cent. MSEs are important drivers for the industrialization agenda owing to their labour-intensiveness, efficiency, geographical dispersion, and ability to nurture entrepreneurs. The industrialization of economies through cottage industries has been highlighted in history. Examples of such economies can be found in various parts of the world, showcasing the role of cottage industries in their economic development. One notable instance is the emergence of cottage industries in Britain during the Industrial Revolution, which played a pivotal role in transforming the nation into an industrial powerhouse prior to the adoption of steam power technology. Furthermore, cottage industries also played a significant part in the industrialization of Japan during the Meiji era, contributing to its rapid modernization and economic advancement.

Since independence, the Government of Kenya recognized the important role of industry through Sessional Paper No. 10 of 1965 on African Socialism and its Application to Planning, where industrial estates were to be formed through the Industrial and Commercial Development Corporation (ICDC). Additionally, African traders and businessmen were identified as important drivers of industrialization. In 1967, the Kenya Industrial Estate was formed to support cottage industries, with the Sessional Paper No. 1 of 1986 on Economic Management for Renewed Growth for the first time recognizing MSEs as small-scale informal industries. The Sessional Paper No. 2 of 1992 on Small Enterprises and Jua Kali Development explicitly defined MSEs providing a framework for the development of focused policies. Additionally, it identified key issues that impeded the growth of MSEs, including access to finance, the market environment, technical capacity, and access to worksites and related infrastructure. Efficient resource distribution through county governments has further cemented the development of MSEs through County Integrated Development Plans. Through the plans, county-specific programmes have been implemented since 2013 to complement national government efforts.

### Policy Interventions Over Time

The Development Plan of 1964-1970 provided a roadmap towards the implementation of Sessional Paper No. 10 of 1965 on African Socialism and its Application to Planning in Kenya, which emphasized African ownership of enterprises, skills, and cooperative development. The plan revolved around directing resources towards rural areas to provide equitable and balanced economic development as the nation adjusted from colonial rule. The Development Plans of 1970-1974 and 1979-1983 further reinforced rural development and poverty alleviation through income-earning opportunities. This transitioned to the Development Plan of 1984-1988, which focused on mobilizing domestic resources for equitable development and infrastructure development to promote the private sector. The Sessional Paper No. 10 of 1965, however, lacked a comprehensive policy framework for MSEs.

The Development Plan of 1989-1993 targeted the implementation of the structural adjustment programmes contained in the Sessional Paper No. 1 of 1986 on Economic Management for Renewed Growth. The Development Plan strategized the achievement of economic growth from agriculture, industry, and small-scale enterprises. These efforts were corroborated by the Development Plan of 1994-1996, which targeted to complete the structural adjustment programme and promote sustainable development through resource mobilization. The Sessional Paper No. 1 of 1986 on Economic Management for Renewed Growth recognized MSEs as small-scale industries. Though the Sessional Paper did not explicitly define them nor provide specific interventions, it reinforced structural adjustment with a focus on market-based incentives. To support industrialization, propositions included enhancing agriculture to support manufacturing, exchange rate management, liberal import licensing, export incentives, interest rate management, reducing the cost of setting up and doing business, and provision of a legal framework for foreign investors. The policy further emphasized the need to provide financing, which was not achieved due to the focus on large-scale investment that made credit facilities inaccessible to MSEs.

The Sessional Paper No. 2 of 1992 on Small Enterprises and Jua Kali Development proposed specific incentives to boost MSEs, including creating a proper legal framework to support business, simplifying business registration procedures, dissemination of market access information, improving coordination of MSE support programmes, improving access to credit facilities, and providing non-financial promotion programmes based on proper coordination among implementing institutions. The policy further documented the importance of creating an enabling environment, including fiscal incentives to the private sector to support the development of MSEs. However, lack of a legal framework to coordinate activities presented implementation challenges. The Micro and Small Enterprises (MSE) Policy of 2005 on the Development of Micro and Small Enterprises for Wealth and Employment Creation for Poverty Reduction sought to address the weak implementation of interventions provided for by Sessional Paper No. 2 of 1992 on Small Enterprises and Jua Kali Development by proposing alignment of policy strategies with national goals of economic growth, employment creation, income generation, poverty reduction, and industrialization. Specifically, the policy targeted strengthening existing support institutions through the establishment of legislation and the formation of a National Council for Small Enterprises.

In addition, to spur the entry and expansion of MSEs in the industrial sector, Sessional Paper No. 9 of 2012 on the National Industrialization Policy Framework for Kenya 2012-2030 denoted the foundation that MSEs provide towards the goal of enhanced industrialization. MSEs-specific policy interventions targeted include the development of incubation centres, supporting sub-contracting linkages, the establishment of industrial parks, access to public procurement, access to market information, and the establishment of an industrial development fund. Sub-contracting, though proposed as a strategy to enhance MSE productivity, has not been thoroughly defined with specific interventions. Moreover, other policies that have supported MSEs include the National Trade Policy of 2017, which further cemented the role of MSEs by championing their mainstreaming in global trade and strengthening value chain processes to benefit from synergies. The Digital Economy Blueprint of 2019 underscored the importance of information technology in presenting MSEs with new business opportunities. The Cooperative Development Policy of 2019 focused on strengthening and modernizing cooperatives to support the financing needs of MSEs. The policies discussed have paved way for specific programmes to address the challenges faced by MSEs and continue to champion for initiatives to harness their potential.

## Access to Finance

To provide affordable access to financing the Kenya Vision 2030 through the Third Medium-Term Plan identified credit guarantee as a key channel to boost credit disbursement to MSEs. In this intervention, in the case of a default on the qualified loan facilities provided to MSEs, the government agreed to reimburse participating financial institutions a portion of the outstanding principal. Additionally, aligned with the social pillar, key affirmative action funds such as the National Government Affirmative Action Fund (NGAAF), Women Enterprise Fund (WEF), Uwezo Fund, and the Youth Enterprise Development Fund (YEDF) have further supported the objective of MSEs financial inclusion. The Bottom-Up Economic Transformation Agenda (BETA) has committed to expanding financing sources by launching and subsequent roll-out of the Hustler Fund. This fund is unique in that it has allowed individuals previously listed by credit reference bureaus to access financing, and the platform conveniently disburses funds through telco platforms. Recently, the fund has established a group lending facility to encourage the formation of groups to access larger amounts.

## Access to Markets

In dealing with market access challenges by MSEs, the Micro and Small Enterprises (MSE) Policy of 2005 on the Development of Micro and Small Enterprises for Wealth and Employment Creation for Poverty Reduction proposed a 25 per cent allocation of government procurement requirements to the MSEs sector and encouraged the participation of MSEs in bidding for tenders. The policy facilitated the formation of the Access to Government Procurement Opportunities (AGPO) programme. AGPO aims to facilitate the enterprises owned by women, youth, and persons with disabilities to participate in government opportunities. This has been implemented through the legal requirement that 30 per cent of government procurement opportunities be set aside specifically for enterprises owned by these groups. Moreover, additional interventions such as the formation of the Kenya Trade Portal, business development services by state agencies, and regional trade agreements have expanded market access opportunities for MSEs.

To enhance market access initiatives, BETA has targeted to expand MSEs value chain integration by targeting specific sectors in manufacturing. These include leather processing, construction, pharmaceuticals, and textiles owing to their potential for expansive growth given the availability of raw materials and proposed supportive government projects such as affordable housing. The textiles sub-sector, which presently contributes about 8 per cent to manufacturing value added has the potential to grow and increase manufacturing output. The African Growth and Opportunity Act (AGOA) has enabled select African countries, Kenya included, to export textiles and apparel duty-free to the USA. Kenya has been the highest exporter under this agreement, averaging US$ 450 million. This performance underscores Kenya's potential to increase the textiles sub-sector contribution to GDP. The majority of MSEs are included in the textile and apparel value chain at the design and sewing stages, which are home to at least 70,000 businesses. Encouraging domestic setup by multinationals is targeted to strengthen connections, enhance technology adoption, and provide global market access. Additionally, by fostering local MSEs' vertical integration with foreign-owned exporters, synergies can be drawn, and critical linkages created. BETA has prioritized creation of a sustainable supply chain for cotton raw materials in collaboration with the apparel export sector. Recent initiatives include the cotton revival implementation plan, which seeks to revive cotton growing and set up ginneries at county levels. Moreover, the Cotton Development Bill has been proposed to promote cotton farming, which will corroborate efforts to enhance productivity.

The government had previously designated the leather industry as one of the key initiatives for achieving the industrial targets outlined in the Kenya Vision 2030, the Medium-Term Plan (MTP) III, and the Big Four Agenda. An abundant supply of livestock— 70 per cent of which come from arid and semi-arid lands (ASALs)—provides raw hide, a crucial raw material supporting the objective. The Kenya Leather Industry Plan of 2015 indicates that about 14,000 people are employed in the sector, which also contributes an average of Ksh 10 billion to the national economy. MSEs contribute at least 50 per cent to the total production. Despite the sector's relatively low contribution, it has the potential to grow in the face of obstacles. The creation of industrial clusters can promote industry growth and enhance market access. By increasing incubation efforts to encourage links, new opportunities can be realized. The Leather Development Policy recently approved by the Cabinet comes in handy in promoting the integrated development of the leather sector in Kenya for inclusive and sustainable economic development through employment creation and income generation. Additionally, BETA proposes building leather industry clusters in Athi River, Narok, Isiolo, and Wajir. The additional strategies targeted include the formation of County Aggregation Industrial Parks (CAIPs), which are to be established in each county. This will provide manufacturing capacity at the county level by providing infrastructural support for value addition. CAIPs are targeted to be supported by the construction of business development centres in every ward, incubators, and industrial parks in every technical training institution.

### Worksites and Related Infrastructure

The provision of adequate worksites has been targeted to ensure sufficient workspace for MSEs with the construction of modern markets in the counties. Moreover, the Kenya Vision 2030 has emphasized the significance of supporting small businesses with the necessary infrastructure through industrial parks, special economic zones, and the establishment of centres of excellence. The MTP I target was to develop and rehabilitate 545 worksites for Micro and Small Enterprise (MSE) activities in the five-year period. A total of 157 MSE worksites were developed and rehabilitated during MTP I, representing 28.8 per cent of the target. Specifically, 60 MSE worksites were developed and rehabilitated in 2008/2009, 32 in 2009/2010, and 21 in 2010/2011. A total of 18 MSE worksites were developed and rehabilitated in 2011/2012 while an additional 26 MSE worksites were developed and rehabilitated in 2012/2013. To further enhance these efforts, BETA targets to facilitate easier access to trading licenses and the provision of more trading locations to support the growing number of MSEs.

### Technical Capacity

The firm commitment to addressing skills shortage saw the implementation of the Kenya Youth Empowerment Programme (KYEP) between 2010 and 2016 by the Directorate of Youth Affairs. This was a pilot programme under the World Bank where 20,000 youth were trained and placed on internships to enhance employability. Furthermore, an intervention to train 280,000 youth between 2017 and 2022 through the Kenya Youth Employment and Opportunities Project (KYEOP) was initiated and implemented by the Ministry of Public Service, Youth and Gender Affairs. During the MTP II period, a curriculum that integrates entrepreneurship was introduced in primary schools, secondary schools, and tertiary institutions. Further, by 2017 an estimated 128,943 entrepreneurs in the MSE sector were taken through short-term tailor-made training on entrepreneurship to expand access to work-based learning. To enhance these efforts, the National Apprenticeship Programme and National Young Innovators

Entrepreneurship Programme have been established. In addition, the National Industry Traineeship Programme has been operationalized and under the pilot for this programme, 300 youth were trained in sewing, and employed by Mega Couture EPZ at Kilifi County. The National Skills Management Information System has also been initiated and skills mapping was undertaken to obtain data on the skills of out-of-school unemployed youth. BETA has further targeted to enhance skills development and has since validated the Recognition of Prior Learning (RPL) Policy Framework in Kenya (Revised), guidelines for the implementation of RPL in Kenya, and differentiated Unit Cost (DUC) of Assessing Prior Learning.

## Regulatory Environment

The regulatory environment had been considered unfriendly to MSEs as noted in the Micro and Small Enterprises (MSE) Policy of 2005 on the Development of Micro and Small Enterprises for Wealth and Employment Creation for Poverty Reduction. This saw the creation of the Micro and Small Enterprises Authority (MSEA) through the Micro and Small Enterprises Act No. 55 of 2012, with the responsibility for creating, promoting, and regulating the MSEs industry in Kenya. This was further corroborated by the development of Sessional Paper No. 5 of 2020 on Kenya Micro and Small Enterprises Policy for Promoting Micro and Small Enterprises (MSEs) for Wealth and Employment, which captures the role of innovation, incubation, youth contribution, and creation of an entrepreneurial culture in developing MSEs. The policy proposes the need to ensure proper coordination of intervention activities through the development of a database and the formation of a framework to support linkages between MSEs and large enterprises. Additionally, the Medium-Term II of the Kenya Vision 2030 established Huduma centres, and the Medium-Term III saw the formation of e-citizen. These flagship projects have enabled one-stop-shop access for government business services by enhancing efficiency and formalization.

## Conclusion

In the wake of significant policy developments, MSEs still face challenges relating to high levels of informality, thus limiting access to affirmative platforms, limited skills, weak linkages with medium and large enterprises, weak coordination by MSE support institutions, and low-value addition. To increase the probability of success for MSEs, the formation of innovation-driven enterprises at the pre-seed stage is an important consideration. Additionally, strengthening the coordination of MSEs support organizations and state agencies in communicating various opportunities can enhance the uptake of affirmative action platforms. Moreover, the rationalization of business licenses may lower formal set-up costs.

The industrial sector is capital-intensive relative to other sectors; therefore, affirmative action funds can allocate a greater proportion of disbursements towards this sector. Moreover, funding can be targeted towards MSEs at various incubation centres across the country that have proven to be innovation-oriented. Additionally, incubators can collaborate with key knowledge specialists such as universities to offer expertise to MSEs on proposed business models. There is need to have a national sub-contracting policy that will corroborate efforts to increase knowledge-sharing and entry into value chains as proposed in Sessional Paper No. 9 of 2012 on the National Industrialization Policy Framework for Kenya 2012-2030.

To support the development of skills, the Kenya National Qualifications Authority in line with the Recognition for Prior Learning Policy can enhance efforts to increase certification of skills acquired through informal settings. This initiative can promote the uptake of formal skills training once certification is obtained and encourage the development of highly specialized skills required in the industrial sector.

# Tracking Industrial Revolution Eras as Kenya Celebrates 60 Years

*By Humphrey Njogu, Brian Nyaware and Martha Naikumi*

## Introduction

Technology plays a significant role in transforming industries and fast-tracking economic growth as envisioned in various key strategies, actions and policies in Kenya. The Kenya Vision 2030 and Bottom-Up Economic Transformation Agenda (BETA) recognize the crucial role of technologies and therefore lay the foundation to boost the use and adoption of technologies across the country. Industrial technologies have revolutionized the art of producing goods and services by making production faster, simpler, and more efficient, and thus spurring immerse changes in social structures and economic systems. Industrial revolution has taken place over more than a century, as production of goods moved from home businesses, where products were generally crafted by hand, to machine-aided production in factories. From the first industrial revolution to the current Fourth Industrial Revolution (4IR), these shifts have brought about radical changes in production processes, economic structures, and societal dynamics. As Kenya celebrates its 60th anniversary this year and looks beyond the Kenya Vision 2030, the prospect of embracing 4IR holds the key to revitalizing the industrial sector and driving sustainable growth.

## Industrial Revolution Eras

The First Industrial Revolution took place between the mid-1700s and the early 1800s. This era was mainly characterized by mass production, aided by mechanization, and represented the transition from agrarian and hand craft economy to one dictated by machinery. It started in England and, more specifically, with the textile industry. The growing population had resulted in a significant rise in the demand of textile goods. To meet this demand, the use of manufacturing techniques, skilled workers and machinery were employed. One key achievement of this era was the invention and adoption of the steam power as a new technology. Though the mechanization brought unprecedented productivity, it also raised concerns about labour conditions and inequalities. France and Belgium are the other countries that joined and benefited from the First Industrial Revolution during its period, with Germany, the United States and Japan following soon after.

The Second Industrial Revolution also featured mass production, starting in the mid-1800s, and culminating in the early 1900s. This era had new advancements in the transport, electricity, steel, and communications industries, and is also referred to as the technological revolution. This gave way to the expansion of railway networks and engineering success such as building of skyscrapers. Other innovations within the transport sector during this time include fuel automobiles, internal combustion engines and air brakes. As a result, there was steady development of aircrafts and automobiles. This phase saw increased efficiency and lowered costs, making goods more accessible. The United Kingdom, the United States, France, Belgium, Luxemburg, Netherlands, Italy and Japan were among the countries that gained fast development and experienced mass production from this revolution. However, the focus on mass production often came at the expense of environmental concerns.

The Third Industrial Revolution, also known as the digital revolution, began in the mid to late 20th century. The use of computers and electronics, which facilitated high-level automation, was the foundation of this revolution. This represented the shift from mechanical and analogue electronic technology to digital electronics. During this period, there was the continuous evolution of the new means of transport, methods of communication and forms of energy brought forward from previous revolutions. As such, the exploration and adoption of renewable energy began to increase. The materialization of global supply chains also took shape due to telecommunications advancements that boosted the use of comparative advantage and scale economies. Unlike the other earlier revolutions that majorly took place in Western Europe and the United States, the third Industrial Revolution impacted many countries in the world.

Currently, the Fourth Industrial Revolution involves advancement of digital transformation from the Third Industrial Revolution using Cyber-Physical Systems (CPS) and is seen as a fusion of the biological, physical, and digital worlds. The revolution aims to boost economic and social welfare by using emerging tools and technologies such as machine learning, autonomous vehicles, cloud computing, Internet of Things (IoT), 3D printing, artificial intelligence, biological technologies, and advanced wireless technologies. With the Fourth Industrial Revolution being in its initial stages, many countries have the potential to benefit from it. A World Economic Forum report identified the United States, Sweden, Israel, Finland, Switzerland, the Netherlands and Singapore as the front-runner countries in this revolution. Table 2 gives more insights into the industrial revolutions.

**Table 2: The wave of industrial revolutions**

| | Wave of Industrial Revolution | | | |
|---|---|---|---|---|
| | 1st | 2nd | 3rd | 4th |
| **Energy Resource** | Coal | Oil, electricity | Nuclear energy, natural gas | Green energies |
| **Main technical achievement** | Steam engine | Internal engine combustion | Computers, robots | Internet of Things, 3D printer, genetic engineering |
| **Main developed industries** | Textile, steel | Metallurgy, auto, machine building | Auto, chemistry | High tech industries |
| **Transport means** | Trains | Trains, cars | Cars, planes | Electric cars, ultra-fast trains |

*Source: Prisecaru P. (2016), "Challenges of the Fourth Industrial Revolution," Knowledge Horizons - Economics 8, No. 1 (2016): 57-62*

### Kenya in the Industrial Revolution Eras

Kenya, like many other global south countries, missed out on the early revolutions. The First and Second Industrial Revolutions took place before Kenya had gained its independence and therefore very little has been documented. Kenya, like many other African countries, had vast traditional knowledge, but lacked drivers and structures to promote innovations and strengthen knowledge systems needed during the past revolutions. Resources from Kenya and other colonized nations were supplied to developed nations to accelerate development of their industries. Notably, political power, capitalism, population, scientific advancements and inventions, large presence of financial and other resources such as coal, food production and supportive government policies were key drivers of early industrial revolutions.

### First and Second Industrial Revolution Eras

Before Kenya gained its independence and slightly afterwards, structures, plans and policies were put in place for the country to adopt and utilize the gains from the first two revolutions. Notably, Kenya had not established critical enablers to support the development of industries. For instance, before the advent of the railway and automobiles in Kenya, the main mode of transport on the mainland from Mombasa to the interior parts of Kenya was walking, ox-drawn wagon to carry cargo, horse-drawn carriage, and mules. The history of rail transport in Kenya dates to the period between 1891 and 1895 to facilitate movement of people, raw materials, and finished goods into and outside Kenya. The country's first operations of steam railway locomotives can be traced back to 1890, operated by the Imperial British East Africa Company (IBEAC). They were commonly known as *magari ya moshi* because of the smoke they produced and were later replaced by diesel locomotives from 1980. Today, railway transport has improved significantly as evidently seen in the development of the Standard Gauge Railway. Similarly, in terms of power, Kenya's power sector can be traced back to 1922 when the East African Power and Lighting Company (EAP&L) was established that later formed the Kenya Power Company (KPC) in 1954 and the company finally changed its name to Kenya Power and Lighting Company Limited (KPLC) in 1983. Today, about 70 per cent of households are connected to the national grid.

In terms of institutional support, the Industrial and Commercial Development Cooperation (ICDC) was established in 1954 to increase industrial capability by encouraging participation of indigenous Kenyans in industry and commerce. During the first two decades after independence, the import-substitution industrialization strategy was mainly pursued, offering support and tariff protection for the industrial sector. The policy's main objectives were more indigenous participation, high-income employment, reduced balance of payment pressure, rapid industrial growth of industry and higher productivity. The Sessional Paper No. 10 of 1965 on African Socialism and its Application to Planning in Kenya, a policy example under this strategy, recognized the need to borrow modern methods of industrial organization and advanced technological knowledge from advanced countries. Soon after independence, the government began to invest and set up factors in key sectors, including the tea and sugar industries. Some industries were set up in various towns and aided in their growth. Thika is one of these towns that hosted a few companies including Del Monte, the Kenya Tanning Extract Company and City Brewery. As a result, the country registered higher rate of industrial growth during the first decade of independence and successfully established the textile and garments, and food, beverages, and tobacco industries. Some of these industries are still prevailing.

As Kenya strives to transform its industrial sector, there are several policy initiatives that lay emphasis on the application of technology to drive industries. Some of these policy initiatives include: Science, Technology and Innovations Policy; Sessional Papers emphasizing the role of technology that include No. 2 of 1992 on Small Enterprises and *Jua Kali* Development, No. 2 of 2005 on Development of Micro and Small Enterprises; No. 9 of 2012 on the National Industrialization Policy Framework; Sessional Paper of 2012 on a Policy Framework for Science, Technology and Innovation; Science, Technology and Innovation Act No. 28 of 2013; MSE Act 2012; and MSE policy. In recognizing the role of engineering in the growth and development of industries, Kenya has developed national development plans such as the Kenya Vision 2030 and its Medium-Term Plans, and the Bottom-up Economic Transformation Agenda (BETA), considering the role of engineering. Kenya plans to transform its economy into a knowledge-based economy largely driven by engineering and its innovations. For instance, the Kenya Vision 2030 targets to make the country a middle-income industrialized country by 2030 by promoting manufacturing and development of integrated iron and steel mills that will lead to local supply of machines and equipment.

Further, Kenya has developed an enabling policy and legal environment that supports the role of engineering. Some of the existing laws include the Engineers Act No. 43 of 2011 (Engineers Registration Act Cap 530) that established the Engineers Board of Kenya to regulate the activities and conduct of registered engineers in the country. Similarly, the Engineering Technology Act 2016 makes provision for the regulation, practice and standards of engineering technologists and technicians, and for connected purposes. Other laws critical for enhancing the role of engineering include the Science and Technology Act Cap. 250 that established the Kenya Industrial Research and Development Institute (KIRDI) in 1979 to undertake multidisciplinary research and development in industrial and allied technologies, including*:* Mechanical Engineering, Energy and Power Resources, Leather Technologies, Textile Technology, Industrial Chemistry Environment, Chemical Engineering, Electrical Engineering, Food Technology, Ceramics and Clay Technologies, Information Communication and Technology (ICT) and Mining. The Science, Technology and Innovation Act 2013 establishes key institutions including the National Commission for Science, Technology and Innovations (NACOSTI), Kenya National Innovation Agency (KENIA) and National Research Fund (NRF). Other key institutions driving industrial innovativeness include Kenya Industrial Property Institute (KIPI) and Numerical Machining Complex (NMC).

## Third Industrial Revolution Era

In the last few decades, Kenya has made significant efforts during the third industrial revolution. For instance, the effort to build Kenya's first car began in 1986 under the Nyayo Car project. This saw the establishment of Nyayo Motor Corporation known as Numerical Machining Complex (NMC) Limited, which was to do mass-production of cars. NMC currently offers mechanical and engineering services to the agricultural, industrial, and automotive sectors in the East Africa market. NMC is equipped with Computer Controlled (CNC) machines, a foundry with a modern disamatic sand-moulding machine, heat treatment and Computer Aided Design. It is yet to assemble all the lines that were expected and, therefore, the ongoing production does not use the full potential of the complex.

There is huge potential for producing tools and spare parts that are highly required in the automotive, aerospace and construction sectors. Similarly, in 1980s and 1990s, the then Kenya Posts and Telecommunications Corporation (KPTC) was the sole provider of both postal and telecommunication services and was manufacturing telephone handsets for local and export markets, including the USA. Similarly, Kenya has had a vibrant textile industry as evidently seen through factories such as Kisumu Cotton Mills (KICOMI), Rift Valley Textiles (Rivatex) and several factories located in the special economic zones. In particular, KICOMI was founded in 1964 and used machinery for cotton processing and production, employing up to 2,000 people in the 1970s, while Rivatex began operations in 1975 and used imported computerized mills for its operations. Further, Kenya has recognized the importance of nuclear energy in a bid to build energy security. Currently, there are efforts to build a nuclear research reactor in the country to accelerate efforts of powering future industries in the country. In addition, the huge infrastructure investment in road infrastructure such as Thika Superhighway, Nairobi Express Way, and Standard Gauge Railway (SGR) phases I and II are key to drive the uptake of the current industrial revolution.

## Fourth Industrial Revolution Era

Digital technologies play a significant role in transforming the industrial sector and particularly the third and fourth revolutions. The positive effects from the digital revolution are evident in Kenya, with increased adoption of digital technologies. Supportive policies, laws, plans and institutions established to promote the use and adoption of technologies include the Kenya Information and Communications (Amendment) Act of 1998; Data Protection Act of 2019; Computer Misuse and Cybercrime Act of 2018; Kenya Vision 2030; Bottom-up Economic Transformation Agenda (BETA); Digital Economy Blueprint; Information, Communications and Technology Sector Plan 2023-2027; National Information and Communications Technology (ICT) Policy of 2019; Kenya National Digital Master Plan 2022-2032; National Broadband Strategy (NBS) (2018-2023); and National Cybersecurity Strategy 2022. Several institutions are established to support the digital economy, including the Communications Authority of Kenya, ICT Authority, Office of the Data Protection Commissioner and Konza Technopolis.

As noted earlier, the digital economy sector plays a critical role in transforming modern industries. Kenya is a trailblazer in adoption of emerging technologies, including mobile technologies, blockchain, artificial intelligence, machine learning, and cryptocurrency. Kenya's digital economy is among the fast-growing sectors at a rate of 9.9 per cent in 2022 with potential to significantly contribute to Kenya's growth and development. The sector contribution was 6.3 per cent of the national growth in 2022 based on the Economic Survey (2023). At the continent level, Kenya's digital economy contributed about 7 per cent of Africa's digital economy based on e-conomy Africa report of 2020 by International Finance Corporation.

Kenya is home to leading mobile innovations such as M-Pesa, which is a global innovation supporting mobile money transfer services. Kenya is rated third best performing African country behind South Africa and Mauritius to embrace digital transformation and is ranked 77 globally by the Network Readiness Index (NRI) 2022. Similarly, Kenya is ranked 58 globally based on availability, affordability, relevance, and readiness of Internet by the Inclusive Internet Index (2022). Kenya is rated among the top 5 African countries for thriving Internet economies based on the Inclusive Internet Index (2019). Similarly, Kenya is ranked 88 by Global Innovation Index 2022 and position 2 on Mobile money by Boston Consulting Group (BCG) 2022. Kenya is among the top 5 countries in Africa with more than 50 active tech hubs to support the growth of digital innovations. Further, according to the Digital Skills Readiness by Wiley (2021), Kenya is ranked 70 globally and 2nd in Africa. Thus, Kenya is regarded as the Silicon Valley of Africa because of its robust digital economy.

More importantly, Kenya has established various policy initiatives to transform its industrial sector through the Fourth Industrial Revolution. In 2014, the government established a national taskforce on merging digital technologies in Kenya. The taskforce was mandated to develop a framework to tap on 4IR opportunities, including the Distributed Ledgers Technology and Artificial Intelligence to solve current problems, including unemployment, corruption, crime, and poverty to propel the country forward and position Kenya as a regional and international leader in the ICT domain. Based on the taskforce recommendations, Kenya has successfully digitized public services, including land information and civil registration and identity management. Further, the Central Bank of Kenya has formulated a concept note on digital currency, signalling the importance of digital currency in the digital economy. Other initiatives based on the taskforce recommendations include the establishment of regulatory sandboxes (policy labs) by several regulators, including the Central Bank of Kenya, Communications Authority of Kenya, Capital Market Authority, and Insurance Regulatory Authority.

Other key initiatives supporting the adoption of the fourth revolution include the National Digital Superhighway programme as envisaged in the government's BETA, which aims to have over 100,000km of high-speed fibre optic infrastructure in the country. So far, the country has put in place less than 20,000 km of fibre linking more than 57 towns within the country and has connected all the

47 county headquarters. The programme aims to provide Internet to all schools, government institutions/offices, metro-cities, health facilities, rural businesses, homes, and public space. Similarly, the Kenya Open Data Initiative (KODI) was established in 2011 to make data freely available in easy reusable formats by the public through a single online portal. This initiative is in support of the government's drive to consistently inform and be accountable to its citizens in the fourth industrial revolution. Other key initiatives that are yet to be fully implemented include establishment of a smart phone factory and establishment of two software companies.

Konza Technopolis is a flagship initiative to transform Kenya's industries. When completed, Konza Technopolis will offer a world-class technology hub that will be home to leading companies in education, life sciences, telecom, and Business Process Outsourcing (BPO). So far, there are mega infrastructure projects being done, including establishment of the Open University of Kenya established in 2023 to provide affordable, flexible, quality learning experiences to enable learners acquire knowledge, skills and values and nurture the learners into innovative skills for 4IR. Konza Technopolis city houses the national data center that powers, stores and supports applications of the most critical and sensitive data and information necessary to support government services in the 4IR era. In addition, Konza Technopolis has established programmes to build digital skills through the *Jitume Programme* to encourage the youth to access digital devices and opportunities to learn, become certified on digital skills and to access digital jobs. Other digital skills development programmes include the Presidential Digital Talent Programme (PDTP), Ajira Programme and Coding for Schools' Programme. To date, Kenya still has a huge deficit of skill in emerging technologies.

The space sector is increasingly becoming a critical enabler for 4IR. The space sector has potential to open up opportunities for SMEs to develop digital products and services based on space data. In recognition of the critical role of space, Kenya has established the Kenya Space Agency to coordinate, promote and regulate space activities. The Agency is spearheading the establishment of the Centre for Microsatellite Technology Development that is key in providing better connection services that are critical in the fourth industrial revolution and disruptive innovations. Similarly, Kenya has established a strategic semiconductor company at Dedan Kimathi University of Technology, which is key in supporting the development of the 4IR products. Further, Kenya is slowly embracing electric and autonomous vehicles that largely rely on 4IR based innovations. So far, there less than 1,000 electric vehicles in Kenya.

Based on KIPPRA's study on 4IR, about 40 per cent of manufacturing firms indicated that they are aware of 4IR and are willing to embrace the revolution. Evidently, 4IR supports the development of disruptive innovations and continues to revolutionize many sectors including agriculture, health, education, transport, and energy. For example, with innovations, agriculture has benefited from higher productivity, effective use of water, fertilizer, and pesticides thus reducing the cost of production and reduced the negative impact on the natural ecosystem. The use of innovative solutions in agriculture will attract youth to farm, thereby reducing unemployment and reducing migration to cities. Further, disruptive innovations will allow farmers and their families to be more economically, socially, and environmentally resilient. Some of the key innovations include M-Kopa for solar energy; Ushahidi software for emergency; Twiga food for delivery of food; Digifarm and M-Farm for agriculture.

## Conclusion and Recommendations

Although Kenya, like other African countries, was left behind during the past industrial revolutions, the country has great potential to be part of the 4IR. Robust policy and legal framework in the country has propelled Kenya to adopting the emerging technologies that lay the foundation for the 4IR. 4IR offers opportunities to accelerate growth and development in the country. This revolution offers more job opportunities linked to value chains. For example, the adoption of electric and autonomous vehicles gives rise to increased opportunities along their value chains, such as the spare parts sector, operations and maintenance, import and exports, vehicle assembly workshops, battery industry and vehicle sales. All the sectors, including fintech and agriculture and healthcare industries will experience benefits from emerging technologies.

To tap on the vast opportunities presented by 4IR, there is need to consider the following recommendations:

- Develop a comprehensive innovation policy framework that identifies, nurtures, supports and scales digital innovations. This will strengthen the country's innovation sector and facilitate better utilization of innovations for economic growth during the 4IR.
- Develop a national policy and strategy on emerging technologies to enhance the country's preparedness and fast-track use of the technologies.
- Partner with the private sector to develop public digital infrastructure, which is key for 4IR.
- Collaborate with learning institutions and innovation hubs to build skills for future workforce in 4IR.
- Fast-track completion and approval of national cybersecurity regulations to strengthen the cybersecurity posture in the country.
- Provide incentives to private sector to modernize and digitize industrial operations. This will improve the quality of products and the production process efficiency, leading to expansion in the markets for commodities and creation of more jobs.

# Legislative Developments and Policy News

## A. NATIONAL ASSEMBLY BILLS

1. **The Water (Amendment) Bill 2023** was gazetted on 4th July 2023. The principal object of the Bill is to amend the Water Act, 2016 to provide for Public Private Partnerships arrangements and for connected purposes.

2. **The Kenya Roads (Amendment) Bill 2023** was gazetted on 6th July 2023. The principal object of the Bill is to amend the Kenya Roads Act to provide that one of the functions of the Rural Roads Authority shall be to plan the equitable development, rehabilitation, and maintenance of rural roads in each constituency. The Bill also provides that the monies allocated to the Rural Roads Authority and the Urban Roads Authority by the Minister for Finance shall be used for the development of roads in each constituency. Lastly, the Bill provides that the road investment programme prepared by the Minister shall outline the development and maintenance priorities in each county.

3. **The Anti- Money Laundering and Combating of Terrorism Financing Laws (Amendment) Bill 2023** was gazetted on 11th July 2023. The principal object of the Bill is to amend various Acts of Parliament relating to anti-money laundering, countering the financing of terrorism, and countering the financing of proliferation of weapons of mass destruction in addressing deficiencies identified during the Mutual Evaluation of Kenya and matters incidental thereto.

4. **The National Transport and Safety Authority (Amendment) Bill 2023** was gazetted on 21st July 2023. The principal object of the Bill is to amend the National Transport and Safety Authority Act No. 33 of 2012. The amendments seek to introduce a new section which provides for the development of policy guidelines to regulate the fares payable by passengers in the public service vehicles within the country. The new

section will ensure that the relevant stakeholders are involved in the process of developing such policy guidelines to ensure that there are maximum fares payable by passengers in the public vehicles from one point to another to avoid being subjected to abuse.

5. **The Houses of Parliament (Bicameral Relations) Bill 2023** was gazetted on 28th July 2023. The principal object of the Bill is to is to give effect to Articles 109, 110, 113, 114 and 118 of the Constitution. The Bill also seeks to foster bicameral relations by prescribing procedures for ensuring seamless consideration of the legislative business of both Houses.

## B. SENATE BILLS

1. **The Equalization Fund Appropriation Bill, 2023** was gazetted on 20th July 2023. The principal object of this Bill is to provide for payments out of the Equalization Fund for the financial year 2023/2024. The Equalization Fund is established under Article 204(1) of the Constitution to facilitate the provision of basic services including water, roads, health facilities and electricity to marginalized areas to the extent necessary to bring the quality of those services in those areas to the level generally enjoyed by the rest of the nation, so far as possible. This Bill therefore proposes a legal framework for the issuance of monies out of the Equalization Fund to counties in which marginalized areas fall for the provision of crucial basic services.

2. **The Public Holidays (Amendment) Bill, 2023** was gazetted on 21st July 2023. The principal object of this Bill is to to provide for the extension of the public holidays to either the preceding day, where the holiday falls on a Tuesday, and the succeeding day, where the holiday falls on a Thursday. Public holidays are designed to provide workers with time off from their jobs to rest and recharge, spend time with family and friends, and celebrate important events or traditions, and are often associated with travel and tourism. Extending public holidays can help ensure that workers have enough time to fully enjoy their time off and take care of their physical and mental health. Public holidays also seek to support economic growth, as they are often associated with travel and tourism, and extending public holidays may encourage Kenyans to take longer trips or visit destinations farther away from their homes. Essentially, such an extension would promote the hospitality and tourism industries.

## D) JUDICIAL RULINGS

**1. The High Court Ruling in Petition No. E181 of 2023 on the Suspension of the Finance Act 2023.** The Finance Act, 2023 was assented to by the President on 26th June 2023 and the Resultant Finance Act 2023(Act) which was to come into operation or be deemed to have come into operation on 1st July 2023. The Act makes changes to various legislation including the Income Tax Act, Cap 470, VAT Act, 2013, Excise Duty Act, 2015, Tax Procedures Act, 2015, Tax Appeals Act, Miscellaneous Fees and Levies Act, 2016, Employment Act, 2007.

# Policy News

## a) Domestic News

### Farmers, small traders faced with upfront tax in compliance drive: September 15th, 2023

The Treasury is eyeing a creditable withholding tax on all imports at a minimal rate of value as it targets to rope in more farmers and informal traders into the tax net. It says players in these sectors remain highly invisible to the taxman. This will be treated as an advance tax by importers and is meant to enhance their visibility and boost revenue collection. This measure will also help discourage tax evasion and filing of nil returns. Under the creditable withholding tax system, taxes withheld on certain income payments are advance tax payments that are offset against a final tax liability in an assessment for a particular year of income.

The payee may be required to file an income tax return to report the income and or pay the difference between the tax withheld and what is due on the income. The Treasury said the GDP contribution by the agriculture sector remained less than three per cent, which was an indication of under-taxation.

### Small traders spared VAT obligations: September 15th, 2023

The Treasury plans to increase the revenue threshold for a trader to qualify as an agent for collecting value-added tax in what will be the first review in more than one and a half decades. Under the draft Medium-Term Revenue Strategy, which will run between July 2024 and June 2027, the Treasury has proposed to review upwards the current requirement for a trader to have a minimum of Ksh 5 million in annual sales to qualify for VAT obligations. The strategy further proposes to harmonize the VAT rate to 18 per cent in line with its peers in the seven-nation East African Community trading bloc from the current 16 per cent. Kenya last reviewed the threshold to the current levels in 2007. The move will spare small traders the costs of complying with VAT obligations, which include the acquisition of electronic tax register (ETR) machines.

The small-sized businesses remain the backbone of the Kenyan economy and the largest creator of new jobs in an economy, where big corporates are struggling to grow workforce numbers. Prof Ndung'u said that considering that the costs of complying are disproportionately higher on small businesses compared to large businesses, reviewing upward the VAT threshold will enhance efficiency in the VAT system and relieve small taxpayers from the burden of complying with VAT. The KRA started phased implementation of Internet-enabled ETRs in November last year, which ensures the taxman receives sales and invoice data from registered firms and traders daily in a fresh push to boost revenue collections and curb tax evasion.

### Kenya exports to Somalia up 76 per cent after resumption of miraa trade: September 14th, 2023

Kenya's exports to Somalia nearly doubled in the first half of 2023 following the resumption of miraa exports to the Horn of Africa country that has now zoomed past the Democratic Republic of Congo (DRC) and Ethiopia to become the fifth largest destination of the country's goods in Africa. Latest data from the Central Bank of Kenya (CBK) shows that Kenya exported goods worth a record Ksh 11.4 billion to Somalia in the first six months of the year, underlining a 76 per cent growth from Ksh 6.5 billion in the same half last year. The increase saw Somalia become Kenya's fifth largest export destination on the African continent, only behind Uganda, Tanzania, Rwanda, and Egypt and above DRC and Ethiopia, which previously used to rank above it. This comes after Mogadishu lifted a two-year-long ban on miraa imports from Nairobi after talks between then President Uhuru Kenyatta and Hassan Sheikh Mohamud who had been newly elected as the Somalia President. The miraa exports to Somalia were initially capped at 19 tonnes daily when the ban was lifted in July last year but was later increased to 50 tonnes daily. The lift was a major boost to farmers who had been forced to look for alternative markets for their produce, heavily affecting farmers in Mt Kenya East and West who grow the crop.

Kenya's exports to its eastern neighbour have been growing steadily in recent years, rising from Ksh 6 billion in the first half of 2021 to Ksh 6.5 billion in the first six months of 2022 and now to a record Ksh 11.4 billion in the first half of 2023. Besides miraa, Nairobi's major exports to Mogadishu are tobacco, pharmaceutical products, soaps and lubricants, coffee, teas and machinery, according to data from the United Nations (UN) COMTRADE database on international trade. During the period, Kenya's exports to African countries grew by 20.3 per cent from Ksh 168.2 billion to Ksh 202.4 billion, according to the CBK data. Uganda maintained its lead as Kenya's largest trading partner with exports to Uganda growing by 40.2 per cent to Ksh 62.4 billion up from Ksh 44.5 billion during the half-year period compared to a similar period last year. Exports to the Democratic Republic of Congo enjoyed the third highest increase of 36.9 per cent to Ksh 11.1 billion up from Ksh 8.1 billion, those to Ethiopia rose by 20.1 percent from Ksh 6.9 billion to Ksh 8.3 billion while Tanzania closed the top five with a growth of 10 per cent after the exports reached Ksh 29.3 billion.

## b) Regional News

### Border checks, varied rules choke intra-Africa trade plan: September 10th, 2023

Businesses have flagged lengthy border checks and varied quality standards as the biggest threats to Africa's dream of a seamless market. Companies in countries participating in the African Union-backed pilot initiative to accelerate trade on the continent said it takes several months to get some of the approvals needed. The African Continental Free Trade Area (AfCFTA) secretariat launched a year-long Guided Trade Initiative (GTI) in October 2022 aimed at stress-testing operational, institutional, legal and trade policy environment under the envisaged world's largest single market of about 1.4 billion people. The pilot is being implemented in Kenya, Tanzania, Rwanda, Ghana, Egypt, Mauritius, Cameroon and Tunisia. Traders, however, say bureaucratic red tape at border posts are erecting bigger bumps for the free movement of goods than the weak transport and logistics capacity.

Africa's underdeveloped transport networks have been blamed for the rising cost of goods and services by as much as 40 per cent, rendering trade within the continent uncompetitive compared with Europe and other regions. From 2021, the African Export-Import Bank (Afreximbank) embarked on a project aimed at developing regional "world-class" quality assurance centres on the continent. The institution, whose headquarters is in Cairo, Egypt, is largely owned by Africa governments. It says quality assurance centres are geared at ensuring made-in-Africa products comply with global standards and technical regulations to promote exports and facilitate intra and extra-Africa trade. Traders also raised issues with slow clearance of goods on borders. Emerging non-tariff barriers add to Africa's under-developed transport networks. Trade Principal Secretary, Alfred K'Ombudo, said the biggest task for the AfCFTA Secretariat should be simplifying customs procedures instead of eliminating tariff barriers. The realization of the free movement of people, goods and services under AfCFTA will create the world's largest single market, with an estimated economic output of more than US$ 3 trillion (Ksh 438 trillion).

# KIPPRA Demand-Driven and Collaborative Research Projects

## A. Demand-Driven Projects

### Africa Centre for Economic Transformation (ACET) Project on Country Economic Transformation Outlook for Kenya

The African Transformation Report produced in 2021 by ACET shows that Kenya's growth has been less transformative. Kenya's transformation history does not conform neatly to the experiences of developed countries since the first industrial revolution. In this regard, KIPPRA in collaboration with ACET is undertaking the project on country economic transformation outlook (CETO). The goal of the project is to undertake a comprehensive diagnostic analysis of Kenya's economic transformation progress and challenges and to offer policy advice to public and non-public actors. The Kenya CETO will identify themes and approach them in a manner that offers additional value beyond what is already available from other regional and international development organizations.

### The Role of Global Public Investments on Climate Change Financing in Kenya

This project aims at KIPPRA supporting Development Initiatives (DI) to establish the progress and extent of Global Public Investment (GPI). KIPPRA will work with DI to provide the local view of GPI in the national context and help improve understanding of the ownership of GPI across Kenya and ensure the inclusion of country contexts, experiences, aspirations, and nuances in socializing GPI in Kenya. KIPPRA will achieve this by undertaking a study on GPI in Kenya through policy engagements and consultations through stakeholder's roundtables.

### African Economic Research Consortium (AERC) work on Special Drawing Rights (SDR)

The complexity of the COVID-19 pandemic impact, natural disasters, geopolitical challenges including the Ukraine/Russia war have reduced fiscal space and pushed many sub-Saharan African economies, including Kenya, into a recession and making the economic recovery pathways uncertain. This research aims at increasing evidence and awareness about the role of SDRs in addressing the negative economic and debt distress and to inform plans and the needed policy reforms. To increase awareness and evidence-based policy, AERC is focusing on countries that have high potential to use SDR allocations for development but currently face serious debt issues. These are Ghana, Ethiopia, Kenya, and Senegal. The goal of the research is to produce high-quality research products and policy recommendations that are responsive to the specific needs and policy priorities of the four countries and that influence the policy making process in those countries. Country case studies will provide more in-depth analysis of specific SDR financing issues in the four countries, thereby enabling identification and explanation of nuances and peculiarities of these countries and allowing for specific policy recommendations.

### Kisumu Local Economic Development Plan

KIPPRA is supporting the County Government of Kisumu to develop a Kisumu Local Economic Development (LED) Plan. The LED Plan brings together all pre-existing visions and plans to attain the SDGs while considering Kisumu's strengths and assets. Among other developmental aspects, the LED Plan aims to analyze the major trends and opportunities of an integrated local economic development, considering the significant impact of COVID-19 and consolidating all opportunities for private sector investment for Kisumu city development.

### A Cost-Benefit Analysis of a Research Reactor Project in Kenya

KIPPRA is supporting the Nuclear Power and Energy Agency in conducting a cost-benefit analysis of a research reactor project in Kenya. The objective of the study is to provide information that will be useful in determining the economic and financial feasibility of the project. The analysis will inform budgetary considerations for the project, considering overall lifetime costs and expected revenue based on the planned utilization of the research reactor.

## B. Collaborative Projects

### Collaboration with SRC on forecasting the wages and salaries for the public sector

This is a collaborative project between Salaries and Remuneration Commission (SRC) and KIPPRA to undertake research in forecasting of public service wage bill using the KIPPRA Treasury Macroeconomic Model (KTMM), which will entail undertaking impact assessment of the implementation of the 8th Summit Resolutions on National Wage Bill Conference of 2019 and the impact assessment and achievement of SRC implementation on the constitutional principles of pay determination.

### KIPPRA-ACBF Collaborative Project on Enhancing Leadership and Governance in Public Finance Management Programme (ELG-PFM)

The African Capacity Building Foundation (ACBF) engaged KIPPRA to implement activities related to implementation of Enhancing Leadership and Governance in Public Finance Management Programme (ELG-PFM) in Kenya. The goal of the project is to strengthen public financial management functions to deliver inclusive results through effective leadership practices and good governance processes in African countries. KIPPRA will provide country-led support and coordination for successful implementation of the ELG-PFM project in Kenya. The ELG-PFM Programme is aligned with the new ACBF Strategy (2023-27), particularly the Economic and Social Governance Impact Area, which emphasizes a focus on three programmatic dimensions, namely: (i) Domestic Resource Mobilization; (ii) Public Finance Management; and (iii) Economic Policy Formulation and Implementation. The project will be implemented on a pilot basis in five countries, namely: Ghana, Kenya, Nigeria, Senegal, and Zimbabwe. The main beneficiaries of the programme will be ministers of finance, senior directors and heads of allied finance agencies, leadership of parliamentary finance committees, civil society, and other key PFM stakeholders.

### KIPPRA-National Treasury Collaborative Project on Development of Revenue Forecasting Models for Counties

This collaboration seeks to establish the credibility of the existing forecasts of the county budgets and develop a framework for county revenue forecasting. County governments need to have accurate estimates of future revenues to allow them to conduct their service provision to the people in a planned and organized manner. Over-estimation or under-estimation of county finances can have unintended consequences for county service provision arising from constrained spending or idle resources that could be used elsewhere.

This can further result in reduced development of local economy, its competitiveness and welfare of the locals. The counties have been missing their revenue targets for most of the fiscal years, which could be a signal of over-forecasting owing to lack of proper modelling and forecasting procedures.

### KIPPRA-World Bank Collaborative Research of Fiscal Incidence Analysis

The World Bank and KIPPRA have initiated a collaborative engagement whose objective it to conduct a fiscal incidence analysis across various sectors. In this collaboration, KIPPRA staff will benefit from planned capacity building efforts from World Bank while sharing county level data to be used in the analyses. The new collaborative initiative targets to conduct county level fiscal incidence analysis focusing on changes from 2015/16 to 2021/22.

### Development of Statistical Policy Framework

The Kenya Institute for Public Policy Research and Analysis (KIPPRA), the Kenya National Bureau of Statistics (KNBS) and the Council of Governors (COG) signed a memorandum of understanding (MOU) in 2022/23 that set-in motion a sequence of activities to improve county statistical systems. The key objective of the MOU is to support automation of county statistics information systems. To achieve this goal, the MOU partners have developed a roadmap for building the capacity of counties to automate their statistical information systems; conducted a rapid assessment of county data needs for 46 counties; and validated the report on county data needs assessment. KIPPRA will spearhead the tripartite group in developing a model county statistics policy and a model M&E Policy while KNBS will lead the development of county statistics guidelines. The expected outputs include a County Statistics Model Policy (for customization by different counties), a County M&E Model Policy, and a Guideline for Developing County Statistical Abstracts.

### Domestic Savings Shortfall in Sub-Saharan Africa

KIPPRA in collaboration with UNU-WIDER is working on a book on savings titled: *"The Domestic Savings Shortfall in Sub-Saharan Africa: What Can Be Done About It?"* This is motivated by the need to increase domestic savings' rates in Sub-Saharan Africa to realize economic growth. The book intends to close the gap in knowledge about drivers of domestic savings rates in Sub-Saharan Africa; whether alternative approaches, such as pension funds or fintech could provide new solutions to increase domestic savings; and lessons learnt from the experiences so far in different countries in Sub-Saharan Africa and other regions that have been more successful in raising savings rates. The findings of the research will be in tandem with the Addis Ababa Action Agenda of the United Nations on financing for development, which provides a new global framework for financing sustainable development by aligning all financing flows and policies with economic, social and environmental priorities.

### KIPPRA, The National Treasury, AERC and UCPH Collaboration in Economic Research and Policy Making on Tax Reforms in Kenya

KIPPRA in collaboration with The National Treasury (TNT), African Economic Research Consortium (AERC), and the University of Copenhagen (UCPH) are working on a three-year economic research and policy making project geared towards developing 14 research papers that will inform tax reforms in Kenya in the next three years. In the first year, 4 policy research papers will be developed mainly on: understanding the Kenyan public revenue system and the drivers behind the downward trends observed in public revenue collection; reforming the VAT system; reforming the excise tax system focusing on the alcohol and cigarettes sectors; and income taxation and reforms. The partners will initiate two more studies on experimental tax-related studies on small-scale informal cross border trade and loss of revenue; and trade and industrial policy.

In subsequent years, the collaboration will focus on areas such as reforming the excise tax system in the petroleum sector and all the other excisable goods; tax avoidance; green value chain, among others, resulting in the development of nine papers. Other partners in the project include The National Treasury and Economic Planning, UCPH-DERG, Central Bank of Kenya (CBK) and the Kenya Revenue Authority (KRA).



# KIPPRA Events

### a) Workshops and Roundtables

**Stakeholder roundtable meeting on climate change and preparation for COP28: 13th September, 2023**


*Mr Hurdstone Thomas speaks at the Roundtable on Preparation for COP28*

KIPPRA held a breakfast meeting on Climate Change and Preparation for COP28. The meeting brought together key stakeholders, policy makers, and youth activists to discuss preparation for COP28. The meeting was graced by KIPPRA's Executive Director, Dr Rose Ngugi and National Youth Council Ag. CEO, Ms Margaret Kiogora, who highlighted KIPPRA's support to youth in climate action initiatives.

The COP 28 is scheduled for 30th November to 12th December 2023 in the United Arab Emirates and will focus on four paradigm shifts: Fast-tracking the energy transition and slashing emissions before 2030; Transforming climate finance, by delivering on old promises and setting the framework for a new deal on finance; Putting nature, people, lives, and livelihoods at the heart of climate action; and Mobilizing for the most inclusive COP ever.

**Stakeholder workshop on mobilizing climate finance for sustainable development in Kenya: Challenges and opportunities in the Global Financial Architecture: 22nd August, 2023**

*Capacity Building Workshop on Public Policy Making Process for Nyandarua County Staff*

\KIPPRA in collaboration with Development Initiative (DI) held a stakeholder workshop on mobilizing climate finance for sustainable development in Kenya: Challenges and opportunities in the global financial architecture in Nairobi County. The event aimed to bring together experts and practitioners to discuss proposals to reform the global financial architecture and strategies to enhance climate change and other Global Public Goods such as health and security financing.

The participants were drawn from Development Initiatives, International Food Policy Research Institute (IFPRI), Kenya Vision 2030, African Population and Health Research Center (APHRC), Nairobi City County Government, University of Nairobi (UON), National Environment Management Authority (NEMA), State Department for Economic Planning, State Department for ASALs, Global Public Investment Network, Central Bank of Kenya, and Christian Aid Kenya.

## Webinar on empowering change: Navigating the pathway to a sustainable energy future: 22nd August, 2023.

*Participants pose for a group photo at Stakeholder workshop on mobilizing climate finance for sustainable development in Kenya*

KIPPRA participated in a webinar on Empowering change: Navigating the pathway to a sustainable energy future as part of their pre-COP28 activities. The key areas of discussion in the webinar were: energy security in our shifting climate - exploring geopolitical changes, the adaptability of global energy systems to renewables, and emerging market dynamics; business opportunities, risks, and financial strategies fueling the green transition while highlighting the importance of job creation in renewables; and social implications - addressing energy poverty, ensuring universal access, and the significant role of community-driven efforts. Among the policy issues that came out of the discussions included: the varying views, progress and inequalities of energy transition and security across the world; the disruptive nature of the energy transition; low private sector involvement and geopolitical effects on energy markets. The T28 is research and policy advisory platform for the COP28 and the 1st global climate dialogue for think tanks and practitioners, offering data-supported recommendations for COP28.

## Stakeholder workshop on refining and prioritization of proposed nutrition policy questions: 7th - 9th August 2023

*KIPPRA Executive Director, Dr Rose Ngugi addresses the participants at Roundtable on COP28 Preparation*

KIPPRA in collaboration with the Kenya Bureau of Statistics held a stakeholder workshop to refine and prioritize the proposed nutrition policy questions under the National Information Platform for Food Security and Nutrition (NIPFN) from 7th to 9th of August 2023 in Machakos County. The workshop focused on undertaking Step 3 of the NIPFN policy formulation process. This entailed prioritizing and refining further the proposed level 2 policy questions based on the technical feasibility criteria. The NIPFN policy experts guided stakeholders through the process where the set of 52 policy questions obtained in Step 2 were reviewed to establish whether they were aligned to policy priorities and the government's development agenda. They were revised to a set of 15 policy questions. The workshop brought together representatives involved in nutrition from different sectors including social protection, education, health, agriculture, water, sanitation, and disaster management.

**Dissemination workshop on assessment of County Integrated Development Plan (CIDP) II for ASAL counties: 3rd-4th August 2023**

*KIPPRA Executive Director, Dr Rose Ngugi addresses the participants at Roundtable on COP28 Preparation*

KIPPRA held a dissemination workshop on assessment of County Integrated Development Plan II (CIDP II) for ASAL counties on 3rd and 4th August 2023 in Machakos County. The aim of the workshop was to disseminate evaluation reports on the second generation CIDP review for the 29 ASAL counties. As counties develop the third generation CIDPs, they are expected to conduct a review on implementation of the CIDP II to inform development of the new CIDPs. The counties represented at the workshop were: Wajir, Machakos, Kitui, Embu, West Pokot, Kwale, Marsabit, Kiambu, Migori, Lamu, Baringo, Kajiado, Homa Bay and Makueni counties.

**Stakeholder workshop on Special Drawing Rights: 27th July, 2023**

*Participants follow the proceedings of the COP28 preparation workshop*

KIPPRA participated in a stakeholder engagement workshop organized by the Africa Economic Research Consortium (AERC) on Special Drawing Rights (SDR). The workshop focused on a study aimed at providing evidence on rechanneling SDRs to developing countries and contributing to the debate on global financial architecture reforms.

SDRs are an international reserve asset created and maintained by the International Monetary Fund (IMF). They were established in 1969 to supplement member countries' official reserves and facilitate international monetary transactions. The primary purpose of SDRs is to provide liquidity to the global monetary system and promote stability in the exchange rate system.

**Stakeholder workshop on Pan-African Initiative for Governance of Global Carbon Emissions: 17th - 18th July 2023**

*KIPPRA Executive Director Dr Rose Ngugi (right) participates in a panel discussion at the UNU WIDER Conference*

KIPPRA held a two-day stakeholder workshop focused on Pan-African initiative for the governance of global carbon emissions. The focal point of the discussion was the need to have the countries responsible for the greatest emissions take the lead in securing global temperature targets. The workshop brought together key stakeholders in government, development partners and civil society to explore ways in which Africa, especially Kenya, can lead this debate.

It was observed that with the current global carbon emissions set at 1.5°C and net zero for all by 2050, Africa stands to lose on its development ambitions, since industrial growth must slowdown to meet this target. This is due to most of the big emitters being developed countries whose economies can afford to slow down.

Among the organizations represented at the forum included the University of Nairobi, Kenyatta University, Strathmore University, Central Bank of Kenya, Kenya Revenue Authority, National Environment Management Authority, Catholic Youth Network for Environmental Sustainability in Africa (CYNESA), Kenya Climate Change Working Group, Kenya Inter-University Environmental Students Association, and the Office of the President.

### b) Launches

**Launch of Kenya Economic Report 2023: 28th September, 2023**


*CS, The National Treasury, Prof. Njuguna Ndung'u addresses participants at the launch*

KIPPRA launched the Kenya Economic Report 2023 on 28th September 2023 in Nairobi. The launch ceremony was officiated by the Cabinet Secretary, The National Treasury and Economic Planning, Prof. Njuguna Ndung'u and attended by KIPPRA Board Chair Prof Benson Ateng', KIPPRA Board Directors, and representatives from public and private sectors.

The theme of the report is *Cost of Living and the Role of Markets* and has ten areas of focus on macroeconomic performance; medium-term economic prospects for Kenya; inflation dynamics in Kenya; food inflation and the cost of living; minimum wage and the cost of living; role of the credit markets in managing the cost of living; leveraging on food manufacturing towards lowering the cost of living; trade and the cost of living; accelerating adoption of electric mobility for affordable and sustainable transport; and government interventions towards making markets work.

The Kenya Economic Report 2023 is the 15th edition in the series of the flagship Report, first published in 2009 and is prepared annually pursuant to Section 23(3) of the KIPPRA Act No. 15 of 2006. The Report provides policy recommendations to strengthen measures to address the cost of living, including adopting timely and adequate monetary policy interventions; scaling up investment to boost agricultural production and expanding agro-processing to smoothen food supply.

### c) Capacity Building

**KIPPRA Mentorship Programme for Universities and TVETs at Laikipia University: 20th - 21st September 2023**

*KIPPRA Executive Director and Board Chair pose for a photo with with Laikipia University students*

KIPPRA hosted the KIPPRA Mentorship Programme for Universities and Technical and Vocational Education and Training (TVETS) at Laikipia University. The theme for the event was Kenya's transformation agenda since independence and future projection. The event was graced by the KIPPRA Board Chair, Prof. Benson Ateng', KIPPRA's Executive Director Dr Rose Ngugi, and Laikipia University Vice Chancellor Prof. Kibett Rotich.

### Capacity Building for Central Bank of Somalia Officers: 3rd August, 2023

*Participants pose for a group photo during the Capacity Building for Central Bank of Somalia Officers*

KIPPRA capacity built officers from the Central Bank of Somalia on Macroeconomic Modelling and Forecasting on 3rd August 2023 in Nairobi. The sessions were facilitated by KIPPRA Policy Analysts from Macroeconomics Department and gave the officers an opportunity to gain understanding and skills on economic modelling and forecasting.

### Capacity Building for Board Members of Nuclear and Power Energy Agency, Business Registration Services, and the Fish Levy Trust Fund: 24th-28th July 2023

*CS, The National Treasury, Prof Njuguna Ndung'u (right) launches the Kenya Economic Report 2023*

KIPPRA capacity-built the Board Members from the Nuclear and Power Energy Agency (NUPEA), Business Registration Services (BRS), and the Chief Executive Officer (CEO) from the Fish Levy Trust Fund on the Executive Public Policy Making Process from 24th to 28th July 2023 in Mombasa County. The main objective of the capacity building course was to train officers to positively influence policy making at their places of work and to learn how to formulate a policy document. The course focused on the policy formulation process, importance of public policy, identification of public policy issues and their interventions and measurement of public policies impact. The course brought together a total of 19 trainees drawn from the three institutions.

## d) CSR Activities

### KIPPRA participates in the launch of plant your age app: 15th September, 2023

KIPPRA participated in the launch of plant your age app by Green Africa Foundation in partnership with Konza Technopolis Development Authority and Ministry of Foreign and Diaspora Affairs on 15th September 2023 in Nairobi. The Plant Your Age Initiative seeks to enhance and unify tree growing across Kenya, Africa and globally. The KIPPRA delegation was led by Director Corporate Services, Ms Irene Mithia, who participated in a panel discussion alongside Dr John Kioli, Executive Director Green Africa Foundation and Dr Isaac Kalua, Chair and Founder Green Africa Foundation. The team wrapped up the launch by planting trees at Konza Technopolis as part of KIPPRA's Corporate Social Responsibility.

### KIPPRA Plants 1,000 Indigenous Trees in Keiyo South Constituency: 1st September, 2023


*National Youth Council CEO Ms Margaret Kiogora highlighting the place of youth in climate action at the roundtable on preparation for COP28*

KIPPRA, in collaboration with the office of Keiyo South MP, Hon. Gideon Kimaiyo, planted 1,000 trees in Chemarkach Junior and Secondary School in Kiptagat, Keiyo South Constituency on 1st September, 2023. The event was attended by KIPPRA staff, staff from Keiyo South MP's office, area chief, teachers, and parents of Chemarkach Primary and Junior Secondary School pupils.

The Institute undertook the exercise as part of its corporate social responsibility and a timely contribution to implementation of the Presidential Directive to plant 15 billion trees by 2032. The restoration and preservation of key ecosystems are a cornerstone of Kenya's tree planting efforts and KIPPRA takes these restoration efforts seriously. The Institute previously planted over 2,000 trees at Naivasha Game Farm.

Central to the success of Kenya's tree planting initiative is the active involvement of local communities and schools. Numerous community-based organizations and NGOs collaborate with government agencies to organize tree planting events, engaging citizens in the conservation effort. These initiatives not only increase forest cover but also empower communities economically through agroforestry practices. KIPPRA has partnered with schools and government agencies such as the Wildlife Research and Training Institute (WRTI) to plant trees.

### e) Partnerships and Engagement

### i) Conferences

### KIPPRA participates in the UNU WIDER conference: 6th -9th September 2023


*Participants at the Stakeholder workshop on Pan-African Initiative for Governance of Global Carbon Emissions*

KIPPRA participated in the UNU WIDER Development Conference on the role of domestic revenue mobilization in development, in Oslo, Norway. The conference was organized by the United Nations University World Institute for Development Economics Research (UNU WIDER) and brought together experts from research and policy networks from around the world to discuss and debate the findings and policy recommendations of UNU-WIDER's Domestic Revenue Mobilization (DRM) research programme.

KIPPRA's Executive Director, Dr Rose Ngugi, made a presentation and participated in a panel discussion where she highlighted the need to mobilize revenue for infrastructure and public services to get the right mix with external funding. Additionally, KIPPRA's Principal Policy Analyst, Dr Moses Njenga, made a presentation on capital markets in Sub-Saharan Africa and what can be done? The Conference will support policy processes in partner countries and in the Global South by sharing new knowledge on how domestic revenue mobilization can be enhanced and how it can combat poverty.

### KIPPRA Participates in Africa Climate Summit: 4th - 6th September 2023


*Participants follow the proceedings of the Stakeholder workshop on mobilizing climate finance for sustainable development in Kenya*

KIPPRA participated in Africa Climate Summit from 4th **to** 6th **September 2023 in** Nairobi. The summit, which was organized by Africa Union Commission and the Government of Kenya, provided an opportunity for an African Leaders Nairobi Declaration on Green Growth and Climate Finance Solutions, and for a Call to Action for African Union Member States and supporting partners to champion its delivery. The Institute was represented at the summit by the Director Economic Management, Dr Eldah Onsomu and Communications Officer, Mr Mohamednur Duba.

The summit aimed to launch a new ambition for Africa and invite partnerships with the rest of the world towards addressing climate change for sustained development. It also served as a platform to showcase progress, exchange perspectives, and begin to converge on common priorities for global discussions (including UNGA, G20, World Bank Group (WBG) and IMF Annual Meetings, COP28 and beyond).

The Institute also participated in a session on accelerating policy action for Development, climate and food security in Kenya. The contribution during the session included a presentation on practical approaches, solutions, and opportunities to advance sustainable development in Kenya, including improved food security and adaptation to a changing climate to spark dialogue on policy action and to demonstrate the urgency of strengthening science/policy/practice collaboration. KIPPRA also participated in sessions on carbon markets in the global south, accelerating climate resilient investments in Africa and scaling international climate finance for Africa. The deliberations at the summit included full implementation of all COP27 commitments, accelerating all efforts to reduce emissions to align with the goals set forth in the Paris Agreement and swift operationalization of the loss and damage facility agreed at COP27.

The summit culminated with governments, the private sector, multilateral financial institutions and philanthropists committing US$ 23 billion for green growth, mitigation and adaptation efforts in Africa. The summit also committed to focus Africa's economic development plans on climate-positive growth, including expansion of just energy transitions and renewable energy generation for industrial activity, climate-aware and restorative agricultural practices, and essential protection and enhancement of nature and biodiversity.

## KIPPRA Supports the 4th Annual Youth Climate Change Summit and Festival: 24th-25th August 2023


*Participants pose for a group photo at COP28 preparation workshop*

KIPPRA supported the 4th annual Youth in Climate Action Summit and festival in Nairobi. The theme was " ***Meaningful engagement and unifying youth voices for climate action***". The Summit brought together about 150 youth working in climate change from different sectors to exchange views on amplifying their voices, strengthening their movement, and contributing to collective action in climate change. The event was a collaborative initiative between YALI Alumni Chapter of Kenya and Youth Greenspace Action Network supported by KIPPRA and USAID-Kenya. The initiative aligns with KIPPRA's role of building capacity and providing a platform for stakeholders to dialogue on policy issues.

A representative from the Ministry of Environment, Climate Change and Forestry officially opened the event on behalf of Hon. Roselinda Soipan Tuya, Cabinet Secretary - Ministry of Environment, Climate Change and Forestry. The Summit included panel sessions that discussed youth-driven technologies in climate change action, the impact of climate change on children, gender equality in the climate change space, climate change financing and effects of climate change on food security and health. The panelist included Dr Eliud Moya, Mr Nightingale Wakigera (ACOPPHE) Dr Charles Nzivo (KNLS), Ms Margaret Kiogora (National Youth Council), Ms Winnie Mutai (African Development Bank) and Ms Beverly Musili (Kilimani Project Foundation).

### ii) Meeting Partners

### Trends Research and Advisory Officials visit KIPPRA: 25th September, 2023

*Participants pose for a group photo at the CIDP Workshop*

KIPPRA hosted a delegation from the Trends Research and Advisory. The purpose of the visit was to discuss areas of partnership and collaboration with KIPPRA. The delegation was led by the Chief Executive Officer (CEO) Dr Mohamed Abdulla. The team was received by KIPPRA Executive Director, Dr Rose Ngugi.

Among the issues discussed were partnership and collaborations between the two institutions, including undertaking joint research and publications and their dissemination through avenues such as conferences. The areas for research collaboration include climate change, security, and trends in different sectors such as energy and finance. Trends Research and Advisory is an independent research centre headquartered in Abu Dhabi, UAE and the visit is part of their initiative to expand its partnership and collaborative networks in Africa, especially in East Africa.

### New IMF-Kenya Resident Representative Visits KIPPRA: 27th July, 2023

KIPPRA hosted the new IMF Resident Representative – Kenya, Mr Selim Cakir and economist Mr Daniel Tallam. The purpose of the visit was to understand the Institute's role in the public policy process and get an overview of the country's economic developments.

KIPPRA Executive Director, Dr Rose Ngugi, took the delegation through the Institute's mandate, including capacity building and policy research programmes and networking engagements. She gave examples of products and services such as the annual flagship report (the Kenya Economic Report), and the annual regional conference.

Among the issues discussed were partnerships and collaborations between the two institutions, including exploring opportunities for KIPPRA policy analysts benefitting from IMF's capacity building programmes and the need to explore exchange and technical assistance programmes to enhance peer learning and mentorship. Another area of deliberation was the global financial architecture and how Kenya and other African countries could benefit from the Special Drawing Rights, and the Resilient and Sustainability Trust Fund.

# "UPCOMING ACTIVITIES"

a) **Upcoming policy seminars**

KIPPRA will hold policy seminars where stakeholders will be invited to discuss and give input on various topical and ongoing policy research issues. The policy seminars scheduled for the next quarter include: Digital Innovations; World Economic Outlook (WEO); Primary Health Care in Kenya; Livestock Value chain in ASALs in the wake of Climate Change; World Investment Report; Kenya @60: Land reforms in Kenya; Primary Health Care and Nutrition Nexus; and Digital Superhighway.

b) **Upcoming roundtables**

The KIPPRA roundtables planned for the next quarter include: CBEM 2023/24 focusing on county government institutional capacity and political commitment in delivering social protection; National quality infrastructure on services; Creative economy focusing on core creative (music, performing art and visual art); National quality infrastructure; Policy initiatives in the digital economy; and Creative economy focusing on the core cultural (film, museums, galleries, libraries, and photography).

c) **Dissemination workshops**

The upcoming dissemination workshops in the next quarter include AfCFTA papers 2021/2022; Entrepreneurship culture in Kenya; and the sectoral dissemination of Kenya Economic Report 2023. The Institute will also undertake the Kenya Economic Report (KER) 2024 stakeholder consultation workshop where the theme of the report is *"Enhancing productivity for sustained inclusive growth."* The overarching goal for the report will be to present evidence-based public policy options that can foster sustainable and inclusive economic growth in Kenya by boosting productivity across various sectors.

d) **Corporate social responsibility activities**

### Participation in the 20th edition of the Standard Chartered Marathon

KIPPRA will participate in the 20th edition of the Standard Chartered Marathon scheduled for 29th October 2023. This is in line with the KIPPRA Corporate Social Responsibility and in promotion of staff well-being.

### The Kereita Forest Challenge

KIPPRA will participate in the Kereita Forest Challenge 2023 on 25th November 2023. The Forest Challenge is an initiative of the East African Wildlife Society (EAWLS) in collaboration with Kijabe Environment Volunteers (KENVO) and Kenya Forest Service (KFS) launched in 2014. It is a unique opportunity for participants to interact with nature by participating in competitive yet fun activities in Kereita Forest, which forms part of the larger Aberdare Forest.

KIPPRA staff will plant trees during the exercise as part of the Institute's corporate social responsibility and contribute to conserving our ecosystem.

# 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.

**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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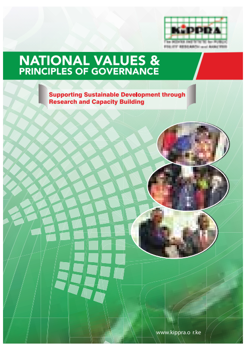


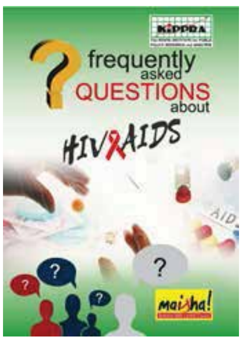


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