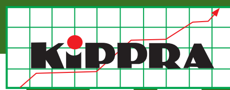

POLICY MONITOR

Improving public policy making for economic growth and poverty reduction

Issue 6, No. 1 July - December 2013

Kenya Economic Outlook

Efficient Infrastructure is Vital for Kenya's Status as the Regional Transport Hub

Kenya's Health Sector: How Can the County Governments Counter the Challenges?

Devolution is more than "Equitable" Sharing of National Resources

KIPPRA **IN PICTORIAL**

1. **Prof. Jacob Kaimenyi, left, Cabinet Secretary of Education, visits the KIPPRA stand during the 2013 Nairobi International Book Fair**
2. **Dr John Omiti (centre), Executive Director, receives a memento from Kenya Defense College**
3. **KIPPRA at the Youth, Women and Persons with Disabilities Expo**
4. **Dr John Omiti, front row left, and Dr Dickson Khainga, front row right, during the Devolution and Resource Sharing forum**
5. **KIPPRA joins the Kenya @ 50 celebrations**
6. **KIPPRA staff participate at the 2013 standard chartered marathon**

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Vision

To be the leading institute in public policy research and analysis; an international centre of excellence

Mission

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

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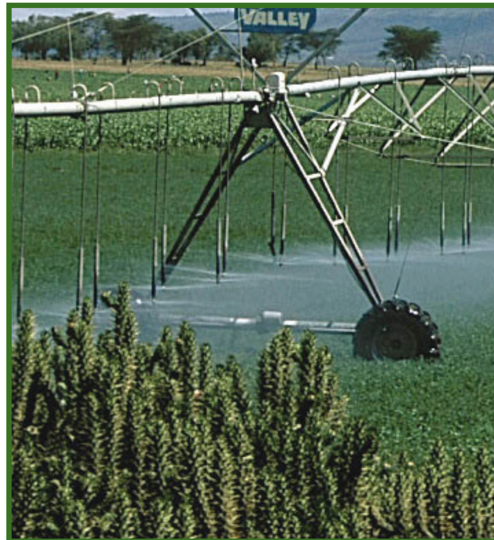

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from the **Executive Director**

Dear Readers,

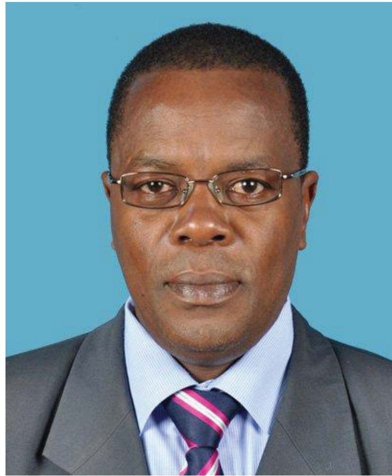
Once again I am delighted to welcome you to read this issue of the KIPPRA Policy Monitor. The wide range of articles and news items covered is a reflection of the busy period the Institute has gone through.

As usual, we provide you with incisive feature articles, economic outlook and news items.

As most of us are aware, the entire nation is now keenly focused on issues of devolution, and whether this new system of government will spur Kenya's national development. The article on devolution tries to put into perspectives the various facets of devolution, and its various faces. It may help show Kenyan's that all is not lost and with patience, devolution may actually work.

In this issue, we also focus on infrastructure, and especially how the various planned regional infrastructure projects are essential in stimulating regional economic growth. This article provides a useful inventory of the envisaged projects, especially regarding transport.

Another key article focuses on diversification of Kenya's exports. As many are aware, Kenya has over the years relied on Europe as the main export market. Diversifying to African markets would shield the economy from global economic shocks. There is huge potential for exports to COMESA and EAC, which is yet to be tapped.



Dr John Omiti, Executive Director, KIPPRA

On the social sector, we look at the 'health of Kenya's health sector', and especially the challenges that county government must quickly start addressing. Provision of accessible, affordable and equitable healthcare has now shifted from the national government to county governments, but with numerous challenges. Most of the challenges relate to healthcare financing, the overreliance on curative rather than preventive services, congestion, few insufficient healthcare personnel, among others. There is need for a wholistic approach to addressing these challenges. Moreover. it may be necessary to rethink the levels to which the national government should devolve healthcare provision.

-fforts towards empowering the youth, and to ensure that they actively participate in national development. Studies have now shown that financial inclusion is one of the key building blocks of youth empowerment. It entails access to and opportunity to use a range of financial products and services tailored for the youth. There are positive economic, social and health outcomes associated with for example, creating a savings culture among the youth, right from an early age. Thus the article on making the youth economic citizens is a must read.

Finally, we provide the economic outlook for the second half of the year 2013.

Most of the economic sectors registered positive growth rates during the period, though inflation worsened from 3.7% in January 2013 to 8.3% in September, and then 7.8% and 7.4% in October and November 2013, respectively.

In the medium term, the overall economy is projected to grow at 6.3% in 2014. However, this is pegged on some assumptions that need close attention. It is assumed that implementation of the Constitution, and especially the devolved government system, will be smooth in order to provide a stable macroeconomic environment. Secondly, it is expected that the recently launched second Medium Term Plan of Vision 2030 will provide a suitable platform for promoting investments, trade and exploitation of the recently discovered natural resources. Moreover, this anticipated growth is pegged on favourable international environment, good weather conditions, and a favourable political climate.

Welcome and Read On!

Most of the economic sectors registered positive growth rates during the period, though inflation worsened from 3.7% in January 2013 to 8.3% in September, and then 7.8% and 7.4% in October and November 2013, respectively.

Devolution is more than "Equitable" Sharing of National Resources

By Jacob Chege, Senior Policy Analyst, Governance Division

There is a skewed perception in Kenya today that devolution is just about "equitable" sharing of national resources. This perception of devolution has its roots. The emotions and passions that energized Kenyans to work for and pass the 2010 Kenya constitution was largely premised on the perception that there are widespread regional disparities (in terms of income earnings) in Kenya. Since independence, political regimes have tended to use public resources and national revenues to reward cronies, and disproportionally allocated the same along ethnic interest.

However, the extent to which allocation of national revenue has contributed to variation in income levels among different regions in Kenya is debatable. We note that regional disparity may result as a natural consequence of development process where various regions in Kenya, characterized by different agro-ecological zones with unique resource endowments, attract different sets of economic activities that the market responds to differently. Thus, controlling for all public allocation variables, productivity in a place such as Embu is likely to be more than that of Moyale. Moreover, regional disparities may result from uneven distribution of public resources, if such resources are catalytic to private sector growth in a region. Irrespective of what has been the primary cause, regional disparities have created social and political instability in Kenya.

A study by KIPPRA on regional disparities in Kenya shows that relatively better regions in Kenya, in terms of lower poverty levels, are not necessarily those with better access to water, security, electricity connection and higher tarmac

A study by KIPPRA on regional disparities in Kenya shows that relatively better regions in Kenya, in terms of lower poverty levels, are not necessarily those with better access to water, security, electricity connection and higher tarmac road density

COVER STORY

road density. The determinants of regional disparities in Kenya can be tracked from various dimensions. From a historical perspective, the initial infrastructure setup by the colonial government, that is the road and rail major corridors, was instrumental to the regions' development where it was constructed. The same can be said of education facilities, which provided a head start to communities that accessed those facilities. It is also a possibility that the communities that got the brunt of white settlers in terms of displacement from their ancestral lands had to be entrepreneurial as a guarantee for survival. Therefore, a clear understanding of the genesis of regional disparities in Kenya may help various communities to rethink what needs to be done to develop their respective regions.

For most Kenyans, devolution equals redistribution of the nation's tax revenue "so that all communities can benefit instead of one or two communities where the presidency originates from." This explains why there is continuous clamour for higher percentage of national revenue to be allocated to counties. It is worth noting that Chapter 11 of the Constitution does not refer to ensuring equitable sharing of national and local "revenue". It appears that most Kenyans replaced, in their minds, the word "resources" with "revenue" and voted for devolution. The thinking was somewhat convenient - strategize on what variables in the allocation formula would make respective regions get more allocation. However, the drafters of the 2010 Constitution were very alive to the fact that any economic growth, regional or otherwise, requires leveraging on the resources available. Counties must of necessity be in a position to control some resources in order to provide the right enablers that facilitate growth. Regional growth is influenced by both private and public investment. Private investment is driven by the entrepreneurial attributes/competencies and environment responses to the economic activities. Public investment promotes regional development through provision of infrastructure in transport, education and power supply, in addition to creating a regulatory environment that attracts private investment. Beyond public investment, private investment is a prerequisite for regional growth. Thus, for devolution to work in Kenya, there is need for a paradigm shift in people's perception of what causes some regions to lag behind others, and how devolution can address that.

Moreover, devolution can be construed to have three dimensions: political, administrative and fiscal. These can be construed as the phases of devolution. The ***political phase*** of devolution involves instituting democratic sub-national (county) government elections. The elected county governments are thus answerable to their local constituencies, with the authority to pass by-laws in their area of jurisdiction. This phase of devolution lays structures for the other phases of devolution, and the 4th March 2013 elections actually initiated this phase of devolution.

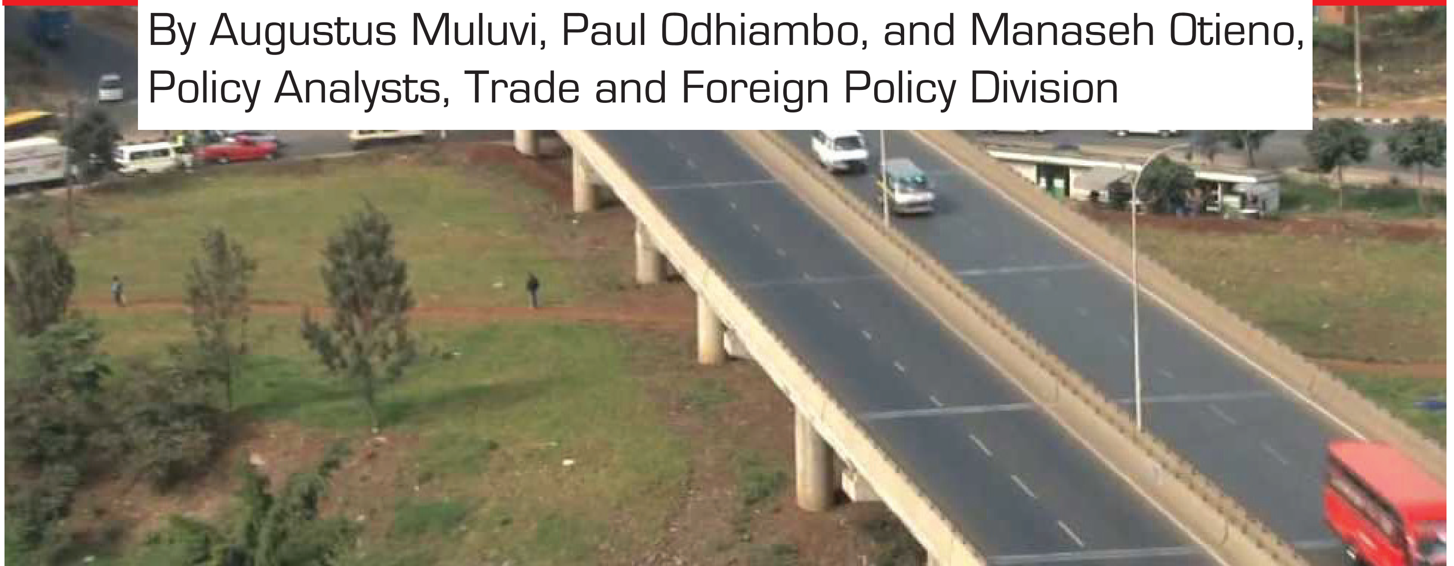
The second phase should be ***administrative phase*** of devolution, where an independent body delineates functions of country authorities from that of the national government. This is heavy responsibility as it entails assignment of service delivery powers and functions both vertically (between levels of government) and horizontally (within level of county governments). The independent body, Transitional Authority in Kenya in this context, should be well funded and legally insulated from undue influence from both national and county leadership. It is expected to evaluate a wide spectrum of issues, including transfer of public servants from national to county authorities in tandem with delegated functions. Indeed, any hiring at county level should be the function of the Authority, informed by any skill gaps at that level, once staff transfer exercise is completed. In that case then, the staff hiring exercise that has been undertaken by various counties may seem not only ill-advised, but illegal!.

The final phase of devolution should be ***fiscal phase*** where, once the administrative aspect of devolution is complete, decisions have to be made on how to get the resources to support public service delivery in the context of devolved functions. Fiscal devolution has to consider the distribution of fiscal responsibilities and the consequent interactions between the national and local governments. This phase requires a clear model of dispersal of financial revenue from the national government to county government, informed by specific project needs aligned to infrastructure or human resource development capacity. A constitutional commission mandated to oversee fiscal responsibilities must consult with the respective authority responsible for administrative devolution to harmonize delegated powers in terms of public service delivery and necessary resources. The commission must therefore design modalities of how county governments can leverage on resources they have through fiscal levies that these governments impose in their sphere of jurisdiction. Notably, the Commission on Revenue Allocation was already in place with an allocation formula, even before political and administrative devolution processes were completed.

Therefore, it may seem that Kenya has embarked on implementation of devolution without a clear framework. Because of unhealthy obsession with sharing of national revenue, running a devolved system of governance might prove overly expensive and may also lead to more social and political instability. However, it is still reasonably early to address the problems of implementation in order to get the devolution process on the right path. This calls for political good will to implement devolution, constructive dialogue and consultation between the National Assembly and Senate, coordination between the implementing commission and institutions, and effective public education in order to tame the public expectations that devolution would immediately reduce inequality and poverty in the country .

Efficient Infrastructure is Vital for Kenya's Status as the Regional Transport Hub

By Augustus Muluvi, Paul Odhiambo, and Manaseh Otieno, Policy Analysts, Trade and Foreign Policy Division



The Government of Kenya has embarked on unprecedented modernization of transport infrastructure, and especially roads, seaports, airports and rail. These initiatives are consistent with the Vision 2030, which envisages investment in transport infrastructure in order to position the country as the most efficient and effective transport hub in East and Central Africa. It is expected that reliable and efficient transport infrastructure will make Kenya more competitive and will result into increased mobility of people and goods, leading to reduced costs of doing business and promotion of regional trade. Other benefits of effective transport infrastructure include promotion of economic development and regional integration, reduced travel time, better accessibility to markets, high quality of transport services, transport safety and attraction of foreign investment.

Some of the major infrastructure development plans being implemented include the launch of a new berth to ease congestion at the Port of Mombasa, which will allow the port to handle 800,000 twenty-foot equivalent units (TEUs) per year, up from 600,000 containers, and against a current regional demand of 900,000 TEUs. The government is also planning for construction of three more new container terminals that will increase capacity to 2.3 million containers.

The Port of Mombasa is the largest port in East Africa and the second largest in Sub-Saharan Africa, after Durban, by tonnage and containers handled. It is also the gateway to the East and Central African region. However, the port has been losing regional market share to Tanzania in recent years due to under-investment in port facilities and lack of expansion. The existing facilities are unable to cope with rising volumes moving in and out of the port. This is part of the reason the government is moving fast to modernize and expand the infrastructure in the port. Moreover, Tanzania is set to have three more ports in Bagamoyo, Tanga and Mtwara by 2017. The proposed Port of Bagamoyo is projected to handle 2 million containers per year, thus providing stiff competition to Kenya as the logistics hub in the region. Moreover, Tanzania's ranking on the Logistics Performance is relatively favourable. According to the 2012 Logistics Performance

Feature

Index, Tanzania was ranked at position 88 while Kenya was 122. South Africa was the top ranked African country at position 23. It is imperative that efficiency, timeliness and good management become a priority not only at Kenya's seaports but also other transport infrastructure.

The development of the Lamu Port-South Sudan-Ethiopia-Transport (LAPSSET) corridor is likely to boost Kenya's geostrategic location as the regional transport hub. The land mark infrastructure project was launched in 2012 in a historic ground breaking ceremony witnessed by regional leaders from Kenya, Ethiopia and South Sudan. Components of LAPSSET corridor include a port in Lamu; a 1,500km standard-gauge railway line from Lamu to Nakodok, along the Kenya and South Sudan border; oil pipelines to South Sudan and Ethiopia; an oil refinery; three airports; and three tourist resorts - in the Kenyan towns of Isiolo and Lamu and on the shores of Lake Turkana. Three new berths at Lamu port are expected to be completed by 2017-2018, and the construction of regional highway projects is also under way. To underscore the importance of this project, the Kenya government in March 2013 established the LAPSSET Development Authority to manage the implementation of the project on behalf of the government. The completion of the LAPSSET corridor will open northern Kenya, which accounts for most of Kenya's land mass but remains largely under-developed. Recent discoveries of oil and water resources in Turkana are expected to boost investment for socio-economic development. In addition, the project will provide efficient transport systems to new economic frontiers in Ethiopia, South Sudan, Somalia and other northern neighbouring countries.

Another key infrastructure for the country's socio-economic development is the Northern Corridor, which links the Port of Mombasa to Uganda, Rwanda, Burundi, South Sudan and eastern DRC via Nairobi and Malaba border post. The main components of the Northern Corridor are a road network, railways, inland water routes, and container terminals. The inefficiency of the corridor due to inadequate physical infrastructure has been characterized by long transit time and high cost over the years. The modernization of transport infrastructure and removal of non-tariff barriers along this corridor is critical for trade expansion, economic growth, and regional integration. The plan, therefore, to construct a standard gauge railway line from Mombasa to Kigali to ease cargo movement to neighbouring countries is timely. The standard gauge railway will not only ease congestion on the roads by heavy trucks but also reduce the cost of maintaining roads, and reduce accidents.

The multinational road corridor project for the Mombasa-Nairobi-Addis Ababa that was signed in the year 2012 is expected to promote cross-border trade, regional integration and alleviate poverty. This project is expected to improve intra-COMESA and Kenya and Ethiopia trade by 25% and 200%, respectively.

Other important transport arteries linking Kenya to neighbouring countries include Namanga corridor; Kitale-Lodwar-Lokichoggio; Garissa-Wajir-Mandera; Garissa-Dadaab-Liboi; and Mau Summit-Kericho-Kisumu-Busia. The completion of the rehabilitation of the Namanga corridor in 2012 was a major milestone as the corridor is a key transport link in the East African region. The construction and upgrading of the other roads and highways will contribute to faster movement of people and goods between Kenya and her neighbours.

Since 2006, the Jomo Kenyatta International Airport (JKIA) has been undergoing ambitious refurbishment. The ground breaking ceremony on 3 December 2013 at the Greenfield Terminal marked the beginning of construction of a new terminal that will increase annual handling capacity by 20 million passengers. Currently, the airport has a capacity of 6.5 million passengers annually. The expansion will boost Kenya Airways' plans to increase the national carrier from 41 to 103 aircrafts over ten years. The refurbishment will enhance passenger and cargo handling capacity, reduce congestion, and improve security, and enhance Kenya's position as the regional aviation hub, considering that Tanzania is also in the process of expanding Mwalimu Nyerere International Airport.

The expansion of Kisumu International Airport that started in the year 2008 at a cost of Ksh 3 billion has led to an upsurge in business activity within the lakeside

Passengers ride atop overloaded carriages of a commuter train in Kenya’s capital Nairobi

city. The airport expansion has impacted positively on tourism, financial services and wholesale and retail services. What remains is for the facility to have a cargo handling facility in order to increase exports coming from Kisumu and nearby counties.

Finally, the government should also enhance the reliability and efficiency of transport infrastructure by mainstreaming information technology in the transport sub-sector. It has been observed that delays at international borders or gateway posts undermine efficient trade logistics. To address the constraints of smooth trade flow, reforms focusing on coordination and procedures at the borders are critical in reducing crossing time. Kenya and Uganda have established IT-based customs clearing platforms between Mombasa Port and Malaba border crossing, which has helped ease customs procedures, leading to reduced time for border crossing from 48 hours to less than 6 hours since implementation. This improvement has translated into savings of about US$ 70 million per year for trucking enterprises and traders based on value of time estimates.

As Kenya continues to invest heavily in infrastructure, it should also be noted that the quality of such infrastructure is very critical. According to the East African Business Community study 2011, Kenya ranked lowest in terms of quality and cost of transport within the EAC region, while the World Bank Logistics Performance indicator for Africa 2008 indicated that the East African region had the lowest score on the quality of infrastructure at 2.05, compared to the Sub-Saharan average of 2.11 and the OECD average of 3.65. Beyond quality, there should be adequate budgetary allocations for the maintenance of the existing infrastructure and construction of new infrastructure. Low investment in service and maintenance of infrastructure has been common because it is less taxing to raise funds for new investments or major rehabilitation than to devise mechanisms through which the facilities’ operational and maintenance costs will be covered.

Secondly, there is need for greater capacity building at county government level, given that there are some infrastructure development functions that will effectively fall under the management of county governments, who might not have adequate capacity to effectively deliver the services.

Lastly, Kenya needs to work towards integrating its infrastructure network with its neighbours within the region. As pointed out in the 4th EAC development strategy plan, the key challenge in EAC has been the disconnect between regional programmes and national priorities in terms of infrastructure development. Good coordination will open the region to other countries outside the EAC.

Economic Outlook

In the medium term, Kenya's economy is projected to grow at 6.3%, 7.1%, and 7.5% in 2014, 2015 and 2016, respectively. This will largely be pegged on a favourable international environment, good weather conditions, a favourable political climate, and effective implementation of the medium term policy agenda.

Apart from hotels and restaurants, all the other sectors of the Kenyan economy posted positive growth rates in the first quarter of 2013, thus giving hope for a positive growth trajectory in the medium term. Fishing and construction registered very high growth rates of 15.4% and 13.3%, respectively. Other sectors that registered impressive growth rates are electricity and water, and financial intermediation.

The monthly inflation level in 2013 worsened from 3.67% in January to a high of 8.29% in September and then easing a bit in October and November with a rate of 7.76% and 7.36%, respectively. The average inflation level for the eleven months recorded is 5.60%, which is expected to ease further due to the good rains experienced in the last quarter of 2013. This average performance on inflation is an improvement from 14.0% in 2011 and 9.6% in 2012.

This economic outlook is based on the assumption that the devolved system of government will take off smoothly, as well as smooth implementation of the constitution. These two could create a stable macroeconomic environment for high economic growth in the medium term. The second Medium Term Plan of Vision 2030 will also offer a suitable platform to promote investments, trade and exploitation of natural resources.

In the medium term, Kenya's economy is projected to grow at 6.3%, 7.1%, and 7.5% in 2014, 2015 and 2016, respectively. This will largely be pegged on a favourable international environment, good weather conditions, a favourable political climate, and effective implementation of the medium term policy agenda. A key assumption in the projections is that international oil prices will remain stable in the medium term. The table provides a summary of

In the medium term, Kenya's economy is projected to grow at 6.3%, 7.1%, and 7.5% in 2014, 2015 and 2016, respectively

	2011	2012	2013	2014	2015	2016
GDP growth	4.4	4.6	5.2	6.3	7.1	7.5
Inflation (overall)	14.0	9.6	5.6	5.5	5.3	5.2
Short-term interest rate	8.7	13.6	8.8	8.9	9.0	8.9
Private consumption	2.8	6.6	6.1	7.5	7.3	6.9
Private investment	4.0	8.8	5.1	6.7	7.4	8.9
Government consumption	10.6	9.3	5.7	7.7	8.1	7.0
Government investment	9.0	9.0	5.4	8.0	6.6	8.8
Exports G&S	6.7	4.7	6.3	6.6	9.6	9.6
Imports G&S	15.6	12.5	7.5	9.2	9.1	8.5
Current account balance	-8.0	-10.7	-12.5	-12.6	-12.7	-12.9
Financial deficit	-5.0	-4.0	-3.0	-3.0	-3.0	-3.0
Public expenditure	33.0	31.8	30.4	29.6	28.8	29.4

Source: Summary of Key Macroeconomic Variables based on the KIPPRA-Treasury Macro Model (KTMM)

the key macroeconomic variables for 2011, 2012, 2013 and three-year forecasts (2014-2016).

The overall inflation is expected to ease due to good weather conditions in the last quarter of 2013. This, combined with expected stability in international oil prices, and prudent fiscal and monetary policies, could lead to average inflation levels of 5% in the medium term. It is important to note that improved food production and favourable weather conditions are crucial for any future overall price stability, since food commodities account for a big share in the consumer basket.

Public expenditure as a percent of GDP is still high at 30% on average in the medium term, but consistent with the Budget Policy Statement. Considering growth in real terms, government expenditure in terms of consumption and investment for 2014 are expected to average about 7.7% and 8.0%, respectively. There is deliberate effort by the government to increase capital expenditure so as to achieve the expected high economic growth. The construction activities especially on infrastructure are expected to continue. Also, the implementation of the planned development programmes as contained in the medium term expenditure framework is expected to support growth.

Though tourism has been affected by adverse domestic environment , it is a key sector to economic growth. The sector is expected to recover and grow at an annual average of 12%, thus boosting exports in the medium term and support overall economic growth and development. The projected positive growth for Sub-Saharan Africa at 5% for 2013 and 6% for 2014 is expected to provide an impetus to trade and private investments for the recovery process.

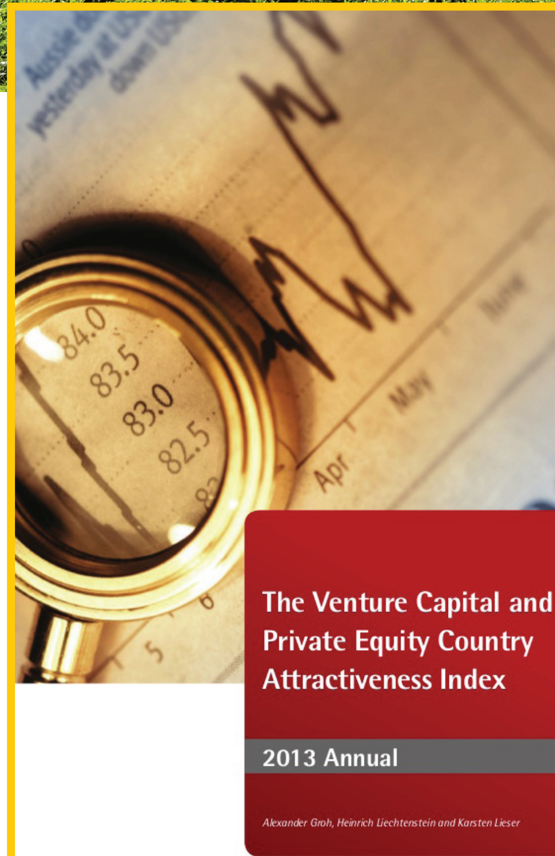
With the expansion of the economy expected in the medium term, growth in imports is expected at 9.2%, 9.1%, and 8.5% for 2014, 2015 and 2016, respectively. The growth in import volume will be occasioned by the need to complement domestic production, purchase intermediate and capital goods, and purchase oil and oil related products.

Some prerequisites are required for the economy to continue on a growth trajectory. These include maintaining macroeconomic stability, deepening structural reforms, and strengthening institutions. These will provide a good background for high and stable levels of economic growth and creation of employment, while at the same time minimizing inequality in the country.

Feature

Promoting Kenya's Exports in Africa

By Simon Githuku, Augustus Muluvi and Naomi Cheboi, Trade and Foreign Policy Division of KIPPRA



Kenya aims to become a middle-income country by the year 2030. One of the strategies that can be used to realize this goal is to increase exports to the world markets, especially to African markets. Increasing exports and diversifying export markets would shield the economy from global economic shocks, enhance diversification of the economy and create jobs especially for the youth. All over the world, it has been shown that growth in exports stimulates economic growth. But how can Kenya increase exports and also diversify markets, and thus achieve the goal of a middle-income country by year 2030?

For many years, Kenya has relied on Europe as the main export market.

> Kenya aims to become a middle-income country by the year 2030

However, exports to Africa have been rising in the recent years. For instance, in 2012, Kenya's exports to Africa, Europe, Asia and America accounted for 48.4%, 22.1%, 20.4% and 5.5%, respectively. Of the total exports to Africa, 70% went to the Common Market for Eastern and Southern Africa (COMESA) and the East African Community (EAC). This reflects the increasing importance of regional trade to Kenya. However, despite the increase of exports to the two regional trade blocks, Kenya's

trade as a percentage of total trade is still low at 9% and 12% for EAC and COMESA, respectively. The leading destinations for Kenyan exports in Africa are Uganda, Tanzania, Egypt, Somalia, Democratic Republic of Congo (DRC), South Sudan and Rwanda.

Kenya's leading commodity exports are tea, horticulture and coffee. Most of these exports, especially horticulture, are sold in Europe. But exports to COMESA and EAC are mainly manufactured goods such as oils and perfumes to Uganda and Tanzania and cement to Sudan, Uganda and Tanzania. Export of manufactured goods to developed economies by developing countries such as Kenya is hampered by long distances and high tariffs.

Kenya should vigorously explore the export of both manufactured and primary commodity exports to the rest of Africa outside EAC and COMESA in order to diversify its export market. However, to be able to do this, the country must address the issue of poor infrastructure which, increases the cost of conducting trade and consequently reduces the competitiveness of exports. Fast tracking implementation of national, integrated regional and continental infrastructure initiatives is necessary to enhance movement of goods and services in the continent. It is anticipated that completion of these programmes will raise overall trade in Africa and ultimately foster economic growth and employment creation.

Another major impediment to increased exports to Africa is the proliferation of regional economic communities (RECs), with countries belonging to more than one REC. This creates a problem of overlapping membership.

The proposed tripartite agreement comprising COMESA, EAC and Southern Africa Development Cooperation (SADC) offers an opportunity to reduce overlapping membership problem. Kenya needs to take a more proactive role in regional trade agreements by influencing the focus of these regional economic blocks away from just discussing the elimination of trade barriers, but also on strategies that can enhance productive capacities of the countries involved.

Unless where bilateral trade agreements exist, Kenyan exports outside EAC and COMESA face high tariff rates imposed on imports from countries outside the RECs, thus limiting trade with other countries.

The Kenya government should work towards attracting more foreign direct investment (FDI) to complement the private sector in production of manufactured and other high value products. However, to attract FDI, there is need to improve on the local business climate by especially investing in infrastructure, and embracing institutional and regulatory reforms. Entrepreneurial development is also crucial to enabling the private sector to identify and exploit trade opportunities that exist in Africa. Such measures as increasing access to credit and providing business development support services will go a long way in increasing Kenya's capacity to export.

Kenya should also utilize its regional influence to promote peace in Africa. Peace dividends are likely to be derived from countries such as Somalia, South Sudan, and the Democratic Republic of Congo.

Feature

Kenya's Health Sector: How Can the County Governments Counter the Challenges?

By David Muthaka, Purity Njeru, and Rose Ngara-Muraya (all of KIPPRA)

Providing accessible, affordable, and equitable health care has been the role of the national government since independence. In this role, the government has over time experimented with a free health care policy, which unfortunately has not worked due to financing challenges. As such, Kenyans have had to contribute to their health through a cost sharing policy. Cost sharing reduces access and affordability to health care, and compromises equity. Thus, only the relatively wealthy can afford proper health care. Health utilization surveys in Kenya show that the main reasons the poor fail to visit public health facilities is because of cost, lack of adequate personnel, and lack of drugs and medical supplies in health facilities. Evidence of high household burden is reflected in the high out-of-pocket expenditure on health care.

The Constitution of Kenya 2010 now provides that county governments will provide primary health care, including health infrastructure and medical supplies at community, dispensary and health centre level. Whereas development of policy has been left to the national government, it will be the role of county governments to ensure that health facilities under them are adequately staffed, either by employing their own health professionals or by lobbying the national government to employ on their behalf. What are the likely challenges?

Low health care financing

Health infrastructure, personnel, drugs and medical supplies are important inputs in delivering quality health care, but they require sufficient financing. Funding by the national government to the health sector has averaged about 6% of government budget, or the equivalent of Ksh 1,100 per person per year spending on health care. This is far below the country's global financing commitments, such as the Abuja Declaration target of 15% of government budget. This low spending by the government on health has meant that households have to dig into their pockets to finance health care. The national health accounts of 2009/2010 estimated out of pocket expenditure at 37%, while the government expenditure was 29%.

To finance health care, counties could establish and promote mandatory micro health insurance schemes, and use already established institutions such as tea, coffee and milk cooperatives to reach

beneficiaries. Under such an arrangement, the vulnerable would be easily identified and offered vouchers. In Rwanda, for example, about 98% of the population has health insurance. As a result, since 2000, maternal mortality ratio has fallen by 60%; the possibility of a child dying by age 5 has dropped by 70%. In 1999, the Government of Rwanda started 54 micro health insurance schemes in three rural districts where people pay RWF 2,500 per year and get free care at health centres, and also transport services to and from some health facilities at district level. Members of schemes thus consume fewer drugs per consultation, because they seek health care at an early stage.

Emphasis on curative rather than preventive health services

In Kenya, the national government has focused more on curative health services, which are more costly, than preventive health services. In the wake of rising demand for health care against constrained budgets, county governments would be better off focusing more on preventive health care strategies such as immunization, nutrition and hygiene, and strategically reduce curative expenses. This will require carrying out public health awareness programmes aimed at improving hygiene and nutrition, and could also encompass free immunization, provision of vitamin A supplements for children, and targeted school feeding programmes. In Rwanda, where progress has been made in terms of health outcomes, many aspects of preventive care, such as provision of mosquito nets and immunization are free.

Moreover, counties need to exploit synergies with other sectors to ensure cost effectiveness and efficiency of the little resources that the county government will raise. For instance, most problems of the health sector are external to it. Road accidents, malnutrition and diarrhoea are due to neglect of other sectors in dealing with the causal factors such as road transport and accidents, food security and clean water.

Congestion at the hospitals

Past health utilization surveys show that households do not necessarily utilize the health facilities near to them because these facilities may not have the required drugs, due to low budgetary allocations. While lack of drugs and medical supplies affects all facilities, from dispensaries, health centres, to hospitals, lack of the same at the lower level causes referral problems where cases that should have been dealt with at dispensary and health centre levels end up in district hospitals. With the county governments being in charge of dispensaries and health centres, inadequate supply of drugs means that patients will flock to hospitals that are supposed to be referral facilities. This could shift the burden of care to the national government, which is in charge of hospitals, thus causing congestion and hence poor quality health care. The alternative health care services provided by the private sector facilities are expensive and unaffordable by many. Moreover, increasing use of alternative private health care means that the government will not be able to provide the declared free health care, such as medical care for under-five and expectant mothers.

Few health professionals

Access to quality health care cannot be possible without availability of qualified health professionals. The ratio of health professionals to population in Kenya is low. In 2010, for instance, data from Health Management Information System showed that one doctor was in charge of 5,470 persons, while a dentist served 43,429 persons. The Kenya Demographic and Health Survey 2008-2009 found that over 50% of births in Kenya are not attended by skilled personnel.

In the formative stages of county governments, data and information is required to assess the health professional's requirements for various counties. A gap analysis of health professionals conducted by the Commission on Revenue Allocation revealed some important findings.

Mombasa, Nyeri and Uasin Gishu are the only counties with

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a supply of doctors above the minimum requirement. Nyeri, Uasin Gishu,Nyandarua, Embu, Kisumu, Busia and a few other counties have a supply of nurses above the minimum requirement. Most counties are experiencing shortages, with some such as Nairobi, Kakamega, Kisii, Nakuru and Mandera experiencing relatively larger deficits while others such as Migori have only a small deficit of nurses. In total, the country requires a minimum of about 4,100 doctors and 26,400 nurses in public facilities, but has approximately 1,550 doctors and 19,050 nurses, leading to a shortage of nearly 2,600 doctors and 7,300 nurses.

Strategies for dealing with the gap between the current status and the minimum requirement of health professionals must start in earnest. Counties could start by establishing and updating their actual current status of health professionals and compare with the projected minimum requirements. This calls for a quick tracking of the health personnel within county jurisdictions, and categorizing them by facility ownership and type of personnel. This should provide a database of all health facilities, private and public, and actual numbers of available personnel by type. The counties could then use this data to assess the proportion of the population not catered for by public facilities in order to enable them assess the gap. An informed planning process can then take place.

Counties should also strategize on how they can train their personnel. Given that training institutions are still under the national government, the information could be used to structure the capacity of training facilities based on county requirements.

Structure of the health system

In Kenya, health care resources are distributed through health facilities, which form a pyramidal structure. The more facilities there are in a region, the more resources the region is allocated. For instance, if a region has many dispensaries and a few health centres and hospitals, more nurses than clinical officers and doctors will be allocated. Also, drugs and medical supplies will be lower because dispensaries are allocated lower drawing rights for the supplies than health centres and hospitals.

Few facilities imply congestion in the existing ones. The distance to the health facility also matters, because of transport costs. In the pyramidal referral system, for example, Embu Provincial General Hospital is supposed to serve patients referred by Moyale District Hospital, which is 900 kilometers away! To increase access and promote equity, county governments need to rethink the referral system, and distribute resources according to need and not type of facility.

Making the Youth Economic Citizens

By Githinji Njenga, Policy Analyst, Private Sector Development Division

The challenge of youth empowerment is global. In Africa, for example, the African Development Bank indicates that more than 20% of the continent's youth are aged between 15 and 24 years, and this population is expected to double by 2045. Unfortunately, majority of these youth, though educated, cannot find employment opportunities. The slow pace of job creation coupled with population growth in Africa, presents challenges to its youth.

The Kenya population is predominantly aged 15-35 years, with 43% of the population below age 15 and approximately 36% between 15 and 35 years. The inability of the economy to absorb the growing labour force and the rate of unemployment among the youth are thus real challenges that the country must confront. In response to the challenge of expanding economic opportunities for the youth, the government has instituted a number of measures, such as setting aside Ksh 6 billion in the 2013/14 budget to ensure that the youth engage in income generating activities through the *Uwezo Fund*. It is expected that the youth will develop a savings culture, with the attendant benefits to the economy. Creating savings will make the youth feel financially included in economic development.

In its model, the Child and Youth Finance International (CYFI) identify financial inclusion as one of the building blocks of empowerment and financial capability that underpins economic citizenship for children and the youth. *Financial inclusion* entails access to and opportunity to use a range of financial products and services. For children and the youth, this includes a safe place to keep money and accumulate savings. Economic citizenship for the youth leads to reduced income and asset poverty, economic and social engagement, sustainable livelihoods, economic and social well being, and rights for and responsibilities to self, family and others. Other building blocks in the model are financial education and social education. ***Financial education*** entails instruction and/or materials designed to increase financial knowledge and skills, while ***social education*** entails the provision of knowledge and skills that change individuals' understanding and awareness of their rights and the rights of others. It also involves fostering of life skills.

Without missing the interdependency of all the three blocks, this article focuses on financial inclusion.

According to the Center for Social Development (Washington University in St Louis, USA), preliminary evidence shows that there are positive economic, social and

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health outcomes associated with financial inclusion of children and the youth. Ownership of savings accounts among children and the youth is positively related to higher levels of savings, income and assets. Vulnerable children and the youth benefit emotionally and achieve higher self esteem from savings accounts. Youth with savings accounts are more fiscally prudent, have a more positive view of self, are more future oriented, have a stronger sense of security, and are more financially knowledgeable. Finally, youth savings can improve educational attainment and expectations.

Unfortunately, financial exclusion is still a major characteristic of Kenya's financial sector despite various government efforts towards financial deepening. FinAccess (2009) Survey results showed that approximately 60% of Kenya's households lacked access to formal financial services. Indeed, about three out of every four youth aged 16 to 17 years are excluded from any form of financial access.

Financial exclusion of the majority of the youth is not only a Kenyan but a global phenomenon. This led to the creation of the YouthSave Project, which was a pioneering project designed to increase savings and development among low-income youth in Colombia, Ghana, Kenya and Nepal. The targeted youth were between the ages of 12 and 18, both in and out of school, and living in both rural and urban areas. The goal of the YouthSave Project is to measure the uptake, savings outcomes, experiences, and impacts of Youth Savings Accounts (YSAs) on clients and financial institutions. The agenda is to produce critical knowledge to inform the design of savings products, services, and policies targeted for the youth, and at the same time provide guidance in decisions and capabilities for asset-building strategies for the youth and their families (more details about the project are available on www.youthsave.org).

In Kenya, the Youthsave Project has already discerned several challenges for youth savings. The first challenge is institutional in nature. While the product features of youth savings accounts play a significant role in enrolling the youth, most financial products are often not tailored to local context and needs. For instance, most savings products require a minimum balance and an account-opening charge, which discourage the youth from approaching financial institutions. The fact that parents/guardians have some involvement in youth accounts may be putting off-the youth, who often desire autonomy in managing their finances. Unfavourable returns on savings, coupled with a high minimum balance required for the account to earn interest, are disincentives. Other charges by banks, for example, are also disincentives to young people who may not have a lot of resources but wish to transact with financial institutions. In addition, these institutions often regard youth financial products as low-profit products with high delivery costs and small-volume transactions and, accordingly, may not be motivated to make their services more appealing to youthful customers. Indeed, financial institutions have few incentives to engage these clients because of the high maintenance costs of small transactions.

The youth may avoid financial institutions because of their own beliefs or perceptions. Some youth, for example, perceive banks to be for adults and thus do not believe that they can develop relationships with them. Moreover, some youth hesitate to save with financial institutions due to fear of being duped.

Other challenges relate to geographic barriers, which make it difficult for financial institutions to deliver services, while making it expensive for the youth to save particularly in remote rural areas. In some areas, bus fare to the nearest bank branch is greater than the deposit the youth may plan to make. In such cases, the youth have no formal alternative to informal saving.

The regulatory environment also has negative effects on youth savings. Formal identity, such as identification card or passport is required for anyone to open an account at any formal financial institution. This is part of the Know Your Customer (KYC) rules that require client identity checks and verification. This poses a challenge for the youth below 18 years, because they cannot open an account in their own name without their parents'

Feature

Two-thirds of Kenyans depend directly on agriculture for their living. Many young Kenyans struggle to find work, or only have low-paid jobs.

consent and involvement. While the KYC rules are meant to guard against abuse and fraud, they are an impediment to youth financial inclusion.

To address the challenges, various interventions can be explored in order to turn the youth into economic citizens. There is need to develop youth-friendly savings products with non-discriminatory access, and with the youth having maximum control. Adopting attractive features in youth savings accounts will play a significant role in enrolling the youth. Financial institutions need to develop low-cost delivery channels for youth savings products by, for example, absorbing these costs. Also, the continued leverage by institutions' on technology and mobile phone financial services platform is a positive move towards low-cost delivery channels for youth savings products. This, coupled with agency banking, will ameliorate the geographical challenges. Financial inclusion for the excluded youth has many potential advantages, including tapping a large and growing new market, eventual cross-selling and revenue generation from other financial services, customer loyalty, and an invigorated brand.

While financial education can deal with the challenges of perceptions, there is need to create a friendly regulatory environment in order to expand opportunities for youth who are below 18 years. Existing KYC rules are a hindrance to youth financial inclusion. The youth should be facilitated to open accounts in their own name without their parents' consent and involvement. Financial inclusion for the youth is 'a double edged sword'; it will turn the youth into economic citizens and also nurture a savings culture among the youth. This is will help improve the country's gross national savings, currently at 13% against a target of 26% and 29% by 2012/13 and 2030, respectively.

NEWS

Situational Analysis of Illicit Trade in Tobacco Products in Kenya

KIPPRA in partnership with the International Institute for Legislative Affairs (IILA) organized a breakfast workshop on Situational Analysis of Illicit Trade in Tobacco Products in Kenya on 5 December, 2013. The aim of the workshop was to share preliminary study findings on review of institutional framework on illicit tobacco trade in Kenya; the nature and extent of illicit tobacco products in Kenya; regional collaborative efforts on illicit trade; and selected international experiences on illicit trade in tobacco products.

Despite existence of various legislative initiatives taken by the government, illicit trade in tobacco products (including counterfeiting and tax evasion) has continued to be of concern. Illicit trade in tobacco products poses multiplicity of social costs, including loss of tax revenues, loss of market share and brand image for genuine manufacturers, and additional harm to consumers since illicit trade often operate outside legislative framework. The issue of consumer protection is enshrined in the Constitution of Kenya (Article 46), including the protection of their health, safety and economic interests. The Tobacco Control Act, 2007 provides for price and tax measures to control tobacco consumption. To achieve the policy objective of reduced tobacco consumption, efforts to reduce illicit supply (which often evade taxes) should be prioritized.

The workshop was attended by stakeholders from both the private and public sector. The participants commended KIPPRA for taking a gallant step towards addressing the often controversial issue due to divergent interests of different stakeholders. The key issues that were raised included:

- The need for in-depth study of different aspects of illicit trade (Both tax evasion and counterfeiting). It was noted that while counterfeiting is often given more attention, tax evasion is also a key concern.
- There is a challenge of up-to date accurate data on illicit trade. The National Strategy for Development of Statistics, spearheaded by KNBS, should be adequately informed to address this challenge.
- Illicit trade initiatives should include regional collaborative efforts. Given that East African countries are at different stages of enacting legislations on illicit trade, there is need for harmonization of the laws.
- There are various government agencies mandated to curb illicit trade in Kenya. There is need for insights on whether they are achieving the intended objectives, and how their operations can be coordinated.

NEWS

Tourism Satellite Account:

A Tool for Measuring Contribution to National Economy

Measuring the contribution of tourism in an economy is a formidable undertaking. Given the rising importance of the sector, the United Nations has developed an ingenious approach, referred to as the Tourism Satellite Account (TSA), to measure the size of such economic sectors that are not defined as industries in national accounts.

The TSA provides an economic measure of the importance of tourism in terms of expenditures, Gross Domestic Product and employment. It integrates in a single format data the supply and use of tourism-related goods and services, and provides a summary measure of the contribution of tourism to production and employment. The beauty about a TSA is that it permits a comparison of tourism with other industries, since the concepts and methods used are based on the System of National Accounts (SNA).

In March 2000, the United Nations Statistical Commission adopted the common conceptual framework for the compilation of Tourism Satellite Accounts (TSA) jointly elaborated by United Nations World Tourism Organization (UNWTO), OECD and EUROSTAT. As a result, a number of countries have successfully embraced TSA methodology for estimating the contribution of tourism to the economy.

In Kenya, like elsewhere, there have been debate on the real contribution of tourism to the economy. Since tourism is a demand-defined concept, and not an "industry" as defined in the System of National Accounts (SNA), it has for long been plagued by a multitude of ad hoc estimates based on methodologies not uniformly accepted. This has hampered a clear recognition of the role of tourism in the economy despite a general awareness in policy making circles of its importance.

Although the Kenya National Bureau of Statistics (KNBS) has been publishing statistics on tourism, including the Economic Survey to gauge visitor arrivals, hotel occupancy rates, and average length of stay, it is felt that more rigour is needed to re-look at the entire tourism sector statistics in Kenya, including adopting universal definitions among some of the key indicators. Development of a TSA for tourism will therefore demystify tourism contribution to the economy in general; its contribution to each sector specifically; and also identify what other sectors contributes to the tourism sector.

The formulation and implementation of the TSA calls for concerted efforts by all producers and users of tourism statistics in Kenya. This need has led to the formation of the Tourism Statistics Technical Working Group (TWG).

Previously, in 2009, Kenya made attempts to implement a TSA project but the project, which was based at the Ministry of Tourism, lacked technical capacity.

Therefore, in order to continue strengthening capabilities in collection, compilation, analyzing, publication and dissemination of tourism statistics in the country, the KNBS has established a Technical Working Group (TWG) to look into the accuracy, consistency and timely production of tourism statistics. The members of the TWG include representatives from the Bureau, Central Bank of Kenya; Kenya Tourist Board; Department of Commerce and Tourism; Department of Immigration Services; Kenya Wildlife Service; National Museum of Kenya; Kenyatta International Conference Centre; and Kenya Institute for Public Policy Research and Analysis. The statistics bureau will coordinate the project.

The TWG will play a major role in improvement of the quality of tourism statistics, and will make recommendations to the chief executives of the relevant departments/ institutions on matters beyond its scope that contribute to the effective production of statistics.

NEWS

Achieving Food and Nutrition Security in Kenya: The Role of Irrigation

In his introductory remarks at a "Roundtable on Food and Nutrition Security: The Role of Irrigation", KIPPRA's Executive Director, Dr John Omiti, observed that agriculture contributes about 24% of Kenya's GDP, yet, over 80% of the country can be considered arid and semi-arid. Variability in weather caused by climate change has resulted in a fragile ecosystem that is not able to support sustainable production of food. There are several strategies that have been put in place to mitigate and facilitate adaptation to climate change with regard to food production, including increasing the area under irrigated agriculture. The government has invested on rehabilitation and expansion of irrigation with the aim of bridging the gap of 1.085 million hectares by the year 2030. The irrigation potential for Kenya is estimated at 540,000 hectares, with only about 106,600 hectares under irrigation. Large commercial farms cultivate 40% of irrigated land, government-managed schemes cover 18%, while smallholder individual and group schemes take up 42%.

Agriculture contributes about 24% of Kenya's GDP, yet, over 80% of the country can be considered arid and semi-arid

Some of the issues that emerged during the roundtable were the need for a careful appraisal to determine the best alternative to meet food demand through irrigation. A choice is required between opening up new schemes and improving the performance of existing schemes.

KEY HIGHLIGHTS

In the past, infrastructure required to sustain the operations of irrigation schemes, such as provision of cold chain, storage and rural feeder roads, were not adequately integrated in the total investment cost.

There is need to account for the soil's health during the production cycle. Important aspects include fertility, siltation and soil chemistry/ physics.

Most planned projects will be implemented in ASALs and delta areas, which are highly fragile. Some of these ecosystems provide important environmental services, 'biodiversity hotspots'. There will be need to balance the economic, social and environment aspects.

Capacity development for irrigated agriculture in Kenya has always suffered from lack of targeted extension services because training is normally provided by personnel of the Ministry of Agriculture who are general practitioners and trained on rain-fed agriculture.

Until 2003, the Irrigation and Drainage Branch was hosted by the Ministry of Agriculture. This was changed with the reforms in 2003, with the department moving to the Ministry of Water, and upgraded to a full-fledged Department. Although this helped streamline the water services provision, capacity building, especially for agronomy and other biological aspects of irrigated agriculture, has continued to be offered by the Ministry of Agriculture, Livestock and Fisheries, creating difficulties in coordination.

NEWS

Linking Food Security Research to Decision Making

Food insecurity is not only a global concern but a domestic reality for most countries. Developed countries worry about food safety, while developing countries are concerned about food insecurity. In 2008, the problem of food insecurity was exacerbated by the food, fuel and financial crisis (also known as the 3Fs). Most worrying, however, is the intensity and magnitude in which food insecurity challenges continue to reoccur.

These sentiments were shared by KIPPRA's Executive Director, Dr John Omiti, when he made introductory remarks at a roundtable on food security, held on 8 August, 2013 in collaboration with the researchers from the International Food Policy Research Institute (IFPRI).

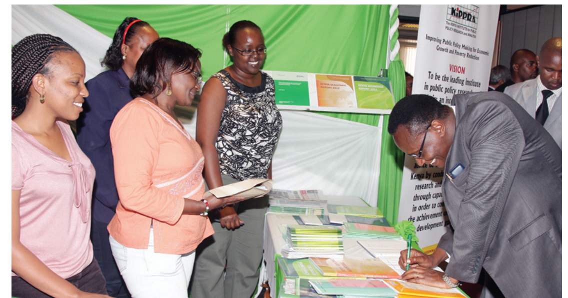
The debate focused on policy interventions on food security, especially information flow and how it can support the evidence generated through research to inform efficient decision making for policy makers.

KEY HIGHLIGHTS

- Encourage investments in renewable energy technologies that minimize food-fuel competition and maximize economies of scale
- Promote social protection and safety nets for the most vulnerable
- Support global and regional free trade through global emergency food grain reserve
- Invest in smallholder productivity and minimize waste as well as over-consumption
- Foster adaptation and mitigation measures to climate change
- Ensure up-to-date high quality information; for instance IFPRI has the food security portal http://www.foodsecurityportal.org/
- Use an integrated approach by finding synergies between the multiple stakeholders
- Identify a framework for organization of management of food security indicators especially to map information flows. This includes innovative ways of collecting accurate and timely data from a bottom-up (e.g. information from the farmer to Ministry) approach.
- Formulate macro and micro level policies that are tailored to make things right

It was observed that these actions cannot be achieved without up to date, high quality information. Therefore, mapping of food and nutrition security indicators both at micro and macro level are required for effective policy responses.

KIPPRA at the Nairobi International Book Fair



KIPPRA participated in the annual 16th edition of the Nairobi International Book Fair at Sarit Centre between 24-29 September 2013. The theme was "Our books, Our life, Our future." The fair brought together entire knowledge fraternity that constituted of book sellers, publishers, content developers among others.

While giving his opening remarks, Kenya Publishers Association Chairman, Mr. Lawrence Njagi, noted the implications of the new law on Value Added Tax (VAT) on books. He argued that the law affects all of us and will make it even more difficult for people who already are struggling to afford basic needs to access books.

The Chief Guest, Prof. Jacob Kaimenyi, Cabinet Secretary for Education, challenged the Kenya Publishers Association to take advantage of the "Laptop project" and provide materials that enhance critical reading and communication. He promised to explore the idea of the VAT in parliament through the Ministry of Education.

KIPPRA staff interacted with several members of the public who were out to learn more on the institute's role and products.

KIPPRA Commemorates Kenya @ 50

KIPPRA was among the various institutions at the exhibition gala to commemorate the Kenya @ 50 celebrations held at KICC from 4-9 December, 2013. The institute took the opportunity to highlight the its role, products and services in the contribution to the achievement of national development goals.

Turning Waste into Energy Source

Nairobi waste-to-energy project set to generate power, create jobs. Officials and residents welcome the new garbage processing facility

By Michael Ojudi, Young Professional, Infrastructure and Economic Services Division, KIPPRA

Turning municipal waste into an energy source can help to mitigate the challenge of inadequate energy supply in Kenya's economy. About 500 million people in Sub-Saharan Africa do not have access to electricity and rely on the unsustainable forms of solid biomass to meet their basic energy needs. Hydroelectric power and fossil fuels as a source of energy have not been sufficient in meeting the overall electricity demand for households and industry. The dependence on fossil fuels has continued to exert significant pressure on nations and economies through fuel prices volatility, and emission of Green House Gases (GHG) from the use of fossil fuels.

This has necessitated the search for alternative energy sources that are sustainable and efficient, such as solar, wind, geothermal and bio-energy. These sources are capable of mitigating severe environmental problems and increasing energy security. According to the International Energy Agency (2010) the global energy demand is predicted to increase by 71% by 2030. Organic municipal solid waste falls under the category of bio-energy, which currently provides 10% of global primary energy supply, 1.3% of electricity production, and 1.5% of transport fuels.

Bio-energy comprises bio-fuels in the form of solid, liquid, and gas derived from biomass, a renewable resource that can be sustainably harvested through biochemical processes such as fermentation of sugar to alcohol, and anaerobic digestion or fermentation through thermo-chemical processes, which include gasification, pyrolysis, and liquefaction. However, the basic challenge with production of bio-fuels is the availability of suitable feedstock (raw materials) in sufficient quantities for large-scale production in addition to cost effective adoption.

Handling waste in towns and cities

Travelling across Kenyan towns, the common thread that defines urban settings is the amount of solid waste littered along the roads and foot-paths, suggesting serious environmental and health concerns not only to the residents but also on the character of the nation. The once pristine and unadulterated streams in most neighbourhoods are now home to toxic effluents from residences, businesses and industries.

The increased population, rural urban migration, changing lifestyle dynamics and consumption patterns have made management of solid waste in urban areas rather complex. The 2009 national census data indicates that Nairobi's population is 3.2 million, consisting of 985,016 households. It is estimated that city residents generate over 2,000 tonnes of waste daily, which ends up in the Dandora dumpsite, a 30-acre landfill situated near a sprawling

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This anaerobic digestor produces methane from the facility's waste streams, which is then used as a source of energy in the prison's kitchens

residential settlement. The site has reached its carrying capacity and this has created the need to seek alternative waste handling locations. Solid waste dumpsites are also known to emit green house gases (GHG). These challenges should remind us that waste could be a resource managed and harnessed carefully.

In Kenya, the demand for energy will continue increasing, and harnessing waste disposal into a meaningful energy resource could ameliorate this situation. Moreover, economic development hinges on keeping our environments not only safe and secure but also clean. Informal settlements and areas inhabited by low income earners generally generate large amounts of waste due to poor physical planning and inadequate infrastructure facilities. These areas also tend to have the highest population density, leading to problems of solid waste management and disposal.

Prior to the enactment of the Constitution of Kenya 2010, the responsibility of handling waste was a function of Local Authorities; the National Environmental Management Authority (NEMA) played an oversight role. The water sector reforms in 2000 removed the dust bin service charge that was levied on all users through water bills, thus somehow affecting solid waste management in urban areas. Local authorities were forced to sub-contract garbage collection and final disposal to private sector players. The function of waste disposal now rests with county governments.

Modern technology has made it possible to generate bio-energy from residential waste. The bio-energy can then be used in electricity generation, and this can be pursued as a viable option to solve the two problems of solid waste management and energy shortage. Norway serves a perfect example of a country using waste and generated 227 GWh of electricity in 2011 from waste. It has run out of solid waste and currently imports garbage from neighbouring European countries that pay her a dumping fee.

The incentive to county governments to generate electricity from solid waste is the income it would receive in terms of Carbon Credits that can be traded in the global market under the United Nations Framework Convention on Climate Change (UNFCCC) and the Kyoto Protocol's Clean Development Mechanism. If properly executed, such a project could score double points in terms of new revenue streams and reduction of GHG emissions.

Indeed, studies indicate that the biggest challenge in solid waste management in most cities is capacity to collect refuse from the generating units and eventual disposal without causing harm to the environment. For non bio-degradable refuse, the practice has been recycling and re-use; for the toxic and hazardous waste, the norm is to use incinerators. However, in Kenyan towns, most industrial, agricultural, domestic and medical waste finds its way to open landfills that are unrestricted.

The three R's best practice principles of reduce, re-use and recyle should be the cornerstone of solid waste management strategies. Key to reducing solid waste is the need for waste separation at source, a concept needs to be preached to all households and other waste generators. Moreover, there is also need to properly label the waste as either hazardous or non-hazardous, with drop-off points clearly designated and managed.

In summary, Kenya has the potential to transform solid waste into a meaningful resource. Indeed, hundreds of families can earn a living from waste disposal if this is planned and executed properly. Setting up a solid waste plant with the ability to recycle waste and generate electricity would go a long way in solving problems associated with waste management. This would also create a formal waste management industry, green jobs and contribute to a green economy.

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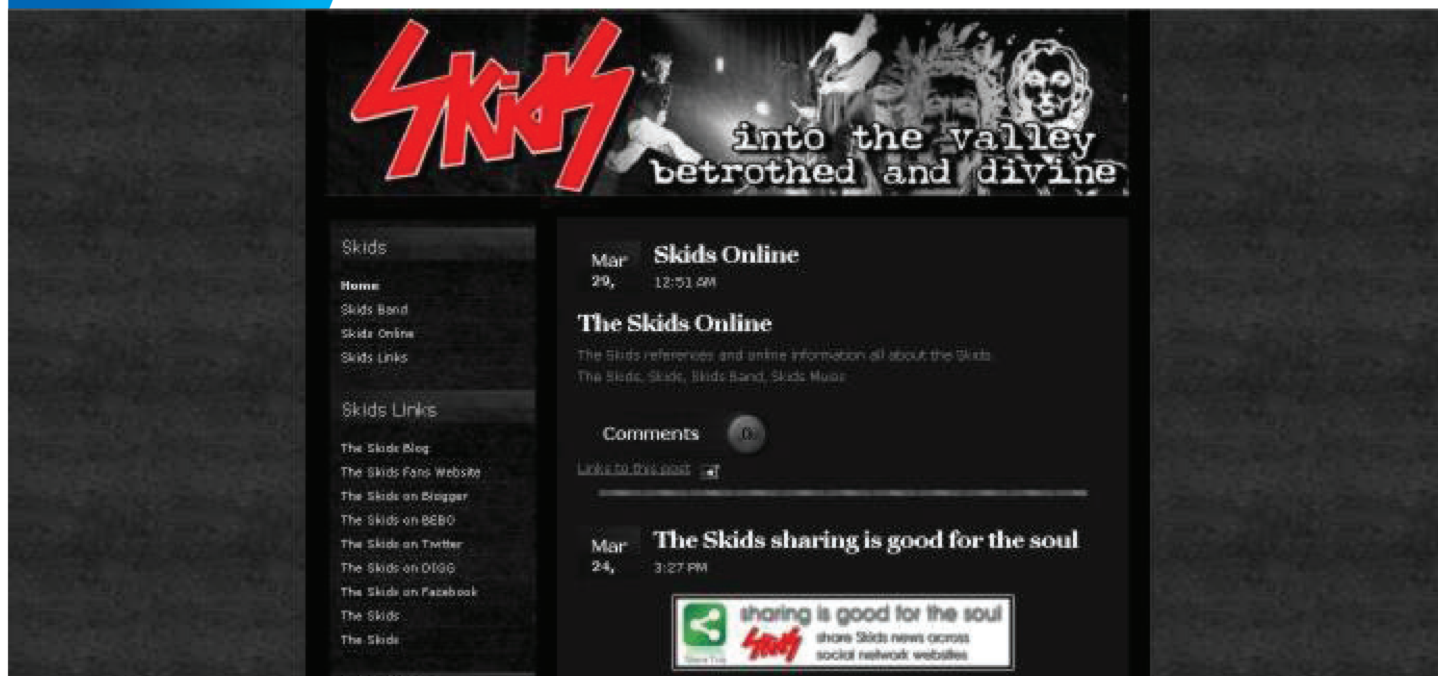


How to Sell your Blog

By Humphrey Njogu, Policy Analyst, Infrastructure and Economic Services Division

Do you remember the first time you heard the word "blog"? What was your original thought? Well, a blog is a truncation of web log. Blog is simply a discussion site published on the World Wide Web consisting of discrete 'posts. The posts are typically displayed in a manner that the most recent post appears first. A few years ago, blogs were usually done by one or few individuals covering a single subject. More recently, blogs have progressed to be multi-authored. Posts can be written by a large number of authors and are professionally edited.

The top 5 most popular blogs command an audience of over 150 million people worldwide. The Huffington Post is by far the most popular blog with an audience of about 85 million users. Others are Business Insider and Gawker.

Just like in politics, the next big question is how do you win the masses? Internet presents an opportunity to access and target the potential blog users. However, this is not as simple as it may sound. Winning the hearts of people an easy task. This is evidenced by the countless number of inactive blogs. Some blogs start dying the moment they are created. The blog owners have to go an extra mile. Here are some tips on how to cut through the clutter and make people love your blog.

Go for a particular group

Many blog owners always dream big. They want to have millions of users. They want the most popular blog. They want to be the next Huffington Post. No, do not follow that path. The most popular blogs have extreme visibility because of what they do and their target. They have an extremely large number of inquiries per day. If you are to replicate what they are doing, then you have no chance to be visible. Your blog is less likely to be seen, and even much less accepted. The key thing is to identify a unique field. Go narrow and you will have masses of blog users.

Interact with blog users

People love to be heard. As a blog owner, you develop a culture of interacting with your audience. Lots of blogs die as soon as they are created. The owners of such blogs hardly update the blogs. Questions raised by the users are never answered. To interact with your users, embed the social sites such as Twitter and Facebook to your blog. This gives an opportunity to receive a message every time someone follows you, re-tweets your content, or makes a comment on your blog. Savvy marketers of blogs understand these avenues very well. They are able to promote blogs. Tell your blog users what you like about their comments, but make it something that only a devout reader would know. Through interaction, the blog owners are able to understand the needs of their users.

Dedicate your time, Be a giver

Being a giver does not mean you send gifts for free to your blog users, especially if your blog is for marketing a product or service. Giving people freebies should be discouraged. The most valuable gift you can give your bloggers is your time. The time you take to listen is very important. As a blog owner, you need to identify some bloggers and incorporate them in product promotion. In fact, recognizing your bloggers puts the blog up in their radar.

Eye catching content

Having eye catching content has not always been easy. Creating great content takes time, and the best bloggers usually do not have plenty of time. Get the right content that is to the point. Avoid having your audience go through thousands of paragraphs and a lot of text. If possible use bulleted points. Avoid spelling mistakes. Use the most appropriate language to address your audience. Most importantly, give your audience a quick way to visualize the story. Offer quick links to hot articles. You can also offer to write a guest post so that you are not asking them to work for you; you are simply asking for their blessing.

Highlight expertise

Highlighting the views of the industry's experts gets you closer to blog users and helps you gain wider reach. Always incorporate other experts into your content. The assumption is that if experts promote your post, they are also promoting themselves.

Customize your communication

In modern times, we get emails all the time. A vendor wants to work with you. Bloggers want to partner with you. Companies are selling their products. We are so used to these emails that we immediately delete any email coming from people outside our contact list. It is a big challenge if you have to reach out to the masses. Choosing emails to invite potential users is a big challenge. Usually, emails with a tonne of text waste time. The truth is that there is no way to customize large-scale outreach unless you actually know the needs of your audience and can send them segmented messages. Blog owners should be focused in their communication. Any communication without specific company details, trying to sell unfocused products and services do not offer any immediate value to potential users. Blog owners should spend some time putting together well thought-out emails that clearly explain the purpose of the communication.

The Communications Commission of Kenya states that Internet penetration in the country significantly went up by 4.3% to 41.1% in the last quarter of 2012/2013. Nearly all aspects of our lives have been influenced by the Internet.

As bloggers, let us all take advantage of this modern communication tool. It is so cheap. However, there are several issues that need to be addressed if blogs are to be effective communication tools. The Internet provides a new digital space that should be monitored. Hacktivism, Cyber terrorism, Cyber bullying and Privacy are all emerging challenges that the Kenyan government should start addressing. With fiber connectivity, these issues will become more real. Kenya lacks well established policies to guide the development of the Internet industry. Formulating and implementing appropriate Internet usage policies would definitely increase the availability and security of the services provided by blogs.

NEWS

KIPPRA at the Youth, Women and Persons with Disabilities Expo

KIPPRA participated at the Youth, Women and Persons with Disabilities Expo at Kenyatta International Conference Centre from 16-17 October, 2013. The institute shared information on empowering youth, women and persons with disabilities through the 30% public procurement opportunities. The expo was under the Youth Access to Government Procurement Opportunities (YAGPO) initiative and was spearheaded by the President, His Excellency Hon. Uhuru Kenyatta.

KIPPRA offers a wealth of opportunities to youth, women and persons with disabilities in the following areas:

1. Consultancy services
2. Mentorship and internship opportunities

The categories of tender/quotations reserved for enterprises owned by youth, women and persons with disabilities include:

- Provision of printing services and supply of various publications
- Provision of communications/public relations/branding services
- Supply of general office supplies/ stationary
- Supply of server disks
- Provision of cleaning services and equipment
- Supply of tree seedlings
- Provision of editorial and design consultancies
- Provision of automation services

NEWS

KIPPRA in Consultative Session on KenInvest's Strategic Plan

KIPPRA participated in a consultative session on KenInvest Strategic Plan 2013-2017 held at Panafric Hotel. The Kenya Investment Authority (KenInvest) organized a forum of key stakeholders to help the KenInvest team think through strategies of growing investments in Kenya at a much faster and sustained pace.

The key issues discussed during the well attended forum included growing investments in Kenya, streamlining institutional and legal framework to promote both local and foreign investments, and how counties can attract investments.

The KenIvest Managing Director, Dr Moses Ikiara, promised that KenInvest will begin producing public annual investment reports. Further, there are efforts towards the establishment of a county investment index.

KIPPRA at the Standard Chartered Nairobi Marathon

The 2013 Standard Chartered Nairobi Marathon took place on 27 October 2013. KIPPRA was represented in the 21km, 10km and 5km races. Ten (10) staff members participated in the event, with five members taking part in the half marathon (21km), while the rest were in the 10km and 5km road race. The ten staff members completed the races successfully, with the 21km participants being awarded medals.

The Standard Chartered Nairobi marathon was first held in 2003 and the inaugural race had 6,000 registered runners. It was the first major marathon in the country and over the years has grown to be the largest sporting event in Kenya, attracting approximately 15,000 participants every year. The marathon has maintained six distinct races, which include: Full Marathon (42 km) road race for men and women, Half Marathon (21km) road race for men and women, 10km road race for men and women, Tricycle race (42km), Wheelchair race (21km) and 5km Family Fun Run.

Socio-Economic Impact of Miraa Industry in Kenya

The Permanent Secretary in charge of Planning, Eng. Peter Magiti, accompanied by Dr John Omiti, KIPPRA's Executive Director, addressed an ad hoc committee of Parliament on the socio-economic impact of Miraa in Kenya. The presentation was made on 16 September 2013 at Parliament Building. It was prepared by KIPPRA in collaboration with the Ministry of Devolution and Planning, and the Kenya National Bureau of Statistics.

Miraa is an economic mainstay of some people in Kenya. However, organizations such as the National Authority for the Campaign Against Alcohol and Drug Abuse (NACADA) have campaigned against its consumption and classified it as a drug. A decision by the United Kingdom to ban the stimulant in July 2013 is facing fierce resistance in Kenya from those farming the crop.

The aim of this intervention is to understand the socio-economic impact of the crop in Kenya.

KIPPRA: Interim Node Hosting Institution for FANPARN in Kenya

The Food, Agriculture and Natural Resources Policy Analysis Network (FANRPAN) Kenya node held its first Steering committee meeting on 26 August 2013 at KIPPRA. The focus of the meeting was to take members through the origin and formation of FANRPAN and discuss Kenya's roadmap to joining FANRPAN. Members also discussed the operations and key activities of the node in 2013/2014.

Kenya was admitted as the 15th member of FANRPAN at the Annual General Meeting (AGM) held at Ezulwini Valley, Swaziland, in September 2011. KIPPRA is the interim node hosting institution for FANRPAN in Kenya.

KIPPRA at the Senate Committee on Education, Information and Technology

Dr John Omiti, Executive Director, and Eldah Onsomu, Policy Analyst, made a presentation on Comparable Jurisdictions in Devolved Education: Policy and Implementation during a Retreat for the Senate Committee on Education, Information and Technology in Naivasha. The retreat was held on 11-14 September, 2013.

Several dignitaries attended the retreat including Ministers responsible for education and ICT from the 47 counties and members of Senate Committee. The KIPPRA presentation was well received, especially the lessons Kenya can learn from other countries such as Argentina, Australia, Elsavado, Nigeria, South Africa and USA.

KIPPRA ISO Recertification

KIPPRA has undergone a successful recertification process after 3 years of ISO Certification. This success is attributable to collegial working relationship between management and staff and a palpable institutional wide desire to excel. The journey to recertification has been long and winding, entailing six internal quality audits, six surveillance audits, numerous implementation of Corrective Actions, countless meetings, revisions, counter revisions, discussions, adjournments and many other challenges as typical of any achievement.

The Institute has immensely benefitted from the Quality Management system in the last three years through enhanced delivery on its vision and mission, which represents the primary benefit.

ABOUT **KIPPRA**

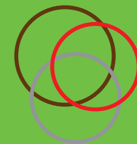
The Kenya Institute for Public Policy Research and Analysis (KIPPRA) is an autonomous institute whose primary mission is to conduct public policy research leading to policy advice. KIPPRA's mission is to produce consistently high-quality analysis of key issues of public policy and to contribute to the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

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

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

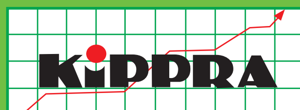
Send to us your comments on the articles published in this newsletter and any other aspects that may help to make the KIPPRA Policy Monitor useful to you. This may include xpolicy issues you would like KIPPRA to prioritize.

THE AFRICAN CAPACITY BUILDING FOUNDATION



ThinkTank Initiative

Initiative Thinktank



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