Kenya in COVID-19 Era: Fast-Tracking Recovery and Delivery of the "Big Four" Agenda

KENYA ECONOMIC REPORT 2021

KENYA VISION 2030

KIPPRA
The KENYA INSTITUTE for PUBLIC POLICY RESEARCH and ANALYSIS

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Kenya in COVID-19 Era: Fast-Tracking Recovery and Delivery of the "Big Four" Agenda

KER 2021 Technical Committee

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KENYA VISION 2030

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

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The Kenya Economic Report (KER) 2021 is the eleventh in a series of annual reports prepared by the Kenya Institute for Public Policy Research and Analysis (KIPPRA), pursuant to the KIPPRA Act No. 15 of 2006. The theme for the KER 2021 is *"Kenya in COVID-19 Era: Fast-Tracking Recovery and Delivery of the Big Four Agenda"*. The overall goal is to provide the basis for turning around the economy, which has been negatively affected by the Coronavirus Disease (COVID-19) pandemic since the beginning of the year 2020, and thus support delivery of the "Big Four" agenda. The "Big Four" agenda, anchored in the third Medium-Term Plan (MTP) of the Kenya Vision 2030, outlines four priority areas to fast-track growth and improve the standards of living of citizens by ensuring food security, expanding the manufacturing sector to create jobs, providing universal health coverage, and providing affordable housing accessible to the low-income earners.

Before the COVID-19 pandemic, the economy was robust, expanding by an average of over 5.0 per cent. The pandemic has plunged the economy into a recession, with a very sharp contraction experienced for the first time in the last two decades. The pandemic is much more than a health crisis as it has disrupted the social and economic activities as well. As a result, the economy contracted by 0.3 per cent in 2020. In the medium term, the economy faces other downside risks including the invasion by desert locusts, weather-related risks, and political tensions as the country approaches the 2022 general elections. The rebound of the economy is therefore expected to be driven by recovery in key sectors that were significantly affected by COVID-19; exploiting opportunities such as the African Continental Free Trade Agreement (AfCFTA) in growing trade; sustaining Government investments in infrastructure; and sustaining prudent economic management.

The measures taken by the Government to manage the spread of COVID-19 and cushion vulnerable groups from the effects of the pandemic have been crucial in saving lives and livelihoods of many Kenyans. Many Kenyans would have slipped into poverty through loss of income and closure of businesses were it not for the social protection programmes, tax relief, easing of liquidity management, and a stimulus package implemented by the Government. Fiscal pressures have heightened amidst growing budgetary demands, leading to reduced revenue collection. That said, the country was able to secure support from development partners, which has seen the Government continue offering critical services while ensuring debt sustainability. Going forward, concerted efforts from all stakeholders are required to put the economy on a desired growth trajectory that achieves the objectives of the "Big Four" agenda.

The Government is committed to taking necessary measures to address the effects of the COVID-19 pandemic and build resilience for continued economic activity. The Report provides rich evidence to guide in making timely interventions in building back better.

Hon. (Amb.) Ukur Yatani, EGH
Cabinet Secretary
National Treasury and Planning

FOREWORD

Every year, the Kenya Institute for Public Policy Research and Analysis (KIPPRA) assesses Kenya's economic performance and provides prospects for the next three-years. For quality assurance and control, KIPPRA engages stakeholders at various stages of developing the Kenya Economic Report (KER). This includes sharing the Report with statutory and other stakeholders to capture their views and validate the information used in the analysis.

The Kenya Economic Report 2021 is themed Kenya in COVID-19 Era: Fast-Tracking Recovery and Delivery of the "Big Four" Agenda. The theme is motivated by the Government's quest to return to a growth trajectory that supports successful implementation of the "Big Four" agenda. The report puts emphasis on measures required in fast-tracking recovery of the sectors that have been significantly affected by the Coronavirus Disease (COVID-19) pandemic. The report also takes into consideration Government commitments to global and regional development frameworks such as the Sustainable Development Goals (SDGs), the African Union Agenda 2063 and the East African Community Vision 2050.

On behalf of the KIPPRA Board of Directors and on my own behalf, I wish to sincerely commend KIPPRA management and staff for their devotion, dedication and timely production of this report. It is evident that significant time and resources have been spent towards this process. I also wish to express our gratitude to all the stakeholders who participated in various stages of the development of this report for their treasured comments and suggestions, which went a long way in enriching the report.

Lastly, I wish to take this opportunity to most sincerely thank the Government of Kenya and the National Treasury and Planning for the continued financial support to KIPPRA. This has enabled the Institute continue fulfilling its mandate as stipulated in the KIPPRA Act 2006.

Prof. Ben Sihanya, JSD, MBS
Chair, KIPPRA Board of Directors

PREFACE

The Institute is mandated through the KIPPRA Act of 2006 to produce an annual Kenya Economic Report. In the last decade, preparation of the Report has been guided by the prevailing Government development agenda. However, this report largely responds to measures the Government of Kenya could take in view of the global COVID-19 pandemic, which has disrupted social and economic activities of millions of Kenyans since March 2020.

This Report reviews the performance of selected sectors of the economy and identifies key policy priorities that inform the Government in turning around the economy to deliver on the "Big Four" agenda amidst the pandemic. The "Big Four" agenda is anchored in the third Medium-Term Plan of the Kenya Vision 2030 and it outlines four areas necessary in improving the welfare of Kenyans through provision of basic needs in affordable housing, manufacturing for job creation, universal health care and food security.

Since the onset of the COVID-19 pandemic, the Government took targeted interventions to cushion the economy from the shocks and reduce the exposure of vulnerable groups of the society. Some of the Government actions included controlling the spread of the virus, boosting social protection programmes, tax reliefs, labour-intensive public works programmes, and liquidity management. However, some of the measures taken to contain the spread of the pandemic, such as the lockdowns and curfews, have created uncertainties in businesses, resulting in job losses and reduced/loss of income, which have worsened poverty and led to widening of inequalities. This scenario gives impetus for actions that focus on strengthening the key sectors that could drive recovery during the COVID-19 pandemic.

The report highlights the effects of COVID-19 pandemic in delivering the "Big Four" agenda under the manufacturing pillar, affordable housing project, safeguarding health services in Kenya and agriculture and food security. It also looks at the performance and recovery of trade and tourism sectors as enablers of the "Big Four" agenda. Lastly, the report focuses on strengthening cooperation and coordination in addressing the challenges brought about by the COVID-19 pandemic and future emergencies.

The report recommends targeted fiscal injections to secure the economic system; exploiting opportunities within the information technology and communication (ICT) sector; harnessing opportunities that could arise from the AfCTA; supporting manufacturing to realize its unexploited capabilities; full implementation of universal health care; improving productivity of smallholder farmers; diversifying tourism and trade; and strengthening coordination and cooperation for effective response during emergencies.

Dr Rose W. Ngugi
Executive Director
KIPPRA

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The preparation and publication of the Kenya Economic Report (KER) 2021 benefited from inputs of different individuals and key institutions.

We acknowledge the KIPPRA Board of Directors, and Executive Director Dr Rose Ngugi, for exceptional support and providing overall leadership and oversight in preparation of this report.

The Kenya Economic Report 2021 was prepared by a Technical Committee, for whom we gratefully acknowledge, led by James Ochieng' (Chairman) and Beverly Musili (Secretary). The other members of the Committee were Hellen Chemnyongoi; Muleli Mutuku; Martin Wafula; Kenneth Malot; Nancy Laibuni; Charity Mbaka; Humphrey Njogu; Boaz Munga; Nahashon Mwongera and Eliud Moyi. Special thanks go to KIPPRA researchers for their insights and contributions to various chapters of the report, and for actively participating in quality control seminars. The report also benefited from Finance, Human Resources, Supply Chain Management and Knowledge Management and Transport Departments, who provided valuable support to ensure timely completion of the report.

KIPPRA is deeply grateful to all Ministries, State Departments and Government Agencies that availed data and information used in this report. We are particularly grateful for the expert advice by statutory partners, including The National Treasury and Planning, Central Bank of Kenya, Kenya Revenue Authority, and Kenya National Bureau of Statistics. To all other stakeholders who participated in the various workshops and in different capacities, your contributions are highly appreciated. The preparation of this Report was made possible through financial support to KIPPRA by the Government of Kenya.

ABBREVIATIONS AND ACRONYMS

AfCFTA	African Continental Free Trade Area
CBK	Central Bank of Kenya
CBR	Central Bank Rate
CCR	Cash Reserve Ratio
COVID	Coronavirus Disease
COVID-19	Coronavirus Disease 2019
GCP	Gross County Product
GDP	Gross Domestic Product
ICT	Information and Communication Technology
IMF	International Monetary Fund
KER	Kenya Economic Report
KIBHS	Kenya Integrated Household Budget Survey
KMRC	Kenya Mortgage Refinancing Company
KNBS	Kenya National Bureau of Statistics
KPHC	Kenya Population and Housing Census
M.I.C.E.	Meetings, Incentives, Conventions and Exhibitions
MoH	Ministry of Health
MSMEs	Micro, Small and Medium Enterprises
MTP	Medium-Term Plan
NEMA	National Environment Management Authority
NHC	National Housing Corporation
NHDF	National Housing Development Fund
NPLs	Non-Performing Loans
OCOB	Office of the Controller of Budget
OSR	Own Source Revenue
PAYE	Pay As You Earn
PFM	Public Finance Management
PMI	Purchasing Managers Index
PPEs	Personal Protective Equipment
PPI	Producer Price Index
TSA	Tourism Satellite Account
UN	United Nations
UNWTO	United Nations World Tourism Organization
VAT	Value Added Tax
WASH	Water Sanitation and Hygiene
WHO	World Health Organization
WTTC	World Travel and Tourism Council
FTSE	Financial Times Stock Exchange
GDP	Gross Domestic Product
GEMS	Growth Enterprise Market Segment
GFCF	Gross Fixed Capital Formation
GHGs	Greenhouse Gases
GNS	Gross National Savings
HCI	Human Capital Index
HDI	Human Development Index
HIV	Human Immunodeficiency Virus
ICMS	Integrated Customs Management System
ICT	Information and Communication Technology

EXECUTIVE SUMMARY

Macroeconomic Performance

Kenya has experienced the sharpest contraction of the economy in the last two decades. In the first quarter of 2020, the impact of COVID-19 on the Kenyan economy was negligible as the economy expanded by 4.4 per cent compared to 4.8 per cent in a similar period in 2019. However, in the second quarter of 2020, the impact of COVID-19 was severe, as the economy contracted by 4.7 per cent compared to an expansion of 5.9 per cent in a similar quarter in 2019. In the third quarter of 2020, most of the COVID-19 containment measures were relaxed and the economy contracted by 2.1 per cent, signalling a gradual recovery. In the fourth quarter of 2020, the economy expanded by 1.2 per cent. Therefore, measures to contain further transmission of COVID-19 and adherence to Ministry of Health guidelines are critical in defining the pace for the recovery process.

Across the sectors, the services sector was the worst affected by the pandemic, with near collapse of the tourism sector. In the second, third and fourth quarters of 2020, the services sector contracted by 13.9 per cent, 11.7 per cent and 7.3 per cent, respectively, which pushed down real GDP growth by 3.4 percentage points and 3.6 percentage points in the three quarters of 2020, respectively. The poor performance of the services sector was due to movement restrictions implemented by the Government, including at international level, to contain the spread of COVID-19. Therefore, to support the recovery of the sector and overall economic performance, significant interventions are required to re-engineer recovery, especially in tourism activities.

The agriculture sector remained resilient, and supported growth and livelihood of those migrating to rural areas due to the pandemic. In 2020, the agriculture sector grew by 4.8 per cent largely due to favourable weather conditions. Consequently, the sector was the largest contributor to growth in 2020, contributing an average of 0.9 percentage points to real GDP growth. As such, continued support to enhance productivity of the sector remains a priority.

The COVID-19 pandemic has reversed the gains made in poverty reduction in the last two decades by pushing approximately 6.2 million Kenyans into poverty. This is attributed to loss of incomes (equivalent to 11.7% of GDP), and job losses and pay cuts during the COVID-19 pandemic. Sustaining social protection coverage and supporting creation of productive jobs with appropriate demand-oriented policies is important in ensuring a recovery process that is inclusive.

Revenue collections were severely affected during the COVID-19 pandemic, resulting in heightened debt accumulation. Total National Government revenue (inclusive of grants) dropped from 18.5 per cent of GDP in 2018/19 to 17.8 per cent of GDP in 2019/20, and further to 16.3 per cent of GDP in 2020/21. At county level, own source revenue collections dropped by 11.2 per cent from Ksh 40.3 billion to Ksh 35.8 billion. Public debt increased from Ksh 5.8 trillion (61.1% of GDP) in June 2019 to Ksh 6.7 trillion (65.6% of GDP) in June 2020 and further to Ksh 7.5 trillion in May 2021. For fiscal stability, it is necessary to strengthen domestic revenue mobilization by evaluating all tax expenditures and deploying relevant technology to enhance revenue collection of National and County Governments. In addition, expenditure rationalization will be critical in directing budgetary allocations to sectors with higher multiplier effects to promote faster recovery. Also, while the debt suspension service initiative is creating fiscal space in the

short-run, strengthening debt management remains a priority in the medium- to long-term.

Medium-Term Prospects

Economic activities in Kenya, like many countries globally, were subdued from the second quarter of 2020 following the effects of COVID-19 pandemic. Further, the country faces significant downside risks that have implications on medium-term prospects. These include risk of continued spread of COVID-19 infections; natural calamities such as drought, floods and desert locust invasion; debt burden; and political tensions as the country approaches the 2022 elections. This is expected to have implications on economic activities in the medium-term as depicted by a contraction of 0.3 per cent in 2020 with an improved growth of 5.2 per cent by 2023. Although the economy contracted in 2020, review of the various measures instituted by the Government to curb the pandemic, the expedited COVID-19 vaccination and improved economic performance sets the stage for a robust economic recovery. Based on this, the economy is envisaged to grow at 6.3 per cent in 2021.

Counties, similarly, face significant risks in the medium-term but have the potential of upscaling economic growth through implementation of the County COVID-19 Social-Economic Re-engineering and Recovery Strategy 2020/21-2022/23. In 2021, the counties are expected to register improved growth based on the assumption that the counties will experience a gradual recovery process from the pandemic, and there will be minimal interruptions during the electioneering period. As such, it is imperative for the National and County Governments to continue building resilience of the economy and cushioning vulnerable groups by implementing measures that promote recovery.

Navigating through the Effects of COVID-19 Pandemic to Deliver on Manufacturing

Due to its expected significant impact in generation of output, employment and increased incomes for households, the manufacturing sector is one of the four priority areas under the "Big Four" agenda. Overall, the target for manufacturing as a share of GDP was to increase from 9.2 per cent in 2016 to 15.0 per cent by 2022. In 2018, 2019 and 2020, the sector's share to GDP averaged 8.0 per cent, which is less than the envisaged target of 9.2 per cent. In addition, the sector grew at an average of 2.0 per cent over the same period. The key achievements in the sector include: generation of 153,790 jobs from the textile/apparel/cotton sub-sectors; establishment of 5,000 cottage industries with links to industrial development centres; generation of 246,272 jobs in agro-processing; improved ease of doing business, with a ranking of 56th position in the Ease of Doing Business Index; gazettement of several Special Economic Zones (SEZs) in Machakos, Kiambu, Uasin Gishu, Nakuru and Makueni counties; and finalization of resettlement action plan at the Dongo Kundu Special Economic Zone (SEZ).

The manufacturing sector has been adversely affected by the COVID-19 pandemic contracting by 0.1 per cent in 2020. This is mainly due to containment measures including partial lockdowns, curfews, and requirements to adopt to new pandemic guidelines, including rearranging floor plans to allow for social distancing. All these measures have contributed to increased costs of doing business, and general disruption of supply chains, thus negatively affecting production and resulting to closure of businesses altogether. At international level, total ban on flights and disruption in global supply chains affected the export market for manufactured goods and importation of material inputs, especially capital goods that are used in production. Most importantly, the micro-enterprises that dominate the sector were most affected by the pandemic, especially due to their nature of operations.

The key recommendations in sustaining growth of the manufacturing sector include: enhancing the local production capacity of manufacturing firms by exploiting opportunities that have been afforded by the pandemic, such as

production of hospital beds and ventilators, masks, disinfectants, protective personal equipment (PPEs) and sanitizers; mapping of micro-enterprises in manufacturing engaged in production of essential goods (such as PPEs) and other innovations in response to COVID-19 to support them in deepening the innovations and expanding their market; boosting demand for locally manufactured goods, including by enforcing implementation of the Buy Kenya, Build Kenya; and focusing on building resilience and sustainability of the manufacturing sector, for example by strengthening local value chains.

Trade Performance and Recovery with COVID-19

The COVID-19 pandemic had a pronounced impact on trade flows globally, and Kenya was not an exception. Kenya's key exports were resilient as tea, coffee and horticulture exports in 2020 surpassed their levels in 2019. Imports, however, exhibited a decline in 2020 compared to 2019. A decline in import of capital goods, if sustained, could pause a major challenge to the long-term economic growth if they are not substituted with local production. However, the fall in imports of consumer goods could see revitalization of domestic industries to fill the deficit caused by the drastic fall in imports. That said, the export product base, and market destinations for Kenya, remains narrow majorly due to low product diversification.

Despite early disruptions in bilateral trade flows, trade performance from the EAC and COMESA has maintained a positive outlook, and this necessitates a revitalization of similar efforts in other jurisdictions. Kenya's notable trade performance in the EAC underscores the need to enhance trade facilitation efforts for growth of exports and mitigating external shocks among regional countries. Therefore, use of well-coordinated approaches will be imperative to ensure continued market access for goods produced locally and within the region. Going forward, diversification of Kenyan exports and imports through the Africa Continental Free Trade Agreement (AfCFTA) and other bilateral, regional and multilateral trade arrangements could offer a stable revenue flow, accelerate economic growth, create more trade and enhance welfare. For example, despite Kenya using only 15 per cent of tariff lines under the Africa Growth and Opportunity Act (AGOA), utilization rate has remained high. As such, implementation of Free Trade Agreements (FTAs) with the US and the United Kingdom (UK) will result to higher trade volumes, higher quality of products and more tariff lines. This will enhance trade revenue and improve welfare in the country.

Agriculture and Food Security with COVID-19

The policy objective of agriculture in Kenya has mainly focused on increasing productivity and income growth, especially for smallholders; enhancing food security and equity; emphasizing on irrigation to introduce stability in agricultural output; commercialization; and intensification of production. However, despite continued investments in the sector and the huge contribution the sector makes to Gross Domestic Product (GDP), the country still suffers food insecurity. Productivity has remained low for most food commodities due to low use of inputs and declining soil fertility, thus widening the yield gap. Most smallholder farmers are achieving less than 25 per cent of the potential yields for most food crops, yet they are the majority in the sector, thus the need to focus on smallholders as a priority.

Agricultural production is seasonal, while the demand for agricultural products is continuous. Therefore, storage and marketing infrastructure plays a critical role in ensuring stability in the supply of products to the market. Thus, there is potential to exploit the co-operative sub-sector to spur the development of this marketing infrastructure and, at the same time, attract the youth to participate in agriculture. All counties in Kenya have a commodity-based co-operative, with 60 per cent of the counties having both a coffee and a dairy co-operative, and this implies that any form of investment in the co-operative sub-sector will enable smallholder farmers

realize the benefits of economies of scale, with wide-reaching implications. Private sector involvement and engagement in the sector is still not adequate; however, the Agriculture Sector Growth and Transformation Strategy (ASGTS) has made provisions to strengthen this engagement and participation, especially in output marketing and input supply and financial services.

The COVID-19 pandemic has reversed the gains made towards reducing food poverty with varying intensities across and within counties. The second wave survey on the socio-economic impact of COVID-19 on households reported that, nationally, 78 per cent of households had food stocks. Slightly more than three quarters (79%) respondents reported an increase in food commodity prices. Further, 76 per cent of households had no challenge accessing a market/grocery store to purchase food items. The domestic and export market for agricultural produce recorded mixed results during the period in which measures were taken to contain the COVID-19 pandemic. The trends tend to point to a situation where the markets were cushioned. The domestic market saw the emergence of digital technologies that link farmers to markets and avail food commodities in urban areas.

Fast-tracking the sector's recovery will require concerted efforts by all actors towards ensuring that investments in the sector are focused on increasing productivity, increasing the area under irrigation, markets, and market infrastructure. Strengthening the linkages between research, extension, and policy will be critical in ensuring that the technologies generated by the research community reach the intended beneficiaries. Producer groups/farmer organizations need to be empowered to facilitate the commercialization of agriculture. Further, there is need to promote private sector involvement in output marketing and input supply and financial services as provided for in the Agriculture Growth and Transformation Strategy.

Fast-Tracking the Delivery of the Affordable Housing Project

The delivery of affordable housing is one of the key pillars under the "Big Four" agenda, which targets to provide adequate and decent housing to low and middle-income population segments to address the significant housing deficit. Affordable housing refers to access to decent and adequate housing whose monthly expenditure is less than 30 per cent of the total household income. The housing supply deficit is reportedly at 80 per cent and skewed to the low-end market segment. The growing housing shortfall is mainly due to rapid urbanization coupled with demand- and supply-side factors such as insufficient long-term financing, high cost of funding, and low purchasing power.

Consequently, formulation of key policy and institutional and regulatory frameworks for the demand- and supply-side have been instrumental in implementing the affordable housing project. Increased resource allocation over the years for the affordable housing project has also been instrumental in implementing the project. Despite the significant gains in the sector, the cost of residential building materials has been increasing. The increase in residential housing construction materials is likely to negatively impact on the construction of affordable housing units. Therefore, to cut on the construction cost, the sector needs to leverage low-cost building materials and technologies such as Expanded Polystyrene (EPS) technology, which is locally produced.

Access to basic amenities is a prerequisite and an integral component in developing affordable housing. However, with rapid urbanization, urban services do not meet the needs of the population. In this regard, huge disparities exist in access to basic amenities at the county level, where more than half of counties lack access to improved drinking water, hand washing facilities, and clean

cooking fuels. Therefore, effective implementation of the affordable housing project will require a comprehensive county-specific housing demand and supply study for urban areas to address the region-specific challenges in access to essential services and infrastructure. Besides, there is need for all the key sectors' symbiotic efforts to ensure seamless execution of affordable housing plans. For instance, basic amenities are interdependent and cut across various sectors, hence the need for integrated planning in infrastructure provision.

Building a Robust ICT Ecosystem to Accelerate the Delivery of the "Big Four" Agenda

Information and Communication Technology (ICT) plays a critical role in driving and facilitating the achievement of the national development goals in Kenya. The ICT sector in Kenya is among the fast-growing sectors with potential to significantly contribute to the growth and development of the economy. The sector provides digital tools and innovations necessary to achieve the "Big Four" agenda. The sector has been instrumental in addressing the effects of COVID-19 pandemic while at the same time supporting economic growth. For instance, digital tools have enabled and kept the society functioning through telecommuting, e-learning, e-health and e-commerce applications. The sector has remained resilient during the pandemic due to favourable regulatory and business environment, coupled with key infrastructure that supports the adoption of technology both at the household and firm levels.

Technology is facilitating the Government to generate more revenue, improve services and efficiency and increase citizen participation. Provision of E-Government services in Kenya has brought services and engagement opportunities directly to all citizens, including the remote or underprivileged communities by providing them with access at home or through digital kiosks in villages through an interactive Government portal with an open portal and Huduma centres across many counties.

As Kenya continues to report significant progress in the digital transformation space at the global level, mainly driven by mobile innovations, universal access to digital services remains a challenge even during the COVID-19 pandemic. Digital divide is visible across counties in terms of ownership of ICT devices such as functional TVs, radios, Internet devices and access to ICT services such as Internet. Some counties and rural areas are characterized as unserved and underserved areas given the very low percentages of ownership of devices and low access to ICT services.

E-commerce is also an emerging pillar in the COVID-19 pandemic. However, it is in its nascent stage, with low uptake despite the high mobile and internet penetration in Kenya. The cyber security landscape has also significantly changed due to increased reliance on digital platforms to support remote working, commerce, education and health services. Some key ICT projects such as National Addressing System have taken long to be fully implemented and operationalized, hence delaying the provision of critical services for e-commerce. Although Kenya is home to well-known digital innovations in fintech space, such as M-Pesa, much of the innovations experience inadequate support to scale up.

Some of the key considerations to build a robust digital ecosystem include investment in robust ICT infrastructure by tapping on the universal service fund, implementing programmes targeting the "last mile" users, building digital skills capacity and enhancing cybersecurity resilience, strengthening the legal and policy framework to support the uptake of e-commerce, and scaling up digital innovations to offer contactless innovations for commerce, education and health services.

Safeguarding Health Services in Kenya During the COVID-19 Era

The Government of Kenya has made a commitment to achieve universal health coverage (UHC) by the year 2022 as espoused in the "Big Four" agenda, which identifies healthcare for all as one of the four key development priorities. Although

the focus is usually on health financing, UHC encompasses development of efficient health service delivery systems, adequate health facilities and human resources, information systems, good governance, and enabling legislation.

The National and County Governments have put in place reforms and programmes towards achieving UHC. Some of the recent interventions include free maternity services in all public health facilities since 2013, free primary healthcare in all public primary healthcare facilities, health insurance subsidies by the National Hospital Insurance Fund (NHIF) and increase in the number of health facilities at the community level, including mobile health services. Reforms at the National Hospital Insurance Fund (NHIF) include: changing the management structure at NHIF; reviewing the contributions of all members; expanding the benefit package to include out-patient cover for all members; and new packages related to addressing non-communicable conditions and instituting strategies to enrol more members.

Some gains have been made with these initiatives, including improvements in immunization of children; family planning coverage; antenatal care visits; catastrophic expenditure by households; and the impoverishment effect of health spending. That said, the reforms face various implementation hurdles, including inadequate resource allocation and utilization inefficiencies. Health financing faces the challenge of high levels of poverty and relatively large and growing informal economy. Medical equipment are an important part of the whole spectrum of achieving Universal Health Coverage, but provision has been inadequate.

While improvements have been recorded, the country faces several critical challenges related to medical devices and equipment. These include deficiency of a rational process of acquiring medical devices and equipment, including medical equipment donations; under-utilization of huge-investment medical devices; and the related problem of investments in devices that do not meet priority health needs. The specific challenges facing health facilities include inadequate health equipment, inadequate staff, and inadequate resource allocation to maintain healthcare equipment.

The COVID-19 pandemic triggered a series of interventions that led to improvements in equipping health facilities in Kenya. Despite the various interventions, many counties do not have specialist equipment. Only 22 of the 47 counties had at least one Intensive Care Unit (ICU) as of March 2021, and only 12 counties were compliant on an agreement to set up 300 isolation beds. In addition, preparation of rapid health assessment and isolation facilities to manage symptomatic and/or ill passengers is still nascent. There have been challenges in coordination between the County and National levels of government in the procurement of critical equipment and recruitment of additional healthcare personnel.

Kenya's health sector needs better coordination between the Government, private and faith or NGO institutions. Strategic control of medical supplies is important, and over-reliance on the global marketplace for essential medical equipment should be minimized. The stakeholders need to sustain the complementary interventions in water and sanitation that are linked to the observed decline in some common diseases such as diarrhoea. Other interventions include the need for a robust pandemic emergency preparedness plan backed by qualified technical personnel, and improvement in handling of safety concerns of healthcare providers to avoid loss of lives.

The key focus areas encompass the need to strengthen efficiency in the use of financial and human resources for health; enhance investments required in rehabilitating and equipping existing health facilities; improve the coordination of interventions between and within the National and County Governments; and ensure adequate and equitable distribution of human resources for health.

Fast-Tracking Recovery of the Tourism Sector from the Effects of COVID-

Tourism is one of the priority sectors under the economic pillar of the Kenya Vision 2030. In the

third Medium-Term Plan of the Kenya Vision 2030, tourism is anticipated to spur economic growth and contribute 9.2 per cent of the total employment per annum through increased tourist arrivals from 1.3 million in 2016 to 2.5 million visitors in 2022; increase tourism earnings from Ksh 99.7 billion in 2016 to Ksh 175 billion in 2022; and increase bed-nights by domestic tourists from 3.5 million in 2016 to 6.5 million by 2022. The sector is an enabler to the achievement of the "Big Four" agenda and is aligned to the Sustainable Development Goals (8, 14 and 15) and Aspiration 1 and 5 of Agenda 2063 of the African Union.

In 2020, the sector was among those adversely impacted by the COVID-19 pandemic, which saw inbound tourist arrivals, revenue and employment decline by an estimated 71.6 per cent, 73.6 per cent and 72.0 per cent, respectively, over the previous year. The pandemic directly impacted negatively on performance of all tourism products and services, retracting recent growth momentum witnessed by year 2019 to performance levels recorded in 1987. It is estimated that total revenue from hotels declined by 32.4 per cent over the previous year to Ksh 70.1 billion owing to tremendous decline in bed-night occupancy especially in quarter 2 and 3, which was characterized by negligible stay by foreign visitors. Furthermore, the country lost the peak season of June-August 2020, equivalent to 435,000 international visitors and Ksh 32.4 billion in receipts and Ksh 390 million in park entry fees.

Despite the dismal performance in 2020, as hotel enterprises continue to adhere to hospitality sector re-opening protocols set by the Ministry of Tourism in mid-2020, the average bed occupancy has continued to recover gradually, averaging 26.0 per cent in December 2020 compared to 23.0 per cent in November and 10.0 per cent in May 2020. The utilization of restaurants and conference services has also improved gradually since May 2020. Local guests continued to be the main support of activity in the sector during the COVID-19 period, accounting for over 84.0 per cent and 79.0 per cent of the total clientele for accommodation and restaurant services, respectively. The importance of domestic tourism in cushioning the sector from the shock occasioned by the pandemic cannot be gainsaid. Overall, the sector is expected to rebound in the medium-term, albeit sluggishly, as countries devise ways to contain the spread of the COVID-19 pandemic, including discovery of vaccines. However, the anticipated performance by end of 2022 may be lower than the MTP III target.

Several proposals have been made to support recovery of the sector, both in the short- and long-term. These include policy framework review of the Tourism Act 2011 to accommodate aspects of devolution and coordination; assent and implementation of the revised National Tourism Policy 2020; finalization and assent of the national wildlife policy; and development of a tourism sector development masterplan. Enforcement of the COVID-19 containment measures and improvement in standards and quality assurance in the sector since recovery of tourism from the impact of COVID-19 pandemic will be driven by hygiene, sanitation, technology and mobility factors; support to domestic tourism development at both national and county levels, given that residents account for over 52 per cent of the total hotel bed-night occupied in Kenya, including by each county mapping its tourism sector resources; niche tourism product development, packaging and marketing at both national and county level; development of regional and medical tourism to target 800,000 tourists from neighbouring countries; and increased funding allocation to the tourism sector for marketing and rehabilitation of infrastructure that supports tourism development. In addition is the need to improve security in the volatile areas to attract tourism investors.

Strengthening Cooperation and Coordination in COVID-19-Related Activities

The World Health Organization (WHO) declared the COVID-19 a pandemic due to its presence in more than 114 states on 11th March 2020, thus making it a global issue. The global nature of the threat posed by new infectious diseases

requires strategic collaboration and partnerships at all levels in identifying, controlling, preventing, reporting and responding to these diseases. The need for cooperation (at international, regional, county and inter-county levels) in the public health arena is critical in preventing and controlling the spread of infectious diseases, which are easily transmissible across borders and thus require a collective response. Within Kenya, County Governments are critical stakeholders in ensuring speedy COVID-19 recovery for successful implementation of the "Big Four" agenda, given their critical role in a number of devolved sectors such as health, agriculture and housing. Further, regional economic blocs formed by counties have potential to accelerate recovery from COVID-19 and drive forward the "Big Four" agenda through their collective platforms. The platform offered by regional blocs can be leveraged on to establish mechanisms for inter-county and cross-border surveillance; inter-county sharing of human resources and training for quality health care; and inter-county evacuation and assistance to county emergency response. Various cross-sectoral, collaborative initiatives conducted by the private sector, the Government, development partners and civil society including resource mobilization, awareness creation and humanitarian assistance also demonstrate the potential and importance of partnership during COVID-19, and in other public policy issues.

The challenges in coordinating COVID-19 responses at an international level include non-implementation of WHO guidelines for infection, prevention and control protocols; misreporting or non-reporting of data on COVID-19; discordant approaches to COVID-19 and lack of consensus among States on COVID-19. This has undermined the effectiveness of measures to control the spread of COVID-19. Regionally, uncoordinated response measures and divergence in opinion on actions to deal with COVID-19 led to diplomatic rifts within the East African region. At a national level, weak intergovernmental relations between the National Government and the County Governments have led to duplicity of efforts, overlap and fragmented implementation of policies. Labour disputes between County Governments and health workers also posed challenges during the COVID-19 pandemic, leading to industrial action by health workers. In addition, across counties, most regional blocs are yet to be formally and legally established to authorize or enable them to carry out their planned projects, though they have potential to enhance coordinated responses across counties.

Coordination of activities at international, regional and national level needs to be encouraged and promoted through participation in multi-stakeholder forums and efforts made to adhere to commitments in international policy frameworks. This includes adopting coordinated responses to COVID-19 and putting in place global strategies for the control of emerging diseases. At a national level, frameworks for coordination and platforms for consultative engagement between the two levels of Government need to be strengthened to facilitate smooth response to emergencies. As regional economic blocs have the potential to drive forward the "Big Four" agenda through their collective platforms, all regional blocs need to explore having an enabling legal framework to empower them to carry out their planned projects. Legislators and legislative drafting experts need to review and update the Public Health Act to reflect developments in the public health sector, including the institutional structures that were established with the devolved system of government.

CHAPTER 1

INTRODUCTION

The Kenya Economic Report (KER), which is produced annually, is a statutory report prepared by the Kenya Institute for Public Policy Research Analysis (KIPPRA) on Kenya's economic performance and medium-term prospects for three financial years. The aim of the report is to provide evidence-based policy proposals to the Government to support in addressing emerging policy issues at both National and County Government level. The theme of the Kenya Economic Report 2021 is "Kenya in COVID-19 Era: Fast-Tracking Recovery and Delivery of the Big Four Agenda". The overall goal is to provide the basis for turning around the economy, which has been negatively affected mainly by the Coronavirus Disease (COVID-19) pandemic since the beginning of the year 2020, and thus enhance delivery of the "Big Four" agenda of the Government. The "Big Four" agenda, which is anchored in the Third Medium-Term Plan (MTP III) of the Kenya Vision 2030, outlines four areas that need to be prioritized to fast-track growth and improve the standards of living: ensuring food security; expanding the manufacturing sector to create jobs; providing universal health coverage to improve human capital; and providing affordable housing to increase access by low-income earners.

Kenya's economy contracted by 0.3 per cent in 2020, thus marking a significant decline from 5.0 per cent in 2019. This has been occasioned mainly by the COVID-19 pandemic and the raft of measures implemented by the Government as detailed in Table 1.1. However, there have been other ongoing challenges affecting the economy that include the desert locusts' invasion, floods, and fiscal pressures from high budgetary demands particularly in repayment of public debt. This means that concerted efforts will be required for the country to recover and attain the desired growth trajectories that will enable it to deliver on the "Big Four" agenda.

The theme of the Kenya Economic Report 2021 is motivated in part by the recommendations of the Kenya Economic Report 2020 and by the prevailing health and economic crisis caused by the COVID-19 pandemic, and which has adversely affected the growth of most sectors of the economy, and therefore slowing down economic growth and the envisaged achievement of the "Big Four" agenda. The main targets of the agenda are to: enhance manufacturing by increasing its share of contribution to GDP from 9.2 per cent to 15.0 per cent by the year 2022; attain 100 per cent food security and nutrition by 2022; achieve 100 per cent universal healthcare by scaling up the National Hospital Insurance Fund (NHIF) uptake; and provide 500,000 affordable houses to citizens by 2022. In 2020, the share of manufacturing in GDP declined to 7.6 per cent from 7.9 per cent in 2019. Even before the onset of COVID 19, the performance of the manufacturing sector was already below the target. In 2020, the share of manufacturing to GDP was 7.6 per cent, having declined from 9.3 per cent in 2016 while its growth has averaged 1.7 per cent over the five years. With the onset of COVID-19, most of the manufacturing firms (93%) reported a fall in turnover, with 23 per cent of the businesses registering losses of 65-100 per cent (KAM and KPMG, 2020). These effects have been attributed to depressed demand of manufactured products. One of the lessons that developing countries have learnt during the COVID-19 pandemic is the need for local manufacturing capacity to produce essential items such as vaccines, medical

equipment, personal protective equipment (PPE) and face masks. Again, as one of the pillars of the "Big Four" agenda, the manufacturing sector exhibits strong backward and forward linkages with other sectors, which is critical to creating new growth and putting people back to work. It is therefore critical to improve the performance of Kenya's manufacturing to enable the country respond adequately to future similar shocks that require reliance on internal production systems.

The "Big Four" agenda is multi-sectorial and has a multi-pronged approach. The main targets of food security and nutrition are to enhance large scale food production, drive smallholder productivity, and reduce the cost of food to improve accessibility to all by 2022. According to the Kenya Integrated Household Budget Survey (KIHBS) 2015/2016, 14.5 million Kenyans are food poor, implying that a third of the population (32%) are not able to access food that is adequate and nutritious enough to attain good health. During the COVID-19 era, food and nutrition security as a pillar of the "Big Four" agenda has become more critical because the country needs to produce and store sufficient food within its borders given disruptions in regional and global trade. This has become even more important in situations where some countries imposed lock-downs, hence affecting farming activities. Urban dwellers, majority of whom rely on daily wages, also rely on trade across the counties to access food produced in the counties. Therefore, production of food in areas outside of urban centres is important to keep markets and trade lines open to feed the cities.

Universal Health Coverage (UHC) means that all individuals receive health services they need without suffering financial hardship (WHO, 2017). The Government of Kenya is committed to achieving UHC by the year 2022 as espoused in the "Big Four" agenda. The main UHC targets include: scaling up the National Hospital Insurance Fund (NHIF) uptake; redefining the NHIF to include multi-tier packages; reviewing the Insurance Act; adopting new low-cost service delivery; and aligning the NHIF to UHC by reviewing and amending the NHIF Act. There has been some progress in scaling up NHIF uptake. There are also gains accruing from reforms that include health insurance subsidy for the deprived, and the elderly and persons with disability, review of monthly contribution rates and expansion of the benefit package. Although gains have been made and health insurance is increasing, coverage is still relatively low. It is projected that 13.2 million persons will be registered with the NHIF by 2022 against a target of 19.0 million registered members. This suggests the need to enhance registration, especially for the informal sector workers who make up 83 per cent of the total employed individuals. There is also an ongoing review of the Insurance Act to increase uptake of private health insurance to cushion the NHIF. Employer contributions to NHIF have increased and coverage has been extended to the informal sector.

The COVID-19 pandemic triggered a series of interventions that led to improvements in equipping health facilities in Kenya. These include a directive to set up 300 isolation beds per county. Other interventions included increasing the number of Intensive Care Unit (ICU) beds and ventilators. Despite the various interventions, the rate of acquisition of necessary equipment has been slow, and many counties do not have specialized equipment. Only 22 out of the 47 counties had at least one intensive care unit and as of June 2020, only 12 counties had complied with the agreement to set up 300 isolation beds. Kenya has 537 intensive care beds (i.e. about 1 intensive care bed for 100,000 persons), which is way below what would be required during epidemics and pandemics. In addition, the country has 256 ventilators against a recommended 300 per county. Cumulatively, counties attained a total of 6,898 isolation beds against a national target of 30,500 units. Human resources for health have been inadequate even in the pre-pandemic period. Yet, a critical part of preparedness for disasters is adequacy of health human resources. Healthcare workers have been concerned about the availability and quality of personal protective equipment such as protective clothing, helmets and goggles. This concern could disrupt services as health workers issue and continue to take industrial action. Mass testing capability has remained relatively weak in Kenya. In addition, preparation of rapid health assessment and isolation facilities to manage symptomatic and/or ill passengers is still nascent. To effectively handle a pandemic such as COVID-19, mass testing,

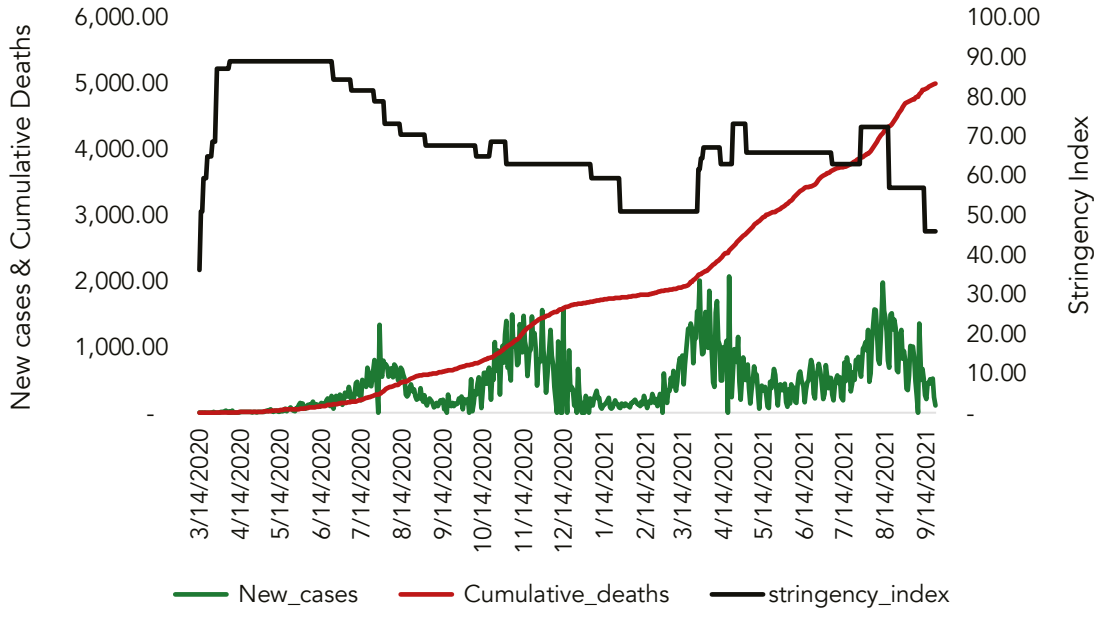
isolation and quarantine of infected persons is critical to controlling and limiting the number of new infections. In addition is ensuring vaccination of the population to achieve herd immunity.

The right to housing is embedded in the Constitution of Kenya, Article 43 (1) (b), which recognizes the right to accessible and adequate housing and reasonable sanitation standards. Affordable housing refers to access to descent and adequate housing whose monthly expenditure is less than 30 per cent of household income. The annual housing demand in Kenya is estimated at 250,000 while supply is only 50,000 housing units per year, skewed towards the high-end market, and representing a 80 per cent deficit (World Bank, 2016). About 2 per cent of formally constructed houses are targeted to the lower income segments of the market, which account for the largest share of demand whereas 60 per cent of the urban population is concentrated in crowded, informal settlements and slums with inadequate water and sanitation. The Government's aspiration under the "Big Four" agenda is to close the annual deficit by providing 500,000 housing units over five years in major cities and towns across various counties in Kenya. Despite the progress made in implementing the affordable housing project, the onset of the COVID-19 pandemic disrupted the building, construction, and the real estate sector. The shocks attributed to lockdown measures and loss of disposable income have negatively impacted the industry. This has led to reduced labour force, and disruption of supply chains.

1.1 Evolution of COVID-19 Pandemic Cases in Kenya

The first COVID-19 pandemic case was reported on 13th March 2020 and strict containment measures were put in place beginning April 2020. Between April and July 2020, the measures were more stringent, with daily infection cases averaging 163, with the Oxford's Stringency Index at an average of 86.7 (Figure 1.1). With the easing of restrictions, the Stringency Index dropped to 63.0 in November 2020, and daily cases averaged 987 per day. In December 2020, daily cases averaged 417 and the stringency index at 63.0. From February 2021, the country approached the third wave, with the positive cases rising and averaging 320 per day. As of 17th September 2021, total confirmed cases had reached 246,643 and cumulative deaths at 4,995. To contain the spread of COVID-19 pandemic, the Government rolled out vaccination campaigns in March 2021 with targeted populations given a priority. With

Figure 1.1: COVID-19 cases and deaths in Kenya as of 17th September 2021



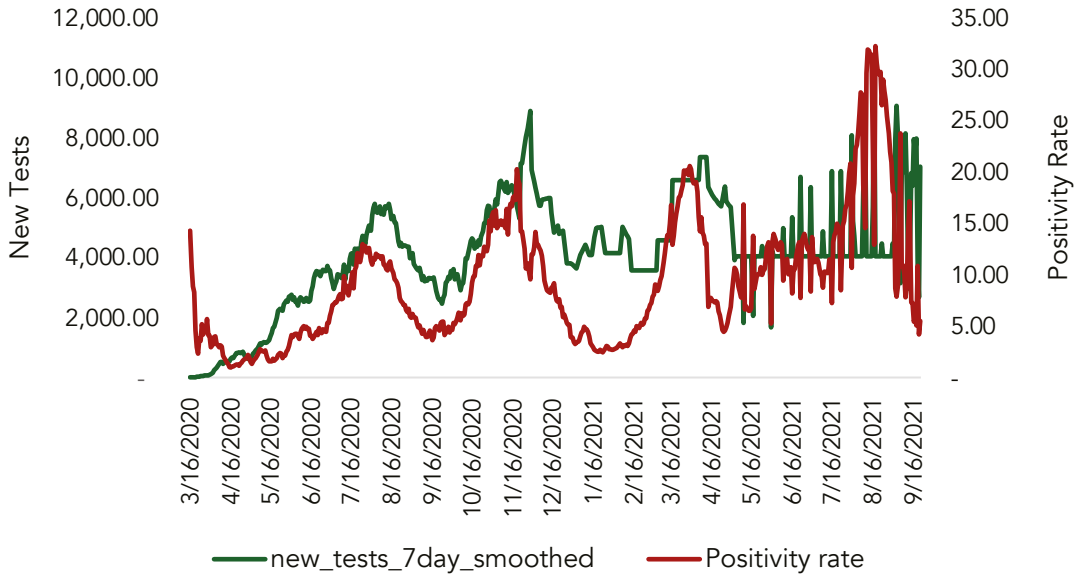
Data source: Ministry of Health, Kenya; and Our World in Data, University of Oxford

the expansion of COVID-19 exercise in August and September 2021, the Government has since relaxed most of the containment measures, and the Stringency Index dropped to 45.83 as of 13th September 2021.

The positivity rate is strongly correlated with testing capacity, hence there is no clear direction on flattening of the curve (Figure 1.2). Between March 2020 and June 2020, the testing capacity averaged 2,025 per day with a positivity rate of 5. The testing capacity increased to 4,178 between July 2020 and September 2020 and the positivity rate was 7. The testing capacity portrays an upward trend between October 2020 and November 2020, reaching an average of 5,053 and with a positivity rate of 12. Testing capacity averaged 5,243 per day in December 2020, with a positivity rate of 9. This fell to 4,295 in January 2021, with positivity rate at 3 per cent. In April 2021, the testing capacity averaged 5,684 per day with the positivity rate rising to 6 per cent per day. As of September 2021, the testing capacity averaged 6,301 per day with an average positivity rate of 6.4 per day.

Since 13th of March 2020 when the first COVID-19 case was confirmed in Kenya, the Government has responded with far-reaching and wide-ranging measures aimed at containing the spread of the disease and cushioning Kenyans from the effects of the pandemic (Table 1.1). Budget reallocations and monetary policy measures were effected to deal with the immediate impact of the pandemic on the economy. There were also targeted interventions to cushion the economy from the shock, including tax relief, reduction in income tax rate (Pay-As You Earn - PAYE), incentives for Micro, Small and Medium Enterprises (MSMEs), and incentives to avail more funds to banks for on-lending. However, reduced Government spending in some sectors (following budget reallocation to the health sector), job losses, reduced income earnings, uncertainty, curfews, and lockdowns have negatively affected aggregate demand. Financial shock and instability in the stock markets amid uncertainty and decline in economic activity has also been witnessed. Apart from the "Big Four" agenda sectors, the COVID-19 response measures affected education, health, ICT, trade, tourism, public transport and many other sectors. This implies that resource constraints will inadvertently affect the speed of delivery of the planned "Big Four" agenda projects during the Medium-Term Plan (MTP) III period, which is midway in implementation. The KER 2021 provides an analysis and recommendations on how to fast-track delivery of the "Big Four" agenda projects in light of the ongoing COVID-19 crisis. The report also examines the policies, legislative and institutional frameworks from various sectoral focal points that will support and

Figure 1.2: COVID-19 new tests and positivity rate in Kenya as of 17th September 2021



Source: Author's computation using data from the Ministry of Health, Kenya

enable quick recovery from the effects of the COVID-19 pandemic and accelerate delivery of the "Big Four" agenda.

The rest of the report is organized as follows: Chapter Two reviews Kenya's macroeconomic performance while Chapter Three discusses the country's medium-term prospects. Navigating through the effects of COVID-19 to deliver the manufacturing pillar of the "Big Four" agenda is discussed in Chapter Four. Trade performance and COVID-19 recovery is covered in Chapter Five. The subject matter of Chapter Six is fast-tracking recovery in agriculture and food security in the post-COVID-19 era while Chapter Seven delves into fast-tracking the delivery of the affordable housing project. Chapter Eight discusses how the ICT ecosystem can be leveraged to accelerate the delivery of the "Big Four" agenda. Chapter Nine explains how the health sector can be safeguarded during and in the post-COVID-19 era to deliver the "Big Four" agenda while Chapter Ten explores the recovery of tourism from the effects of COVID-19 in the context of the "Big Four" agenda. Chapter Eleven covers issues of cooperation and coordination amidst COVID-19 and how they can be strengthened to deliver the "Big Four" agenda. The last chapter, Chapter twelve, presents conclusions and policy recommendations.

Table 1.1: Measures adopted by the government to address COVID-19 pandemic

Fiscal and monetary policy measures
As from 15th March 2020, Kenyans were encouraged to use cashless transactions such as mobile money and credit cards. Starting from 25th March 2020, the Central Bank Rate (CBR) was lowered to 7.25% from 8.25%, the Cash Reserve Ratio (CRR) was lowered to 4.25% from 5.25% and the Central Bank of Kenya was required to provide flexibility to banks with regard to requirements for loan classification and provisioning for loans that were not performing as at 2nd March 2020 and whose repayment period was extended or were restructured due to the pandemic. The listing by Credit Reference Bureaus (CRB) of any person, Micro, Small and Medium Enterprises (MSMES) and corporate entities whose loan account fell overdue or was in arrears was suspended temporarily. A raft of fiscal policy measures were announced on 25th March 2020. They include 100% income tax relief for employees earning up to Ksh 24,000 per month, income tax (PAYE) to 25% from 30% (until 1st January 2021), applicable to employees earning income over Ksh 47,059 per month or Ksh 564,709 per annum. Corporation tax was reduced from 30% to 25% (until 1st January 2021) while VAT was reduced from 16% to 14% starting 1st April 2020 until 1st July 2021. Turnover taxes for Micro, Small and Medium Enterprises (MSMEs) were reduced from 3% to 1% applicable to MSMEs whose turnover does not exceed Ksh 5 million. The elderly, orphans and vulnerable members of the society were allocated Ksh 10 billion while Ksh 1 billion was appropriated from the Universal Health Kitty towards the recruitment of additional health workers, Ksh 13 billion to clear pending bills and Ksh 10 billion to accelerate VAT refunds. All Ministries and Departments were required to cause the payment of at least Ksh 13 billion of the verified pending bills within three weeks from 25th March 2020 while the Kenya Revenue Authority (KRA) was directed to expedite the payment of all verified VAT refund claims amounting to Ksh 10 billion within three weeks or, in the alternative, allow for offsetting of withholding VAT. Senior ranks of the national executive voluntarily reduced their salaries starting with the President and Deputy President (80%), Cabinet Secretaries (30%), Chief Administrative Secretaries (30%) and Principal Secretaries (20%).

Further fiscal policy measures were announced on 23rd May 2020. The 8-Point Economic Stimulus Programme (infrastructure, education, SMEs, health, agriculture, tourism, environment and manufacturing) amounting to Ksh 53.7 billion was initiated. As part of the stimulus programme, an allocation of Ksh 5.0 billion was made towards infrastructure and Ksh 6.5 billion towards education to hire 10,000 teachers, 1,000 ICT interns and improve school infrastructure, including acquiring 250,000 locally fabricated desks. Similarly, Small and Medium Enterprises were allocated Ksh 10 billion to fast-track payment of outstanding VAT refunds and other pending payments. In addition, Ksh 30 billion was released towards payment of pending bills in the roads sector. An allocation of Ksh 3 billion was set aside as seed capital for the SME Credit Guarantee Scheme. Under health, the National Government committed to hire an additional 5,000 diploma/certificate level healthcare workers for a period of one year, but the stimulus programme set aside Ksh 1.7 billion for the expansion of bed capacity in public hospitals. In agriculture, priority went towards the supply of farm inputs through e-vouchers, targeting 200,000 small scale farmers (amounting to Ksh 3 billion) and assisting flower and horticultural producers to access international markets (Ksh 1.5 billion). To cushion tourism, hotels and related establishments were provided access to soft loans through the Tourism Finance Corporation (TFC) while Ksh 2 billion was set aside to support renovation of facilities and the restructuring of business operations by actors. Tourism was also required to engage 5,500 community scouts under the Kenya Wildlife Service at a cost of Ksh 1 billion and support 160 community conservancies at a cost of Ksh 1 billion. To mitigate the impact of deforestation and climate change, and to enhance the provision of water facilities, the National Government was committed to rehabilitate wells, water pans and underground tanks in the arid and semi-arid areas. For this purpose, the Government set aside Ksh 850 million. A further Ksh 1 billion was set aside for flood control measures and another Ksh 540 million for the Greening Kenya Campaign. Manufacturing was allocated an initial investment of Ksh 600 million to purchase locally manufactured vehicles.

Public health

As from 15th March 2020, hospitals and shopping malls were required to provide soap, water and hand sanitizers and ensure that all their premises were regularly cleaned and disinfected. All persons who came into Kenya were required to self-quarantine for 14 days. If any person exhibited symptoms such as cough, or fever, they were supposed to present themselves to the nearest health facility for testing. Where possible, Government offices, businesses and companies were encouraged to allow employees to work from home, except employees working in critical or essential services.

The Ministry of Public Service and the Ministry of Health were directed to develop a welfare package to cushion doctors, nurses and other medical personnel. The package was to include actions by medical insurance companies to cover the health requirements of hospital staff especially those dealing with the pandemic. County Governments were granted a three-month waiver from the Kenya Medical Supplies Agency (KEMSA) requirement of sourcing masks and PPEs locally. As from 25th March 2020, all State and Public Officers with pre-existing medical conditions and/or aged 58 years and above, serving in Job Group S and below or their equivalents, were required to take leave or work from home. In addition, every County Government was required to deliver isolation facilities with at least 300 bed-capacity.

The Ministry of Health was directed to develop a protocol to temporarily retain retired anaesthetists and ICU staff to support the medical staff assigned to dealing with serious COVID-19 cases in the counties. Government institutions, including all sporting facilities, stadia and educational institutions and other Government facilities, upon designation by the Cabinet Secretary for Health as a public health facility, were availed to the Ministry of Health for isolation and quarantine purposes.

All Cabinet Secretaries, Chief Administrative Secretaries and Principal Secretaries were directed to scale-down all in-person engagements within Government and to take appropriate steps to foster the discharge of their mandates by themselves and their officers through virtual means where possible. Similarly, all State and Public Officers aged above 58 years or who are immuno-compromised were advised to work remotely, except those serving the nation in critical sectors. County Governments were required to maintain isolation facilities in a state of preparedness through continuous capacity building for healthcare workers, provision of adequate PPEs for healthcare workers and continuous implementation of infection prevention and control measures and provision of piped/portable oxygen. The private sector was to join the Government in the public sensitization campaign dubbed, "No mask, No service" "*Bila barakoa, hakuna huduma*".

In March 2021, Kenya rolled out a countrywide vaccination exercise after receiving 1.02 million doses of Astra Zeneca-Oxford COVID-19 vaccine on 3rd March 2021. The first consignment was part of the initial allocation to Kenya of 3.56 million doses through the COVAX facility. The roll out targeted the frontline health workers, teachers, police and military. The elderly population, those aged 58 years and above, were also included in the priority group. The Government has since expanded the vaccination programme, with a total of 3,351,109 doses administered as of 17th September 2021. Out of this, 850,922 Kenyans had been fully vaccinated.

Education

Learning was suspended in all education institutions as from 15th March 2020, which resulted in the closure of boarding schools on 18th March 2020 while universities and tertiary institutions were closed on 20th March 2020. Stakeholder consultations in the education sector commenced in June 2020 to deliberate on the feasibility of a gradual and progressive return to normalcy in the education sector starting 1st September 2020. On 7th July 2020, the Ministry of Education jointly with all the stakeholders in the sector notified the public on the resumption of the 2020 academic calendar for basic education and tertiary institutions. Examination classes resumed learning in October 2020 while basic learning classes resumed in-person learning in January 2021. However, teachers and other staff who were aged 58 years or above, or who had pre-existing conditions, were directed to deliver on their duties through remote means or by holding their classes/lessons in open spaces with natural flow of air. All schools were directed to provide adequate hand-washing stations corresponding to their student population, in line with the guidelines issued by the Ministry of Health and the Ministry of Education. Schools experiencing water problems were directed to provide adequate hand sanitizers for both the students and the teachers. All non-essential visits to schools by parents and guardians were prohibited and were only allowed in exceptional circumstances - with all visitors to schools being registered in the school records and being subject to all infection prevention protocols. All teachers and students were directed to wear facemasks when on school premises or within school transport, in addition to strictly applying hand-hygiene and physical spacing. All extra-curricular activities such as sports, drama, music and prize giving, involving more than one school were prohibited.

All exchange visits between schools were prohibited. Principals and headteachers were directed to maintain a register of all sick pupils/students or teachers, and immediately inform the County Health Department of all instances of moderate to severe illness. The County Health Departments were directed to carry out routine surveillance for COVID-19 and other public health problems in all schools, including random sampling of pupils, teachers, and ancillary staff. On 26th March 2021, the Government suspended all physical learning in all education institutions except for the candidates that were to sit for their examinations.

Public transport

As from 6th June 2020, the Ministry of Transport was directed to engage all key stakeholders and develop protocols to guide resumption of local air travel. Following these consultations, local air travel within Kenya resumed on 15th July 2020 while international air travel resumed on 1st August 2020. As from 6th July 2020, there were restrictions on movement of public transport vehicles into and out of the areas previously under cessation of movement restrictions, without the public transport providers being compliant with all protocols developed by the Ministry of Health. Operators of public service vehicles were required to obtain mandatory certification from the Ministry of Health, in consultation with Ministry of Transport. All passengers in public and private vehicles were required to wear masks and always maintain hand hygiene while within the motor vehicle, and all public service vehicles were required to observe a strict 60% maximum carrying capacity limit.

National curfew

The first nationwide dusk to dawn national curfew lasting 7 p.m. to 5 a.m. became effective on 27th March 2020, with extensions until 6th June 2020. The only authorized persons to move were medical professionals, health workers, critical and essential services providers.

On 6th June 2020, the duration of the curfew was adjusted to run from 9 p.m. to 4 a.m. As from 17th July 2020, sale of alcoholic drinks and beverages in eateries and restaurants was prohibited. The closing time for restaurants and eateries was adjusted from 8 p.m. to 7 p.m. Bars were required to remain closed. The Inspector–General of the National Police Service was directed to withdraw licenses for bars operating in breach of this directive. The Inspector General was directed to file a weekly return of all bars whose licenses would have been withdrawn to the Cabinet Secretary for Interior and Coordination of National Government. From 26th August 2020, bar owners and the Ministry of Health were directed to develop self-regulating mechanisms to allow their resumption. Effective from 27th August 2020, the closing time for restaurants and eateries was varied by one hour from 7 p.m. to 8 p.m. As from 28th September 2020, the commencement time for the curfew was varied and scheduled to run from 11 p.m. to 4 a.m. Bars, restaurants and eateries were directed to close at 10 p.m. with effect from 29th September 2020 but were required to adhere to guidelines and protocols issued by the Ministry of Health. Starting from 4th November 2020, the duration of the curfew was amended to run between 10 p.m. and 4 a.m. while bars, restaurants, and other establishments open to the public were required to close at 9 p.m.

On 26th March 2021, the nationwide curfew was revised to start from 8 p.m. to 4 a.m. in the zoned area comprising of Nairobi, Kajiado, Kiambu, Machakos and Nakuru counties. The rest of the country was to observe the curfew from 10 p.m. to 4 a.m. Bar operations and sale of alcohol in restaurants and eateries were suspended in the zoned area and restaurants were to offer only takeaway services. On 17th June 2021, the Government revised the curfew hours for 13 counties, namely: Kisumu, Siaya, Homa Bay, Migori, Busia, Kakamega, Vihiga, Bungoma, Kisii, Nyamira, Kericho, Bomet, and Trans Nzoia. The curfew was to run from 7 p.m. to 4 a.m. up to 31st July 2021.

Social protection

On 6th April 2020, the Ministry of ICT, Innovation and Youth Affairs, in collaboration with Kenya Copyright Board and Collective Management Organizations established a framework to ensure full transparency for artist's earnings. A total of Ksh 200 million every month was to be paid to musicians through the system and other platforms, translating to over Ksh 2 billion. In April 2020, needy households in Nairobi were to receive weekly COVID-19 support stipend while Ksh 8.5 billion was released to support the elderly and vulnerable individuals under the Cash Transfer Programme run by the Ministry of Labour. In addition, Ksh 500 million in arrears was released to persons with severe disabilities. The National Hygiene Programme (Kazi Mtaani), which commenced on 29th April 2020, was initiated to create jobs while making the environment healthier amidst the pandemic. This first phase of the National Hygiene Programme employed 26,148 workers. This added to the 108,000 vulnerable households presently receiving direct cash grants, and the Senior Citizens programme offering tangible relief to the most needy.

Restrictions on movement and social gatherings

On 15th March 2020, the Government suspended travel for all persons coming into Kenya from countries with reported Coronavirus cases. Only Kenyan citizens and foreigners with valid residence permits were allowed entry into the country, provided they proceeded on self-quarantine or to a Government-designated quarantine facility. In line with the directive to avoid crowded places, citizens were encouraged to avoid congregating in places of worship, weddings, funerals, shopping malls, entertainment premises, public transport and to limit visitors to hospitalized patients. On 6th April 2020, restrictions were imposed on movement by road, rail or air in and out of the Nairobi Metropolitan Area, Kilifi County, Kwale County and Mombasa County. These restrictions lapsed in Kilifi and Kwale on 7th June 2020 and in Mombasa, Nairobi and Mandera on 7th July 2020. Movement in and out of the counties of Kilifi, Kwale and Mombasa was to be supervised by the Kenya Police. The movement of food supplies and other cargo by road, railway and air was allowed. Any cargo-carrying vehicle or vessel was charged to a single driver and designated assistants all of whom were to be designated as such in writing by the owner or operator of the said vehicle or vessel with reference to that vehicle or vessel.

The Government suspended any movement of persons and any passenger ferrying automobiles and vehicles into and out of the territory of Republic of Kenya through the Kenya-Tanzania and through the Kenya-Somalia international border except for cargo vehicles, effective 16th May 2020. Drivers of cargo vehicles were subjected to mandatory COVID-19 testing and were only granted entry into Kenya if they tested negative.

On 6th June 2020, the Ministry of Interior and Coordination of National Government, and Ministry of Health were directed to constitute an Inter-Faith Council to work out modalities and protocols for re-opening of places of worship. In line with the guidelines issued by the Inter-Faith Council, only a maximum of one hundred (100) participants were allowed at each worship ceremony and not for more than one hour. This number was revised on 28th September 2020 to one third of its normal sitting capacity. Sunday Schools and *Madrassas* were suspended until further notice, and in-person worship was required to exclude congregations under the age of thirteen (13) years and those above the age of fifty-eight (58) years or persons with underlying conditions.

As from 4th November 2020, all political gatherings and rallies were suspended, except where such meetings were held in town halls. The Ministry of Interior and Coordination of National Government was directed to constitute a Special Enforcement Unit made up of the National Police Service, National Government Administration Officers and supplemented by the County Government inspectorate units to jointly enforce compliance to COVID-19 protocols. As from 3rd January 2020, all 'super spreader' events and all overnight vigils or events of any kind were suspended.

Source: Office of the President Website: https://www.president.go.ke

CHAPTER 2

MACROECONOMIC PERFORMANCE

The COVID-19 pandemic has disrupted Kenya's growth momentum, and reversed gains made in poverty reduction in the last two decades by pushing back more Kenyans to poverty. While the services sector has been the worst hit and dragging real GDP growth, the robust performance of the agriculture sector has supported growth in the first three quarters of 2020. The economic shock related to COVID-19 pandemic has derailed the fiscal consolidation path, with lower revenue collections and increased debt. The Central Bank of Kenya has maintained an accommodative monetary policy stance to support growth with affordable lending rates. With the COVID-19 pandemic still unfolding, measures to further contain the spread, and strengthening of the health system remains critical. Sustaining social protection coverage is key to cushioning the most vulnerable. Economic recovery will require both targeted fiscal injections and accommodative monetary policy while economic diversification is important to minimize the impact of the economic shock on the growth path.

2.1 Economic Growth

Kenya's economy has experienced the sharpest contraction in the last two decades, with the services sector most affected. In the first quarter of 2020, the impact of COVID-19 was somewhat limited, though the economy registered a decline in growth at 4.4 per cent compared to 4.8 per cent growth recorded in the same quarter of 2019 (Figure 2.1). In the second quarter of 2020, there was an economic downturn when the impact of COVID-19 was most severe. The economy contracted by 4.7 per cent compared to a growth of 5.9 per cent in the same quarter of 2019. The

Table 2.1: Kenya's key macroeconomic indicators

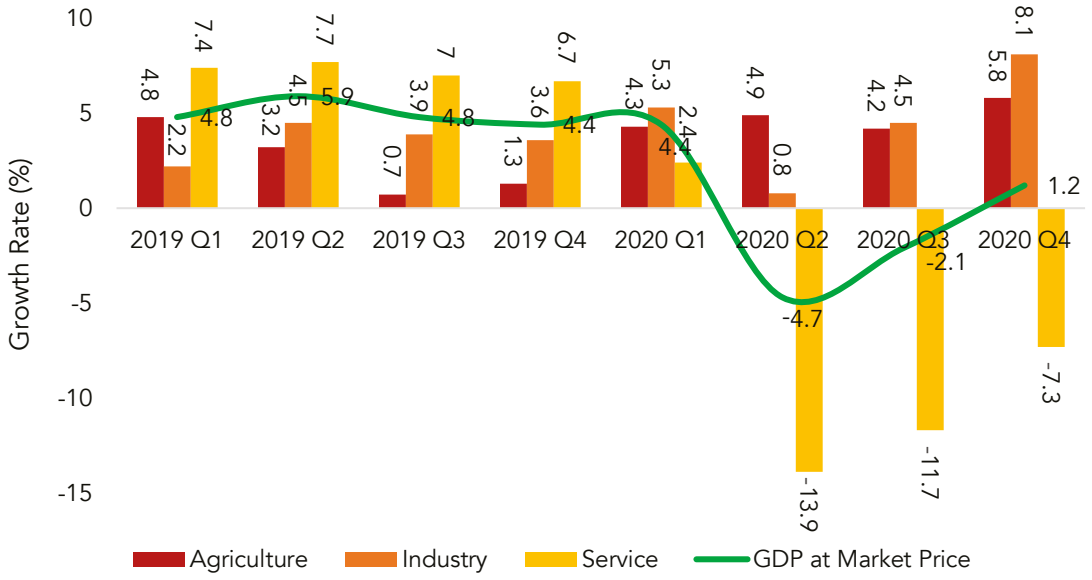
Indicator	Value/Status
Real GDP, 2020 (Ksh million)	8,714,771
Real GDP growth, 2020 (%)	-0.3
Real GDP per capita, 2020 (Ksh)	179,021.6
GNI per capita, Atlas Method, 2020 (US$)	1,760
Total revenue (Inc. grants) 2019/20, % of GDP	17.2
Fiscal balance (Inc. grants) 2019/20, % of GDP	-8.0
Domestic debt (% of GDP), May 2021	32.7
External debt (% of GDP), May 2021	33.7
Public debt (% of GDP), May 2021	66.4
Average overall inflation, June 2021 (%)	6.3
Central Bank rate, June 2021 (%)	7.0

Exchange rate, June 2021 Ksh/US$	108.7
Lending rate, June 2021 (%)	12.0
Current account deficit, June 2021 (% of GDP)	5.4
Purchasing Managers Index, June 2021 (%)	51.0
Unemployment rate, Third Quarter 2020 (%)	7.2
Population size, 2019 (millions)	47.6
Overall poverty level, 2015/16 (%)	36.1
Labour productivity, 2019 (US$ 2011 PPP)	7,188
COVID-19 cases, 17th September 2021	246,643
COVID-19 deaths, 17th September 2021	4,995
COVID-19 vaccine doses administered, 17th September 2021	3,351,109

Data Source: Kenya National Bureau of Statistics (2020), Economic Survey; Kenya National Bureau of Statistics (2019), Population and Housing Census; Kenya National Bureau of Statistics (2016), KIHBS (2015/16); National Treasury (2020) and Ministry of Health, Kenya (2021)

reduced growth was driven by poor performance of the services sector, which grew by 2.4 per cent and -13.9 per cent in the first and second quarters of 2020, respectively, compared to 7.4 and 7.7 per cent growth experienced in similar quarters of 2019. The decelerated growth in the services sector was a result of the COVID-19 pandemic. In the third quarter of 2020, the economy contracted by 2.1 per cent compared to a 4.8 per cent growth in the same quarter of 2019. The services sector contracted by 11.7 per cent in the third quarter compared to a growth of 7.0 per cent in a similar quarter in 2019. In the fourth of 2020, the economy expanded by 1.2 per cent compared to an expansion of 4.4 per cent in the same period in 2019. The contraction in the services sector was 7.3 per cent in the fourth quarter of 2020 compared to a growth of 6.7 per cent in a similar quarter of 2019. In comparison to the second quarter of 2020, the figures in the third and the fourth quarters of 2020 portray some signs of recovery, with the gradual easing of COVID-19 containment measures.

Figure 2.1: Quarterly economic growth rates (%), 2019/20



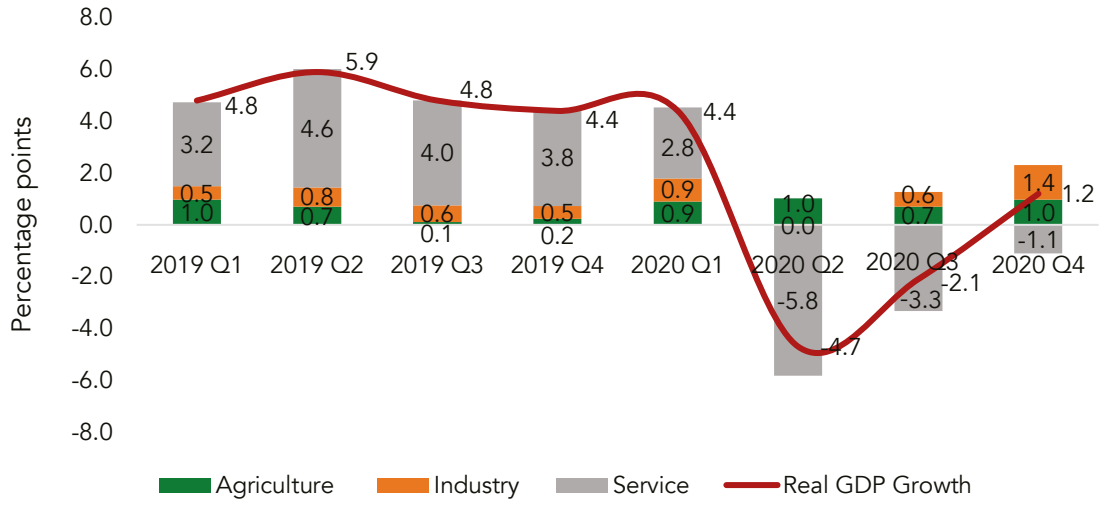
Data source: Kenya National Bureau of Statistics (2021), Economic Survey

The poor performance of the services sector has caused a drag on real GDP growth. The services sector was the main source of growth in the first quarter of 2020, contributing 2.8 percentage points to real GDP growth. However, this was relatively low compared to 3.2 percentage points attained in the same quarter of 2019 (Figure 2.2). In the second quarter, the services sector pushed down real GDP growth by 5.8 percentage points. The main channels of reduced contribution of services sector to growth are transport and storage (-1.7 percentage points), education (-1.0 percentage points), professional, administration and support services (-0.8 percentage points) accommodation and restaurant (-0.6 percentage points), and other services (-0.5 percentage points). In the third quarter of 2020, the drag from services sector declined to 3.3 percentage points. The negative contribution from the services sector was mainly from transport and storage (-1.0 percentage points), education (-0.8 percentage points), accommodation and restaurant (-0.7 percentage points), professional, administration and support services (-0.6 percentage points) and wholesale and retail trade (-0.4 percentage points). Overall, in 2020, the services sector dragged Kenya's real GDP growth by 1.9 percentage points.

Accommodation and food services was the most affected sector in 2020, contracting by 47.6 per cent compared to a growth of 14.2 per cent in 2019. The sector contracted by 8.1 per cent in the first quarter of 2020 compared to a growth of 15.6 per cent in the same quarter of 2019 (Figure 2.3). In the second, third and fourth quarters of 2020, the contraction in the accommodation and food services was even deeper by 56.8 per cent, 63.4 per cent and 62.2 per cent, respectively, compared to a growth of 11.7 per cent, 11.9 per cent and 17.6 per cent in similar quarters of 2019. The reduced growth in the sector was because of COVID-19 pandemic, which led to border closures, cancellation of international flights and movement restrictions, which led to closing down or scaling down of operations by hotels. Activities in the education sector were also heavily affected, with the sector contracting by 2.4 per cent, and 17.4 per cent in the second and third quarters of 2020, respectively, compared to a growth of 3.4 per cent and 5.6 per cent in the same quarters of 2019. The underperformance of education activities was due to closure of schools because of the pandemic.

The agriculture sector remained resilient and expanded in 2020, partly offsetting the contraction witnessed in the services sector. The agriculture sector grew by an average of 4.8 per cent in 2020 compared to a growth of 2.5 per cent in 2019 (Figure 2.1). The sector contributed an average of 0.9 percentage points to real GDP growth in 2020 compared to 0.5 percentage points in 2019 (Figure 2.2). The strong performance in the agriculture sector was because of favourable weather conditions experienced in 2020.

Figure 2.2: Sectoral contribution to Real GDP growth (percentage points)

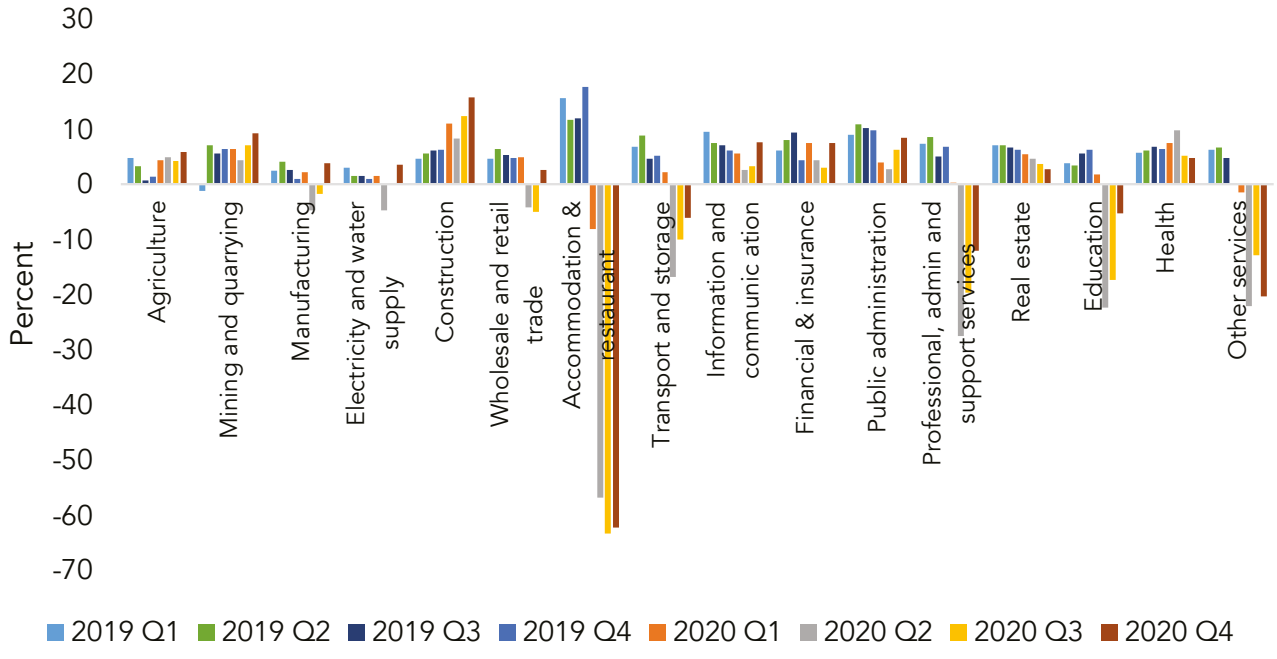


Data source: Kenya National Bureau of Statistics (2021), Economic Survey

The industry sector attained higher growth rate in 2020 compared to 2019. The sector expanded by 4.7 per cent in 2020 compared to 3.6 per cent expansion in 2019. On quarterly basis, the sector registered higher growth rates particularly in the first and fourth quarters of 2020, at 5.3 per cent and 8.1 per cent, respectively, compared to a growth of 2.2 per cent and 3.6 per cent respectively in 2019 (Figure 2.1). The robust performance in 2020 was largely driven by strong growth in the construction sector, which expanded by 11.8 per cent (Figure 2.3). The sector contribution to real GDP growth was 0.7 percentage points in the first quarter but dampened in the second quarter to 0.0 per centage points. There was a rebound in industrial sector activities in the third and fourth quarters of 2020, with 0.6 and 1.4 percentage points contribution to real GDP growth respectively (Figure 2.2).

Despite the improved performance of the industry sector, the manufacturing sub-sector, which is one of the pillars of the "Big Four" agenda, was heavily affected impacting significantly on overall real GDP growth in the second and third quarters of 2020. In the first quarter of 2020, the sector registered a 2.2 per cent growth, lower than 2.5 per cent growth attained in the same quarter of 2019 (Figure 2.3). With COVID-19 pandemic, the sector contracted by 4.7 per cent and 1.7 per cent in the second and third quarters of 2020 compared to an expansion of 4.1 per cent and 2.6 per cent, respectively, in the same quarters of 2019. However, in the fourth quarter of 2020, the manufacturing sector expanded by 3.8 per cent compared to an expansion of 0.9 per cent in the corresponding quarter of 2019. In terms of contribution to real GDP, the manufacturing sector contributed 0.2 percentage points in the first quarter of 2020. In the second and third quarters of 2020, the manufacturing sector contracted mainly in the food sub-sectors, such as the manufacture of meat and meat products, beverages and grain mill products. The low performance of the sector was partly attributed to reduced demand for output and supply chain disruptions.

Figure 2.3: Sectoral quarterly growth rates (%), 2019/20



Data source: Kenya National Bureau of Statistics (2021), Economic Survey

On the demand side, gross fixed capital formation was the largest contributor to GDP growth in 2020. Gross fixed capital formation contributed 0.05 percentage points to real GDP growth in 2020 while government final consumption expenditure contributed 0.04 percentage points. However, household consumption, which was the largest contributor to real GDP growth in 2019, dragged real GDP growth by 0.1 percentage points in 2020. This was mainly due to reduced consumption because of the containment measures that were put in place by the Government to slow the spread of Coronavirus. Government consumption contributed 0.7 percentage points to growth while investments contributed 0.6 percentage points in 2019. The contribution of net exports to growth was -0.1 percentage points in 2020 (Figure 2.4). The contribution of net exports to growth was impacted negatively by the Coronavirus, which led to reduced exports of some of the key products from Kenya such as horticulture. This was mainly due to reduced demand of these products in Kenya's key export market destinations, particularly in the second quarter of 2020.

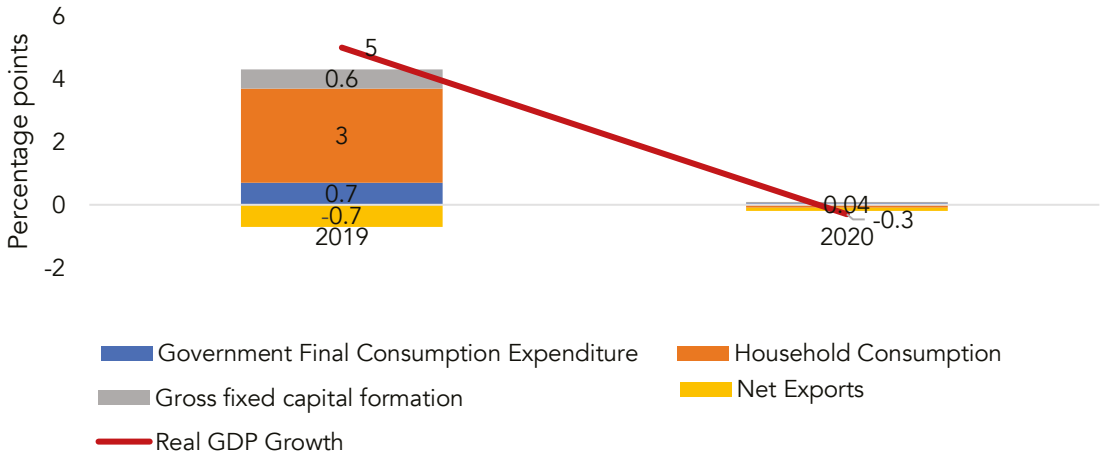
Investment as a share of GDP increased to 19.3 per cent of the GDP in 2020 compared to 18.7 per cent recorded in 2019 (Figure 2.5). This was mainly driven by increased investment in dwellings and buildings that grew by 16.5 per cent and 16.6 per cent respectively in 2020. Similarly, savings increased from 13.9 per cent of GDP in 2019 to 15.0 per cent in 2019. This led to narrowing of savings-investments gap from 4.9 per cent of the GDP in 2019 to 4.4 per cent in 2020.

2.2 Inflation

The headline inflation averaged 5.4 per cent in 2020; it remained stable and within the Government target range of 5±2.5 per cent (Figure 2.6). In comparison to 2019 in the pre-COVID-19 period, overall inflation was slightly lower at an average of 5.2 per cent. However, headline inflation in the second half of 2019 was slightly higher, at an average of 5.2 per cent compared to an average of 4.8 per cent in the same period of 2020. The low inflation recorded in the second half of 2020 reflected partly the reduction in Value Added Tax (VAT) by the Government and favourable weather conditions. In general, high headline inflation in 2020 is attributed to increase in prices of food. The headline inflation stood at 5.7 per cent in January 2021 but increased to 5.8 per cent in February 2021, driven by general increase in fuel prices. Fuel inflation increased from 12.1 per cent in January 2021 to 13.8 per cent in February 2021. In June 2021, headline inflation increased to 6.3 per cent from 5.9 per cent in May 2021, mainly driven by increase in food prices.

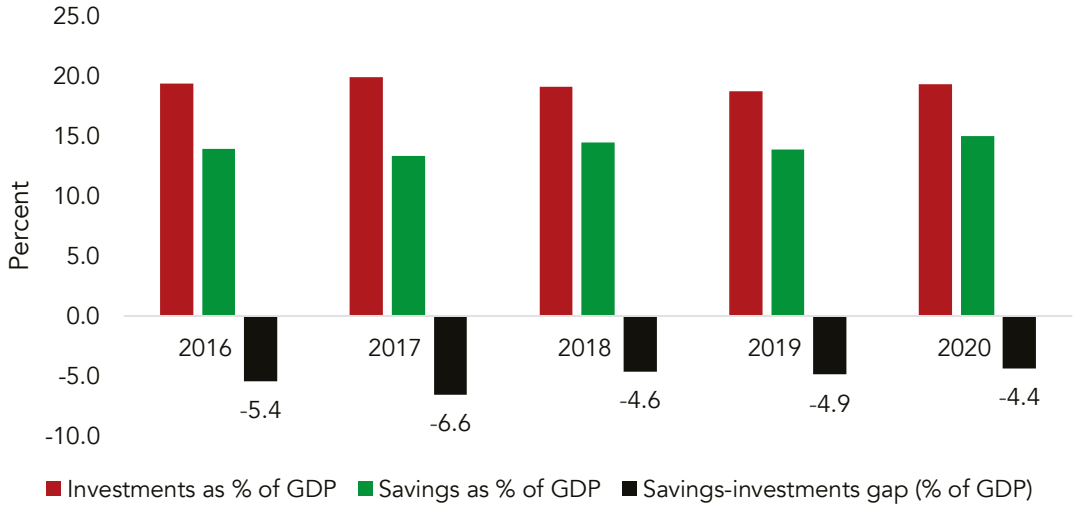
Food inflation in 2020 averaged 9.2 per cent, relatively higher than an average of 6.1 per cent recorded in 2019. This is attributed to the double-digit inflation rates in the first half of 2020. High food inflation at the beginning of 2020 was

Figure 2.4: Demand side sources of growth (percentage points)



Data source: Kenya National Bureau of Statistics (2021), Economic Survey

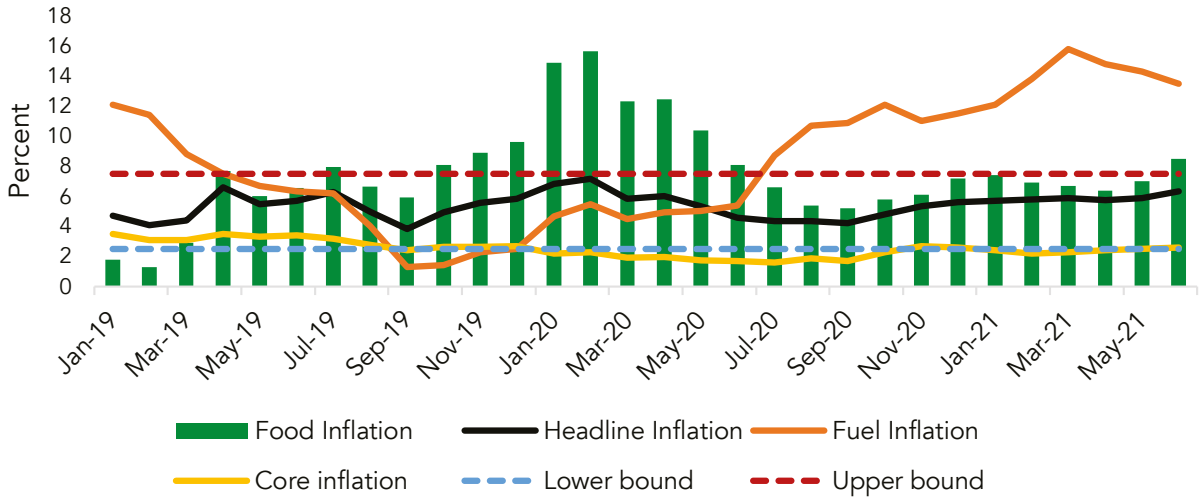
Figure 2.5: Investments and savings (% of GDP)



Data Source: Kenya National Bureau of Statistics (2021), Economic Survey

driven mainly by increase in prices in prices for tomatoes (62.4%), maize grain-loose (42.8%), onions (23.4%) and beans (14.6%) in February. In April 2020, high food inflation was mainly driven by increases in the price of onions (24.2%), maize grain-loose (18.0%) and maize flour (17.1%). Lower food inflation in the second half of 2020 was driven by favourable weather conditions that saw improved food supply. Food inflation dropped from 7.4 per cent in January 2021 to 6.9 per cent in February 2021 driven by decreases in prices of lemons, mangoes, and maize grain. Fuel inflation was relatively higher in 2020, averaging 7.9 per cent compared to an average of 5.9 per cent in 2019. High fuel inflation in 2020 was particularly observed in the second half, driven by increase in prices of petrol, diesel and cooking fuels. Fuel inflation remained high and stood at 13.5 per cent in June 2021, driven mainly by high international oil prices.

Figure 2.6: Inflation rates (%), 2019-2021

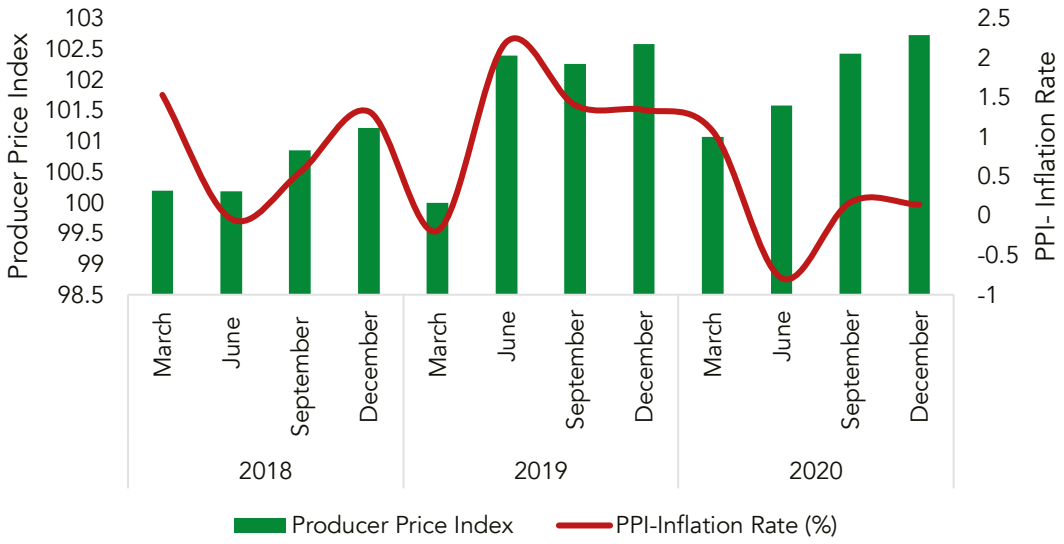


Data source: Central Bank of Kenya (2020), Monthly Economic Indicators, December 2020

The producer inflation averaged 0.15 per cent in 2020. The Producer Price Index (PPI) stood at an average of 101.95 in 2020 compared to 101.81 in 2019, reflecting a drop in the producer inflation rate by 0.15 per cent. In March 2020, the PPI stood at 101.07, reflecting a year-on-year inflation rate of 1.07 per cent, the highest recorded in 2020 (Figure 2.7). This was mainly driven by increases in the cost of manufacture of chemicals and chemicals products and manufacture of beverages by 6.64 per cent and 6.06 per cent respectively over the same period. There was a drop in the PPI inflation rate, in the second quarter of 2020, of 0.79 per cent. The drop in the PPI in June was mainly driven by price decreases of electricity and the manufacture of basic metals by 4.6 per cent, compared to a similar period in 2019. However, between June and September 2020, the PPI increased by 0.84 per cent. This was driven mainly by increase in the prices of printing and reproduction of recorded media and manufacture of other non-metallic products by 11.8 and 5.7 per cent, respectively. In December 2020, the year-on-year PPI inflation rate was 0.14 per cent, mainly attributed to increase in the price of manufacture of pharmaceuticals, medicinal chemical and botanical products by 10.66 per cent.

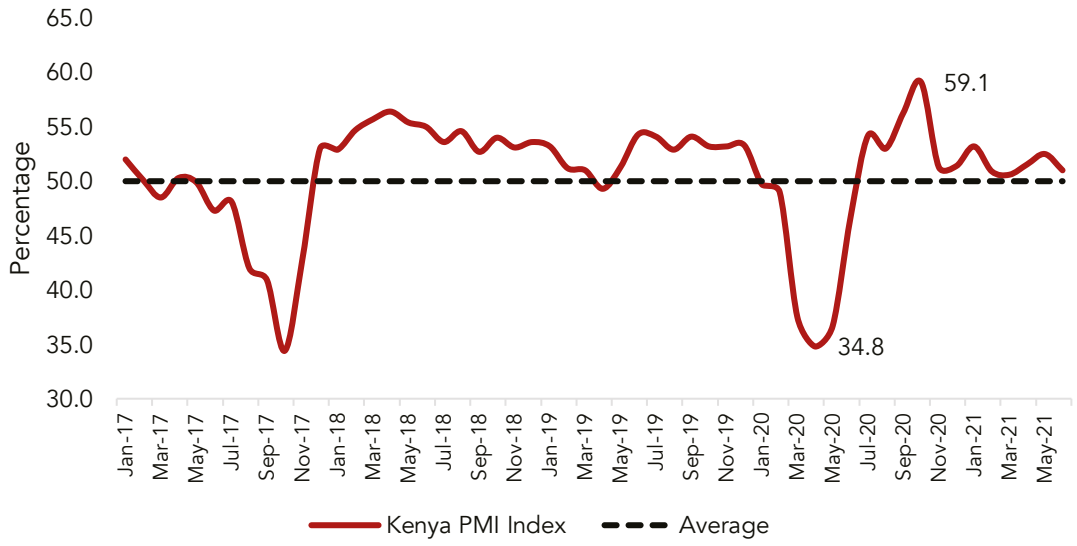
Despite the deterioration of business conditions witnessed at the beginning of 2020 due to COVID-19 related shocks, there was a sharp rebound with the easing of restrictions. The business conditions were heavily affected by the COVID-19 pandemic. The Purchasing Managers Index (PMI) was below the benchmark of 50 between January 2020 and June 2020, reflecting deterioration of business conditions due to the COVID-19 pandemic (Figure 2.8). A severe decline in overall business conditions occurred between March 2020 and May 2020 due to contraction in output because of a decline in demand for output and weaker supply of inputs. Nevertheless, the headline figure rose to a high of 54.2 in July 2020, signalling improvement in business conditions because of lifting of restrictions related to COVID-19 pandemic. In October 2020, the PMI index rose to 59.1, the highest since April 2018. This was partly driven by increase in foreign demand, mainly in Europe and Middle East. A decline in the headline figure was witnessed in November and December 2020, driven mainly by curfew measures and a drop in foreign demand due to reintroduced lockdowns across Europe because of resurgence of COVID-19 cases. In February 2021, the PMI index dropped to 50.9 from 53.2 recorded in January 2021, attributed to limited cashflow in some parts of the economy resulting in low customer spending and travel. The PMI stood at 52.5 in May 2021 but dropped to 51.0 in June 2021, signalling a sustained but weaker expansion in the private sector of the Kenyan economy driven by concerns of further COVID-19 restrictions.

Figure 2.7: Overall PPI and inflation rate



Source: Kenya National Bureau of Statistics (2021), Producer Price Index Fourth Quarter 2020

Figure 2.8: CFC Stanbic Purchasing Managers' Index, Kenya



Data source: Stanbic Bank, https://corporateandinvestment.standardbank.com/cib/global/insights/purchasing-managers-index

2.3 Fiscal Performance

a) Revenue performance

Total revenue (inclusive of grants) as a percentage of GDP dropped to 17.2 per cent of GDP in 2019/20 from 18.5 per cent of GDP in 2018/19. The total revenue collected in 2019/20 (including appropriation in aid) was Ksh 1,733.6 billion against a target of Ksh 1,864.8 billion. The drop in revenue collection was reflected in decreased appropriation in aid, import duty and VAT collections that dropped by 20.7, 8.3 and 7.3 per cent, respectively. Total revenue grew by 1.9 per cent compared to a growth of 11.9 per cent attained in 2018/19. The decline in revenue growth is because of low revenue performance in the fourth quarter due to the COVID-19 pandemic, which led to low economic activities.

Tax revenue also fell due to the fiscal measures adopted by the Government to cushion citizens from adverse effects of COVID-19 and as a result of reduced economic activity. These measures (Box 2.1) coupled with contraction in economic activity further affected revenue collections in 2020/21.

Box 2.1: Fiscal policy response to COVID-19 pandemic

The following fiscal measures were announced following a presidential speech dated 25th March 2020.

a)	Income Tax Relief	100% tax relief to employees earning up to Ksh 24,000 per month
b)	Income Taxes	Reduction of income tax rate (PAYE tax rates) to 25% from 30%. This was expected to benefit all employees earning income in excess of Ksh 47,059 per month or Ksh 564,709 per annum.
		Reduction of resident income tax (Corporation Tax) from 30% to 25%
c)	VAT	Reduction of VAT tax rates from 16% to 14% from 1st April 2020. This move was expected to lower the cost of living for all consumers

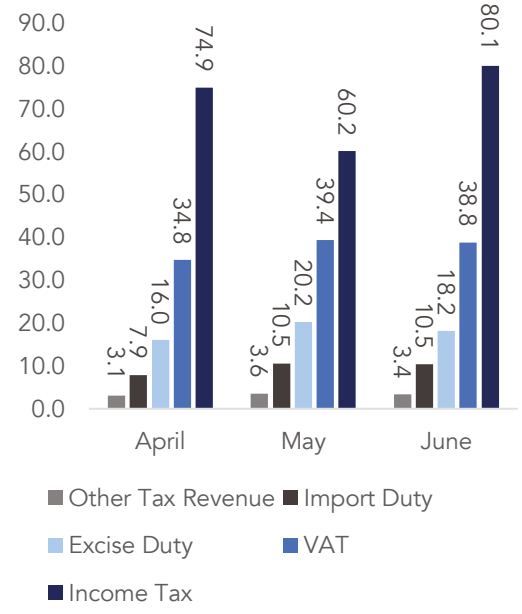
d)	Turnover taxes	Reduction in turnover taxes for all Micro, Small and Medium Enterprises (MSMEs) from 3% to 1%. The reduction in tax rate is expected to benefit the MSMEs whose turnover does not exceed Ksh 5 million
e)	Social protection spending	Appropriation of an additional Ksh 10 billion to the elderly, orphans and vulnerable members of the society. This was meant to cushion them from adverse effects of COVID-19 pandemic.
f)	Health spending	Appropriation of Ksh 1.0 billion from Universal Health Kitty for the recruitment of additional health workers
g)	Others	Ksh 13 billion to fast-track the clearance of pending bills and Ksh 10 billion to accelerate VAT refunds

These measures are estimated to cost 1.7 per cent of GDP annually (IMF, 2020)
The tax relief measures were reversed effective January 2021.

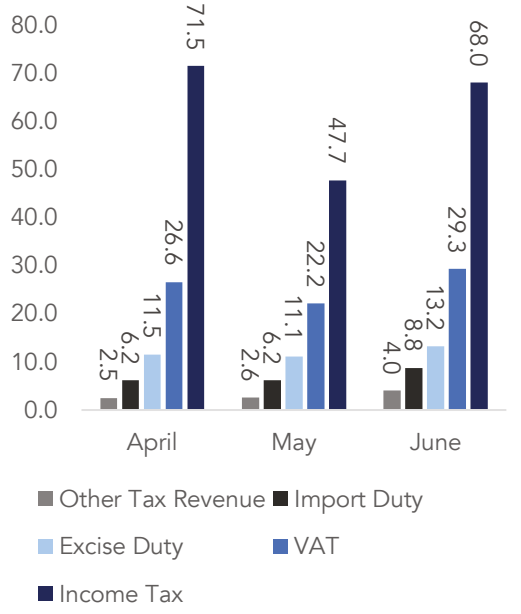
Revenue collections were heavily affected by the COVID-19, with all tax revenue collections declining in the fourth quarter of 2019/20. Excise duty and VAT taxes were the most affected, falling by 33.6 and 30.6 per cent, respectively, year-on-year in the fourth quarter of 2019/20 (Figure 2.9b). Excise duty and VAT dropped due to lockdown measures that limited household consumption. Additionally, VAT dropped due to reduction from 16 per cent to 14 per cent. Import duty and incomes taxes fell by 26.5 per cent and 13.5 per cent, respectively, in the same period. Most of the revenue collections were seriously affected in the month of May 2020.

Figure 2.9: Revenue performance in 2018/19 Q4 and 2019/20 Q4

(a) Revenue performance in Q4 2018/19, Ksh billion



(b) Revenue performance in Q4 2019/20, Ksh billion



Data source: Central Bank of Kenya (2020)

In the first quarter of 2020/21, the Government had targeted to collect a total of Ksh 428.9 billion. This target was missed as only Ksh 378.7 collected, including appropriation-in-aid mainly because of disruptions in economic activities due to the COVID-19 pandemic. For the income tax, the target was to collect a total of Ksh 167 billion; however, actual collections were 10.0 per cent below the target. The targets for excise tax and VAT were Ksh 57.0 billion and Ksh 113 billion, respectively, in the first quarter, but only 83.1 per cent and 73.5 per cent was attained, respectively. Total collections based on individual tax categories in the first quarter of 2020/21 are below the levels recorded in similar period in 2019/20 (Figure 2.10a and Figure 2.10b).

In the second quarter of 2020/21, the Government collected Ksh 351.9 billion in form of tax revenue. This was 8.6 per cent lower than Ksh 385.2 billion collected in 2019/20 (Figure 2.11a and 2.11b). The reduced collections were reflected in income tax and VAT, which fell by 15.4 per cent and 9.2 per cent, respectively. However, it is notable that in the first half of 2020/21, tax revenue collections are on a recovery path; total tax revenue collections increased by 11.1 per cent from Ksh 316.8 billion in the first quarter of 2021 to Ksh 351.9 billion in the second quarter of 2021.

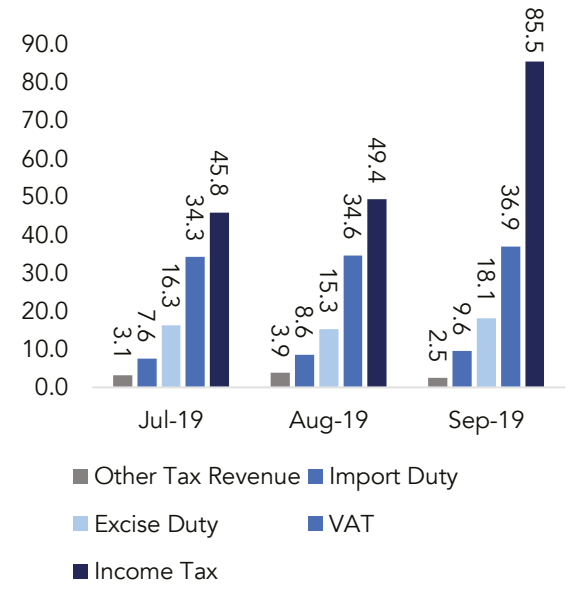
In 2020/2021, total revenue collections (inclusive of grants) stood at Ksh 1,775.27 billion, translating to 16.3 per cent of GDP compared to Ksh 1,753.45 billion in 2019/2020 (17.8 per cent of GDP). This represents a 1.2 per cent increase mainly driven by growth in tax revenues by 4.0 per cent in the same period. The growth in tax revenues was mainly driven by excise duty, import duty, VAT taxes and other tax revenues that grew by 10.8 per cent, 10.6 per cent, 7.0 per cent and 26.8 per cent respectively, in a similar period. However, income tax revenue and non-tax revenue declined by 1.8 and 17.2 per cent respectively in a similar period.

b) Expenditure performance

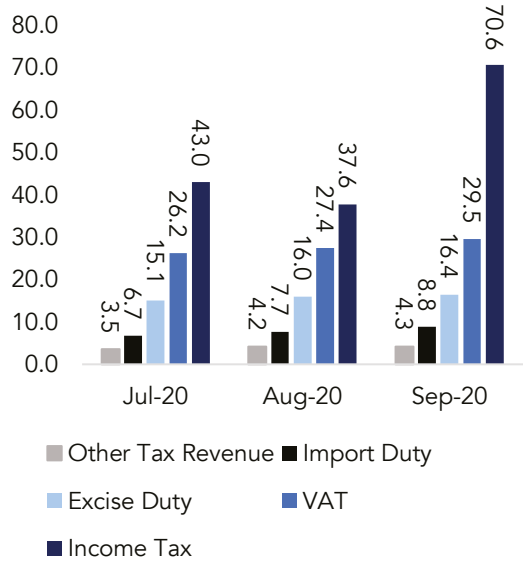
Total government spending in 2020/21 was Ksh 2, 755.8 billion against a target of Ksh 2, 886.9 billion. The low absorption was partly attributed to below target transfers to counties by 2.5 per cent and lower absorption of recurrent and

Figure 2.10: Revenue performance in 2019/20 Q1 and 2020/21 Q1

(a) Revenue performance in Q1 2019/20, Ksh billion

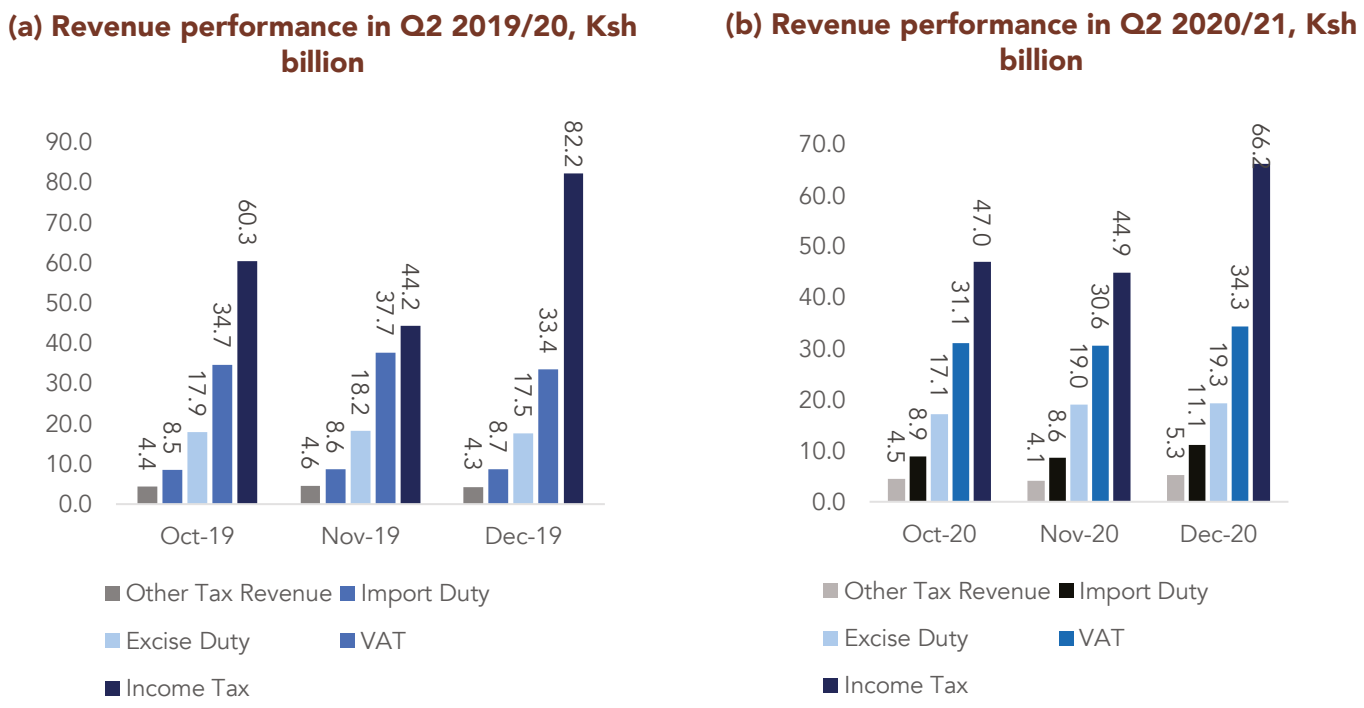


(b) Revenue performance in Q1 2020/21, Ksh billion



Data source: Central Bank of Kenya (2020)

Figure 2.11: Revenue performance in 2019/20 Q2 and 2020/21 Q2



Data source: Central Bank of Kenya (2020)

development expenditures by the National Government. The spending in 2020/21 reflects a 4.9 per cent growth compared to a total spending of Ksh 2, 627.5 billion recorded in 2019/20.

The recurrent expenditure of the Government amounted to Ksh 1,753.6 billion against a target of Ksh 1,771.0 billion in 2020/21. The under spending in recurrent expenditure was due to below target spending in operations and maintenance, wages and salaries, below target payments on foreign interest and pension payments. However, in 2019/20, the recurrent spending was Ksh 1,603.1 billion against a target of Ksh 1,728.4 billion in 2019/20. The low absorption of the recurrent budget was due to below target expenditure on operations and maintenance due to disruptions from the COVID-19 pandemic, which led to scaling down of operations by the National Government. In 2019/20, development expenditure amounted to Ksh 608.1 billion against a target of Ksh 678.5 billion. As a share of total government spending, recurrent expenditure constituted 62.5 per cent in 2019/20 while development spending accounted for 23.1 per cent. The rest (14.4%) constituted transfers to County Governments, Parliamentary Service, Judiciary and Equalization Fund. Recurrent expenditure constituted 92.5 per cent of total revenue, implying that development spending must rely heavily on external borrowing. In 2020/21, development spending totalled Ksh 569.9 billion, representing 20.7 per cent of total spending. This was 14.7 per cent lower than the targeted spending and 6.3 per cent lower than the spending in 2019/20.

Spending on education and infrastructure sectors accounted for half of the government budget in 2018/19 and 2019/20. Education spending in 2019/20 was Ksh 429.6 billion, the largest in sectoral spending (Table 2.2). However, this represents a 1.9 per cent decline compared to 2018/19, attributed to COVID-19 pandemic which affected education activities in the fourth quarter. The spending on energy, infrastructure and ICT increased by 7.1 per cent from Ksh 393.8 billion in 20018/19 to Ksh 421.8 billion in 2019/20. Health expenditure increased by 37.6 per cent between 2018/19 and 2019/20. The significant increase in health spending is mainly attributed to the COVID-19 pandemic, which led to increased allocation to the health sector to combat the pandemic. This includes additional allocations to referral hospitals, allocation of Ksh 5.35 billion

Table 2.2: National government expenditure by sector (Ksh billions)

Sector	2018/19	2019/20	Growth (%)
General Economics and Commercial Affairs	20.5	24.2	18.0
Social Protection, Culture and Recreation	51.0	58.1	13.9
Agriculture, Rural and Urban Development	51.3	51.7	0.8
Health	76.6	105.4	37.6
Environment, Water and Natural Resources	48.6	72.5	49.2
National Security	141.8	145.8	2.8
Governance, Justice, Law and Order	197.8	197.7	(0.1)
Public Administration and International Relations	187.6	218.3	16.4
Education	438.0	429.6	(1.9)
Energy, Infrastructure and Information Communication Technology (ICT)	393.8	421.8	7.1
Total	**1,607**	**1,725.1**	**7.3**

Data source: Office of the Controller of Budget (2020)

to the Kenya Emergency Response Project, Ksh 140 million for conversion of day care centre to COVID-19 wards for patients at Kenyatta National Hospital and Ksh 7.71 billion transfer to counties.

In the first three quarters of 2020/21, total National Government spending by sectors recorded a 7.1 per cent decline compared to the same period in 2019/20. A total of five sectors recorded a decrease in spending in the first three quarters of 2020/21. General Economic Affairs, Environmental Protection, Water and Natural Resources and Energy, Infrastructure and ICT had the most decline at 49.3 per cent, 42.0 per cent and 35.6 per cent respectively compared to the similar period in 2019/20. Other sectors that had reduced spending include Social Protection, Culture and Recreation and Education (Table 2.3).

c) Fiscal balance

Fiscal balance (excluding grants) totalled Ksh 972.1 billion in 2020/21 (8.7% of GDP) while fiscal balance (including grants) stood at Ksh 940.7 billion, accounting for 8.4 per cent of GDP. In 2019/20, fiscal deficit (excluding grants) stood at Ksh 831.5 billion, representing 8.2 per cent of GDP. Fiscal deficit (including grants) stood at Ksh 811.7 billion, representing 8.0 per cent of GDP in the same period.

d) County fiscal performance

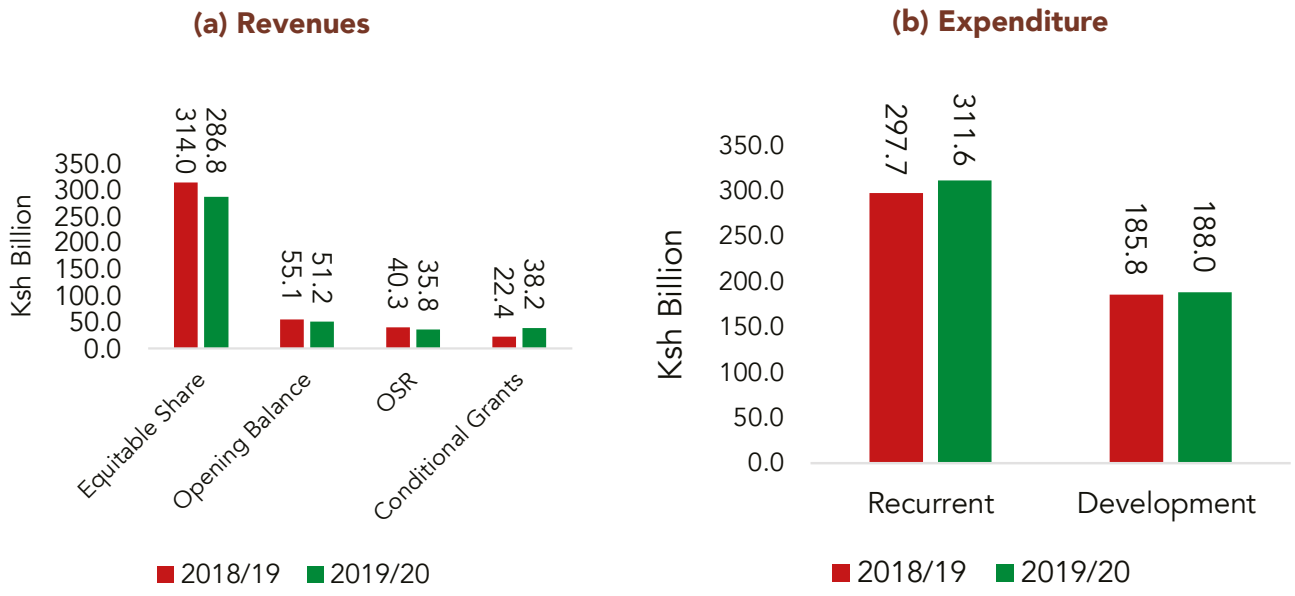
At county level, own-source revenue collections in 2019/20 dropped by 11.2 per cent to Ksh 35.8 billion. This was 65.2 per cent of the Ksh 54.9 billion target for 2019/20. The low performance of the county own source revenue (OSR) is attributed to containment measures adopted to slow the spread of COVID-19 pandemic (Figure 2.12). In 2019/20, equitable transfers to county governments were Ksh 286.8 billion, 8.7 per cent lower than Ksh 314 billion received in 2018/19, attributed to below target disbursements from the National Treasury. However, the balance of Ksh 26 billion from the 2019/20 equitable transfers was later disbursed in August 2020. Equitable transfers to County Governments totalled Ksh 124.0 billion in the first half of 2020/21 compared to Ksh 117.3 billion in the same period in 2019/20.

Table 2.3: National government expenditure by sector (Ksh billions), first 3 quarters of financial year

Sector	2019/20	2020/21	Growth (%)
General Economics and Commercial Affairs	22.5	11.4	(49.3)
Social Protection, Culture and Recreation	32.6	30.6	(6.1)
Agriculture, Rural and Urban Development	32.5	35.2	8.3
Health	57.5	62.5	8.7
Environment Water and Natural Resources	59.3	34.4	(42.0)
National Security	106.1	125.0	17.8
Governance, Justice, Law and Order	132.2	141.8	7.3
Public Admin. and International Relations	147.2	177.8	20.8
Education	339.7	332.6	(2.1)
Energy, Infrastructure and ICT	309.2	199.1	(35.6)
Total	**1,238.8**	**1,150.4**	**(7.1)**

Data source: Office of the Controller of Budget (2021)

Figure 2.12: County fiscal performance



Source: Office of the Controller of Budget (2020)

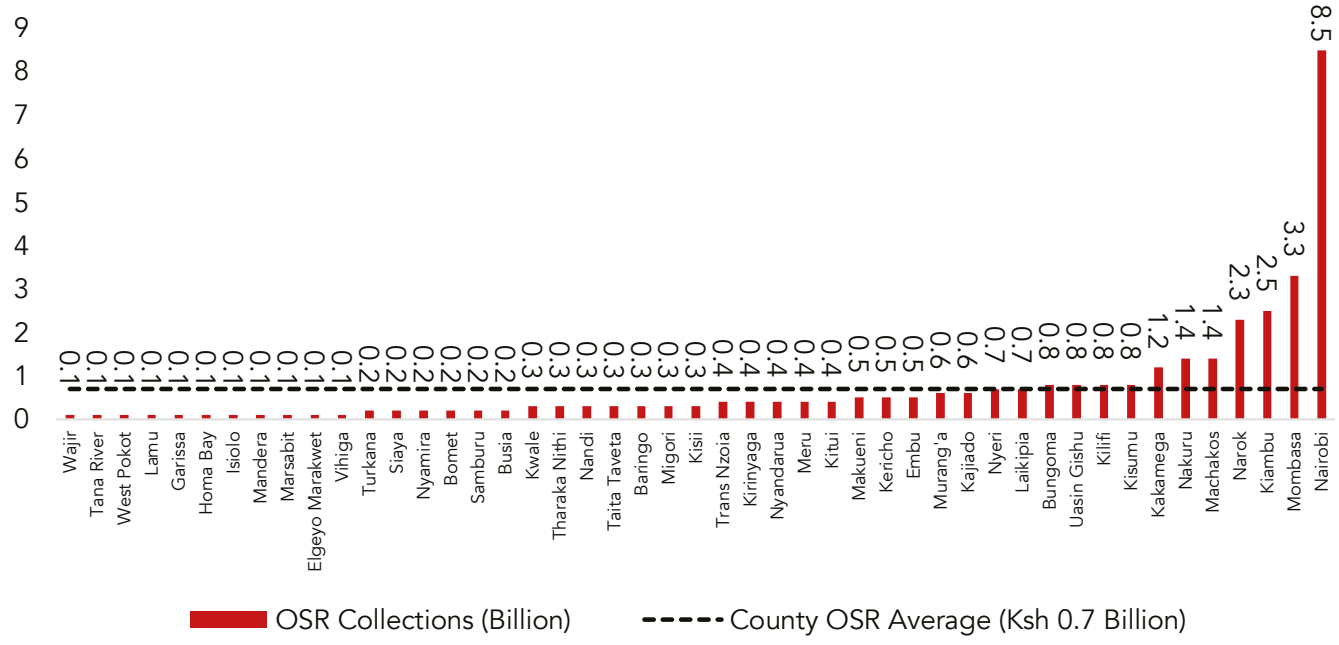
In the first three quarters of 2020/21, County revenues total Ksh 251.1 billion, 12.4 per cent lower than Ksh 286.7 recorded in the same period in 2019/20. Out of this, equitable transfers totalled Ksh 158.7 billion, 19.1 per cent lower than what was received in 2019/20 while own source revenue (OSR) collections totalled Ksh 25.5 billion, 9.1 per cent lower than what was collected in a similar period in 2019/20. However, conditional transfers recorded a 49.5 per cent growth from Ksh 11.1 billion received in the first three quarters of 2019/20 to Ksh 16.6 billion in 2020/21. Total county expenditure in the first three quarters was Ksh 221.4 billion, 8.4 per cent lower than what was spent in the same period in 2019/20. Development and recurrent expenditures constituted 78.1 per cent and 21.9 per cent, respectively, in the first three quarters of 2020/21.

In 2019/20, only seven (7) counties collected in excess of Ksh 1 billion. In 2019/20, OSR collections totalled Ksh 35.8 billion compared to Ksh 40.3 billion in 2018/19. Based on individual counties, Nairobi County collected the highest at Ksh 8.5 billion. Average country OSR collections in 2019/20 was Ksh 0.7 billion, with only 13 counties collecting above this county average (Figure 2.13). Many counties still face challenges in OSR collections, with as high as 14 counties collecting below Ksh 200 million.

Counties remain heavily reliant on equitable transfers. In 2019/20, 71 per cent of county revenues were from equitable transfers while OSR constituted only 7 per cent of the county revenues (Figure 2.14). Conditional grants constituted 10 per cent while the balance from the 2018/19 was 12 per cent. The poor performance of OSR collections in 2019/20 is in part due to economic disruptions resulting from the COVID-19 containment measures.

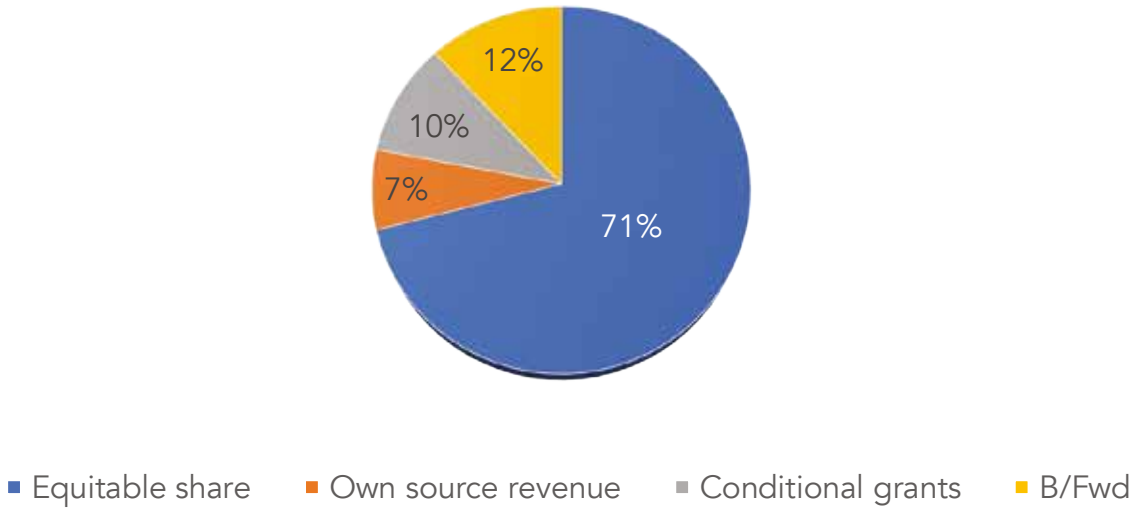
Across individual counties, Nairobi, Mombasa and Narok had the largest share of OSR in total revenue. The share of OSR in total revenue for Nairobi, Mombasa and Narok counties was 37, 29 and 21 per cent, respectively (Figure 2.15). A total of 7 counties, Garissa, Homa Bay, Mandera, Tana River, Turkana, Wajir and West Pokot had OSR accounting for only 1 per cent of the total county revenues.

Figure 2.13: OSR collections by county (Ksh billions), 2019/20



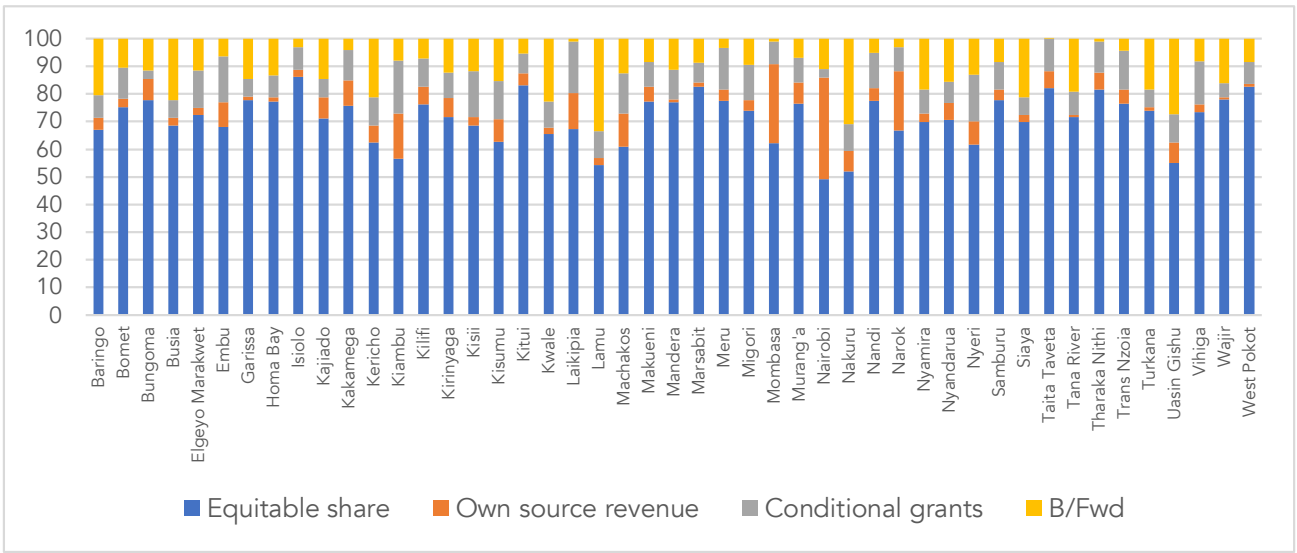
Data source: Office of the Controller of Budget (2020)

Figure 2.14: County revenue composition (%), 2019/20



Data source: Office of the Controller of Budget (2020)

Figure 2.15: Revenue composition by county (%), 2019/20

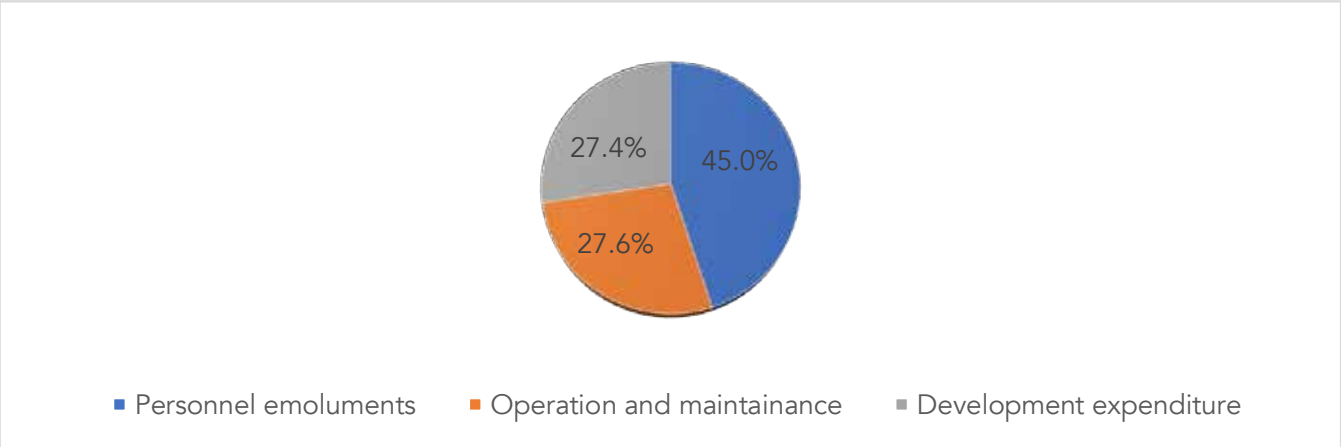


Data source: Office of the Controller of Budget (2020)

Total county spending increased by 2.0 per cent from Ksh 376.4 billion in 2018/19 to Ksh 383.8 billion in 2019/20. By economic classification, counties spent an average of 27.4 per cent on development, below the 30 per cent stipulated in the PFM Act 2012. Personal emoluments and operation and maintenance constituted 45.0 and 27.6 per cent, respectively, of the total budget (Figure 2.16).

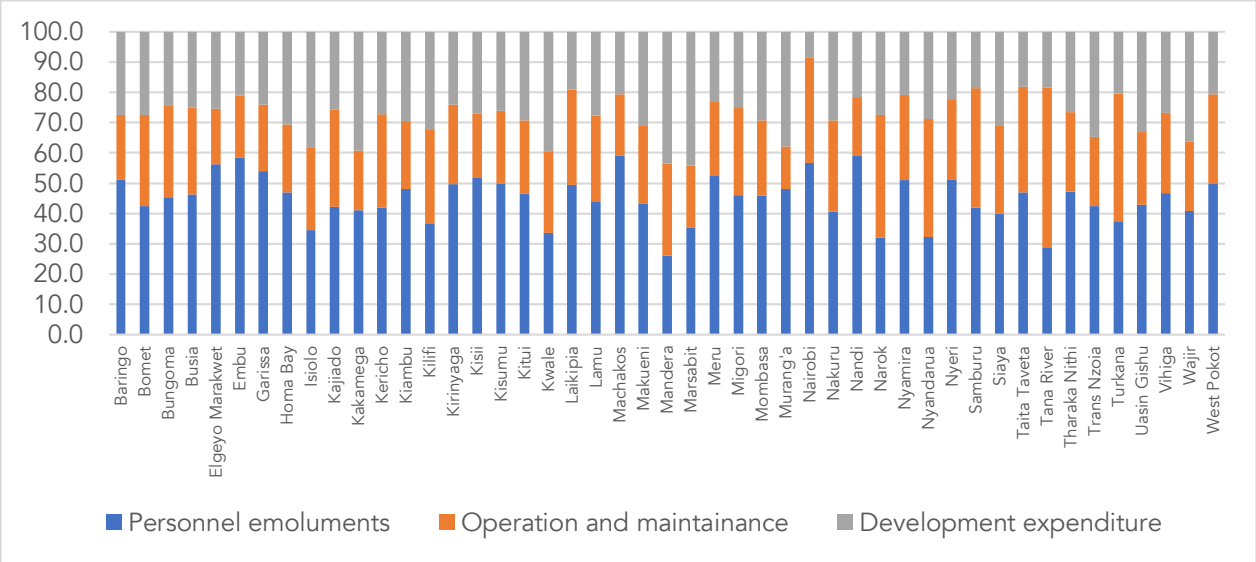
Only 13 counties attained the PFM Act 2012 requirement that at least 30 per cent of the total budget be spent on development. Homa Bay (30.5%), Isiolo (38.1%), Kakamega (39.3%), Kilifi (32.4%), Kwale (39.4%), Makueni (30.8%), Mandera (43.4%), Marsabit (44.1%), Murang'a (37.8%), Siaya (30.9%), Trans Nzoia (34.7%), Uasin Gishu (33%) and Wajir (36.3%) are the only counties that spent at least 30 per cent on development. A total

Figure 2.16: Total county spending by economic classification (%), 2019/20



Data source: Office of the Controller of Budget (2020)

Figure 2.17: County spending by economic classification (%), 2019/20



Data source: Office of the Controller of Budget (2020)

of 11 counties Baringo (51.3%), Elgeyo Marakwet (56.1%), Embu (58.6%), Garissa (54.1%), Kisii (52.0%), Machakos (59.2%), Meru (52.3%), Nairobi (56.7%), Nandi (59.1%), Nyamira (51%) and Nyeri (51.2%) spent more than 50 per cent of their budget on personnel emoluments (Figure 2.17).

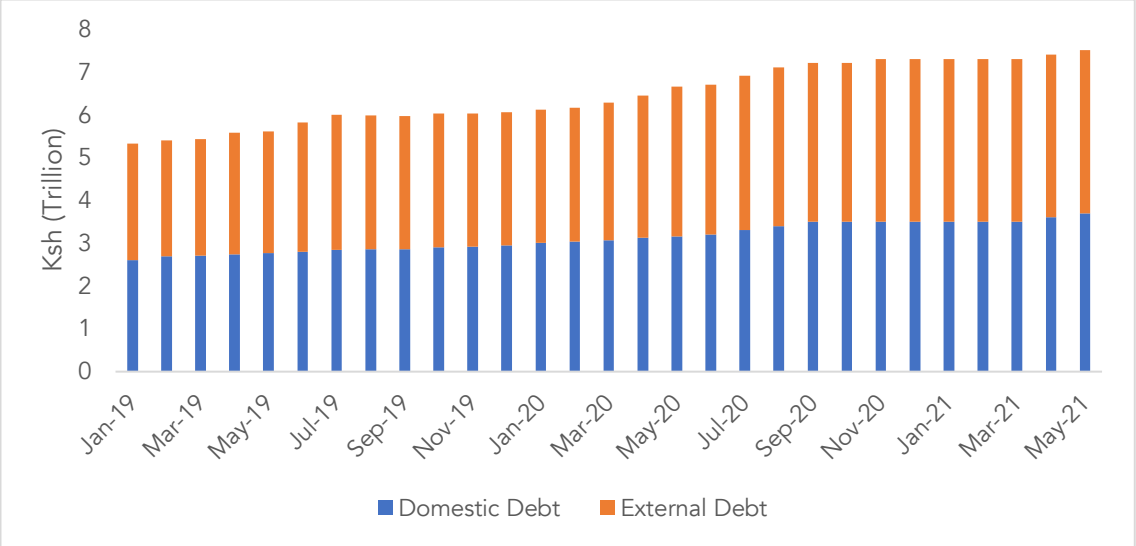
2.4 Public Debt

Inadequate fiscal space to respond to the COVID-19 pandemic has driven-up Kenya's public debt in the last one year. Kenya's public debt increased from Ksh 5.8 trillion (61.1% of GDP) in June 2019 to Ksh 6.7 trillion (65.6% of GDP) in June 2020 (Figure 2.18). As of May 2021, total public debt had increased to Ksh 7.5 trillion (66.4% of GDP), implying that the Government had borrowed approximately Ksh 800 billion between July 2020 and May 2021. Out of this, domestic debt comprised Ksh 3.7 trillion (32.7% of GDP) while external debt totalled Ksh 3.8 trillion (33.7% of GDP). The increase in public debt is partly due to inadequate domestic resource mobilization, limited domestic savings to respond to the COVID-19 pandemic, and exchange rate movements.

Domestic debt increased from Ksh 2.8 trillion (29.3% of GDP) in June 2019 to Ksh 3.2 trillion (31.2% of GDP) in June 2020 and further to Ksh 3.6 trillion in April 2021. In terms of domestic debt instruments, Treasury bills and Treasury bonds accounted for 27.9 per cent and 69.8 per cent, respectively, in June 2020 compared to 34.3 per cent and 62.8 per cent, respectively, in a similar period in 2019 (Figure 2.21a). In April 2021, Treasury bills and Treasury bonds accounted for 21.0 per cent and 77.0 respectively of total domestic debt. The reduced share of Treasury bills in domestic debt is because of the Government initiative to reduce the refinancing risk associated with short-term borrowing.

External debt rose from Ksh 2.9 trillion (31.8% of GDP) in June 2019 to Ksh 3.4 trillion (34.4% of GDP) in June 2020. The medium-term debt strategy of the Government is to contract more of concessional debt and reduce commercial debt. As a result, multilateral debt in total external debt increased from 31.8 per cent in June 2019 to 39.1 per cent in June 2020. However, the share of bilateral and commercial debt stocks reduced to 29.7 and 30.5 per cent, respectively, in June 2020

Figure 2.18: Public debt trend (Ksh trillions), 2019-2021



Data source: Central Bank of Kenya (2021), Monthly Economic Indicators, June 2021

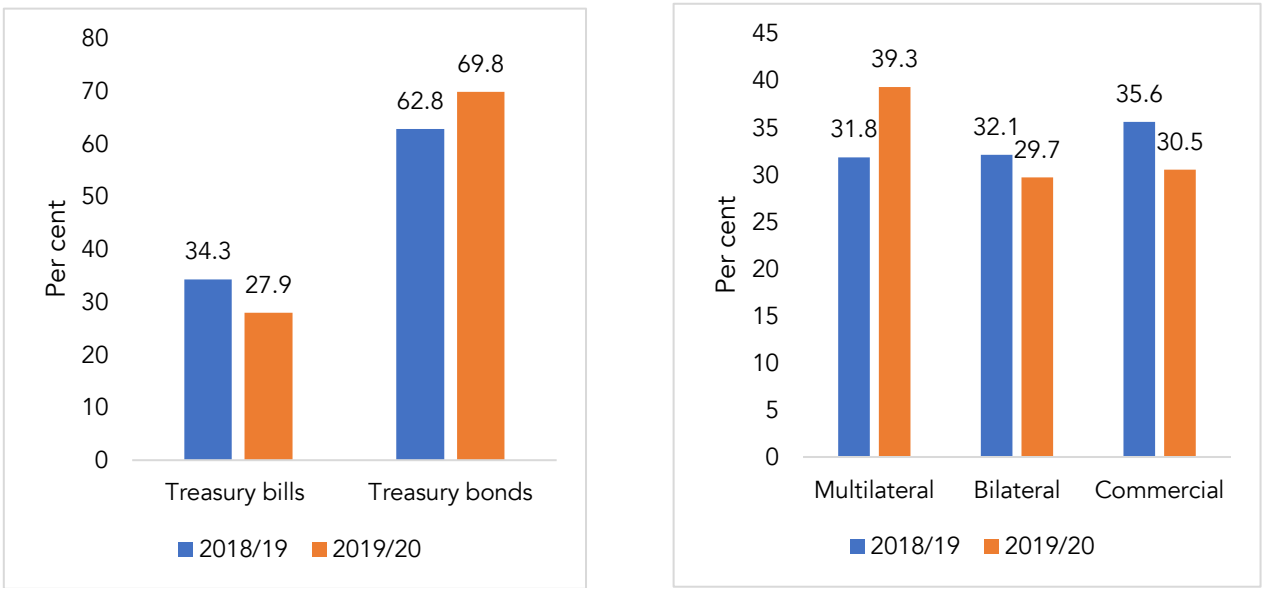
compared to 32.1 and 35.6 per cent, respectively, in June 2019 (Figure 2.19b). Total external debt stock increased to Ksh 3.8 trillion in April 2021. The increase in external debt is because of more borrowing from multilateral creditors to address the COVID-19 pandemic and partly due to depreciation of the Kenya shilling against the major currencies, leading to increase in the nominal stock of external debt.

Total debt service declined from Ksh 850.1 billion in June 2019 to Ksh 651.5 billion in June 2020 because of reduced debt service obligation in 2019/20. As a share of revenue, total debt service declined from 56.8 per cent in June 2019 to 41.4 per cent in June 2020. Between July 2020 and May 2021, the Government spent a total of Ksh 578.8 billion on debt service, representing 37.1 per cent of total revenues and 44.2 per cent of total tax revenues in the same period. Domestic debt service was Ksh 360.1 billion (62.2% of total debt service) while external debt service was Ksh 218.7 billion (37.8% of total debt service).

2.5 Monetary Policy and Financial Sector Performance

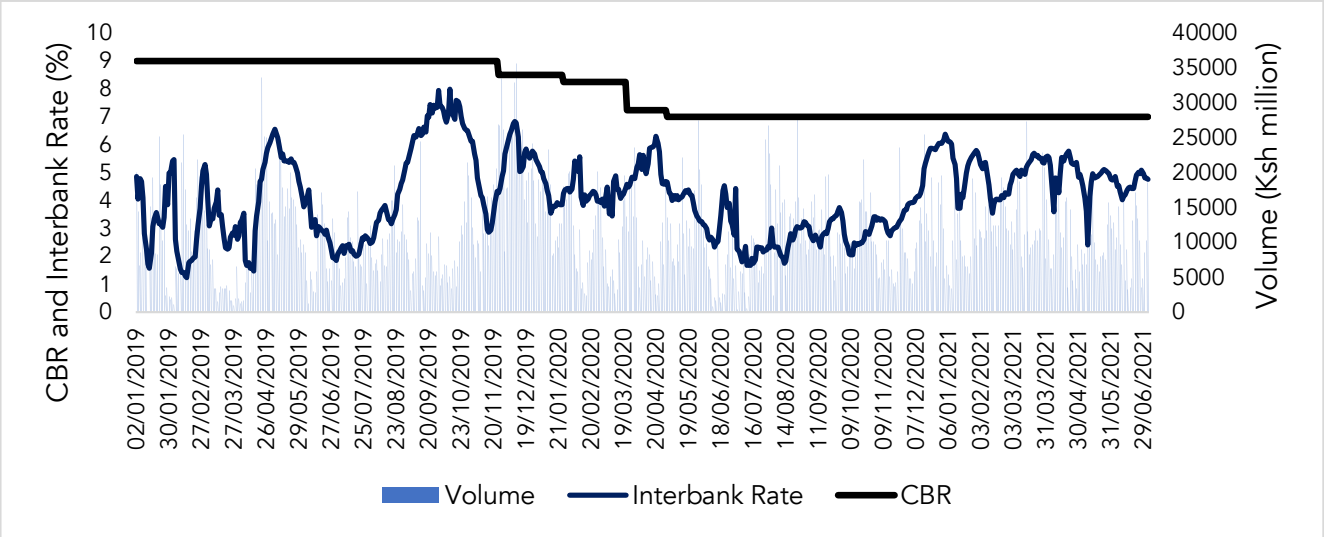
The Central Bank of Kenya (CBK) adopted a more accommodative monetary policy to address the uncertainties associated with the COVID-19 pandemic. In response to COVID-19 pandemic, and to ease access to credit by the public and expand economic activities, the CBK lowered the Central Bank Rate (CBR) from 8.5 per cent in January 2020 to 7.0 per cent in April 2020 (Figure 2.20). The CBR has since been maintained at 7.0 per cent. The interbank rate averaged 3.7 per cent in 2020 compared to 4.3 per cent in 2019. The interbank volumes averaged 10,686.6 million in 2020 compared to 11,457.1 in 2019. Both the interbank rate and volumes depict higher volatility in the banking sector. In March 2020, the CBK also lowered the cash reserve ratio from 5.25 per cent to 4.25 per cent to provide additional liquidity of Ksh 35.2 billion to commercial banks to lend to

Figure 2.19: Domestic and external debt (%)



Data source: The National Treasury (2020), Annual Public Debt Management Report 2019/20

Figure 2.20: Trend of interbank rate (%), volume (Ksh millions) and Central Bank Rate (%), 2019-2021



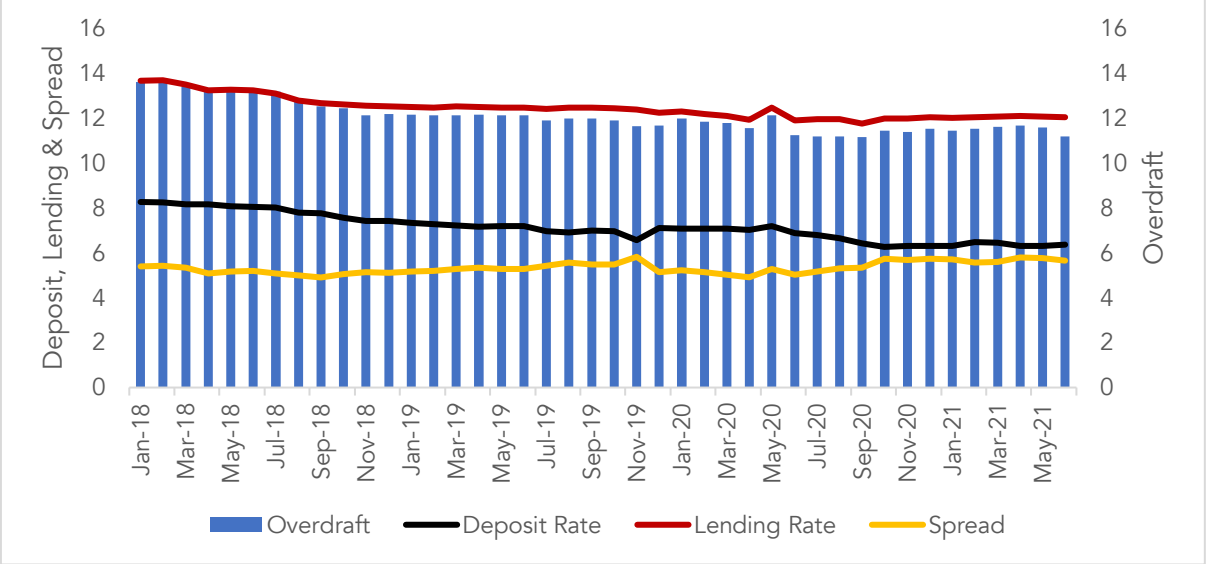
Source: Central Bank of Kenya (2020)

borrowers affected by the pandemic.

Lending and deposit rates have remained stable, notwithstanding the COVID-19 pandemic. Lending and deposit rates have been relatively stable in 2020 and are largely unaffected compared to 2019 (Figure 2.21). In 2020, lending and deposit rates averaged 12.0 per cent and 6.7 per cent, respectively. This represents a slight drop compared to 12.4 per cent and 7.0 per cent for lending and deposit rates, respectively, in 2019. The decline was mainly driven by the accommodative monetary policy stance by the Central Bank of Kenya at the beginning of 2020 due to the COVID-19 pandemic. The spread has also been stable, averaging 5.3 per cent in the 2020 period compared to 5.4 per cent in 2019. A similar trend is seen in the first half 2021, with lending rates averaging 12.0 per cent compared to 12.1 per cent in the same period in 2020. However, deposit rate dropped to an average of 6.4 per cent in the first half of 2021 compared to 7.0 per cent in the same period of 2020. Consequently, the interest rate spread increased to an average of 5.7 per cent in the first half of 2021 compared to 5.1 per cent in the same period in 2020.

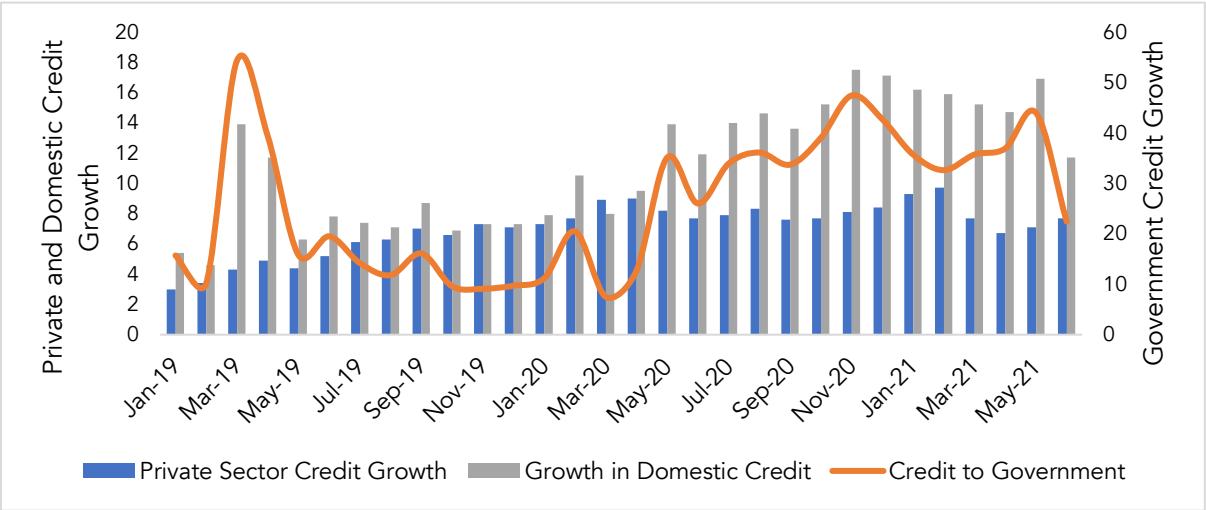
There was a gradual pick-up in credit to private sector but growth in credit to Government remained stronger. Average year on year credit growth to the private sector reveals higher growth in 2020 compared to 2019. In 2020, credit to the private sector grew by 8.1 per cent compared to 5.5 per cent growth in 2019 (Figure 2.22). This was supported by reduced lending rates by commercial banks in response to lowering of the CBR. However, growth in credit to Government remains higher, growing by an average of 28.8 per cent in 2020 compared to 18.8 per cent in 2019. Overall domestic credit grew by 12.8 per cent in 2020 compared to a growth of 7.9 per cent in 2019. In the first half of 2021, credit to Government grew by an average of 34.6 per cent compared to an average growth of 8.0 per cent for the private sector. Overall domestic credit grew by 15.1 per cent in the same period.

Figure 2.21: Trend in commercial banks' interest rates (%) and spread (%)



Source: Central Bank of Kenya (2021), Monthly Economic Indicators, June 2021

Figure 2.22: Annual growth rate of credit (%), 2019-2021



Source: Central Bank of Kenya (2021), Monthly Economic Indicators, June 2021

Monetary aggregates were relatively higher in 2020 compared to 2019. Year on year growth of broad money supply (M2) averaged 9.8 per cent in 2020 compared to 7.5 per cent in 2019 (Figure 2.23). However, average year on year growth rate in M2 was relatively lower at 7.7 per cent in the first half of 2020 compared to 8.9 per cent in the same period of 2019. The stock of broad money supply was Ksh 3,250.2 billion in December 2020 compared to Ksh 2,904.4 billion in the same period of 2019. In the first quarter of 2021, broad money supply was Ksh 3,250.3 billion compared to Ksh 3,018.9 billion in the same period of 2020. The year-on-year growth rate of extended broad money supply (M3) averaged 10.0 per cent in 2020 compared to an average of 8.4 per cent in 2019. The stock of extended broad money supply was Ksh 3,990.9 billion in December 2020 compared to Ksh 3,524.0 billion in December 2019. The growth in stock of M3 was supported by strong growth in net domestic assets particularly in the second half of 2020 due to growth in private sector credit

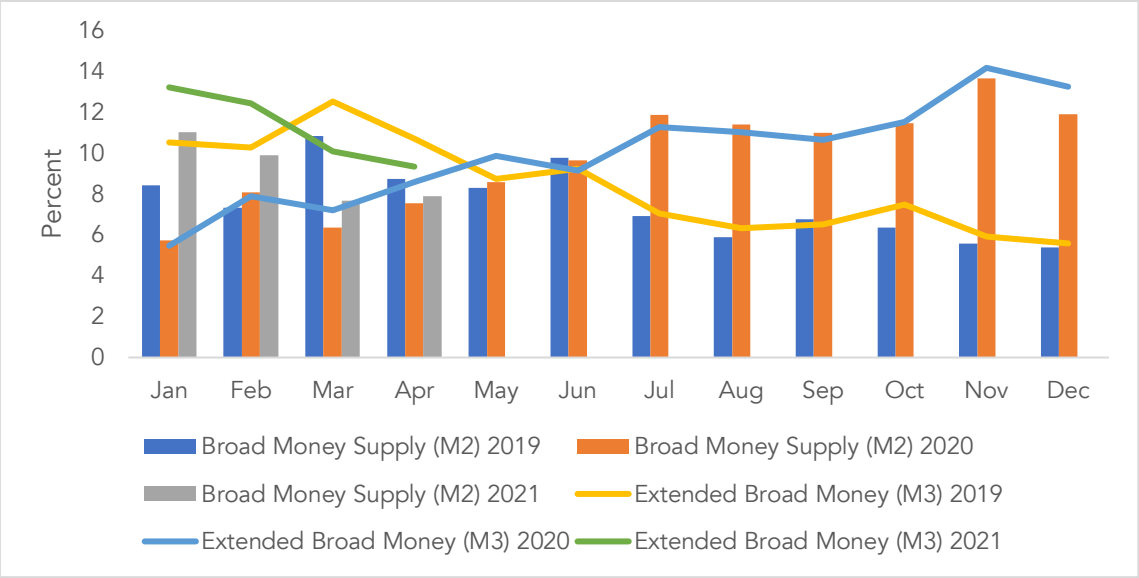
and net lending to Government. The stock of extended broad money supply increased to Ksh 4,030.0 billion in the first quarter of 2021.

Asset quality in the banking sector improved in 2019 but deteriorated in 2020 (Figure 2.24). Asset quality, given by the ratio of non-performing loans (NPLs) to gross loans dropped from 12.5 per cent in January 2019 to 12.0 per cent in December 2019. However, this ratio increased from 12.1 per cent in January 2020 to 14.1 per cent in December 2020. On average, asset quality of banks stood at 12.6 per cent in 2019 compared to 13.2 per cent in 2020. The drop in asset quality was due to poor performance of different sectors such as tourism due to disruptions caused by the COVID-19 pandemic. At the same time, banks attained relatively lower profits in 2020 compared to 2019. Total banking sector profits dropped by 26.2 per cent compared to a similar period in 2019. Despite the deterioration in asset quality, total liquidity ratio remained strong, averaging 52.1 per cent in 2020 compared to 50.4 per cent in 2019. This was way above the statutory requirement of 20 per cent.

2.6 External Sector Developments

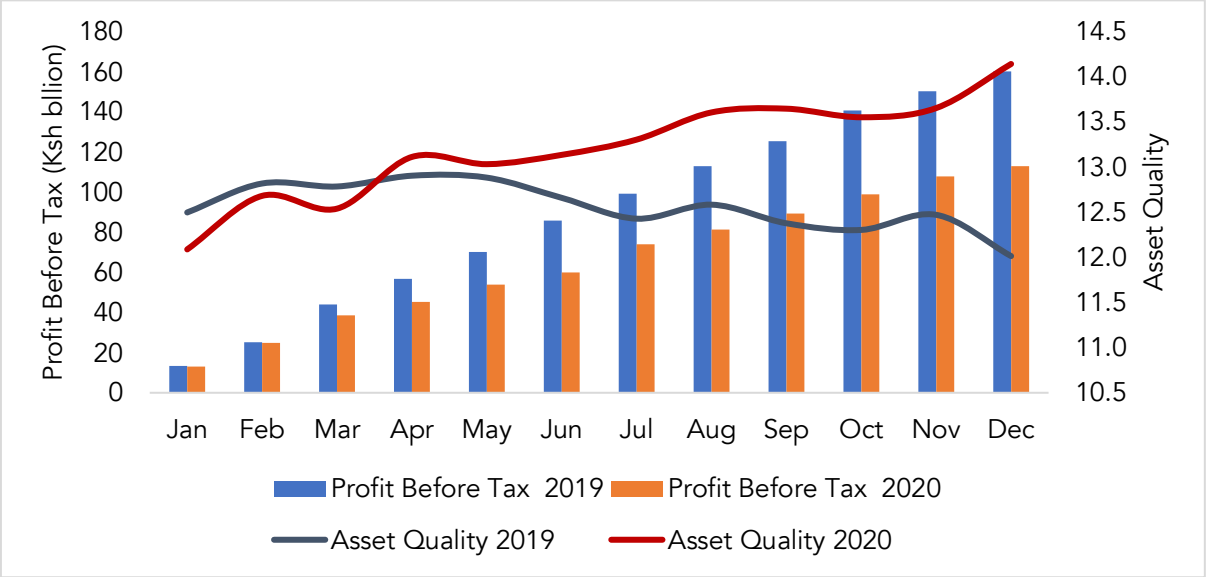
The Kenya shilling depreciated against the major currencies in 2020. The depreciation rate was highest at 19.2 per cent against the Euro compared to other currencies. In December 2019, the Kenya shilling exchanged at an average of Ksh 112.8 against the Euro before shifting to an average of 134.3 in December 2020, representing a depreciation rate of 19.2 per cent. The Kenya shilling depreciated by 11.7 per cent against the Sterling pound, from an average of Ksh 132.9 in December 2019 to an average of Ksh 148.4 in December 2020. The depreciation rate was lowest at 9.0 per cent against the US Dollar compared to the Euro and Sterling pound. In December 2019, the Kenya shilling exchanged at an average of 101.5 against the US Dollar compared to an average of 110.6 in December 2020 (Figure 2.25). However, it is notable that the Kenya Shilling remained relatively stable between July and September 2020, supported by strong export receipts and diaspora remittances. The Kenya Shilling improved against the dollar and the Euro from an average of Ksh 109.7 and Ksh 132.4 in the first quarter of 2021 to an average of Ksh 107.7 and Ksh 129.8 in the second quarter of 2021, respectively.

Figure 2.23: Changes in stock of money supply (%, year on year), 2019-2021



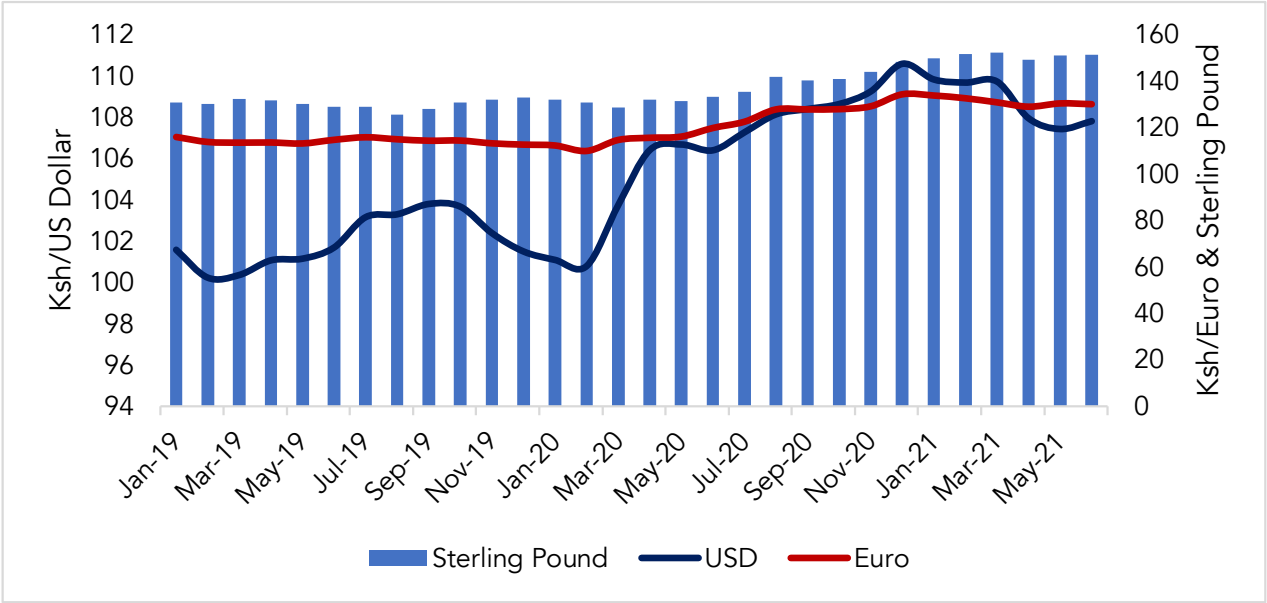
Source: Central Bank of Kenya (2021)

Figure 2.24: Asset quality and banks profitability



Source: Central Bank of Kenya (2020)

Figure 2.25: Average monthly exchange rate of Kenya shilling against major currencies

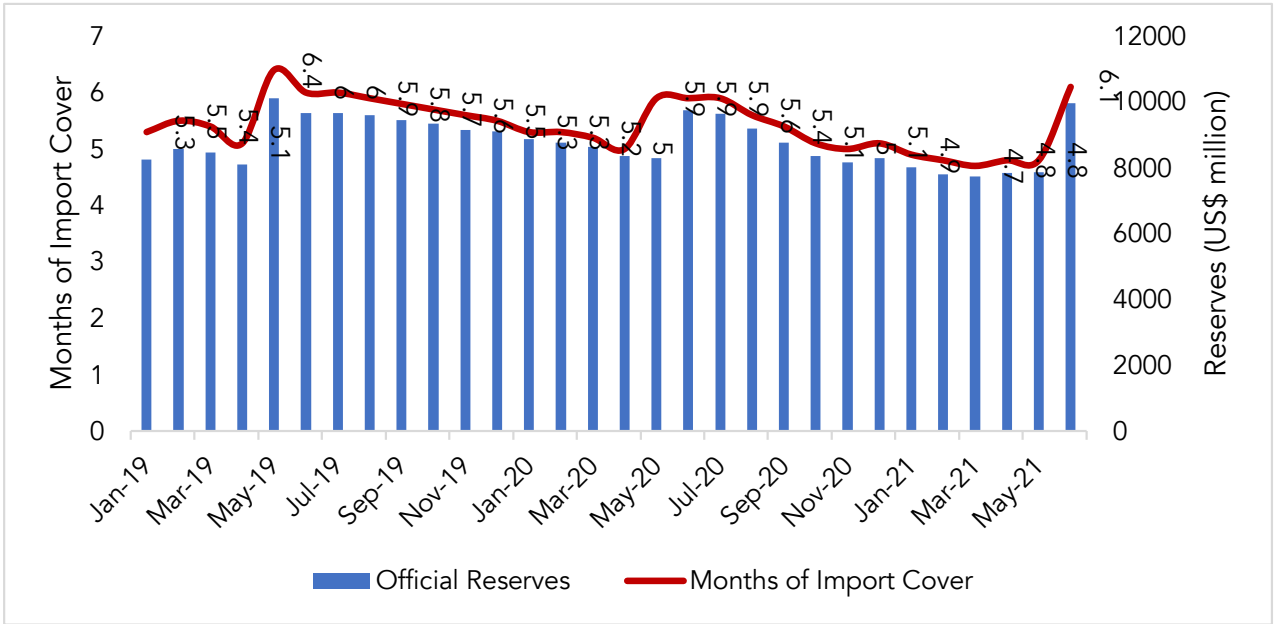


Source: Central Bank of Kenya (2021)

Kenya's stock of official foreign reserves in the second quarter of 2020 was strong, supported by IMF's Rapid Credit Facility initiative. The stock of official reserves was US$ 8,356.6 million (5 months of import cover) and US$ 8,290.3 million (5 months of import cover) in April and May 2020, respectively, compared to US$ 8,090.2 million (5.1 months of import cover) and US$ 10,122.2 million (6.3 months of import cover) in the same period in 2019 (Figure 2.26). Nevertheless, the stock of reserves increased to US$ 9,739.9 million (5.9 months of import cover) in June 2020 because of a receipt of US$ 739 million (100% of quota) from the IMF under the Rapid Credit Facility. The support was to help Kenya to respond to the COVID-19 pandemic. However, the stock of foreign reserves has since been undergoing depletion, from US$ 9,636.5 million (5.9 months of import cover) in July 2020 to US$ 8,297.3 million (5.1 months of import cover) in December 2020 and further to US$ 7,618.0 (4.7 months of import cover) in April 2021. The stock of official reserves stood at US $ 9,957.4 million (6.1 months of import cover) in June 2021.

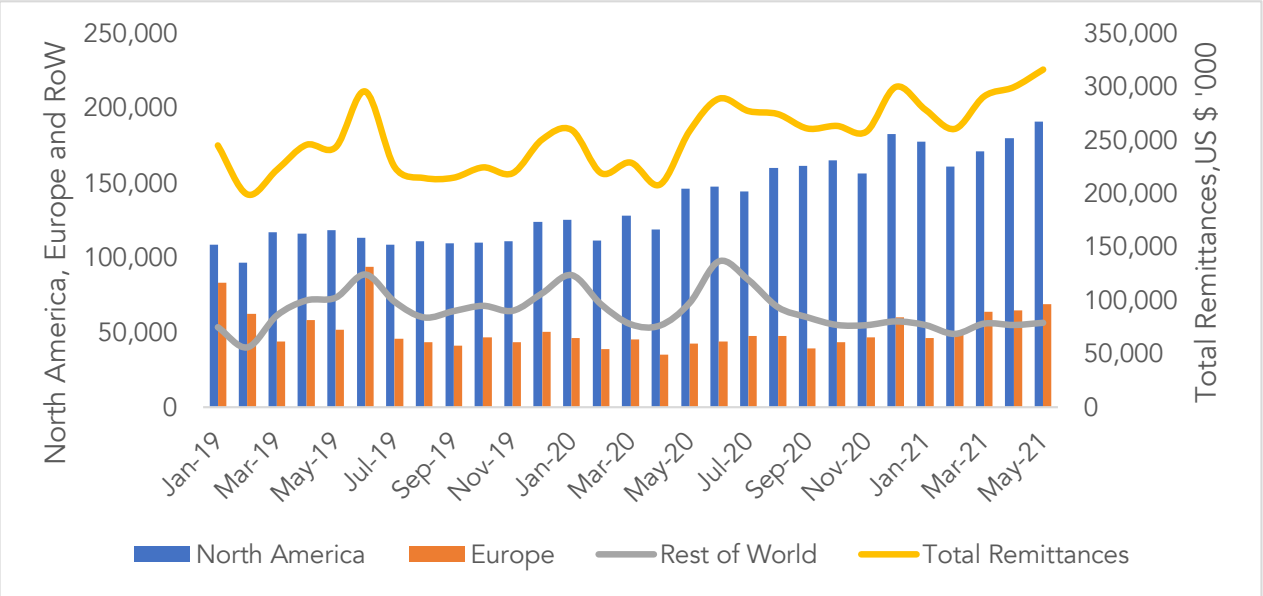
Diaspora remittances rebounded in the second half of 2020 despite reduced inflows from Europe in the first half of the year. Remittances from Europe recorded a 35.8 per cent decline in the first half of 2020 compared to a similar period in 2019 (Figure 2.27). This was driven by loss of employment due to reduced economic activity because of lockdown measures initiated across Europe. Remittances from North America and the Rest of the World grew by 16.0 and 11.9 per cent, respectively, during the same period. Total diaspora remittances grew by 0.9 per cent in the first half of 2020. In the second half of 2020, total diaspora remittances grew by 21.2 per cent compared to the same period in 2019. This was in part due to the easing of lockdown measures across Europe and America. Consequently, remittances from North America and Europe grew by 43.7 and 5.4 per cent, respectively, in the second half of 2020. However, remittances from the rest of the world fell by 6.0 per cent in a similar period. Overall, in 2020, diaspora remittances grew by 10.6 per cent from US$ 2,796.6 million in 2019 to US$ 3,094.3 million in 2020. In the first quarter of 2021, total diaspora remittances grew by 17.3 per cent. Diaspora remittances are an important source of livelihoods for majority of Kenya's households; in 2019 and 2020, diaspora remittances accounted for 3.0 per cent and 3.1 per cent of GDP respectively.

Figure 2.26: Trends in months of import cover and official reserves (US$ millions)



Source: Central Bank of Kenya (2021), Monthly Economic Indicators, June 2021

Figure 2.27: Monthly remittance inflows (US$'000)



Source: Central Bank of Kenya (2021)

2.7 Key Messages and Policy Recommendations

2.7.1 Key Messages

1. Kenya's economy has experienced the sharpest contraction, year-on-year on quarterly basis, with the services sector being the most affected. The impact of COVID-19 pandemic was more severe in the second quarter of 2020 compared to other quarters. The economy contracted by 4.7 per cent in the second quarter compared to a growth of 4.4 per cent in the first quarter. The services sector grew by 2.4 per cent in the first quarter of 2020 but contracted by 13.9 per cent in the second quarter. In the third quarter of 2020, the economy contracted by 2.1 per cent, with the services sector contracting by 11.7 per cent. In the fourth quarter of 2020, the economy was on a recovery path, growing by 1.2 per cent, with the contraction in the services sector declining to 7.3 per cent.

2. The poor performance of the services sector in 2020 dragged real GDP growth. The services sector contributed 2.8 percentage points to real GDP growth in the first quarter. However, in the second, third and fourth quarters, the services sector was heavily impacted by the COVID-19 pandemic, pushing down real GDP growth by 5.8, 3.3 and 1.1 percentage points, respectively.

3. In the services sector, accommodation and food services was the most affected by the COVID-19 pandemic. The deepest contraction was in the second quarter by 83.3 per cent while in the second and first quarters, the sector contracted by 57.9 per cent and 9.3 per cent, respectively. The poor performance of the sector is linked to travel-related restrictions, both domestically and internationally.

4. The agriculture sector remained resilient, partly offsetting the contraction in the services sector. The agriculture sector attained higher growth rate in 2020 compared to 2019. The sector expanded by 4.8 per cent in

2020 and contributed an average 0.9 percentage points to real GDP growth compared to a growth of 2.5 per cent in 2019 and 0.5 percentage points contribution to real GDP growth.

5. The COVID-19 pandemic has reversed the gains made in poverty reduction in the last two decades. Many Kenyans have been pushed back to poverty due to loss of incomes resulting from the pandemic. The estimates by KIPPRA 2020 indicate that poverty rate had dropped to 28.9 per cent in 2019 from 36.1 per cent in 2015/16. However, in 2020, the national poverty rate increased to 41.9 per cent.

6. Despite the COVID-19 pandemic, commodity prices have generally been stable. The overall inflation has been within the Government target range, notwithstanding the pressure from food and fuel inflation.

7. Business conditions were negatively affected by the containment measures but rebounded sharply with easing of restrictions. Between January and June 2020, the PMI was below the benchmark level of 50, reaching a low of 34.8 in April 2020. However, with easing of the COVID-19 containment measures, the PMI increased to 54.2 in July 2020 and to the highest level of 59.1 in October 2020.

8. Fiscal revenue has been affected by the COVID-19 pandemic, with total revenue dropping to 17.2 per cent in 2019/20 from 18.5 per cent of GDP in 2018/19. Tax revenue was mainly affected in the fourth quarter of 2019/20, dropping to 18.4 per cent in the fourth quarter of 2019/20. Excise duty and VAT were the most affected, falling by 33.6 per cent and 30.6 per cent, respectively.

9. Kenya's public debt increased to 65.6 per cent of GDP in 2019/20 from 61.1 per cent in 2018/19. Total public debt increased to Ksh 7.5 trillion as of December 2020. The increase is mainly attributed to limited fiscal space to respond effectively to the COVID-19 pandemic.

10. The monetary policy stance of the Central Bank of Kenya during the COVID-19 pandemic has been accommodative. To ease access to credit, the Bank reduced the Central Bank Rate by 150 basis points from 8.5 per cent in January 2020 to 7.0 per cent in April 2020. The rate has since been maintained at 7.0 per cent.

11. Credit to the private sector is gradually picking up, notwithstanding the dominance growth of credit to Government. Average growth in credit to the private sector reveals higher growth rates in 2020 compared to 2019. However, growth in credit to Government has been stronger.

12. The Kenya shilling weakened against the major currencies in 2020. The shilling depreciated at a rate of 19.2, 11.7 and 9.0 per cent, respectively, against the Euro, Sterling Pound and US Dollar between December 2019 and December 2020.

13. Diaspora remittances rebounded in the second half of 2020 despite reduced inflows from Europe in the first half of the year. The decline in remittance inflows in the first half was because of a 35.8 per cent decrease in remittances from Europe due to lockdown measures that affected the incomes of the diaspora residents. In the second half of 2020, total diaspora remittances recorded a 21.2 per cent growth.

2.7.2 Policy Recommendations

1. Measures to contain further spread of COVID-19 are still critical. The

COVID-19 is still unfolding in the country, with new cases still being reported and hence, its spread must be contained to alleviate its negative socio-economic effects and enhance economic recovery.

2. Continued strengthening of the health system is important to improve service delivery and minimize loss of lives. More budget allocation is required in the health sector to ensure there is adequate equipment and medical personnel to contain the COVID-19 pandemic.

3. To ensure that the recovery process is inclusive, sustaining social protection coverage is important for protecting the most vulnerable households that were affected by the COVID-19 pandemic.

4. Targeted fiscal injections and accommodative monetary policies are important in supporting growth and economic recovery in the medium-term. This will ensure that liquidity is channelled to both households and firms to support economic activities.

5. Poverty reduction will require creation of productive job opportunities in the medium term. To achieve this, fiscal policy will be instrumental in reviving growth and enhancing job creation. Even with fiscal consolidation, targeted fiscal stimulus to the manufacturing and industrial sector will be important in enhancing inclusive growth. In addition, public infrastructure investments will also be critical in stimulating private sector investments.

6. There is a need to reduce inefficient and non-productive tax expenditures for more revenue collections. In addition, use of technology will also be important in enhancing the efficiency of domestic revenue mobilization for more revenue collections.

7. More economic diversification is necessary to build the resilience of the economy and minimize the effects of shocks on real GDP growth. This can be achieved by diversifying the narrow range of exports and value addition of the traditional exports.

8. Domestic debt restructuring policies are necessary towards mitigating the inherent risks associated with crowding out effect.

9. Lowering diaspora remittances fees could stimulate more inflows to support domestic consumption and savings.

CHAPTER 3

MEDIUM TERM ECONOMIC PROSPECTS FOR KENYA

The COVID-19 pandemic has led to significant recession in many countries despite the unprecedented policy support. Economic activities in Kenya, like many other countries, remained subdued from the second quarter of 2020 following the effects of COVID-19 pandemic. Cognizant of the risks Kenya faces in the medium-term, the economy is projected to grow at 0.2 per cent in 2020, with an improved growth at 4.1 per cent in 2021 and a path to full recovery by 2024. As Kenya navigates the pandemic and its associated uncertainty, the continued support from the National and County Governments is instrumental in building resilience and cushioning vulnerable groups. Maintaining focus on achieving the objectives under the "Big Four" agenda, especially on the goal of attaining Universal Health Coverage (UHC), is fundamental in fighting the pandemic and placing the country on a sustainable recovery path.

3.1 Introduction

The COVID-19 pandemic has led to global economic shock of great magnitude in 2020, resulting to steep recessions in many countries despite the unprecedented policy support. Economic activities in Kenya, like many other countries, remained subdued from the second quarter of 2020 following the effects of COVID-19 pandemic. The rise of COVID-19 cases in Kenya since the announcement of the first case in the country on 13th March 2020, coupled with a range of measures instituted by the Government to slow the spread of the virus, slowed economic activities precipitously. The medium-term prospects discuss the risk factors in the medium-term and provide growth forecasts for Kenya in light of the pandemic and the need to fast-track recovery to achieve the "Big Four" agenda.

The Kenya Economic Report 2020 forecasted an economic growth of 4.8 per cent in 2020 under stable macroeconomic conditions, favourable weather conditions and without COVID-19 pandemic. However, the COVID-19 pandemic reversed the strong growth momentum. The country's GDP contracted by 0.3 per cent in 2020 compared to an expansion of 5.0 per cent realized in 2019. The subdued growth was attributed to the contraction of the economy by 4.7 per cent and 2.1 per cent during the second and third quarters, respectively, with intensified effects of the pandemic on economic activities. At the onset of the pandemic, the Government instituted measures, including restriction of movement in and out of some counties, closure of learning institutions and some businesses especially those involved in accommodation and food services, and near cessation on international travels to contain the spread of the virus. These measures, among others, outlined in Table 1.1 negatively affected most sectors of the economy. Based on the May and June 2020 KNBS COVID-19 Surveys (Wave 1 and 2), workers across the sectors reported to have worked few hours during the reference period compared with the usual hours worked per week before the pandemic. Specifically, the education sector reported the highest number of labour hours lost, averaging 37.5 per week during the reference period. Over the same period, the other sectors that experienced significant loss in terms of labour hours, on average, include accommodation and restaurant (24 hours), other services (17 hours), transport and storage (13 hours), wholesale and

retail trade (12 hours), manufacturing (9.5 hours) and professional services (6 hours).

The significant loss in labour hours, among other factors resulted to eight sectors or 50% of the total sectors registering negative growth, on average, in 2020. These included accommodation and restaurant (-47.6%), professional, administration and support services (-14.8%), other services (-11.6%), education (-10.8%), taxes on products (-7.7%), transport and storage (-7.7%), wholesale and retail trade (-0.4%), and manufacturing (-0.1%). These sectors, specifically from the services sector, contributed to contraction of GDP. In 2020, the services sector contributed to contraction of economic activities by 1.9 percentage points, respectively, as outlined in Figure 2.2 above.

The Government, during the pandemic period, provided various fiscal and monetary measures to support the economy. On the fiscal policy front, both tax measures and economic stimulus packages including budgetary reallocations were used. Some of these included reduction in corporation income and personal income tax by 5 per cent each, with 100 per cent tax relief for persons earning gross monthly income of up to Ksh 24,000 and lowering of the rate of turnover tax from 3 per cent to 1 per cent to cushion the Micro, Small and Medium Enterprises (MSMEs). On the monetary policy front, measures were undertaken to ease the monetary policy stance. These measures included lowering of the Central Bank Rate (CBR) to 7.25% from 8.25%, and further to 7.0%; lowering the Cash Reserve Requirement (CRR) to 4.25% from 5.25%; and temporary suspension of the listing with Credit Reference Bureaus (CRBs) of any person, MSMEs and corporate entities. All these efforts provided liquidity, stabilized financial markets and maintained investor confidence in the country.

In all, the pandemic led the Country into significant slowdown in 2020. Before the outbreak of the pandemic, economic growth prospects for 2020 and 2021 were robust, with the National Treasury projecting the highest growth of 6.1 and 7.0 per cent respectively as shown in Table 3.1. However, the outbreak of COVID-19 at the beginning of 2020 resulted to severe economic strains, necessitating a revision on the growth prospects by the various institutions. Economic prospects for 2021 and 2022 signifies robust recovery for Kenya as projected by the National Treasury, African Development Bank (AfDB), International Monetary Fund (IMF) and the World Bank (Table 3.1). In 2021, IMF projects a strong rebound with a forecasted growth of 7.6 per cent premised on coordinated monetary and fiscal policies that came in strongly during the early period of the pandemic accompanied by expedited vaccine rollout. Similarly, 2022 forecasts show a vibrant economy with an average growth of 5.4 per cent.

Table 3.1: GDP growth rates for Kenya (%)

	Actual	Estimated	Without COVID-19		With COVID-19	
	2019	2020	2020f	2021f	2021f	2022f
BPS 2021	5.0	-0.3	6.1	7.0	7.0	6.3*
AfDB	5.0	-0.3	6.0	6.2	5.0	5.9
IMF	5.0	-0.3	5.6	6.0	7.6	5.7
World Bank	5.0	-0.3	5.9	6.0	4.5	4.7

*Source: National Treasury, African Development Bank - AfDB, International Monetary Fund - IMF and World Bank (WB). NB: f is forecast; * Financial year 2021/22*

Box 3.1: COVID-19 impacts and short-term economic recovery in Kenya

A study undertaken by Joint Research Centre (JRC) and KIPPRA on the "COVID-19 Impacts and Short-term Economic Recovery in Kenya" sought to assess the short-term COVID-19 impacts on the Kenyan economy using a macroeconomic general equilibrium framework. The findings established that the April-June lockdown would result to a decrease in GDP growth to 0.9 per cent in 2020, total supply to -5.5 per cent (from -6.9%) and consumer demand to -4.9 per cent. General employment was envisioned to drop by 11.8 per cent in annual terms while exports demand and imports was to reduce by 8.1 per cent and 11.4 per cent, respectively. The lower export demand was expected to lead to a depreciation in the Kenya shilling and an increase in the Consumer Price Index (CPI). Further, the reduction in income from economic contraction was found to reduce investment levels by 8.3 per cent at an annual rate and decrease Government revenue by 5.4 per cent, leading to an increase in government deficit by 47.1 per cent or Ksh 17.2 billion.

With a second lockdown in Kenya during 2020, the study found that GDP would decrease by 9.2 per cent whereas employment would drop by 19.2 per cent relative to the baseline values. Consequently, the lockdown would lead to increase in Government deficit by Ksh 6.1 billion and a decrease in investment levels by 13.7 per cent. For economic recovery, the study recommends support to MSMEs by the financial institutions, and the Government through temporary support on the main running costs such as electricity and water for firms to ensure continuation of operations.

Source: Nechifor et al. (2020)

3.2 Medium-Term Prospects for Kenya

As the COVID-19 pandemic continues to unfold, the economic outlook globally and in Kenya remains highly uncertain as it depends on interactions of various parameters that are difficult to predict. These include the duration of the pandemic, vaccination programme, efficacy of containment measures, extent of supply disruptions and productivity losses, shifts in spending patterns and behavioural changes (households avoiding public transport, shopping malls, health facilities, among others). Amidst the uncertainty, the Government of Kenya instituted both monetary and fiscal policies to ensure stabilization of macroeconomic variables and play a redistribution role that is critical for economic growth.

The forecast scenario, under the baseline, was based on the prevailing conditions under the COVID-19 pandemic period. The baseline scenario assumes that the pandemic fades away by the end of 2020, allowing the resumption of most economic activities. This implies that under the baseline scenario, the projected effects of the pandemic were less severe to the economy compared to the scenario where the country experienced prolonged effects of the pandemic. Considering the spread of the virus in Kenya and globally, growth forecasts take into account the substantial disruption of economic activities during the second and third quarters (April to September) of 2020, specifically contraction in half of the sectors aforementioned. Further, the scenario assumed that the measures instituted

by the Government, including the financial aid received both internally and externally cushioned the economy from the adverse effects. Specifically, the Government allocated additional finances announced in the Economic Stimulus Plan[1] and the COVID-19 spending plan[2] intended to cover additional healthcare costs and to support economic recovery. These included Ksh 6.47 billion for infrastructure, Ksh 11.94 billion for health, Ksh 6.5 billion for education, Ksh 4.0 billion for tourism and Ksh 400 million for public administration. In addition, the Government received external loans amounting to US$ 600 million intended to cover the deficit arising from increase in Government expenditure and reduction in government revenue. According to the African Development Bank (2020), the fiscal stimulus was expected to cost the Government a total of Ksh 173 billion. Table 3.2 gives forecast for the baseline, where it assumes the "business as usual" scenario following Government interventions.

Table 3.2: Economic projections, 2021-2023

	2018	2019	2020	2021	2022	2023
Rates (%)						
GDP Growth	5.6	4.9	-0.3	10.4	7.1	5.4
Inflation	4.7	5.2	5.2	4.9	4.8	5.0
Interest Rate	7.8	6.9	6.9	7.0	6.9	6.9
Volumes (%)						
Private Consumption	6.5	5.2	-3.2	12.6	10.6	9.9
Government Consumption	7.0	7.0	4.3	6.7	9.3	9.5
Total Investments	-2.3	4.6	3.3	9.7	5	8.0
Private Investments	-0.8	8.5	6.5	4.1	5.8	4.2
Government Investments	-10.6	-18.3	-21	6.8	4.5	3.4
Export of Goods and Services	6.8	-3.2	-8.2	9.8	8.7	19.1
Import of Goods and Services	1.4	1.8	-8.5	6.1	4.7	3.0
% of GDP						
Current Account Balance	-5.5	-5.3	-4.6	-3.4	-2.7	-2.2
Expenditures	20.3	16.9	17.1	16.5	16.9	17.9
Index						
Ksh per Dollar	101.3	102.1	106.5	105.5	103.7	103.7

Source: Kenya Institute for Public Policy Research and Analysis - KIPPRA (2021), KIPPRA Treasury Macroeconomic Model (KTMM)

[1] 8th Presidential address on Coronavirus pandemic, 6th June 2020.

[2] 7th Presidential address on Coronavirus pandemic, 23rd May 2020.

Under the baseline scenario, the economy is expected to register a strong growth of 10.4 per cent. The relatively high growth could be attributed to improvement of economic activities and partly due to the base effect as the country registered a contraction of 0.3 per cent in 2021. The low base figure for 2020 has an effect on 2021 growth rate as improvements in economic activities in 2021 may result to a higher nominal value of GDP. The forecast projects that by 2023, the economy would be on the path to full recovery, registering a growth rate of 5.4 per cent. Inflation is expected to remain within the Government's range of 5±2.5 per cent in 2021 to 2023. In 2021, inflation rate is projected to be 4.9 per cent before easing slightly to 4.8 per cent in 2022. Given the adverse effects of the pandemic in 2020, the Kenya shilling against the US Dollar is also expected to appreciate marginally in 2021 to exchange at Ksh 105.5 per dollar from Ksh 106.5 registered in 2020. As the country's economic activities improve, the Kenya shilling is expected to appreciate further by 2023. Notably, Government investment is expected to increase by 6.8 per cent in 2021 after a significant decline registered in 2020 following a decrease in the net expenditure on acquisition of non-financial assets as outlined in the Economic Survey 2021.

3.3 Risk Factors in Medium-Term Forecasting

The outlook for the country's recovery in the medium-term remains uncertain and susceptible to the immediate and long-term effects of the COVID-19 pandemic. Given the size and unprecedented nature of the pandemic, the medium-term prospects face majorly downside risks arising from external and domestic factors. However, there are also opportunities that the country could leverage on to support and fasten recovery in the medium-term.

3.3.1 Downside risks

The downside risks the country is likely to face include risks of continued widespread COVID-19 infections, natural calamities such as floods and desert locust swarm invasion, debt burden and political tensions as the country nears the 2022 election year.

Continued spread of the COVID-19 infections: The Government's efforts to contain the spread of the virus saw the number of infections decline significantly by September 2020. However, as the Government eased the various containment measures to partially open the economy, the country experienced a surge in the number of infections between October and December 2020, signalling a second wave of infections. Further, the country experienced an increase in number of confirmed cases between 25th February and 16th March 2021. Additionally, there was a resurgence in the number of infections during the months of June, July and August 2021, based on the daily announcements by the Ministry of Health, posing a risk of a continued health pandemic. A sharp rise in the number of infections could overwhelm the healthcare systems and result to both demand and supply shocks. On the demand side, the country is likely to face a decline in consumption and investment demand caused by job losses, income declines and heightened uncertainties that may affect investors' confidence. On the supply side, the increase in infections could reduce labour supply as infected people become unwell, quarantined and hence unable to go to work. According to the June 2020 KNBS COVID-19 Survey, 61.9 per cent of individuals absent from work cited COVID-19-related reasons whereas 15 per cent attributed absenteeism to temporary closure of businesses. Further, the survey established that 77.8 per cent of those absent from work were not sure of the time they would resume work, posing a greater risk of prolonged unemployment. This is likely to affect the services sector activities, for instance transportation, tourism, accommodation and food services that heavily rely on social interactions. The continued spread of the virus is therefore likely to delay the expected recovery in the medium-term. However, the situation may be contained through vaccination that started in early March 2021 in Kenya.

Natural calamities: The country in 2020 experienced severe natural catastrophes such as floods and the desert locust swarm invasion that affected farms and livelihoods in most counties. This reduced agricultural output and threatened food security, potentially undermining the

country's recovery. The prolonged sunny and dry weather condition during the months of June, July and August and delayed long rains in most parts of the country in 2021 amid locust invasion similarly pose a threat to agricultural output. As at mid-February 2021, swarms of locusts had been spotted in 11 counties, mainly in the northern and central counties. According to Food and Agricultural Organization (2020), 75 per cent of the population in the locust-affected areas in Kenya depend on agriculture for livelihoods. As a result, FAO projects that approximately 44 million people in the areas worst affected by desert locust in East Africa, of which 1.32 million are from Kenya, will be experiencing acute food insecurity in 2021. Given the ongoing cropping activities and regeneration of rangeland at the onset of the rains, infestation poses a threat to livelihoods and food security. However, FAO notes that there are resources to support the affected countries until June 2021 to curb the spread of desert locusts through a review of pesticide stock, large-scale aerial and ground pest control operations and trajectory forecasting, among others. Further, reduction in household incomes contributes to food insecurity even as the Government institutes measures to ensure that the country is food secure under the "Big Four" agenda.

Rising public debt: Kenya, like many other countries, borrowed domestically and externally to address the health pandemic and to cushion the poor who were affected by the measures put in place to reduce the rate of infections. The total debt amounted to Ksh 7.4 trillion as of April 2021 whereas the Government has spent Ksh 522.1 billion in debt service between July 2020 and April 2021. The rising debt servicing costs is a risk in the medium-term forecasting, mainly due to possible reallocation of funds away from delivery of public service. High debt service obligation implies that the Government may face difficult trade-offs during the pandemic as to whether to honor debt obligation or spend domestically to contain and cushion the impact of the pandemic. Further, depreciation of the Kenya shilling has led to increase in debt service budget in local currency since 51 per cent of the debt is held in external currency. This is likely to constrain the country's fiscal space for development. In addition, the high debt servicing cost may result in higher taxes, additional borrowing or reduction in other crucial expenditures. Therefore, continued debt burden stress may constrain the Governments' ability to intervene to stimulate economic recovery. However, Kenya received a temporary suspension of debt service amounting to Ksh 32.9 billion in January 2021 for six months from the Paris Club and an additional Ksh 27 billion from the Chinese government. The freed cash is expected to be used to mitigate the impact of COVID-19 pandemic. In addition, temporary suspension of debt servicing is envisioned to offset the increase in public debt servicing.

Political tensions: As Kenya nears the 2022 general elections, political tensions arise posing a risk in the medium-term forecasting. The political tensions lower investors' confidence, thus slowing down economic activities. Further, the health pandemic poses further risks as it may constrain the county's financial resources. According to Buigut and Masinde (2021), political conflicts in Kenya negatively affect the tourism sector, and financial and media sectors. Peaceful initiatives induce a positive effect on the sectors and thus the need to advocate for peaceful elections to boost the performance of the sectors during general elections.

Disruptions of global value chains: Regarding external risks, the spread of the pandemic across nations disrupted the supply of goods and services. This was heightened by the temporary cessation on international travels and lockdowns in most countries. The possibility of additional waves of the pandemic in many countries poses further risks to trade as countries introduce lockdowns. This is likely to hamper Kenyan exports and imports, slowing down trade and production processes in the country. Prolonged global economic weakness because of the pandemic would weigh on the performance of the tourism sector and remittances. In the medium term, a large-scale shrinking of global value chains has the potential to reduce already low growth and productivity. Further, the experience of pandemic-related disruptions may cause some firms to re-assess their participation in the global value chains.

3.3.2 Opportunities

Although economic growth in Kenya is envisaged to decline in 2020, lifting the various measures instituted to curb the pandemic has set the stage for a robust economic recovery. As a country, there are opportunities that can be leveraged on to support a swift recovery. First, a breakthrough in the development of vaccines against novel Coronavirus sets the stage for the beginning of a robust recovery in Kenya. Kenya received the first consignment of the vaccine on 2nd March 2021, being the fourth country in Africa to receive after Ghana, Ivory Coast and Nigeria. As the Ministry of Health implements the deployment plan for the vaccines that will see healthcare workers and other essential workers, including security personnel and teachers being offered the vaccine first, it offers a great opportunity for Kenya to embark on the recovery path. As of 24th September 2021, Kenya had received a total of 6.35 million doses of assorted[3] COVID-19 vaccines with 3.41 million persons being vaccinated. According to Kirwin et al. (2020), the availability of a vaccine that is 80 per cent effective and given to prioritized individuals perceived to be at high risk reduces active cases by 29.2 per cent. Further, the study established that when vaccine coverage is at least 70 per cent, there is sufficient herd immunity to suppress the pandemic. The availability of the vaccine is expected to reduce the disease burden by preventing infections in exposed individuals, reducing severity of infection in infected individuals and preventing secondary infections. As a result, it is expected that the effectiveness of the vaccine will offset the anticipated adverse effects of the pandemic. The promise of an earlier than expected end of the pandemic could strengthen consumer and investor confidence, hence fast-tracking economic recovery. This is likely to reverse the adverse effects expected in case of a surge in number of infections.

The coming into effect of the African Continental Free Trade Agreement (AfCFTA) in January 2021 presents an enormous opportunity for Kenya to diversify its trade. The single market created is expected to improve trade flows, diversify exports of goods and services and enhance consumer choice. In effect, Kenya stands to benefit as the trade agreement is expected to improve cross-border mobility of capital and labour and enhance investment competitiveness both nationally and continentally. Implementation of AfCFTA is expected to boost East African trade by between US$ 737 million and US$ 1.11 billion and create 700,000 to 2,000,000 new jobs as discussed in Box 5.1 on the AfCFTA potential benefits in Chapter 5. Further, successful implementation of the Economic Stimulus Package and County Post-COVID-19 Social Economic Re-engineering and Recovery Strategy is expected to fasten the recovery process of the nation.

Table 3.3 presents medium-term forecasts, taking into account the risks and opportunities discussed. Kenya's economy is projected to have a strong rebound in 2021, with an expected growth of 6.3 per cent. The improved projected growth in 2021 may be attributed to recovery of the various sectors of the economy, expanded vaccination roll-out in the country and the lower base effect in 2020. The contraction experienced in 2020 has a potential for higher growth in 2021. Nevertheless, the inflationary pressure and the slight depreciation of the Kenyan shilling affecting the external sector performance lowered the growth compared to the base scenario. Inflation is expected to remain within the Government's range of 5±2.5 per cent in 2021 through the medium-term. In 2021, inflation is projected to increase slightly to 5.9 per cent compared to an average rate of 5.2 per cent attained in 2020. The low performance of exports and inflationary pressures are expected to weaken the Kenya shilling further in 2021. The Kenya shilling against the dollar is expected to depreciate to Ksh 108.7 in 2021 and is projected to appreciate marginally in 2022 to Ksh 107.1. Consumption, both private and government are projected to increase in 2021 by 12.8 and 6.8 per cent, respectively, following improved economic activities and resumption of businesses that is expected to increase household's income and government revenue. The projected performance is remarkable compared to the decline experienced in 2020 premised on reduced incomes to households due to job losses occasioned by the pandemic.

[3] Kenya has received four types of approved COVID-19 vaccines that include Astra-Zeneca, Johnson & Johnson, Moderna and Pfizer.

Table 3.3: Economic projections, 2021-2023 (with risks materializing)

	2018	2019	2020	2021	2022	2023
Rates (%)						
GDP Growth	5.6	4.9	-0.3	6.3	5.7	5.2
Inflation	4.7	5.3	5.4	5.9	5.6	5.0
Interest Rate	7.8	6.9	6.9	7.0	6.9	6.9
Volumes (%)						
Private Consumption	6.5	5.2	-3.2	12.8	5.9	2.5
Government Consumption	7.0	7.0	4.3	6.8	2.3	2.3
Total investments	-2.3	4.6	3.3	10.3	5.9	6.0
Private Investments	-0.8	8.5	6.5	4	6.1	3.4
Government Investments	-10.6	-18.3	-21	7.6	4.5	3.4
Export Goods and Service	6.8	-3.2	-8.2	14.3	6.1	18.6
Import Goods and Service	1.4	1.8	-8.5	5.8	2.2	-1.5
% of GDP						
Current Account Balance	-5.5	-5.3	-4.6	-3.3	-2.5	-1.4
Expenditures	20.3	16.9	17.1	16.4	15.9	14.1
Index						
Ksh per Dollar	101.3	102.1	106.5	108.7	107.1	107.1

Source: KIPPRA (2021) Staff estimates using KIPPRA Treasury Macroeconomic Model (KTMM)

3.4 County GCP and Medium-Term Prospects

Counties experienced a robust economic growth with real Gross County Product (GCP) averaging 5.6 per cent between 2014 and 2017 and 18 counties attaining higher growth rate than the overall county average. Elgeyo Marakwet registered the highest average growth rate of 10 per cent, attributable to its robust agricultural sector during the period under review. Other counties that experienced high growth rates include Nyandarua, Laikipia, Siaya and Tharaka Nithi, having attained average growth rates of 9.3, 8.6, 8.4 and 8.3 per cent, respectively. Embu, Garissa and Kisumu counties attained an average growth rate of 2.6, 3.2 and 3.5 per cent, being the least growth rates for the period under review. Agriculture and the services sectors were the main contributors to GCP growth for all counties save for Nairobi and Mombasa where they derived their growth mainly from services and manufacturing sectors.

The GCP estimates were calculated to be consistent with the National GDP estimates and hence the GCP for the 47 counties ought to average the national GDP. Based on the estimated GCP, there are significant differences in the size of the economy across counties and their contribution to Kenya's GDP as shown in Figure 3.1. During the period under review, the average contribution per county to the National GDP was 2.1 per cent, with only 14 counties contributing more than the average. Nairobi contributed the

largest share, approximately 21.7 per cent of GDP over the period, followed by Nakuru (6.1%), Kiambu (5.5%) and Mombasa (4.7%).

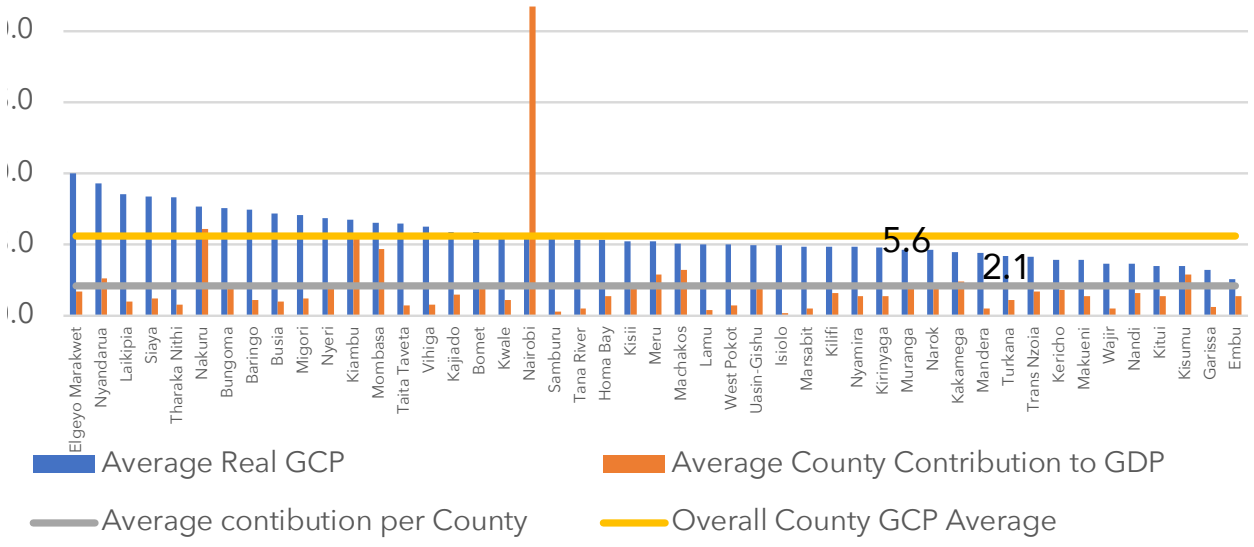
Analysis of GCP indicates large disparities across counties. For instance, Elgeyo Marakwet registered the highest growth rate of 10 per cent during the period but only contributed 1.7 per cent of Kenya's GDP whereas Nairobi with a growth rate of 5.6 per cent contributed the largest share of 21.7 per cent of GDP. The disparities are mainly attributed to the base effects, where counties with lower base have a potential for faster growth relative to counties that started at a higher base. As a result, there is a huge potential for many counties with small share to GDP to grow at a faster rate due to the base effect.

3.4.1 County GCP projections

The estimated GCP was derived using top-down approach where the national estimate (GDP) was allocated to the regions using a distribution key. The methodology was the most suitable compared to bottom-up approach and mixed approach (alternative approaches) as it entailed identification and validation of suitable indicators that accurately reflect levels of economic activities for the various sectors at the county level. However, the distribution key varied depending on which economic activity was being regionalized and the existing framework for compilation of national accounts. As a result, it becomes challenging to obtain county forecasts based on the 2017 GCP estimates.

A simple framework, therefore, was used to generate GCP projections based on a number of assumptions. In the baseline scenario, it is assumed that the counties' GCP grew at an average growth rate, *ceteris paribus*. Similarly, it is assumed that the counties would maintain the growth momentum in the medium-term. Based on that, 10 counties are envisioned to grow at a rate of 7 per cent and above with Elgeyo Marakwet and Nyandarua counties leading at 10.0 and 9.3 per cent, respectively. On the other hand, 8 counties would grow at less than 4 per cent with Embu County registering the least growth of 2.6 per cent. Table 3.4 presents the projected county GCP rate at the baseline.
The baseline scenario focused on the counties'

Figure 3.1: County GCP contribution to GDP (%)



Data source: KNBS (2019) Gross County Product

Table 3.4: Baseline projection for GCP growth rate (%), 2018-2022

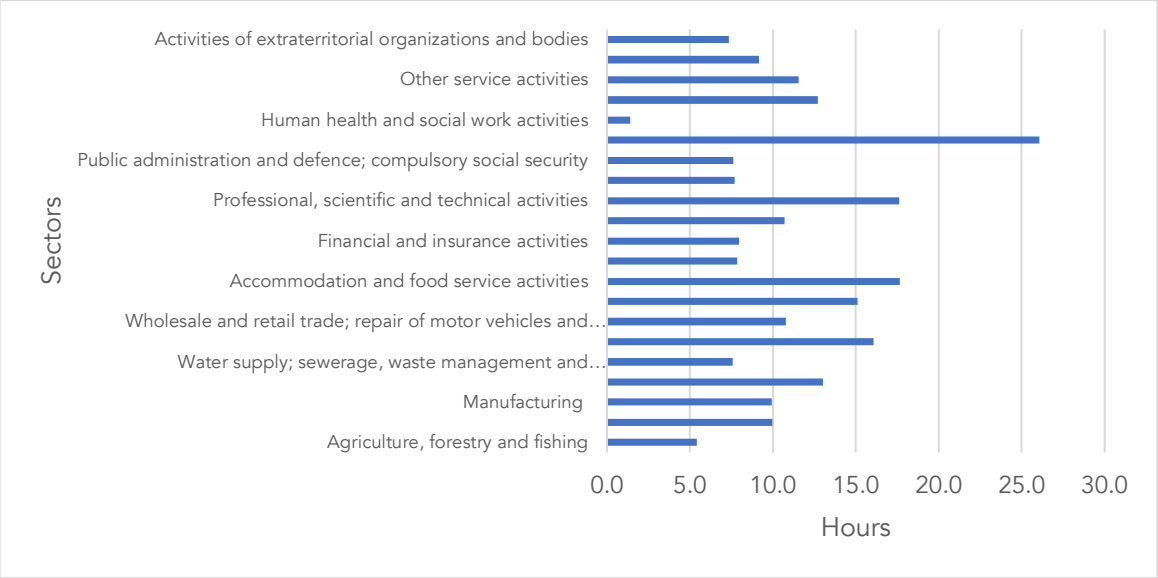
County	2018	2019	2020	2021	2022
Elgeyo Marakwet	10.0	10.0	10.0	10.0	10.0
Nyandarua	9.3	9.3	9.3	9.3	9.3
Laikipia	8.6	8.6	8.6	8.6	8.6
Siaya	8.4	8.4	8.4	8.4	8.4
Tharaka Nithi	8.3	8.3	8.3	8.3	8.3
Nakuru	7.7	7.7	7.7	7.7	7.7
Bungoma	7.6	7.6	7.6	7.6	7.6
Baringo	7.5	7.5	7.5	7.5	7.5
Busia	7.2	7.2	7.2	7.2	7.2
Migori	7.1	7.1	7.1	7.1	7.1
Kericho	3.9	3.9	3.9	3.9	3.9
Makueni	3.9	3.9	3.9	3.9	3.9
Wajir	3.7	3.7	3.7	3.7	3.7
Nandi	3.6	3.6	3.6	3.6	3.6
Kitui	3.5	3.5	3.5	3.5	3.5
Kisumu	3.5	3.5	3.5	3.5	3.5
Garissa	3.2	3.2	3.2	3.2	3.2
Embu	2.6	2.6	2.6	2.6	2.6

Source: Authors' compilation from Kenya National Bureau of Statistics (2019), GCP 2019 data

economic growth under the assumption of normal operations with minimal risks. However, Kenya like most countries globally experienced severe economic shock in 2020 following the COVID-19 pandemic. As a result, county operations were affected because of the various measures instituted by both the National and County Governments to curb the spread of the virus. In addition, the counties also face various risks, including natural calamities (droughts, floods and locust invasion), political tensions as the country approaches the general elections in 2022 and delay in disbursements of funds from the National Treasury, among others. Further, according to the June 2020 KNBS COVID-19 Survey, various sectors of the economy lost substantial labour hours due to the pandemic. On average, the education sector lost the highest number of hours (26.1 hours) weekly followed by accommodation and restaurant with 17.7 hours. Cumulatively, the services sector activities lost the most number of hours followed by manufacturing and the agricultural sector. Appendix 3.1 shows the number of hours lost in the various sectors in all the counties.

Nevertheless, County Governments continue to benefit from the support of the National Government in terms of increased funding and passing of necessary legislation. In addition, the finalization and launch of the County COVID-19 Social-Economic Re-engineering and

Figure 3.2: Difference between usual hours worked and actual hours worked during COVID-19 period by sector



Source: Kenya National Bureau of Statistics COVID-19 Surveys, June 2020

Recovery Strategy 2020/21-2022/23 provides an enormous opportunity for the County Government economies to recover swiftly from the impact of COVID-19 pandemic. The strategy prioritizes agriculture, water and sanitation, urban development and housing, tourism, health, education, social protection and gender as anchor sectors to be leveraged upon to support counties' recovery from the effects of the COVID-19 pandemic. Considering the risks faced by County Governments and support from the National Government, Table 3.5 shows the projected GCP growth rates for the counties in the Medium-Term based on the available GCP data recorded up to 2017. The projections indicate an initial optimistic scenario for 2018 and 2019 as the counties experienced minimal risks and a pessimistic scenario for 2020 where counties are assumed to face significant risks aforementioned.

Based on the projections, the counties were to

Table 3.5: Projection for GCP growth rate (%), 2018-2022

County	2018	2019	2020	2021	2022
Baringo	7.5	7.5	3.4	7.3	7.3
Bomet	5.9	5.9	1.2	5.1	5.1
Bungoma	7.6	7.6	1.5	5.4	5.4
Busia	7.2	7.2	3.5	7.4	7.4
Elgeyo Marakwet	10.0	10.0	5.0	8.9	8.9
Embu	2.6	2.6	-3.5	0.4	0.4
Garissa	3.2	3.2	2.3	6.2	6.2
Homa Bay	5.3	5.3	3.8	7.7	7.7
Isiolo	5.0	5.0	2.3	6.2	6.2
Kajiado	5.9	5.9	1.3	5.2	5.2
Kakamega	4.5	4.5	2.7	6.6	6.6

County	2018	2019	2020	2021	2022
Kericho	3.9	3.9	0.7	4.6	4.6
Kiambu	6.8	6.8	5.2	9.1	9.1
Kilifi	4.8	4.8	0.7	4.6	4.6
Kirinyaga	4.8	4.8	3.5	7.4	7.4
Kisii	5.2	5.2	4.4	8.3	8.3
Kisumu	3.5	3.5	2.0	5.9	5.9
Kitui	3.5	3.5	-10	-6.1	-6.1
Kwale	5.7	5.7	4.2	8.1	8.1
Laikipia	8.6	8.6	0.1	4.0	4.0
Lamu	5.0	5.0	-0.4	3.5	3.5
Machakos	5.1	5.1	1.7	5.6	5.6
Makueni	3.9	3.9	-1.1	2.8	2.8
Mandera	4.4	4.4	4.2	8.1	8.1
Marsabit	4.9	4.9	-1.7	2.2	2.2
Meru	5.2	5.2	2.4	6.3	6.3
Migori	7.1	7.1	3.4	7.3	7.3
Mombasa	6.5	6.5	3.8	7.7	7.7
Murang'a	4.6	4.6	3.2	7.1	7.1
Nairobi	5.6	5.6	3.9	7.8	7.8
Nakuru	7.7	7.7	4.7	8.6	8.6
Nandi	3.6	3.6	-1.5	2.4	2.4
Narok	4.6	4.6	2.2	6.1	6.1
Nyamira	4.8	4.8	-3.3	0.6	0.6
Nyandarua	9.3	9.3	7.2	11.1	11.1
Nyeri	6.9	6.9	1.2	5.1	5.1
Samburu	5.4	5.4	0.2	4.1	4.1
Siaya	8.4	8.4	4.1	8.0	8.0
Taita Taveta	6.5	6.5	1.8	5.7	5.7
Tana River	5.3	5.3	-17.4	-13.5	-13.5
Tharaka Nithi	8.3	8.3	4.2	8.1	8.1
Trans Nzoia	4.1	4.1	-0.6	3.3	3.3
Turkana	4.2	4.2	0.7	4.6	4.6
Uasin Gishu	5.0	5.0	-0.3	3.6	3.6

County	2018	2019	2020	2021	2022
Vihiga	6.3	6.3	4	7.9	7.9
Wajir	3.7	3.7	2.7	6.6	6.6
West Pokot	5.0	5.0	-0.3	3.6	3.6
Average	**5.6**	**5.6**	**1.3**	**5.2**	**5.2**

Source: Authors' compilation from Kenya National Bureau of Statistics (2019), GCP 2019 data

grow at average rate of 5.6 per cent in 2018 and 2019 before declining to 1.3 per cent in 2020 upon materializing of the risks. With the risks, counties are envisioned to experience declining growth rates, with 11 counties registering a contraction in their GCP. The contraction and decline in growth experienced in the counties may be partly attributed to the number of labour hours lost in the various sectors as shown in Appendix 3.1. Tana River County is projected to experience the highest contraction in 2020, with slight improvements in 2021 and 2022. The county's main source of economic growth is agriculture and services sectors, which contributed 54.7 and 45.3 per cent of the GCP in 2017. However, the county experienced significant shocks that affected the performance of the two sectors in 2020. First, the county was invaded by swarms of locusts from February, which adversely affected the agriculture sector. Secondly, the outbreak of the COVID-19 pandemic slowed down economic activities in the services sector following the measures instituted by the Government to curb the spread of the pandemic. This was also reflected in the number of labour hours lost as shown in Appendix 3.1. An assessment of the COVID-19 effects on hours worked in agriculture-related occupations in Tana River County indicates that food processing and workers from related trades recorded the highest difference of 28 hours between the usual and actual hours worked in a week. Additional significant challenges faced by the county during the COVID-19 pandemic period include: floods/mudslides/landslides (37.8%) and livestock diseases (9.4%). In particular, flooding in the county affected the already planted areas. Most farming communities farm along flood plains, hence floods affected the farming activities and crops were swept away. Nyandarua, Kiambu and Elgeyo Marakwet are projected to grow at 7.2, 5.2 and 5.0 per cent, respectively, the highest growth rates registered. The Nyandarua and Elgeyo Marakwet counties robust growth was supported by their strong agricultural sector that was least affected in terms of labour hours lost in 2020.

In 2021 and 2022, the counties are envisioned to grow at an average rate of 5.2 per cent. This implies that if optimal growth is achieved by counties as projected, the country's GDP will experience a growth of 5.2 per cent given that growth is mainly derived from agriculture sector for most counties, which least experiences disruptions from the pandemic. However, this assumes that the country will experience a swift recovery process from the pandemic and with minimal interruptions during the electioneering period. As such, the projection is subject to uncertainties in the medium term following the various risks discussed. Going forward, it is expected that the National Government in collaboration with the County Governments continue implementing measures aimed at cushioning the economy and promoting recovery to mitigate the adverse effects of the risks and support initiatives towards a peaceful electioneering period.

3.5 Key Messages and Policy Recommendations

3.5.1 Key messages

1. The COVID-19 pandemic has led to global economic shock of great magnitude in 2020, resulting to steep recessions in many countries despite the unprecedented policy support. Economic activities in Kenya, like many countries globally, subdued from the second quarter of 2020 following the

adverse effects of COVID-19 pandemic.

2. In 2020, the COVID-19 pandemic reversed the strong growth momentum built over the years. To support the economy and cushion the households, the Government provided various fiscal and monetary measures. The measures provided liquidity, stabilized financial markets and maintained investor confidence in the country.

3. Kenya faces significant downside risks that could see a slowdown in economic activity in the medium-term. These include risks of continued widespread infections and different waves of the COVID-19 infections, natural calamities such as drought, floods and invasion by desert locust swarms, debt burden and political instability as the country nears the 2022 election year. These are expected to have implications on economic activities.

4. Although economic growth contracted in 2020, relaxing the various measures instituted to curb the pandemic has set the stage for a robust economic recovery. As a country, there are opportunities that can be leveraged on to support a swift recovery. These include the breakthrough in the development of vaccines against novel Coronavirus, of which Kenya has already vaccinated more than 3 million people, and the coming into effect of the AfCFTA in January 2021, which is expected to boost the country's trade. Successful implementation of the Economic Stimulus Package and County Post-COVID-19 Social-Economic Re-engineering and Recovery Strategy is expected to fasten the recovery process of the nation.

5. The country registered a contraction of 0.3 per cent in 2020, with an expected strong rebound in 2021 and in the medium-term following improved performance of the various economic activities. Under the baseline scenario, the economy is expected to grow at a rate of 10.4 per cent in 2021 partly due to the effects of the lower base in 2020. Cognizant of the risks Kenya faces in the medium-term; the economy is projected to grow at 6.3 per cent in 2021 and gradually stabilizing at 5.2 per cent in 2023. The strong performance is premised on easing of the various containment measures, expanded vaccination roll-out in the country and partly due to the lower base effect in 2020. The county projections indicate a similar trend, with the average GCP growing at 5.6 per cent under the baseline scenario before declining to an average of 1.3 per cent in 2020 with materializing of the risks.

6. The slowdown in the country's economic activities may affect implementation of the "Big Four" agenda as the government focuses on cushioning citizens against the COVID-19 pandemic and instituting strategies aimed at re-engineering the economy. As such, taking timely intervention to avert the adverse effects of the downside risks is necessary in putting the country on a recovery path.

3.5.2 Policy Recommendations

1. As Kenya navigates the pandemic and its associated uncertainty, the National Government in collaboration with the County Government needs to continue supporting building resilience, cushioning the vulnerable groups and promoting recovery activities.

2. Maintain focus on achieving objectives under the "Big Four" agenda especially on the goal of achieving Universal Health Coverage (UHC). This will be instrumental in fighting the current pandemic and placing the country on the recovery path.

3. The successful implementation of the Economic Stimulus Package will enable meeting its objectives of restoring the Kenyan economy to growth trajectory by increasing demand for local goods and services, cushioning vulnerable Kenyans, securing household food security and creating employment. This is vital in cushioning the country against the downside risks.

4. There is need for synergy between the National and County Governments in the successful implementation of the COVID-19 Social-Economic Re-engineering and Recovery Strategies in addition to other medium and long-term economic blueprints such as the "Big Four" and the Kenya Vision 2030 to ensure that the nation can rapidly move back to economic recovery.

CHAPTER 4

NAVIGATING THROUGH THE EFFECTS OF COVID-19 PANDEMIC TO DELIVER ON MANUFACTURING

The manufacturing sector was adversely affected by the COVID-19 pandemic and contracted by 0.1 per cent in 2020. The containment measures including partial lockdowns, curfews, and requirements to adopt to the new pandemic guidelines, including rearranging floor plans to allow for social distancing, increased costs of doing business, and generally disrupted the supply chains. At international level, total ban on flights and disruption in global supply chains affected the export market for manufactured goods and importation of material inputs, especially capital goods that are used in production. Most importantly, the micro enterprises that dominate the sector were most affected by the pandemic, especially due to their nature of operations. In sustaining growth of the manufacturing sector, it is important to enhance the local production capacity of the manufacturing firms, including micro-enterprises by exploiting opportunities afforded by the pandemic such as production of hospital beds and ventilators, reagents, gloves, masks, disinfectants, PPEs, and sanitizers; boost demand for locally manufactured goods by enforcing Buy Kenya, Build Kenya; and build resilience and sustainability of the manufacturing sector, for example by strengthening the local value chains.

4.1 Introduction

Manufacturing is a key sector in Kenya's economy. Over the last two decades, the share of manufacturing to GDP averaged 10.0 per cent, with an average growth rate of 3.0 per cent. In the last five years, manufacturing sector growth averaged 1.7 per cent while contributing an average of 3.6 per cent to GDP growth (Table 4.1). The sector's contribution to wage employment was 11.2 per cent in the same period. Further, the sector is a big source of informal employment, contributing an average of 20.2 per cent in the last five years.

Due to its expected significant impact in generation of output, employment and increased incomes for households, the manufacturing sector has been identified in the third Medium-Term Plan of the Kenya Vision 2030 as one of the four priority areas under the "Big Four" agenda. The other three priority areas are food nutrition and security, affordable housing and Universal Health Coverage (UHC).

This chapter seeks to assess the current status of the achievement of the manufacturing sector, highlight how the sector has been affected by the COVID-19 pandemic, explore the opportunities that need to be taken for the sector to recover, and propose key recommendations to turn around the sector in the envisaged trajectory.

4.2 Status of Manufacturing in Achieving the "Big Four" Agenda

This section reviews the progress of the various focus areas identified in the manufacturing pillar of the "Big Four" agenda. These include targets on manufacturing as a share of GDP; industrial parks; textile, apparel and cotton; improving ease of doing business; and agro-processing.

Overall, the target for manufacturing as a share of GDP was set to increase from 9.2 per cent in 2016 to 15.0 per cent by 2022. In 2018, 2019 and 2020, the sector's share to GDP averaged 8.0 per cent (Table 4.1), which is less than the envisaged

Table 4.1: Contribution of manufacturing to economic activity, 2016-2020

	2016	2017	2018	2019	2020	Average
Manufacturing sector share to GDP (%)	9.3	8.7	8.4	7.9	7.6	8.4
Manufacturing sector growth rate (%)	1.9	0.7	3.6	2.5	-0.1	1.7
Manufacturing sector as a source of growth (%)	4.3	1.7	5.7	4.4	2.0	3.6
Manufacturing wage employment ('000)	315.1	317.5	321.3	329.0	293.8	315.3
Manufacturing wage employment/total wage employment (%)	11.7	11.4	11.2	11.2	10.7	11.2
Manufacturing informal employment ('000)	2596.2	2728.9	2878.8	3044.9	2933.9	2836.5
Manufacturing informal employment/ Total informal employment (%)	20.4	20.2	20.2	20.2	20.2	20.2

Source: Kenya National Bureau of Statistics (2021), Economic Survey

target of 9.2 per cent. Further, a declining trend is depicted since 2016 and if the trend continues, the target for 2022 may not be achieved. This is further compounded by the effects of COVID-19 pandemic on the sector, which have affected the sector growth because of Government health protocols put in place to address the pandemic. This has disrupted production, and especially of non-essential goods.

In addition, a total of 153,790 jobs were generated in 2018 and 2019[4] from textile/apparel/cotton sub-sectors against a target of 600,000 jobs while manufacturing sub-sectors in agro-processing generated 246,272 jobs over the two-year period, against a target of 200,000 jobs. On the Ease of Doing Business Index, the country ranked position 56 as at 2020 against a target of position 50 but an improvement from 80 in 2017. Kenya's global ranking improvement was generally attributed to improvements in protecting minority investors, dealing with construction permits, resolving insolvency, and paying taxes. To improve on its ranking, the country will need to address and improve on: strengthening registration of property, getting electricity, and trading across borders.

Moreover, on the target on industrial parks and Special Economic Zones (SEZs), a number of SEZs have been gazetted in Machakos, Kiambu, Uasin Gishu, Nakuru and Makueni counties. The Naivasha Industrial Park has been fenced, and physical planning and master plan have been completed. Additionally, in the Dongo Kundu SEZ, the Resettlement Action Plan has been finalized for compensation of persons affected by the project. The Japanese Government is also supporting development of various infrastructure in Dongo Kundu. Moreover, land for construction of three agro-processing hubs have been allocated in Nyandarua, Kisii and Meru counties.

From the foregoing, the progress in focus areas shows various levels of achievement. While the sector has had its challenges, the onset of COVID-19 pandemic has had significant impact on the sector. While there have been some positives, and mostly for the sectors offering essential services, the effects have been largely negative on the sector. This is considered in section 4.3.

[4] The data capturing the year 2020 (from 2021 KNBS Statistical Abstract) not yet available.

Table 4.2: Manufacturing sector focus areas in the "Big Four" agenda

Focus areas	Targets	Achievements/progress so far
Manufacturing share/GDP	Overall target: Increase manufacturing to 15% of GDP	• Average of 7.7% (2018, 2019 and 2020)
Textile/apparel/ cotton	• 500,000 cotton jobs • 100,000 new apparel jobs	• A total of 153,790 generated in 2018 and 2019
Leather	• 50,000 new jobs • 20 million shoes made • Train and set up 5,000 cottage industries	• The youth have been engaged in the establishment of 5,000 cottage industries and linked to industrial development centres (BPS, 2021) • Construction of the Kenanie Leather Park Effluent Treatment Plant, which has reached completion level of 35% • The Draft Kenya National Leather Development Policy being finalized
Agro-processing	• 1,000 SMEs • 200,000 jobs	• The manufacturing sub-sectors in agro-processing generated 246,272 jobs in 2018 and 2019
Iron and steel	• Develop incentive and policy framework • Establish iron ore deposits	• The viability of establishing an iron and steel plant in Lamu SEZ or Mariakani near Mombasa was confirmed through a feasibility study by Numerical Machining Complex
Doing business	• Doing Business rank to 50th from 80th globally	• 56th position as at 2020 ranking
Investment promotion	• Increase level of manufacturing FDI to US$ 2 billion (Ksh 200 billion)	• So far, 43 projects proposals worth Ksh 156.94 billion were facilitated
Industrial parks and zones	• Create 50,000 new jobs • Start Naivasha and Dongo Kundu Parks • SEZ's infrastructure	• Special Economic Zones (SEZ) Act enacted in 2015 • SEZs have been gazetted in Machakos, Kiambu (in 2017), Uasin Gishu (in 2018), Nakuru and Makueni counties (in 2019) • Naivasha Industrial Park - The zone has been fenced, physical planning and master plan have been done • Dongo Kundu SEZ - The Resettlement Action Plan has been finalized for compensation of persons affected by the project. Japanese Government is supporting development of various infrastructure through loan and grant

		• The land for construction of three agro-processing hubs have been allocated in Nyandarua, Kisii and Meru counties. The actual construction will take place in the 2020/2021 financial year • SME parks envisioned in the Kenya Vision 2030 in Nairobi, Nakuru, Kisumu, Eldoret and Mombasa all still at initial phases, including identification of land and concept and feasibility studies.

Source: Government of Kenya (Various Reports)

4.3 Manufacturing Sector and the COVID-19

The manufacturing sector was significantly affected by the COVID-19 pandemic. This was occasioned by the Government's initiatives to contain the pandemic, which have included partial lockdowns, curfews, and requirements to adopt to the new pandemic guidelines, including rearranging floor plans to allow for social distancing.

The first COVID-19 case in Kenya was reported on 13th March 2020. Several containment measures were adopted by the Government, such as social distancing, curfews, establishment of isolation facilities and so on. Some of the containment measures have since been relaxed, such as partial lockdown of Nairobi and Mombasa counties, resumption of domestic and international flights and opening of schools for all pupils. Other measures that were taken both by the National and County governments, and the private sector are outlined in Box 4.1, and especially with a significant bearing on the manufacturing sector.

Box 4.1: Intervention measures to mitigate COVID-19 effects

Intervention measures to mitigate COVID-19 effects

Key Government intervention measures to mitigate COVID-19 effects (see also Table 1.1 for a comprehensive assessment of all measures taken by the Government to address the COVID-19 pandemic)

Tax-based Measures

- Reduction of turnover tax from 3% to 1%
- Reduction of VAT from 16% to 14%
- 100% tax relief for "low income" earners - individuals earning up to Ksh 24,000 per month
- Reduction of the highest PAYE band from 30% to 25%
- Reduction of Corporate rate tax from 30% to 25%
- Fast-tracking payment of VAT refunds and other government obligations

Fiscal/Monetary Measures

- Reduction of Central Bank Rate from 8.25% to 7.25%
- Settlement of Ksh 13 billion of verified pending bills within three weeks
- Announced flexibility to banks regarding loan classification and provisioning for loans that were performing on 2nd March 2020, but were restructured due to the pandemic

Intervention measures to mitigate COVID-19 effects

- Temporary suspension of listing with Credit Reference Bureaus for persons who default on their loan obligations with effect from 1st April 2020
- The Central Bank has encouraged the waiving or reducing of charges on mobile money transactions to dis-incentivize the use of cash

Other measures

- The Government enforced a dusk to dawn curfew that took effect on 27th March 2020 requiring all residents to be indoors between 7 pm and 5 am. Only Police Officers, Medical Professionals, Health Workers, Critical and Essential personnel are allowed outside during the curfew hours. Currently, the curfew is observed between 10 pm and 4 am.
- All learning institutions closed
- Mandatory requirement to wear masks while in public places
- The Government banned all movement by road, rail or air in and out of the following counties for 21 days: Nairobi metropolitan (with effect from 6th April 2020), Mombasa, Kilifi and Kwale counties (with effect from 8 April 2020). Movement was also banned in and out of Eastleigh area and Old Town area in Mombasa with effect from 6th May 2020 for 15 days. All markets and eateries were ordered to shut down within those two areas. Later, this partial lockdown was lifted.
- The Government reopened eateries as from 1st May 2020. All eateries were to obtain certification to reopen from public health offices after meeting the guidelines provided by the Ministry of Health
- Limitations on public transportation passenger capacity
- Closure of markets by counties
- Waiver of cess, and other forms of levies to businesses by counties

Private sector

- Re-organizing floor plans to allow for social distancing in manufacturing establishments
- Contribution to the COVID-19 Emergency Fund
- National Emergency Response Committee (NERC) was formed to coordinate the nation's response to COVID-19
- Supporting containment activities including public awareness campaigns, testing and other rapid response measures
- Manufacturers from different industries formed a supply chain coalition called 'Safe Hands Kenya'. This is a mission-driven alliance of Kenyan organizations, which deploys free soap, hand-washing stations, and masks to the public, as a first line of defense against COVID-19
- M-Tiba, a health financing technology platform in Kenya, has developed a Short Messaging Service (SMS)-based service to identify health workers during curfew. Security agencies can send a free SMS with an ID number of the healthcare worker and get a confirmation message from M-Tiba authenticating the ID – and vehicle registration details

Source: Government of Kenya (2020), Various Reports

According to a survey done by KAM and KPMG, manufacturing enterprises welcomed the reduction of PAYE returns from 30 per cent to 25 per cent, which was aimed at cushioning workers from the effect of COVID-19. It enabled employees to increase their disposable income. Overall, 71 per cent of manufacturers found the exemption of tax to those earning below Ksh 24,000 helpful while 60 per cent of surveyed manufacturing firms responded positively to reduction of corporate tax from 30 per cent to 25 per cent.

In addition, 53 per cent of the respondents found the allocation of Ksh 13 billion for settlement of pending bills to be helpful. Further, about 73 per cent observed that reduction of the Central Bank Rate was helpful in stabilizing interest rates and enhancing liquidity in the market. However, the effects of these measures are yet to be experienced, especially with the slowed activity and closure of some firms. In a separate telephone survey by KIPPRA, about 50.7 per cent of the respondents found the Kenya Revenue Authority's (KRA's) payment of verified VAT refund claims to be a positive move, in addition to the establishment of the Emergency Response Fund to assist businesses (Table 4.3).

Table 4.3: MSMEs' perception of government interventions to support retail traders to cushion them from the negative consequences of Coronavirus pandemic

	Not Adequate	Somehow Adequate	Adequate	Very Adequate	Not Sure
Reduction of turnover tax rate from 3% to 1% to all MSMEs	27.7	17.5	17.5	6.6	30.7
Temporary suspension of listing with Credit Reference Bureaus	18.4	22.1	15.4	22.8	21.3
Reduction of VAT from 16% to 14% effective from 1st April 2020	26.7	20.0	19.3	12.6	21.5
Moratorium on banks not to increase interest rates	12.8	23.3	22.6	13.5	27.8
Payment of pending bills by Government and private sector	4.4	12.4	23.4	24.1	35.8
KRA paying verified VAT refunds claims	11.9	23.9	10.4	16.4	37.3
Establishment of an Emergency Response Fund	16.1	9.5	21.9	26.3	26.3
Additional cash transfers to the elderly, PWDs, orphans and other vulnerable in the society	12.5	8.8	14.0	35.3	29.4

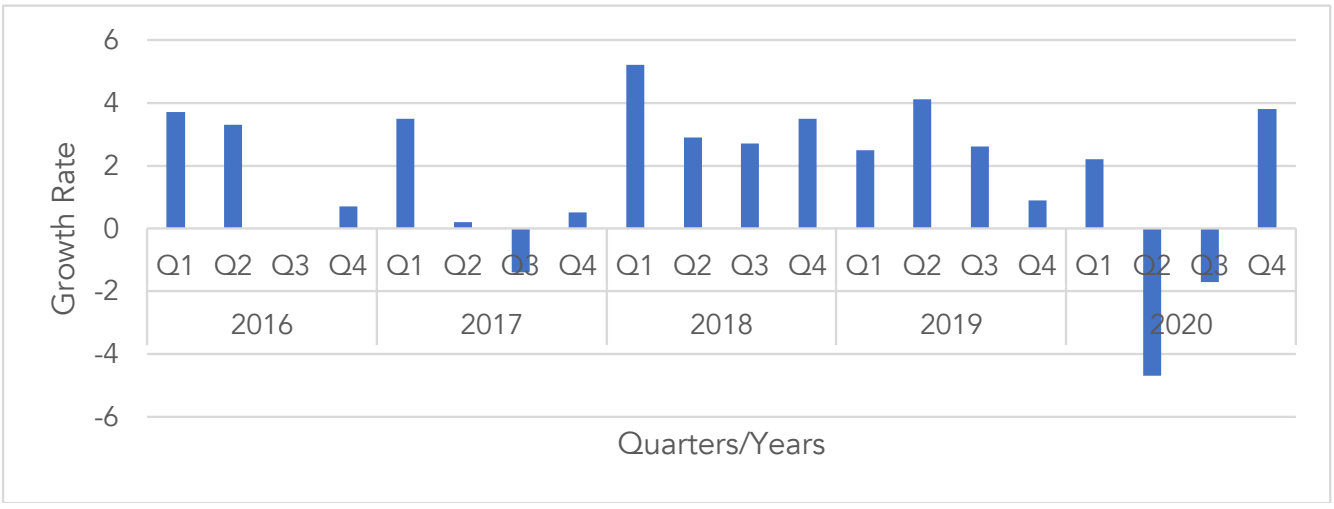
Source: Computed from Kenya Institute for Public Policy Research and Analysis - KIPPRA (2020) Survey

4.3.1 Effect on sector growth and turnover

Figure 4.1 shows the manufacturing sector in various quarters since 2016. Overall, looking at the second quarter (April-June 2020), and third quarter (July-September 2020), the manufacturing sector contracted by 4.7 per cent and 1.7 per cent, respectively. This is the time when the effects of COVID-19 were beginning to be felt in the sector. Growth was witnessed in similar quarters in 2018 and 2019. In 2017, growth was generally low because of drought in the first half of the year, which affected the agro-based industries and factories, and the General Elections that caused uncertainties, thus negatively affecting the business environment.

A recent study done by KAM and KPMG (2020) shows that most of the manufacturing firms have experienced a fall in turnover because of the ongoing COVID-19 pandemic. Most of the respondents (93%) experienced a reduction in turnover, with 23 per cent of the businesses registering losses of between 65 and 100 per cent. About 87 per cent of the businesses attributed this to fall in demand of the manufactured products. The decreased demand from consumers could be due to loss of jobs and other sources of income. Since the major market for manufacturing firms includes individual consumers (85.1%), this impacted negatively on the market for manufactured products. However, about 4 per cent of the businesses registered an increase in turnover while another 4 per cent did not experience any changes. The most affected sectors include textile, apparel and timber (61%), wood and furniture (60%) and leather and footwear (40%). They experienced a loss of turnover of more than 65 per cent. A few sectors, though, registered an increase in turnover, including metal and allied (18%), chemical and allied (6%), paper and paperboard (5%) and food and beverages (3%).

Figure 4.1: Manufacturing sector growth (%)



Source: Computed from Kenya National Bureau of Statistics (2021), Economic Survey

[5] So far, KNBS data on the fourth quarter (October-December 2020) not officially out.

4.3.2 Effect on employment

The COVID-19 pandemic has had a significant effect on employment by businesses. A study by KEPSA (2020) shows that only 58 per cent of businesses retained their staff, while 4 per cent hired more. About 39 per cent of the businesses retrenched staff, and especially at junior levels (50%), mid-level (39%) and senior level (11%).

Additionally, KNBS surveys (wave 1 and 2) on labour participation rates shows that workers across all sectors indicated having worked, on average, fewer hours in the reference period compared to the normal hours worked per week (Table 4.4). The manufacturing sector recorded a difference of 12 hours and 7 hours, respectively, over the two survey periods. This implies that workers in the manufacturing sector were not operating in full capacity, having worked fewer hours than usual in the weeks preceding the survey. On average, the manufacturing employees worked for 40 hours in a week. Nearly half of all those interviewed who were absent from work noted that the reason was due to lockdowns or stay away instructions as given by the Government and/or enterprises they worked for. Other reasons included work reduction, temporary layoffs or temporary slacks.

Table 4.4: Difference between the usual and actual hours worked by industry

Industry/Sector	Difference between the usual and actual hours worked by Industry	
	Wave 1	Wave 2
Education	40	35
Accommodation and food services	30	18
Activities of extraterritorial organizations and bodies	24	12
Other service activities	24	10
Construction	23	16
Real estate activities	20	8
Information and communication	13	6
Wholesale and retail trade; repair of motor vehicles and motorcycles	13	11
Financial and insurance activities	12	7
Transport and storage	12	14
Manufacturing	**12**	**7**
Water supply; sewerage, waste management and remediation activities	10	3
Activities of households as employers, undifferentiated	8	19
Crop and animal production, hunting and related service activities	8	5
Arts, entertainment and recreation	7	18
Administrative and support service activities	6	9
Mining and quarrying	6	8
Not stated	5	-

Human health and social work activities	5	3
Electricity, gas, steam and air conditioning supply	5	19
Public administration and defence; compulsory social security	2	10
Professional, scientific and technical activities	0	12

Source: Kenya National Bureau of Statistics (2020) Survey on Socio-Economic Impact of COVID-19 on Households – Waves 1 & 2

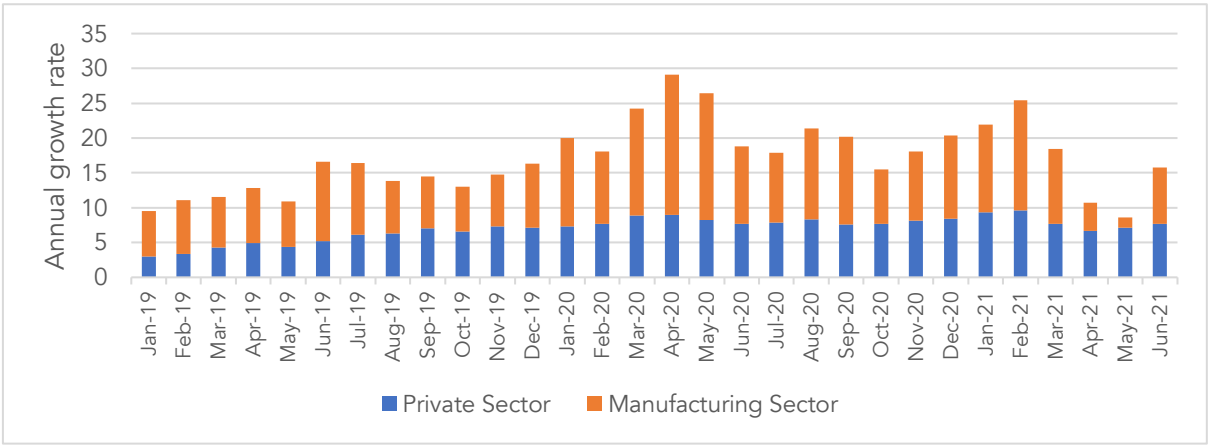
4.3.3 Banking credit to the manufacturing sector

Figure 4.2 shows the annual growth of credit to the private sector and the manufacturing sector. Overall, the annual growth rate of private sector credit from banks peaked at 9 per cent in April 2020 before beginning to slow down to 6.7 per cent in April 2021. The same scenario is observed in the annual growth rate of credit advanced by banks to the manufacturing sector, which started decreasing from 20.1 per cent in April 2020 to 1.5 per cent in May 2021 (Figure 4.2). The effects of COVID-19 were beginning to be experienced around this time, thus slowing the activity in the sector and therefore the demand for credit.

4.3.4 Effects on FDI to manufacturing

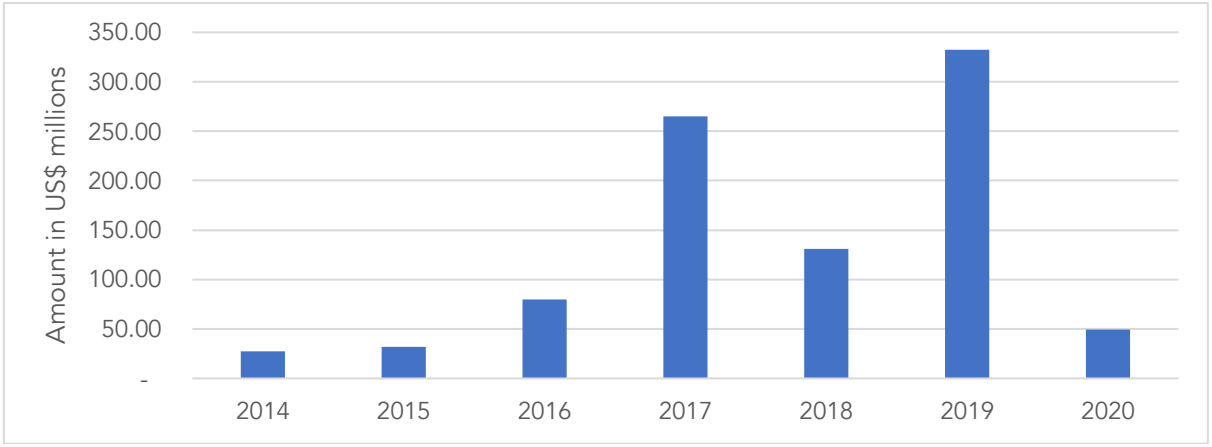
Figure 4.3 shows that Foreign Direct Investment (FDI) in manufacturing has been generally on an upward trend since 2014, peaking at US$ 332.65 million in 2019. However, FDI in the sector significantly reduced to US$ 49.39 million in 2020, a drop that can be largely attributed to the negative effects of COVID-19 on the sector. This has a negative implication on one of the targets of the "Big Four" agenda, which is to increase FDI in manufacturing to US$ 2 billion by 2022. Additionally, FDI was invested in the following key projects/sectors in 2020: Construction (US$ 670.35 million); Education (US$ 11.06 million); Tourism (US$ 92.12 million); Energy (US$ 24.49 million); Wholesale and Retail (US$ 21.03 million); and ICT (US$ 15.23 million) (KenInvest, 2021).

Figure 4.2: Private sector and manufacturing sector annual credit growth rate (%)



Source: Computed from Central Bank of Kenya - CBK, Monthly Economic Indicators, September 2020, January 2021, and June 2021

Figure 4.3: FDI investments in manufacturing (US$ millions)



Data source: Kenya Investment Authority - KenInvest (2021)

4.4 Opportunities for manufacturing with COVID-19

On the flipside, COVID-19 has also afforded manufacturing establishments opportunities to produce important goods as part of measures to address the pandemic. These include Personal Protective Equipment (PPEs), sanitizers, desks for schools, hospital beds, disinfectants and ventilators. These provide an opportunity to enhance the local production of goods in the country, both at National and County level. However, measures are needed to diversify to other products since the production of goods currently being used may cease when the pandemic is contained. These opportunities are highlighted in Box 4.2.

Box 4.2: Opportunities arising from COVID-19 for the sector

Opportunities arising from COVID-19 for the sector

The following are opportunities arising from COVID-19 for both National and County governments:

1. Increased use of e-commerce platform for sale of manufactured goods and services
2. Automation and workforce re-skilling in the sector
3. Backward integration and consolidation (businesses obtain control over suppliers and improve supply chain efficiency through scale), which will increase self-reliance, and especially from import markets
4. Manufacturing enterprises producing pharmaceuticals and health products, such as personal protective equipment (PPEs), sanitizers, etc could raise their local capacity and especially with the support of the National and County governments
5. Increased local capacity for manufacturing for export and especially at the counties.

Source: Kenya Institute for Public Policy Research and Analysis - KIPPRA and Council of Governors (2020); UNCTAD (2020)

To help manufacturing enterprises and the manufacturing sector to navigate through the crisis and be better positioned after the pandemic, the following areas could be explored:

1) Building resilience and sustainability of the manufacturing sector

It is important to focus on building the resilience and sustainability of the manufacturing sector to prevent it from suffering from shocks brought about by crises such as COVID-19. This can be done through addressing the following areas.

a. Strengthening the local supply chain

COVID-19 has amplified the challenges faced by the manufacturing sector, which include reliance on global value chains for material imports for production and exports of some manufactured goods. As established in the 2021 Economic Survey, industrial machineries accounted for the second largest share of the country's total import bill. As at 2020, the value was Ksh 231.9 billion, accounting of 14.1 per cent of the total import bill after petroleum products, which accounted for the second largest share (12.2%). Building the country's capability to manufacture industrial machinery is in line with the country's industrial policy priorities, presented as "Local and export market expansion and diversification for manufactured products" in the National Industrialization Policy Framework for Kenya (2012-2030), while lowering reliance on imports. This can be achieved by encouraging diversification and technological dynamisms in strengthening the local value chains, by identifying industry needs and designing policy interventions and incentives aimed at nurturing local capacity to manufacture. Two interventions that are proposed in the Industrialization Policy that could be prioritized in the short-term include identification and promotion of incentives to investors in machine tool industry and enhance capacity within the university to strengthen practical training. This will go a long way in cushioning the sector from industrial risks arising from external shocks. So far, local manufacturers have shown that they have capabilities to produce goods of high quality with relevant institutional support. For example, a locally produced ventilator has been certified by Mutsimoto Motor Company with support from Kenya Association of Manufacturers.

b. Implementing Buy Kenya Build Kenya initiative

The *Buy Kenya Build Kenya* strategy is aimed at promoting consumption of local products and services to stimulate production, diversification and encourage growth and development of local industries with the aspiration of promoting competitiveness, enhance the local market and build an integrated agricultural, industrial and service base. The strategy interventions include the promotion of public sector procurement locally using preference and reservations as established in the Public Procurement and Asset Disposal Act, 2015 and local content provisions. Both focus on local content and value addition requirements that are geared towards expanding the local market access for locally produced goods and services. However, to realize the immense benefits of this initiative in supporting the recovery of the MSMEs involved in manufacturing, there is need to enforce implementation of the list of items identified for local procurement and especially by the public sector to promote the initiative. In this regard, the Government is prioritizing the establishment of sub-contracting policy, which would be a welcome intervention given MSMEs are already highly interlinked but lack sufficient contractual mechanisms. In achieving this, the Government needs to encourage large enterprises to work with MSMEs. This calls for a mapping exercise that starts with identifying the needs of larger enterprises that can be satisfied by local MSMEs, then developing local technological capabilities among MSMEs to consistently and reliably meet the needs of the market, and

consequently promoting domestic production to meet the demand. Moreover, the proposed *Buy Kenya Build Kenya* business forums and events where buyers and sellers can interact should be actualized. The idea should be to provide MSMEs with contacts of alternative local sources of inputs and raw materials.

2) Providing incentives for innovation by manufacturing firms

The KNBS MSME 2016 survey shows that there are limited levels of innovation among manufacturing enterprises, which included: product innovation (14%); process innovation (7%) and marketing innovation (7%), revealing low levels of innovation among MSMEs in Kenya. According to KIPPRA's County Business Environment for MSEs (2019), out of the 20 business environment indicators reviewed, innovation and patenting scored the lowest. Some of the factors associated with low levels of innovation among MSEs in Kenya include high costs of innovation, limited incentives to innovate and limited finance to fund the development and/or commercialization of innovative ideas. There is need to provide incentives and a conducive ecosystem for increased innovation by manufacturing firms to diversify their business activities and enhance their competitiveness. Studies reveal that innovation enhances firm level resilience especially in crisis while introducing products, services or markets that serve societal needs. Three policy priority areas to nurture firm level innovation, therefore, as established by Gitonga and Moyi (2019) is enhancing access to information and communication technology (ICT), research and development (R&D) and credit. ICT has been identified as an enabler and driver of innovation, given as established in the study MSMEs who utilize ICT have a higher probability to undertake product and market innovation. The same applied to those that undertake R&D and those that had access to credit; they had a higher probability to undertake product, process and market innovation. Financing innovation and R&D is therefore an important policy priority. This calls for a review of current financing structures and provisions aimed at restricting them to be appropriate facilitate innovation and promote R&D. Policies that enhance both access to ICT and enhance digital inclusion should be prioritized.

3) Strengthening ICT capacity to boost e-commerce during and after COVID-19

During the COVID-19 pandemic, various measures were taken to manage its potential impacts. Some of the measures included working from home, partial lockdowns and curfews, which have limited physical contact, whether buying and selling, or labour participation. This necessitated the need for extensive use of e-platforms such as e-commerce for trade. However, the use of e-commerce in Kenya, search for and purchase of goods and services online is low at 4.3 per cent nationally, with 5 per cent being male and 3.7 per cent being female (Figure 4.4). Broadly, the urban population (9.6%) searched and bought more compared to the rural population (1.7%). Additionally, males both in urban (10.6%) and rural (2.1%) were more involved in online activities than females (8.6%) and 1.3%), respectively. This shows that in general, most of the population has not been able to participate in online buying and selling and are therefore faced with limited options, especially during lockdowns. The female population and those living in rural areas have been disproportionately affected. This meant that manufacturers had limited option of increasing demand and reaching markets to promote their products due to limited connectivity. Thus, during recovery, and as digital payments/ platforms become the norm for both businesses and consumers, e-commerce platforms will become competitive advantage for MSMEs in manufacturing. Therefore, manufacturing firms need to take steps to prepare and accelerate adoption of e-commerce platforms. This will call for ICT capacity to boost increased uptake of e-commerce and, therefore, the demand. This could be done using the National Fibre Optic Backbone (NOFBI) and private sector by spreading connectivity to public buildings and key trade centres to boost MSMEs in trade and business. Another important market

intervention that needs to be considered by the Government is to facilitate the digitization of MSMEs to enable them participate in e-commerce and m-commerce. The 2019/20 Budget Statement identifies investment in digital infrastructure to facilitate e-commerce as part of the post-COVID-19 economic recovery strategy. This should be prioritized with the aim of promoting e-commerce.

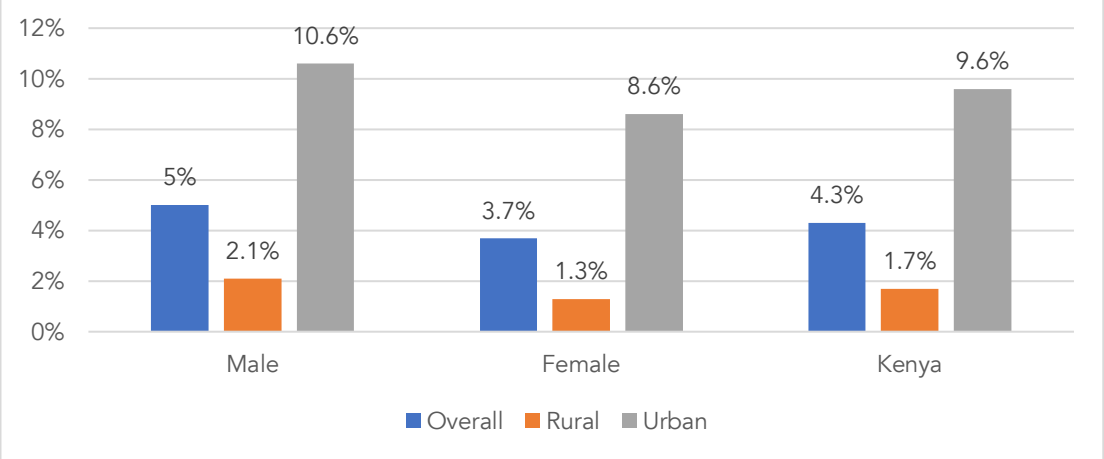
4) Increasing the share of manufacturing at county level

The COVID-19 pandemic has shown that counties have huge potential in manufacturing. This was evident as various counties took advantage in manufacturing some of the products needed to address the COVID-19 pandemic, such as masks, PPEs, ventilators, and hospital beds. However, most could not effectively get involved since their manufacturing sector is nearly non-existent. Overall, the share of contribution from manufacturing activities in the counties remains low (Appendix 4.1). For example, counties with significant contribution from manufacturing activities of, for instance, 5 per cent and above include: Nairobi (25.1%); Machakos (16.5%); Mombasa (14.3%); Kisumu (11.9%); Kiambu (11.8%); Kericho (10%); Kilifi (7.1%); Kirinyaga (6.6%); and Nyamira (5.2%). However, there is potential to enhance these counties and exploit the untapped opportunities in other counties with relatively undeveloped manufacturing sector, and especially through value addition. A study by KIPPRA (2020) identified specific areas in all counties that can attract attention in value addition through manufacturing. These include production of locally produced goods in the county and especially Personal Protective Equipment (PPEs), reagents, gloves, hospital beds, sanitizers and ventilators. The study further explored specific areas where each county could leverage for value addition and thus enhance their respective manufacturing sectors (Appendix 4.1).

5) Enhancing financing of the manufacturing sector

During the COVID-19 pandemic, manufacturing firms, and especially the micro and small firms were unable to secure credit from commercial banks, despite measures by the Central Bank of Kenya to increase credit to the sector. This is due to the structural issues that impede credit uptake by micro and small manufacturing firms such as lack of collateral, lack of proper records and informality. Some of the mitigation measures to assist these firms were the operationalization of the Credit Guarantee Scheme by the National

Figure 4.4: Searched and bought goods and services online (%)



Source: Computed from Kenya National Bureau of Statistics (2019), Economic Survey

Treasury. However, to enhance credit access in the long-term to these firms and large enterprises, it is important to fast-track enactment of the Kenya Development Bank Bill 2020, which will provide the legal framework for establishment of the Kenya Development Bank[6]. The Bank will go a long way in facilitating industrial development by providing development finance, business support and advisory services to medium and large-scale industries, and commercial undertakings in target sectors, such as manufacturing.

6) Improving the business environment for manufacturing sector growth

Investors in manufacturing need a business environment that promises a stable and predictable environment for businesses such as access to credit, energy, secure markets, and predictable policy environment. This will help in securing returns for their investments and will encourage them to scale up their businesses. During the COVID-19 pandemic, the business environment was adversely affected, leading to increased cost of doing business. For instance, the market for manufactured products contracted due to closure of physical markets, access to credit reduced, and this impacted on the working environment due to social distancing, among others. This was further compounded by pre-existing conditions that were affecting manufacturing firms. For example, a study by KIPPRA (2019) and KNBS (2016) shows that the main constraints faced by manufacturing firms include lack of markets (22.3%), local competition from peer manufacturing firms (12.2%), numerous procedures in obtaining licenses (11.1%), power interruption (8.2%), shortage of raw materials/ stock (6.5%), and lack of collateral for credit (6.1%) (Figure 4.5). Other major constraints faced by manufacturing enterprises include the challenge of counterfeits and dumping (substandard goods), inadequate and unequipped worksites, lack of public toilet facilities, lack of designated areas for waste disposal, poor road infrastructure, frequent power interruptions, inadequate training and apprenticeship programme for artisans, fragmentation due to multiplicity of players who offer training and capacity building, and lack of monitoring and evaluation of training programmes. With the market environment, MSEs face inadequate market for their local products, and unfair trade practises that manifest through contract enforcement and misrepresentation (through weight, price, ingredient).

To provide an enabling business environment for manufacturing firms to thrive, it is important for the National Government to build strong infrastructure such as expanding the network of roads, airports, and railways. In addition, the Government can support digitization of the sector. This can be achieved through provision of technical and digitalized support services to support key value chains and build the capacity of local institutions to ensure business continuity. Additionally, this can be boosted through certification of the requisite standards and manufacturing technologies for PPEs, sanitizers, masks, ventilators, among other related product specifications. This will increase interconnectivity and competitiveness, leading to improved ranking in the ease of doing business in the country.

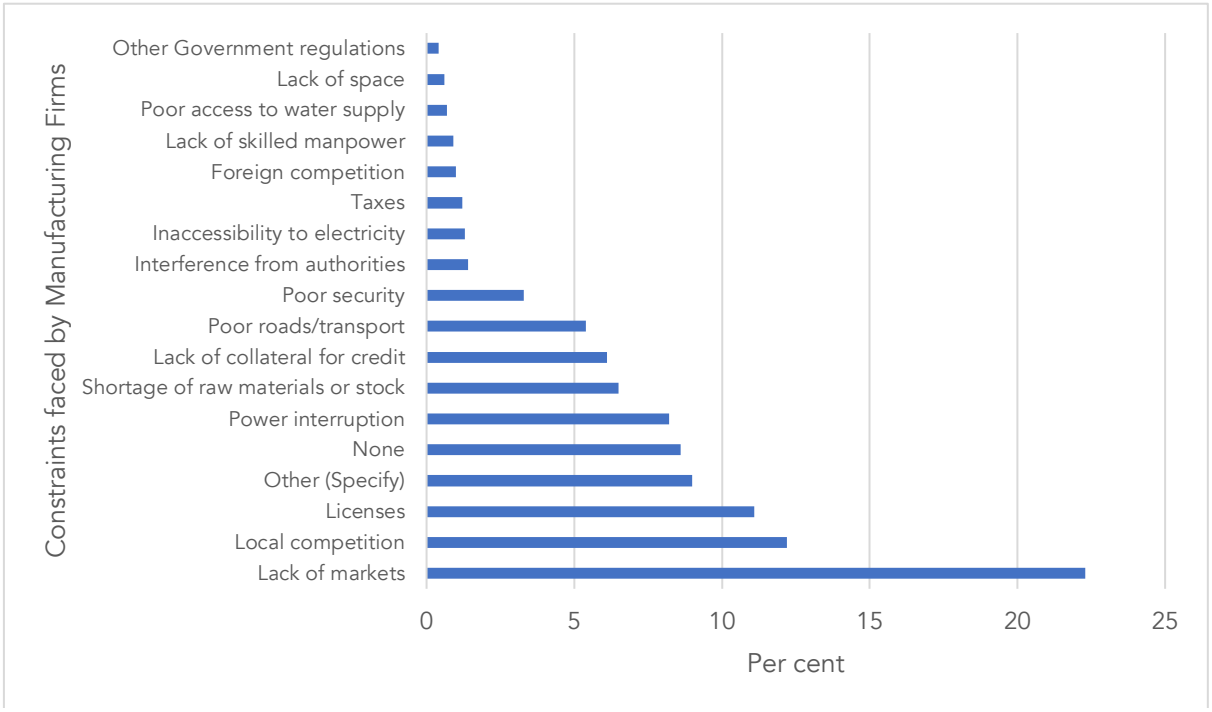
Moreover, counties could also adopt the following targeted interventions aimed at improving the business environment in their respective jurisdictions:

i) Entering partnerships with neighbouring counties that seek to facilitate trade, including but not limited to harmonizing the number of licenses or permits obtained by MSEs.

ii) Partnering with other institutions, both from public and private spheres to facilitate development of adequate and

[6]The Cabinet in line with the recommendation by the 2013 Presidential Taskforce on Parastatal Reforms approved the merger of Industrial and Commercial Development Corporation (ICDC), IDB Capital Limited and Tourism Finance Corporation (TFC) to form the Kenya Development Bank (KDB) as a single cross-sector Development Finance Institution (DFI) with sufficient scale, scope and resources to play a catalytic role in Kenya's economic development by providing long-term financing and financial, investment and business advisory services to meet the objectives under the Kenya Vision 2030 and to support implementation of the "Big Four" projects.

Figure 4.5: Constraints faced by manufacturing firms



Source: Kenya National Bureau of Statistics (2016), MSME 2016 survey data

well-equipped worksites with workshops, common user facilities, incubation centres and showrooms for artisans, which is cluster-informed and fully serviced.

iii) Collaborating with relevant stakeholders and institutions such as the Kenya Institute of Business Training (KIBT) and National Industrial Training Authority (NITA) to provide entrepreneurial training and technical training, apprenticeship and certification programmes to MSEs.

iv) Providing access to affordable energy in collaboration with the National Government and other stakeholders.

v) Developing appropriate road infrastructure, especially county roads while collaborating with the private sector through public-private partnerships (PPPs) to get financing of the projects.

vi) Collaborating with the Anti-Counterfeit Agency (ACA) and Kenya Revenue Authority (KRA) to sensitize MSEs on issues of counterfeits and dumping of goods.

vii) Establishing factories for manufacturing quality masks and PPEs that meet international standards. The surplus can be sold to other counties or international markets while generating more revenue for the county.

4.5 Key Messages and Policy Recommendations

4.5.1 Key Messages

The COVID-19 pandemic presents mixed impact to the manufacturing sector, with certain sub-sectors likely to increase production to meet demand on essential goods while others may suffer depressed demand and production activity. For instance, manufacturing of food and health products is likely to experience increased activities and sustain their businesses. Food production will be enhanced by persistence of domestic demand for essential food items, while health products manufacturing will benefit from expected expansion in manufacturing of essential medical and personal protective equipment (PPEs), ventilators, and sanitisers to deal with the evolving pandemic.

The manufacturing sector should prepare for a prolonged recovery. It is still not known how the COVID-19 pandemic will unfold and when full containment will be achieved, even though there are good news with vaccines of high levels of efficacy. Therefore, manufacturing establishments should plan for extended difficult moments as they anticipate recovery in future.

During recovery, commercial banks and the Credit Guarantee Scheme initiative could be supported by the Central Bank of Kenya and the National Treasury to ensure they remain a source of stability during the crisis.

4.5.2 Policy Recommendations

The following recommendations are proposed:

1. Enhance the local production capacity of manufacturing firms by exploiting opportunities that have been afforded by the pandemic, such as production of hospital beds and ventilators, masks, disinfectants, PPEs, sanitizers, and medicines.
2. Map out micro-enterprises in manufacturing engaged in production of essential goods such as PPEs and other innovations in response to COVID-19 for targeted support including advancing their technology in production of the products.

3. Boost demand for local manufactured goods by enforcing implementation of the *Buy Kenya Build Kenya* to enhance the domestic market.

4. Build resilience and sustainability of the manufacturing sector, for example by strengthening the local value chains. This will enhance the multiplier effect of manufacturing with strong linkages.

5. Safeguard manufacturing firms by sealing loopholes for counterfeit goods. This can be done by strengthening and increasing inter-agency collaboration of institutions such as Anti-Counterfeit Authority, Kenya Revenue Authority and Kenya Bureau of Standards.

6. Enhance local production capacity and diversity in the manufacturing sector and especially during the COVID-19 period by putting in place policies aimed at strengthening the links between industry/ businesses and academia/educational institutions.

7. Strengthen policies aimed at embracing and implementing international productivity standards and clustering and amalgamation of value chains where firms benefit from working together. This will lessen the problem of local products competitiveness in the international market.

8. Improve the overall manufacturing sector productivity by enacting policies aimed at facilitating and encouraging partnership between formal and informal manufacturers through collaboration along value chains.

CHAPTER 5

CHAPTER FIVE: TRADE PERFORMANCE AND COVID-19 RECOVERY

The COVID-19 pandemic has impacted trade flows across sectors and countries globally. Despite the disruptions caused by the pandemic, trade remains an important channel for improved growth and realization of the country's national development goals. Kenya's export performance remained stable; however, imports reduced because of supply-side effects, thus strengthening trade balance in the medium-term. Moreover, the country's re-exports are susceptible to external shocks, including the current COVID-19. The country's export destinations, for example the EAC, played a crucial role in cushioning the country to smooth out inflow of trade revenue despite the build-up of the COVID-19 effects on global trade. Further, the concentration of Kenya's products and export destinations exposes the economy to multiple macroeconomic challenges. Thus, there is need to diversify export product base and market destinations through AfCFTA and EAC to shield the economy from fluctuations at the international market. Furthermore, formalization of Kenya-US Free Trade Area will improve the country's export volumes and tariff lines to enhance trade revenue and improve welfare.

5.1 Introduction

Trade is an important sector in advancing Kenya's development agenda through its contribution to Gross Domestic Product (GDP). The prominence of the sector is seen through its linkage to other sectors such as agriculture, manufacturing and service sectors. Further, the sector contributes to employment creation for the unemployed youths, and thus promoting poverty reduction and improvement of welfare.

The Government of Kenya, cognisant of the sector's contribution in meeting the development objectives, has made efforts to boost trade at the regional and global level. Notably, the Ease of Doing Business index improved from 129 (out of 190) in 2013 to 56 in 2019 (World Bank, 2020) while the Global Competitiveness Report for 2019 ranks Kenya at 95 (out of 141 countries), an improvement from a rank of 99 out of 137 countries in 2016[7]. Similarly, as part of enhancing regional integration and trade through free movement of persons, Kenya was ranked 11th in Visa openness with an index of 0.84[8]. Furthermore, the country is undertaking initiatives to improve its ranking through reforms to support both domestic and international trade. This chapter provides an analysis of Kenya's trade performance, including domestic and foreign trade.

Domestic trade is made up of wholesale and retail trade. Although domestic trade sector grew marginally at 0.4 per cent for the period between 2013 and 2019, the sector contracted by 0.4 per cent in 2020. In nominal terms, the sector increased from Ksh 380.6 billion in 2013 to Ksh 727.8 billion in 2020. Moreover, international trade has improved through exports to regional markets that include the East Africa Community (EAC), and the Common Market for Eastern and Southern Africa (COMESA). However, several African regional markets remain unexploited,

[7]According to the Global Competitiveness Report of 2019, Kenya has improved in various indicators that facilitate trade. Nevertheless, improvement in trade openness (ranked 103 out of 141) and trade tariffs (ranked 113 out of 141) will accelerate growth trade to attain economic development and an inclusive society.

[8] Africa Development Bank Group (2020). Africa Visa Openness Index Report 2020. Available on: https://www.visaopenness.org/fileadmin/uploads/afdb/Documents/VisaOReport2020-R8_14dec20.pdf, last accessed on February 2020.

but implementation of the Africa Continental Free Trade Agreement (AfCFTA) provides an opportunity to enhance Kenya's exports through penetration to the continental markets.

5.2 Trade Performance

5.2.1 Domestic trade

Domestic trade in Kenya almost doubled from Ksh 380.6 billion in 2013 to Ksh 740.4 billion in 2019. The sector's contribution to GDP has increased marginally from 8 per cent in 2013 to 8.2 per cent in 2019 before reducing to 8.1 in 2020 (Table 5.1). Further, the sectors importance to the general economy was realized through increased employment creation, where the sub-sectors of wholesale and retail trade recorded a steady increase in the number of jobs created (Figure 5.1). However, despite the increase in jobs created, the level of informal sector remained high. Importantly, between 2013 and 2019, the number of persons engaged in the informal sector within the wholesale and retail trade grew by 35 per cent from 6.7 million in 2013 to 9.0 million people in 2019 before reducing to 8.7 million in 2020. The reduction in the number of persons employed in the informal sector is attributable to the negative effects of COVID-19 as the Government of Kenya stepped up containment measures to mitigate the pandemic. Moreover, the wholesale and retail trade employed about 60 per cent of personnel in the informal sector and it grew by 6.6 per cent in 2019[9]. It is important to note that, despite the significant contribution of the wholesale and retail trade to GDP growth, the sector has faced several challenges that have held back its ability to maintain an upward trajectory. This resulted in the sector's contribution to GDP reducing from 8.0 per cent in 2014 to 7.2 per cent in 2016 (see Figure 5.1). Several factors have contributed to reduction in sectors prominent in economic growth. For example, Nakumatt, a key player in the wholesale and retail industry, was placed under receivership in 2018 and eventually closed its outlets. Further, late payments have been a key impediment in the wholesale and retail industry as suppliers are unable to meet their contractual obligations[10].

Table 5.1: Contribution of wholesale and retail trade to GDP and employment, 2013-2019

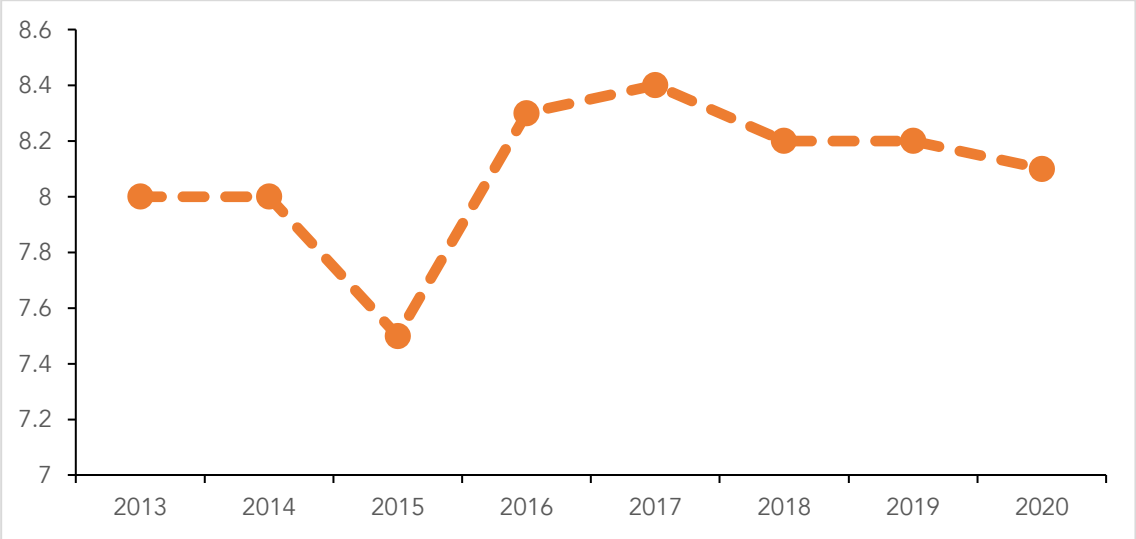
Year	2013	2014	2015	2016	2017	2018	2019
Contribution to GDP (%)	8.0	8.0	7.5	7.2	7.4	7.5	7.6
Wage employment generation (No.)	212,200	219,200	232,000	239,800	250,800	258,900	267,700
Persons engaged in the informal sector in the wholesale and retail trade (No.)	6,693,400	7,120,400	7,510,900	7,946,700	8,445,500	8,557,100	9,005,600
Ease of Doing Business Index	129	129	113	92	80	61	56

Source: Kenya National Bureau of Statistics (Various), Economic Surveys and World Bank Ease of Doing Business Reports

[9]KNBS (2020), Informal sector skills and occupations survey (ISSOS). Available on: https://www.labourmarket.go.ke/media/resources/ISSOS_BASIC_REPORT_2020_-_Combined.pdf. Last accessed in March 2021

[10] Republic of Kenya (2017). State Department of Trade, Study on Kenya retail sector prompt payment. Available on: https://www.tralac.org/documents/resources/by-country/kenya/581-study-on-kenya-retail-trade-sector-prompt-payment-june-2017/file.html. Last accessed in May 2021

Figure 5.1: Contribution of wholesale and retail trade to employment, 2013-2019 (% of GDP)



Source: Kenya National Bureau of Statistics (2020), Economic Survey

5.2.2 International trade

The balance of trade (BoT) for Kenya widened in the period 2010 to 2020. The gap between exports and imports reached a peak in 2014, narrowing marginally before continuing to widen (Figure 5.2). Since 2015, exports and imports grew by an average of 2.1 per cent and 14.2 per cent, respectively, and this saw the trade balance widen by 21.3 per cent (Figure 5.2). The main explanation for the widening trade imbalance results from the nature of exports, largely dominated by primary products. Dependence on primary exports exposes the country to international price fluctuations, thus increasing uncertainty of export revenue. Further, continued reliance of primary products for export reflects the structural weakness in diversification of both products and market destinations.

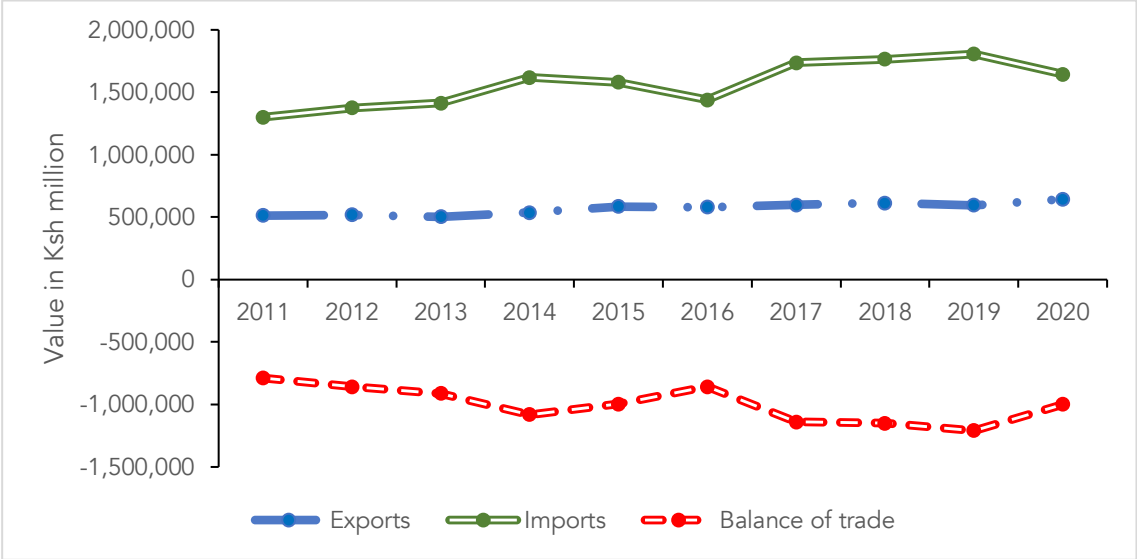
Furthermore, imports experienced an upward trend, scaling up the import bill because of higher demand for imports of intermediate goods used in the manufacturing and construction sectors. In 2020, imports narrowed marginally because of the COVID-19 pandemic and Kenya's concentrated import market in countries such as China that were negatively affected by the pandemic. Additionally, import levels have continuously varied due to increase in middle-income earners that have shifted the consumption pattern because of high affinity of imported goods. Moreover, the Government's desire to undertake project investments has scaled up demand for capital goods to facilitate infrastructural development, which includes road and rail constructions.

5.3 Export and Import Destinations

5.3.1 Exports to the East Africa Community

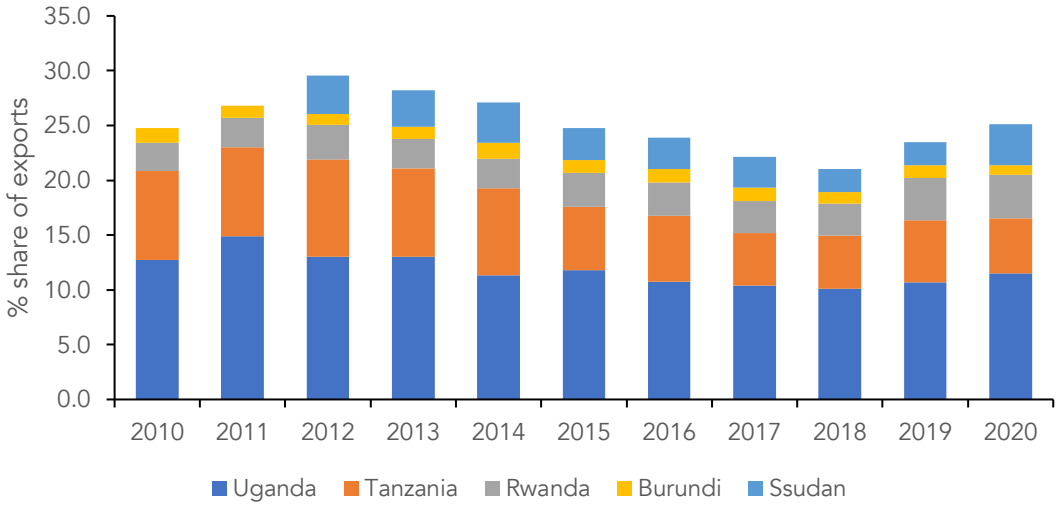
The East African Community (EAC) is composed of Kenya, Uganda, Tanzania, Rwanda, Burundi and South Sudan with a population of about 180 million people. The EAC has deepened the integration agenda with formation of customs union, common market and currently working towards a monetary union. The EAC is Kenya's largest export destination of its merchandise. Kenya's export level to the EAC increased by 39 per cent from Ksh 101.3 million in 2015 to Ksh 147.7 million in 2020. Importantly, on average the EAC accounted for 23 per cent of Kenya's exports for the period 2010-2020. However, at country level, there were significant variations. For example, as a share of total EAC exports from Kenya in 2020, Uganda was the largest export destination accounting for 45.8 per cent followed by Tanzania at 19.9 per cent, Rwanda at 15.9 per cent, South Sudan at 14.5 per cent and Burundi at 4.0 per cent (Figure 5.3). Kenya's exports to the EAC declined as a result of competition

Figure 5.2: Kenya's trade balance (US$ millions), 2010-2020



Source: International Trade Centre - ITC (2020)

Figure 5.3: Exports to the East African Community (%)



Source: International Trade Centre - ITC (2020)

from imports from China and a number of firms setting up subsidiaries in other EAC countries. The changing policy dynamics in the East Africa Community where regional member countries, for example, Uganda and Tanzania are pursuing import substitution will further reduce Kenya's exports to the region if there is no diversification to higher technology manufactured goods.[11]

Further, the level of Kenya's imports from the EAC increased by 42 per cent in 2020 from Ksh 25.7 million in 2010 to Ksh 50.6 million in 2020. From the foregoing, with exports and imports in 2020 amounting to Ksh 147.7 million and Ksh 50.6 million, respectively, Kenya enjoyed a favourable trade balance of Ksh 97.1 million. During the year 2020, majority of imports from the East

[11] KNBS (2020), Informal sectors skills and occupations survey (ISSOS). Available on: https://www.labourmarket.go.ke/media/resources/ISSOS_BASIC_REPORT_2020_-_Combined.pdf. Last accessed in March 2021

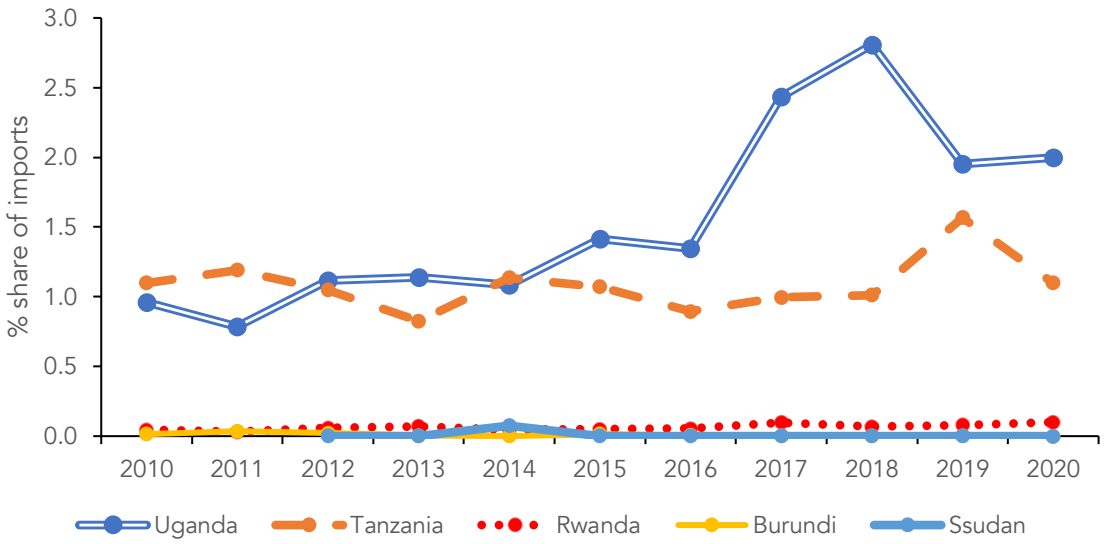
Africa Community to Kenya were from Uganda (54%) and Tanzania (43%), with a marginal share from Rwanda and Burundi. The share of imports to Kenya (as a % of total imports) from EAC has varied significantly across regional member countries, with majority of imports coming from Uganda and Tanzania (Figure 5.4).

The top five import products in 2019 from the EAC included dairy products (90%), wood and articles of wood (54%), cereals (5%), tobacco (84%) and sugars and sugar confectionaries (12%). The major imports from Uganda include dairy products, tobacco, sugars and wood and articles of wood. For Tanzania, the top imports include cereals and wood and articles of wood. Importantly, the total imports for dairy products, tobacco and sugar from the EAC come from Uganda while for cereals, all imports from EAC come from Tanzania. Although Kenya manifests higher productive ability in production of the above products, the country has continued to experience demand deficits resulting to imports especially from the EAC to satisfy local demand. Further, Kenya imports only 5 per cent and 12 per cent of cereals and sugars and sugar confectionary from the EAC and COMESA regions, and thus a large proportion of these products are imported outside these regions. Overall, Kenya enjoys a favourable trade balance within the EAC, which should be sustained and improved going forward to cushion the economy against external shocks.

5.3.2 Common Market for Eastern and Southern Africa

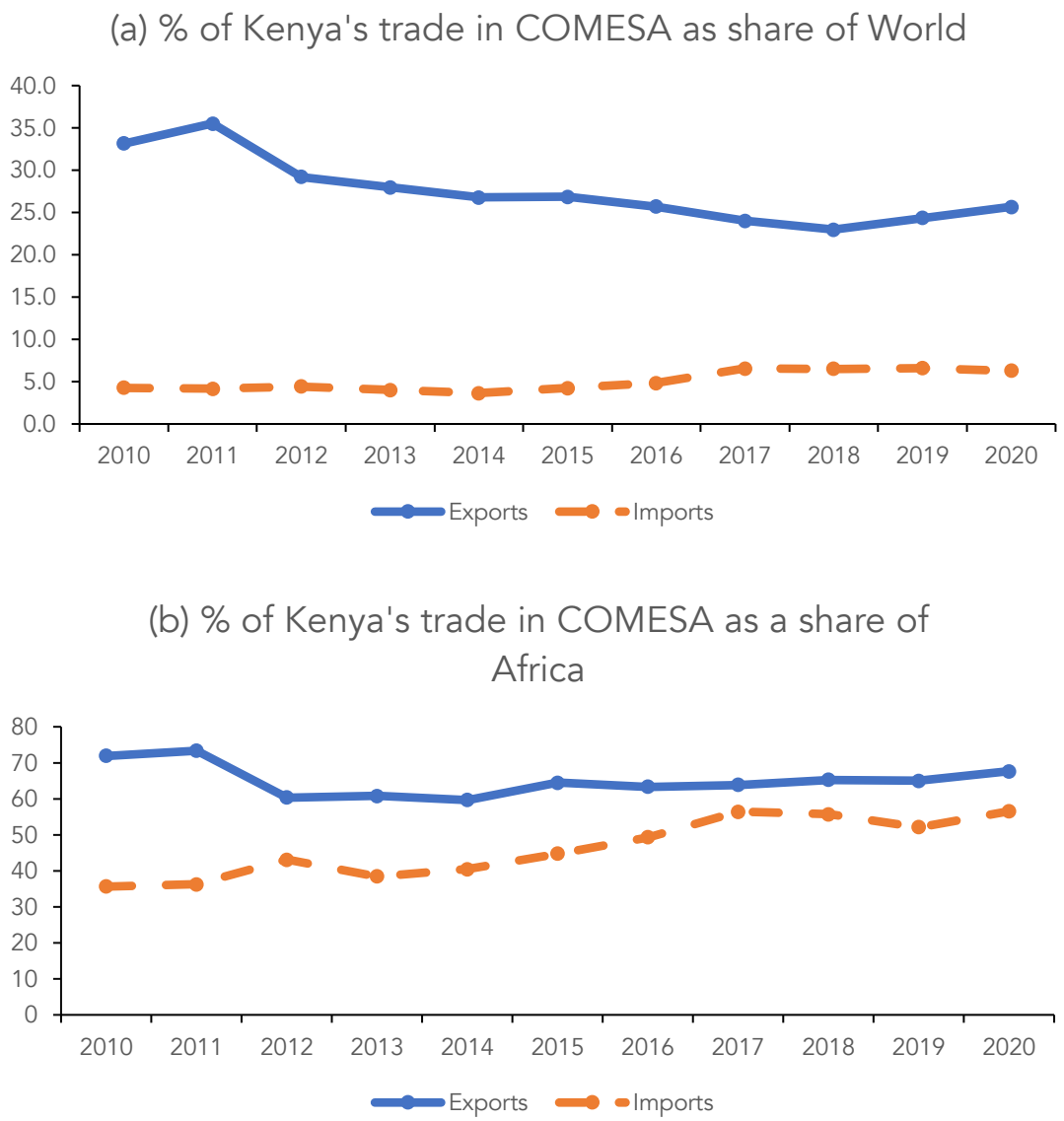
The Common Market for Eastern and Southern Africa (COMESA) comprises 19 countries with a population of over 500 million people. In 2020, Kenya's exports to the region amounted to Ksh 6,023 million while the import bill amounted to Ksh 15,405 million. The higher import bill compared to export receipts implies unfavourable trade balance for Kenya in the COMESA market. Export performance for Kenya for the period 2010-2020 averaged 27.5 per cent of its total exports despite recording a decline from 2012 (Figure 5.5a). Figure 5.5a shows that the level of exports to COMESA as a share of total exports declined from 28 per cent in 2013 to 25.7 per cent in 2020 while the share of imports increased from 4 per cent and to 6.3 per cent during the same period. Despite

Figure 5.4: Kenya's export destinations in the EAC, 2010-2020



Source: International Trade Centre - ITC (2020)

Figure 5.5: Kenya's trade in COMESA as a share (%) of world and Africa



Source: International Trade Centre - ITC (2020)

the decline in exports, trade balance within the COMESA region remained favourable. Further, Kenya's exports to COMESA as a share of total exports to Africa increased from 61 per cent in 2013 to 68 per cent in 2020, with an average 65 per cent (Figure 5.5b). Imports to Kenya from the COMESA region accounted for 5 per cent of total imports while as a share of import from Africa it accounted for 46 per cent during the same period. As noted earlier, there has been an increase in imports from the region between 2013 and 2017 because of low production in Kenya to meet the increasing demand. For example, production of dairy products, cereals and sugar in Kenya has reduced, resulting to increased imports from COMESA and the rest of the world. In general, the COMESA market remains unexploited by Kenya and presents a large market to advance the country's export potential in products not explored.

5.4 Export and Import Structure

5.4.1 Export structure

Export structure is a measure of stability and sustainability of trade and signifies the ability of the economy to compete in international markets.

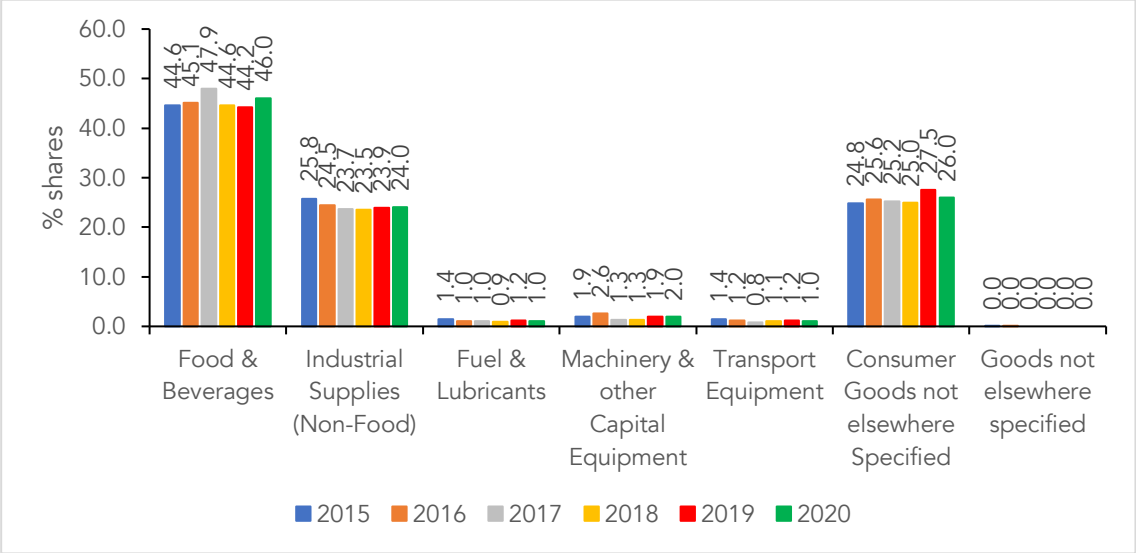
The structure of Kenya exports has, on average, been dominated by food and beverages (45.4%) between 2015 and 2020, followed by consumer goods not elsewhere specified and industrial supplies (non-food) at 25.7 per cent and 24.2 per cent, respectively (Figure 5.6). Exports of food and beverages increased between 2019 and 2020 by 2 per cent while consumer goods declined by 0.5 per cent during the same period. The increase in food and beverages is attributable to continued improvement in performance of coffee, tea, and horticulture products in the international market as they remained resilient to the effects of COVID-19. Other export items such as fuel and transport experienced a marginal decline during the period between 2019 and 2020.

The higher export of food and beverages shows the high concentration of exports to a few products that have made Kenyan products more sensitive to fluctuations in the international market. Kenya also exports refined oil products, as shown in Figure 5.6, that earn revenue for the country. Although the share of fuel and lubricants is small relative to other products, the dependence on the oil sector on global prices exposes the country to international price fluctuations.

Relative to regional countries, Kenya has a moderate export level but in relation to its comparators it has a lower export level. The narrow export level indicates a lower level of competitiveness for Kenya's exports in the international market. For example, Kenya's exports growth averaged 1 per cent compared to EAC export growth at 2 per cent and the world exports at 3 per cent between 2017 and 2019[12].

As at 2019, Kenya's main export destinations were the UK, The Netherlands, Uganda, Tanzania, United States and Pakistan. As noted above, the narrow competitiveness of exports in the global market with the concentration of products and market destinations indicates that Kenya is not growing its exports market. This trend exposes Kenya's exports to a narrow base of trade revenue and external shocks. Further, the narrow export competitiveness calls for efforts to increase market access to other destinations and improvement in product quality to help penetrate markets with highest potential to scale up export volumes.

Figure 5.6: Profile of Kenya exports, 2015-2020



Source: Kenya National Bureau of Statistics (2020), Economic Survey

[12] The measure of export competitiveness used in this section follows the World Bank's approach. As such, we measured export competitiveness by comparing export growth of Kenya and the world. According to the World Bank, when the country's export growth is lower that the World export growth, then the country is assumed to be less competitive.

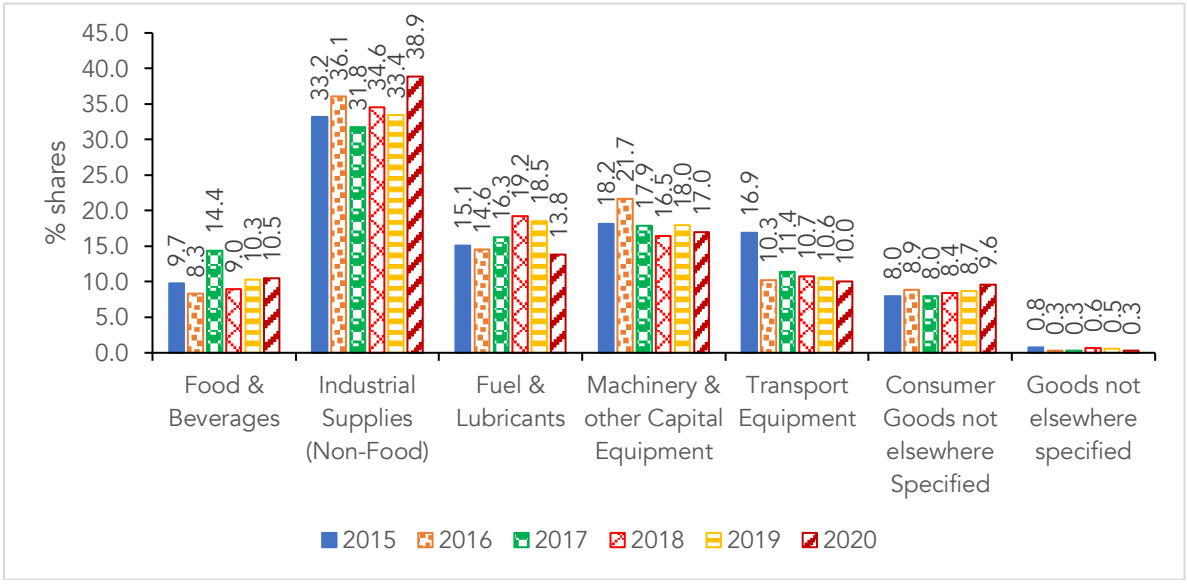
5.4.2 Import structure

In 2019, Kenya's imports comprised industrial supplies (33.4%), fuels and lubricants (18.5%), machinery and other capital equipment (18%) and transport equipment (10.5%) (Figure 5.7). The dominance of industrial supplies, machinery and fuel and lubricants prevailed for the period 2015-2020. The high importation of capital goods increases the country's import bill relative to the export of primary goods. Further, the higher importation of fuel products exposes the country to international price fluctuations. The current nature of Kenya's imports (high valued products) means that trade deficit has worsened over the years.

Kenya's import bill declined in 2020, partly reflecting the plunge in international oil prices. The total value of Kenya's imports declined by 11.3 per cent between January and July 2020 compared to a similar period in 2019. This was attributed to a drop in international oil prices due to the COVID-19 pandemic, which led to a 35 per cent decline in the imports value of fuel and lubricants between January and July 2020 compared to the same period in 2019. Fuel and lubricants constitute about 15 per cent of Kenya's imports bill, on average. Overall, fuel and lubricants declined by about 5 per cent between 2019 and 2020 while industrial supplies increased by 5 per cent during the same period. The decline in value of imports was also witnessed in transport equipment, and machinery and other equipment. However, food and beverages and consumer goods experienced marginal increases of 0.2 per cent and 0.9 per cent, respectively. The import value of industrial supplies dropped by a meagre 0.1 per cent.

Kenya's main import partners are China (21%), India (10%), UAE (10%), Saudi Arabia (7%) and Japan (6%). In the African market, imports are from South Africa (4%), Egypt and Uganda (both at 2%). The imports include electrical and electronic equipment from China and India while in UAE the imports include mineral fuels and plastics, and machinery equipment from Japan. From South Africa, the imports include food items (edible fruits) and electrical items. Imports from Egypt include sugars and sugar confectionary that form the food and beverage items in Figure 5.7.

Figure 5.7: Structure of Kenya imports (% share), 2015-2020



Source: Kenya National Bureau of Statistics (2020), Economic Survey

5.5 Current Account Balance

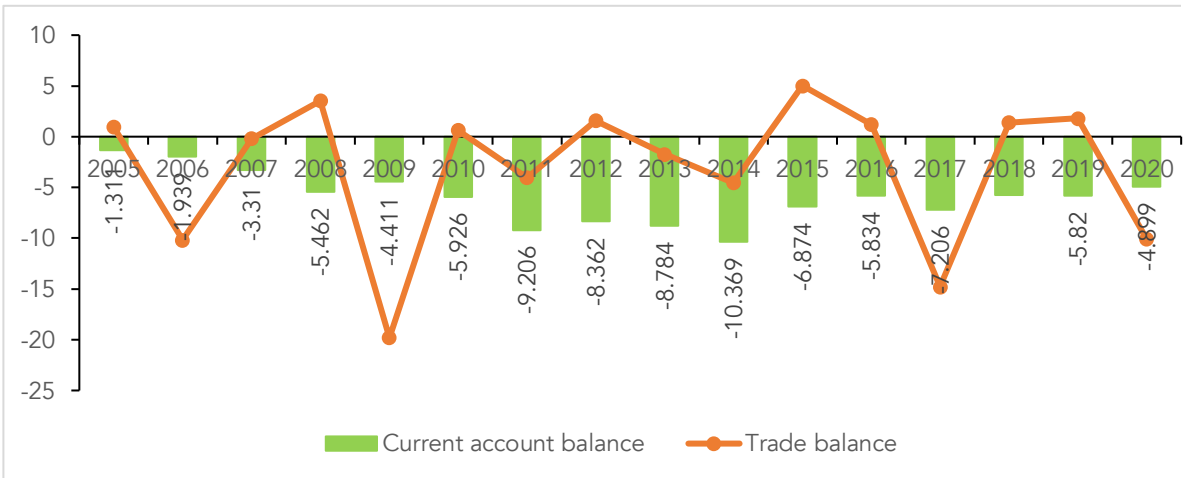
The Current Account Balance (CAB) is made up of three main components: trade (goods and services), net income abroad, and net current transfers. The current account balance has narrowed from 8.8 per cent in 2013 to 4.9 per cent in 2020[13] (Figure 5.8). The trade balance is a key component of current account balance, and it has widened from a trade deficit of 1.7 per cent in 2013 to 10.1 per cent in 2020. However, it remained erratic with improvements between 2018 and 2019 before worsening in 2020 because of the COVID-19 pandemic. From 2017, the exporting capacity increased, thus reducing the trade deficit from 14.7 per cent to a favourable trade balance of 1.6 per cent, on average, for the period 2018-2019. Although, on average, the trade balance seems to have improved, this effect was not sufficient to narrow the current account deficit. During 2020, the widening of the current account deficit was mitigated by improvement of net foreign assets and remittances, among others. For example, the inflow of remittances increased from US$ 279 million in 2019 to US$ 309 million in 2020 (Central Bank of Kenya, 2020). Further, net foreign assets, which are part of net income abroad increased from Ksh 4.330 billion in 2013 to Ksh 9.440 billion in 2020 (Central Bank of Kenya, 2020). This increased inflow helped to narrow the current account deficit from 5.8 per cent in 2019 to 4.8 per cent in 2020. However, the persisting effects of COVID-19 are expected to widen the current account balance in 2021.

5.6 Effect of COVID-19 Pandemic on Trade Performance

5.6.1 Effect of COVID-19 on domestic trade

The effect of COVID-19 was felt across all sectors, and as the number of cases were discovered, several measures were implemented. In Kenya, the first COVID-19 infection case was reported on 13th March 2020, which resulted to closure of learning institutions, social distancing and lockdown measures in the country. Using google mobility data that shows movement of persons to restaurants, shopping malls, eating cafes, visit to workplaces, among others, we demonstrate that the emergence of the first COVID-19 case negatively affected trade in Kenya. Figure 5.9 shows that mobility of persons to restaurants, recreational facilities, grocery shops and malls, and workplaces reduced considerably between the month of March and June 2020. Importantly, there is a shift to the bottom between March and June from both demand shock (Figure 5.9a and 5.9b) and supply shock (Figure 5.9c and

Figure 5.8: Current account and trade balance



Source: Kenya National Bureau of Statistics (2020), Economic Survey

[13] International Monetary Fund (2020), World Economic Outlook Database last accessed in March 2021.

Box 5.1: AfCFTA and potential benefits

The African Continental Free Trade Agreement (AfCFTA) was launched in March 2018 by the African Union (AU). At the end of January 2020, all the 54 AU member countries had signed the consolidated text establishing the AfCFTA.

The AfCFTA establishes a single market for goods and services with unhindered flow of capital and people. Through industrial transformation and enhanced competitiveness, the agreement seeks to deepen integration among member states and overcome the challenges posed by existing overlapping economic communities and free trade agreements within the continent.

Implementation of Phase I of the AfCFTA will yield an increase of US$ 2.8 billion in real income while intra-African trade could grow by 15 per cent. Deeper integration (Phase II) has potential to increase real income by 13-fold. These benefits depend on elimination of import duties and reduction of non-tariff barriers.

Potential Benefits of AfCFTA to Economies in East Africa

Lower cost for goods and services will result in welfare gains amounting to US$ 1.8 billion for the region. It could boost East African trade by between US$ 737 million and US$ 1.11 billion, creating 700,000 to 2 million new jobs. Many of those new employment opportunities are likely to emerge in sectors where there is a significant predominance of female labour, thereby contributing to the economic empowerment of women in the region. The larger regional market will incentivize greater investment by national and multinational investors, opening the door to the emergence of regional value chains, and stronger or more resilient economies.

Increased intra-regional trade associated with AfCFTA implementation is expected to accelerate industrialization in East Africa, since manufacturing will be among the main beneficiaries from the increase of intra-regional trade and investment.

The benefits of the AfCFTA are expected to go far beyond the manufacturing sector. The agreement promises to create new opportunities in high value-added services in trade, helping countries achieve their goals of economic diversification and structural transformation.

Source: African Development Bank - AfDB (2020)

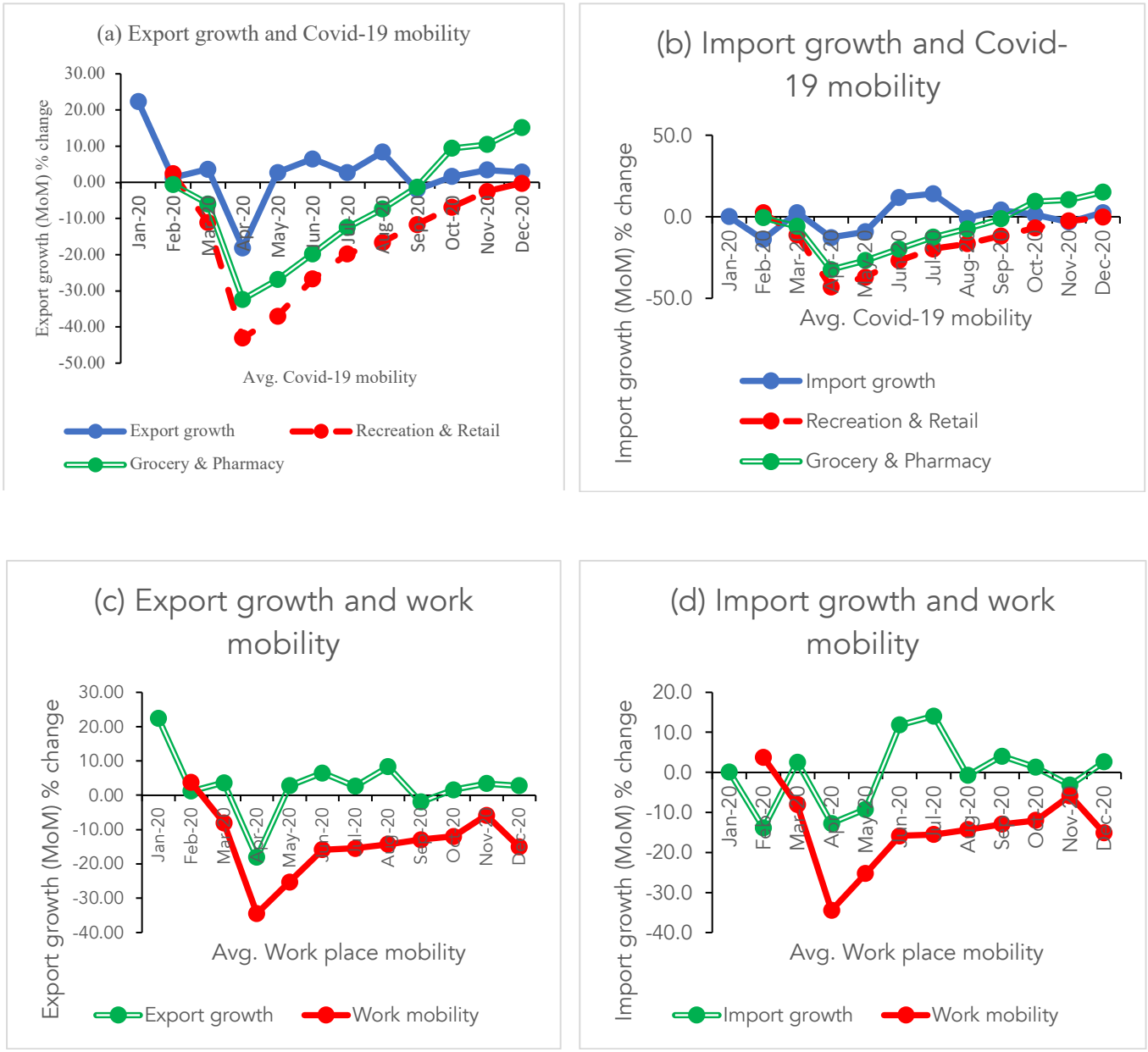
5.9d), suggesting that both mobility and trade growth declined in Kenya before picking up in July onwards due to the pandemic. The decline in mobility and trade growth is attributed to the stringent containment measures implemented during this period.

Between June and December 2020, the Government relaxed some of the measures that were earlier put in place; the curfew time was changed from 7 pm to 10 pm and restaurant hours of operation extended to 8 pm. These measures helped to improve trade activities in the economy as demonstrated in Figure 5.9.

5.6.2 Effect of COVID-19 on trade performance

From a global perspective, the COVID-19 pandemic had enormous disruptions on trade with significant effects on trade that varied across countries. The COVID-19 crisis brought about the challenges of protecting the health of the population while avoiding undue disruptions to

Figure 5.9: Export and import growth and COVID-19 mobility data[14]



Source: Kenya National Bureau of Statistics (2020), Economic Survey

the free movement of persons and delivery of goods and essential services across the region. From Figure 5.10, it is evident that with COVID-19, free flow of goods and services was disrupted across the region. These disruptions were due to the mitigating measures that included cessation of movement, lockdowns and night curfews put in place by the countries to limit the spread of the COVID-19 pandemic. The resultant effect led to increased unemployment rates as countries implemented these measures. However, despite the spread of COVID-19 in Kenya and other parts of Africa being slow, the underlying course of actions implemented have created significant

[14] The COVID-19 mobility data on recreation and retail, and grocery and pharmacy refer to visits (or mobility) to places such as restaurants, cafes, shopping malls/ centres,
among others. Google mobility data is available daily but is converted to monthly via averaging for each month. Available on https://www.google.com/covid19/mobility/, last accessed February 2021.

trade policy challenges. Importantly, trade revenue fell due to a decline in both domestic and international trade activities. Therefore, the Regional Economic Communities - RECs (COMESA, EAC, SADC) developed guidelines to facilitate trade to sustain their economies. For example, the EAC with mutual agreement between member countries stationed health officials at border points to offer services and support the trade industry. These coordinated efforts among the EAC members facilitated trade in 2020 and illustrates the need for implementing the AfCFTA to realize its benefits as alluded to in Box 5.1 above.

As of now, the impact of the COVID-19 pandemic on trade and the global economy remains less understood (McKibbin and Fernando, 2020). As it persists in 2021, the degree of uncertainty in trade has increased. The World Trade Organization - WTO (2020) forecasts that the volume of merchandise trade is expected to fall by between 13.0 per cent and 32.0 per cent, with exports for Sub-Saharan Africa falling by 10.6 per cent. The World Bank (2020) also predicts 11.0 per cent and 7.0 per cent reduction in exports and imports, respectively, for the Sub-Saharan Africa region. Further, there has been considerable uncertainty on the overall impact of COVID-19 despite Kenya's major export markets being stable in the medium term. Notably, the country is a major importer and exporter of goods within the EAC, accounting for about 46.0 per cent and 41.0 per cent, respectively. Kenya's role in EAC is underscored by its high level of manufacturing value added products that account for more than half of the EAC region.

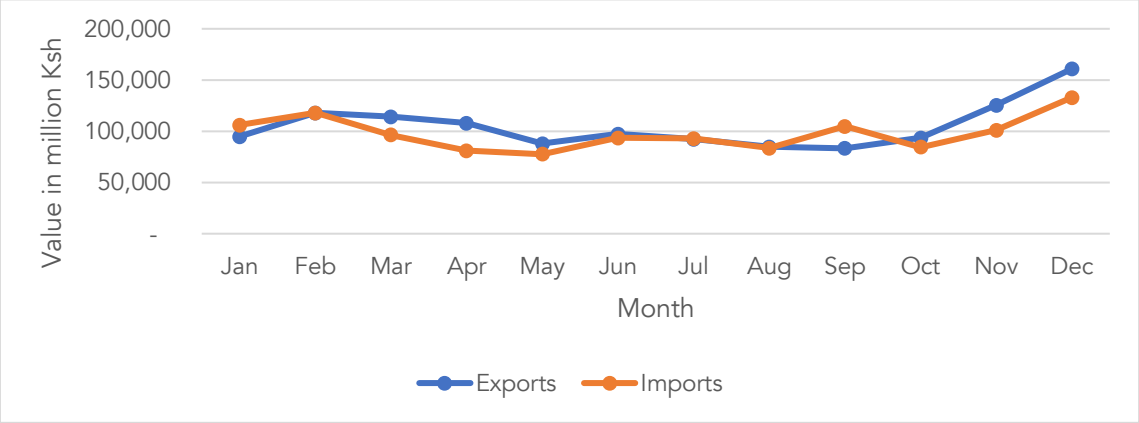
Figure 5.10 shows that Kenya experienced significant improvement in export value in the first quarter of 2020, with a peak in March 2020 valued at Ksh 64.5 billion compared to Ksh 52.7 billion in March 2019. The fall in exports was experienced in April 2020 at 33 per cent before improving in the months of May to September. In October 2020, exports declined by 5.8 per cent to Ksh 53.2 billion. The increase in exports was driven mainly by tea and horticulture products that remained resilient to the COVID-19 pandemic. Imports were also affected in the first quarter of 2020 as they averaged Ksh 142 billion compared to Ksh 141 billion during the same period in 2019. The trend for imports has been on a decline from January 2020 to the month of June when it started picking again. On a month-to-month basis, total imports in the month of October was Ksh 145 billion compared to Ksh 159 billion in 2019. The low volume of imports compared to the same period in 2019 can be attributed to measures implemented by various countries to curb the spread of COVID-19 pandemic. Figure 5.10 shows a peak of both imports and exports in May to December 2020 because of improved Kenya's trade performance in the EAC and COMESA region.

Figure 5.10: Total Kenya exports, imports, and trade balance (Ksh millions), 2019/20

Source: Kenya National Bureau of Statistics (2020), Economic Survey

In 2020, exports services increased by 17 per cent in the first quarter from Ksh 94 billion to Ksh 114 billion. In the second quarter, the exports services declined by 23 per cent to the month of May before increasing in the remaining months of 2020 (Figure 5.11). The imports of services increased by 17 per cent in the first quarter before declining by 19 per cent in the month of May. The decrease in value of exports and imports in the months of March to May can be attributed to measures put in place by countries to curb the spread of COVID-19, including travel ban on international flights. In the second half of 2020, the exports and imports services increased, which is attributed to relaxation of the measures earlier put in place that included resumption of international flights.

Figure 5.11: Trade in services (Ksh millions), 2020



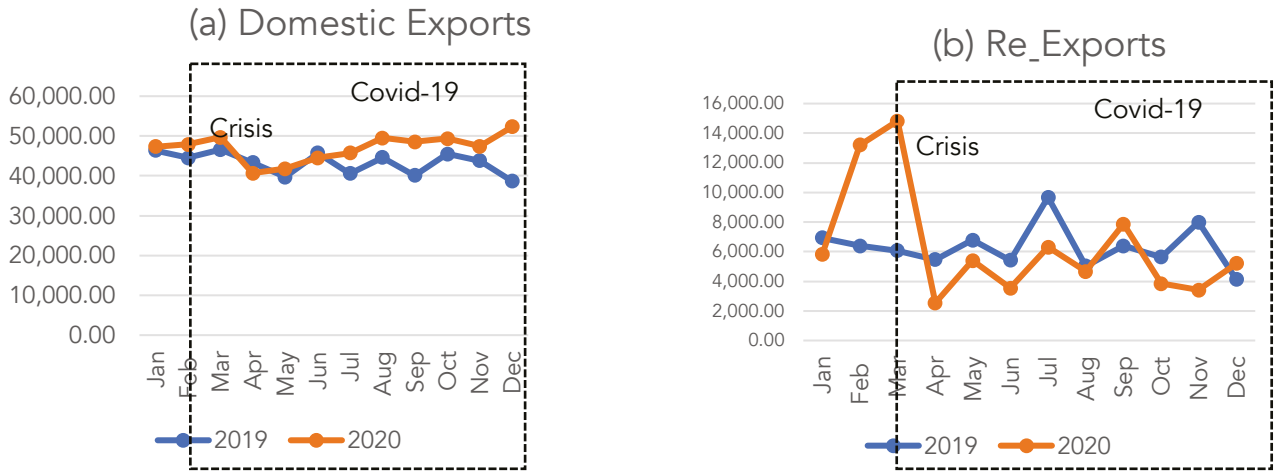
Source: Kenya National Bureau of Statistics (2021), Economic Survey

Table 5.2: Average quarterly foreign trade summary for Kenya, January-September 2019/ January-September 2020 (Ksh millions)

Months	Commercial Imports	Government imports	Total imports	Domestic exports	Re-Exports	Total exports	Trade balance
Jan-March-20	138,852	3,314	142,166	48,293	11,279	59,572	- 82,594
April-June-20	111,877	4,809	116,686	42,332	3,821	46,154	- 70,533
July-Sep-20	133,652	6,324	139,976	47,912	6,278	54,190	- 85,786
Oct-Dec-20	144,482	4,097	145,238	49,669	4,150	53,820	-94,759
Jan-March-19	138,111	3,036	141,147	45,828	6,463	52,290	- 88,856
April-June-19	149,186	2,624	151,809	42,936	5,886	48,823	-102,987
July-Sep-19	145,838	3,652	149,490	41,752	7,033	48,786	- 100,704
% Change-Jan -March-19/20	0.54	9.15	0.72	5.38	74.53	13.93	-7.05
% Change-April -June-19/20	-25.01	83.30	-23.14	-1.41	-35.08	-5.47	-31.51
% Change-July -Sep-19/20	-8.36	73.17	-6.36	14.75	-10.73	11.08	-14.81
% Change-Oct -Dec-19/20	-6.1	3.5	-5.9	16.5	-29.8	10.8	-13.3

Source: Kenya National Bureau of Statistics (2020), Economic Survey

Figure 5.12: Kenya monthly exports trade (Ksh millions), 2019/20



Source: Kenya National Bureau of Statistics (2021), Economic Survey

Moreover, the re-exports were negatively affected, revealing their sensitivity to shocks. As reflected in Figure 5.12 and Table 5.2, the re-exports reduced by 83 per cent in the second quarter of 2020 (April-June 2020) before improving in quarter three of 2020 (July-September 2020) by 113 per cent. The increase in the third quarter of 2020 is attributed to the relaxation of COVID-19 containment measures to open up the economy. In the fourth quarter of 2020 (October-December 2020) the re-exports reduced again by 33 per cent as the Government tightened COVID-19 measures as infection rates increased. It is also worth noting the unprecedented upward and downward fall of re-exports in the preceding months (Figure 5.12b). In the second and third quarters, the re-exports further declined by 35 per cent and 11 per cent, respectively. Further, there was improvement in domestic exports as illustrated in Figure 5.12a from the month of May going forward because of trade facilitation efforts by EAC member countries and regional traders, which led to rapid procurement of goods in anticipation of shortages.

5.6.3 Effect of COVID-19 on export products

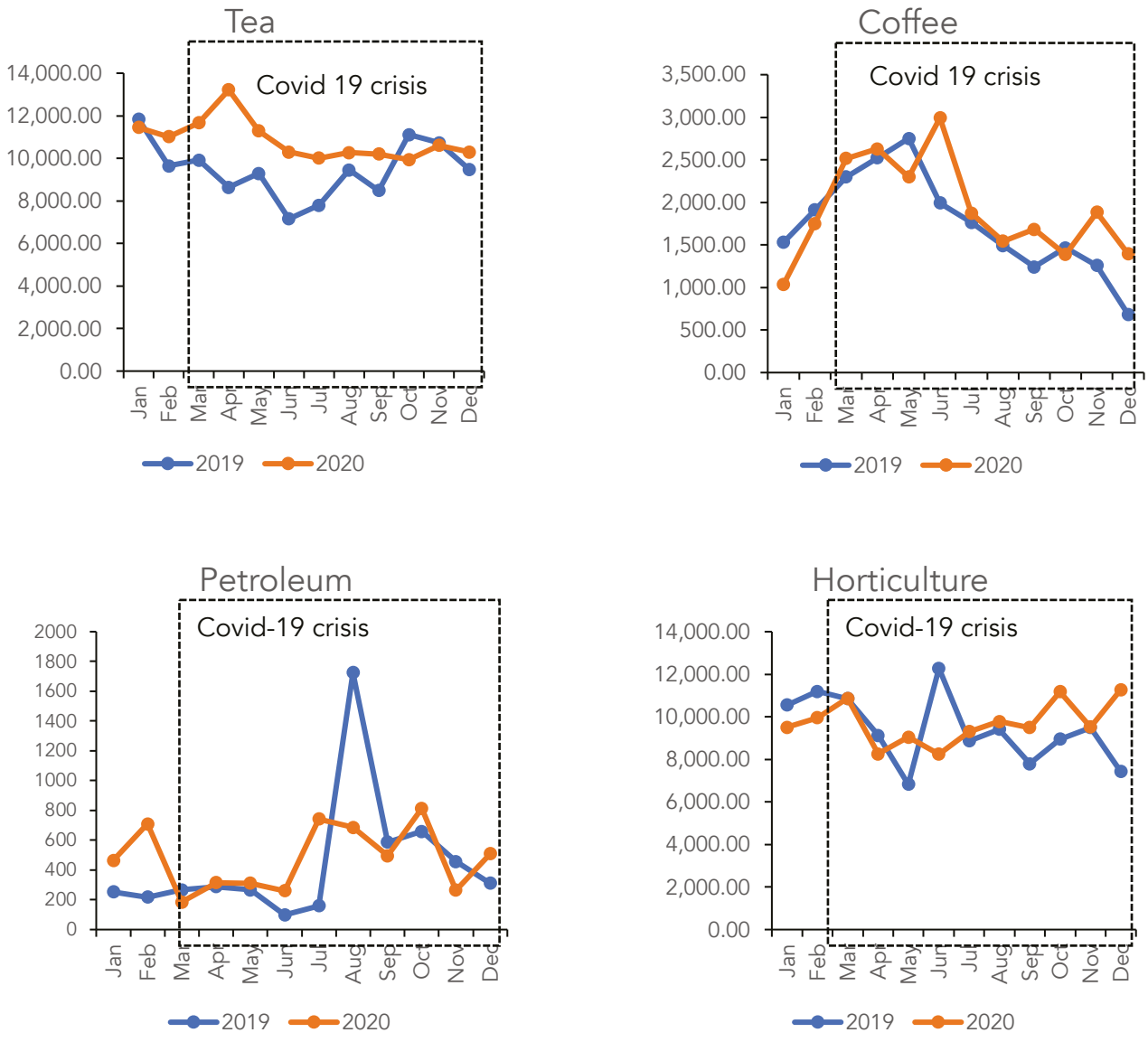
As noted earlier, the effect of the COVID-19 pandemic on the flow of goods and services varied across countries. Kenya's exports for food and beverages increased by 17 per cent from Ksh 20 billion in January to Ksh 24 billion in April. For the remaining part of the year (May-December), these exports averaged Ksh 21.6 billion. Key among the products in this category include tea, coffee and horticulture. The value of tea surpassed the levels reached in 2019 (Ksh 8 billion), reaching the highest value on record in April (Ksh 13 billion) (Figure 5.13). Horticulture exports increased and were high in October 2020 (Ksh 11 billion) compared to Ksh 8.9 billion in 2019. Horticulture exports increased by 35.5 per cent from April to October and even performed better compared to the same period in 2019.

Exports of industrial supplies declined in the first quarter by 49 per cent from Ksh 33.8 billion in January to Ksh 6.9 billion in April and increased by 42 per cent from May to December (Figure 5.13). The key products among this category include rubber, articles of iron or steel and electrical machinery and equipment. The decrease in the value of exports for March and April can be explained by the measures put in place to contain the spread of COVID- 19. Further, the effect was high in consumer goods and industrial supplies between the first and second quarter of 2020 as they reduced by 4 per cent and 3.8 per cent, respectively. However, food and beverages, which include meat, fish products, and coffee increased by 8.9 per cent during the same period.

Exports of fuel and lubricants were also hard hit. In the first and second quarter, exports declined by

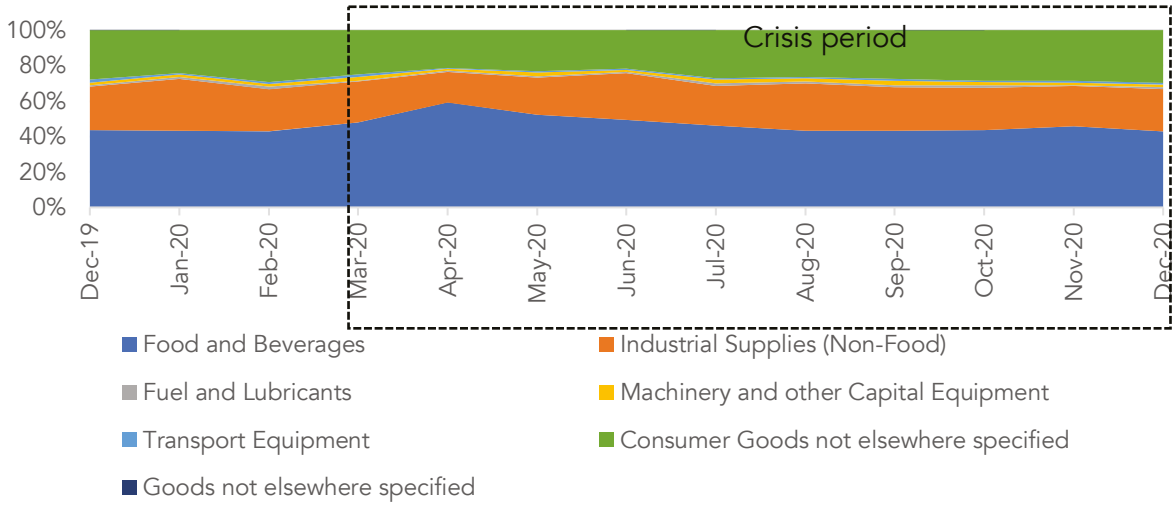
50 per cent and 20 per cent from Ksh 488 million to Ksh 239 million and Ksh 314 million to Ksh 248 million, respectively. Machinery and other capital equipment and transport equipment declined by 58 per cent and 74 per cent from March to April and further increased by 104 per cent and 18 per cent, respectively, in May. The increase in the preceding months can be attributed to implementation of the EAC and COMESA guidelines in April that facilitated the smooth flow of goods and services.

Figure 5.13: Kenya horticultural, coffee, petroleum, and tea exports (Ksh million), 2019-2020



Source: Central Bank of Kenya (2021)

Figure 5.14: Sectoral breakdown of Kenya exports, December 2019-December 2020 (% of total imports)



Source: Kenya National Bureau of Statistics (2021), Economic Survey

5.6.4 Effect of COVID-19 on Kenya's export destination

The consumption of Kenya's exports that include tea, coffee and horticultural products in the global market remains huge but varies across continents and countries. To this end, the major export destinations of Kenya's tea in 2019 included Pakistan, which imports over 39 per cent of Kenya's tea followed by Egypt (15%), the UK (10%), United Arab Emirates (5%), and Yemen (4%). The export markets for horticulture include The Netherlands (49%), United Kingdom (16%), Germany (6%) and Norway (3%). Further, coffee export destinations consisted of Belgium (19%), Germany and United States of America (15%) and South Korea (9%). The improved performance of exports in the identified sectors can be attributed to the sector designation as essential services and excluded from the nation-wide dawn-to-dusk curfew and the ban on all movement into four counties (Nairobi, Mombasa, Kilifi, and Kwale) that were worst hit by the pandemic.

At the EAC regional level, exports to Uganda and Tanzania were severely disrupted. As shown in Figure 5.15, the directional trade statistics show sharp declines of bilateral trade flows. Kenya's exports declined in volume of exports especially to the EAC member states of Uganda and Tanzania. Over the years, the EAC market has played a leading role in Kenya's exports to the region. However, because of the COVID-19 pandemic, the data shows worrisome trends especially at the beginning of the discovery of the first case in the country, before improving afterwards. The mitigation measures employed by the member States slowed down export momentum between March and May before improving from June onwards. For instance, in April 2020, exports to Uganda and Tanzania declined by 60 per cent and 35 per cent, respectively, from Ksh 6 billion to 2.7 billion and Ksh 3 billion to 2 billion, respectively. Encouragingly, exports to the two countries have been on an upward trend, showing a sign of recovery. Other export markets that remained resilient include Pakistan, where exports were high even in the first quarter of January 2020 at a high of Ksh 5.0 billion in August 2020 compared to Ksh 3.2 billion in 2019. This trade performance underscores the importance of Pakistan as a strategic market for Kenya's export products.

A look at other destinations reveals that exports to the United States, The Netherlands and United Kingdom were also severely affected in April 2020 largely due to suspension of international flights. For the United States, the decline in exports in

April and May was partially attributed to the fall in exports of textiles and apparels under the AGOA framework. The fall in the Netherlands market is attributed to a decline in demand for horticultural products, including flowers and vegetables to the European Union, which accounts for over 80 per cent of the Kenya's exports destination.

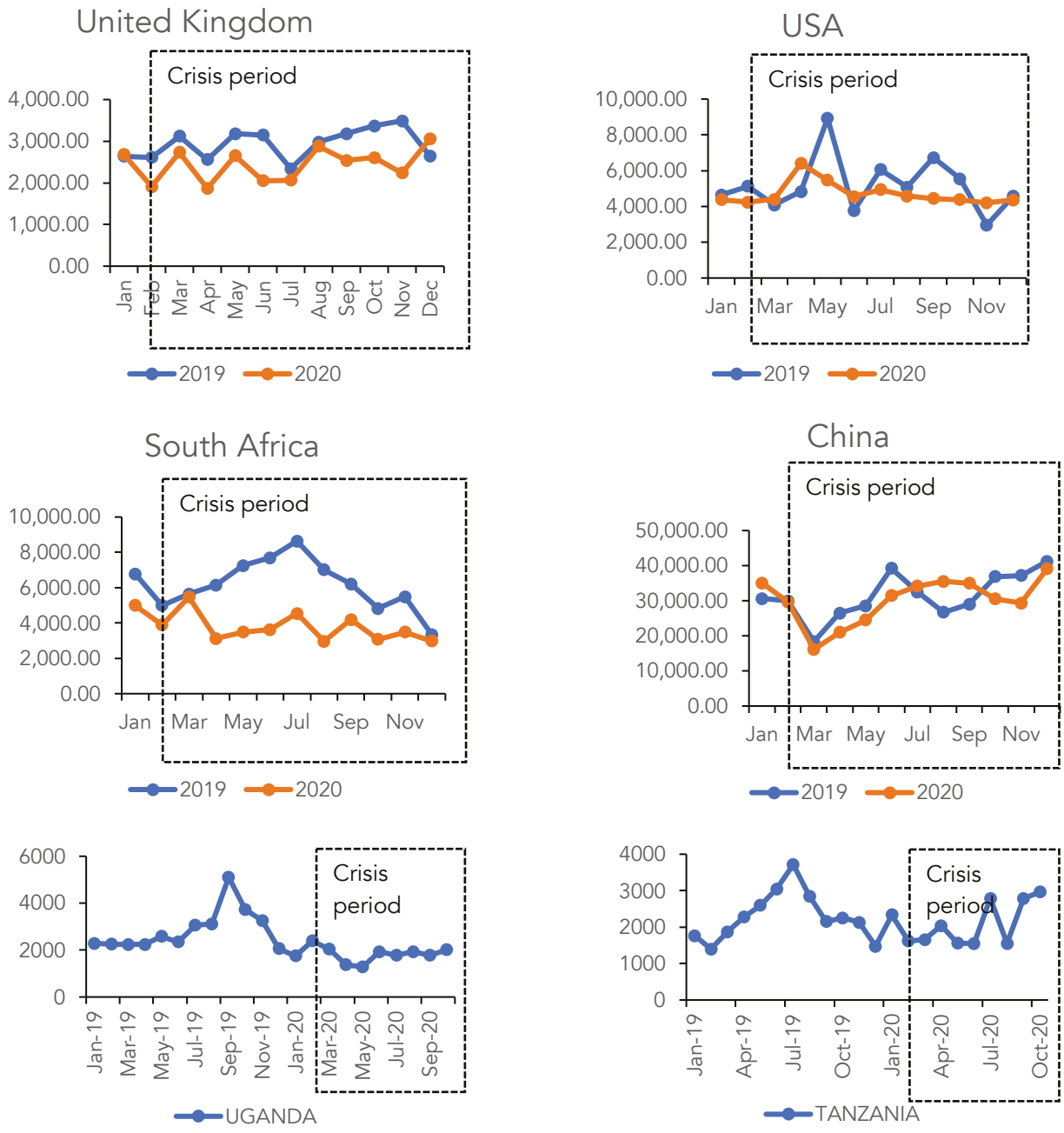
Figure 5.15: Destinations of Kenya exports (Ksh millions), 2019/20

Source: Kenya National Bureau of Statistics (2021), Economic Survey

5.6.5 Effect of COVID-19 on import products

Imports from the East Africa Community declined during the crisis period. In the EAC, Uganda and Tanzania are the major import partners for Kenya. During the pandemic period in 2020, Kenya's imports performance from Uganda and Tanzania varied. In the first and second quarters of 2020, imports from Uganda increased by 17 per cent and 41 per cent, respectively (Figure 5.16). During the same period, imports from Tanzania declined by 29 per cent and 24 per cent, respectively. The improvement of imports from Uganda can be attributed to quick resolution of border issues between the two countries that facilitated trade. In the case of Tanzania, it was occasioned by delay in mapping out a common understanding, which increased the non-tariff barriers (NTBs)

Figure 5.16: Kenya imports from selected countries (Ksh million), January 2019-October 2020

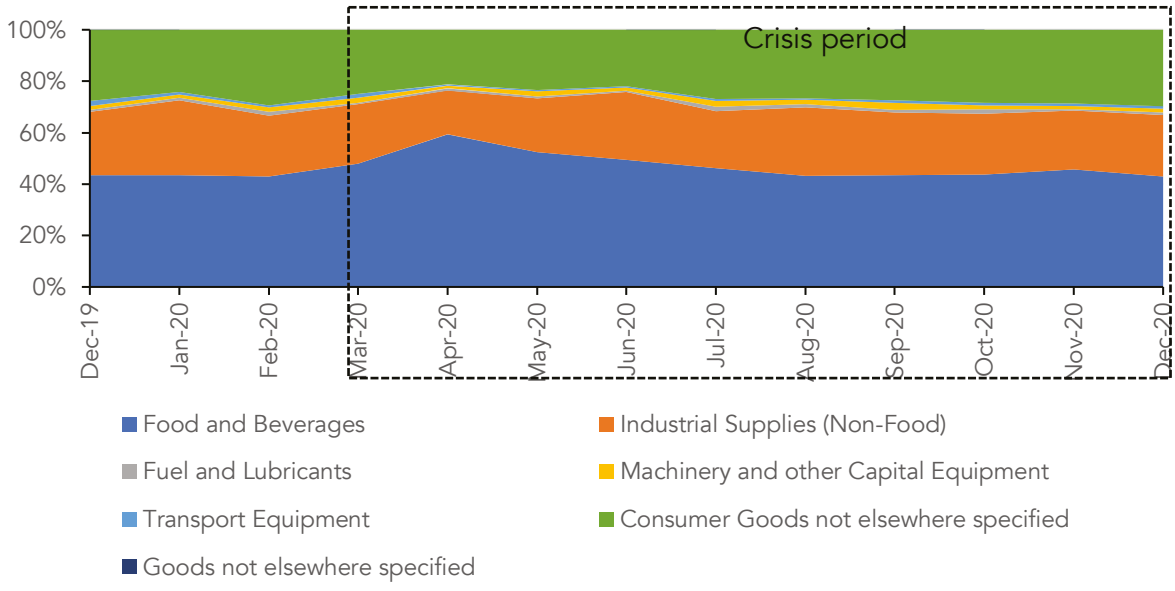


Source: Central Bank of Kenya (2020)

between the two countries. The increased NTBs hindered the smooth flow of goods across the borders; however, in the later months from May, the imports started picking up. Imports from the US and the UK were also affected majorly due to the ban on international flights as a measure to curb the spread of the Coronavirus. Although trade volumes from the two countries are lower in the three quarters of 2020 compared to the previous period, the current trends exhibit a positive outlook.

Kenya's major sectoral imports are composed of industrial machinery, machinery and other capital equipment transport equipment and fuel and lubricants. Figure 5.17 reports the sectoral decomposition of Kenya's imports. The imports of machinery equipment, for example, increased in August 2020, accounting for about 31 per cent (Ksh 42.8 billion) of the total imports. However, the impact on import values was not disrupted much, although import volumes were lower compared to the previous period in 2019. Notably, with the onset of the COVID-19 crisis, fuel prices fell globally, and most countries benefited including Kenya. In the first quarter of 2020, fuel imports increased by 34 per cent and later dropped by 81 per cent as the imports bill was Ksh 31 billion in March 2020 compared to Ksh 5 billion in May 2020. In the month of October 2020, it increased by 35 per cent (Ksh 18.7 billion) (Figure 5.17). Other products such as chemicals and animal and vegetable oil fats were also less disrupted. Similarly, for industrial supplies and transport equipment, the little impact was felt for the periods of March to May when imports started exhibiting an upward trend again. Machinery and other capital equipment were hard hit by the pandemic. For the period of January to May, machinery imports declined by 44 per cent from Ksh 29 billion to Ksh 16 billion, respectively. In the last half of 2020, imports increased by 28 per cent to Ksh 28 billion in December.

Figure 5.17: Sectoral breakdown of Kenya imports (% of total imports), December 2019-December 2020



Source: Kenya National Bureau of Statistics (2021), Economic Survey

5.6.6 Imports performance by sources

The highest drop in imports was largely due to the sharp decline in Chinese imports experienced from December 2019 to March 2020 (Figure 5.16). China is one of the leading exporters to the Kenya market, accounting for about a quarter of Kenya's imports in 2019 before the crisis. The delayed supply-side shocks can explain the declines in the volume of trade. According to *Financial Times* (2020), Chinese global exports declined by 13.3 per cent in the first quarter of 2020, accompanied by reduced industrial production in the first quarter (CNBC, 2020). The manifestation of the supply-side constraints to the African continent was felt two months later. COVID-19 further shifted geographically to other regions within the African continent, thus further disrupting the bilateral trade flows. This was evident as the level of imports from South Africa reduced, on average, by 44 per cent between quarter two and four of 2019 and quarter one and four of 2020.

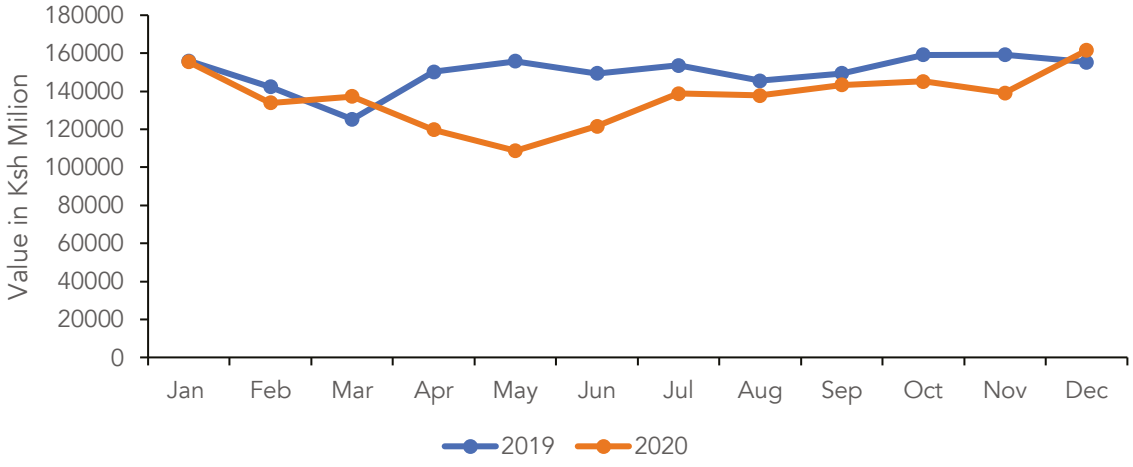
Kenya's imports have varied across different destinations. China remains a key destination of Kenya's imports, accounting for 21 per cent of total exports, followed by India 10 per cent. The main products imported from China include electrical equipment and machinery while from India the main products include mineral fuels and pharmaceutical products. On the African continent, the main import market for Kenya include South Africa (4%), Uganda (2%) and Egypt (2%). The main imports from South Africa include live animal and edible meat while imports from Egypt and Uganda include sugars and sugar confectionary and dairy products.

5.7 New Developments for Trade Performance

5.7.1 Sub-Saharan Africa exports to the US under AGOA initiative

The Africa Growth and Opportunity Act (AGOA) [15] has offered Sub-Saharan Africa (SSA) countries opportunity to export products to the US market with over 6,400 product lines. Kenya's exports to the US under AGOA are equivalent to 88 per cent of entire product exports to the US market. In this regard, the AGOA initiative is important to Kenya in enhancing product penetration in the US market. However, the AGOA arrangement is set to end in 2025 and Kenya will not be eligible, as the framework applies to Sub-Saharan Africa countries that are less developed. An exit of Kenya from the use of the AGOA path will expose the country's exports to more stringent market

Figure 5.18: Kenya total imports (Ksh millions) January-December 2019 and January-October 2020



Source: Central Bank of Kenya (2020)

[15] Notes: AGOA: Africa Growth and Opportunity Act, USITC: United States International Trade Centre, USDOC: United States Department of Commerce, SSA: Sub-Saharan Africa, exc: exclude.

Table 5.3: AGOA utilization rates by SSA countries

	AGOA utilization rate all Imports (%)		AGOA utilization exc. oil Imports (%)	
Country	**2016**	**2018**	**2016**	**2018**
Ghana	96.50	99.10	96.50	97.00
Kenya	98.10	98.00	98.10	98.00
Madagascar	88.00	93.70	88.00	93.70
Nigeria	81.30	87.50	54.60	41.80
Gabon	61.90	81.90	1.20	0.00
Ethiopia	96.80	79.10	96.80	79.10
Zambia	86.00	69.40	86.00	69.40
Republic of Congo	65.40	68.20	10.20	18.00
Cote d'Ivoire	81.90	58.10	81.90	46.50
All SSA	86.70	86.20	86.00	79.70

Source: USITC/USDOC (Accessed 2020)

access conditions. From the AGOA framework, Kenya has relied only on about 15 product line despite over 6,400 product lines being availables. However, the utilization rate of 15 product lines as shown in Table 5.3 has been efficient and ranked second in SSA with a 98 per cent utilization rate. Among the top 10 countries, Kenya is ranked second in 2018 with 98 per cent utilization rate behind Ghana with 99 per cent and Madagascar with 93.7 per cent. In terms of export products, Ghana's exports are composed of mainly oil products, apparel, Macadamia nuts, and cut flower while for Madagascar they are composed of apparels; Ethiopia apparels, travel goods, cut flowers and footwear; and Republic of Congo mainly oil products.

5.7.2 African Continental Free Trade Area

The African Continental Free Trade Agreement (AfCFTA) was signed on 21st March 2018 and entered into force on 30th May 2019. The operational phase was launched on 7th July 2019 and the actual trading began on 1st January 2021. The overarching role of the AfCFTA is to create a large single liberalized market for trade in goods and services and facilitate movement of persons with the objective of deepening economic integration within the African continent. Within the AfCFTA framework, members agree to remove or reduce trade barriers, import quotas and tariffs, with the goal of increasing intra-regional trade in goods and services. The AfCFTA is also expected to address the issue of multiplicity of membership of African countries in regional economic communities who are currently in different levels of economic integration. With the harmonization of tariffs, the intra-African continent is expected to grow, thus promoting investments, job creation, enhance welfare, and create more trade.

The AfCFTA assessment reveals expected significance welfare and revenue gains at US$ 1.8 billion and US$ 1.2 billion to EAC member countries, with Kenya included. The pre-COVID-19 analysis indicates that implementation of AfCFTA includes lower cost for goods and services that will improve welfare gains, create employment opportunities especially in sectors with significant female participation, and thus enhance economic inclusivity. Further, the larger regional market size with a population of about 1.4 billion (IMF,

2020) will result to increased investment and development of multinational companies to enhance emergence of regional value chains. Relatedly, increased intra-trade due to AfCFTA implementation is expected to accelerate industrialization in Kenya, because manufacturing will be among the main beneficiaries from the increase of intra-regional trade and investment (UNECA, 2020).

5.7.3 Kenya and United Kingdom Free Trade Agreement

On 20th November 2020, Kenya signed a post-Brexit free trade agreement with the UK to cushion Kenya exports from tariffs imposed in the UK. The treaty offers to liberalize 82.5 per cent tariff lines progressively until the optimal level in year 2053. This trade arrangement offers Kenya producers and exporters potential to access the UK market duty free. Similarly, through the current signed Free Trade Agreement (FTA) with UK, Kenya's exports may use this trade arrangement to access the European market for products not being traded there. Furthermore, the UK-Kenya FTA offers potential to improve welfare and revenue to Kenya and provide producers with an assured market of their produce. Additionally, this FTA will help enhance economic empowerment in sectors dominated by women, for example, the flowers sub-sector.

5.8 Conclusion, Key Messages and Policy Recommendations

5.8.1 Conclusion

The impact of COVID-19 pandemic has affected trade flows across countries globally, with varying effects. Kenya's trade performance has not been an exception considering her strategic performance within the East African Community. Similarly, the effect was different across sectors, even though the disruptions of trade were felt almost across all the sectors. The analysis in the chapter has revealed the relevance of the EAC market having attained a positive trade balance of Ksh 123 million in favour of Kenya. Additionally, the COMESA and the entire African market remains unexplored and offers an opportunity for improvement of welfare and revenue. Furthermore, despite the effect of COVID-19 across countries, the effects varied between exports and imports. Importantly, domestic exports performed extremely well over the period, improving Kenya's balance of trade compared to 2019. The re-exports, despite being vital for revenue generation, remained sensitive to external shocks.

COVID-19 mitigation measures have revealed that quick resolution of non-tariff barriers (NTBs) improves trade during periods of the pandemic. The measures implemented by the Government of Kenya at the beginning of the pandemic mitigated both the negative supply and demand shocks that would have had a long-term negative effect on trade. These measures included, for example, retooling the passenger aircraft to facilitate cargo movements and ensuring continued export of strategic commodities such as tea, coffee, and horticulture. This minimized the disruptions of export products and ensured continued supply. Further, the current set of Special Economic Zones (SEZs) has helped improve export receipts and welfare. However, more efforts are required to scale up the development of SEZs as envisioned in the Kenya Vision 2030.

5.8.2 Key Messages

1. Kenya's exports to the EAC and other trading partners have continued to improve despite the COVID-19 shock.

2. The re-exports from Kenya are sensitive to negative shocks to the Kenya economy.

3. The concentration of Kenyan products and export destinations limits the country's trade revenue potential.

4. Diversification of Kenya's produce will cushion the country against negative macroeconomic shocks.

5. Implementation of the Kenya and US Free Trade Area will deepen export volumes and improve the country's trade balance.

6. The resilience of Kenya's export products (tea, coffee, and horticulture) requires policy support to sustain and increase the momentum in the sub-sectors.

5.8.3 Policy Recommendations

1. Exports to regional member countries are important in increasing and sustaining Kenya's trade receipts. As such, efforts to enhance increased exports share in EAC and the AfCFTA will improve trade revenue. Similarly, Kenya could consider diversifying its exports and the quality of goods to other jurisdictions outside Africa. Therefore, to support the agriculture sector through the Ministry of Agriculture to increase crop yields and value addition will enhance the country's export competitiveness.

2. Kenya's concentration of products and export destinations presents a challenge to realizing its potential at the regional and global stage. There is need to develop policies that support diversification of products and export destinations to cushion the country from supply-side shocks.

3. The trend in import has been significantly affected by the pandemic, which disrupted the supply chains and affected domestic industries that rely on imports. There is need to set a scene for the domestic industries' revitalization through the Ministry of Trade and Industrialization and other supporting ministries to mitigate supply-side shocks.

4. Additional policies may be required to support border communities where livelihoods are heavily dependent on informal cross-border trade. Women traders typically dominate this trade, and they and their dependants are thus likely to suffer disproportionately from restrictions on cross-border trade.

5. COVID-19 disrupted the traditional transport corridors. There is need to enhance the use of other modes of transport to allow for flexibility, such as sea and air to avert future eventualities, such as retooling the passenger aircrafts for cargo freights.

6. To enhance growth of business start-ups in the country, there is need to create a conducive environment that fosters linkage between aspiring entrepreneurs and business mentors. This can be undertaken through the Government of Kenya developing and using the existing start-up business ecosystems from each county.

7. Special Economic Zones should be given special attention as they can increase investments (both local and foreign) and enhance diversification of exports and market destinations. This effort can be undertaken through collaborative approach between line ministries and development partners.

8. To spur growth of the manufacturing sector, the National Treasury with support from development partners could set up a development fund with ability to advance financial assistance to the sector. The funds advanced in form of credit to players in the manufacturing sector could attract interest below the prevailing market rate.

CHAPTER 6

AGRICULTURE AND FOOD SECURITY IN THE COVID-19 ERA: FAST-TRACKING RECOVERY

Over the last two decades, agricultural policy objective in Kenya has mainly focused on increasing productivity and income growth, especially for smallholders; enhanced food security and equity; irrigation for the stability of agricultural output, and commercialization; and intensification of production. Although investments in these policy goals have seen the agricultural sector contribute 24 per cent of Gross Domestic Product (GDP), the sector faces challenges including low productivity, poor land-use practices, inadequate markets, and low-level value addition. The COVID-19 pandemic has reversed the gains made towards reducing food poverty, with varying intensities across and within counties. As the sector focuses on recovery and fast-tracking the achievement of the "Big Four" agenda, the proposed priority areas of focus are to: (i) increase investments in the agricultural sector, specifically national agriculture research and the county-based extension services. These investments need to be targeted to increase productivity, increase the area under irrigation, markets and market infrastructure; (ii) promote pluralism in agriculture service delivery. There is need for agricultural research, extension, and training services to work together to leverage their diverse skills and strengths; (iii) promote evidence-based approaches that emphasize data collection and management to inform policy development; and (iv) strengthen producer groups/farmer organizations by empowering them to commercialize their agricultural operations.

6.1 Introduction

Agricultural policies, extension services, irrigation investments, rural infrastructure and input subsidies in Kenya have been targeted to grow productivity and increase farmers' income. Within this framework, several policies have been formulated and implemented to foster agricultural output stability, commercialize and intensify production, and promote appropriate and participatory policy formulation and environmental sustainability.

Agriculture was a priority sector within the Economic Recovery Strategy for Wealth and Employment Creation (ERS-WEC) policy framework (2003-2007), which was largely pro- private-sector-led growth. The Strategy for Revitalizing Agriculture (SRA) (2004-2014) proposed radical reforms affecting the State's role within the sector. Overlapping and redundant items of agricultural legislation were to be harmonized into a few pieces of framework legislation. The number of state organizations were reduced through privatization, while others' mandates were to be scaled back. The overall aim was to refocus the Government on the provision of key public goods such as research and extension services, roads and irrigation infrastructure. This focus was expected to benefit all producers while creating greater space for the private sector to expand its services, notably output marketing and input supply and financial services. The strategy set out to have real output of the agricultural sector grow at an average of 3.1 per cent during the period 2003-2007, reaching 5 per cent by 2007. However, this was not realized as the sector growth from the year 2003 averaged 2.4 per cent per annum, with investment in the sector averaging 4.5 per cent of the budgetary allocation of the national budget. The sector did not generally perform well during this period due to several impediments that included inadequate appropriate legal and regulatory framework, coupled with unfavourable agricultural terms of trade. Many state corporations that had been privatized during the structural adjustment

programme continued to rely on the Government for survival (Government of Kenya, 2009).

The Agriculture Sector Development Strategy - ASDS (2010-2020) succeeded the SRA; the strategy aimed to contribute to the delivery of the envisaged economic growth under the economic pillar of the Kenya Vision 2030. The ASDS aimed at developing an innovative, commercially oriented and modern agriculture, anchored on two strategic thrusts, namely: increasing productivity, commercialization and competitiveness of agricultural commodities and enterprises, and developing and managing key factors of production.

The ASDS achievements are discussed under the medium-term plans. The first medium-term plan (2008-2012) targeted the sector to grow at 7.0 per cent per annum, the sector recorded an average annual growth rate of 4.3 per cent between 2008 and 2012, mainly caused by adverse weather conditions in some years, post-election violence and increasing costs of inputs such as seeds, fertilizer and fuel. The second medium-term plan (2013-2017) recorded an average growth rate of 4.2 per cent against a target of 7.0 per cent.

Subsequently, the advent of devolution necessitated developing the Agriculture Sector Transformation and Growth Strategy (ASTGS 2019-2020). This strategy involves the modernization of on-farm production, shifting production towards more value addition. It is envisioned that by transforming agriculture, the country would achieve high economic growth, reduce food costs, alleviate poverty, and deliver 100 per cent food and nutrition security. The ASTGS prioritizes three anchors to drive the 10-year transformation, with specific targets set for the first five years, which are aligned to the "Big Four" agenda that is driving the inclusive growth agenda over the medium-term. The three anchors are supported by enablers, namely: knowledge and skills programmes, research and innovation, and the food systems monitoring.

The first anchor targets to increase small-scale farmer, pastoralist and fisherfolk incomes. This is to be achieved by working with 1 million farmers in an estimated 40 zones. These farmers were to generate a demand for inputs, equipment, processing and post-harvest aggregation, serviced by an estimated 1,000 Micro Small and Medium Enterprises (MSMEs). In addition, the National Subsidy Programme will use e-vouchers with digital service delivery to reach out to an estimated 1.4 million registered vulnerable farmers and provide them with access to a wide range of inputs (seeds, crop protection, fertilizer, equipment).

The second anchor aims to increase agricultural output and value-added. This is to be achieved through establishing six (6) large-scale agro- and food processing hubs and putting into production an additional 50 large-scale private farms (>2,500 acres each) with an estimated 150,000 acres under irrigation.

The third anchor is to increase household food resilience. Among the initiatives to assure resilience included the restructuring of the Strategic Food Reserve (SFR) and introduction of the warehouse receipting system supported by price stabilization policies and social protection programmes. Also, community-driven interventions will be promoted in the arid and semi-arid lands (ASALs), coupled with coordination among and between Government, development partners and private sector initiatives.

The strategies since 2004 have resounded the need to increase productivity, commercialization and competitiveness of agricultural commodities to ensure the sector improves the livelihoods of smallholder farmers, who constitute an estimated 60.0 per cent. Further, the other goals have been to enable the sector to trade more outputs, earn the country foreign exchange, and create employment. The sector has suffered from several setbacks. Even without measuring the commercialization level that has been achieved so far, it is evident that food and nutrition security for all Kenyans has not been realized based on the KIHBS 2015/16. Most of the other targets have not been met, implying that concerted efforts need to be made to ensure that the sector is ring-fenced with targeted strategic interventions as outlined in the ASTGS to achieve the desired transformation.

This chapter provides some insights on the areas that would trigger the growth and transformation of the sector, by first looking at what has been achieved over the last two decades.

6.2 Contribution of Agriculture to the Economy

The agriculture sector's growth has slowed down in the last two decades due to various factors. The sector grew at an annual average of 3.1 per cent between 2000 and 2020 against the envisaged double-digit growth in the Kenya Vision 2030 (Figure 6.1). Agricultural production is dependent on rainfall, which occurs in a bi-modal rainfall pattern, making the sector vulnerable to variability in weather patterns. Since independence, there have been nine (9) severe drought episodes and five (5) severe flood disasters, which have negatively impacted the sector's growth.

For instance, the 1999-2001 drought is one of the most severe; it affected 4.4 million people, killed an estimated 60-70 per cent of livestock in the arid and semi-arid areas of the country, and caused crop failure in most parts of the arable areas in the country (Rift Valley, Coast, Eastern and Central regions). In 2011, a similar drought affected about 3.75 million Kenyans, 598,218 refugees and had a combined economic impact of approximately 0.7-1.0 per cent of GDP (World Bank, 2011). According to the Red Cross-Kenya, in 2017, the drought episode affected 23 out of the 47 counties, and an estimated number of 2.7 million people had to be given food aid. The drought situation resulted in sporadic conflicts in grazing areas, especially in Laikipia County where armed cattle herders invaded private ranches, wildlife reserves and private farms searching for pasture.

Usually, after a prolonged dry spell, episodes of flooding follow; for instance, after the 1995/96 drought, El-Nino-related floods in 1997/98 struck with widespread, devastating effect on infrastructure and an epidemic of Rift Valley Fever (RVF) that affected huge populations of livestock (AfDB, 2008). The Kenya Red Cross estimated that the 1997/98 El-Nino floods resulted in 300 deaths and damages worth US$ 670 million and US$ 236 million to infrastructure and the agricultural sector, respectively. During the 2003 floods, part of the earth embankments (dykes) constructed in the 1970s to control water flows were destroyed and 25,000 people were displaced (Onywere et al., 2011). The 2002 floods caused a significant landslide in Maua in Meru County where 11 people died. At least ten people among them three children were killed after landslides hit Elgeyo Marakwet County following heavy rains in 2012. In 2017, Kenya experienced heavy floods in Kwale, Mombasa, Taita Taveta and Garissa counties. The Kenya Red Cross estimated that in May and June alone, 26 people lost their lives, 24,803 people were displaced in 13 counties across the country, and there was a considerable livestock loss in some areas due to floods.

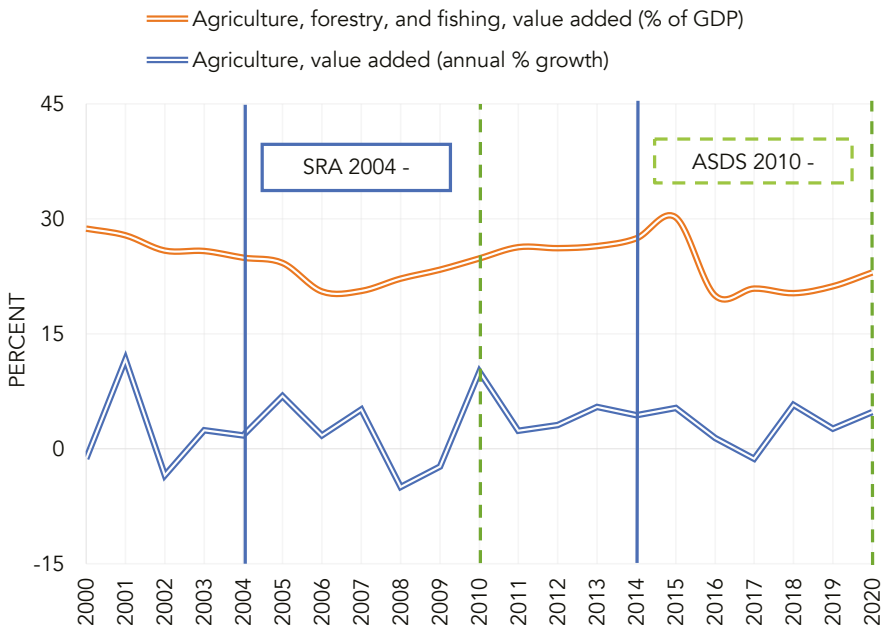
During these drought and flood episodes, the sector's growth plummeted to below zero growth rates, specifically in the years 2000, 2002, 2008 and 2009. However, in 2010, the sector registered remarkable recovery to 6.6 per cent growth rate, which was again interrupted in 2011 due to global fuel crisis and severe weather conditions that resulted in growth to decline to 1.5 per cent in 2011 and again the drought and flood episode in 2017 resulted in a similar growth of 1.5 per cent.

Despite the challenges, the sector has over the last two decades contributed to an estimated 24 per cent of the country's Gross Domestic Product (Figure 6.1), and an additional 28 per cent of GDP indirectly through linkages with manufacturing, distribution and other service-related sectors. Approximately 75 per cent of industrial raw materials and more than 50 per cent of export earnings are attributed to the sector, which accounts for 60 per cent of total employment (KNBS, 2020).

Crops, livestock, fisheries and forest sub-sectors have recorded intermittent growth linked to variability in weather patterns. The crops sub-sector comprises of food, horticultural and industrial crops, contributing an annual average of 70 per cent of Agricultural Gross Domestic Product (AgGDP) and has shown annual growth of 4 per cent over the last two decades. Over the same period 2000-2020, the livestock sub-sector

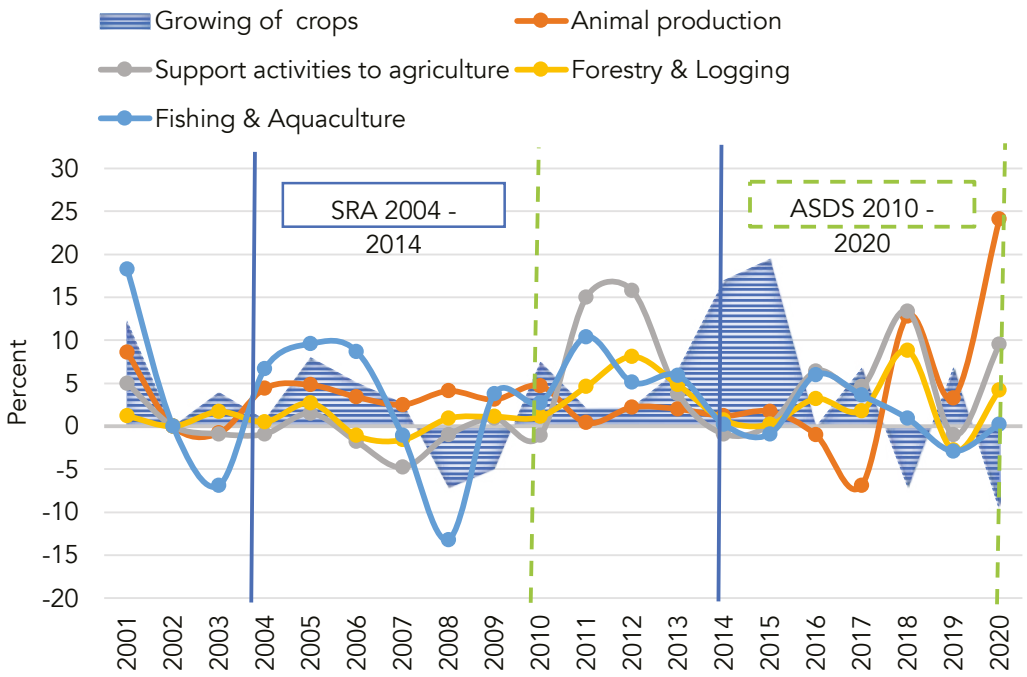
contributed 10 per cent to agricultural GDP and grew at an average rate of 4 per cent. Over 80 per cent of livestock production value is from ruminants and mainly from meat and milk. The rest comes from poultry meat and eggs, pig, camel meat and milk, honey and rabbits. Simultaneously, fisheries and forest sub-sectors grew by estimated 2 per cent, respectively, over the same period (Figure 6.2).

Figure 6.1: Agriculture annual growth rate (%) and agriculture share of GDP 2000-2020



Data source: Kenya National Bureau of Statistics (Various), Economic Surveys

Figure 6.2: Change in GDP by activity (%), 2001-2020



Data source: Kenya National Bureau of Statistics (Various), Economic Survey

6.3 Agriculture Financing and Technology

a) Public spending

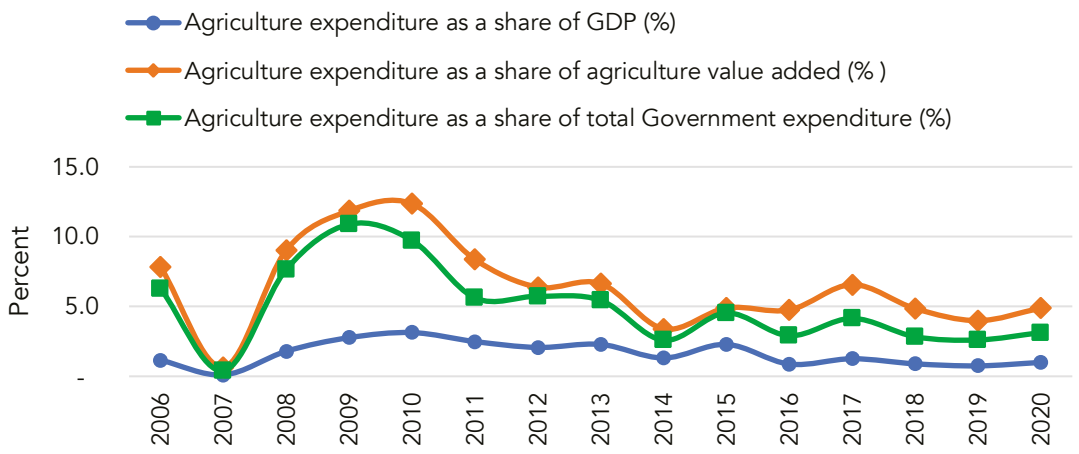
Investments towards the development of the agriculture sector are not commensurate with the sector's contribution to the economy. The level of spending in the agriculture sector is an indicator of commitment to facilitating growth. Spending as a share of GDP over the last 15 years has remained at two per cent, implying that the sector has not been given impetus despite the critical role in economic growth. Spending in the sector as a share of total Government spending is declining in nominal terms, ranging from 11 per cent in 2009 to 3 per cent in 2020. Intuitively, this indicates that the level and composition of spending is not sophisticated; i.e. there is little investment in technology or value-adding activities. Agriculture public expenditure as a ratio of agriculture value added (indicating the intensity of investment in the sector over the last 15 year annually) has been an average of 6.5 per cent (Figure 6.3).

To improve budget execution in the sector, efforts should be made to improve implementation of development expenditure, improve the predictability of releases from the National Treasury, streamline the procurement planning and implementation system, and the budget information management systems to inform within-year budget implementation.

b) Public spending at county level

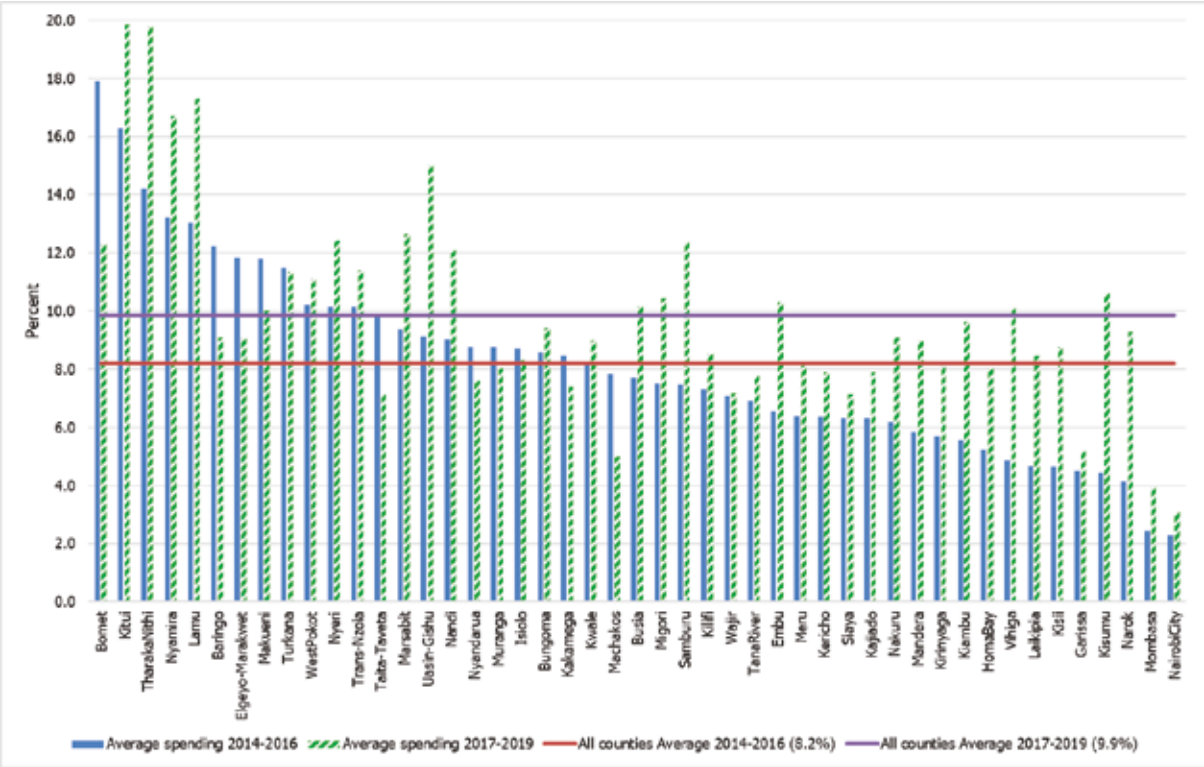
The level of spending varies from county to county. However, it is not clear how this variation correlates with local agricultural potential and priorities without diagnostic studies. Overall, spending has improved from an average of 8.2 per cent in 2014-2016 to 9.9 per cent for the period 2017 to 2019 (Figure 6.4). The share of spending is high in certain counties with low agricultural potential and high levels of food poverty. It is critical to invest in agriculture such as West Pokot, Turkana, Kwale, and Kitui. On average, counties allocate and spend on development more than the 30 per cent required by the Public Finance Management Act (2012). However, the counties face the challenge of low budget execution due to late release of funds from the National Treasury, slow procurement processes resulting in perennial pending bills and the governance challenges that lead to use of several supplementary budgets to compensate for weak budget planning (Office of the Controller of Budget - COB, various reports).

Figure 6.3: Public spending in the agriculture sector (%), 2006-2020



Data source: Kenya National Bureau of Statistics (Various), Economic Surveys

Figure 6.4: Share (%) of agricultural spending to total county expenditure, 2014-2019



Data source: Office of the Controller of Budget (Various)

c) Private spending

Investment financing through agriculture credit has been on a steady decline since 2013. The number of loans has declined by 1.7 per cent, and the share of agriculture loans to total loans by 14.7 per cent while the number of non-performing loans has increased by 17 per cent (Table 6.1). The number of financial institutions giving agricultural loans constitute a small proportion of the institutions that provide loans, namely, ten savings and credit cooperative societies - SACCOs: 4 banks; and one micro-finance bank, and 14 micro-finance institutions (FinAccess, 2019). This points to a need to develop commodity-sensitive products to increase uptake and access to formal prudential sources of credit.

d) Access to loans by the youth

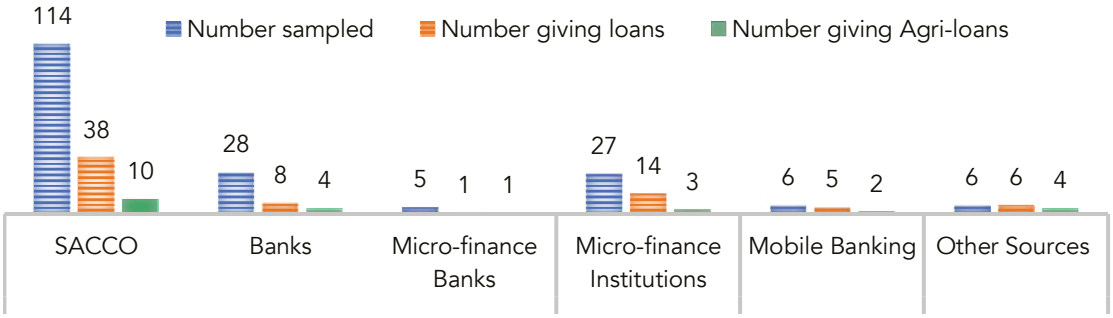
The youth are excluded financially compared to other age groups; however, they have an appetite for credit, save less, and obtain minimal insurance (Financial Sector Deepening - FSD, 2019). Considering the youth's options on where to get credit, a baseline survey carried out in 2019 by KIPPRA reported that SACCOs were the most popular source of credit for the youth. Out of 114 SACCOs, 38 gave general loans, while 10 SACCOs gave loans for agri-business. Similarly, of the 28 banks mentioned by the respondents, 8 gave loans to the youth of with four provided agri-business loans. The other category of interest is the informal/excluded sector where different options are available to the youth including: money lender/shylock, chama/group, family, friend or neighbour loan, shopkeepers/supply chain credit, and employers (Figure 6.5).

Table 6.1: Agricultural loan accounts, gross loans and non-performing loans (NPLs)

Year	No. of loan accounts	% of total	Gross loans (Ksh millions)	% of total	Gross NPLs (Ksh millions)	% of total
2013	130,211	4.20	68,926	4.40	5,588	6.80
2014	127,518	2.90	80,195	4.10	4,670	4.31
2015	180,533	2.12	87,456	4.04	8,384	5.69
2016	108,530	1.39	93,712	4.04	9,042	4.22
2017	91,940	1.18	79,975	3.71	8,973	3.39
2018	95,158	1.32	89,961	3.62	30,452	9.62
2019	115,511	1.38	89,579	3.33	16841.32	5.01

Data Source: Central Bank of Kenya (2021)

Figure 6.5: Number of financial institutions giving loans to youth



Data source: FinAccess (2019)

e) Agricultural science and technology

Spending on agricultural research and technology has steadily declined; the expenditure as a share of agriculture output was at 0.5 per cent in 2016 compared to 1.3 per cent in 2000. An estimated 70 per cent of researchers are working for the Government and higher learning institutions, having 24 per cent of the total researchers (Table 6.2). The Agriculture, Science and Technology Indicators (ASTI) survey is carried out periodically; the latest complete update has up to 2016 data. The country's research system suffers from myriad challenges, including almost complete dependence on unstable and unsustainable donor funds. Further, there is a decreasing human resource; the impact of the structural adjustment programmes of the 1990s that limited recruitment is now evident, with 47 per cent of the researchers older than 50 years with imminent retirement. This current scenario gives impetus to succession planning. Increased agricultural research investment is critical for increasing agricultural productivity; investments in national and international agricultural research have been demonstrated to be among the most important determinants of long-term productivity growth (IFPRI, 2018).

Table 6.2: Agricultural science and technology indicators, 2000-2016

Year	Spending, total (as a share of AgGDP, %)	Researchers, government (share of total, FTEs, %)	Researchers, higher education (share of total, FTEs, %)	Researchers, non-profit (share of total, FTEs, %)
2000	1.3	73.2	22.4	4.3
2001	1.4	70.7	23.0	6.3
2002	1.2	73.5	21.4	5.1
2003	1.1	73.3	22.4	4.3
2004	1.1	75.0	21.6	3.4
2005	1.2	74.5	21.4	4.1
2006	1.4	74.2	21.9	3.9
2007	1.3	73.6	22.2	4.2
2008	1.1	72.8	23.0	4.2
2009	1.1	74.2	21.8	4.0
2010	0.9	73.3	22.8	3.9
2011	0.9	73.0	23.5	3.5
2012	0.8	72.7	24.3	3.1
2013	0.8	70.0	26.6	3.4
2014	0.8	67.1	29.0	3.9
2015	0.6	69.6	30.4	0.0
2016	0.5	69.5	30.5	0.0

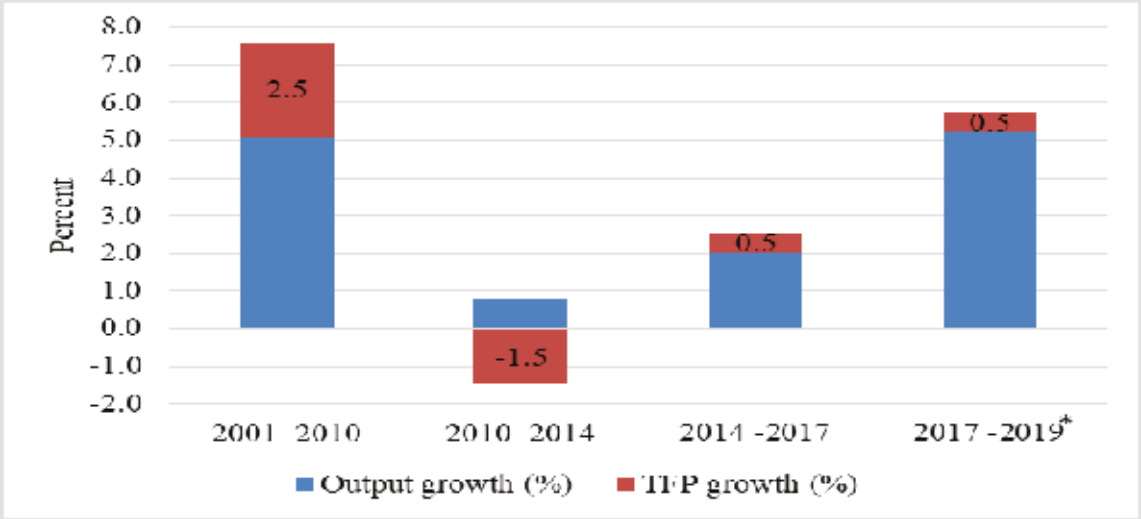
Data source: ASTI- IFPRI (2020)

6.4 Agriculture Productivity

Agriculture output growth and total factor productivity (TFP) growth have stalled; there are inherent inefficiencies in the use of agricultural land, labour, and capital in the sector (Figure 6.6). The sector's contribution to economic growth is not based on increased factor inputs or technology, resulting in higher productivity but rather based on an agrarian production system. An increase in total factor productivity growth will happen when there is a transformation from traditional agriculture to one driven by science and technology. At the production level, the value of outputs must increase faster than the value of inputs, with access to productive resources, well-functioning markets and infrastructure within the framework of a conducive policy environment (Birch, 2018a; Kibaara et al., 2009; Pretty, 2008; Velten et al., 2015).

The production system is characterized by a massive number of small land parcels, 99 per cent of 7.6 million agricultural land parcels (KIHBS 2015/2016) in the country cover an area of 0-5Ha. Further, despite the increase in input use over time due to State and non-State actors' concerted efforts, smallholder farmer yields have stagnated and are below what is obtained by commercial farmers. For instance, commercial farmers can achieve 10-15 Mt/Ha maize yields compared to small-scale farmers who achieve 4 Mt/Ha. Although crop management factors contribute to the yield gap, the low rates of input use by small-scale farmers plays a significant role in keeping the yields stagnant. This small-scale production accounts for 75 per cent of the total agricultural output and 70 per cent of marketed agricultural produce, thus achieving economies of scale becomes difficult.

Figure 6.6: Output growth and total factor productivity growth (%), 2001-2019

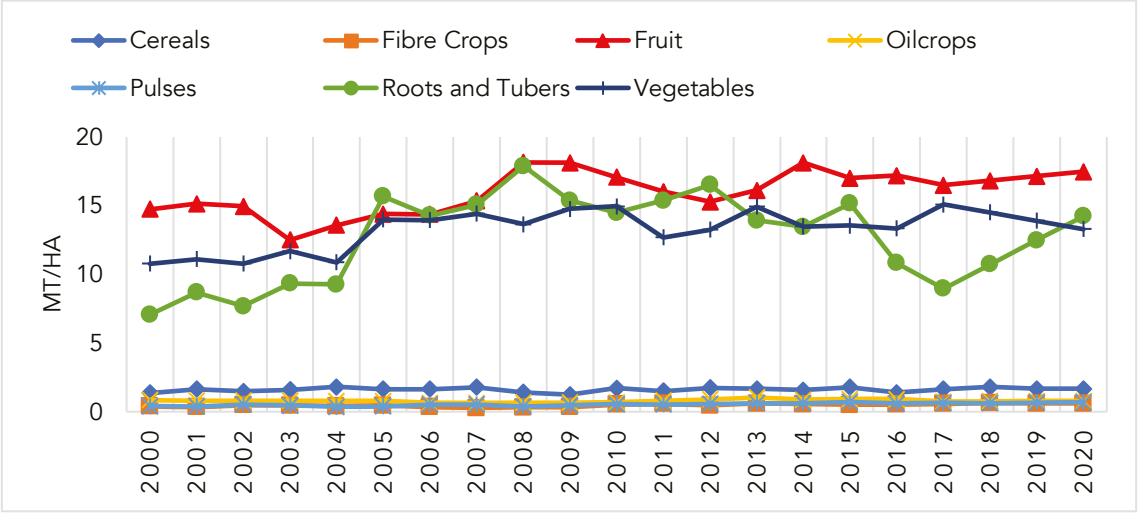


*Source: Feenstra et al. (2015); *Kenya National Bureau of Statistics (2020), Economic Survey*

6.4.1 Food crops

The yield for cereal crops, pulses, fibre crops and oil crops have generally stagnated over the last two decades (Figure 6.7), despite concerted efforts to increase production through several initiatives such as the seed's liberation to promote the adoption of high yielding varieties, and the reduction in the cost of inputs for farmers through provision of input subsidies and distribution of certified and fertilizer supported by local input stockists. Most of these commodities' yield gap continues to widen (AGRA, 2013; Birch, 2018b; KIPPRA, 2019; KIPPRA, 2020). The plausible explanations for the low yields include lack of access to inputs and low use of new technologies (fertilizer, machinery, and irrigation technology). Fruits and vegetables yields have recorded an increasing trend; however, a wide variety of fruits and vegetables support a robust horticulture sector that is mostly private sector-driven. The value chains are vertically integrated, allowing for information sharing and facilitating market access (Minot and Ngigi, 2004; Van Der Lans et al., 2012).

Figure 6.7: Yields of selected commodity items, 2000-2020



Data source: Kenya National Bureau of Statistics (Various), Economic Survey

Roots and tubers (Irish potatoes, sweet potatoes, cassava, and yams) yields have stagnated over the last two decades, mainly due to inadequate access to clean planting materials (Ministry of Agriculture, Livestock and Fisheries, 2019).

6.4.2 Cash crops

Cash crops provide cash to buy food and are therefore critical in analyzing food security in the country.

Tea

Tea is a leading foreign exchange earner, with the industry accounting for an estimated 21 per cent of total export earnings (KNBS, 2020). Tea production is dominated by small-scale producers who contribute 60 per cent of the total tea produced in the country, while large-scale farms account for the rest. Productivity among the small-scale producer is declining; these farms achieve an estimated yield of 1 kilogram (kg) of green leaf per bush per annum compared to 3.5 kg achieved by large-scale farms due to poor crop husbandry practices (KNBS, 2020). The Tea Research Institute has developed varieties of tea that can produce higher yields per bush; however, small-scale producers' uptake of these tea clones is low. Most of them still rely on their tea bushes that have already reached the maximum production level, estimated to be between 35 to 40 years (KIPPRA, 2017).

Coffee

Coffee accounted for about 6 per cent of agricultural exports, and production stands at an estimated 40,000 MT annually, which translates to 2 kg/tree per year against an annual potential of 35 kg/tree (Hussain et al., 2020; Ndirangu, 2020). The industry has faced various challenges, including declining and volatile world market prices; poor husbandry practices; coupled with unpredictable rainfall patterns that disrupt the patterns of cherry ripening and parchment drying.

Sugarcane

Sugarcane production has experienced a steady decline since the 1990s, and production has failed to match the factory capacity. Accordingly, the factories have been operating at an efficiency level of 80 per cent. It is estimated that, annually, the area under cane is 191,215 ha, producing 4.75 million MT of cane against a requirement of 263,959 Ha having 9.8 Million MT of cane (assuming a yield of 65 Tons Cane per Hectare (TCH)). The industry faces several challenges, which include high cost of production, high debt portfolio, acute cane shortage, declining yields, low value addition initiatives, inefficiencies, inadequate research and extension, ageing equipment, obsolete technology, and mismanagement at factory level (Sugar Industry Stakeholders Taskforce Report, 2019).

6.4.3 Livestock sub-sector

The country's livestock resource base comprises of 22.13 million cattle, 28.01 million goats, 19.31 million sheep, 4.64 million camels, 1.18 million donkeys, 30 million indigenous poultry, 5.58 million layers, 2.19 million broilers (Ministry of Agriculture, Livestock and Fisheries - MoALF, 2020). About 70 per cent of cattle, over 80 per cent of sheep, over 90 per cent of goats and 99 per cent of camels are found in the ASALs, which comprise about 80 per cent of the country's total land surface. The livestock sub-sector accounts for 90 per cent of employment and more than 95 per cent of family incomes in the ASALs. The rest of the livestock are found in highlands higher potential areas, mostly in mixed livestock-crop farming systems (NLP, revised 2017).

Pastoralists account for 65-70 per cent of the red meat supply, with the remaining 20-25 per cent coming from informal cross border trade with neighbouring counties. Private ranches contribute 2-3 per cent of total meat production (Kenya Meat Trust, 2019). The poultry sub-sector produces more than 35,000 tonnes of meat and 1.6 billion eggs annually. The quantities of milk and cream processed similarly decreased by 6.9 per cent, butter/ghee and cheese processing experienced a reduced growth of 6.5 per cent and 48 per cent, respectively, in 2020 compared to 2019 due in part to the slow down experienced in the tourism sector due to the COVID-19 pandemic, which reduced the demand for milk and milk products (KNBS, 2021). Per capita consumption or the average Kenyan's consumption of livestock

products is estimated at 16 kilogrammes of meat, 121 litres of milk and 45 eggs per person per year, respectively (KNBS, 2020). Increased private investments in the dairy and poultry production have driven the productivity growth in the livestock sub-sector.

6.4.4 Fisheries sub-sector

Fisheries are mainly composed of freshwater (lakes, rivers and dams), coastal and marine (Indian Ocean) and aquaculture. Annual fish production is estimated at 150,000 metric tonnes. The sector currently contributes about 0.5 per cent to the country's Gross Domestic Product (GDP).

The annual national fish production in 2019 was 146,543 metric tons valued at Ksh 24.546 billion. Inland capture fisheries produced 102,331 metric tons, which contributed 69.8 per cent of Kenya's total fish production. Marine artisanal fish production was 25,670 metric tonnes, equivalent of 17.5 per cent of the national output while aquaculture production amounted to 18,542 metric tonnes, contributing 12.6 per cent of the total output. Notably, whereas inland fisheries recorded a decline, marine artisanal fisheries stagnated, and aquaculture recorded a 3 per cent increase (KNBS, 2020). The country has a deficit of 350,000 metric tonnes of fish annually if every person is to consume 10kgs/person/year, which is the continental per capita fish consumption.

6.5 Soil Fertility and Land Degradation

6.5.1 Soil fertility

Soil fertility in Kenya is declining, and is associated with the widening yield gap (AGRA, 2013). Studies show that most farmers are achieving less than 25 per cent of the potential yields for most crops due to poor soil fertility (Republic of Kenya, 2020). For example, most smallholder maize yields in Kisii are less than two tons per hectare, compared with on-station yields of about nine tons per hectare because of continuous cropping, soil erosion, and the absence or underuse of organic and inorganic fertilizers (Mulinge et al., 2016).

Some of the reasons for declining soil fertility are poor conservation and management of rainwater; inadequate supplemental irrigation; excessive soil erosion by water and wind without carrying out adequate soil and water conservation measures; land fragmentation; land-tenure problems and insufficient extension services (Republic of Kenya, 2020). According to Mulinge et al. (2016), the estimated annual costs of land degradation in Kenya between 2001 and 2009 was US$ 1.3 billion.

6.5.2 Land use in the agriculture sector

All land in Kenya can be put to economic use, and no land is regarded as low potential (Republic of Kenya, 2017). The rangeland areas (ASALs), which constitute approximately 80 per cent of the country, can support large scale livestock production. The transition areas can support both livestock farming and crop farming, albeit with limitations of rainfall scarcity and unreliability.

The prime agricultural areas cover approximately 15.78 per cent of the landmass and support different types of mixed farming. Cultivated areas occupy about 5 million hectares of land, dominated by rainfed systems. Some 4.3 million hectares are used to grow food crops, 0.56 million hectares are under horticultural crops, 0.48 million hectares of industrial crops and 0.10 million hectares of oil crops (Republic of Kenya, 2017).

The country is classified as water-scarce, although there is adequate water, land resources and irrigation infrastructure to enable the country to transition to an irrigation-based agriculture production system. This is based on a synthesis of the present and future water demand presented in Table 6.3, which shows the available water resources based on the national development targets in the Kenya Vision 2030. The future water demands account for water needs to irrigate 1.2 million hectares targeted in the "Big Four" agenda and the Medium-Term Plan III.

The present and future water demand translates into hectares according to the country's catchment areas, indicating where water and land can be found to expand area under irrigation. Table 6.4 shows the current area under irrigation, the area available for expansion, thus giving the basis for which transition and growth of irrigated agriculture can be achieved by year 2030. There

Table 6.3: Present and future water demand by sub-sector (unit: MCM/year)

Subsector	2010 (a)	2030 (b)	(b)/(a) (%)	2050 (c)	(c)/(a) (%)
Domestic	1,186	2,561	216	3,657	308
Industrial	125	280	224	613	490
Irrigation	1,602	18,048	1,127	18,048	1,127
Livestock	255	497	195	710	278
Wildlife	8	8	100	8	100
Fisheries	42	74	176	105	250
Total	**3,218**	**21,468**	**2,038**	**23,141**	**2,553**

Source: JICA Study Team (Ref. Main Report Part A, Section 6.10 and Sectoral Report (G), Sub-section 3.3.1 (3))

is an opportunity for small-scale private irrigation investments in areas endowed with adequate infrastructure and markets; an example is the Mwea Irrigation Scheme (Kirinyaga County), which has benefited the horticulture sub-sector and the rice production (National Water Master Plan, 2030).

6.6 Role of Markets in Agricultural Growth

Under this section, the emphasis on highlighting issues of storage, transportation, and processing are critical components to value addition, which facilitates the growth of agricultural markets. Agricultural production is seasonal, while the demand for agricultural products is continuous. Therefore, storage plays the role of providing stability and supplies products in the market. Most often than not, supply often exceeds demand in the immediate post-harvest period. The glut reduces producer prices, which in some case leads to wastage (Crawford, 1997; Njoroge et al., 2019). Giving impetus to the need to improve post-harvest management to mitigate and reduce wastage would include processing because most agricultural produce is usually not in a form

Table 6.4: Irrigation capacity by geographic area (hectares)

Catchment Area	Existing Area in 2010	New and Extension Area	Total in 2030
Lake Victoria North	5,600	99,700	105,300
Lake Victoria South	17,965	165,236	183,201
Rift Valley	11,402	41,598	53,000
Athi Valley	51,937	51,964	103,901
Tana	70,092	441,208	511,300
Ewaso Ng'iro	8,834	3,766	12,600
Total	**165,830**	**803,472**	**969,302**

Source: The Project on the Development of the National Water Master Plan 2030, 4th Progress Report

suitable for direct delivery to the consumer when it is harvested.

Post-harvest losses are estimated at 12-20 per cent of total national production. The losses mainly include spillage during handling, transportation, processing and marketing; rotting and aflatoxin contamination due to improper handling; inadequate/inappropriate storage technologies; losses to pests such as birds, insects, and rodents; and mechanical damages during farm level elementary processing and off-farm value addition. Together, these account for a loss of between 4.8 and 8.0 million bags annually. This loss would be enough to cover 1.4 months of consumption demand for the country (Tegemeo, 2017; Mutungi and Affognon, 2013).

The transport function is chiefly one of making the product available where it is needed without adding unreasonably to the produce's overall cost. Effective transport management is critical to efficient marketing.

Status of co-operatives in Kenya

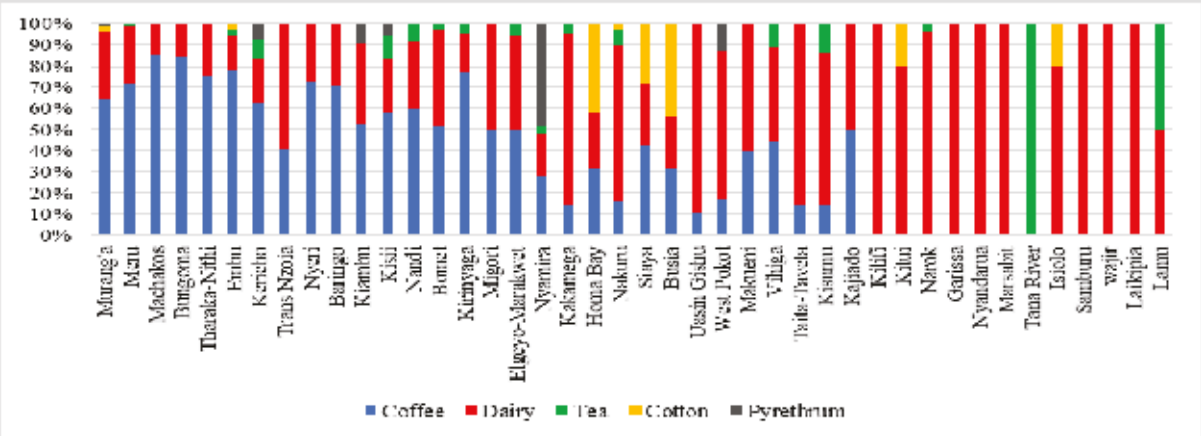
Sixty (60) per cent of the counties have both a coffee and a dairy co-operative; this implies that any form of investment in these two commodities will have wide-reaching implications. The other commodity value chains exist in other counties (Figure 6.8), thus commercializing agriculture is possible through strengthening the co-operatives.

There is opportunity to attract and involve the youth in agricultural value chains. Forty (40) per cent of the active co-operatives in the country are agricultural co-operatives involved in agriculture and agricultural marketing activities, and most of these co-operatives are commodity-based with 66 per cent of them accounting for coffee and dairy (Figure 6.9), according to the baseline study carried out by the State Department of Co-operatives in 2020.

Co-operatives have made enormous contribution towards the growth and development of the agricultural sector through integrated packages for marketing, input supply and financial services. Co-operatives have grown to embrace virtually all sectors of the economy, albeit with varying degrees of success. The Sessional Paper No. 6 of 1997 set the stage for the relationship between the Government and the co-operative movement. In 1975 when Sessional Paper No.14 on co-operatives development policy for Kenya was published, the Government reiterated its continued recognition of co-operatives as vital institutions for mobilizing the natural human and financial resources for national development.

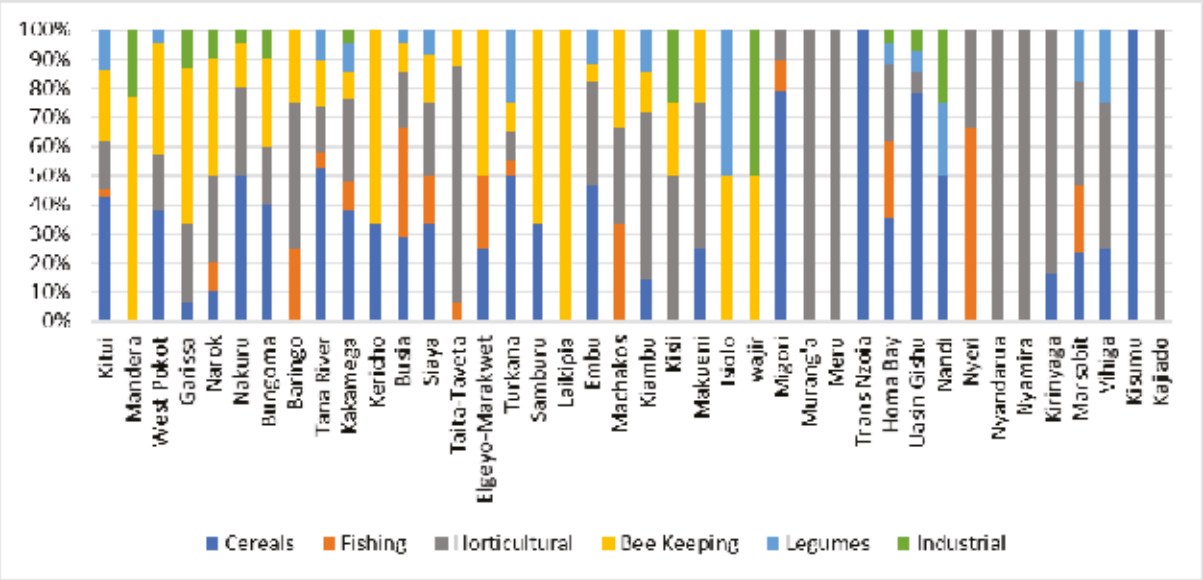
In 1975, there were 996 active co-operative societies with a membership of 664,000 and a turnover of Ksh 691 million. In the mid-1990s, the co-operatives had grown to 5,129 active societies with a membership of 2.7 million and a turnover of more than Ksh 10 billion. Four decades later,

Figure 6.8: Proportion (%) of co-operatives for cash crops and dairy by county in 2020



Data source: State Department for Co-operatives (2020)

Figure 6.9: Proportion (%) of co-operatives for selected commodities by county in 2020



Data source: State Department for Co-operatives (2020)

the number of co-operatives rose to 23,275, and of this, only 8,814 were active with a turnover of Ksh 173.26. Most of the primary co-operatives have their origin in State-controlled promotion of co-operative development, which saw most of the people join co-operatives not based on their common bonds and mutual trust, but due to the directive from the State that compelled those engaged in similar economic activities to join specific types of co-operatives. For instance, in the agricultural sector, it became mandatory for cash crop farmers to join co-operatives to market coffee, cotton, pyrethrum, and milk. The co-operatives' monopoly in the agricultural sector, which had made them the sole marketers of cash crops in Kenya, was removed. The consequences of this meant that co-operatives now had to compete with other private enterprises in the marketing of agricultural produce (International Labour Organization, 2009). However, the Government needed to do more to support co-operatives to transition to this new governance landscape, and the shock of quickly liberalizing Kenya's agricultural markets had significant impacts on the co-operative sector (Schwettmann, 2015).

6.7 Food Security Indicators in the COVID-19 Era

One in three Kenyans (14.5 million) suffer from food insecurity and poor nutrition, with counties in ASALs being most affected (KNBS, 2018). This means that Kenya has a long way to achieving zero hunger by 2022, in spite of several initiatives put in place by the Government over the years to increase and improve the food and nutrition status of the citizens.

Over the last 15 years, the trends in food supply and utilization have followed the production trends, with the country importing an estimated 20 per cent of its food requirements annually. At a national level, the self-sufficiency ratio (SSR) measures and the import dependency (IDR) ratio indicate how much of the available domestic food supply has been imported and how much comes from the country's domestic production.

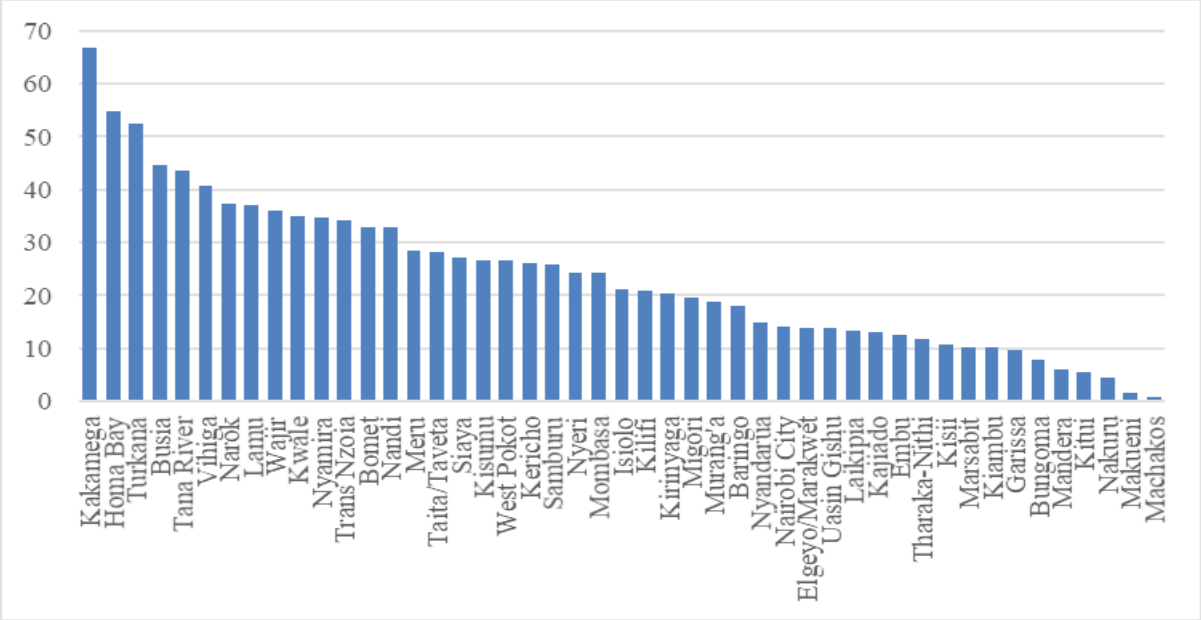
Pandemics such as the COVID-19 brought to the fore unprecedented challenges that exacerbated the country's food poverty situation with varying intensities across and within counties. To contain

the spread of the pandemic, several measures were put in place, such as partial lockdowns, curfews, and closing/restriction of markets, which led to disruption in the food marketing supply chain. In the domestic market, and despite the early confusion, anxiety, and disruptions, it is now evident that the food marketing system is resilient. The second wave of the socio-economic impacts of COVID-19 on households (KNBS, June 2020) reported that nationally, 78.1 per cent of households reported having food stock. Slightly more than three quarters (78.8%) respondents reported that there was an increase in food commodity prices, while 18.5 per cent of the respondents indicated that they had not experienced a change in the prices. Generally, 77.6 per cent of households reported having no challenge in accessing a market/grocery store to purchase food items. And nine in ten households reported that various food items were locally available.

Considering households by county, it is interesting to note that household food security issues are not dependent on the county's main economic activity. Kakamega, Homa Bay, Vihiga, Narok and Trans Nzoia counties reported higher numbers of households having no food stock compared to Machakos, Makueni, Mandera, Kitui and Garissa counties, which are counties in the semi-arid and arid areas (Figure 6.10). The households that had access to food stocks showed that those in medium to high potential areas had the highest proportion, having food stocks that would last up to less than a week (Table 6.5), implying that food poverty is a challenge and households across all counties are vulnerable.

Poor urban households in Nairobi, Kisumu and Mombasa face crisis outcomes driven by constrained access to labour and incomes from ongoing COVID-19 restrictions. Urban poor households are engaging in crisis-coping

Figure 6.10: Proportion of households having no food stock (%)



Data source: Kenya National Bureau of Statistics COVID-2nd Wave Survey

Table 6.5: Proportion of households having food stock and the duration it can last (%)

County	YES, LESS THAN ONE WEEK	YES, LESS THAN TWO WEEKS	YES, LESS THAN THREE WEEKS	YES, LESS THAN ONE MONTH	YES, MORE THAN ONE MONTH
Bungoma	61.1	11.0	5.6	6.2	8.3
Embu	57.6	10.8	7.2	5.3	6.7
Siaya	57.5	10.7	2.0	0.2	2.5
Nyandarua	55.5	11.7	4.1	4.9	8.8
Kiambu	53.7	16.5	8.0	9.1	2.7
Nakuru	53.0	18.5	4.0	4.1	16.1
Kisumu	51.0	18.0	1.1	2.9	0.4
Kajiado	50.7	14.6	7.8	6.4	7.4
Murang'a	50.6	11.7	1.2	7.6	9.9
Kilifi	49.6	12.9	6.3	4.2	6.3
Samburu	47.3	12.4	6.9	4.2	3.3
Vihiga	47.2	6.5	1.3	2.2	2.1
Wajir	45.6	3.8	5.8	6.8	2.0
Nyamira	45.1	8.6	1.0	3.2	7.5
Nairobi City	44.8	17.2	7.7	6.2	9.9
Uasin Gishu	43.9	13.9	4.8	9.6	14.0
Tharaka Nithi	43.0	14.2	6.3	15.7	9.1
Garissa	42.5	13.8	7.6	20.8	5.6
Kisii	41.7	21.3	7.7	10.2	8.3
Laikipia	41.1	20.6	6.1	5.5	13.5
Migori	41.0	6.9	1.0	7.7	23.9
Kericho	40.6	9.1	3.5	5.3	15.4
Taita Taveta	40.2	14.2	3.0	5.8	8.6
Marsabit	38.9	14.5	15.7	18.8	1.9
Kirinyaga	38.6	21.0	4.4	7.7	7.9
Elgeyo Marakwet	37.7	10.0	3.5	11.7	23.2
Nandi	36.5	9.7	2.4	6.7	11.9
Mandera	35.8	28.1	15.7	6.5	7.9
Machakos	33.5	16.7	10.7	12.2	26.2
Tana River	33.0	9.7	3.8	4.4	5.4
Kitui	32.9	21.4	11.5	17.1	11.7
Isiolo	32.4	19.5	16.1	2.6	8.3
Busia	32.1	10.7	2.3	5.7	4.5
Nyeri	32.1	18.5	2.8	6.3	15.9

County	YES, LESS THAN ONE WEEK	YES, LESS THAN TWO WEEKS	YES, LESS THAN THREE WEEKS	YES, LESS THAN ONE MONTH	YES, MORE THAN ONE MONTH
Mombasa	31.4	25.0	7.0	3.2	9.2
Makueni	29.8	22.3	8.7	11.5	26.0
Turkana	28.3	10.0	1.0	4.9	3.2
Homa Bay	28.2	3.8	2.6	4.1	6.5
Narok	27.4	13.0	4.1	5.1	13.1
Baringo	27.4	22.3	4.7	7.2	20.2
Meru	26.4	14.3	6.2	6.4	18.3
Bomet	22.6	14.0	6.1	5.7	18.6
West Pokot	22.1	15.8	5.9	11.4	18.2
Lamu	21.4	13.7	10.4	7.6	9.8
Kakamega	19.9	3.1	1.8	4.3	3.9
Trans Nzoia	18.4	7.7	3.3	15.1	21.2
Kwale	16.3	17.8	10.1	13.7	7.1

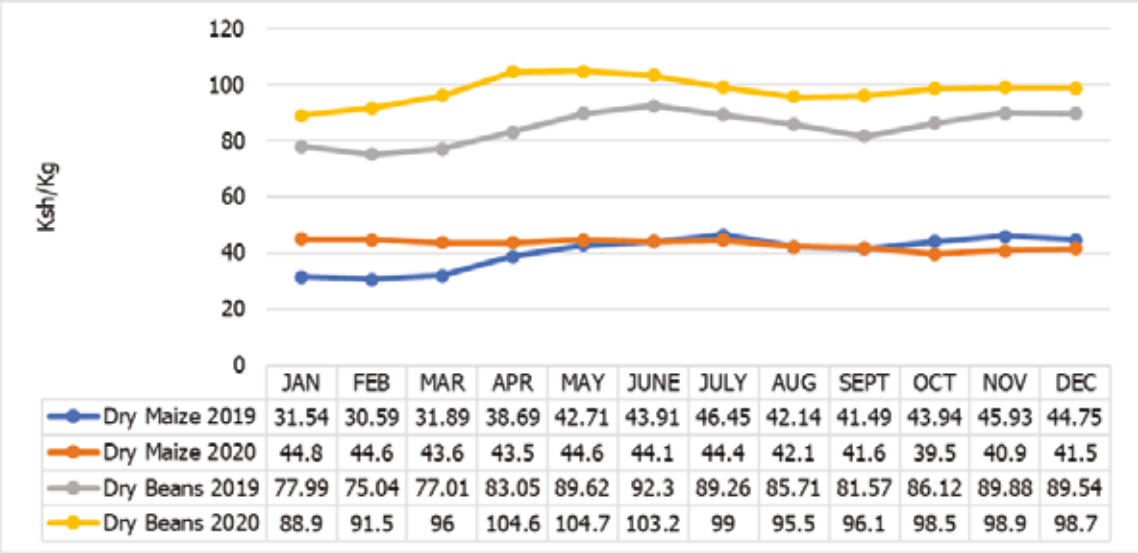
Data Source: Kenya National Bureau of Statistics COVID-2nd Wave Survey

strategies such as reducing non-food expenses such as healthcare and selling productive assets such as sewing machines, wheelbarrows, and bicycles to meet their minimum food needs. The worst-affected households are in the informal settlements of Nairobi. As household food stocks diminish, households are increasing their reliance on market food purchases, driving a gradual increase in food prices. Agricultural waged labour opportunities, and livestock, charcoal, and firewood sales are maintaining household income and food access (FESWNET, 2021).

The marketing system for food is dependent on small independent transporters who provide the link between producers and consumers. Wholesale producer markets, and early morning spot markets play an import role in the distribution of food in urban areas, serve consumers and smaller retailers. These two types of markets account for about 90 per cent of the source of food for urban areas.

The following support measures were taken to cushion the food system; for example the Food Security War Room (FSWR) established by the Government in April 2020 to monitor the food security situation in the country. Further measures included: (i) protocols and guidelines to facilitate the operations of agricultural input providers, producers, traders, processors and consumers in the food supply chains; (ii) food processing and feed manufacturing operations were allowed to stay open around the clock to ensure adequate production; (iii) producer and consumer associations were encouraged to liaise with service providers to use digital technologies that link farmers to markets and avail food commodities in urban areas. For instance, a partnership between Twiga Foods (a Kenyan start-up that delivers fruits and vegetable to customers) and Jumia (a company offering online goods and services in 11 countries) have made it easier for Jumia users to purchase fresh fruits and vegetables at affordable prices; (iv) The Ministry of Trade waived its mandatory inspection fee on seed, pesticides and veterinary medicine at the country of origin for an initial period of six months, which has helped to reduce import costs.

Figure 6.11: Price trends of dry maize and dry beans, 2019-2020



	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC
Dry Maize 2019	31.54	30.59	31.89	38.69	42.71	43.91	46.45	42.14	41.49	43.94	45.93	44.75
Dry Maize 2020	44.8	44.6	43.6	43.5	44.6	44.1	44.4	42.1	41.6	39.5	40.9	41.5
Dry Beans 2019	77.99	75.04	77.01	83.05	89.62	92.3	89.26	85.71	81.57	86.12	89.88	89.54
Dry Beans 2020	88.9	91.5	96	104.6	104.7	103.2	99	95.5	96.1	98.5	98.9	98.7

Data source: Kenya National Bureau of Statistics (2021), Economic Survey

Regarding the price trends, maize prices were 10-18 per cent above the five-year average, driven by low market supply from COVID-19 restrictions and border closures with Ethiopia and Somalia. Bean prices reported a mixed trend with between 10-30 per cent above average prices (Figure 6.11).

6.8 Emerging Issues

6.8.1 Desert locust invasion

The desert locusts continue to pose a serious threat to crop and forage production in affected areas. Kenya remains at risk of further infestation from swarms currently breeding in Sudan, Ethiopia, and Somalia as the wind direction is expected to shift from north to south, which is likely to drive the swarms towards northeast Kenya. In the October 2020 Update of the FAO Desert Locust Upsurge for the Greater Horn of Africa and Yemen, Kenya has made significant progress in desert locust control. Since the start of the invasion, the number of infested counties has fallen from 30 to one. The current success can be attributed to control measures, including the treatment of approximately 150,000 hectares since January 2020. There are a few small maturing swarms in Samburu County, which are likely to breed during the short rains. In January 2021, the Ministry of Agriculture, Livestock, Fisheries and Cooperatives and FAO reported that there are mature desert locust swarm invasions ongoing in central and northern Kenya, while immature bands and groups of hoppers have been reported along the coast in parts of Kilifi and Taita Taveta.

6.8.2 Climate change and food security

Climate change and climate variability has continued to manifest in the increasing frequency and intensity of extreme weather events. The drought and flood cycles in the country have become shorter and are now 2-3 years. This has resulted in unprecedented challenges. Other indicators include rainfall variability, speed of the wind, temperature differentials on both land and water surfaces, increased prevalence of certain pests and diseases, and changing crop production conditions.

Activities and strategies related to climate change adaptation and mitigation for the crops sub-sector include: use of crop varieties suited for the

changes in moisture and temperature; switching to farming practices that conserve soil moisture and nutrients; controlling soil erosion and improving water uptake by crops; use of seasonal forecasts; forestry and agroforestry; small scale irrigation; disease and pest control; and conservation agriculture and micro-dosing. Elements of these strategies have been implemented to varying degrees.

Among the important climate change response interventions for the livestock sub-sector are: participatory breeding of the local breeds, establishment of fodder banks, replanting rangelands, and diversification of livestock enterprises. Most dairy activities are concentrated in the high-to-medium altitude areas, mostly in Rift Valley and Central parts of Kenya. The Rift Valley has the largest number of dairy cows, while the country's Central region has the highest concentration of dairy cattle per square kilometre.

With climate change, smallholder households are bound to suffer more immensely if they engage in specialized production. Diversification of livelihood systems among these vulnerable people is therefore an important adaptation strategy. There are several potential adaptation and mitigation strategic interventions to address gaps in agricultural production, including: (i) promotion of the creation of weather-based insurance scheme for crop and livestock production; (ii) promotion of conservation agriculture to ensure efficient use of water resources through drip irrigation, water recycling, and reuse, mulching and appropriate land-use techniques; (iii) promotion of appropriate irrigation technologies suitable for different agro-climatic regions and sensitive to ecological systems; and (iv) facilitation of the enhancement of farming systems that encourage crop diversification, including the cultivation of more drought-tolerant food crops such as millet, sorghum and sweet potatoes.

6.9 Conclusion, Key Messages and Recommendations

Over the last two decades, agricultural policy in Kenya has revolved around the main goals of increasing productivity, intensification of production and income growth, especially for smallholders; enhanced food security and equity; and increasing the area under irrigation and commercialization. The investments in these policy goals have led to the agricultural sector's growth that translates to 24 per cent Gross Domestic Product (GDP). However, this contribution is not based on increased factor inputs or technology, rather on an agrarian production system. The sector faces challenges associated with low productivity, poor land-use practices, inadequate markets, and low-level value addition. These challenges have been compounded by climate change, and the recent desert locust invasion and the measures taken to contain the COVID-19 pandemic. The COVID-19 pandemic has reversed the gains made towards reducing food poverty with varying intensities across and within counties.

Spending in the sector as a share of total Government spending is declining, which indicates that the level and composition of spending is not sophisticated. There is little investment in technology or value-added activities. Despite the forgone, there is need for concerted efforts to ensure that the linkages between research and the extension system are strengthened to support the transfer and adoption of technologies and innovations developed. There is potential to fast-track the recovery by taking advantage of land and water resources to expand the area under irrigation as envisioned in the "Big Four" agenda. Further, the co-operatives sub-sector presents an opportunity to revamp the commercialization of agriculture. Therefore, investment in these institutions, coupled with the empowerment of farmer/producer organizations to participate in agriculture's commercialization will go a long way in transforming the sector.

6.9.1 Key Messages

1. Agricultural policy in Kenya has revolved around the main goals of increasing productivity and income growth, especially for smallholders; enhanced food security and equity, emphasis on irrigation to introduce stability in agricultural output, commercialization, and intensification of production. The investments in these policy goals would lead to growth of the agricultural sector that translates to 24 per cent of the Gross Domestic Product (GDP).

2. The sector's contribution to economic growth is not based on increased factor inputs or technology, resulting in higher productivity but instead it is based on an agrarian production system.

3. Soil fertility in Kenya is declining and is associated with the widening yield gap. Studies have shown that most farmers are achieving less than 25 per cent of the potential yields for most crops due to low soil fertility.

4. Spending in the sector as a share of total Government spending is declining in nominal terms; the annual average is 5 per cent, and ranges from 11 per cent in 2009 to 2 per cent in 2020. The share of agriculture value added reduced from 12 per cent to 2 per cent in 2020. Intuitively, this indicates that the level and composition of spending is not sophisticated; there is little investment in technology or value adding activities.

5. The level of spending varies from county to county; however, without diagnostic studies it is not clear how this variation correlates with local agricultural potential and priorities. Overall, spending has improved from an average of 8.2 per cent in 2014-2016 to 9.9 per cent for the period 2017-2019.

6. Investment in the sector in form of agriculture credit has been on a steady decline since 2013, with the number of loans having declined by 1.7 per cent, and the share of agriculture loans to total loans by 14.7 per cent while the number of non-performing loans have increased by 17 per cent.

7. Spending on agricultural research and technology has steadily declined; the expenditure as a share of AgGDP was 0.5 per cent in 2016 compared to 1.3 per cent in 2000. The country's research system suffers from myriad challenges, including almost complete dependence on unstable and unsustainable donor funds. Further, there is a decreasing human resource; it is now evident that 47 per cent of the researchers are older than 50 years of age.

8. The COVID-19 pandemic has reversed the gains made towards reducing food poverty with varying intensities across and within counties. The second wave survey on the socio-economic impacts of COVID-19 on households reported that, nationally, 78 per cent of households had food stocks. Slightly more than three quarters (79%) respondents reported an increase in food commodity prices. Further, 76 per cent of households had no challenge accessing a market/ grocery store to purchase food items.

9. The domestic market for agricultural produce recorded mixed results during the period in which measures were taken to contain the COVID-19 pandemic. The trends tend to point to a situation where the markets were cushioned. The domestic market saw the emergence of digital technologies that link farmers to markets and avail food commodities in urban areas.

10. Sixty (60) per cent of the counties have both a coffee and a dairy co-operative; this implies that any form of investment in these two commodities will have wide-reaching implications. The other commodity value chains exist in other counties, thus commercializing agriculture is possible through strengthening of co-operatives.

11. Private-sector involvement and engagement in the sector is still not adequate; however, the Agriculture Sector Growth and Transformation Strategy (ASGTS) has made provisions to strengthen this engagement and participation, especially in the areas of output marketing and input supply and financial services.

6.9.2 Recommendations

1. Promote pluralism in agriculture service delivery. There is need for agricultural research, extension and training services to work closely to leverage on their diverse skills and strengths to contribute to public supported agricultural productivity operation. Focus should be to support the existing soil management initiatives and develop them further to ensure sustainable agriculture production.

2. Strengthen irrigation expansion schemes for small-scale farmers to increase agriculture production; the potential areas of expansion are already known and mapped out. This will consequently improve food and nutrition security.

3. Increase investment in the agricultural sector, increase funding for national agriculture research and strengthen linkages with the county-based extension services. Spending to the agriculture sector from the total budget has declined. This reduction has implication on food security, considering that the effects of climate change are evident from the declining overall production. This investment needs to be targeted to increased productivity and increase the area under irrigation, not forgetting markets and market infrastructure.

4. Promote evidence-based approaches that emphasize data collection and management to inform policy development, priority setting and planning for agricultural research, extension and training.

5. Strengthen producer groups/farmer organizations; increased growth and development of the sector will be propelled by empowerment of producer groups who will facilitate commercialization of agriculture.

6. Improve the linkage between agricultural production and the manufacturing sector at all levels (small, medium and large) through contract farming and working together with producer groups/farmer organizations.

7. Promote private sector involvement such as the public-private partnerships as envisioned in the Agriculture Growth and Transformation Strategy.

CHAPTER 7

FAST-TRACKING THE DELIVERY OF THE AFFORDABLE HOUSING PROJECT

Affordable housing is prioritized as one of the National government's pillars of growth under the "Big Four" agenda to provide affordable housing in addressing persistent and growing housing deficit. Affordable housing refers to access to decent and adequate housing whose monthly expenditure is less than 30 per cent of total household income. Access to basic amenities is considered a key prerequisite and an integral component in developing affordable housing, yet not accessible for most people. The housing tenure is dominated by rental housing with 90 per cent of the urban residents dwelling in rented units, out of which 65 per cent live in informal settlements. The emergence of the COVID-19 pandemic adversely affected the housing sector, with lower-income earners unable to cater for their housing needs. For example, 37.5 per cent of households were unable to pay rent during the pandemic. So far, the Government and key stakeholders have put interventions towards realizing the affordable housing scheme. The main structures adopted include Government partnerships through public-private partnerships, private developers' partnerships, and State-funded projects to boost finance access. Over the past few years, the increased resource allocation and absorption rate have enabled the affordable home ownership project. Successful implementation of the affordable housing programme requires strategic interventions on both the supply- and demand-side and creating an enabling environment.

7.1 Introduction

Affordable housing refers to access to decent and adequate housing with a monthly expenditure of less than 30 per cent of the total household income. Article 43(1)(b) of the Constitution of Kenya stipulates that access to adequate housing and reasonable sanitation standards is a right for all citizens. Provision of affordable housing is prioritized as one of the National Government's pillars of growth under the "Big Four" agenda, with the aim of providing decent housing and long-term economic development. The target is to deliver 500,000 housing units for the lower-and middle-income population segments by 2022 to address the housing deficit.

Housing supply is well below the annual demand, and the existing deficit is fuelled by fundamental constraints on both the demand- and supply-side, including: inadequate credit supply, high cost of long-term financing, and low uptake of houses due to low purchasing power. Increased investment in affordable housing units is expected to provide decent homes for Kenyans and generate a multiplier effect, which would trigger growth in other interrelated sectors, and thus boost overall economic growth. Access to a diverse, quality housing stock that is affordable to households will set a foundation for inclusive growth and overall quality of life. Therefore, successful implementation of the affordable housing programme will require strategic interventions on both the supply- and demand-side, and creating an enabling environment.

This chapter tracks the housing sector's performance, specifically on policies, legal, regulatory, and institutional frameworks; status of housing; effects of COVID-19 on the housing sector; and deprivation and disparities in access

to basic infrastructure across counties. This chapter also highlights key policy recommendations for fast-tracking implementation of the affordable housing project.

7.2 Interventions by the Government in Delivery of Affordable Housing Project

The Government has put in place key policy legal regulatory and institutional frameworks to support implementation of the affordable housing project. The key areas of intervention focus on capital mobilization, sufficient and affordable long-term financing, land use planning, innovative low-cost building materials technology, transparency and accountability, and progressive construction of housing units.

7.2.1 Capital mobilization

The National Housing Development Fund (NHDF) established under the Housing Act 2018 Section 6(1) is mandated to mobilize capital to bridge the shortfall in affordable housing. The resource mobilization for NHDF targets Government employer/employee contributions, development finance institutions, and affordable housing homeowners savings plans from homeowners and local banks. NHDF is expected to de-risk private developers by guaranteeing off-take for the incoming supply under the affordable housing initiative by signing off-take agreements. The NHDF provides affordable financial solutions, such as the Tenant Purchase Scheme, and enables mortgage and cash buyers to save towards purchasing homes through the affordable housing Home Ownership Savings Plan. The contribution scheme is currently on a voluntary basis and is capped at Ksh 200 per month and untaxed at time of withdrawal. Joint contribution is also allowed for spouses for ownership of one house at a the time while statutory contributions were revoked due to discontent by members of the public. The housing portal (Boma Yangu) connects individuals to the Housing Development Fund and, so far, registered applicants stand at 315,938. The Boma Yangu platform is expected to provide real time evidence of demand aggregation to strategic partners of the affordable housing programme.

7.2.2 Access to long-term financing

With a view to extending long-term financing to financial institutions, the Government established and operationalized the Kenya Mortgage Refinancing Company (KRMC) in 2018. KMRC is jointly owned by the Government, private sector and selected development partners and is mandated to provide long-term funds to primary mortgage lenders (banks, microfinance banks and Savings and Credit Cooperative Societies-SACCOs) to increase the availability and affordability of home loans to Kenyans. KRMC provides affordable housing loans and market housing loans to developers for the affordable housing project.

To enhance housing incentives for developers and align tax incentives under the affordable housing scheme, the Finance Act 2019 exempts from Value Added Tax (VAT) importation and local purchase of goods for the construction of houses under the affordable housing scheme upon recommendation by the Cabinet Secretary responsible for housing. The Act also stipulates that the transfer of a house constructed under the affordable housing scheme from a developer to the National Housing Cooperation is exempt from stamp duty.

The recently enacted National Housing Development Fund Regulations 2020 provide transparency accountability and efficient management of contributions from members. The regulations focus on membership registration requirements, benefits to members, eligibility criteria for affordable housing scheme, and conditions for disbursement of funds. The regulations also define the various categories of beneficiaries, including: social housing designated for monthly income earners earning up to Ksh 19,999, low cost between Ksh 20,000 and Ksh 49,999, mortgage gap between Ksh 50,000 and Ksh 149,999 and middle to high income housing designated for monthly income earners earning Ksh 150,000 and above.

7.2.3 Land use planning

The enactment of the Physical and Land Use Planning (Classification of Strategic and Inter-County Projects) Regulations 2019 mandates the Government, at both National and County level, to prepare physical and land use plans. The regulations emphasize more on integrated planning of the national, county, inter-county and local plans and act as the basis for land use. Previously, land planning was more place-specific and not cognizant of the broader perspective of inter-regional planning.

The National Spatial Plan 2015-2045 provides a coordinated framework for sectoral planning to address the disconnect that has existed for a long time between physical and economic planning. Consequently, counties are expected to mainstream and propagate the framework across various sectoral plans, including low-cost housing plans as stipulated in the County Governments Act 2012 at section 110(1)(a). The spatial plan underlines the importance of protecting rich agricultural land and the conservation of environmentally sensitive areas. Counties need to fast-track the development of spatial plans. More than half of counties do not have a spatial plan, therefore lacking basic guidelines for optimal land use as provided for under Article 67(2) (h) of the Constitution.

7.2.4 Innovative low-cost building materials technology

To reduce the cost of housing construction, the Government has established Appropriate Building Materials and Technology (ABMT) centres to disseminate and train on all existing and new technologies that enhance housing affordability. So far, 92 appropriate ABMT centres have been constructed across the country to promote local building materials compatible with the local socio-cultural, economic and physical, and ecological environment of an area. The sector promotes the use of low-cost building materials, including Interlocking Stabilized Soil Blocks technology, Interlocking Concrete Blocks (ICB), and Expanded Polystyrene Panels (EPS), and Precast Concrete Panels.

Despite the progress made, the uptake of alternative low-cost building materials is constrained by lack of harmonized regulatory frameworks, slow adoption by the built-environment professionals, and poor workmanship. The enactment and operationalization of the National Housing Policy, which is currently under review, is expected to incorporate elaborate guidelines on implementation of ABMT. Also, periodic training among the construction sector professionals, and collaboration with learning institutions across the counties is key in promoting the uptake of the technologies.

7.2.5 Progressive construction of affordable housing units

The affordable housing initiative has continued to gain momentum with the Government's participation through Public-Private Partnership (PPP) and private sector developers. The Park Road 1,370 housing project started in 2019 and completed in 2020 was the first development promoted by the Government under the Affordable Housing Programme. The allocation of the completed affordable housing units to the eligible beneficiaries is underway. Pangani Affordable Housing Project is ongoing and targets 1,562 housing units with a mixed-development approach. It is expected to be completed by June 2023. Kitui County Affordable Housing Project, Kalawa Road, is a Public-Private Partnership (PPP) between Kitui County Government and Tecnofin Kenya Ltd, a local real estate company and is expected to be completed by the end of 2022. Kibera Soweto East Zone B's proposed redevelopment is also a Government initiative to provide affordable housing to slum dwellers. Planning for the redevelopment is ongoing and targets the development of 4,400 housing units and social amenities.

The private sector is also actively involved in the provision of affordable housing. Unity Homes within Tatu City in Kiambu is developing 1,200 units; 2,720 units within Edermann Property in Ngara, and 8,888 units Mavoko Project by the United Nations Habitat Cooperative Society. It is expected that the housing sector will continue growing on the back of an improved mortgage

market following the launch of KMRC and NHDF and other Government incentives supporting the affordable housing initiative. Further strides in infrastructural development, such as the Bus Rapid Transit System, and planned sewer and water improvements are crucial to promoting the affordable housing agenda.

7.3 Tracking the Performance of the Housing Sector

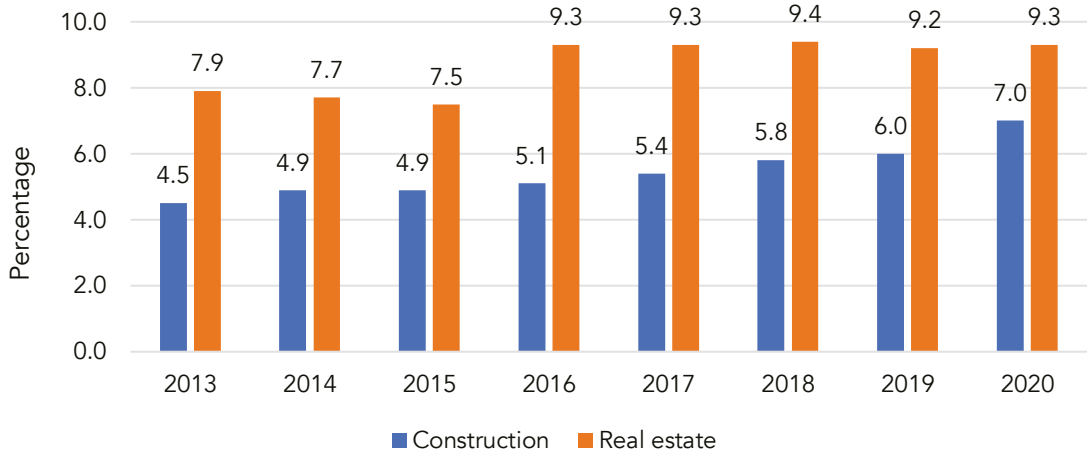
7.3.1 Performance of the real estate and construction sectors

The real estate residential sector deals with buying and selling residential properties, including single-family homes, apartments, condominiums, and planned unit developments, and is key in delivering affordable housing projects. The real estate contribution to GDP increased from 9.2 per cent in 2019 to 9.3 per cent in 2020, notwithstanding the negative impacts of COVID-19 (Figure 7.1). The positive growth is attributable to increased development activities due to a higher demand for residential housing. The majority of developers are increasingly applying low-cost housing construction, hence reducing construction costs. The construction sector is also key in delivering affordable housing through provision of labour and construction inputs. The construction sector's contribution to GDP increased from 6.0 per cent in 2019 to 7.0 per cent in 2020 (Quarter1-3). The growth is supported by investments in road construction, power infrastructure, commercial and residential construction activities.

Total wage employment for construction remained the same for the year 2019 and 2020 at 221,500 persons. However, the public sector registered a growth of 3.4 per cent from 8,800 persons to 9,100 persons in 2020. The private sector wage employment declined marginally by 0.1 per cent from 212,700 persons in 2019 to 212,400 persons in 2020. (Figure 7.2).

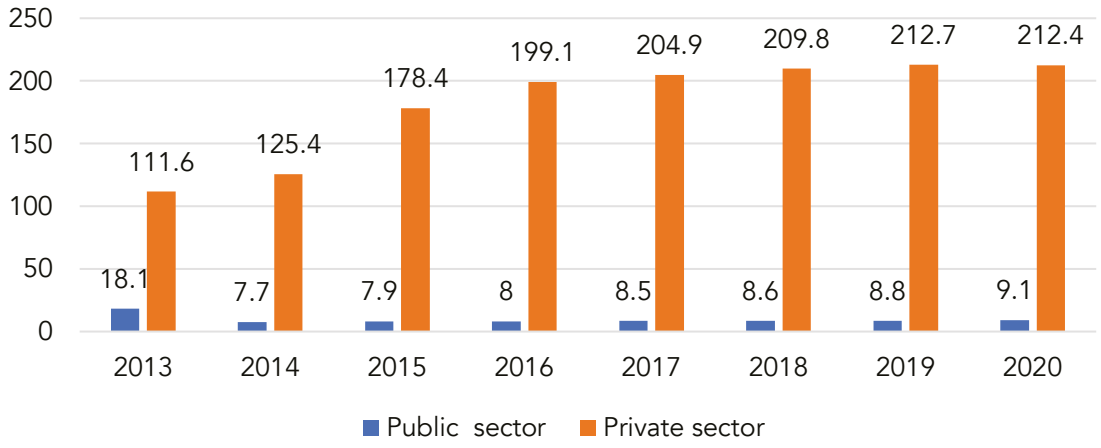
Total wage employment for real estate declined from 4,400 persons in 2019 to 3,700 persons in 2020 (Figure 7.3). The real sector was adversely affected by the emergence of COVID-19, mainly due to restriction of movement as the sector is mainly labour-intensive. The sector is estimated to capture up to 10.5 per cent of the value created by the spending on affordable housing. It is estimated that for every unit constructed, there are 3 to 5 new jobs created and up to 8 indirect jobs created per unit. The implementation of the affordable housing project is expected to lead to formalization of the informal sector by ring-fencing strategies that ensure that light industries supply inputs for the project.

Figure 7.1: Percentage contribution of construction and real estate to GDP, 2013-2020



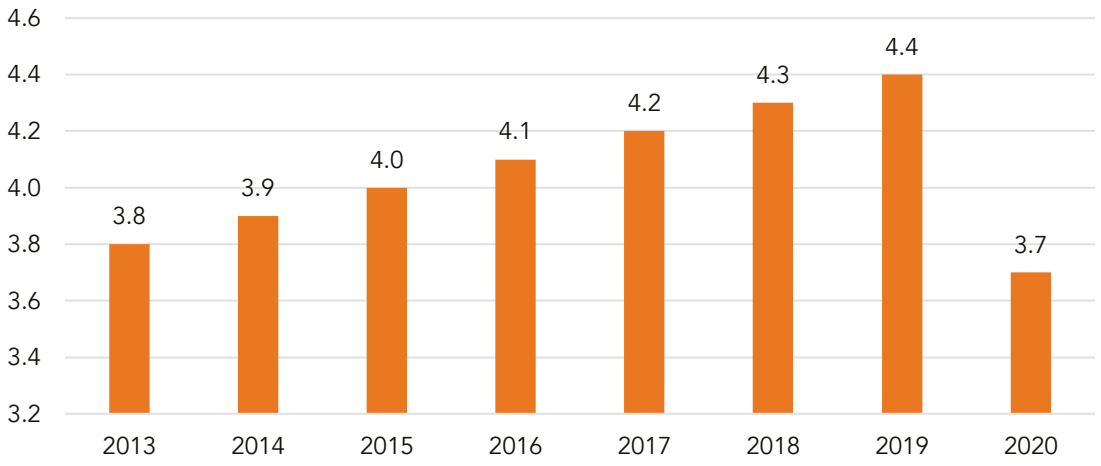
Source: Kenya National Bureau of Statistics (Various), Economic Survey

Figure 7.2: Wage employment for the construction sector ('000), 2015-2020



Source: Kenya National Bureau of Statistics (Various), Economic Survey

Figure 7.3: Wage employment for real estate ('000), 2015-2020



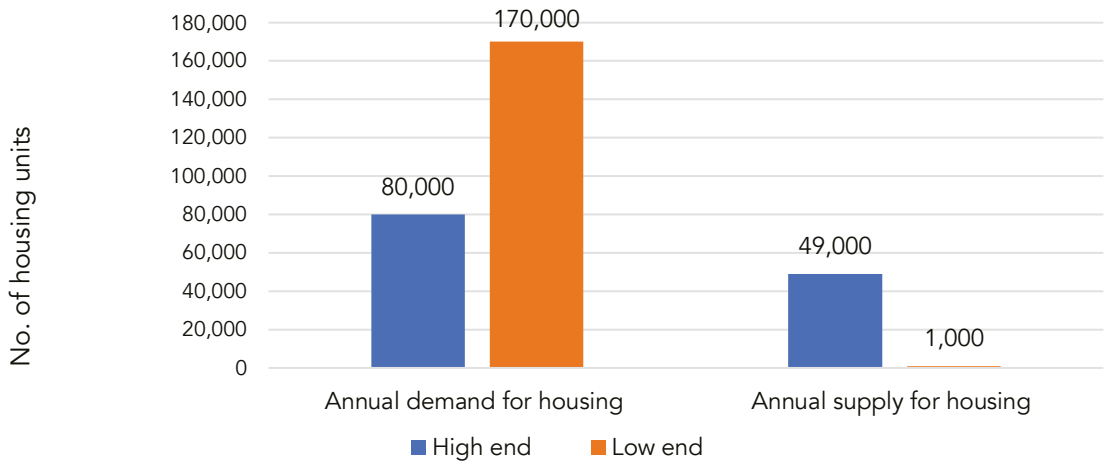
Source: Kenya National Bureau of Statistics (Various), Economic Survey

7.3.2 Housing supply and demand

It is estimated that the country has an annual housing demand of 250,000 and a supply of 50,000 housing units per year, which mainly targets the high-end market (Figure 7.4). Under the "Big Four" agenda, the Government aspires to close the 80 per cent deficit by delivering at least 500,000 affordable housing units in a five-year plan. This translates to about 100,000 affordable housing units per year.

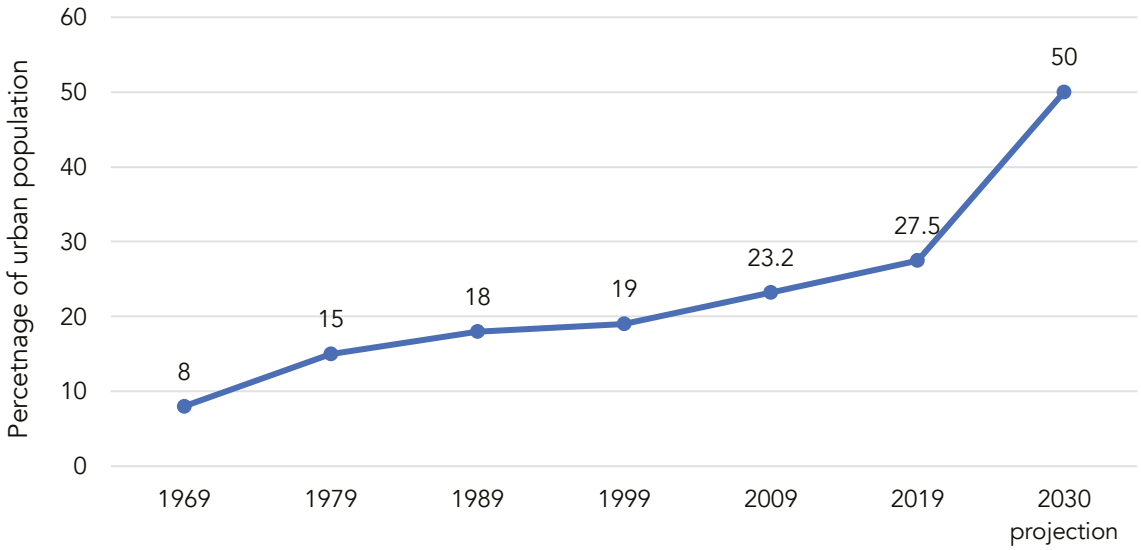
Approximately 2 per cent of formally constructed housing units from the public and private sectors target the lower-income segments of the market, yet it accounts for the largest share of demand at 170,000 (70%) annually. The high deficit in the low-end results from high construction costs incurred by private developers, who are the major suppliers of residential housing and are passed on to the end-buyers. Therefore, most housing units are not affordable to a large population segment. Supply at the high-end areas has outgrown demand, thus leading to declining occupancy rates. Simultaneously, supply in the low-end segments of the market has remained low despite the growing demand for housing units.

Figure 7.4: Annual housing supply versus demand in Kenya



Source: State Department for Housing and Urban Development (2019)

Figure 7.5: Kenya urban population trends, 1969-2019

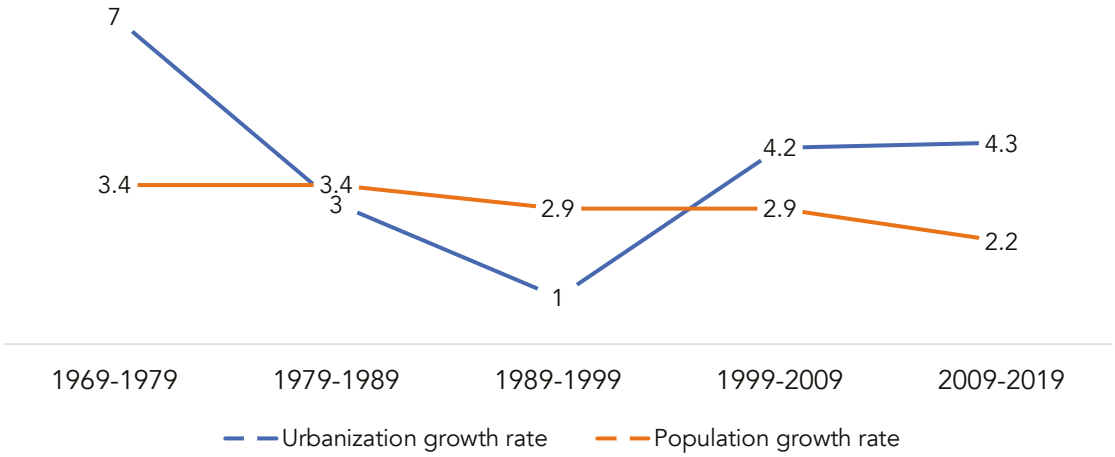


Source: Kenya National Bureau of Statistics (Various), Census

Currently, the total demand for affordable housing cumulates to over 2 million units and is projected to increase to nearly 300,000 units a year by 2050 on current policies. Projections by the United Nations indicate that the world's population is expected to grow by 2.9 billion in the next 33 years, and potentially another 3.0 billion by the end of the century. In this regard, the move towards cities is expected to grow and as a result of which 80 to 90 per cent of people are expected to live in cities by 2100 (United Nations, 2017).

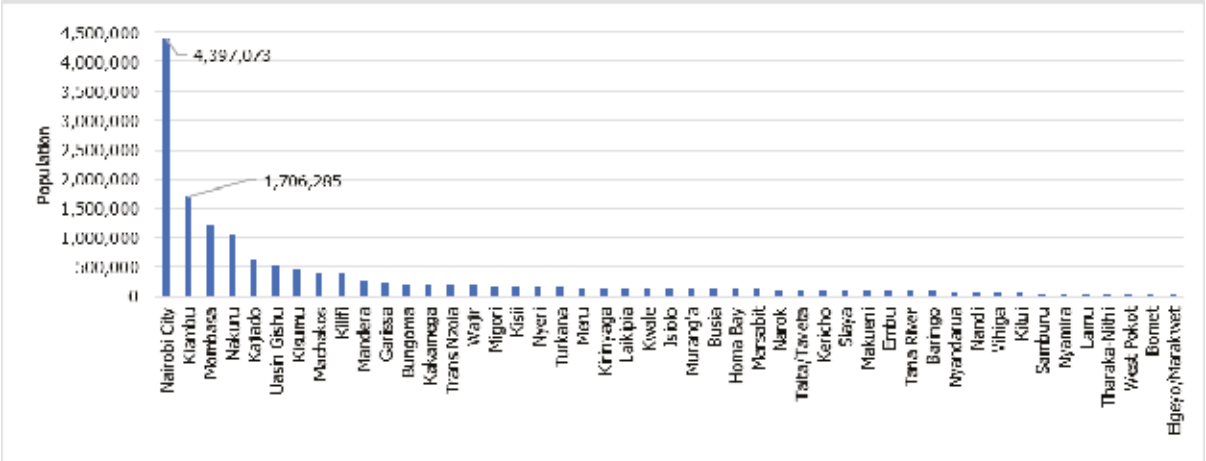
Housing shortfall is attributable to rapid urbanization that has not kept pace with the increasing housing needs, especially for those living in cities and those migrating to cities. Rapid urbanization creates immense pressure on urban services to meet the needs of the burgeoning urban population. The urban population in Kenya has shown an increasing trend over the last 50 years (Figure 7.5), and the rate of urbanization has registered an increasing trend of 4 per cent in a decade since 1999. Nairobi's population

Figure 7.6: Inter-censual population growth and urbanization growth rates Kenya, 1969-2019



Source: Kenya National Bureau of Statistics (Various), Census

Figure 7.7: Distribution of urban population across the counties

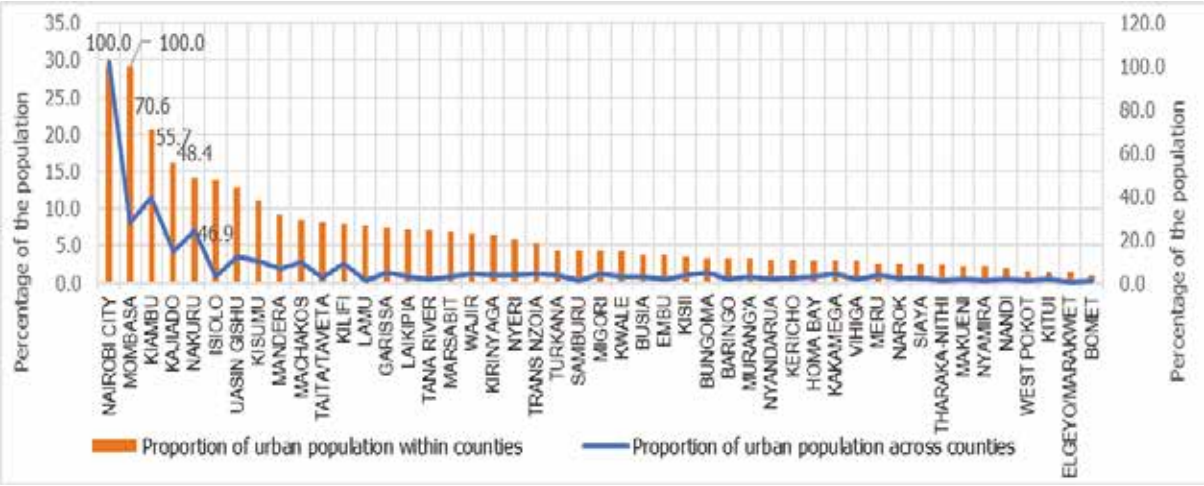


Source: Kenya National Bureau of Statistics (2019), Population and Housing Census

makes up more than 30 per cent of Kenya's urban residents; with an estimated 4,397,073 people, it is three times larger than the second city, Mombasa (Figure 7.7). Despite the increasing urbanization, the population growth rate has shown a downward trend over the last 30 years (Figure 7.6). The increasing urban population growth in Kenya is attributable to rural to urban migration, and increasing birth levels within urban areas. Therefore, the demand for affordable housing is expected to be on an upward trend in the coming years.

The growing number of slum dwellers resulting from urbanization and population growth has outpaced access to affordable housing. The Kenya Population and Housing Census (2019) estimates that 10 million Kenyans live in slums, which translates to 21.2 per cent of the total population. The Government through the Affordable Housing Programme is prioritizing the social housing programme to address these challenges and contain the proliferation of slums in urban cities.

Figure 7.8: Proportion (%) of urban population within and across counties



Source: Kenya National Bureau of Statistics (2019), Population and Housing Census

The proportion of the urban population within counties indicates that Nairobi and Mombasa counties are classified as entirely urban, registering urban proportion of 100 per cent. Kiambu County follows as the second largest county with an urban population of 70.6 per cent, followed by Kajiado (55.7%), Nakuru (48.8%) and Isiolo (46.9%) (Figure 7.8).

The counties with the highest urban population are likely to have a high housing deficit. Therefore, there is need for the counties with a higher proportion of urban population to prioritize the delivery of affordable housing and access to basic infrastructure and services to ensure efficient and sustainable growth of urban areas. Intra-county disparities are also manifest, with specific urban areas comprising a higher proportion of the urban population than other urban centres in a county (Appendix 7.1).

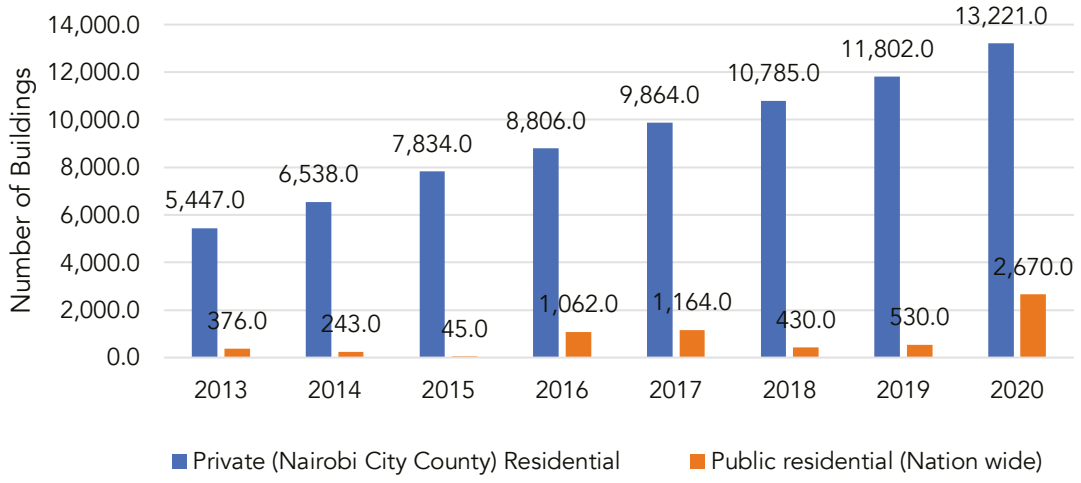
The number of completed public residential buildings in 2020 was 2,670units, which was higher than 530 units completed in 2019. The total number of completed private residential by Nairobi City County went up from 11,802 units in 2019 to 13,221 units in 2020 (Figure 7.9). The increase in the number of residential buildings by the public sector is attributable to an increase in the construction of affordable housing units by the State Department for Housing, and construction from the National Housing Corporation, which increased from 100 units in 2019 to 2,332 units in 2020.

7.3.4 Financing

a) Budgetary allocations for housing development

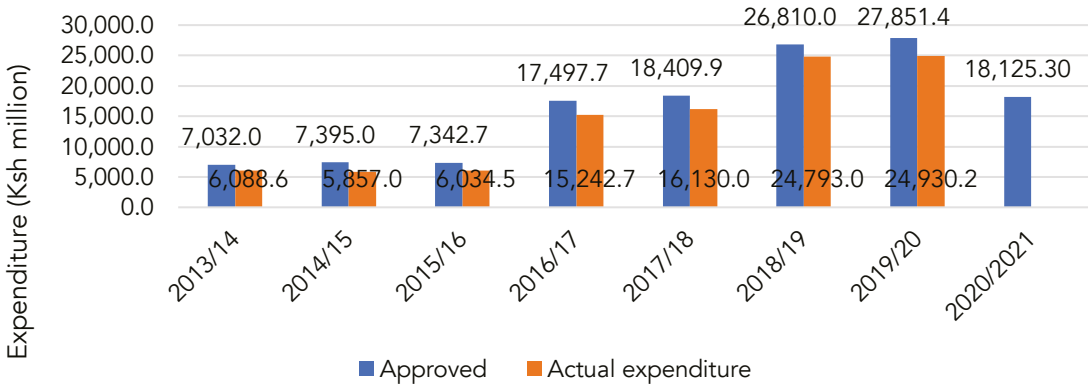
The Government has made strides to bridge the housing deficit by increasing allocations to the housing sector over the past years. As such, the allocation increased almost four-fold from Ksh 7,032 billion in 2013/14 to Ksh 18,125 billion in 2019/20 and recorded a decline of 34.9 per cent in 2020/2021 (Figure 7.10). In 2019/20, the percentage of budgeted funds absorbed declined marginally to 89.5 per cent compared to 92.5 per cent realized in 2018/19. This positive trend over the past years on allocation and utilization is attributable to increased credit to the real estate sector, and an increase in the construction of affordable housing units. The increased trend in resource allocation and absorption rate is mainly driven by the agenda to provide affordable home ownership. To improve the situation, approved expenditure on housing

Figure 7.9: Number of private and public residential buildings completed, 2013-2020



Source: Kenya National Bureau of Statistics (Various), Economic Survey

Figure 7.10: Government allocation and expenditure on housing (Ksh millions), 2013/14-2020/21*



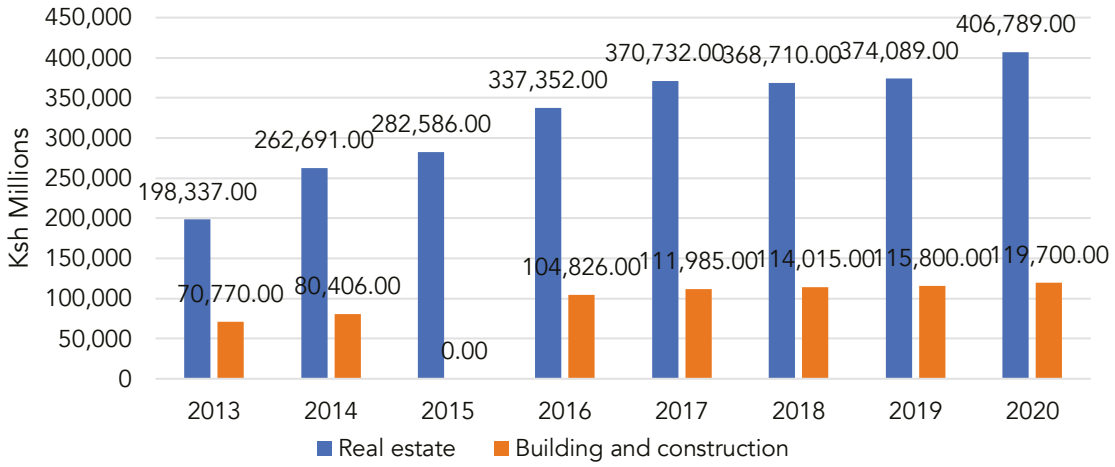
Source: Kenya National Bureau of Statistics (2020), Economic Survey

is expected to increase significantly over the years on account of investments to support the delivery of the Affordable Housing Project. The housing sector budgetary allocations support in implementing affordable housing project plans, enhance public-private partnerships financing for the affordable housing projects, and construction of ancillary infrastructure.

b) Credit

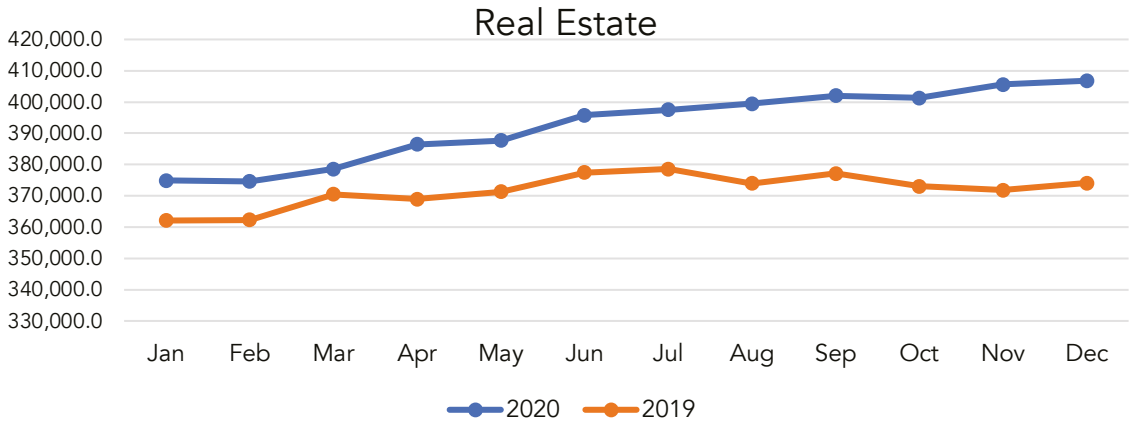
Uptake of credit in the building and construction sector grew by 22.5 per cent from Ksh 115.8 billion in 2019 to Ksh 141.8 billion in 2020 (Figure 7.11). Similarly, uptake in credit for real estate also increased by 27.1 per cent from Ksh 374.1 billion in 2019 to Ksh 441.1.0 billion in 2020. This indicates increased activities in real estate and building and construction sector and improved access to credit.

Figure 7.11: Commercial banks' bills, loans, and advances (private sector) Ksh millions, 2013-2020



Source: Kenya National Bureau of Statistics (Various), Economic Survey

Figure 7.12: Commercial banks' bills, loans, and advances (private sector) Ksh millions, during pre/during-COVID 19 pandemic

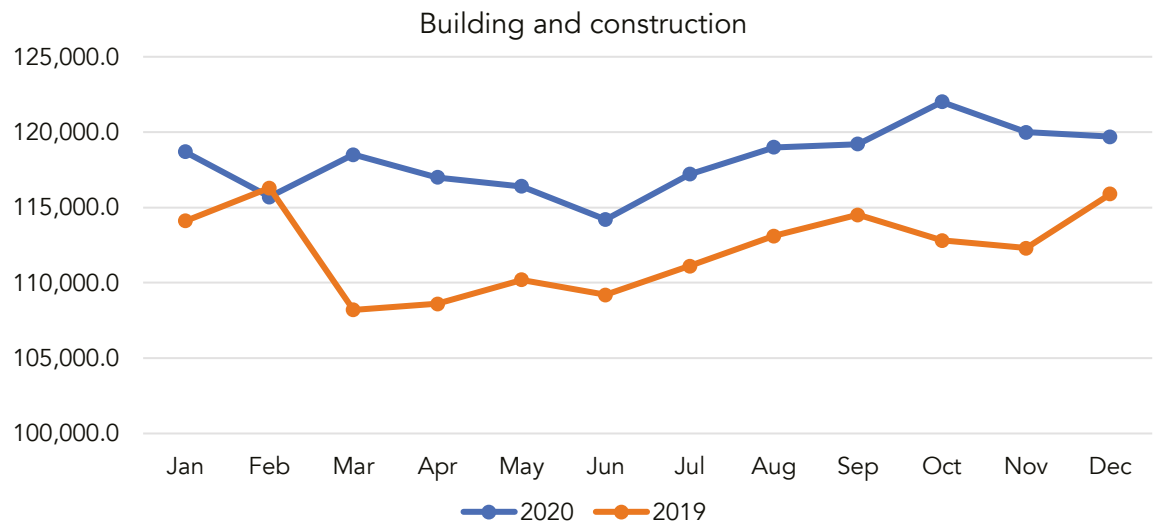


Source: Central Bank of Kenya (2020)

The uptake of credit by the real estate during the COVID-19 period in 2020 increased significantly compared to the same period in 2019 (Figure 7.12), with a similar trend recorded for the construction sector (Figure 7.13). This indicates that real estate and building and construction activities remained relatively stable during the pandemic.

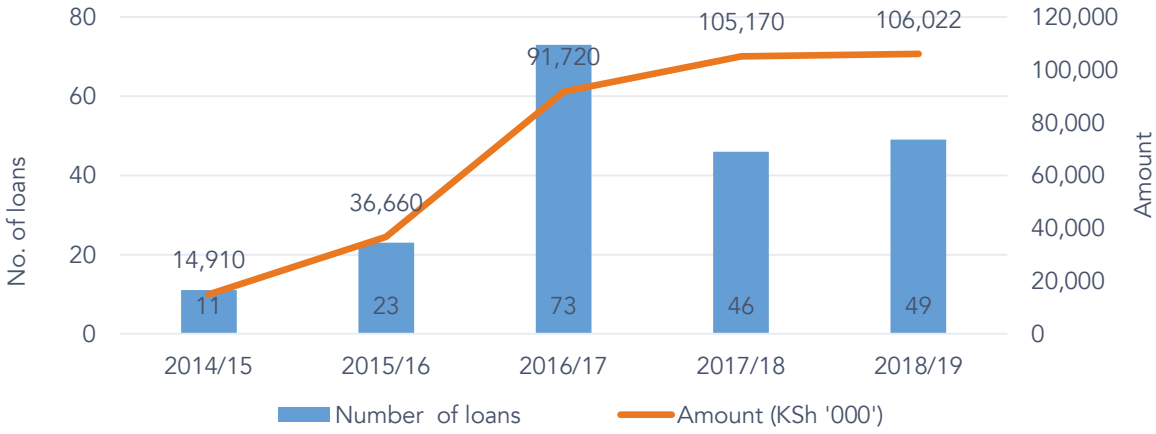
Loan advancement in the housing sector by the National Housing Corporation increased from 46 in 2017/18 to 49 in 2018/19, with the value of loan advanced also increasing from Ksh 105.17 billion in 2018/19 to Ksh 106.02 billion in 2019/20 (Figure 7.14). Notably, no loans were disbursed in 2019/2020 following the establishment of Kenya Mortgage Refinance Company (KMRC) to provide long-term funds to primary mortgage lenders (banks, microfinance banks and SACCOs) to increase the availability and affordability of home loans to Kenyans.

Figure 7.13: Commercial banks' bills, loans, and advances (private sector) Ksh millions, pre/during COVID-19 pandemic



Source: Central Bank of Kenya (2020)

Figure 7.14: Housing loans advanced by National Housing Corporation, 2014/15-2018/19



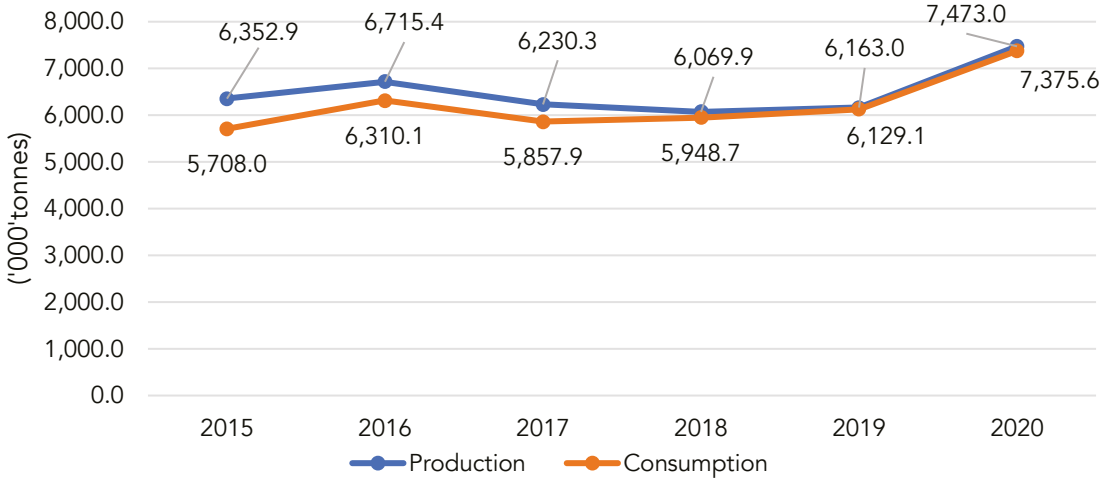
Source: Kenya National Bureau of Statistics (Various), Economic Survey

7.3.5 Construction inputs

Cement is a major input for the housing sector; the production increased significantly by 9.1 per cent from 6.163 million tonnes in 2019 to 7.473 million tonnes in 2020 (Figure 7.15). The consumption also increased by 11.2 per cent from 6.129 million tonnes in 2019 to 7.376 million tonnes in 2020. The increasing trend in production and consumption is attributable to increased activities in the housing construction sub-sector, mainly driven by the ongoing affordable housing projects.

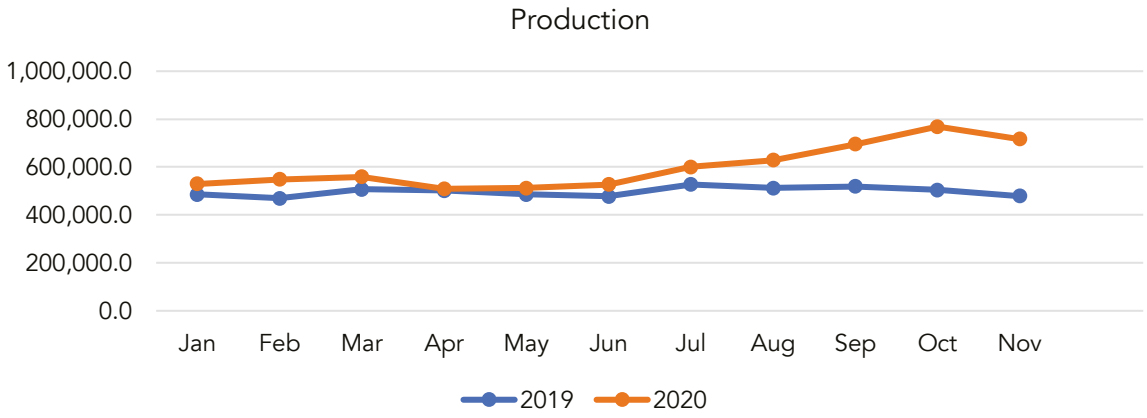
The production and consumption of cement increased significantly in 2020, even with the emergence of COVID-19 pandemic, compared to the same reporting period in 2019 (Figure 7.16).

Figure 7.15: Cement consumption and production, 2015-2020



Source: Kenya National Bureau of Statistics (various), Economic Survey

Figure 7.16: Cement production pre/during COVID-19 pandemic



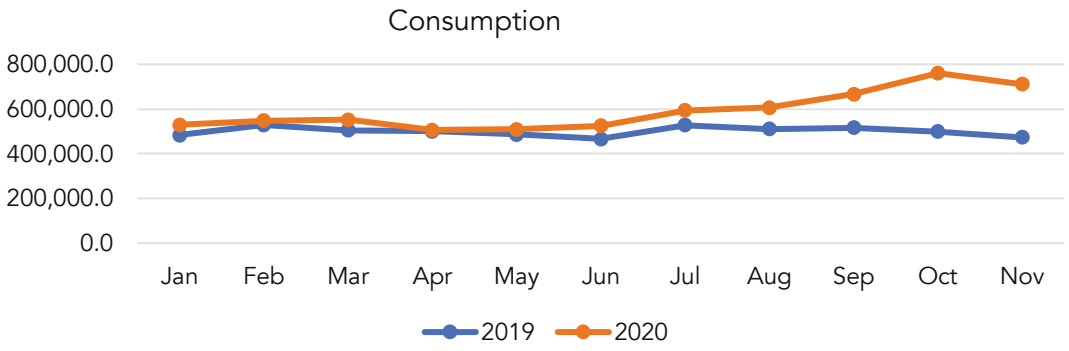
Source: Kenya National Bureau of Statistics (various), Economic Survey

Similarly, cement consumption also showed an increasing trend (Figure 7.17). This indicates that construction works were still going on during the pandemic and attributable to the growth registered in the real estate and construction sectors.

The annual percentage change in the cost of materials for residential buildings recorded an increase of 2.4 per cent in 2020 compared to an increase of 6.5 per cent in 2019. The percentage change in the cost has also shown an increasing trend in the last five years. The trends indicate the need to make construction materials affordable, while promoting the construction of affordable housing (Figure 7.18).

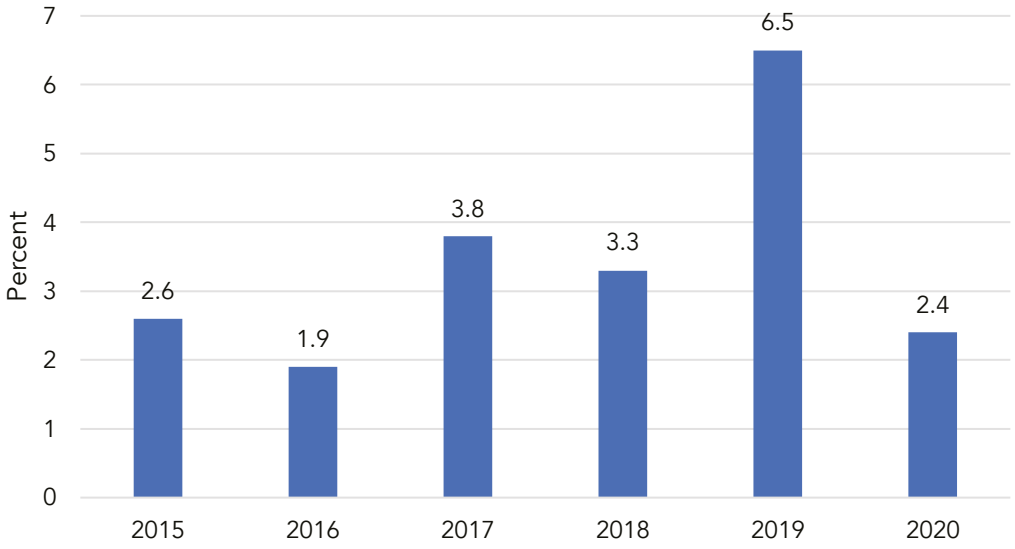
From the foregoing, rapid urbanization has not kept pace with the increasing housing demand. Resource allocation for the housing sector is integral to delivering affordable housing projects, which also comes with multiplier effects across the housing supply value chain, such as employment and manufacture of construction

Figure 7.17: Cement consumption during pre/during COVID-19 pandemic



Source: Kenya National Bureau of Statistics (various), Economic Survey

Figure 7.18: Percentage changes in the cost of construction materials for residential buildings, 2015-2019



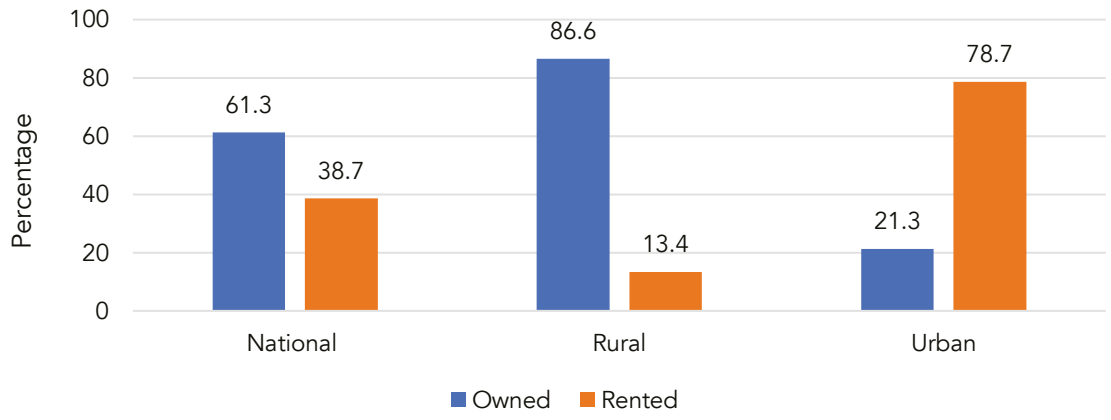
Source: Kenya National Bureau of Statistics (Various), Economic Survey

inputs. The building and construction sector remained relatively stable during the COVID-19 pandemic, which was attributable to increased activities in the housing construction sub-sector, mainly driven by the ongoing affordable housing projects.

7.3.6 The housing status in Kenya

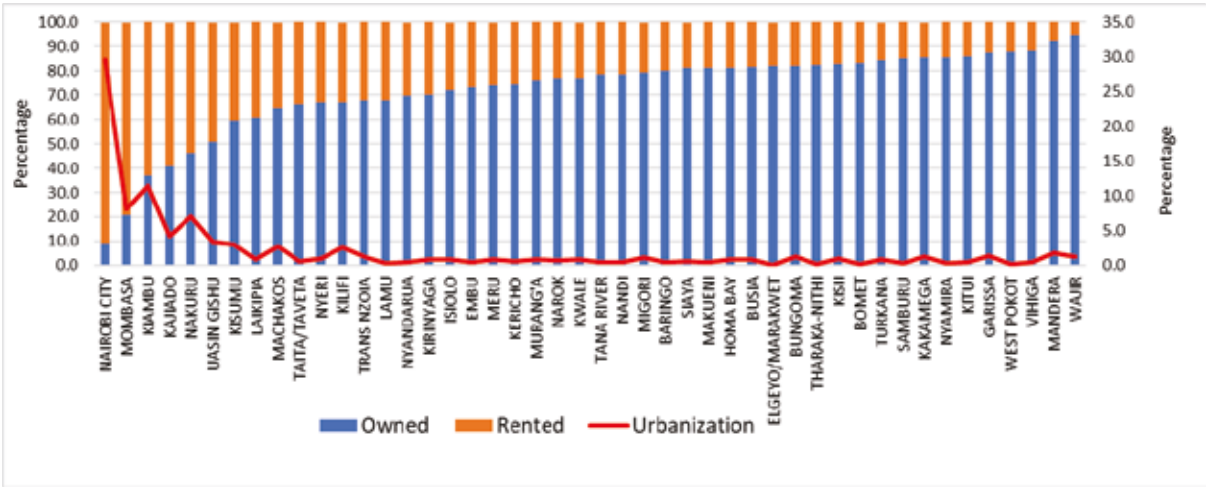
At the national level, majority (61.3%) of households live in rented housing units and are mainly situated in urban areas (78.7%) (Figure 7.19). According to the Kenya Population and Housing Census (KPHC) 2019, about 90 per cent of Kenyans living in urban areas live in rented houses, and 65 per cent reside in informal settlements.

Figure 7.19: Tenure status of housing in Kenya



Source, Kenya Population and Housing Census (2019)

Figure 7.20: Distribution of tenure status across counties in Kenya (%)



Source: Kenya National Bureau of Statistics (2019), Population and Housing Census

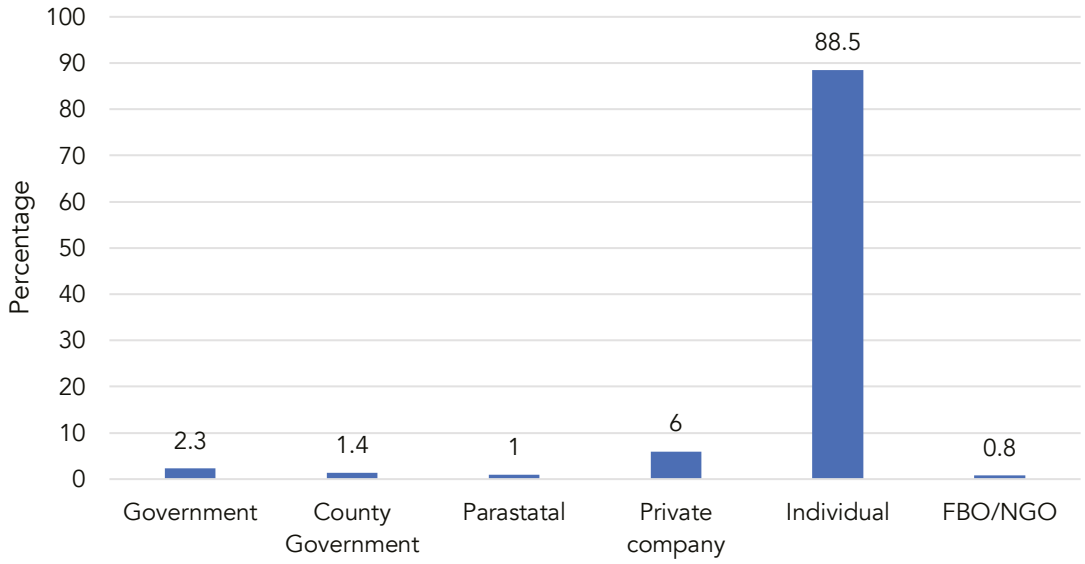
The tenure status across the counties indicates that Nairobi County has the majority (90.6%) of households living in rented housing units while only 9.3 per cent own dwelling units. Other counties with a high proportion of renters include Mombasa (79.1%), Kiambu (62.9%), Nakuru (54.0%), Uasin Gishu (49.1%), and Kisumu (40.4%) (Figure 7.20). Majority of counties with a dominant rural population have a higher percentage of home ownership. This is mainly due to availability of affordable land mainly due to freehold land tenure especially through inheritance.

According to the Kenya Population and Housing Census 2019, over 90 per cent of Kenyans living in urban areas and rent their dwelling units and 65 per cent of this population live in informal settlements, which are mainly characterized by inadequate housing and lack of access to basic infrastructure.

Various institutions play a key role in providing rental housing. The main suppliers of rental housing are individual investors. According to the Kenya Population and Housing Census (2019), 88.5 per cent of all rental units in the

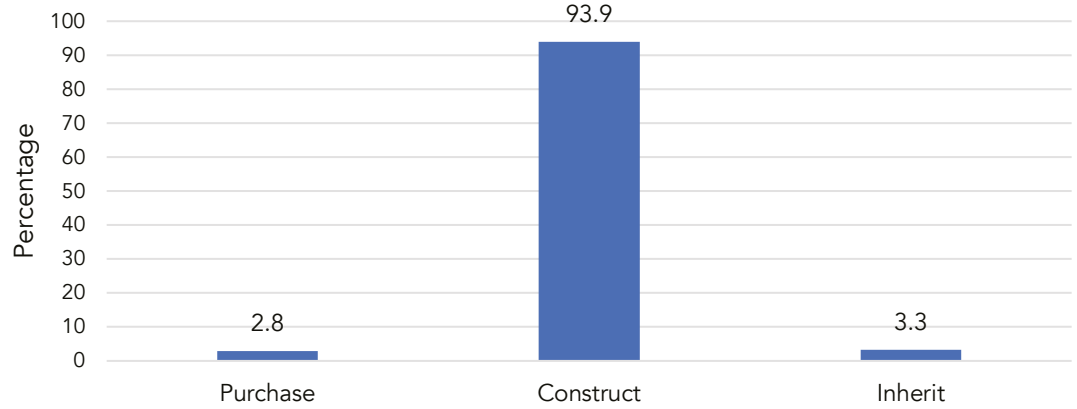
country are rented from individuals; 89.3 per cent of the population in urban areas, and 85.4 per cent in rural areas rent from individuals. The second-largest provider of rental housing is private companies, which provide 6.0 per cent of rental units countrywide, 7.3 per cent in rural areas, and 5.6 per cent in urban areas. Public sector housing (National Government, County Government, and parastatals combined) provides very little rental stock, even compared to private companies. The public sector combined provides 4.7 per cent of rental housing (Figure 7.21). Following the ongoing review of the public-private partnership framework to fast-track implementation of the housing project, individual investors are set to be key stakeholders in implementation of affordable housing projects. The main structures adopted to deliver these projects include Government partnerships through public-private partnerships, private/individual developers' partnerships, and state-funded projects to boost access to finance.

Figure 7.21: Provision of rental housing by various institutions



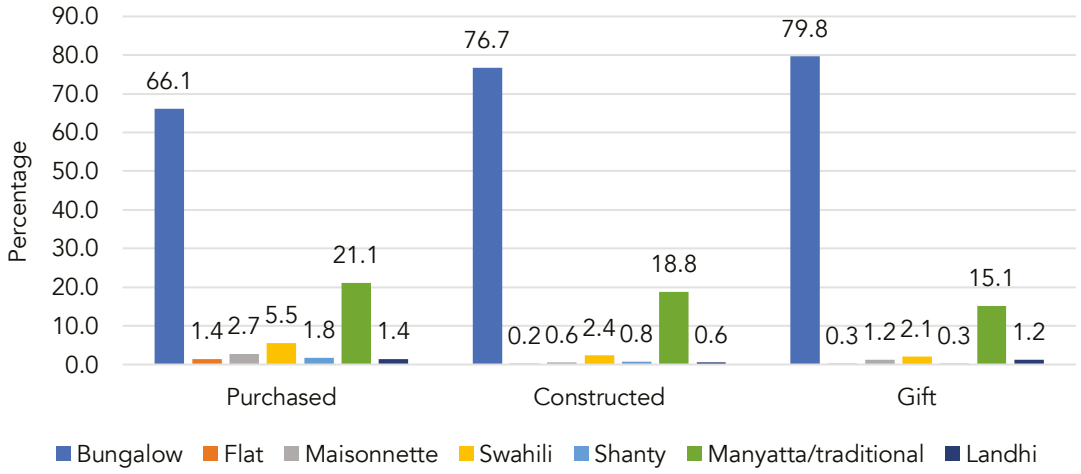
Source: Kenya National Bureau of Statistics (2019), Population and Housing Census

Figure 7.22: Distribution of households owning the main dwelling unit by mode of acquisition



Source: Kenya National Bureau of Statistics (2019), Population and Housing Census

Figure 7.23: Type of dwelling unit by mode of acquisition



Source: Kenya National Bureau of Statistics (2015), Kenya Integrated Household Budget Survey, 2015/16

According to Figure 7.22, majority (93.9%) of households with own dwelling units prefer to construct their homes while only 2.8 per cent and 3.3 per cent purchase and inherit, respectively. Majority consider constructing dwelling units of their preference, which is attributable to high cost of buying homes and the flexibility that comes with constructing own dwelling units. According to Figure 7.23, most households that buy and construct their dwelling units prefer bungalows compared to flat-apartments that are mainly preferred by most of those who rent.

From the foregoing, the high cost of formal housing means that home ownership is out of reach for most urban dwellers, where 90 per cent live in rented houses. The public sector's role in providing residential housing has been minimally contributing to about 4.7 per cent of rental housing stock. Private companies, individual investors, and non-governmental/faith-based organizations play a key role in the housing sector by contributing to 95.3 per cent of the rental housing stock. Following increased allocation for the housing sector, the public sector is anticipated to play a critical role in closing the increasing housing shortfall by providing affordable housing in the county.

7.3.7 Implication of COVID-19 on the housing sector

Despite the progress made so far in implementing the affordable housing project, the onset of the COVID-19 pandemic has resulted to unprecedented disruption of building and construction, and the real estate sector. The shocks attributed to lockdown measures, social distancing and quarantine and isolation and death of the infected population have negatively impacted the sector. The effects have been attributed to diminishing disposable income, reduced labour force, and disruption of supply chains and extended development periods. In addition, this has also resulted to a slowdown and declined revenue in building approvals and land registrations as public offices remained closed. Reduced construction activities by developers in a bid to reserve their cash at a time when market liquidity is likely to decline (with banks and mortgage buyers not releasing funding) is likely to impact negatively on housing projects. Therefore, fast-tracking implementation of affordable housing when the sector is experiencing significant shocks is crucial for successful delivery and devising an effective recovery strategy.

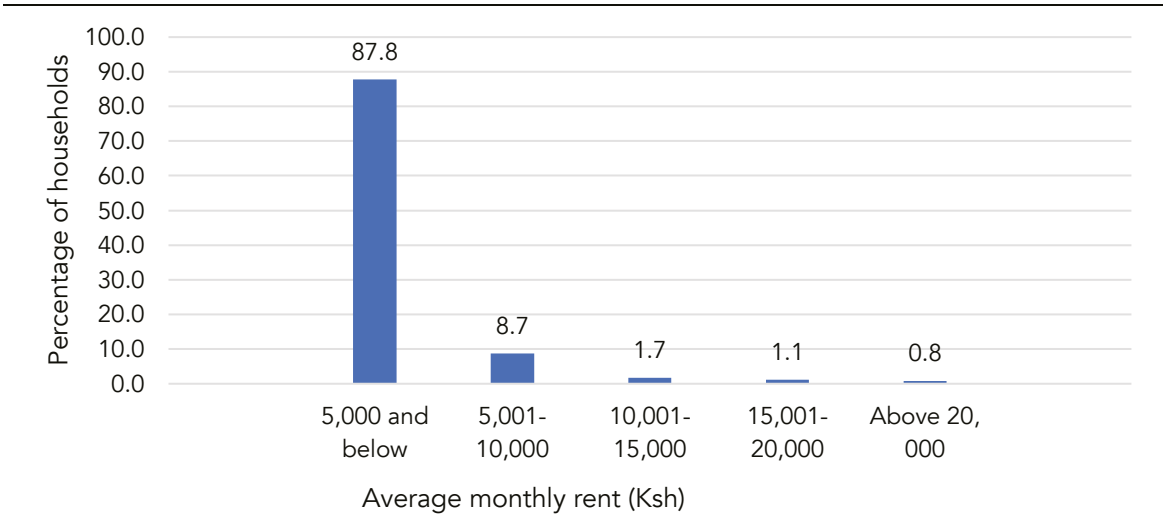
The country's rental market is dominated by rental housing of below Ksh 5,000. About 72.8 per cent of households pay below Ksh 5,000 and 8.7 per cent pay between Ksh 5,001 to 10,000. Evidently, only 3.6 per cent of the population pay rent of above Ksh 10,000 (Figure 7.24).

Before the COVID-19 pandemic, about 45.8 per cent of households paid rent on the agreed date with the landlord. Following the emergence of the pandemic, about 30.8 per cent of households

paid rent on time and 37.5 per cent were unable to pay the rent (Figure 7.25).

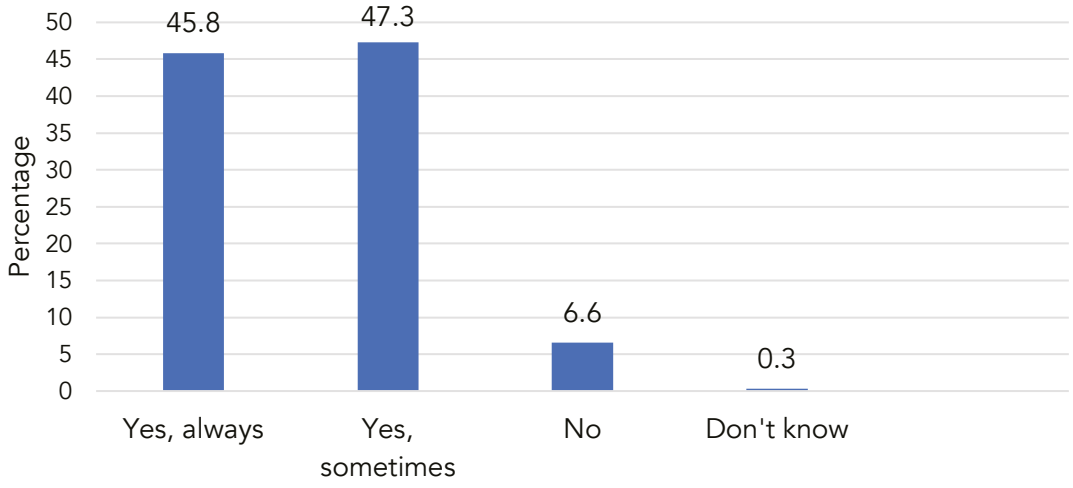
The distribution of households' ability to pay rent before the COVID-19 pandemic was quite fair across the counties, with 45.8 per cent paying rent on time, and only 6.6 per cent did not deliver on the agreed dates.

Figure 7.24: Distribution of average monthly rent among households



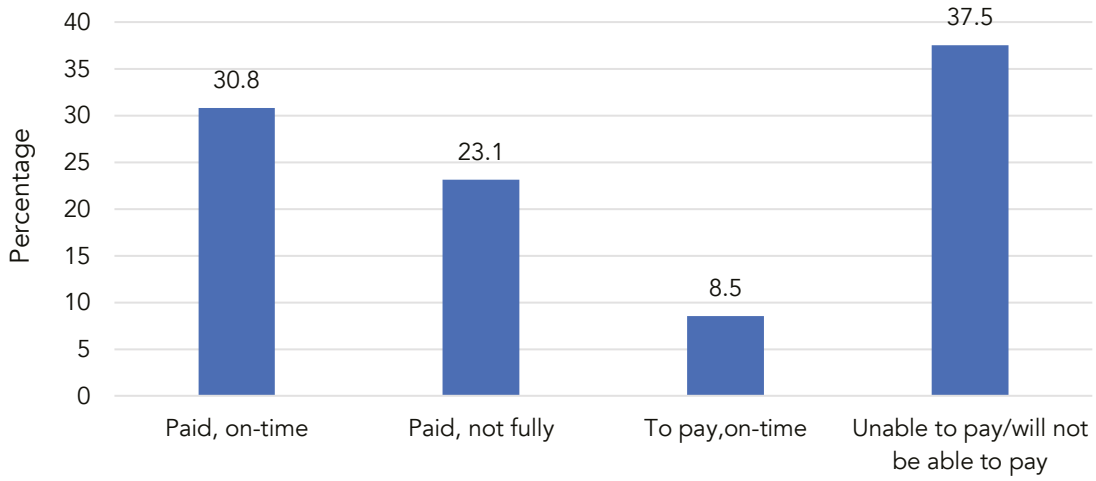
Source: Kenya National Bureau of Statistics (2015), Kenya Integrated Household Budget Survey 2015/16

Figure 7.25: Paying rent on the agreed date with the landlord before COVID-19 pandemic



Source: Kenya National Bureau of StatisticsCOVID-2nd Wave Survey

Figure 7.26: Paying rent on the agreed date with the landlord during COVID-19 pandemic



Source: Kenya National Bureau of Statistics COVID-2nd Wave Survey

Table 7.1: Paying rent on the agreed date with the landlord before COVID-19 pandemic across the counties

Before COVID-19 Pandemic			During COVID-19 Pandemic			
County	Yes, always	Yes, sometimes	Paid, on time	Paid not fully	To pay on time	Unable to pay
Mombasa	41.1	56.5	18.7	19.9	4.9	56.5
Kwale	52.0	37.3	15.7	40.2	5.9	38.2
Kilifi	46.2	51.6	16.5	22.0	25.3	36.3
Tana River	57.1	37.8	35.7	39.8	1.0	23.5
Lamu	41.4	55.0	17.1	22.5	9.0	51.4
Taita Taveta	64.5	32.9	26.3	11.8	14.5	47.4
Garissa	58.6	29.3	27.3	19.2	16.2	37.4
Wajir	31.7	68.3	22.0	61.0	2.4	14.6
Mandera	30.9	56.4	12.7	58.2	21.8	7.3
Marsabit	32.0	68.0	16.0	20.0	12.0	52.0
Isiolo	29.7	62.2	28.8	35.1	0.0	36.0
Meru	65.0	32.5	25.0	7.5	6.3	61.3
Tharaka Nithi	40.7	55.6	33.3	16.7	9.3	40.7
Embu	48.2	48.2	24.7	23.5	15.3	36.5
Kitui	37.9	55.2	44.8	39.7	1.7	13.8
Machakos	50.0	49.1	50.0	20.8	0.9	28.3
Makueni	44.0	56.0	61.5	17.6	4.4	16.5
Nyandarua	26.0	58.3	39.6	20.8	15.6	24.0

Before COVID-19 Pandemic			During COVID-19 Pandemic			
County	Yes, always	Yes, sometimes	Paid, on time	Paid not fully	To pay on time	Unable to pay
Nyeri	88.1	9.9	50.5	7.9	4.0	37.6
Kirinyaga	25.0	67.6	37.8	26.4	6.1	29.7
Murang'a	23.7	69.7	19.7	19.7	2.6	57.9
Kiambu	44.9	54.1	26.5	42.7	1.1	29.7
Turkana	42.9	55.6	20.6	6.3	15.9	57.1
West Pokot	30.2	58.5	26.4	37.7	9.4	26.4
Samburu	51.1	43.5	33.7	13.0	8.7	44.6
Trans Nzoia	46.8	47.6	44.4	14.5	2.4	38.7
Uasin Gishu	33.5	51.1	25.3	32.1	3.6	38.9
Elgeyo Marakwet	37.1	58.6	21.4	32.9	11.4	34.3
Nandi	61.5	36.9	46.2	16.9	4.6	32.3
Baringo	42.7	55.2	27.1	19.8	12.5	40.6
Laikipia	39.4	36.5	43.8	29.9	13.9	12.4
Nakuru	54.8	40.4	40.4	9.6	22.9	27.1
Narok	30.7	44.0	40.0	6.7	6.7	46.7
Kajiado	46.1	31.9	29.8	32.6	5.0	32.6
Kericho	54.7	43.0	23.3	20.9	11.6	44.2
Bomet	53.6	41.1	55.4	5.4	10.7	28.6
Kakamega	62.0	32.9	13.9	19.0	13.9	53.2
Vihiga	42.9	45.2	23.8	14.3	0.0	61.9
Bungoma	74.5	22.5	44.1	7.8	7.8	40.2
Busia	73.2	23.7	29.9	7.2	5.2	57.7
Siaya	41.5	38.5	21.5	26.2	12.3	40.0
Kisumu	39.1	58.2	20.9	20.9	15.5	42.7
Homa Bay	66.3	33.7	27.7	16.9	4.8	50.6
Migori	47.6	35.7	34.5	4.8	7.1	53.6
Kisii	56.4	40.6	19.8	23.8	15.8	40.6
Nyamira	52.2	40.3	25.4	9.0	14.9	50.7
Nairobi City	38.4	55.9	32.6	28.1	6.9	32.3
Average	**45.8**	**47.3**	**30.8**	**23.1**	**8.5**	**37.5**

Source: Kenya National Bureau of Statistics COVID-2nd Wave Survey

Further, the results indicate that majority (42.0%) of households unable to pay are mainly in the lower rent bracket while none of those in the higher rent bracket were unable to pay rent during the pandemic. Similarly, about 27.1 per cent of households paying rent of below 5,000 paid the rent on time while 72.7 per cent of the households paying rent of above 50,000 were able to pay on time. This indicates that the effects of COVID-19 were likely to be more adverse among lower-income earners (Table 7.2).

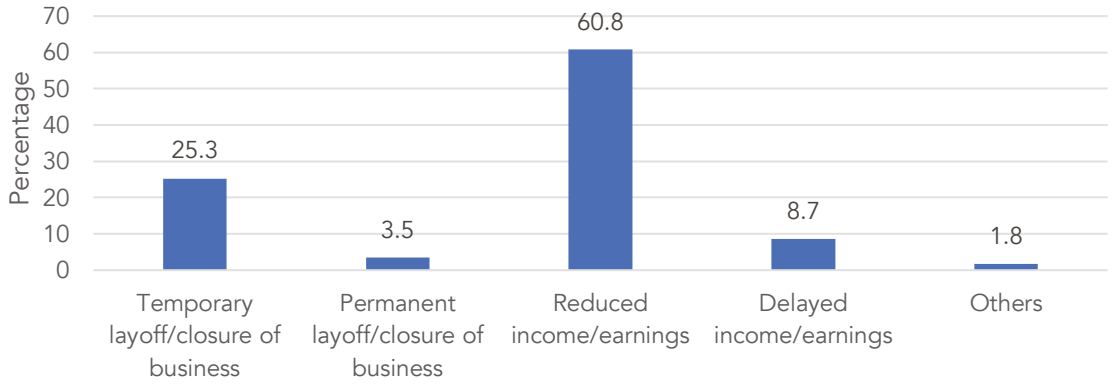
Further, majority (60.8%) of households reported that they could not pay rent because of reduced earnings and income. About 25.3 per cent of households could not pay rent due to temporary job losses through layoffs and closure of businesses (Figure 7.27).

Table 7.2: Paying rent on the agreed date with the landlord during COVID-19 pandemic across rent brackets

Rent bracket	Paid, on time	Paid not fully	To pay on time	Unable to pay	Total
5,000 and below	27.1	22.7	8.3	42.0	100
5,001-10,000	37.1	25.1	8.7	29.1	100
10,001-15,000	46.4	24.2	12.8	16.6	100
15,001-20,000	53.8	26.3	6.3	13.8	100
20,001-30,000	57.7	21.2	13.5	7.7	100
30,001-50,000	64.3	14.3	3.6	17.9	100
Above 50,000	72.7	18.2	9.1	0.0	100
Average	**30.8**	**23.1**	**8.5**	**37.5**	**100**

Source: Kenya National Bureau of Statistics COVID-2nd Wave Survey

Figure 7.27: Main reasons for not paying rent on agreed date during COVID-19 pandemic



Source: Kenya National Bureau of Statistics COVID-2nd Wave Survey

The emergence of the COVID-19 pandemic has affected the housing sector with adverse effects being experienced by lower-income earners. In particular, the low-end rental market segment is adversely and disproportionately affected by the pandemic, with 42 per cent of households falling behind on their rent payments mainly due to reduced income and earnings.

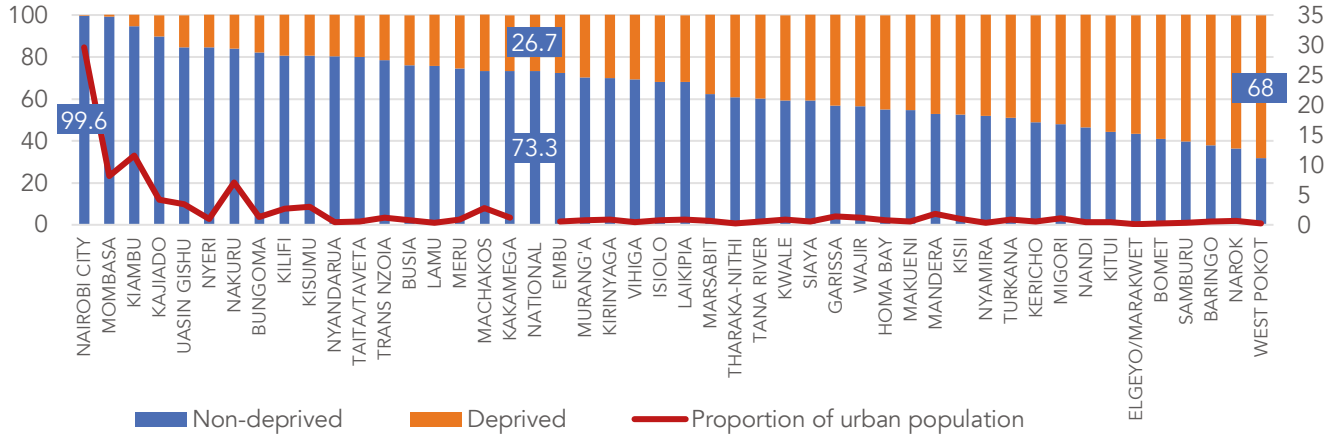
7.3.8 Access to basic amenities

Access to adequate housing and basic infrastructure is an integral component in providing affordable housing in the formal housing sector. Provision of basic functional amenities, including safe drinking water, sanitation, and clean energy sources for cooking and lighting immensely contributes to the overall sustainable development, well-being, and decent quality of life. Assessment of the status in access to amenities provides necessary information on the current state of the housing stock, which is crucial information for future projects, and insight into household's current needs.

In the context of the affordable housing and in the midst of the pandemic, access to water is a key basic service for hygiene. Counties performing well in access to improved drinking water include Nairobi (99.6%), Mombasa (99.1%), Kiambu (94.8%) and Kajiado (89.7%) have a high proportion of the population with access to improved drinking water. Notably, more than half (61.7%) of the counties indicated to have inadequate safe drinking water. Counties with higher urbanization levels tend to have a higher population accessing safe drinking water (Figure 7.28).

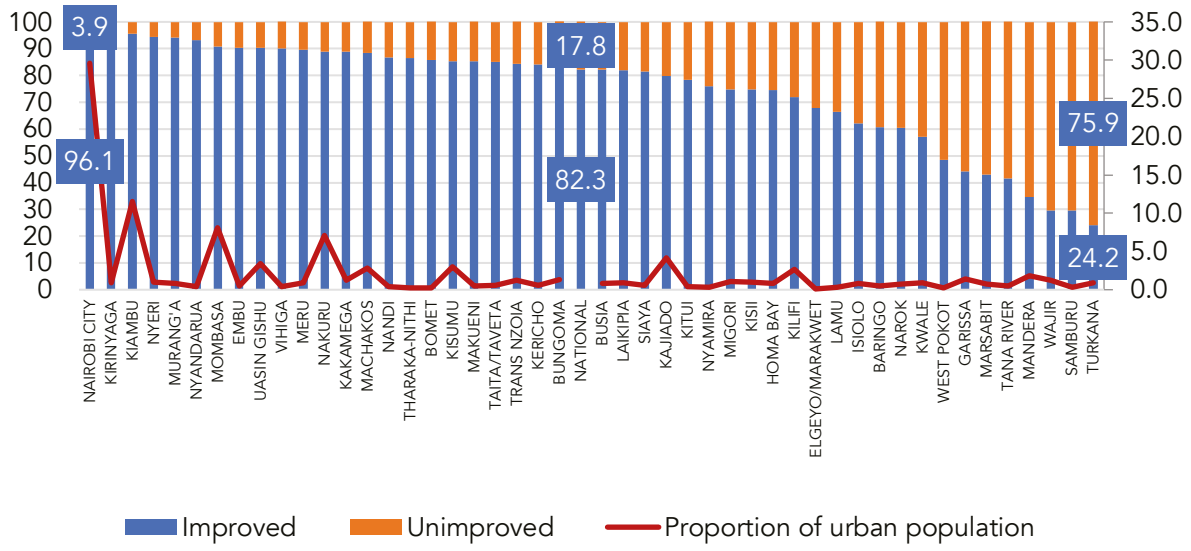
Access to improved sanitation also varied across the counties, with Nairobi (96.1%) Kirinyaga (95.7%), Kiambu (95.7%), and Nyeri (94.3%) registering a high level of access to improved sanitation. However, more than half of the counties registered access levels below the national access average (Figure 7.29).

Figure 7.28: Percentage distribution of households by access to improved drinking water across counties



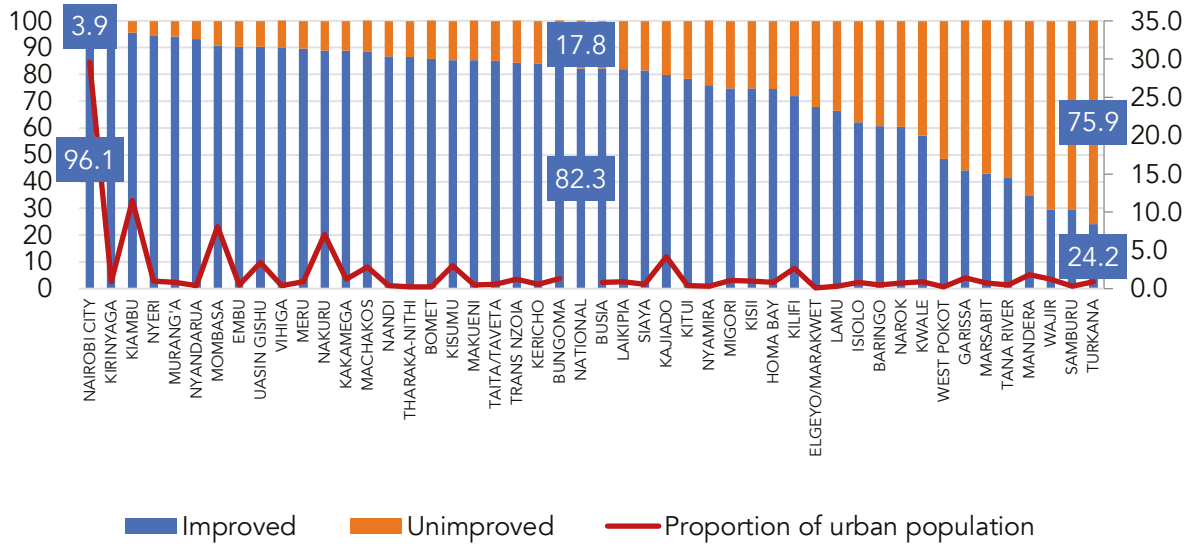
Source: Kenya National Bureau of Statistics (2019)), Population and Housing Census

Figure 7.29: Percentage distribution of households by access to improved sanitation across counties



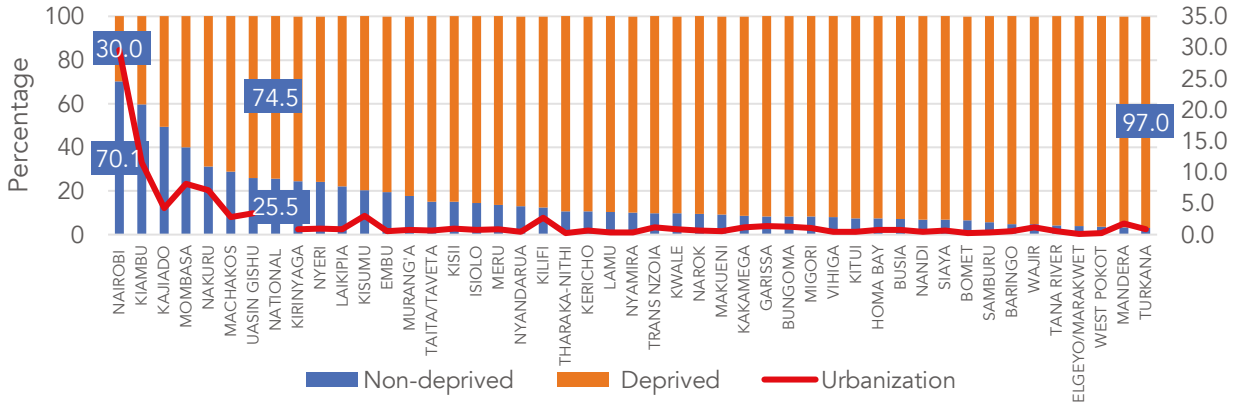
Source: Kenya National Bureau of Statistics (2019)), Population and Housing Census

Figure 7.30: Percentage distribution of households by availability of handwashing facilities



Source: Kenya National Bureau of Statistics (2015), Kenya Integrated Household Budget Survey 2015/16

Figure 7.31: Distribution of households by access to clean cooking fuels across counties



Source: Kenya National Bureau of Statistics (2019)), Population and Housing Census

Majority (44.5%) of households with a handwashing facility were located in Nairobi County followed by Meru (41.0%), Taita Taveta (39.2%), and Isiolo (34.8%) (Figure 7.30). This indicates that a handwashing facility is factored as an essential amenity in provision of affordable housing, which is crucial especially during the pandemic.

Access to clean energy cooking fuels and technologies is a crucial aspect in provision of affordable housing during the pandemic. More than three-quarters of the counties are below the national average in access to clean cooking fuels. Nairobi County leads in access to clean cooking fuels. However, a significant proportion depends on non-clean sources for cooking. Counties that are lagging include Turkana, Mandera, and West Pokot. The counties with the dominant urban population are also lagging in access to clean cooking fuels (Figure 7.31)

Access to basic amenities is considered a key prerequisite and an integral component in developing affordable housing. With rapid urbanization stemming from devolution, huge disparities show in access to basic amenities across the counties. More than 50 per cent of counties lack access to improved drinking water, hand washing facilities and clean cooking fuels.

7.4 Key Messages and Policy Recommendations

7.4.1 Key messages

1. The Government has put in place key policy, legal, regulatory, and institutional frameworks to support the implementation of the affordable housing project. The key areas of intervention focus on capital mobilization, sufficient and affordable long-term financing, land use planning, innovative low-cost building materials technology, transparency and accountability, and progressive construction of the housing units. The increase in budgetary allocation for the housing sector has been instrumental in expediting the affordable housing project.

2. About 90 per cent of Kenyans in urban areas live in rented houses whose supply is dominated by the private sector and individual developers. The public sector contributes to 4.7 per cent of the residential housing stock.

3. The cost of residential buildings has increased by 2.4 per cent in 2020. The increase in the price of building materials is likely to negatively impact the construction of affordable housing.

4. Wage employment in the public construction sector increased from 8,800 persons to 9,100 persons mainly attributable to affordable housing project. Construction of housing is labour-intensive, and it is estimated to increase wage employment as the affordable housing programme progresses.

5. Majority of urban dwellers rent their dwelling units from individual investors (89.3%) as the leading supplier of rental housing followed by private companies (6.0%). Public sector housing (National Government, County Government and parastatals combined) provides 4.7 per cent of rental housing stock.

6. The COVID-19 pandemic has negatively impacted the housing sector, with the low-end rental market segment adversely and disproportionately affected, as 42 per cent of households fell behind on their rent payments mainly due to reduced income and earnings.

7. With rapid urbanization stemming from devolution, huge disparities are evident in access to basic amenities across counties. More than 50 per cent of counties lack access to improved drinking water, hand washing facilities and clean cooking fuels.

7.4.2 Policy recommendations

1. Development of a monitoring framework for the affordable housing project is key in identifying gaps in existing policies, programmes, and initiatives targeting the implementation of affordable housing.
2. The rise in the cost of construction materials is likely to impact the affordable housing project negatively. Therefore, the sector needs to leverage low-cost building materials such as Expanded Polystyrene (EPS) technology produced locally to reduce construction costs.

3. Effective implementation of the housing project will require an in-depth analysis of housing demand and supply in all urban areas to address county-specific challenges related to access to essential services, basic infrastructure, and the housing gap.

4. The private sector and individual housing investors play a crucial role in the provision of residential housing. Therefore, operationalizing the affordable housing construction incentives and affordable long-term financing credit will be key in ensuring active participation in the housing market.

5. For effective planning and implementation of affordable housing, there is need for all the key sectors' symbiotic efforts to ensure seamless execution of the plans. For instance, provision of basic amenities is interdependent and cuts across various sectors, hence need for integrated planning in delivering services.

CHAPTER 8

BUILDING A ROBUST ICT ECOSYSTEM TO ACCELERATE THE DELIVERY OF THE "BIG FOUR" AGENDA

Information and Communication Technology (ICT) provides digital tools and innovations necessary to achieve the "Big Four" agenda. During the COVID-19 pandemic, digital tools have enabled and kept the society functioning through telecommuting, e-learning, e-health and e-commerce applications. The sector has remained resilient during the pandemic due to a favourable regulatory and business environment, coupled with key infrastructure that supports the adoption of technology, both at the household and firm levels. That said, universal access to digital services remains a key challenge. Digital divide is visible across counties in terms of ownership of ICT devices such as functional TVs, radios, Internet devices and access to ICT services such as Internet. E-commerce uptake is at a nascent stage with very low uptake despite high mobile and internet penetration in Kenya. Further, although Kenya is home to well-known digital innovations in the fintech space, such as M-Pesa, much of the innovations experience inadequate support to scale up. Some of the key considerations to build a robust digital ecosystem include investment in robust ICT infrastructure, implementation of programmes targeting the last mile users, building digital skills capacity, enhancing cybersecurity resilience, strengthening the legal and policy framework to support the uptake of e-commerce, and scaling up digital innovations in education and health sectors.

8.1 Introduction

Information and Communication Technology (ICT) has potential to drive and facilitate achievement of the global and national development goals. ICT provides innovative ways to address socio-economic challenges that have remained unresolved for decades. The emerging technologies such as artificial intelligence, machine learning, blockchain, the Internet of Things (IoT), and 5G technologies are offering platforms to create disruptive models to break the traditional barriers as traditional economies transform into digital economies. Digital technologies have risen to prominence as a critical determinant of economic growth, national security, and international competitiveness. Studies estimate that the digital economy is worth US$ 11.5 trillion globally, equivalent to 15.5 per cent of global GDP and has grown two and a half times faster than global GDP over the past 15 years. Various countries are shifting towards more technology-intensive sectors to support the growth of the digital economy.

Mainstreaming digitization into realization of the national development goals is a driving force for innovative growth in Kenya, and thus a Government priority as outlined in the various strategic documents, including the Kenya Vision 2030 and Digital Economy Blueprint. The growth of the digital technology in Kenya is mainly driven by mobile innovations, in some cases showcasing leadership across the globe. Based on four fundamental dimensions (Technology, People, Governance and Impact), Kenya is rated third-best performing African country behind Mauritius and South Africa in embracing digital transformation. Kenya is ranked 82 globally by the Network Readiness Index - NRI (2020). Similarly, Kenya is rated among the top five

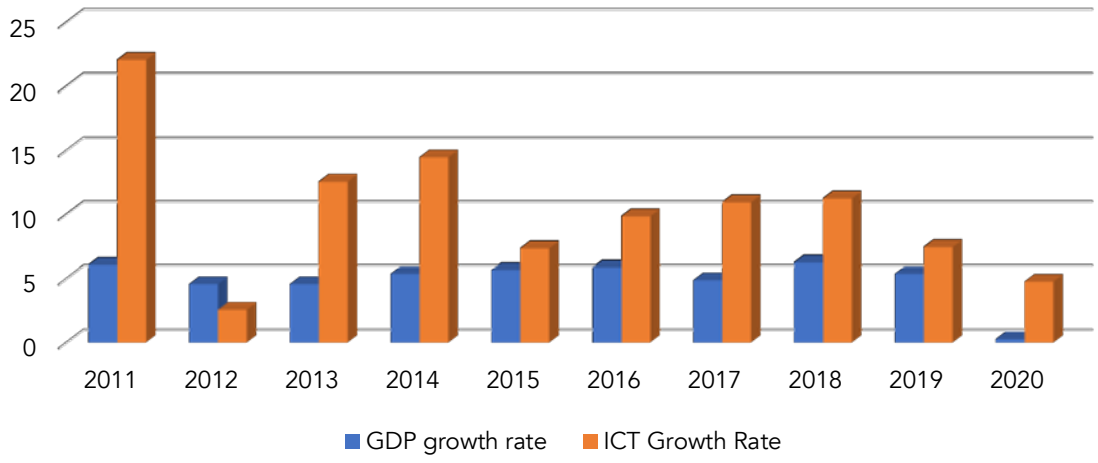
African countries with thriving Internet economies based on the Inclusive Internet Index (2019). Further, Kenya is among the top five countries in Africa with more than 50 active tech hubs to support growth of digital innovations.

The ICT sector in Kenya is among the fast-growing sectors, with potential to significantly contribute to the growth and development of the Kenyan economy as envisioned in various policy documents. ICT has significant backward and forward linkages with nearly all the other sectors, and is an important "enabler" for other sectors. The expansion of the ICT sector, particularly the service industry, is attributed to high mobile phone and internet penetration and a huge young and well-educated population that makes Kenya an attractive destination for technological investments. Kenya, like many developing countries, has recorded a higher growth rate in the ICT sector compared to the national growth rate (Figure 8.1). Although ICT contributed under 1.6 per cent of GDP between 2014 and 2019, it has contributed about 4.4 to 4.7 per cent of wage employment, indicating its importance in job creation. The sector is an important source of growth, contributing 6.9 per cent of growth in 2019. The sector is expected to register an impressive growth rate in 2020 due to increased use of ICT services during the pandemic. There was a continued growth in employment in the sector, slightly increasing from 8,689 in June 2019 to 8,728 in June 2020.

Digital technologies are critical in supporting the functioning of economies, societies and individual lives during and after the COVID 19 pandemic. For instance, digital technologies support governments to improve public service delivery to serve citizens more efficiently and effectively through citizen-centred and data centric programmes. ICT is recognized as a key foundation sector under the Kenya Vision 2030 and plays a critical role towards the achievement of the national development goals because of its strong linkages with other sectors. The Medium-Term Plan 3 (MTP3) has identified ICT as a key driving force in the realization of the Government's "Big Four" agenda in manufacturing, food security, universal healthcare, and affordable housing. With favourable policy environment, high mobile and Internet penetration and digital innovations culture, Kenya has potential to accelerate the delivery of the "Big Four" agenda and growth of the digital economy to become a global leader.

The race to respond to the effects of COVID-19 pandemic has stimulated innovation and creativity

Figure 8.1: ICT and GDP growth rates (%), 2011-2020



Date source: Kenya National Bureau of Statistics (Various), Economic Survey

in Kenya, with huge potential for accelerated industrial development through home-grown solutions. The containment measures such as curfews, social distancing and remote working have cast the digital economy into the spotlight and ultimately accelerated digital transformation. Digital technologies play a crucial role in keeping a country functioning during the pandemic by enabling remote working, distance learning and facilitating commercial activities by contactless transactions. The effects of the pandemic are undoubtedly prompting countries to embrace technologies to generate efficiencies, boost productivity and innovate and rethink their value chains. At the global level, the ICT sector is experiencing high growth due to high demand associated with the effects of COVID-19 for digital products and services, including E-commerce, E-learning, E-health, E-entertainment and other related digital services. The increased use of digital technologies is at the core of post-COVID-19 recovery.

Therefore, digital technologies are expected to offer foundations for economic recovery and building resilience. Technology has potential to support the health and safety of people and keep economies and societies working during the pandemic. ICT applications such as e-governance, e-commerce, e-learning and e-health are enablers for socio-economic impact development due to their ability to deliver a wide range of basic services in remote and rural areas. Digital technologies can also accelerate the recovery pace by creating jobs and support growth of businesses across many sectors during the COVID-19 pandemic and beyond. As Kenya continues to recover from the effects of the pandemic and work towards achieving the "Big Four" agenda, the demand for ICT services has continued to increase. A summary of ICT-based measures adopted by the Government is listed in Box 8.1.

Box 8.1: Summary of ICT-based measures adopted by government

- Promoting mobile money transfer services through reduction of the cost of mobile money transactions, increased amount for daily transactions and increased deposits
- Promoting use of cashless transactions through mobile money and credit cards
- Promoting use of paperless transactions
- Creation of National ICT Advisory Committee on COVID 19 to coordinate ICT-specific responses to the effects of the COVID-19
- Formulation of telecommuting measures for virtual working
- Development of guidelines on cyber hygiene for government staff working from home
- Adoption of technology by courts to deliver judgments virtually
- Adoption of E-learning and educational TV and radio broadcasts for learners and teachers such as KICD-EDU TV channel, KBC channel and Pay TV platforms
- Broadcasters air Ministry of Health Public Service Announcements (PSA) at no cost
- Waived regulatory fees for toll-free numbers offering COVID-19-related advisories
- Additional spectrum resources to service providers to meet demand for call and data services
- Courier operators temporarily lowering their tariffs in certain weight – reduce cost and encourage home deliveries to increase uptake of e-commerce
- Increased public awareness on cyber threats and fake news by National Computer Incident Response Coordination Centre
- First responders have access to communication services at times of possible network congestion to ensure continued provision of emergency services

8.2 Connectivity Initiatives and Services

Kenya has committed to invest and implement various infrastructural initiatives to increase the level of access and connectivity in the country as guided by several strategic policies such as the Kenya Vision 2030 through the Medium-Term Plans, Digital Economy Blueprint, National Broadband Strategy and National ICT Masterplan. A well-connected infrastructure is critical to unlock the opportunities that support economic growth and development of a country. This means that a country served by adequate connectivity infrastructure is able to offer basic telecommunication services, including cellular services, fixed network services and Internet.

The country has registered significant progress in implementation of various connectivity initiatives at the national and county levels that have ultimately increased the levels of mobile and Internet penetration in the country. For instance, under the National Optic Fibre Backbone Infrastructure, the country has 6,400 km of fibre linking fifty-seven (57) towns within the country and has connected all forty-seven (47) county headquarters.

In addition, fibre networks in urban residential and commercial areas have increased largely due to new partnerships between telecommunications and power companies. Therefore, the number of connections for Fibre to the Office (FTTO) and Fibre to the Home (FTTH) have significantly increased. There are aggressive plans to continue expanding the backbone connectivity to major towns and connect the last mile users at the household and firm levels.

All county headquarters are covered by computer area networks. A total of 74 targeted National and County Government offices have been connected to the unified Government Communication Systems. Other infrastructural initiatives include: Establishment of Kenya Open data initiative (KODI) aimed at making data available to the public; Disaster Recovery Centre to support recovery efforts in the sector; and Development of Konza City.

All the 47 counties are connected to Integrated Financial Management Information System (IFMIS) network and there are plans to roll out IFMIS to sub-counties. There are more than 85 E-government centres in various counties. Further, one hundred (100) Constituency Innovation Hubs are completed. The migration from analogue to digital TV was completed in time to meet the global deadline of 17th June 2015. This saw the installation of digital transmitters in 10 sites completed in 2017 and increased the number of operational TV channels from 228 in 2012 to 327 in 2019. In addition, the Government has licensed telecommunications operators to roll out 4G Networks in 2014, starting with Nairobi, Mombasa and Kisumu. The next section provides an analysis of the effects of the COVID-19 pandemic on telecommunication services.

a) Cellular services

The demand for cellular services arising from the effects of the pandemic has triggered more subscriptions. The Government has continued to promote the use of e-government services, adoption of mobile money services, working from home, e-health programmes and e-learning as part of efforts to contain the spread of the pandemic. In the first quarter of 2020/21, about 2.8 million additional SIM cards were recorded, leading to a total of 59,842,938 subscribers compared to 57,032,232 subscribers registered in the fourth quarter of 2019/20 (Figure 8.2). The substantial growth is attributed to smartphones device financing service campaign run by service providers. For instance, Safaricom runs a programme dubbed "Lipa Mdogo Mdogo", which began in July 2020 and is aimed at attracting new customers. Overall, in the last five years, the number of mobile subscribers has significantly grown from 37.7 million in 2015 to 61.4 million in 2020.

Similarly, in the first quarter of 2020/21, the total local mobile voice traffic originating from mobile networks grew by 19.6 per cent to stand at 18.2 billion from 15.2 billion minutes in the fourth quarter of 2019/20. The significant growth is attributed to service providers campaign programmes. For instance, Safaricom promotion

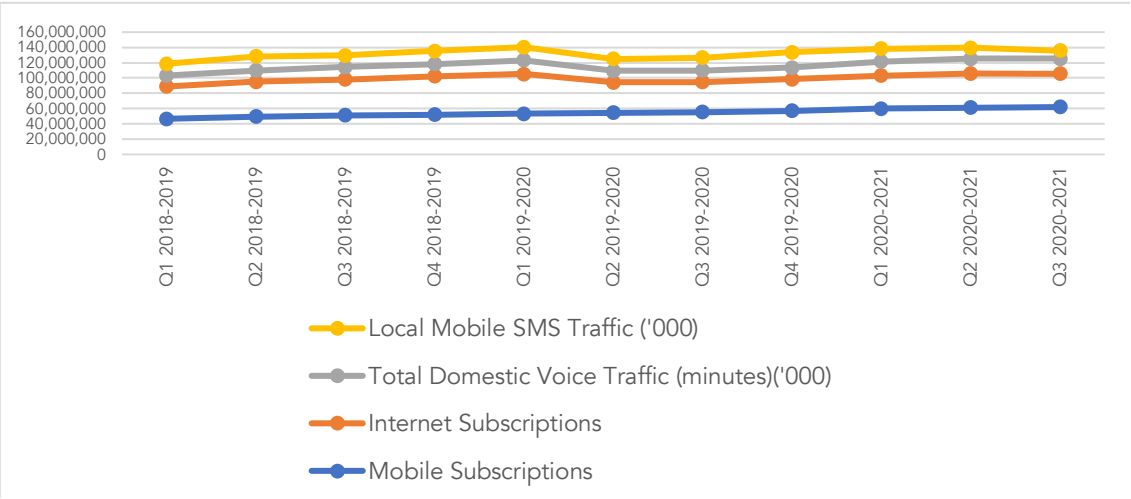
dubbed "Top Up Voice Promotion" enabled prepaid subscribers to make discounted calls based on their minutes of use per day during the COVID-19 period. Further, Safaricom offered a promotion called "Jiachilie bundle promotion", which enabled subscribers who spend Ksh 100 or less on calls in a month to make more calls for less. Generally, since the onset of COVID-19 pandemic, local mobile voice traffic has steadily increased. This is attributed to increased use of mobile services during the lockdown and curfew period and working from home occasioned by the COVID-19 pandemic. Overall, in the last five years, local mobile voice traffic has significantly grown from 39.1 billion minutes in 2015 to 60.3 billion minutes in 2020.

The total number of short messages sent during October-December 2020 dropped to 10.5 billion, from 16.8 billion messages sent during the January-March period. The significant drop is attributed to conclusion of the "SMS Bundle Promotion" by Safaricom, which ran during the previous quarter. However, the number of short messages has increased steadily since the onset of COVID-19 pandemic. Overall, in the last five years, the number of SMS sent have significantly increased from 28 billion in 2015 to 65 billion in 2019. The significant growth is because of attractive SMS bundles promotion/ tariffs offered by the operators. SMS remains a popular communication tool among the young population.

b) Fixed telephone service

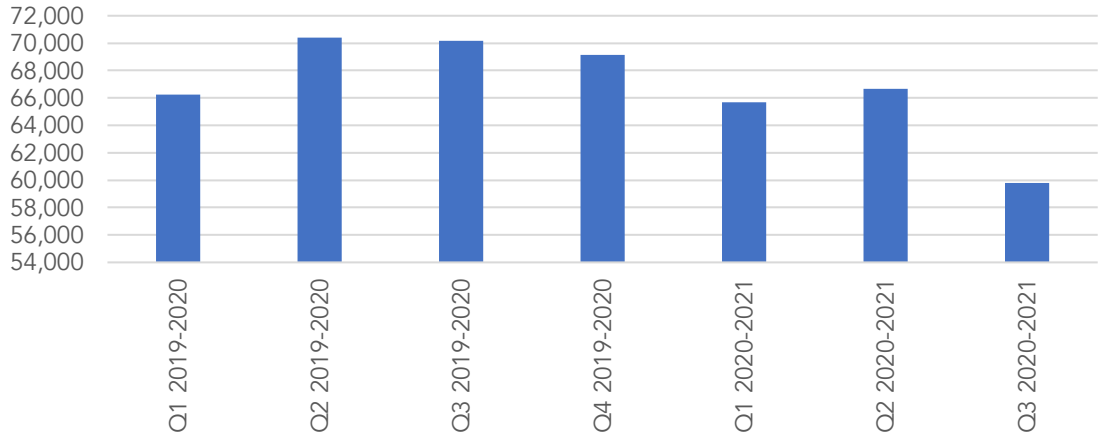
With the COVID-19 pandemic, there was a witnessed drop in provision of fixed network services common in office-related facilities. For instance, subscription for fixed network declined from 70,394 in the second quarter for 2019/2020 (just before the onset of COVID-19 pandemic) to 59,785 in the third quarter of 2020/2021 (Figure 8.3). This is attributed to decline in activities at office facilities, since most employees adopted a 'working from home' arrangement as directed by the Government to curb the spread of COVID-19 pandemic. Similarly, the total local fixed network traffic started to decline from the third quarter of 2019/2020 and stood at 6 million minutes. However, with gradual reopening of the economy, the local fixed network traffic has marginally increased from 4.8 million minutes in the fourth quarter of 2019/2020 to 5.5 million minutes in the third quarter of 2020/2021. Overall, in the last 5 years, the number of total local fixed network traffic has shown a downward trend due to low use of fixed telephony services at offices and homes.

Figure 8.2: Cellular services



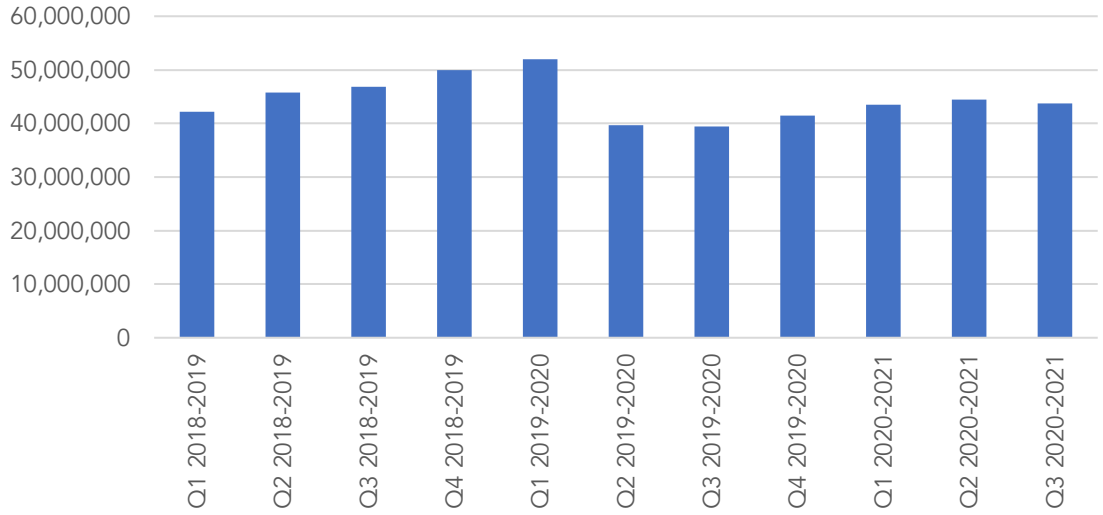
Source: Communications Authority (Various) Reports

Figure 8.3: Fixed network subscriptions



Source: Communications Authority (Various) Reports

Figure 8.4: Total internet subscriptions

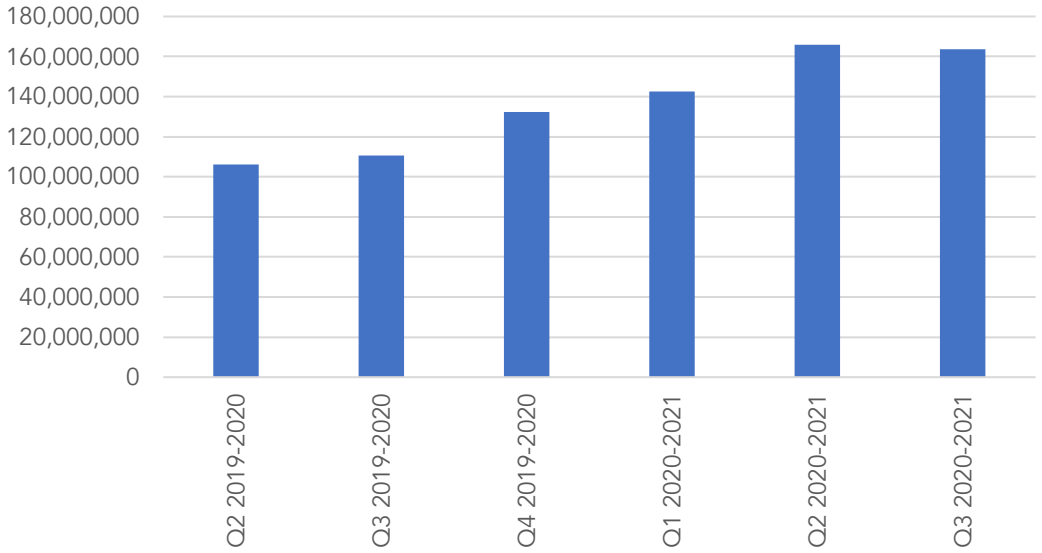


Source: Communications Authority (Various) Reports

c) Internet connectivity

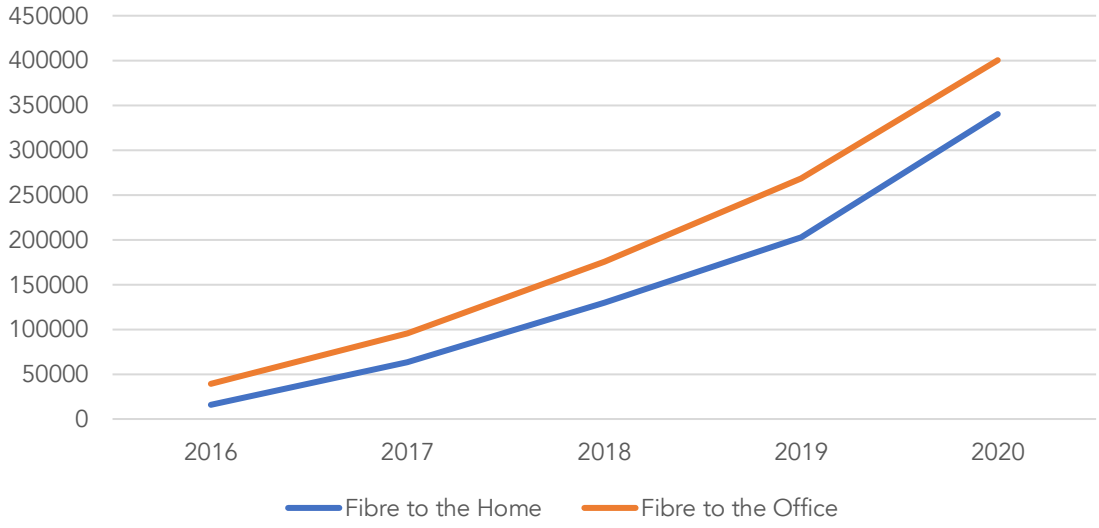
The number of internet subscriptions and consumption of mobile data have continued to grow due to increased demand for digital services (Figures 8.4 and 8.5). With the COVID-19 pandemic, many consumers continue to adopt teleworking platforms as they work from home and access services such as online entertainment and streaming of video-on-demand services. The COVID-19 crisis has disrupted the previously entrenched notion of the "office" and what it means to go to work. The crisis is redefining the concept of working by promoting remote working and, therefore, many organizations are redesigning their business models to accommodate working from home concept in terms of their computing environments, processes and workforce. Technology is critical in developing agile and elastic workplace models

Figure 8.5: Mobile data



Source: Communications Authority (Various) reports

Figure 8.6: Fibre connection subscriptions

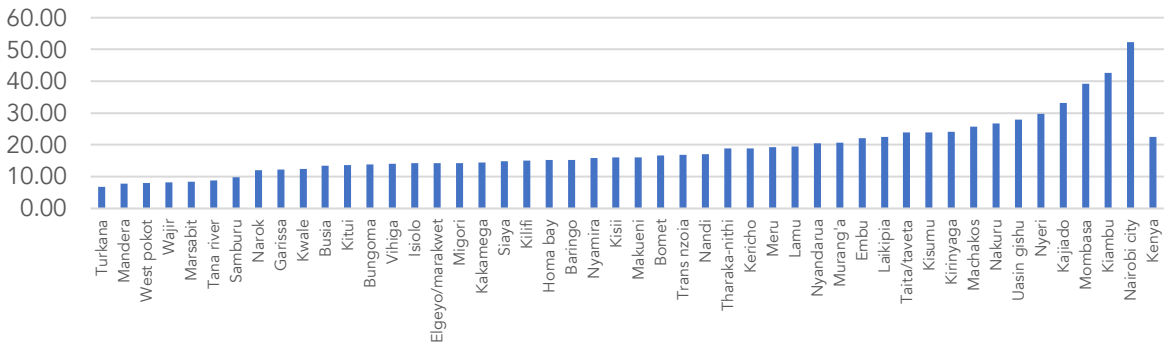


Source: Kenya National Bureau of Statistics (Various), Economic Surveys

that support remote working. In addition, learners at the institutions of higher learning continue to access e-content and lessons at home. Similarly, uptake of fibre services continues to increase both at home and office levels, thus increasing Internet uptake (Figure 8.6). It is critical to note that Kenya is not able to fully utilize the available bandwidth. The Total Available Bandwidth Capacity increased from 2,028,000 MBps in 2016 to 8,096,000 MBps in 2020; likewise the utilized bandwidth increased from 860,000 MBps in 2016 to 4,010,000 MBps in 2020.

At the national level, a relatively huge population has limited access to affordable and high-speed Internet services. Even though the number of connections for the fixed broadband Internet services at offices and homes has increased, access

Figure 8.7: Percentage of population above three years using the Internet



Source: Kenya National Bureau of Statistics (2019)), Population and Housing Census

to Internet services remains a serious challenge due to limited coverage by service providers and high cost of services. Based on Kenya Census data (2019), Nairobi County registered the highest percentage of population using Internet while Turkana County had the lowest (Figure 8.7).

8.3 E-Government Services/Digital Government in Kenya

Technology facilitates governments to generate more revenue, reduce waste, improve government services and efficiency, and increase citizen participation in a transparent and trusted environment. A digital government framework is critical in defining clear roles of technology towards the achievement of national development goals. The Government of Kenya has introduced various electronic government services with the goal of improving access, quality, transparency, equity, efficiency and effectiveness of services. According to the United Nations E-Government Survey (2020), Kenya is ranked among the top 15 countries for e-government in Africa due to increased investment in infrastructure and online services provision.

Provision of E-Government services in Kenya has brought services and engagement opportunities directly to all citizens, including the remote or underprivileged communities by providing them with access at home or through digital kiosks in villages. Through an interactive Government portal with an open application programme interface (API), the Government is able to offer e-government services such as e-tax, licenses and registrations, e-parking, smart city services and digital signatures. Kenya's flagship Government to Citizen (G2C) platform (e-Citizen) provides services including business name search and registration, notice of marriage, registration of marriage, driving licenses, land searches and clearances, passport and visa applications. The platform allows citizens to sign up, apply for Government services and conveniently pay using mobile money, credit cards, debit cards and online banking. The platform also allows foreign residents to apply for services. Users receive email and SMS notification every time their application has progressed. E-citizen has a unified and integrated channel, Huduma payment gateway, to facilitate ease of payment for Government services.

In addition, Kenya has adopted a one stop-shop model (Huduma Centre) for various Government services from a single location. There are over 52 physical centres across the country located, among other places, in Nairobi (GPO, Nairobi City square, Makadara, Eastleigh, Kibra), GPO Mombasa, Baringo, Bomet, Busia, Elgeyo Marakwet, Embu, Garissa, Homa Bay, Isiolo, Kajiado (2 locations), Kakamega, Kericho, Kiambu, Kilifi, Kirinyaga, Kisii, Kisumu, Bungoma, Siaya, Kitui, Embu, Kisumu, Kisii, Migori, Kajiado, Machakos, Meru, Murang'a, Wajir, Turkana, Nyeri, Nakuru, Eldoret, Kwale, Makueni, Samburu, Taita Taveta, Tana River, Tharaka Nithi, Trans Nzoia, Turkana, Nyamira, Uasin Gichu, Vihiga, Wajir and Thika.

Government customer-centricity is the new standard expected by businesses, citizens and other Government entities. High quality, timely and accurate data and services are required and should be provided in a safe and secure, and in transparent and accountable manner. Kenya has not digitized its public services to a larger extent compared to countries such as Estonia. Estonia is considered one of the fastest rising countries for digital transformation in the world. The citizens in Estonia can do basically almost everything online including digital identity, e-voting, e-taxation, and e-businesses on one-stop-shop to Government information and e-services.

Since early 2020, the COVID-19 pandemic has renewed and reinvigorated the role of digital government across many countries, including Kenya. The utilization of conventional digital government services is becoming more widespread as social distancing drives online interaction, and the e-government platforms providing new innovative efforts in managing the crisis. It is noted that countries with robust e-government systems in place can provide clear, up-to-date information to the public, local authorities and health providers while also working with and alongside other stakeholders, such as platform providers, to reduce the spread of misinformation of the pandemic.

Although countries around the world are moving forward with e-government, many governments face challenges linked to resource limitations, lack of digital infrastructure, technology diffusion and connectivity, data inclusiveness, and insufficient capacities or capabilities, especially in developing countries and countries in special situations. Some countries including Kenya face specific obstacles relating to issues such as digital inclusion, data privacy and cybersecurity.

8.4 Uptake of E-commerce/Digital Business in Kenya

E-commerce is an emerging pillar to manage COVID-19 crisis by facilitating acceptance of prolonged physical distancing measures. The World Trade Organization report on E-commerce (2020) observes that measures in response to the COVID 19 pandemic have changed consumer preferences and shopping patterns. Countries are adopting E-commerce platforms to pave way for inclusive trade and economic development by overcoming traditional barriers in trade channels and market access. E-commerce enterprises can be operated at very small scale and allow consumers to benefit from greater choices and lower prices. Studies show that Micro Small and Medium Enterprises (MSMEs) that use E-commerce platforms are five times more likely to export than those in the traditional economy. The global E-commerce is growing exponentially in the last two decades and recorded sales growth of 13 per cent in 2017, with estimated sales of US$ 29 trillion. Mobile devices are the most popular for online shopping, and 72 per cent of consumers are using mobile devices to shop in stores (PYMNTS.com).

E-commerce uptake in Kenya is in a nascent stage, but it has a promising future. Kenya's E-commerce growth has accelerated due to the COVID-19 crisis and is estimated to be slightly over Ksh 100 billion. Mobile commerce is driving the uptake of E-commerce in Kenya in the last few years. The country was one of the first African countries to effect measures for cashless payments in March 2020 to avoid use of hard currencies deemed to harbour the COVID-19 virus. In efforts to urge Kenyans to shift to cashless transactions, Safaricom and Airtel waived fees on money transfers and increased the amounts for transaction and deposit in the mobile wallets.

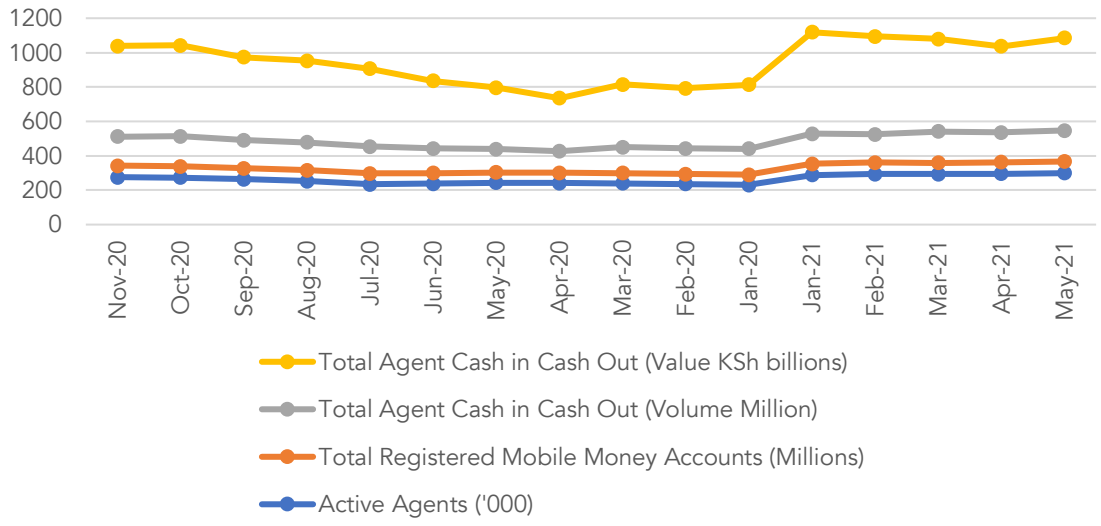
The Government measures to promote cashless payments significantly increased the use of mobile money in the country. Based on the Central Bank data, mobile money subscriptions significantly increased to 67.7 million, whereas active mobile money agents stood at 298,883 in May 2021 compared to 59.1 million mobile money subscriptions and 231,292 active mobile money agents in January 2020 (before the onset of COVID-19 pandemic) (Figure 8.8). M-Pesa continued to dominate the mobile money services with a market share of 99 per cent. The values transacted have continued to increase significantly since the onset of COVID-19 pandemic from Ksh 364.5 billion in March 2020 to Ksh 536.69 billion

in May 2021. This is largely attributed to the directive on the use of cashless payment systems to curb the spread of COVID-19.

Further, the number and value of mobile transactions dropped in April 2020 due to shocks associated with lockdown and curfew that were effected in March 2020. However, mobile payments picked up again in May and have continued to register positive growth. Similarly, the effects of COVID-19 are felt in the sector because there was a decline in the number of agents in July 2020, since majority of the agents are micro, small and medium enterprises. Generally, such enterprises are negatively affected due to their weak resilience to shocks associated with the COVID-19 pandemic. However, the number of agents started to increase from August to December 2020. Similarly, the number of mobile money subscriptions has steadily increased during the COVID-19 pandemic. The value and volume of mobile money transacted during the COVID-19 period significantly increased particularly from customers to businesses and business to business, and value for peer-to-peer transactions (Figure 8.9). The total number of cards issued by financial institutions, particularly debit cards, have maintained an upward trend for the last two years (Figure 8.10). Overall, in the last four years, the value of mobile commerce transactions has increased from Ksh 1.7 trillion in 2016 to Ksh 6.9 trillion in 2019. Similarly, it is expected that value for mobile commerce transactions in 2020 will be higher due to increased use of mobile money during the COVID-19 period.

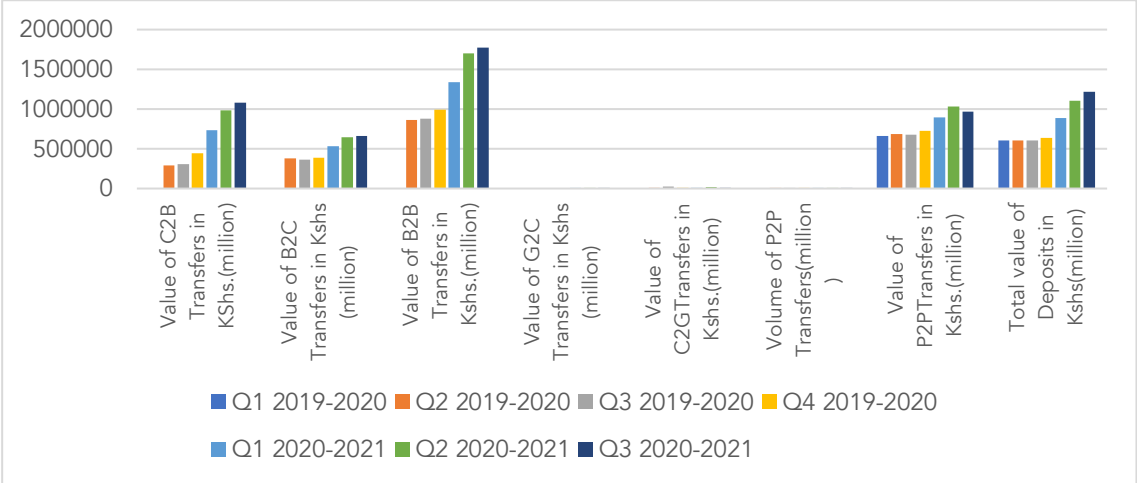
Kenya has a lot of potential to leapfrog with E-commerce as demonstrated by several factors. Kenya is strategically located as a business hub for air travel in the region. Kenya has high uptake of Internet and mobile telecommunication infrastructure, which are key to the development of E-commerce. Although Kenya is ranked number 88 globally and fourth in Africa by UNCTAD B2C E-commerce index 2019, Kenya has performed below the global average in terms of households with Internet, secure servers and reliable postal services. According to UNCTAD E-commerce index 2019, Kenya has a high share of individuals with accounts for money payment services (82%) but low share of individuals using the Internet at household levels (18%), secure Internet servers (49%) and postal reliability (47%). According to the Kenya Census (2019), only 4 per cent of the population above 15 years searched, ordered or bought items online, and majority are between 15 and 44 years old living in urban areas (Figures 8.11, 8.12 and 8.13).

Figure 8.8: Mobile money



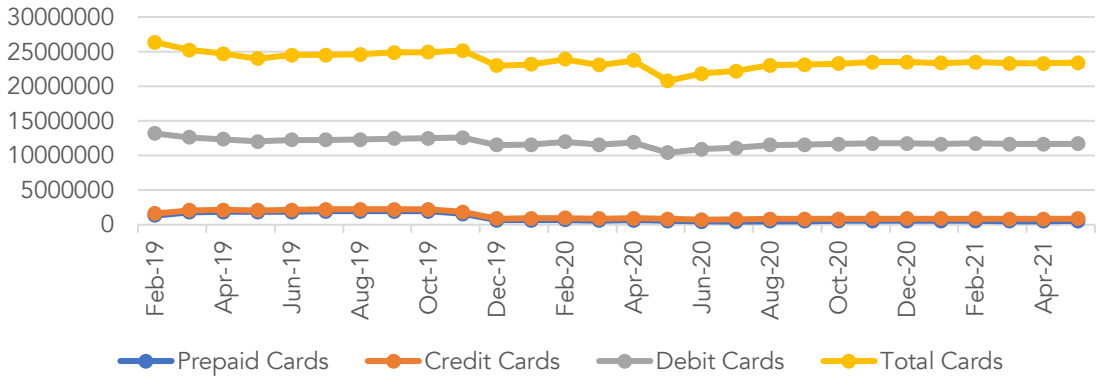
Source: Central Bank of Kenya (Various)

Figure 8.9: Mobile money transactions and value



Source: Central Bank of Kenya (Various)

Figure 8.10: Plastic/card money



Source: Central Bank of Kenya (Various)

E-commerce has not fully developed in Kenya due to lack of comprehensive legal and policy framework, lack of reliable data to support planning for e-commerce sector, unreliable postal services to deliver products to the last mile level, lack of trust for digital business, high shipping cost to last mile, high taxes for businesses, high cost of business registration, inadequate infrastructure to support affordable Internet services in many parts of the country, and high number of counterfeit products. Access to Internet and ownership of computers by households remains low. About 18 per cent and 8.8 per cent of households have access to Internet services and own computers or tablets, respectively, that are necessary for e-commerce. The ICT Survey on enterprises (2016) indicates that 39 per cent of surveyed firms have engaged in some e-commerce activities; however, majority of the local enterprises have not fully automated their processes because of complexity and challenges in dealing with collection of fees and royalties, managing copyright and intellectual property, privacy and personal data protection, illegal downloads, piracy, counterfeiting, and rising number of cyber threats (Figures 8.14, 8.15 and 8.16). According to the Kenya Enterprise Survey 2018 (World Bank, 2018), 89 per cent of ICT firms report electricity

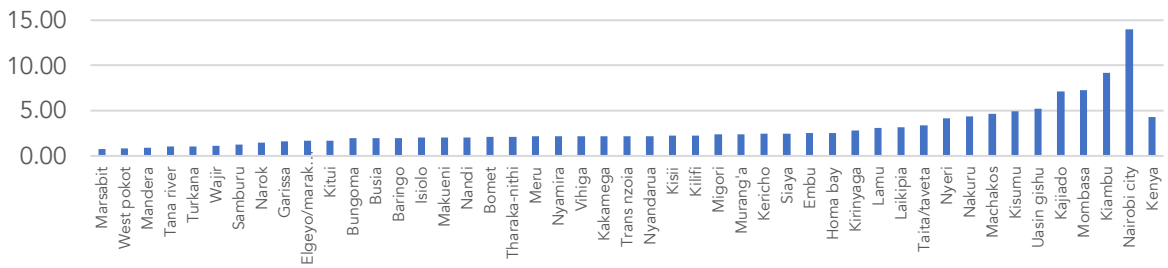
outages, with an average number of 3.5 episodes per month and 35 per cent of firms do not have power backup generators. The recently introduced digital taxation would further subject e-commerce firms, including start-ups, to more taxes and may negatively affect growth of the digital economy.

Kenya has initiated efforts to strengthen the adoption of e-commerce. For instance, the Government is implementing a National Addressing System (NAS) to guide the naming and numbering of streets and properties to facilitate easy identification and location on the ground. It involves development of digitized maps for use in the management of settlements and urban communities. The potential benefits of NAS to citizens and businesses include unlocking economic value, job creation, and improved navigation. The NAS will accelerate the growth of E-commerce and associated industries with a commensurate positive impact on the economy by enabling easier geo-location for various service providers such as taxi, mail and home delivery of goods and services.

The implementation of NAS started in 2014 and the following milestones have been achieved: NAS Policy, National and County NAS Bills, and NAS database framework. However, implementation has been slow due to various reasons. Currently, the NAS regulatory framework is awaiting adoption at both the National and County Government levels. Nationwide NAS implementation will require the coordination of actors at the national, county, and sub-county levels; patience, persistence, and persuasion will be critical. Implementation in rural and informal settlements will pose a more significant challenge compared to urban areas given the difficulty of access, long distances, unnamed roads, uneven settlement patterns, and temporary settlements in some counties. Existing challenges also provide opportunities to build on Kenya's innovative talent to develop homegrown solutions that leverage on technology and crowdsourcing capacities to fast-track the implementation process.

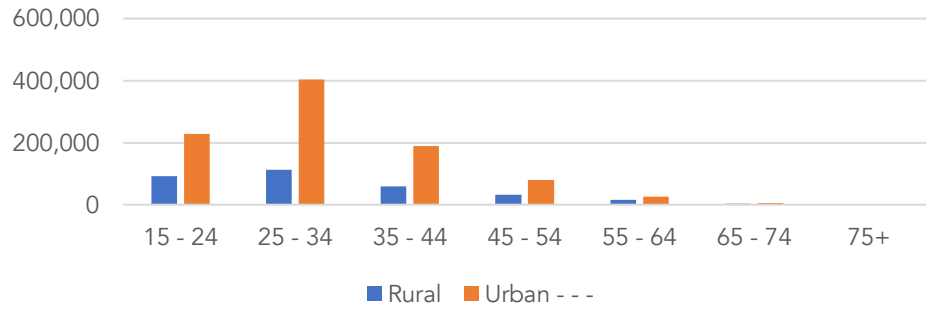
Other initiatives for e-commerce include formulation of digital economy blueprint and enactment of relevant laws such as the Kenya Information and Communication Act (KICA), Computer Misuse and Cybercrime Act, Data Protection Act, National Payment System Act and Guidelines on Cybersecurity for Payment Service Providers. Other efforts include formulation of a white paper in 2015 on E-commerce guidelines, which have been incorporated in licence conditions requiring all postal/courier operators to embrace practices that promote e-commerce growth; a pilot survey to establish e-commerce baseline in December 2015; engagement of UNCTAD on e-commerce scoping study; and implementation of National Public Key Infrastructure (NPKI) and National Addressing System (NAS). There are various policy concerns to be addressed, which include scoping of digital economy, consumer protection, warehousing, inadequate policy and

Figure 8.11: Percentage population aged 15 years and above who searched and bought goods and services online



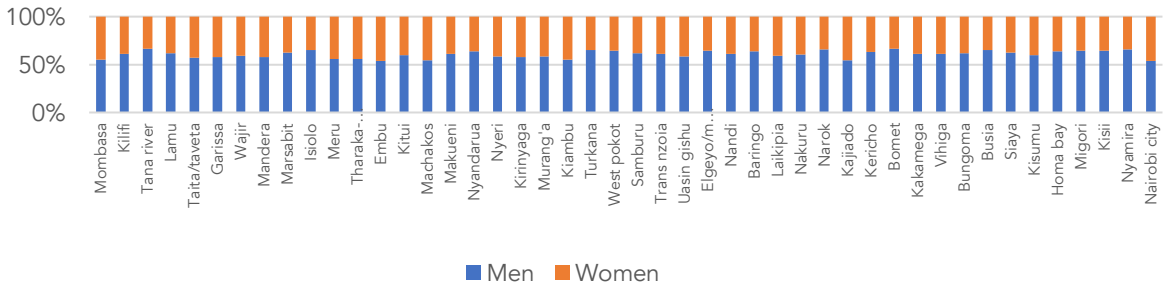
Source: Central Bank of Kenya (Various)

Figure 8.12: Population that bought/ordered goods or services online by age in rural vs urban



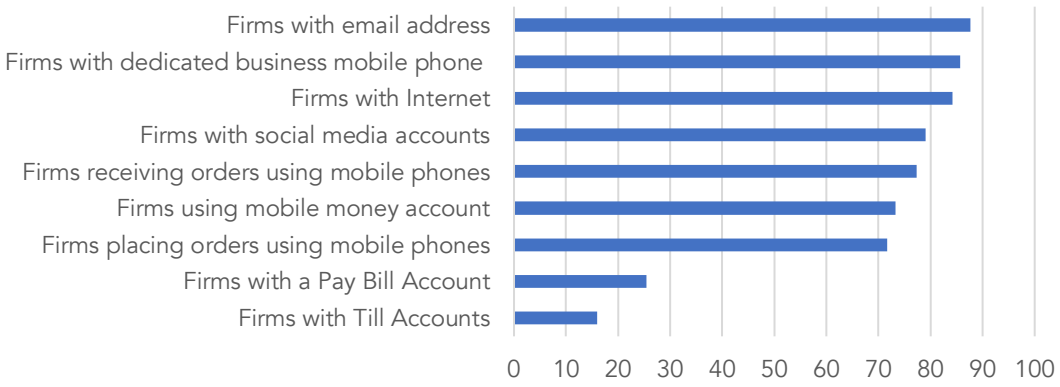
Source: Kenya National Bureau of Statistics (2019)), Population and Housing Census

Figure 8.13: Percentage population by gender aged 15 years and above who searched and bought goods and services online



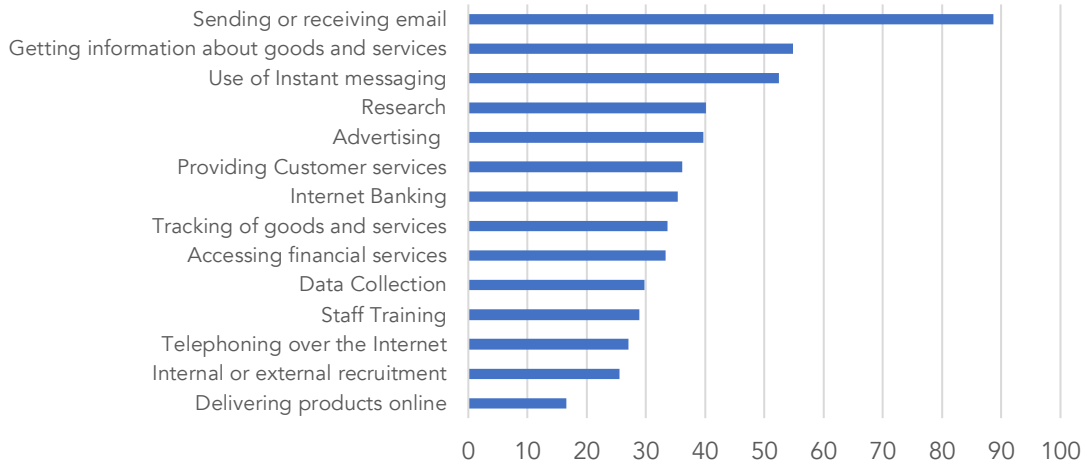
Source: Kenya National Bureau of Statistics (2019)), Population and Housing Census

Figure 8.14: Firms with access to ICT services



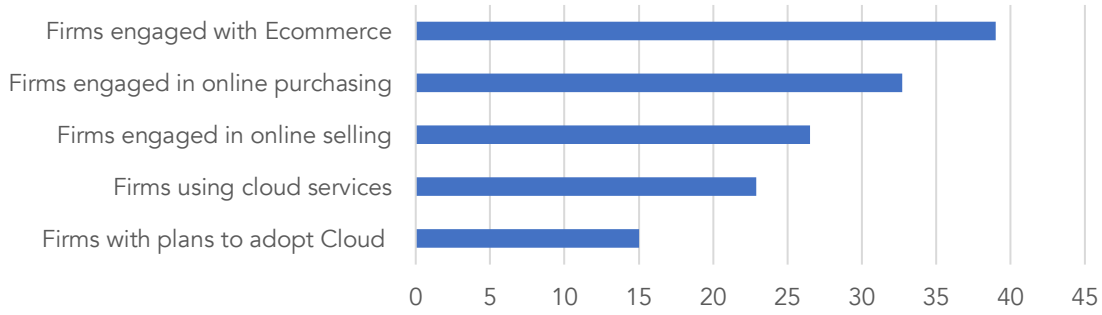
Source: ICT Enterprise Survey (2016)

Figure 8.15: Enterprises using the Internet by type of activity



Source: ICT Enterprise Survey (2016)

Figure 8.16: Firms with cloud and e-commerce services



Source: ICT Enterprise Survey (2016)

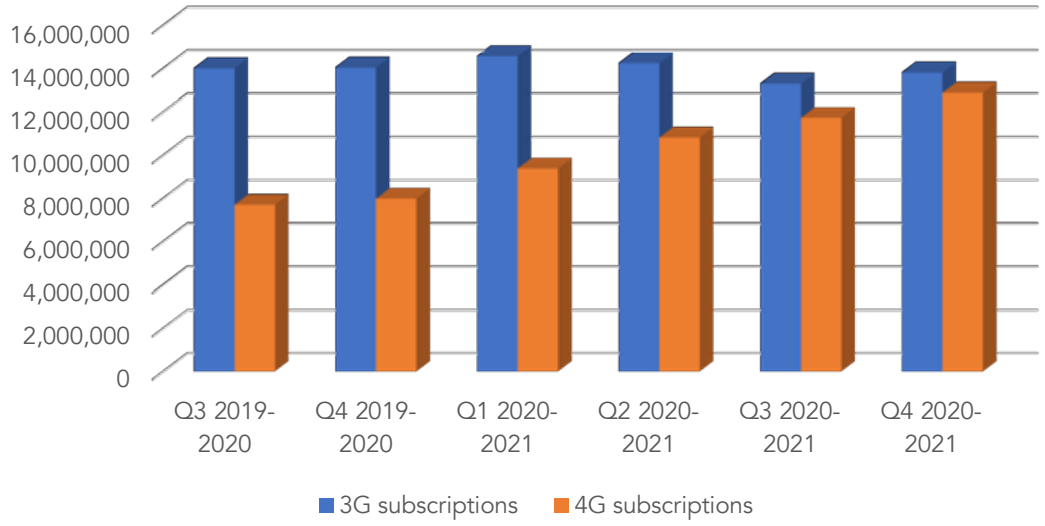
legal framework, product recall, digital taxation, digital divide and digital service unavailability in unserved and underserved areas. Efforts to address such policy concerns appear to be disjointed, since e-commerce is a multi-sectoral subject that requires effective collaboration of multiple players.

8.5 Devices Ownership by Households

A huge population in Kenya uses second generation-based devices and are therefore not able to enjoy high-speed Internet, which supports e-commerce activities. Globally, about 76 per cent of buyers use their mobile devices for e-commerce activities. The penetration of the fourth generation-based devices in the country stands at 17 per cent. There are more fourth generation-based subscribers than third generation-based subscribers (Figure 8.17). Although there are initiatives to assist subscribers to access modem devices such as *Lipa Mdogo* (small size buyers) under Safaricom, targeting one million subscribers, a lot of subscribers cannot afford the fourth generation devices and other necessary computing devices such as desktop computers, laptops and tablets. Further, Kenya has continued to invest heavily in modern infrastructure and launched the fifth-generation network services on 26th March 2021.

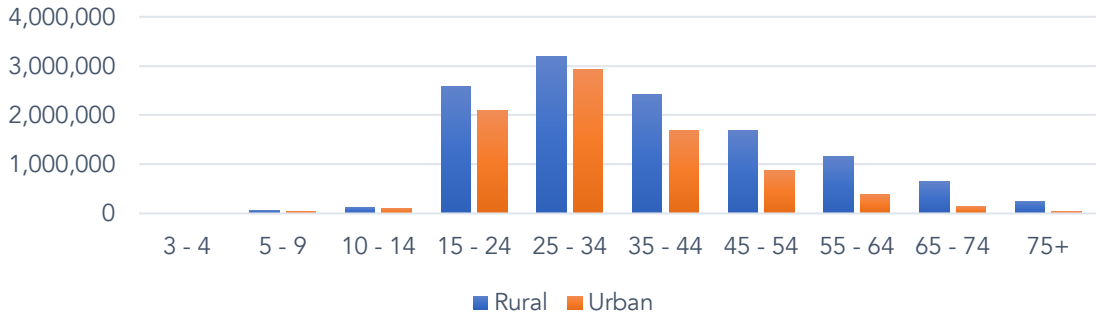
Rural areas recorded higher ownership of mobile phones compared to urban areas. Most of the mobile owners are between 15 and 54 years

Figure 8.17: 3G and 4G broadband subscriptions



Source: Communications Authority (Various) reports

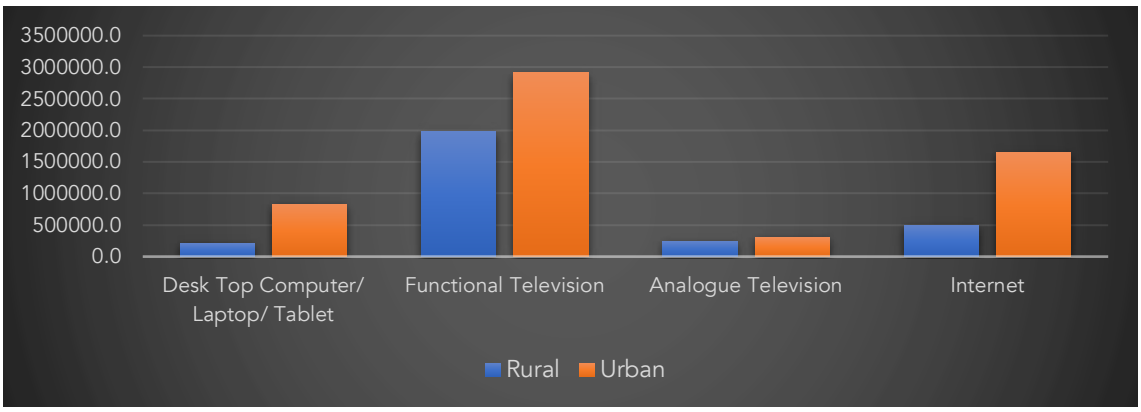
Figure 8.18: Mobile phone ownership by age in rural vs urban



Source: Kenya National Bureau of Statistics (2019)), Population and Housing Census

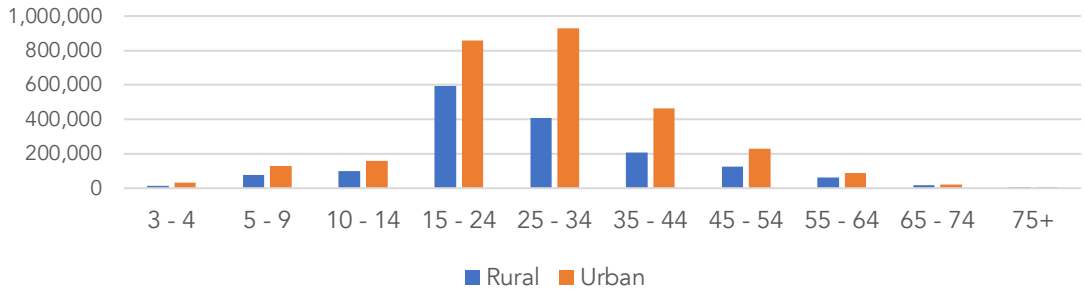
(Figure 8.18). The average ownership of mobile phones across counties stands at 50 per cent, with Nairobi County recording the highest while Turkana has the lowest population owning phones (Box 8.2). The usage and ownership of ICT assets such as computers, functional TV and Internet is higher in urban areas than in rural areas due to better infrastructure coverage and increased use to support commercial and learning activities in urban areas (Figures 8.18, 8.19, 8.20 and Box 3). This is further widening the digital divide between rural and urban areas and across counties as shown in Figures 8.18, 8.19, 8.20 and Box 8.2).

Figure 8.19: Household ownership of ICT assets in rural vs urban



Source: Kenya National Bureau of Statistics (2019)), Population and Housing Census

Figure 8.20: Use of desktop computer/laptop/tablet by age in rural vs urban



Source: Kenya National Bureau of Statistics (2019)), Population and Housing Census

Box 8.2: Household ownership of devices (mobile phones, computers and radios) across counties

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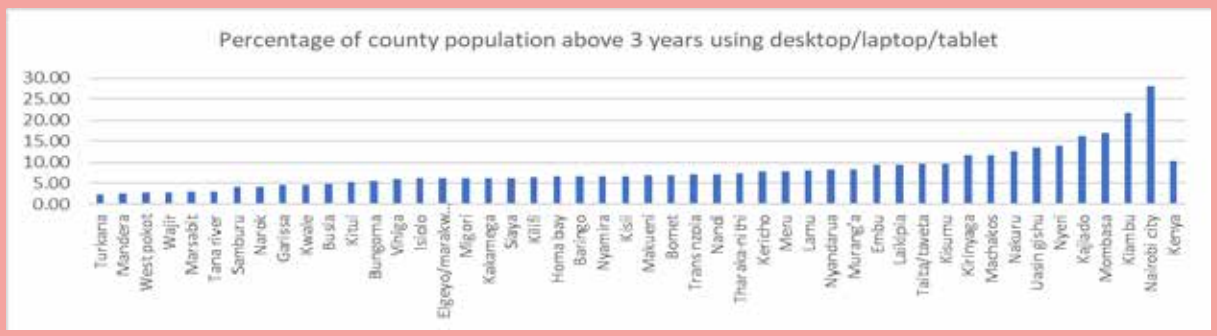
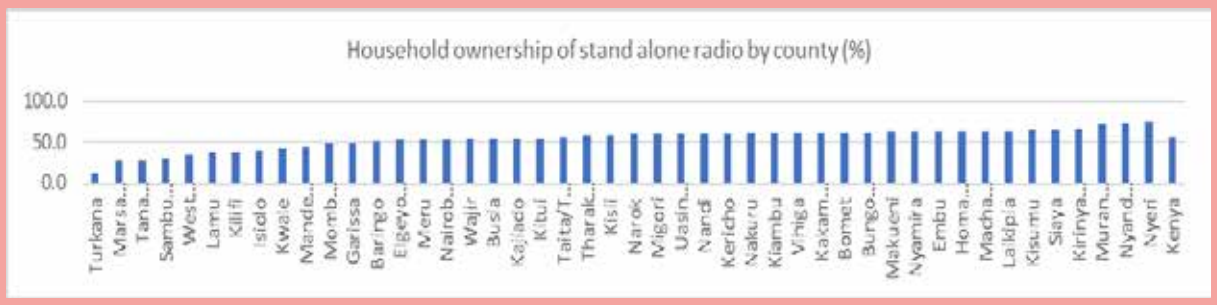
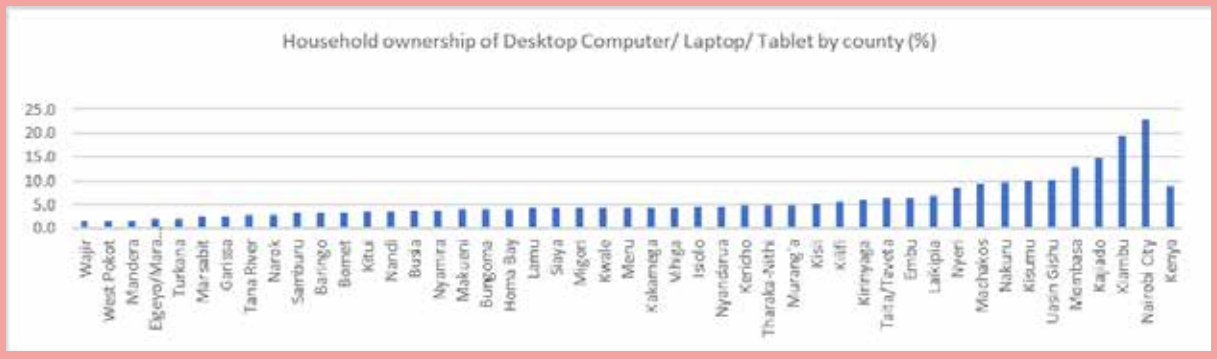






Source: Kenya National Bureau of Statistics (2019)), Population and Housing Census

8.6 Distance Learning Technologies

The education sector has been severely affected by the COVID-19 pandemic based on the socio-economic impact of COVID-19 on households' surveys (KNBS Wave 1 and 2). The surveys indicate that workers across all industries reported having worked fewer hours in the reference period compared with the usual hours worked per week. For instance, the education sector recorded the highest variance of 35-40 hours between the usual and actual hours worked in a week. The survey results (KNBS Wave 1 and 2) indicate a dire need to address the gaps in the education sector through education-related technologies.

In the month of June of 2020, 65.8 per cent of the surveyed households had member(s) who attended learning institutions before the pandemic. It is noted that 17 per cent of households with members who usually attend any learning institution were not using any method to continue with learning at home. In addition, the education sector still experiences gaps that include affordability of digital tools and content, adequacy and coverage of digital learning content, and a huge number of learners living in the unserved and underserved areas. Kenya has invested in some form of distance education infrastructure and digital resources, including radio, television and Internet programmes to ensure educational continuity during the pandemic and beyond.

The Government is implementing a Digital Literacy Programme (DLP) popularly known as DigiSchool. The programme introduces millions of children in 23,951 primary schools, beginning with those in lower primary, to the use of digital technology and communications in learning. The programme has developed infrastructure, content, trained teachers and provided learning digital devices to schools. Under the programme, about 1,148,160 digital devices are installed in 21,232 schools (97.7% of all schools) as at 19th September 2019. About 201,811 devices were assembled locally by local universities – Moi University and Jomo Kenyatta University of Agriculture and Technology. Under the programme, over 22,259 schools have been connected to power supply (19,023 schools connected to the power grid supply and 3,236 connected to the solar power supply). Further, over 90,000 teachers have been trained to deliver digital learning to pupils. The programme is in the third phase, which is themed "using technology to produce". Other digital critical platforms for distance learning include radio, television and internet programmes.

Despite high internet and mobile penetration in Kenya, radio is still the most commonly available and accessed technology across the globe. According to the Kenya National Bureau of Statistics (May 2020), only less than 15 per cent of learners are using radio despite Kenya having an average of 57 per cent of households owning a radio. The counties that have the lowest ownership of radio per households are Turkana, Marsabit, Tana River, Samburu and West Pokot (Box 8.2). Interestingly, Kenya is almost achieving universal knowledge on information about COVID-19 where radio and television are the main sources of information on COVID-19 at 82 per cent and 60 per cent, respectively, in both May and June of 2020. Implementing interactive broadcasting radio lessons would be the quickest option to continued schooling.

Television has tremendous reach and enjoys the advantage of being a familiar and engaging visual medium. There is a long tradition of television as a distance education medium in countries that have well-developed broadcasting or satellite infrastructure (Cuba and the United Kingdom) and that cover a large geographical expanse (Canada, Australia, China, Brazil, Indonesia, and the United States). According to the Kenya National Bureau of Statistics (May 2020) only less than 19 per cent of learners are using television despite Kenya having an average of 41 per cent of households owning a television. The counties that have the lowest ownership of television per household are Wajir, Turkana, Mandera, West Pokot and Garissa (Box 8.2). TV is one of the best and most direct way to continue schooling, and several countries including Kenya are doing

so via state-run broadcasting services. However, there is need to develop more content targeting all learners and avail it across many channels. Botswana Television (BTV) offers daily educational programming, primarily in maths and science, which reaches 90 per cent of the country through its terrestrial transmitter and 100 per cent of the country through satellite. Because not everyone in Botswana has the decoder needed for digital television, BTV still uses analog transmission.

Desktop computers, laptops, tablets and other mobile devices are considered important educational tools to provide continued schooling during the pandemic. The tools provide educational opportunities to access digital content, education applications, social media and educational programming. Online learning offers tremendous benefits but also requires massive infrastructure, design and instructional requirements. According to the Kenya National Bureau of Statistics (June 2020), only less than 13 per cent of learners are using online learning despite Kenya having an average of 18 per cent of households owning an Internet gadget. The counties that have the lowest ownership of Internet services per household are Wajir, Mandera, West Pokot, Marsabit and Turkana (Box 8.2). Similarly, the average household ownership of desktop computer/ laptop/ tablet in Kenya stands at 8.8 per cent, with lowest percentages reported in Wajir, West Pokot, Mandera, Elgeyo Marakwet and Turkana counties (Box 8.2). However, Kenya enjoys high mobile phone penetration. While appreciating the various initiatives that support digital learning such as achievement of 97.7 per cent of primary schools with digital devices installed (as of 19th September 2019), development of digital content on Kenya Education Cloud and the recent launch of Telkom and Google Loon Internet services, a huge percentage of learners cannot access and afford Internet services.

In the education sector, technology has potential to facilitate learners to continue learning at home during the COVID-19 period. At the global scene, many countries are relying heavily on Radio, TV and Internet to support learning at home during this period. With high penetration of radio, TV and Internet across the country, it is possible that access to education services can further be enhanced during the pandemic and beyond. Finally, investing in digital technologies significantly contributes towards the efficacy and preparedness of communication systems, health systems, education institutions, and trade and transportation networks to facilitate the achievement of the national development agenda. Like other countries, Kenya could leverage on digital technologies to foster inclusive growth, bridge digital divide and reduce inequalities during COVID-19 pandemic and beyond.

8.7 Digital Skills in Kenya

Locally, there are 22 public universities and 14 chartered private universities offering ICT degree programmes for graduates with skills in telecommunications, software development, hardware, design and implementation of network systems. In addition, there are various tertiary training institutes including Technical and Vocational Education and Training (TVET) institutions across counties that equip students with technical skills and soft skills with an aim of making the youth employable. The area of skills development in the ICT services sector faces various challenges. For instance, a majority of the ICT jobs are dominated by males. According to the Kenya Economic Report 2020 (KIPPRA, 2020), female enrolment in ICT-related university programmes is less than 40 per cent.

It is noted that most graduating students who complete their formal education do not receive practical skills that are required when joining employment in public and private entities, including the startups and innovation hubs. The root cause is the failure of the curriculum to emphasize on integrating theory into practical scenarios. This implies that graduating students from educational institutions lack market-oriented skills required in the job marketplace. To build more skills, universities, innovation hubs and ICT training institutes provide skill development support through robust training programmes, mentorship, capacity building, events and partnerships.

The World Bank Enterprise Survey (2018) shows that skills constraints in the ICT sector mainly relate to those required for technological

upgrading, an indication of a more specialized skills requirements. Labour regulations is reported by a moderate number of firms in the ICT sector, perhaps relating to the sourcing of skills outside the country.

Numerous initiatives have been established to create jobs and empower the digital skills of the youth in Kenya. For example, the Presidential Digital Talent Programme (PDTP) also known as DigiTalent is being implemented by the Ministry of Information Communications and Technology. It is an internship programme targeting at least 100 recent graduates annually to develop the ICT talent pool in Kenya through collaboration between the public and private sectors. The interns are placed both in Government Ministries (for 10 months) and in the private sector (for 2 months) during the programme, giving them a holistic understanding of how ICT works both in the public and private sectors. This exposure helps the interns to acquire and apply ICT skills for effective service delivery, and efficient implementation of projects. Apart from the technical aspects of the internship, the interns are also mentored on leadership skills and innovative thinking. After the programme, the interns emerge as talented and well-rounded individuals with a clear career progression path in the ICT sector and make valuable addition to any company.

The Ajira Digital Programme is a Government initiative to empower over one million young people to access digital job opportunities. The programme seeks to position Kenya as a choice labour destination for multinational companies and encourages local companies and the public sector to create digital work. The main objectives are to raise the profile of digital work; promote a mentorship and collaborative learning approach to finding digital work; provide Kenyans with access to digital work; and promote Kenya as a destination for online workers. The components of the Ajira digital programme have been designed to address the main challenges that hinder the youth on benefiting from digital job opportunities. The programme promotes access to dignified work, build skills and awareness and promotes access to infrastructure.

8.8 Status of Cybersecurity

The Communications Authority (CA) is mandated by the Kenya Information and Communication Act (KICA) to develop a national cyber security management framework. To mitigate cyber threats and foster a safer Kenyan cyberspace, the Authority established the National Kenya Computer Incident Response Team – Coordination Centre (National KE-CIRT/CC), a multi-agency collaboration framework responsible for the national coordination of cybersecurity as Kenya's national point of contact on cybersecurity matters. The National KE-CIRT/CC coordinates response to cyber security matters at the national level in collaboration with relevant actors locally and internationally. Further, the Authority hosts various fora such as the cybersecurity fireside chats, county cyber clinics, annual national cybersecurity conferences and regular cybersecurity awareness programmes. These fora bring together the local cybersecurity community to share insights, challenges and propose solutions geared towards enhancing cyber readiness and resilience. The awareness programmes empower the end user to be cyber smart and cyber vigilant.

KE-CIRT Coordination Centre statistics indicate that the number of threats detected has significantly increased in the last three years. For instance, 56,206,097 threats were detected in October-December 2020 compared to 35,173,937 threats detected in July-September 2020 (Figures 8.21 and 8.22). This huge increase is attributed to increased number of remote connections due to the current pandemic. Further, increase in the number of cyber threat events detected is attributed to the global increase in malware infections, including ransomware attacks targeting the cyber infrastructure during the pandemic period. During the second quarter of 2020/21, the National KE-CIRT/CC detected 46,069,525 malware threats, which was an increase from the 31,842,635 cyber threat attempts detected in the previous quarter (July-September 2020). This decrease was attributed to timely incident response mechanisms and increased endpoint security measures adopted to protect end user devices (Figure 8.23).

According to Serianu report (2020), Kenya has recorded over 50 per cent increase in remote connections since the onset of COVID-19. With an increased number of remote workers, there will be a lot of rapid evolution in terms of finding structures and communication tools that enable remote workers to collaborate with others in their office. To enable effective remote working, organizations should build technical capacity and offer excellent internet connectivity. The demand for remote working tools has led to increased cyber attacks that are exploiting the vulnerable remote working tools, vulnerable links/connections, compromised access points and a lot of remote workers lack basic cybersecurity skills.

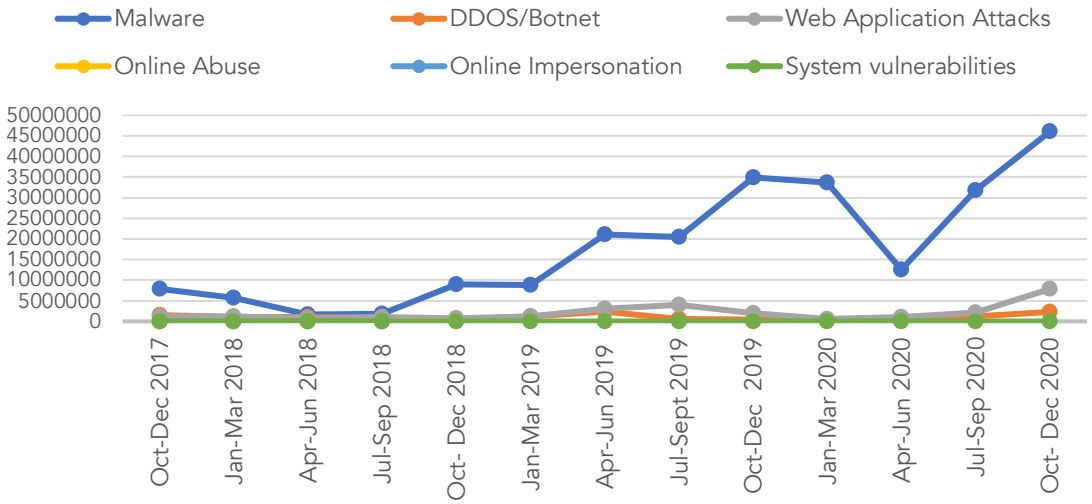
With the onset of COVID-19, the number of remote connection vulnerabilities and in particular on the remote desktop protocol have increased at the global level by over 30 per cent. Similarly, Kenya has recorded a higher number of vulnerable remote connections than its peers as shown in Figure 8.24.

According to Serianu report (2020), about 76 per cent of the respondents do not have cyber insurance, 32 per cent do not carry out cyber breach testing on their systems, 74 per cent of organizations do not have effective solutions to protect personal data, 95 per cent do not have comprehensive and mature cybersecurity platforms and yet 72 per cent of organizations collect and process personal data. About 33 per cent of organizations do not keep up to date with cybersecurity news and 34 per cent do not train their staff on cybersecurity risks. 14 per cent of organizations do not have a budget allocation for cybersecurity.

The sector has recently developed a data protection policy and legal framework to protect personal data, which is a key pillar in respect of human dignity in the digital economy. The Data Protection Policy was approved by the Cabinet on 18th April 2019 and the enactment of the Data Protection Act was on 8th November 2019. The Government has established the Office of the Data Commissioner to execute the data protection mandate. The office is developing general regulations for data protection.

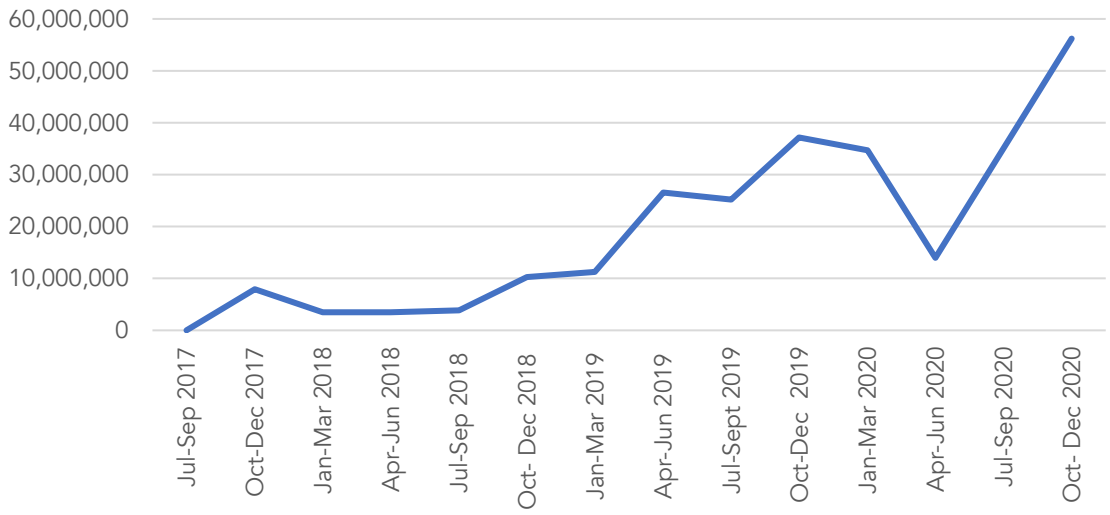
Further, the Authority is implementing the National Public Key Infrastructure (NPKI) to enhance cybersecurity for digital transactions, which is critical for e-commerce.

Figure 8.21: Cyber threats detected



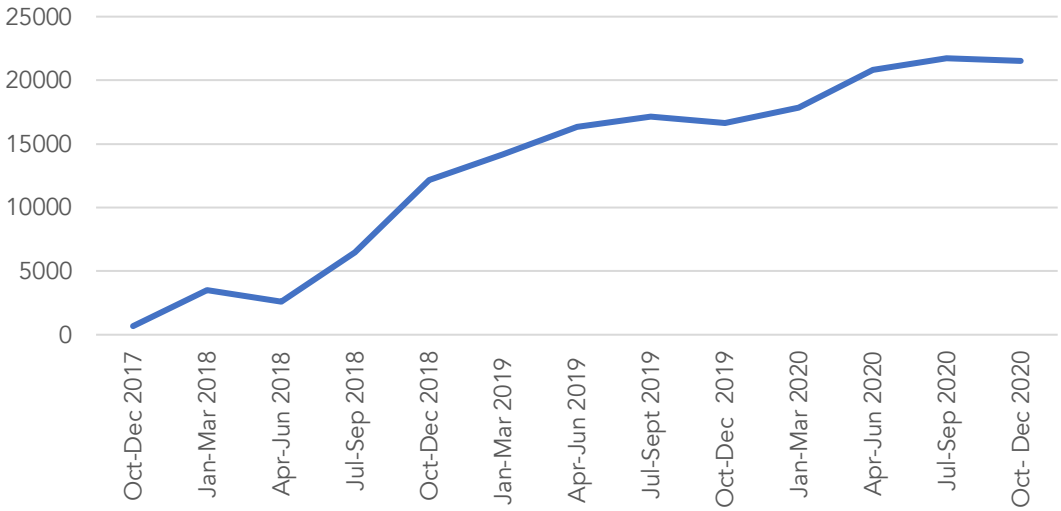
Source: Communications Authority (Various) Reports

Figure 8.22: Total threats detected



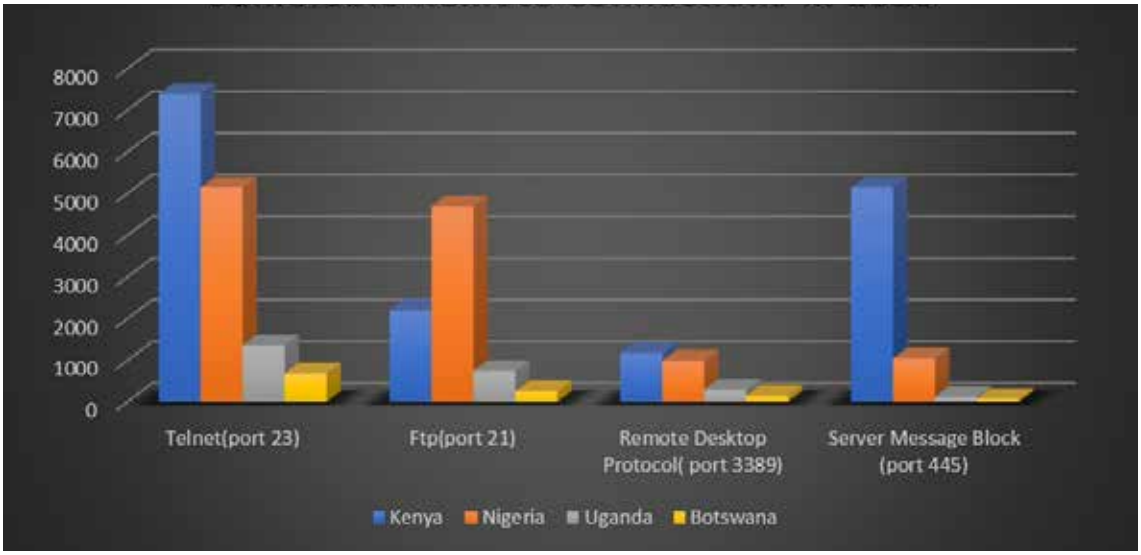
Source: Communications Authority (Various) reports

Figure 8.23: Total cyber threat advisories



Source: Communications Authority reports (various)

Figure 8.24: Vulnerable remote connections in 2020



Source: Serianu Report (2020)

8.9 Digital Innovations for "Big Four" Agenda and COVID-19 pandemic

The ICT sector provides tools and innovations for the achievement of the "Big Four" agenda and support enforcement of the Ministry of Health guidelines (Table 8.1). For instance, the sector has provided various innovations to improve access to healthcare services. As illustrated in Table 8.1, there are various digital tools and innovations supporting monitoring of infections and thus positively contributing towards flattening the COVID-19 curve. Further, Kenyatta National Hospital acquired a modern innovative computer-assisted diagnostics facility for COVID-19 treatment. The power of computer technologies can facilitate understanding and management of the spread of COVID-19 to achieve economic resilience. Table 8.1 shows various key upcoming innovations based on emerging technologies in artificial intelligence, data analytics, autonomous computing, Internet of Things and other wireless technologies for management of COVID-19 and social-economic development.

Table 8.1: Innovations for "Big Four" agenda and COVID-19 pandemic

	Name of Innovation / Facility/tool	Purpose of Innovation/Facility/tool	Status
Affordable Housing	Quick Response (QR) coding system for e-construction permit system	Quick Response (QR) coding system under the e-construction permit system that eliminates the need for stamping in Nairobi County. Property developers are not required to present hard copies of their development application documents for stamping as a final approval process. The QR Code system provides unique identification of all approved architectural and structural plans	In operation in Nairobi County

	Name of Innovation / Facility/tool	Purpose of Innovation/Facility/tool	Status
Universal Healthcare Coverage	Medical teleconferencing facility and artificial intelligent tele-radiology centre at Kenyatta National Hospital	The CT scanner equipment can detect COVID-19 before it is active, thus ensuring isolation of patients in good time and takes less than a minute to get results. The centre can connect live to Wuhan China for timely demonstrations in treatment of Coronavirus and leverage on tele-radiology to capture and interpret COVID-19 CT scan remotely from the 47 counties The teleconferencing services at the centre offer doctors from all over the world an opportunity to interact with their peers locally to share best practices in various issues	Operational at Kenyatta National Hospital
Manufacturing agenda	Application of 3D printing technologies	Various manufacturing firms are employing 3D to save a lot of time spent on the back-and-forth process of prototyping, ordering, and delivering products to areas with challenging accessibility. 3D printing technology is already in use from printing PPE equipment to apparels	Various manufacturing firms are embracing 3D printing technologies
	Internet of Things (IoT) technology in manufacturing	Telecoms operator Safaricom has partnered with Kenya Breweries Limited (KBL) to connect and enhance its coolers using Internet of Things (IoT) technology. The connected coolers are wired with sensors that monitor temperature and how often the fridge door is opened to give real-time data for the alcoholic beverage company. Over 2,000 coolers are already connected	Operational at Kenya Breweries Limited (KBL)

	Name of Innovation / Facility/tool	Purpose of Innovation/Facility/tool	Status
Food Nutrition and Security	Innovations for food delivery	Kenya has various innovations for food delivery such as Twiga Foods, UberEats, Jumia Food and Glovo	Operational in Kenya
	Innovations for market information	M-Farm is a transparency tool for Kenyan farmers that gives farmers up-to-date market information and links farmers to buyers. Other innovations include: • CropMon for advisory services for small-scale farmers cultivating coffee, maize, grass, wheat and sugarcane • iProcure is the largest agricultural input supply chain platform in Kenya, linking farmers and farmer cooperatives to manufacturers of agricultural inputs	Operational in Kenya
COVID-19 Related applications	COVID-19 digital immunization system	Kenya's Ministry of Health (MoH) has a new digital immunization records platform being used for keeping electronic records for COVID-19 vaccination in Kenya	COVID-19 digital immunization system was launched in March 2021
	Upcoming innovations during COVID-19 pandemic	• M-Shule platform provides personalized training, life skills information, and data tracking over SMS and chatbot • Zalisha platform links farmers to markets and offer farmers advisory on agricultural challenges such as access to information and climate change • MSafari is an analytics tool to help keep track of PSV commuters and help with contact tracing in the event that a confirmed case is confirmed to have used public transport, therefore placing other commuters at risk • The Pill Shop is an online platform connecting patients to doctors/clinics/ hospitals • Afya Rekod health platform helps patients access health care • Imarisha Afya is healthcare financing through micro-health insurance capitation product with inbuilt telemedicine solution for access to healthcare services through WhatsApp platform and Mobile app	Innovators have developed prototypes but are not able to scale up due to financial and market limitations

Source: ICT Advisory Committee Taskforce Report (2021)

Finally, technology supports inclusive growth and provides platforms to access services through various devices and innovations by all including the vulnerable population. For instance, people living with disabilities can access applications that offer vision, hearing and mobility solutions. There are plans to offer national examinations through braille-related technologies.

8.10 Key Messages and Policy Recommendations

8.10.1 Key messages

1. Based on the analysis of various facets, the ICT sector performance has remained resilient during the pandemic as demonstrated by key statistics across the sub-sectors. The need to address the effects of COVID-19 and to keep the society functioning has accelerated digital transformation in Kenya and therefore created demand for more digital innovations for resilience of the economy. The current pandemic has reactivated and accelerated the adoption and increased usage of ICT services to support social-economic activities through innovations such as e-commerce, e-Health and e-Learning. The ICT sector provides tools and innovations to enforce the Ministry of Health guidelines while achieving the "Big Four" agenda.

2. E-commerce is an emerging pillar to manage COVID-19 crisis by facilitating acceptance of prolonged physical distancing measures. Mobile commerce is driving the uptake of e-commerce in Kenya in the last few years. However, e-commerce is in a nascent stage and uptake of e-commerce in Kenya is very low despite high mobile and Internet penetration in Kenya. E-commerce has not fully developed in Kenya due to lack of a comprehensive legal and policy framework for e-commerce, limited reliable data to support planning for e-commerce sector, unreliable postal services to deliver products to the last mile level, lack of trust for digital business, and high shipping cost to the last mile. E-commerce has a promising future as businesses adopt digital platforms to meet the buyers and sellers' expectations during the COVID-19 crisis.

3. Digital divide remains a challenging issue and is visible across counties in terms of ownership of ICT devices such as functional TVs, radios, Internet devices and access to ICT services such as Internet. Remote counties and rural areas are the most affected areas (unserved and underserved areas) and therefore such counties register very low percentages of ownership of devices, and low access to ICT services.

4. The Government has invested heavily in building backbone infrastructure to support connectivity and access to ICT services across the country. However, most of the last mile users are not able to benefit from the core infrastructure put in place because most areas lack means to connect the last mile users to the backbone services. For instance, many offices, buildings and households are not connected to the backbone infrastructure.

5. Technology facilitates Governments to generate more revenue, improve government services and efficiency and increase citizen participation. Provision of E-Government services in Kenya has brought services and engagement opportunities directly to all citizens, including the remote or underprivileged communities by providing them with access at home or through digital kiosks in villages through an interactive government portal with an open portal and Huduma centres across many counties.

6. The ICT sector in Kenya is among the fast-growing sectors with potential to significantly contribute to the growth and development of the Kenya economy as envisioned in various policy documents. The growth of the digital technology in Kenya is mainly driven by mobile innovations, in some cases showcasing leadership across the globe. However, there are many innovations

that are not able to scale up due to financial and market constraints.

7. Some key ICT projects such as National Addressing System have taken long to be fully implemented, hence delaying provision of critical navigation services for E-commerce.

8. The cyber security landscape has significantly changed due to increased reliance on digital platforms to support remote working, commerce, education and health services. The number of cyber threats detected has significantly increased in the last quarters. For instance, 56,206,097 threats were detected in October-December 2020 compared to 35,173,937 threats detected in July-September 2020 due to increased number of remote connections because of the current pandemic.

8.10.2 Policy recommendations

1. Develop and implement a more comprehensive E-commerce policy and legal framework through a multi sectoral approach to promote the growth and development of E-commerce. The framework will address the following policy concerns: E-commerce regulation and facilitation, registration of digital businesses, e-payment, taxation structure of digital businesses, indicators and scoping of E-commerce, ICT infrastructure, logistics, consumer protection and consumer awareness.

2. Create an enabling ecosystem to support identification, nurturing and support of contactless applications for e-commerce, e-health and e-learning by establishing innovation hubs and accelerator programmes across the country.

3. Accelerate implementation and operationalization of key digital projects such as National Public Key Infrastructure, National Addressing System and Konza Technopolis to create jobs and create a conducive computing environment.

4. Tapping on Universal Service Funds for infrastructure development to bridge the digital divide in the unserved and underserved areas, and supporting and empowering the low-income last mile users and MSME enterprises in owning devices and accessing basic ICT services.

5. Strengthening online security through collaboration with all actors and continuously promoting cybersecurity programmes to ensure digital users are accessing digital services safely.

6. Support digital transformation for businesses by providing incentives and resources, including training, free software/hardware to accelerate adoption of digital technologies.

7. Formulating and implementing policy framework to guide the adoption of emerging technologies such as Artificial Intelligence, Blockchain, Fifth Generation technology (5G), Internet of Things (IoT) and Fourth Industrial Revolution (4IR).

CHAPTER 9

SAFEGUARDING HEALTH SERVICES IN KENYA DURING AND IN THE POST-COVID-19 ERA: THE ROLE OF THE "BIG FOUR" AGENDA

The discussions in this chapter focus on assessing the progress made in achieving Universal Health Coverage (UHC) amidst the challenges posed by the COVID-19 pandemic. Both the Government and the global community have identified UHC as important in the realization of the Sustainable Development Goals (SDGs). A key finding is that health sector reforms by the National and County Governments have had positive impacts on access to health care services. Even so, challenges remain, that if addressed can enhance the country's preparedness for health pandemics. Notable challenges include not only inadequate health equipment but also human resources for health and financial resources to maintain healthcare equipment. There is inadequate coordination between the County and National levels of government in the procurement processes and in the recruitment of additional healthcare personnel. It would therefore be important for the governments to adopt a comprehensive and integrated approach in delivery of Universal Health Care (UHC). Given the limited nature of resources, enhancement of efficiency by strengthening public finance management at county level is key. Significant investments are required in rehabilitating and equipping existing health facilities. Addressing the human resource challenges is vital and requires a comprehensive approach encompassing policy, leadership and stewardship, and better human resource management.

9.1 Introduction

Health is one of the six sectors identified to drive socio-economic development in the Third Medium-Term Plan (MTP III) 2018-2022. Indeed, health impacts on socio-economic development through various channels. Among its key benefits, health improves learning among school children, reduces production losses due to worker illness, and increases productivity.

Based on the benefits accruing from good health, it is fitting that the global community adopted the goal of achieving UHC as part of the Sustainable Development Goals (SDGs). The SDG target 3.8 aims to "achieve UHC, including financial risk protection, access to quality essential healthcare services and access to safe, effective, quality, and affordable essential medicines and vaccines for all". Universal Health Coverage (UHC) means that all individuals receive the health services they need without suffering financial hardship.[16] Although the focus is usually on health financing, UHC encompasses development of efficient health service delivery systems, adequate health facilities and human resources, information systems, good governance and enabling legislation.

The Government of Kenya has made a commitment to achieve UHC by the year 2022 as espoused in the "Big Four" agenda, which identifies healthcare for all as one of the four key development priorities.[17] In this regard, the National and County

[16] WHO (2017)

[17] This is included in the Third MTP 2018-2022

Governments have put in place reforms and programmes towards achieving UHC. Some of the interventions by the National Government within the last decade to 2021 include free maternity services in all public health facilities since 2013, and free primary healthcare in all public primary healthcare facilities. Others are health insurance subsidies by the National Hospital Insurance Fund (NHIF), the establishment of new referral hospitals, and increase in the number of health facilities at the community level, including mobile health services. County Government programmes include greater investments in infrastructure and equipment for health facilities, including new wards and ambulances.

9.2 Performance of the Health Sector in Achieving Universal Health Coverage

The path to achieving UHC will require measurement and monitoring of progress on pertinent indicators. The World Health Organization (WHO) recommended two broad groups of indicators to be tracked. These indicators cover two broad themes: access to essential health care services, and catastrophic health spending.

Access to essential healthcare services indicators encompass preventive indicators and treatment indicators. Some of the preventive/promotive indicators or service coverage indicators include family planning need satisfied; number of antenatal visits (at least 4 visits); full immunization in children; and condom use among men/women (among those who had 2 or more sexual partners). The treatment indicators include skilled birth attendance; appropriate treatment of diarrhoea in children; access to treatment for acute respiratory infections in children; and hospital admissions per 100 individuals. For catastrophic health spending, the indicators encompass incidence of catastrophic healthcare expenditures and the impoverishment effect of out-of-pocket spending

Table 9.1: UHC objectives and targets

	Universal Health Coverage	Targets
Achieve 100% Universal Health Coverage	Scaling up NHIF uptake Redefining NHIF to include multi-tier benefit packages	• Launch segregated multi-tiered package. Tiers: Bronze: Affordable outpatient and inpatient; Silver: Outpatient and inpatient including specialized treatment; Gold: Premium outpatient and inpatient
	Reviewing IRA Act to increase uptake of private health insurance to cushion NHIF	• Employer contributions to NHIF • Bring on board pensioners • Mandatory coverage for informal sector
	Adopting new low-cost service delivery	e-Health - for telemedicine: • Two National Data Centres (NDC)/ Radiology Hub (KNH, MTRH) established m-Health Hubs for collection and dissemination of information • Paperless referrals system, improved access, increased efficiency, reduced cost, bridged HRH gap, and standardized quality
	Align NHIF to UHC	Review and amend the NHIF Act

– i.e. proportion of the population pushed into, or further into poverty as a result of seeking health services.

Besides assessing the standard health indicators (as recommended by WHO), this chapter also assesses the progress made by the Government in achieving the UHC targets as stated in the "Big Four" agenda (Table 9.1). These targets are informed by broad objectives that include scaling up NHIF uptake; redefining the NHIF to include multi-tier packages; reviewing the Insurance Act (IRA); adopting new low-cost service delivery; and aligning the NHIF to UHC by reviewing and amending the NHIF Act.

9.3 Evolution of Universal Health Coverage in Kenya since 2008

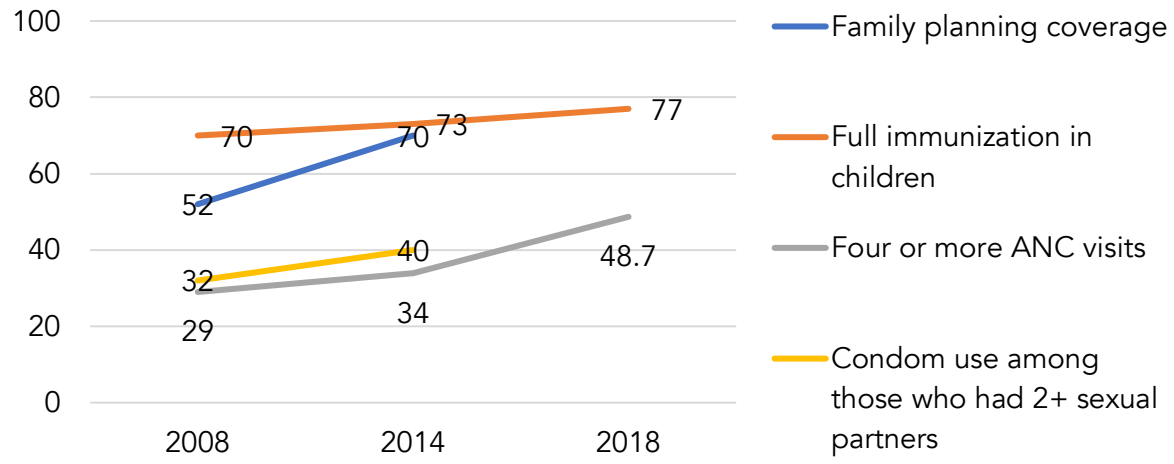
We focus on access indicators before examining catastrophic health spending. Access indicators encompass preventive indicators and treatment indicators. It should be noted that data availability on some of the health indicators such as family planning coverage is a challenge since they can be best estimated from nationally representative surveys. These surveys include the Kenya Demographic Health Survey and the Integrated Household Budget Surveys, which were last conducted in 2014 and 2015/16, respectively, – and are conducted less frequently than is desirable.

9.3.1 Access indicators for UHC

All the selected preventive indicators improved in subsequent years relative to their 2008 levels. Full immunization in children has increased from about 70 per cent in 2008 to 77 per cent in 2018. Family planning coverage rose from 52 per cent in 2008 to 70 per cent in 2014 while infants achieving at least four antenatal care visits improved from 29 per cent in 2008 to nearly 49 per cent in 2018 (Figure 9.1).

It should be noted that available complementary data from KNBS (2020) indicates that there was adverse performance of some indicators in 2017 because of industrial action by health workers.[18] As an example, the pentavalent third dose immunization coverage for infants (a proxy for full immunization coverage) was lower in 2017 (at 68.4%) relative to 78.3 per cent in 2016 and 81.6 per cent in 2018. This outlines the importance of

Figure 9.1: Evolution of coverage of preventive interventions



Source: Kenya National Bureau of Statistics (Various), Kenya Demographic and Health Survey - KDHS (2008; 2014) and Ministry of Health - MOH

[18] There was more than two dozen strikes since the devolution of health services in 2013. One of the most severe was a 100-day strike by doctors that began at the end of 2016 and ended in March 2017. Nurses too had a 5-month strike between June and November 2017 over non-implementation of their Collective Bargaining Agreement (CBA).

the management of human resources for health outcomes.

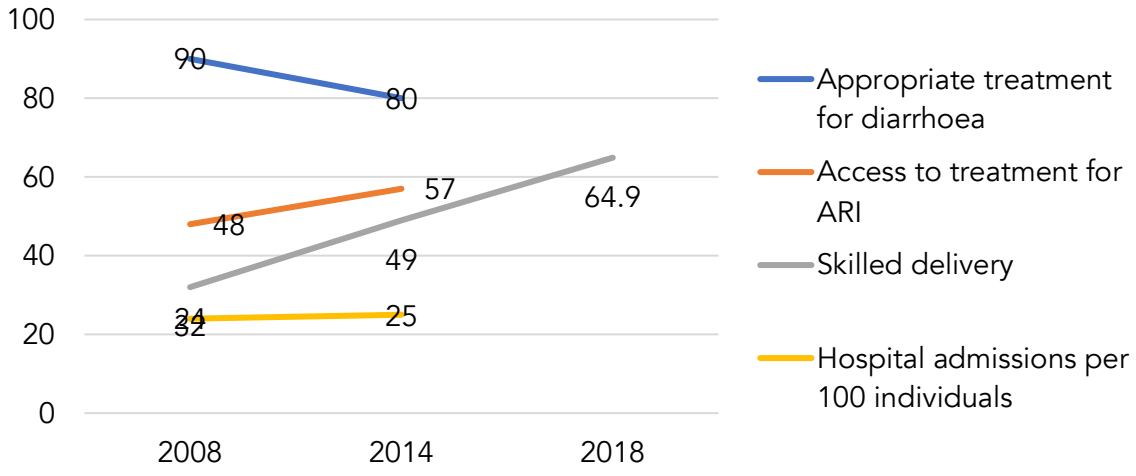
Most treatment indicators improved in 2014 relative to 2008 (Figure 9.2). The observed improvements can be linked to interventions by the Government, including free maternity services in all public health facilities since 2013. The programme to equip major public hospitals across the country with modern diagnostic equipment and free primary healthcare in all public primary healthcare facilities both initiated in 2013 were major strides. The NHIF, which provides health insurance subsidies by targeting disadvantaged groups, saw reforms instituted in 2013. Given the investment in health infrastructure and equipment (including new wards and ambulances) and recruitment of more health personnel by counties, the 2008 through 2014 momentum is likely to have been carried forward through 2018.

The KIHBS 2015/16 indicates that 60 per cent of individuals who reported that they had diarrhoea in the last 2 weeks to the survey received either the ORS/ORT packet solution (46.5%), sugar-salt solution (8.5%), or other home-made solution (4.8%). Among the 40 per cent who received none of the above fluids, just about one quarter took more of other fluids. This is a rough indicator that appropriate treatment of diarrhoea may not have improved after 2014, unlike most of the other reported indicators.

9.3.2 Catastrophic expenditure

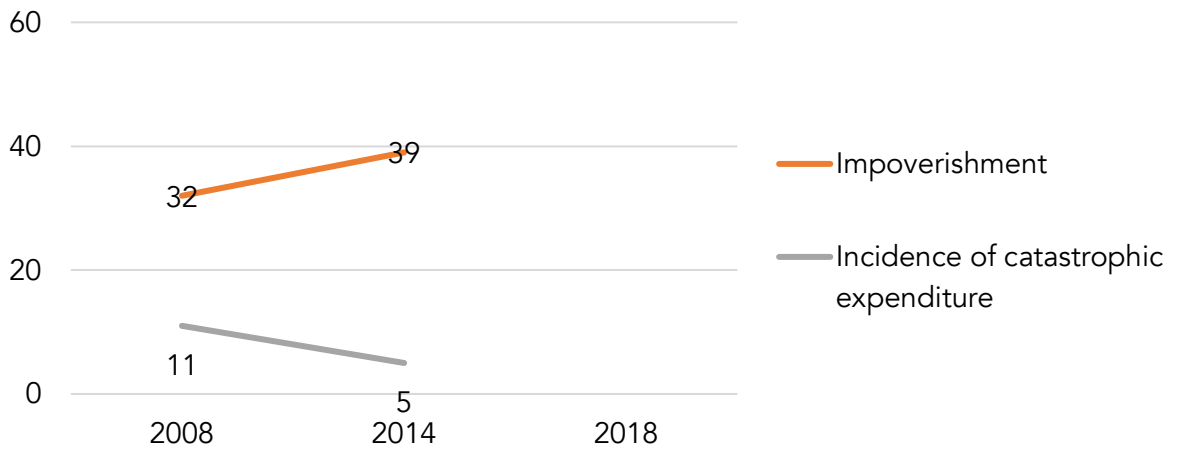
Catastrophic health expenditure is out-of-pocket (OOP) spending for health care that exceeds a certain proportion of a household's income (in our case 40% of total household expenditure). It attempts to measure the burden of disease on households. The incidence of catastrophic expenditure by households decreased from 11 to 5 per cent in 2014 relative to 2008. A closely linked measure is the impoverishing effect of health spending. OOP payments are described as impoverishing when a household's level of expenditure fell below the poverty line after health expenditure. The impoverishment effect of health spending increased from 32 per cent in 2008 to 39 per cent in 2014 (Figure 9.3). This means that a larger proportion of households (nearly 40%) became poor or poorer in 2014 because of health spending relative to only 32 per cent in 2008. This could be partly attributed to the rise in the

Figure 9.2: Coverage of treatment interventions



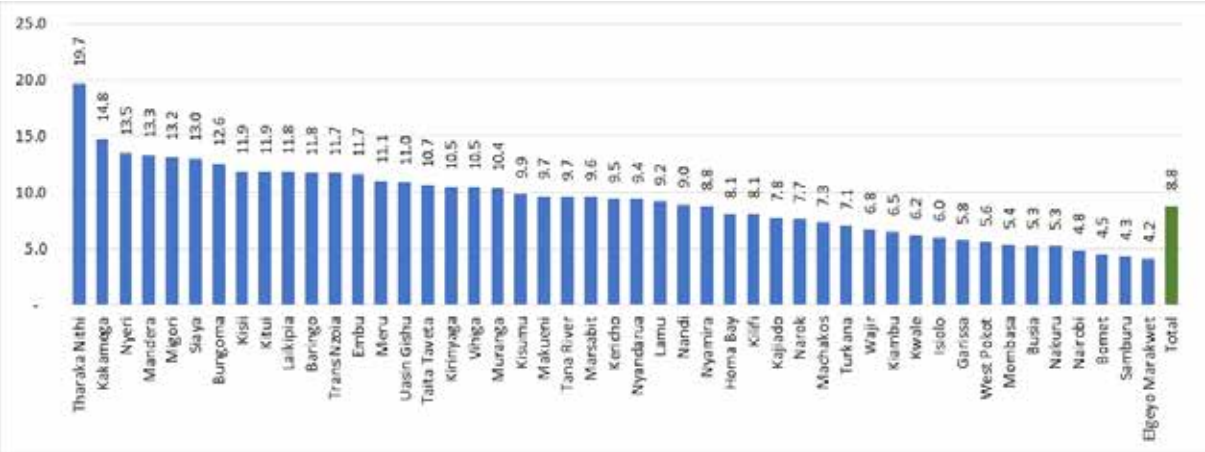
Source: Kenya National Bureau of Statistics (Various), Kenya Demographic and Health Survey - KDHS (2008; 2014) and Ministry of Health - MOH

Figure 9.3: Financial risk protection indicators



Source: Kenya National Bureau of Statistics (Various), Kenya Demographic and Health Survey - KDHS (2008; 2014)

Figure 9.4: Incidence of catastrophic health expenditures of households by county in Kenya, 2015/2016



incidence of non-communicable diseases such as cancers.

The incidence of catastrophic health expenditure of households by counties suggests that there are wide regional disparities. While Tharaka Nithi and Kakamega had rates of 19.7 and 14.8 per cent, respectively, Elgeyo Marakwet and Samburu had rates of 4.2 and 4.3 per cent, respectively (Figure 9.4).

9.3.3 "Big Four" agenda targets and UHC

Besides assessing the standard health indicators (as recommended by WHO), this chapter also assesses the progress made by the Government in achieving the UHC targets as stated in the "Big Four" agenda. These targets include scaling up NHIF uptake; redefining the NHIF to include multi-tier packages; reviewing of the Insurance Act (IRA); adopting new low-cost service delivery; and aligning the NHIF to UHC by reviewing and amending the NHIF Act. The progress made is summarized in Table 9.2 and discussions for each of these initiatives/targets follow.

Table 9.2: Progress made in the "Big Four" UHC stated targets as at 2021

Universal Health Coverage target	Progress
Scaling up NHIF uptake: Redefining NHIF to include multi-tier benefit packages and increase coverage to at least 70% of households by 2022	Largely achieved but short of the 70% target of NHIF coverage. In 2019/20, NHIF coverage was estimated at 19% or 9 million people out of an estimated population of about 47 million people (NHIF, 2021)
Reviewing the IRA Act to increase uptake of private health insurance to cushion NHIF	The IRA Act was amended in 2019. The amendments are linked to the continued growth of private insurance in Kenya
Adopting new low-cost service delivery	e-Health for telemedicine and numerous m-Health initiatives are in place in Kenya. Although service delivery has improved the cost of health, inputs/ services, e.g. medicaments is still relatively high
Align NHIF to UHC	The NHIF Act 1998 had amendments introduced in 2014 but these were not comprehensive

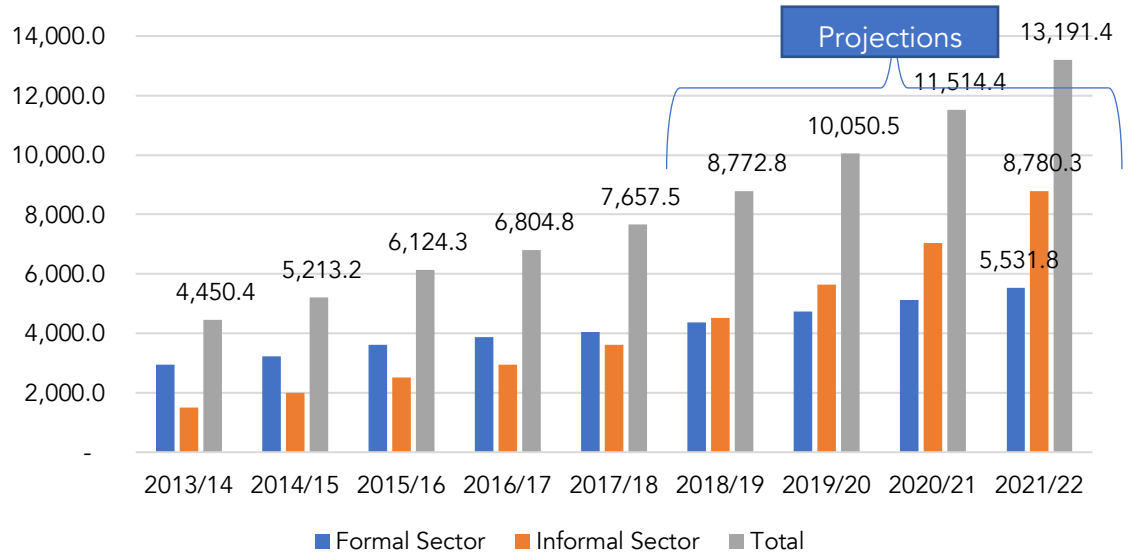
The Government instituted reforms in the National Hospital Insurance Fund (NHIF) since 2010. These reforms include instituting strategies to enrol more members, expanding the benefits package, changing the management structure at NHIF to make the institution more effective and responsive to customer needs, and reviewing the contributions of all members. Other reforms were the introduction of the civil servants' scheme and the health insurance subsidy for the poor. A particularly effective strategy used to attract new members and expand coverage were the initiatives geared towards enabling the informal sector workers to enrol through more convenient contributions. Currently, the NHIF coverage is estimated at 9 million people or 19 per cent of the population. The target during the Third Medium-Term Period (2018-2022) is to achieve over 70 per cent health insurance coverage.

With respect to scaling up NHIF uptake, although gains have been made and health insurance is increasing, it is still relatively low. It is projected that 13.2 million persons shall be registered with NHIF by 2022 against the target of 19 million registered members by 2021/22 (Figure 9.5). This would suggest the need to enhance registrations especially for the informal sector workers who make up 83 per cent of the total employed individuals.

In Kenya, the informal sector is much larger than the formal sector. Yet, most of the registered members of the NHIF were from the formal sectors until the end of 2017/18 (Figure 9.5). The growth rates of the informal component of the contributors suggest that the registered members in the informal sector will expand to nearly about 60 per cent larger than the formal sector by the end of 2021/22 (Figure 9.5). Even with these achievements, there is need to deepen innovative approaches of including the self-employed and informal sector workers to join the existing social health insurance.

A second broad objective was the review of the Insurance Act to increase uptake of private health insurance to cushion NHIF. The Insurance (Amendment) Act 2019 now allows for the regulation of microfinance business and social

Figure 9.5: Registered members of the National Hospital Insurance Fund (Ksh '000)



insurance, which is linked to the growth of these sectors. An example of an amendment that is likely to spur further growth of private health insurance is the amendment that allows for the delivery of policy documents by email or other electronic or telecommunication mode.

A key objective of the Government was to adopt new low-cost service delivery through e-Health and m-Health interventions. e-Health is a broad term referring to the use of ICT in healthcare while m-Health has been defined by the WHO as "medical and public health practice supported by mobile devices, such as mobile phones, patient monitoring devices, personal digital assistants, and other wireless devices." Progress had been made in several fronts. Key among the gains is that the stakeholders developed a national e-health policy 2016-2030. eHealth services were launched in May 2015 by the Ministry of Health and e-diagnostic clinics set up. The services allow patients and physicians in remote areas to interact with specialists in the national referral hospital in Nairobi.

Kenya has rolled out many e-Health initiatives within the public and private sectors and examples include the use of SMS communication to influence patients' adherence to medication, data collection and reporting, use of electronic medical records, and numerous financing initiatives such as M-Tiba. Although a significant number of these initiatives have a national reach, most of them (e.g. the Mashavu telemedicine pilot) are yet to be scaled up. Most of the e-Health projects are rarely evaluated and few projects are implemented in marginalized areas and least urbanized counties. This makes it difficult for e-Health to improve health equity to reduce existing geographical inequalities.

9.4 Medical Equipment and Supplies

Medical devices and equipment are critical components of healthcare system since they play a critical role in health delivery, including diagnosis, treatment and rehabilitation services. Although medical equipment are an important part of the whole spectrum of achieving the Universal Health Coverage goal, the status of health equipment has been poor for a long time in Kenya.

Developments since 2013 indicate that the country recorded an improvement in the provision of specialized medical equipment in health facilities across the country. The improvements were partly driven by devolution of health services, and investments by the County and National Governments targeted at upgrading facilities and equipment. This has increased access to medical

Box 9.1: Recent status of medical equipment and supplies

A notable intervention by the National government was the Managed Equipment Services (MES) project, which targeted to equip selected facilities, i.e. 94 public health facilities (in levels II and III) and 4 national referral hospitals with modern equipment. The project contributed to equipping 94 county public facilities and 4 national referral hospitals with modern diagnostic treatment equipment, including digital x-ray systems, digital mammography units, digital ultrasound units, digital sterilized equipment, ICU/HDU and neurosurgery centre, digital anaesthetic machines and MRI machines distributed strategically across the counties. Even with these improvements in medical devices and equipment, the COVID-19 pandemic exposed inadequacies in healthcare equipment.

In related findings from the KIPPRA Health Assessment Study whose data was collected in March to April 2017, on average, more than 86% of sampled health facilities had the minimum medical equipment. The basic equipment included child or an infant scale, adult scale, thermometer, stethoscope, sterilizing equipment and refrigerator.

Although refrigeration of vaccines and some medicines is important to ensure that the life span of critical medicines is extended to reach the intended users, only half (50%) of health facilities in the country had a fridge. This was a greater constraint in rural areas where 33% of sampled health facilities had a fridge relative to 67% for urban health facilities. In addition, about 23% of the facilities did not have the equipment, with over three quarters (77.2%) of health facilities reporting to have had an electric dry heat sterilization. Dry heat sterilization in health is a technique that uses very high temperatures to kill and eliminate various pathogens from medical equipment in a health facility, and its absence may compromise the effective control of pandemics.

Although most of the facilities had access to a functioning ambulance or alternative transport, not all the available functional ambulances had fuel, meaning that evacuating patients remained a challenge in some instances. In addition, most facilities had the required equipment, but these were not functional. It is therefore important that budgeting for equipment should go hand in hand with the required operational and maintenance costs.

devices/equipment and consequently access to specialized services such as renal, ICU and ENT, among others (Box 9.1).

Although a lot of gains have been made, the country still faces several critical challenges related to medical devices and equipment. These include deficiency of a rational process of acquiring medical devices and equipment, including medical equipment donations. This has resulted in investment in medical devices that are of low quality and/or incompatible with existing infrastructure. There is also under-utilization of huge-investment medical devices due to sub-optimal management, and the related problem of investments in devices that do not meet priority health needs.

The specific challenges facing health facilities include inadequate health equipment, inadequate staff, especially staff with technical skills to effectively utilize medical equipment, and inadequate resource allocation to maintain healthcare equipment. Some of these challenges

will be ameliorated by the envisaged health policy on management of health devices.[19] The policy will provide direction and guidance on medical equipment management and assist in building capacity for counties and other health service providers to ensure quality healthcare delivery. Like health commodities, medical devices and equipment constitute a critical component of the healthcare system and play a critical role to ensure delivery of quality health services in line with the Government's Universal Health Coverage (UHC) goal.

9.5 Preparedness for Health Pandemics

To assess preparedness for health pandemics, this sub-section discusses the rate of acquisition of equipment, adequacy of human resources, and mass testing capability and related capacity needs. The sub-section also examines the status of provision of health services during the COVID-19 period and related costs versus insurance coverage.

The COVID-19 pandemic triggered a series of interventions that led to improvements in equipping health facilities in Kenya. The fundamental drive of improving health equipment were the agreements and/or directives developed between the National Government and County Governments. These include a directive to set up 300 isolation beds per county. Other interventions included increasing the number of Intensive Care Unit (ICU) beds and ventilators.

Despite the various interventions, the rate of acquisition of necessary equipment has been slow and many counties do not have specialist equipment. Only 22 out of the 47 counties have at least one intensive care unit and as of December 2020, only 12 counties were compliant on an agreement to set up 300 isolation beds. Kenya now has about 537 intensive care beds (i.e. about 1 intensive care bed for 100,000 persons), which is way below that of an upper middle-income county of about 9 per 100,000. The country would need a total of about 4,500 ICU beds (or an additional 3,963 ICU beds) to equal that of a typical upper middle-income country. Kenya has 256 ventilators against a number of at least as many as the number of ICU beds (or 4,500) implying a deficit of about 4,244 ventilators. Cumulatively, counties attained a total of 6,898 isolation beds against a national target of 30,500 units (Council of Governors Progress Report). This implies a gap of about 23,000 isolation beds needed to take care of emergencies arising from a pandemic such as the COVID-19.

Kenya has inadequate human resources for health and hence inadequate for a pandemic situation. With respect to numbers, the country has about 25 medical officers per 100,000 persons and 77 nurses per 100,000 persons. These ratios still fall short of the WHO target of 30 medical officers per 100,000 people and 230 nurses per 100,000 people. In addition, healthcare workers have been concerned about the availability and quality of personal protective equipment, such as protective clothing, helmets and goggles. This concern has time and again threatened to disrupt services as health workers issue notices to take industrial action.

To effectively handle a pandemic such as COVID-19, mass testing, isolation and quarantine of infected persons is critical to controlling and limiting the number of new infections. Mass testing capability has remained relatively weak in Kenya. In addition, the preparation of rapid health assessment and isolation facilities to manage symptomatic and/or ill passengers is still nascent. Kenya has put in place the Health Sector Partnership and Coordination Framework 2018-2030, which is important for enhancing harmonized activities. Even so, the framework focuses on the broad aspects of inter-governmental and inter-agency interactions through committees and forums. Challenges still remain in implementation aspects of various functions. An example is the challenge of coordinating between the County and National levels of government in the procurement of critical equipment. In the case of a pandemic, there may be need for quick procurement of equipment such as ventilators and recruitment of additional healthcare personnel.

[19] MOH, draft Medical Devices Management policy for Kenya, 2019, forthcoming

With increasing community transmission of COVID-19 in Kenya, there is an urgent need for a better defined and coordinated mechanism to increase the capacity for intensive care, the supply of PPEs and recruitment of trained healthcare personnel in anticipation of a surge in the numbers of COVID-19 positive cases.

In summary, Kenya needs to scale up the WHO recommended Country Preparedness and Response measures for healthcare facilities to handle a surge in the numbers of acute and critically ill patients because of infection with COVID-19.

9.5.1 Status of provision of health services pre- and post-COVID-19 period

Evidence suggests that there was a decline in health visits because of COVID-19 pandemic in Kenya. This was attributed to several scenarios. The first is that patients found it more difficult to access health facilities, and the second is that they stayed away from the facilities for fear of contracting COVID-19. There are also suggestions that the country experienced an improvement in some health outcomes because of the containment measures. As an example, the washing of hands is said to have reduced the incidence of diarrhoea.

The first wave of the COVID-19 rapid response phone survey (RRS) conducted in April 2020 provides some insights on the evidence. The actual reasons provided by households for lower visits included fear of getting infected by the Coronavirus (73.0%); long waiting lines (10.3%); consulting doctor not available or busy due to high demand (17.4%); and access to hospital denied (0.5%).

The RRS wave 1 revealed that about 17.1 per cent of households needed medical attention in the last 30 days. Treatment of Malaria and routine check-up accounted for the major reasons for the need to visit a health facility (Table 9.3). This would suggest that even in cases of pandemics, the healthcare system should be resilient enough not to lose focus on the pre-existing major causes of morbidity (in this case Malaria). In both rural and urban areas, about 17.2 per cent and 17.0 per cent of households reported they needed medical care. Among those who needed health care, 22.8 per cent were able to go for a routine check-up in urban areas whereas 17.2 per cent did so in rural areas.

Table 9.3: Reasons for health visits included

Reason for health visit	Total %
Malaria	29.0
Routine check-up general health	19.2
For child's check-up, routine vaccination, etc	6.8
Serious wound or injury	5.8
Prenatal check ups	2.7
Routine check-up chronic heart disease	1.1
Giving birth	0.9
Routine check-up chronic lung disease	0.4
Routine check-up cancer	0.1

Source: Kenya COVID-19 RRPS

It was noted that 26.4 per cent of households suggested that they could not visit health facilities as frequently as before March while about 2.2 per cent were not able to go to a health facility at all. Even so, 71.4 per cent were still able to visit health facilities as frequently as before March 2020. The respective rural and urban rates for households who could access a health facility (just as they did before COVID-19) were 70.9 and 72.2 per cent, respectively.

During the COVID-19 period, most households (84.8%) were able to access medical treatment. Of the 15.2 per cent who could not access treatment, the main reasons included: lack of money (20.8%), unavailable medical personnel (17.1%), limited supplies at health facility (13.5%) and turned away because the facility was full (2.5%).

The lack of money as a key reason affecting access to medical treatment underlies the need to enhance the achievement of UHC and subsidize treatment costs of COVID-19 or any other pandemic. A critical part of this process is to enhance access to health insurance. The RRS wave 1 indicated that 31.3 per cent of the respondents were covered by health insurance. The main source of health insurance was NHIF, accounting for 93.1 per cent of the total. This was followed by private insurance (4.7%) and others (1.6%). The health insurance varies by region, and the respective coverage rates for urban and rural areas were 43 per cent and 25 per cent, respectively.

One of the stated benefits of insurance by households was that it reduced out-of-pocket payments, as stated by 60.1 per cent of households. About 18.2 per cent thought there were no concrete benefits of health insurance, perhaps suggesting the need to examine the offerings.

There were concerns that individuals with non-communicable diseases (NCDs), including cancer, chronic heart disease and chronic lung disease were adversely affected with respect to access of health services during the pandemic. For the total sample of households, 71.4 per cent indicated that they could visit a health facility as frequently as before March 2020. The corresponding share of those who had NCDs was higher (81.5%), suggesting that those with NCDs may not have been worse off.

9.5.2 Costs, insurance, and innovations

Policy makers are faced with constraints that necessitate the need to identify solutions for financing and delivering health services that are efficient and sustainable. One of the key elements is the need to enhance access to services by adopting cost-effective care interventions. This calls for effective management of the key cost components encompassing out-of-pocket, transportation, and time costs.

With respect to adopting cost-effective preventive care interventions to improve service delivery and access, lessons can be picked from other countries that have achieved excellent health outcomes with limited resource outlay. Notable examples are Cuba and Sri Lanka, which have impressive health outcomes while spending as low as 1.5 per cent of their GDP on health.

The specific lessons Kenya can pick from Sri Lanka include strong and consistent political will or commitment from the government. The other lessons Kenya can pick from Sri Lanka are elaborated in Box 9.2.

The relatively high costs of access to health services is exacerbated by the low share of households covered by insurance. Health insurance has a positive impact on low-income households as it leads to lower out-of-pocket expenditures and improves access to healthcare. Without health cover, the high cost of health care has devastating consequences for low-income households, including delaying or foregoing care or financing health emergencies with loans, savings or asset sales. The KIHBS 2015/16 shows that about 17 per cent of Kenyans have access to some sort of medical insurance, hence most Kenyans (over 80%) pay out-of-pocket for health care services. Protecting people from the financial consequences of paying for health out of their own pockets reduces the risk that people will be pushed into poverty.

Box 9.2: Cost effective preventive care interventions

Kenya can pick a couple of lessons from progress made in other countries. This Box highlights some of the lessons on cost-effectiveness that can be learnt from Sri Lanka's experience.

- There is free provision to the poor
- The government focuses on high impact interventions such as recruitment and training of a large number of community-based midwives who work within their own communities
- In Sri Lanka, policies and interventions have gone uninterrupted for several medium-term periods spanning decades. In Kenya's context, this may mean implementing the Kenya Vision 2030 and its MTPs consistently. Some of the key interventions identified that the current and subsequent governments can implement consistently include the health infrastructure programme. Specific interventions include establishment of four (4) comprehensive cancer centres; strengthening of primary healthcare facilities; and establishment of regional cold chains for drugs and vaccines to ensure availability of safe and high-quality drugs.

Although reforms have been impressive, such as the introduction of a cover for chronic conditions and vulnerable populations, there is need to encourage product innovation among the public and private players in the insurance market to respond to pandemics in general.

Kenya's private sector has had several innovations. There was a rapid response by insurers to the COVID-19 pandemic, which has shown their agility and innovativeness. Insurance providers response to COVID-19 include:

- The introduction of a COVID-19 insurance cover by local insurance companies. In one of the products, if a passenger tests positive for COVID-19 within 10 days of the last trip, home-based care will be provided through its telemedicine services. This comprises provision of medical kits and essential medicines, teleconsultations with a doctor, nurse, nutritionist and also mental health consultation. This is key is supporting home-based care for asymptomatic patients.
- Insurance firms share personalized digital services, which uses analysis of behavioural and clinical data and multi-partner ecosystem to encourage customers to live healthier lifestyles.
- In Kenya, because of COVID-19, some microinsurance companies have adapted their operations to employ digital channels such as WhatsApp to communicate with and educate their customers. This has built trust among first-time insurance purchasers. This increased customers' trust would help with retention rates.

In addition, the WHO (2020) highlights some innovations that emerged across the globe in response to COVID-19. These include in the Philippines where a large insurance company (FWD) has added a medical benefit for life insurance policy holders who are diagnosed with COVID-19, and extra cover for funeral costs if the policyholder dies from the virus. In Ghana, Prudential Life Insurance launched Pru COVID-19, an add-on that is automatically available to all customers. Other insurers are allowing delayed payments. In the Philippines, the insurance regulator now requires insurers to extend the deadline for premium payments by 30 days. Other innovations by insurers include:

- Offering policy holders the option of adding family members or domestic workers to their policies for a discount. This is giving domestic workers health and life insurance that they could not previously afford.

- Promotion of telehealth. Some service providers offer their customers unlimited telehealth visits.

There are also local interventions by various counties that can be replicated.

Kakamega County: Local administrators registered pregnant women to facilitate their movement when in labour during night curfew hours. Pregnant women in labour during curfew hours could call the local administrators, who link them with licensed *boda boda* riders (motorbike taxis) from their location and issue slips allowing transportation so that the riders can take the women to health facilities. Most women use *boda boda* riders as the few available ambulances serve a vast area.

Nairobi County: A project dubbed "Wheels for Life Initiative" was set up between the Government of Kenya (Ministry of Health), AMREF Health Africa, and Bolt (a transportation application) to aid the movement of pregnant women at night. The initiative offered free medical advice and transportation services during curfew hours. To get assistance, pregnant women and/or their caregivers had to dial 1196, a toll-free number. This service was restricted to Nairobi County and, as such, was inequitable due to limited coverage.

Health facilities are also using Community Health Workers (CHWs) to distribute contraceptives to women in need. However, some of these CHWs who play a critical role have received little training on COVID-19 transmission prevention and are not equipped with PPEs or well facilitated (e.g. with transportation costs) to conduct house-to-house visits. Kenya lacks a robust CHWs programme that could have effectively spearheaded hygiene campaigns, contact tracing and isolation, and home-based care and as such reduced the burden on formal health care systems and infection transmission. Currently, there is a Community Health Services Bill 2020 in Parliament that seeks to entrench CHWs into the health system to ease planning and resource allocation by the Kenyan Government. Community health workers in Kenya serve huge populations (over 200 households) due to the vastness of some parts of the country and high attrition, stemming from lack of financial support and motivation from the government.

Overall, Kenya faces huge coordination and planning challenges between all health systems, at the local and national level. For instance, while the National Government is showing leadership with COVID-19 taskforces on mitigation measures and communication, it is not being uniformly implemented at the county level.

9.5.3 Meeting UHC objectives during a pandemic

Better coordination between the Government, private and faith or NGO institutions is particularly vital when it comes to specialist care. Coordination is happening but depends a lot on counties, which vary in their capacity. Stakeholders, such as private facilities, are usually willing to work with the Government provided the issues of delayed payments can be remedied.

The decline in some common diseases such as diarrhoea suggests that achievement of better health outcomes besides addressing the issue of financing and access is crucially pegged on complementary interventions, including in water and sanitation (WASH). Sustenance of habits such as effective handwashing would reduce pressure on health facilities to treat ailments that have become common, such as diarrhoea.

Strategic control of medical supplies is important. At the onset of COVID-19, shortages of medical supplies and equipment gripped the global market. Kenya's reliance on global markets negatively impacted on the medical supplies supply chain.

Other interventions include the need for a robust pandemic emergency preparedness plan backed by qualified technical personnel, and improvement in handling of safety concerns of healthcare providers to avoid loss of lives. Under the health sector, imperatives to achieve Universal Health Coverage include the need to mobilize adequate resources, increase investments in primary health care, and reform key institutions such as the National Hospital Insurance Fund

(NHIF) to align them to the UHC agenda. The increase in funding for the health sector, especially primary healthcare, shows the commitment by the Government to roll out UHC countrywide by 2022 to guarantee access to quality and affordable health care.

9.6 Key Messages and Policy Recommendations

9.6.1 Key messages

The key messages emanating from this chapter can be summarized as follows:

1) The health sector interventions and reforms by the National and County Governments have had positive impacts on access to health care services. This is evidenced by improvements in most preventive and treatment indicators including full immunization in children, family planning coverage, skilled delivery, and hospital admissions per 100 individuals.

2) Despite the good progress, Kenya is lagging in achieving MTPIII targets and "Big Four" agenda. Some of the key challenges include inadequate health equipment, inadequate human resource for health, and inadequate resource allocation to maintain healthcare equipment.

3) Kenya could learn lessons from the COVID-19 experiences and a key issue is to enhance preparedness for health pandemics in general. In this respect, there is room to enhance coordination between the County and National levels of Government in the procurement of critical equipment during health emergencies and the recruitment of additional healthcare personnel.

4) There are also important policy, legal and institutional considerations. Key policy reforms are the need to: implement Sessional Paper No. 2 of 2017 on the Kenya Health Policy 2014-2030; implement the National Food and Nutrition Security Policy 2012 and the Nutrition Plan of Action; and implement the Kenya Community Health Strategy 2020-2025.

5) Although the Health Sector Disaster Risk Management Strategic Plan (2014-2018) was published in 2014, the policy requires review to take into account dynamic events brought about by pandemics including the COVID-19 pandemic.

6) The health sector faces several emerging issues and challenges that will require concerted interventions. One is the increased incidence of Non-Communicable Diseases (NCDs) such as hypertension, heart disease, diabetes and cancer; increased industrial unrest of health human resource; and challenges in financing healthcare. Others are heavily donor-dependent programmes, under-utilization of existing antenatal services; and weak multi-sectoral coordination of programmes and projects in the sector.

7) Kenya still lags in key complementary interventions such as WASH, in which a significant proportion of the population still lack access to basic services such as safe drinking water. A key lesson learnt from experiences is that a multi-sectoral approach is essential for the successful implementation of health sector programmes and projects. Some evidence indicates that WASH interventions are particularly effective in meeting health objectives.

9.6.2 Policy Recommendations

1. Improve reporting and monitoring of indicators by collecting nationally representative data more frequently. Data that should be collected more frequently include the household budget datasets and demographic health surveys.

2. Invest in collecting panel data that will not only be useful in measuring and monitoring the trends but would also allow for analysis that may not be done using cross-section survey data such as considering

intra-generational and inter-generational mobility.

3. Strengthen efficiency in the use of financial and human resources for health. A quick win to improve health outcomes would be to allocate available resources rationally, reduce wastage and enhance efficiency.

4. Enhance investments required in rehabilitating and equipping existing health facilities. There is need to set aside a budget for repair, maintenance and operation of existing and new health infrastructure and equipment. Further, the budget for infrastructure should incorporate the human resource tasked with operating new equipment and its associated routine maintenance.

5. Improve the coordination of interventions between and within the County and National Governments. Some of the crucial areas to work on include procurement of the managed medical equipment and human resources for health.

6. Strengthen linkages with other sectors for more, effective healthcare delivery. In this regard, there is need to improve access to quality nutritious food, education and amenities such as improved water and sanitation.

7. Ensure adequate and equitable distribution of human resources for health. The delivery of better health services and outcomes requires adequate, skilled and equitably distributed human resources for health. It is important to strengthen human resource planning and management practices, provide for better working conditions, and promote integrated planning.

CHAPTER 10

FAST-TRACKING RECOVERY OF THE TOURISM SECTOR FROM EFFECTS OF COVID-19 AND ITS CONTRIBUTION TO DELIVERY OF THE "BIG FOUR" AGENDA

In 2020, the tourism sector was among those adversely affected by the COVID-19 pandemic. This saw inbound tourist arrivals, revenue and employment decline by an estimated 71.5 per cent, 43.9 per cent and 72.0 per cent, respectively, over the previous year, retracting recent growth momentum witnessed by year 2019 to performance levels recorded in 1987. It is estimated that total revenue from hotels declined by 58.5 per cent over the previous year, owing to tremendous decline in bed-night occupancy especially in quarter 2 and 3, which was characterized by negligible stay by foreign visitors. Furthermore, the country lost the peak season of June-August 2020, equivalent to 435,000 international visitors and Ksh 32.4 billion in receipts, and Ksh 390 million in park entry fees. The utilization of restaurants and conference services improved gradually since May 2020. Local guests continued to be the main support of activity in the sector, accounting for over 67.0 per cent of the total clientele for accommodation and restaurant services. The importance of domestic tourism in cushioning the sector from the shock occasioned by the pandemic cannot be gainsaid. Overall, the sector is expected to rebound in 2021/22, albeit sluggishly, as countries devise ways to contain the spread of the COVID-19 pandemic, including discovery of vaccines. However, the anticipated performance by end of 2022 will be lower than the MTP III target. To support recovery of the sector both in the short and long-term, there is need to review the Tourism Act 2011 to accommodate aspects of devolution and coordination; assent and implement the revised National Tourism Policy 2020; finalize and assent the national wildlife policy 2018; increase funding allocation to the tourism sector for marketing and rehabilitation of infrastructure that supports tourism development; enforce COVID-19 containment measures and improve standards and quality assurance in the sector since recovery of tourism will be driven by hygiene, sanitation, technology and mobility factors; support domestic tourism development at both national and county levels; each county to map its tourism sector resources and develop a tourism sector development master-plan to facilitate niche product development, packaging, marketing and investment; develop regional and medical tourism to target 800,000 tourists from neighbouring countries; and improve security in the volatile areas to attract tourism investors.

10.1 Introduction

Tourism is one of the priority sectors under the economic pillar of the Kenya Vision 2030. As a key source of growth for the economy, the sector accounts for over 10 per cent of total employment; contributes 9 per cent to GDP; 18.0 per cent foreign exchange earnings and is a major source of Government revenue at 11.0 per cent in form of taxes, duties, license fee, park entry fees, among others [20]. In the third Medium-Term Plan (MTP III) of the Kenya Vision 2030, tourism is anticipated to spur economic

[20] Ministry of Tourism (2020)

growth and contribute 9.2 per cent of the total employment per annum over the medium-term period through increase in tourist arrivals from 1.3 million in 2016 to 2.5 million visitors in 2022; increased tourism earnings from Ksh 99.7 billion in 2016 to Ksh 175.0 billion in 2022; and increase in bed-nights by domestic tourists from 3.5 million in 2016 to 6.5 million by 2022. The sector is an enabler to achievement of the "Big Four" development agenda and is aligned to Sustainable Development Goals 8, 14 and 15 and aspiration 1 and 5 of Agenda 2063 of the African Union.

The sector has potential to contribute to higher economic growth, foreign exchange earnings, employment and income generation through its backward and forward linkages[21] with other sectors of the economy. These include hospitality (accommodation and food services); transportation and storage (road, sea, airline, and passenger services); booking services (travel agents and tour operators); meetings, incentives, conventions and exhibition events (M.I.C.E); and tourism-related leisure activities.

The current priorities for the sector as envisaged in the National Tourism Blueprint 2018-2030 are to revamp tourism product development, marketing, infrastructure and investment sub-strategies to realize annual visitor arrivals of 30.4 million by 2030, and to increase the number of direct jobs in the tourism industry to 561,800.

Despite being a key sector in the country, in 2020 the sector was among those negatively impacted by the COVID-19 pandemic. Industry sources project that tourism arrivals, revenue and employment for 2020 declined by 71.6 per cent, 73.6 per cent and 72.0 per cent, respectively, over the previous year. Restrictions on travel both globally and locally affected movement of inbound and domestic tourists, with worst declines in performance witnessed in the accommodation and food services, entertainment, conferencing, transportation, beach and safari tourism sub-sectors. The noticeable decline in tourism sector performance in 2020 will affect its contribution as an enabler for the "Big Four" agenda and achievement of sectoral targets in the MTP III period.

This chapter therefore highlights performance of the tourism sector; documents the linkage of tourism with delivery of the "Big Four" agenda, existing gaps and constraints; analyzes the effects of the COVID-19 pandemic on the tourism sector; and provides prospects for the next two years. Given that implementation of MTP III is mid-way, the chapter proposes strategies and policy interventions to fast-track recovery from the effects of the COVID-19 pandemic and enhance the contribution of tourism to achieve the "Big Four" agenda.

10.2 Performance of the Tourism Sector

Since 2015, Kenya's tourism sector has been on a recovery path attributed to lifting of travel bans by governments from the key source markets in Europe and America, endorsement of Kenya as a safe destination by the UN World Tourism Organization (UNWTO), recent implementation of the tourism recovery strategy, initiatives to improve security and perceptions about the destination following terrorism episodes in 2014, and recent adoption of the Tourism Sector Blueprint 2018-2030. However, following the outbreak of COVID-19 pandemic in 2020 that has devastated global tourism and travel, the growth momentum of the sector has retracted.

In 2019, Kenya's tourism sector achieved a record 2.05 million in arrivals and Ksh 163.6 billion in earnings, representing a growth of 0.4 per cent and 3.9 per cent, respectively, over the previous year. Domestic tourism activities in 2019 accounted for 52.6 per cent of total bed-nights, representing a 5.7 per cent growth over the previous year. Annual hotel occupancy rate in Kenya has averaged 30.8 per cent over the last five years and is yet to achieve the peak of 36.1 per cent witnessed in 2013 before terrorism-related insecurity eroded prior image of Kenya as a safe tourist destination in 2014 (Table 10.1).

[21] A forward linkage is created when investment in a particular project encourages investment in subsequent stages of production. A backward linkage is created when a project encourages investment in facilities that enable the project to succeed. The forward linkages relate to importance of the tourism sector as supplier to the other (non-tourism) industries in the economy whereas the backward linkages relate to its importance as demander of goods and services.

Table 10.1: Tourist arrivals, receipts, bed-nights and hotel occupancy, 2013-2020

	2013	2014	2015	2016	2017	2018	2019	2020
Visitor arrivals by JKIA & MIA (000)	1107.1	861.4	748.8	1223.6	964.3	1078.0	1544.8	434.1
Visitor arrivals by other entry points (000)	412.4	605.9	431.8	442.4	814.1	949.7	490.6	145.5
Total visitor arrivals (000)	1519.5	1467.3	1180.6	1666.0	1778.4	2027.7	2035.4	579.6
Annual growth in visitor arrivals (%)	(0.5)	(3.4)	(19.5)	41.1	6.8	14.0	0.4	(71.5)
Total Tourism receipts (Ksh billions)	94.0	87.1	84.6	99.7	119.9	157.4	163.6	91.7
Annual growth in tourist receipts (%)	-2.1	-7.3	-2.9	17.8	20.3	31.3	3.9	(43.9)
Bed-nights by Kenyans (000)	2699.1	2948.7	3154.1	3495.9	3645.1	4559.8	4818.6	2567.0
Annual growth in bed-nights by Kenyans (%)	-3.2	9.2	7.0	10.8	4.3	25.1	5.7	(36.6)
Total bed-nights	6596.7	6281.6	5878.6	6448.5	7174.2	8617.9	9160.8	3803.0
Annual growth in total bed-nights (%)	-3.9	-4.8	-6.4	9.7	11.3	20.1	6.3	(58.0)
Domestic bed-nights as a % of Total	40.9	46.9	53.7	54.2	50.8	52.9	52.6	67.5
Overall hotel occupancy rate (%)	36.1	31.6	29.1	30.3	31.2	32.5	30.8	17.8

Data source: Kenya National Bureau of Statistics (Various), Economic Surveys; Tourism Research Institute

The total number of available hotel rooms in the country has been growing over the last 10 years attributed to construction of new tourist-class hotels with a growing entry of global brands[22]. This has positioned Kenya as a regional hub for M.I.C.E events. Regarding purpose of visit over the last 5 years, on average, international visitors arrive for holiday (69.6%); business which includes M.I.C.E tourism (13.3%); transit (6.1%); and other reasons (10.9%) which include health (medical tourism), religious mission, volunteer services, sports tourism, studies (education tourism), visiting friends and relatives (KNBS, 2020a). In 2020, inbound tourists arrived to visit friends and relatives (33.4%); business and M.I.C.E (32.9%); holiday (23.2%); In transit (6.3%); Education (2.1%); medical (1.2%); religion (0.6%) and sports tourism (0.2%) (TRI, 2021).

The World Travel and Tourism Council (2016) estimated that business travel spending in Kenya contributed 32.5 per cent of the total revenue and predicted a steady rise by 5.9 per cent per annum to Ksh 242.6 billion by 2026. Accommodation by

[22] There are close to two dozen international brands in Kenya, namely: Marriott International, Radisson Blu, Radisson, Accor, City Lodge, Hilton, Swiss International, City Blue, Intercontinental, Crowne plaza, Holiday Inn (Tsogo Sun hotels), Vila Rosa Kempinski, Park Inn, Best Western, Dusit 2, Hemmingway's, Eka, Movenpick, Sankara Hotel Group, and Orion Hotels.

Table 10.2: Hotel bed-nights by region of residence, 2014-2020

Region of Residence	2014 ('000)	2015 ('000)	2016 ('000)	2017 ('000)	2018 ('000)	2019 ('000)	2014–2019 Mean (%)	2020	
								Number ('000)	% of Total
Kenyan Residents	2948.7	3154.1	3495.9	3645.1	4559.8	4818.6	51.9	2567.0	67.5
Permanent Occupants	98.7	102.3	87.0	127.5	44.7	45.8	1.2	30.1	0.8
Europe	1802.2	1376.1	1559.3	1764.1	2277.7	2299.4	25.4	719.0	18.9
Africa	448.5	465.3	452.6	445.9	505.5	586.3	6.7	149.4	3.9
America	389.0	331.9	323.2	381.3	459.9	476.4	5.4	155.5	4.1
Asia	348.1	332.1	386.2	491.8	558.6	586.3	6.2	108.7	2.9
Oceania	58.4	44.3	46.9	71.1	78.2	82.4	0.9	13.4	0.4
All other Countries	188.0	72.6	97.5	247.4	133.5	265.7	2.3	59.9	1.6
Total Occupied	6281.6	5878.7	6448.6	7174.2	8617.9	9160.8	100.0	3803.0	100.0
Total Available	19877.2	20187.2	21258.5	22987.1	26500.6	29742.9		21326.1	
Occupancy Rate (%)	31.6	29.1	30.3	31.2	32.5	30.8	30.9	17.8	

Data source: Kenya National Bureau of Statistics (Various), Economic Survey

Kenyan residents account for 52 per cent of all bed-nights occupied, followed by visitors from Europe (25%) (Table 10.2).

The peak months for the hospitality sector are July, August and December when highest hotel occupancy rates are witnessed. These also correspond to months when inbound tourist arrivals are highest. The lowest occupancy rates are witnessed in the month of May.

The MTP III flagship projects under the tourism sector include the coastal beach product; wildlife product; niche product development; resort cities; tourism promotion and marketing; enhancing quality of tourism training; tourism sector financing: tourism infrastructure and enabling services (the National tourism data and information project; and tourism research and enabling services (Table 10.3). While the National Tourism Blueprint 2018-2030 clearly articulates the strategies for revamping the tourism sector, its implementation has been delayed since the Tourism Policy 2020 is yet to be assented to for implementation. In addition, the proposed investments as captured in the Tourism Blueprint requires huge financial allocation beyond what is allocated by the exchequer annually. Therefore, there is need for development of collaborations with both domestic and foreign investors to fast-track investments, especially in the proposed resort cities.

A number of reforms were proposed for implementation during the MTP III period, including review of the National Tourism Policy, review of the Tourism Act 2011, reorganization of institutions within the tourism sector, and establishing an inter-governmental coordination mechanism on tourism product development and promotion.

The revised National Tourism Policy 2020 on Enhancing Sustainable Tourism in Kenya[23] was completed in August 2020. It seeks to provide a framework for integration of tourism sector considerations into the various sectoral policies, National and County development

[23] Reference: Ministry of Tourism (2020)

Table 10.3: Status of tourism flagship products under the MTP III economic pillar

Indicators under the economic pillar	Status of implementation
Flagship projects: coastal beach product; wildlife product; niche product development; resort cities	National Tourism Blueprint 2018-2030 unveiled; focuses on product development, marketing, investment and infrastructure development strategies
Tourism promotion and marketing	The national tourism marketing strategy being implemented by the Kenya Tourism Board
Enhancing quality of tourism training	• The Tourism Regulatory Authority has provided guidelines to all tertiary institutions offering education and training in target sectors of tourism and hospitality industry. The guidelines cover all existing and emerging training on competencies in various occupational streams organized into common core courses providing skills and knowledge required to access the industry, which that includes but not limited to tourist transportation, hotels and resort management, food and beverage services, travel and tour operations, handicraft, gaming, leisure and recreation. The guidelines aim to strengthen the role of institutions in the development of quality training and production of world class highly skilled workforce that meets the needs of the local and global tourism industry • Revamping of the Kenya Utalii College is ongoing • Construction of the Ronald Ngala Utalii College in Kilifi is ongoing
Tourism sector financing	The Tourism Finance Corporation and the Tourism Fund, established under the Tourism Act of 2011, provides a range of financial services to investors in tourism related enterprises
National tourism data and information project	Planning stage for development of a tourism digital platform that will provide data from parks, game reserves, accommodation facilities, inbound outbound data from immigration in real time
Tourism research and enabling services	The Tourism Research Institute was set up; spearheaded development of the Tourism Satellite Account in 2019/2020.

Source: Government of Kenya (2018), Medium-Term Plan III

planning, and decision-making processes; to strengthen the legal and institutional framework for effective coordination and management of the tourism sector; sustainable resource mobilization and management for tourism development and investment; promote and enhance collaboration, cooperation, synergy, partnerships and participation in the tourism sector by all the stakeholders; and uphold high standards and services in the tourism industry. The policy is awaiting assenting to pave way for implementation. The policy also supports implementation of the unveiled National Tourism Blueprint 2018-2030, which focuses on product development, marketing, investment and infrastructure development strategies. Regarding wildlife protection, a draft National Wildlife Policy (2018) has been developed which, once completed and assented, will support implementation of the National Wildlife Strategy 2018-2030. There is also need to review the Tourism Act 2011, which is necessary to support and facilitate tourism development at county level, while enhancing inter-governmental cooperation in tourism.

The MTP III proposed re-organization of five sectoral institutions/agencies, namely National Convention Bureau, Baraza Kenya, Beach Management Board, Tourism Council, and the Tourism Research Institute to fall under the Kenya Utalii College. Two Institutions namely, the Kenya National Convention Bureau (gazetted on 16th August 2019 vide Kenya Gazette Notice No. 7263 and mandated to market Kenya as a M.I.C.E destination), and the Tourism Research Institute, three other institutions namely, Baraza Kenya, Beach Management Board and Tourism Council are yet to be established. Reorganization of the institutions, however, requires review of the Tourism Act 2011 that established them. Establishment of the envisaged inter-governmental coordination mechanism on tourism product development and promotion has not been achieved yet. Given that management of tourism resources touches on both National and County Governments, establishment of the proposed mechanism is imperative to support counties in exploiting the unique tourism assets located in the counties.

While the MTP III proposes incentives for local production of tourist vehicles, actualization of the incentives has been hampered by lack of a policy to anchor the initiative. There is need to finalize and assent the draft National Automotive Policy (2019) [24], which aims at providing domestic industry with opportunities to achieve competitiveness in local manufacturing and sale of automotive products, including tourist vehicles

10.3 Implications of COVID-19 on the Tourism Sector

The tourism sector is susceptible to ravages of global and domestic socio-economic shocks. The unfolding COVID-19 pandemic, which started off as a health sector shock, has contributed to global economic downturn by disrupting supply chains and global travel and tourism industry. With up to 110.9 million confirmed cases world-wide by 18th February 2021, measures to contain the disease – including quarantine, reduced mobility and isolation – have had a dramatic effect on international and domestic tourism alike. It has impacted negatively on transportation, travel and booking agencies, food and accommodation services; meetings, incentive travel, conventions and exhibitions (M.I.C.E); visits to tourist attractions; tourism-oriented Micro, Small and Medium Enterprises (MSMEs); and other players in the tourism value chain.

The social distancing measure, provision of sanitizers, hand washing and wearing face masks have largely affected the sector by first reducing the spaces available to do business for the hotels and restaurants and inactivity in the entertainment industry which relies on crowds and secondly increasing costs of doing business by providing masks, sanitizers and hand washing equipment. This is beside the fact that the number of customers to these businesses has greatly reduced due to restriction of business hours. Travel, restriction of the number of people in public gathering and social distancing measures have also disrupted sporting activities, cultural festivities such as the international camel derby and decline in shopping, visits to amusement parks and travel tourism.

[24] Draft national automotive policy 2019: http://www.industrialization.go.ke/images/downloads/policies/draft-national-automotive-policy-february-2019.pdf

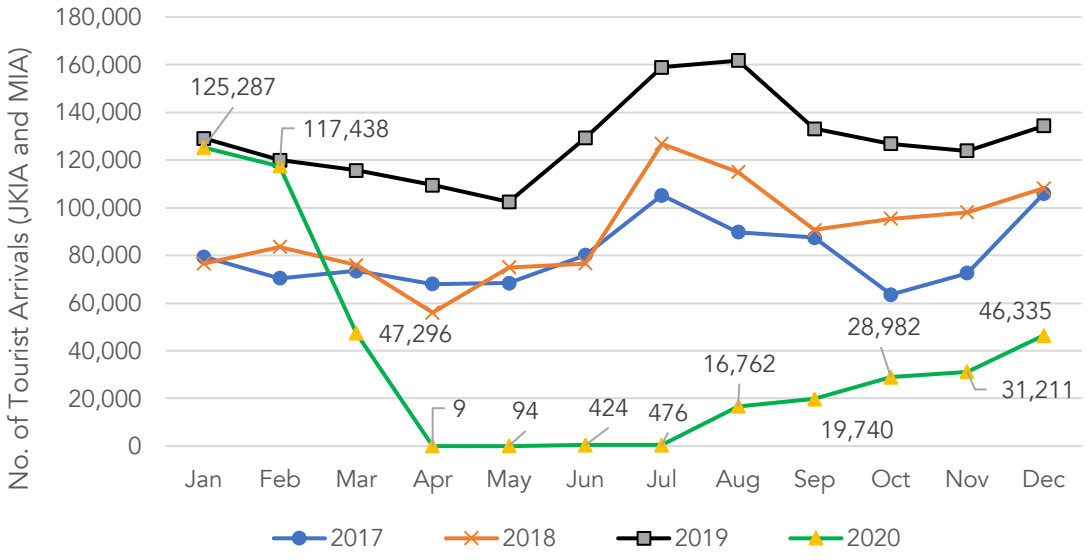
This in effect has resulted in revenue losses for the businesses and loss of income for those who have lost employment. The measure to restrict holding of physical meetings and restriction of travels has promoted the use of e-conferencing but reduced the number of events and revenue earned in the M.I.C.E subsector and massive loss of jobs for event organizers and therefore decline in household income

10.3.1 Effect of the pandemic on visitor arrivals and receipts

In Kenya, the incidence of the pandemic threatens to reverse recent gains in Kenya's tourism sector recovery. For instance, while total arrivals for January and February 2020 were comparable to/ similar performance in 2019, with rapid escalation in COVID-19 confirmed cases globally and locally in March to July 2020, most airlines grounded passenger flights, countries moved to impose travel advisories, cross-border restrictions and a raft of measures to stem the spread of the pandemic, including social distancing. Consequently, although signs of recovery were witnessed in the second half of 2020 following easing of travel restrictions, the overall performance of Kenya's tourism sector in 2020 was dismal. Total arrivals by air for January to December 2020 declined by 71.6 per cent of the 1,544,850 recorded in similar period in 2019 (Figure 10.1).

In 2020, the country lost the peak season of June-August that is usually marked by increased inbound visitor arrivals and receipts as tourists visit to witness *"the great Wildebeest migration"* across the Maasai Mara National Reserve and Serengeti National Park in Kenya and Tanzania, respectively. During the period, only 15,073 arrivals were recorded, compared to 449,948 visitors in the previous year. This is equivalent to loss of Ksh 32.4 billion [25] in total receipts. Out of the total arrivals during the three-month period, 260,000 often visit the Mara Game Reserve to view wildlife. During the peak season, it is estimated the country lost at least Ksh 390 million [26] in park entry fees. During the year, visitors to the parks were mainly domestic. Promotion of domestic

Figure 10.1: Tourist arrivals, JKIA and MIA airports



Data source: Kenya National Bureau of Statistics (Various), Economic Surveys and Leading Economic Indicators

[25] Kenya registered an estimated decline of 434,875 visitors in June-August 2020 over previous year. From table 10.3, each visitor would spend an average of Ksh 10,629 daily for 7 days. Total loss in receipts is: 434,875 X 10,629 X 7 days = Ksh 32,356,004,625.

[26] http://www.kws.go.ke/sites/default/files/parksresorces%3a/kenya%20wildlife%20service%202020-2021%20conservation%20fees.pdf ; 260,000 foreign tourists x sh.1500 park entry fee = Ksh 390,000,000.

travel and cross-border travel is imperative to cushion the sector from shocks related to decline in international tourist arrivals.

Based on industry estimations, inbound tourists to Kenya from North America and Oceania (Australia and New Zealand) are the highest spenders at Ksh 22,600 and 20,600 per day, respectively, while those from Oceania and Asia stay the longest per trip at 10 days each. From 2019 arrival statistics, tourists from USA and United Kingdom accounted for 25.4 per cent and 11.8 per cent of revenues, respectively. The top 5 and top 10 tourist source markets (i.e., USA, Uganda, Tanzania, United Kingdom and India) accounted for 49.1 per cent and 66.0 per cent of total revenue, respectively. On average, a tourist spent 6.8 days in Kenya and spent approximately Ksh 10,629 per day, which was equivalent to Ksh 72,277 per tourist per visit (Appendix 10.1). Therefore, targeted marketing in specific source markets is imperative to draw more high-spending visitors who stay longer in the country. Since the top source markets were also severely affected by the COVID-19 pandemic, necessitating travel restrictions, the highest impact on Kenya's tourism receipts in 2020 was felt through decline in arrivals from the markets.

10.3.2 Effect of COVID-19 on employment in the tourism sector

The tourism value chain generates direct employment in services related to accommodation, food and beverages, transportation and travel organizations. Indirectly, tourism also generates employment through forward and backward linkages with other sectors such as conferences and event management, construction, communications, agriculture and utilities. The demand for these services, some of which are labour-intensive, creates employment opportunities, especially for semi-skilled people. Data from the World Tourism and Travel Council - WTTC (2018) and the Kenya Tourism Satellite Account (2019) estimates that the sector accounts for around 9 per cent of total employment in Kenya, with over 402,000 and 1,076,800 employed directly and indirectly in tourism activities.

With escalation of COVID-19 pandemic in 2020, employment in tourism value chain activities in Kenya is estimated to have declined by 72.0 per cent (Table 10.4). The worst declines in performance were registered in accommodation (70%), food and beverages (70%), entertainment (90%), railway and air transport (100%), and tours and travel and services (70%). This was attributed to restriction and reduction in travel and gathering (i.e., observing social distancing).

Industry sources indicate that due to the COVID-19 pandemic, 81.3 per cent of the tourist establishments reduced their staff complement while 85.5 per cent effected pay cuts. In 2020, tour and travel operators in Kenya reported up to 90 per cent cancellations in travel bookings (Ministry of Tourism, 2020c; Ministry of Tourism, 2020).

10.3.3 Effect of COVID-19 on hospitality sub-sector

Prior to COVID-19 pandemic, the accommodation and food services sector was a key contributor to the strong performance in services in the economy. In 2019, the sector formally employed over 82,900 people and, together with trade services in 2019, engaged over 9 million people. The sector contracted by 83.3 per cent in the second quarter of 2020 compared to an expansion of 12.1 per cent in the second quarter of 2019. Despite the dismal performance in 2020, 50.0 per cent of hotel enterprises expect to attain normal pre-COVID-19 levels of performance in 2021 under the prevailing conditions. Employment in the sector has continued to recover towards the pre-COVID levels, averaging 57.0 per cent in January 2021 compared with 53.0 per cent in November 2020 and 37.0 per cent in May 2020, all relative to the pre-COVID-19 levels (CBK, 2021).

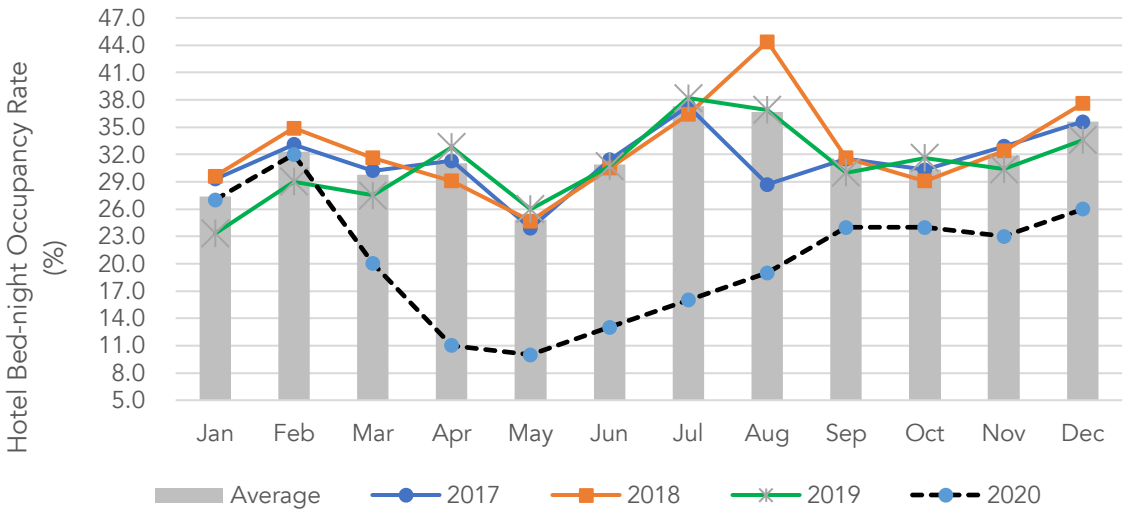
As hotel enterprises continued to adhere to hospitality sector re-opening protocols set by the Ministry of Tourism in mid-2020, the average bed occupancy continued to recover gradually, to reach a peak of 20.8 per cent in December 2020. However, this was still lower than the average of 36.5 per cent witnessed in December in the previous three years (Figure 10.2). Local guests continued to be the main support of activity in the sub-sector during the COVID-19 period

Table 10.4: Estimated employment in the tourism sector

Key value-chain activities		No. of establishments	Estimated number employed			No. employed under COVID -19 Scenario
			Formal	Informal	Total	
Accommodation (hotels, resorts, guesthouses, lodges, etc)		2,336	21,614	281,841	303,455	91,037 (30%)
Food and beverage		811	7,508	97,902	105,710	31,713 (30%)
Entertainment (souvenir shops, craftsmen, festivals, theme parks)		2,250	2,500	23,000	25,500	2,550 (10%)
Transportation	Rail	1	252	1,072[27]	1,324	0 (0%)
	Road	551	21,101	275,150	296,251	148,126 (50%)
	Water	22	845	11,021	11,866	5,933 (50%)
	Air	443	16,942	220,919	237,861	0 (0%)
Guides, tour operators and travel agencies	112	1,368	1,368	2,736	821 (30%)	
TOTAL			**72,130**	**912,573**	**984,703**	**280,180 (28%)**

Data sources: World Trade Organization - WTO (2014) and Kenya Tourism Satellite Account - TSA 2016

Figure 10.2: Monthly bed-night occupancy rates, 2017-2020



Data source: Kenya National Bureau of Statistics (Various), Economic Surveys; Tourism Research Institute; and Central Bank of Kenya

[27] https://internationalfinance.com/localisation-of-kenyas-sgr-operations-reach-80/

accounting for 67.5 per of the total clientele for accommodation.

Generally, there is a positive relationship between growth in arrivals and growth in accommodation and restaurants' revenue. It is estimated that hotel occupancy levels in 2020 were below 20 per cent, on average (Figure 10.2). Overall, the total revenue from hotels declined by 58.5 per cent over the previous year, to Ksh 38.0 billion, owing to tremendous decline in bed-night occupancy especially in quarter 2 and 3, which was characterized by negligible stay by foreign visitors (Table 10.5).

Regarding purpose of visit over the last 5 years, on average international visitors to Kenya arrive for holiday (69.6%); business (13.3%) – which includes M.I.C.E tourism; transit (6.1%); and other reasons (10.9%) – which include health (medical tourism), religious mission, volunteer services, sports tourism, studies (education tourism), visiting friends and relatives (KNBS, 2020a).

In 2020, due to implementation of measures to contain the COVID-19 pandemic, there was significant decline in conduct of physical meetings mainly in hotels and other conferencing facilities. Local conferences held and number of delegates attending local conferences declined by 75.2 and 88.5 per cent, respectively, while international conferences held and number of delegates attending international conferences declined by 87.2 and 98.6 per cent, respectively. Comparatively, the decline in international conferencing activity was higher than that of local meetings, meaning that local meetings cushioned the sub-sector from the impacts of the pandemic. Conference capacity utilization declined from 12.6 per cent in 2019 to 5.2 per cent in 2020, attributed to adoption of virtual technology for conducting M.I.C.E events in the wake of COVID-19 pandemic. Consequently, total estimated revenue from conferencing business declined by 63.9 per cent over the figures recorded in 2019 (Table 10.6).

10.4 Fast-tracking Tourism Recovery

The tourism sector in Kenya experienced an unparalleled drop in demand in 2020 that led to closure of most hotels and areas that are visited by tourists. In response to the COVID-19 crisis, tourism sector stakeholders in both public and private sectors came up with a raft of measures to cushion the sector from eminent collapse while charting the way towards gradual recovery. These measures included preparation and

Table 10.5: Hotel occupancy and estimated gross revenue, 2014-2020

	Hotel Bed-nights Occupied ('000)	Hotel Bed-nights available ('000)	Occupancy Rate (%)	Average Standard Room Rate (Ksh/night) [28]	Gross Hotel Revenue (Ksh billion)	Growth in Hotel Revenue (%)
2014	6,281.6	19,877.2	31.6	10,000	62.8	(4.8)
2015	5,878.7	20,187.2	29.1	10,000	58.8	(6.4)
2016	6,448.6	21,258.5	30.3	10,000	64.5	9.7
2017	7,174.2	22,987.1	31.2	10,000	71.7	11.3
2018	8,617.9	26,500.6	32.5	10,000	86.2	20.1
2019	9,160.8	29,742.9	30.8	10,000	91.6	6.3
2020	3,803.0	21,326.1	17.8	10,000	38.0	(58.5)

Source: Calculations based on data from Kenya National Bureau of Statistics (Various) and www.booking.com website

[28] Average price of a standard room per night (3 – 5 star hotel) in Kenya, checked at www.booking.com

Table 10.6: Performance of conferencing sub-sector, 2018-2020

	2018		2019		2020	
Participation in Conferences	**Local**	**Int'L**	**Local**	**Int'L**	**Local**	**Int'L**
Number of conferences	4147	204	4,743	218	1,176	28
Number of delegates	647,042	67,743	696,864	72,011	80,139	1,044
Number of delegate days	726,371	127,150	778,356	135,110	317,569	19,321
Number of delegate days available[1]	7,161,896	7,161,896	7,233,515	7,233,515	6,510,163	6,510,163
Percentage occupancy	10.1	1.8	10.8	1.8	4.9	0.3
Conference capacity utilization (%)		11.9		12.6		5.2
Revenue from Conferences[2]	**Local**	**Int'L**	**Local**	**Int'L**	**Local**	**Int'L**
Conference rate per delegate per day (Ksh)	4,000	5,000	4,000	5,000	4,000	5,000
Revenue (Ksh millions)	2,905.5	635.8	3,113.4	675.6	1,270.3	96.6
Total Revenue (Local + International) (Ksh millions)		3,541.2		3,789.0		1,366.9
Growth in conference revenue (%)		4.9		7.0		(63.9)

Data source: Kenya National Bureau of Statistics (Various), Economic Surveys

Int'L = International
Notes:
1. *Number of delegate days available means maximum number of delegates the conference facilities can hold in a day*
2. *In calculating revenue from conferencing, it is estimated that full day conference package per person per day costs an average of Ksh 4,000 for local conferences and Ksh 5,000 for international conferences. Therefore, revenue is calculated as number of delegate days X cost of full day conference package*

implementation of travel and tourism industry protocols (on hospitality, outdoor retails; aviation; airports; cruise; tour operators and travel agents; M.I.C.E activities); rebuilding and promoting Kenya as COVID-19 tourism resilient zone; training of industry on new requirements and protocols on hygiene, safety and security, tourism behaviour and service delivery); staggered re-opening approach (i.e., community tourism phase, domestic tourism phase, regional tourism phase and international tourism phase); provision of financial stimulus to support reopening of the tourism sector (financial stimulus, review of taxes and charges, interest moratoriums); and creating resilience in the tourism industry in the short-term to respond to the COVID-19 shock.

Table 10.7 highlights the key strategies that were implemented since June 2020. Tax relief reverted to original rates from January 2021. Financial support to the sector was allocated through the national budget from June 2020, equivalent to Ksh 11.8 billion. There is need for further analysis to assess how effective the measures have been implemented since June 2020 in hastening the recovery.

The MTP III targets for the sector include to increase annual visitor numbers from 1.3 million in 2016 to 2.5 million visitors in 2022; increase tourism earnings from Ksh 99.7 billion in 2016 to Ksh 175 billion in 2022; and increase bed-nights by domestic tourists from 3.5 million in 2016 to 6.5 million by 2022.

Table 10.7: Tourism recovery strategies implemented from June 2020

Tourism Recovery Strategies	Implementation Status
Preparation and implementation of tourism industry protocols and promoting Kenya as a COVID-19 tourism resilient zone	In June 2020, the Ministry of Tourism and Wildlife unveiled the Tourism and Travel Health and Safety Protocols for the 'New Normal', which guided gradual reopening of the tourism sector.
Protocols for resumption of air travel and reopening of the hospitality sub-sector	
Support to sports, culture, recreation and tourism	• Ksh 2.5 billions allocated to the Tourism Promotion Fund in 2021/22 budget. • Ksh 3.8 billions allocated to the Tourism Fund to the 2021/22 budget.
Provision of soft loans to hotels and related establishments through the Tourism Finance Corporation to support renovation of facilities and the restructuring of business operations; some stimulus funds used to support the operations of Utalii College	Ksh 3.0 billions proposed in the budget speech for 2021/22
Stimulus package to engage 5,500 community scouts under the Kenya Wildlife Service	Ksh 1 billions proposed in the budget speech for 2021/22
Grants to support 160 community conservancies	Ksh 1 billions proposed during budget speech
Tax relief package for individuals, corporates, Micro, Small and Medium Enterprises – including those in tourism	The following were implemented between June and December 2020: • Lowered Value Added Tax (VAT) rate from 16% to 14% • Reduced tax rates for both corporate and personal income (PAYE) from 30% to 25% • Provided 100% tax relief for persons earning a gross monthly income of up to Ksh 24,000 • Turnover tax rate for MSMEs was lowered from 3.0% to 1.0%

Source: The National Treasury and Planning, Budget Speech for 2021/22, June 2020

Due to the external shock that hit the tourism sector in 2020, tourist arrivals and receipts declined by 72.3 per cent and 74.2 per cent, respectively, over the previous year's superb performance to record performance figures witnessed in the sector over 15 years ago. The sector is expected to recover gradually from 2021, albeit sluggishly, as countries devise ways to contain the spread of the COVID-19 pandemic, including vaccination and more elaborate travel protocols. However, the anticipated MTP III targets will most likely be attained in 2024 (Table 10.8).

Table 10.8: Projected tourist arrivals, receipts, bed-nights and occupancy, 2021-2024

Source Market	2019 (Actual)	2020 (actual)	2021 (Forecast)	2022 (Forecast)	2023 (Forecast)	2024 (Forecast)
USA	245,439	69,891	101,342	146,946	213,072	308,954
UK	181,483	51,679	74,935	108,655	157,550	228,448
India	122,649	34,925	50,642	73,431	106,475	154,388
China	83,388	23,746	34,431	49,925	72,391	104,967
Uganda	223,010	63,504	92,081	133,518	193,601	280,721
Tanzania	193,736	55,168	79,994	115,991	168,187	243,871
Germany	73,150	20,830	30,204	43,795	63,503	92,080
Italy	54,607	15,550	22,547	32,694	47,406	68,738
France	54,979	15,656	22,701	32,916	47,729	69,207
South Africa	46,926	13,363	19,376	28,095	40,738	59,070
Canada	41,039	11,686	16,945	24,570	35,627	51,659
Ethiopia	40,220	11,453	16,607	24,080	34,916	50,628
Rwanda	43,321	12,336	17,887	25,937	37,608	54,532
Netherlands	37,266	10,612	15,387	22,311	32,352	46,910
Nigeria	32,907	9,371	13,587	19,702	28,567	41,423
Rep. of South Sudan	23,786	6,773	9,821	14,241	20,649	29,941
Australia	27,867	7,935	11,506	16,684	24,192	35,078
Sweden	21,199	6,037	8,753	12,692	18,403	26,685
Spain	26,314	7,493	10,865	15,754	22,844	33,124
Norway	14,990	4,269	6,189	8,975	13,013	18,869
Denmark	14,218	4,049	5,871	8,512	12,343	17,897
Korea	13,154	3,746	5,431	7,875	11,419	16,558
Poland	11,484	3,270	4,742	6,876	9,970	14,456
Japan	13,490	3,841	5,570	8,077	11,711	16,981
Switzerland	14,050	4,001	5,801	8,412	12,197	17,686
Belgium	13,535	3,854	5,589	8,104	11,750	17,038
Ghana	11,300	3,218	4,666	6,765	9,810	14,224
Austria	7,615	2,168	3,144	4,559	6,611	9,586
Finland	5,995	1,707	2,475	3,589	5,204	7,546
Russia	5,665	1,613	2,339	3,392	4,918	7,131
Czech Republic	4,249	1,210	1,754	2,544	3,689	5,349
UAE	1,563	445	645	936	1,357	1,967
Rest of World	330,806	94,200	136,590	198,056	287,181	416,413
Total Air and Sea	1,544,800	434,100	630,315	913,957	1,325,237	1,274,023
Total Cross Border	490,600	145,500	210,105	304,652	441,746	640,531
Total Arrivals	**2,035,400**	**579,600**	**840,420**	**1,218,609**	**1,766,983**	**2,562,125**

Source Market	2019 (Actual)	2020 (actual)	2021 (Forecast)	2022 (Forecast)	2023 (Forecast)	2024 (Forecast)
Growth in Arrivals (%)	0.4	(71.5)	45.0	45.0	45.0	45.0
Tourism receipts (Ksh billion)	**163.6**	**91.7**	**108.2**	**127.7**	**150.7**	**177.8**
Growth in receipts (%)	3.9	(43.9)	18.0	18.0	18.0	18.0
Total hotel bed-nights (000)	9,058.2	3803	4,995.8	6,846.3	9,447.9	12,641.1
Growth in bed-nights (%)	6.3	(58.0)	31.4	37.0	38.0	33.8
Bed-nights by Kenyans (000)	4,818.6	2,567	3,247.3	4,107.8	5,196.3	6,573.4
Growth in bed nights by Kenyans (%)		(46.7)	26.5	26.5	26.5	26.5
Bed-nights by Kenyans as % of total	52.6	67.5	65	60	55	52
Ratio of bed-nights by Kenyans to total arrivals	2.4	4.4	3.9	3.4	2.9	2.6

Data source: Kenya National Bureau of Statistics (Various), Economic Surveys; Author's calculations

Assumptions:

- Visitor arrivals and receipts are expected to grow by 45.0% and 18.0%, respectively, from 2021.
- Domestic and total hotel bed-nights are expected to grow by 26.5% and 35.1% annually, respectively, from 2021.
- The ratio of bed-nights by Kenyans to total visitor arrivals will maintain the ratio of 3 witnessed over the last 3 to 5 years.

Given the above scenario, to achieve full recovery by 2024, there will be need for concerted effort to implement COVID-19 containment measures in tourism and travel to promote the country as a destination safe from the pandemic. In addition, a stimulus package will be required to support the affected tourism-related enterprises to recover and thrive again.

10.5 Sectoral Challenges and Opportunities

10.5.1 Sectoral challenges

a) Hotel and bed capacity

In 2020, Kenya had 211 classified[29] accommodation facilities spread in 20 counties, with a capacity of 16,554 rooms and 27,467 beds. Of these, 68.0 per cent were located in 6 counties, namely, Nairobi, Narok, Nakuru, Mombasa, Kwale and Kilifi (Table 10.9). A total of 27 counties lack classified establishments, affecting their competitiveness as local tourist destinations and ability to host high-spending tourists. In addition, only 18 per cent of Kenyan hotels are in the 4-5 star categories, which is significantly lower than the average of 40.0 per cent in competing long-haul destinations.

During peak season, the available classified accommodation facilities often operate at close to full capacity and the reverse occurs during the low season. Furthermore, the available bed capacity is not well distributed throughout the counties, since most of them are concentrated in Nairobi, the Coast and the South Rift. Other regions lack quality accommodation for touristic purposes. This calls for substantial increase in investment in accommodation and other tourism-enabling infrastructure across all counties to meet the ever-increasing demand for Kenya's tourism products, including business tourism/M.I.C.E. In addition, it is necessary to enhance compliance to minimum standards by regulated tourism enterprises, activities and services to re-engineer

[29] These include hotels, restaurants, apartments, villas, lodges, camps, resorts, spa and golf clubs

Table 10.9: Classified accommodation establishments by county

County	Classified Accommodation Establishments							Capacity	
	5 Star	4 Star	3 Star	2 Star	1 Star	Total	%	Rooms	Beds
Nairobi	11	19	14	9		53	25.1	6,410	9,062
Narok	3	15	4	5	1	28	13.3	890	1,794
Nakuru	2	7	5	5		19	9.0	1,045	1,792
Mombasa	1	5	8	4		18	8.5	1,875	3,482
Kwale	4	5	1	5		15	7.1	1,913	3,797
Kilifi	1	3	3	4		11	5.2	739	1495
Kisumu		1	5	4	1	11	5.2	567	780
Nyeri		3	5	2	1	11	5.2	693	1246
Laikipia	2	1	3	3		9	4.3	445	848
Uasin Gishu		1	1	7		9	4.3	525	693
Meru			1	4		5	2.4	151	244
Isiolo		2	1			3	1.4	185	366
Kajiado		1	2			3	1.4	235	470
Machakos		1	1	1		3	1.4	416	623
Samburu		2		1		3	1.4	46	100
Taita Taveta			2	1		3	1.4	102	208
Elgeyo Marakwet			2			2	0.9	43	70
Kakamega				2		2	0.9	82	164
Kisii			1	1		2	0.9	132	158
Embu			1			1	0.5	60	75
Total	**24**	**66**	**60**	**58**	**3**	**211**	**100.0**	**16,554**	**27,467**

Data source: Tourism Regulatory Authority, 2019

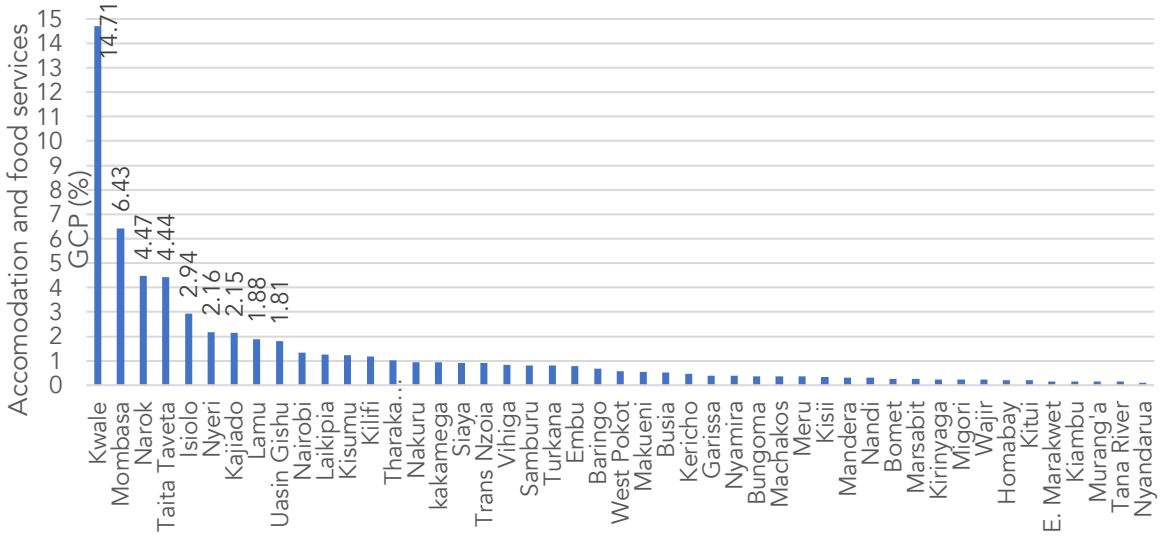
destination appeal and competitiveness.

Regarding relative importance of tourism to the counties, accommodation and food services, a proxy for tourism, accounts for 2-15 per cent of Gross County Product (GCP) in 9 counties, namely Kwale, Mombasa, Narok, Taita Taveta, Isiolo, Nyeri, Kajiado, Lamu, and Uasin Gishu (4 of which are in the coast region) while other counties have estimated contributions of 0.1–1.3 per cent (Figure 10.3). Counties high GCP from accommodation and food services are also endowed with tourist-class hospitality facilities.

b) Product development and marketing

Wildlife tourism in Kenya is currently concentrated in 7 parks, which receive 80 per cent of the total number of visitors. There is great potential in targeting the under-visited parks and reserves; expanding product choice, improving quality of facilities and services and address the unexploited and under-developed products. Kenya's Safari and Beach products require innovation in tandem with changing consumer needs and trends to increase destination competitiveness. The National Tourism Blueprint 2018-2030 proposes a product development strategy that may be

Figure 10.3: Accommodation and food services (% of GCP)



Data source: Kenya National Bureau of Statistics (2019), Gross County Product Report

implemented to improve the menu of products available to the experience-seeking tourist. These include niche products (medical, sports, film, photography, entomology, cultural and heritage products, urban tourism, desert tourism) and revamping beach products. The emergence of COVID-19 pandemic has necessitated a cut-back on travel especially for the elderly (pensioners) who are at higher risk of being affected by the pandemic. Therefore, product development will most likely focus on the younger generation.

(c) Funding for tourism development

Marketing of Kenya as a tourist destination is affected by insufficient budgetary allocations. Furthermore, development of tourism products and facilities (e.g, the proposed tourist resort cities at Isiolo, Turkana and Kilifi) is capital-intensive and requires a sustainable funding mechanism to ensure projects are successfully implemented. The revised Tourism Policy 2020 proposes merging of the Tourism Finance Corporation and the Tourism Fund to consolidate and strengthen its capacity to finance a wide range of tourism sector enterprises.

In 2020/21, the National Treasury proposed to allocate Ksh 11.8 billion to the tourism sector to support recovery of tourism from the impacts of the COVID-19 shock. This included support for community conservancies (to jump-start the sector and protect its players from financial losses) and the Kenya Wildlife Service (16.95%); support for renovation of attraction sites, meeting venues and hotel refurbishment through soft loans to be channelled through the Tourism Finance Corporation (25.42%), promoting aggressive post-COVID-19 tourism marketing through the Tourism Promotion Fund (21.19%), the Tourism Fund (32.20%), and marketing of Kenya as a preferred travel destination globally (4.24%)[30]. While this is a step in the right direction, industry players have over the years advocated for allocation of up to 10 per cent of total annual receipts from tourism (e.g. Ksh 16.36 billion from year 2019 earnings) back to the sector to support its development.

(d) Cost of doing tourism business

The existing legislation, the Tourism Act 2011, does not adequately cater for the needs of the devolved

[30] The National Treasury and Planning, 2020/21 annual budget speech, June 2020 tourism allocations from earnings.

Box 10.2: Tourism development mandate of the National and County Governments in Kenya

The distribution of functions between the National and County Governments in Kenya regarding the tourism sector is featured in the Fourth Schedule of Kenya's Constitution (Government of Kenya, 2010). The National Government is charged with overall responsibility over tourism policy and development and has established several institutions and agencies to execute its functions, including the Tourism Regulatory Authority, Tourism Finance Corporation, Tourism Fund, Tourism Promotion Fund and the Kenya Tourism Board. The County Governments are responsible for local tourism as part of their general mandate on trade development and regulation (Government of Kenya, 2010).

The County Governments have been given the relevant mandate to develop the tourism sector at the local level, including the development of cultural, heritage, recreation, and beach products (where applicable), and promotion of tourism investment under the trade development function. Further, while the National Government retains the function of protecting animals and wildlife, the Wildlife Conservation and Management Act of 2013 (Government of Kenya, 2013a) allows counties to develop the wildlife product by managing national reserves created by the National Government Minister-in charge of wildlife (Government of Kenya, 2013a). In addition, the Act provides for the establishment of wildlife conservancies owned by either individual landowners, body corporates, group of owners, or a community (Government of Kenya, 2013a). Furthermore, the Constitution requires the National Government to provide capacity building and technical assistance to the counties in execution of its functions, tourism development included.

In addition, the function of tourism promotion is also undertaken at the county level. The main focus is mainly on promoting the counties as tourism destinations mainly within the domestic market. The aspect of promoting the counties at the international level in partnership with the national tourism organization or jointly with other regions has not been exploited.

The counties are also mandated to collect, process and disseminate data on regional tourism. Most County Governments, however, lack a comprehensive database on performance of tourism within their counties, including number of visitors to specific sites and spending by tourists within the county.

Counties are expected to undertake the function of coordinating public and private sector tourism development initiatives within the region. This includes maintenance of standards in tourism products and facilities; coordinating and facilitating the management and control of county-specific tourism activities; administration and regulation of betting; casinos and other forms of gambling levies; and liquor licensing. Therefore, County Governments can collect specific levies related to tourism activities.

Lastly, counties are also expected to participate in development of the tourism sector through diversification and development of tourism niche products; mapping out tourist attraction sites and conservancies; promotion of tourism investments; development of tourism infrastructure and amenities; development of partnerships for tourism development; sustainable tourism development through management and protection of cultural and natural heritage; facilitation of development funds for local tourism facilities; and promotion of community-based tourism.

government as captured in the Constitution of Kenya 2010. This has led to duplication of legislation, regulation and functions by County Governments, which need to be harmonized (see Box 10.2). Moreover, existence of multiple licenses results in high cost of doing business, especially in the hospitality sub-sector. These include tourism license, catering levy and bed levy, liquor license, National Environment Management Authority (NEMA) license, garbage collection fee, single business permit, and music copyright. The overall mandate of the National Government with regard to tourism is development and implementation of tourism policy and regulations, while County Governments focus on local tourism as part of their general mandate on trade development and regulation (Government of Kenya, 2010). In this regard, there is need to review the Tourism Act 2011 to address inter-governmental coordination; and consolidate various licenses to reduce perception of Kenya as an expensive destination.

(e) Safety and security concerns

In recent times, Kenya's tourism sector has suffered from incidences of insecurity emanating from terrorist attacks, which have triggered travel advisories by key source markets for inbound visitors. Although the sector has tremendously recovered between 2015 and 2019, the country is still perceived to be an unsafe destination due to potential resumption of terrorist attacks, negative media publicity, poor destination imaging, little investment in public relation tools to ensure positive destination branding, political instability in the region, which has led to increasing cross-border traffic in small arms, cattle rustling, income inequalities, and unemployment. There is therefore need to operationalize and strengthen the Tourism Protection Service.

(f) Impact of climate change

The rise in demand for wildlife products in the international market has led to escalation of incidences of poaching, smuggling and trafficking of elephant and rhino trophies (ivory and rhino horns). This has led to loss of wildlife, rise in insecurity in the game parks and has affected tourists' interest in the destination. This calls for revamping of the Kenya Wildlife Service to counter poaching activities. Other factors contributing to decline in wildlife numbers include climate change – leading to reduction in vegetation and water – and human activities such as pollution of environment and encroachment to protected areas.

10.5.2 Emerging opportunities

The COVID-19 crisis presents an opportunity to rethink the tourism system for a more sustainable and resilient future. Policy intervention will be necessary to address structural problems of the sector, to encourage new business models, embrace digitalization and to promote connectivity. The latter will be of key importance during and after-crisis scenario where social distancing will still be relevant and tourists will prefer less crowded destinations. Sustainability should be a guiding principle in the recovery, also with the aim to limit tourism as a vector of the pandemic.

Medical tourism is growing, with 1.2 per cent of all visitors traveling to Kenya annually coming to benefit from the country's modernizing healthcare facilities. Development of medical facilities and related infrastructure in the country, therefore, will attract more visitors and foreign exchange from the region in search of medical referral services. The National Tourism Blueprint 2018-230 recognizes development of medical tourism as a niche product and a core experience targeting African markets. To begin with, there is need to develop a national medical tourism strategy based on research conducted to identify latest trends in medical tourism, to identify potential markets for this experience (international and domestic), and identify medical facilities to be promoted for medical tourism purposes. A marketing strategy is also required to package the product and promote uptake through the identified medical facilities.

In 2020, domestic tourists cushioned the sector from total collapse since locals accounted for over 80 per cent of total hotel bed-nights and general activity in the tourism sector following curtailing of travel plans by international visitors.

Given this realization, there is need for structured and focused development and promotion of local tourism.

10.6 Key Messages and Policy Recommendations

10.6.1 Key messages

1. The tourism sector registered significant recovery between 2015 and 2019 following a downturn in 2013-2014 period that was characterized by terrorism-related insecurity, to register a growth of 50.8 per cent and 87.8 per cent in tourist arrivals (to 2,035,400) and receipts (Ksh 163.6 billion) respectively in 2019. This was attributed to implementation of tourism recovery strategy that marketed Kenya as a safe destination, accompanied by lifting of travel bans by key source markets.

2. The growth trajectory of the tourism sector was adversely affected by the COVID-19 pandemic shock in 2020, which saw tourist numbers, revenue and employment in the sector plummet by 72.3 per cent, 74.2 per cent and 72.0 per cent, respectively, over the previous year's superb performance, to achieve the metrics witnessed 15 years ago. Kenya lost the peak season of June-August 2020, receiving only 15,073 tourists compared to 449,948 visitors in the previous year. This is equivalent to loss of Ksh 32.4 billion in total receipts and an estimated Ksh 390 million in park entry fees.

3. The top 10 tourist source markets in 2019 (i.e., USA, Uganda, Tanzania, United Kingdom, India, China, Germany, Italy, France, South Africa) accounted for 62.4 per cent and 66.0 per cent of total arrivals and revenue, respectively, with average length of stay of 6.8 days and a minimum daily spending per tourist of Ksh 10,629. These markets were also severely affected by the COVID-19 pandemic, hence the highest impact on Kenya's tourism receipts in 2020 was felt through decline in arrivals from the markets. Therefore, targeted marketing in specific source markets will speed up recovery and draw more high-spending visitors who stay longer in the country.

4. Despite the dismal performance, the hospitality sub-sector, which experienced 32.4 per cent decline in revenue over the previous year, was kept alive by domestic tourism activities that accounted for 80 per cent of all bed-nights. Promotion of domestic and cross-border travel is important in cushioning the tourism sector from shocks related to decline in international inbound tourist arrivals.

5. Due to the global economic downturn affecting tourism, the key MTP III annual targets of 2.5 million visitors, Ksh 175 billion in receipts and 6.5 million bed-nights may not be attained until 2024. The sector is expected to witness progressive rebound from 2021 as countries implement COVID-19 pandemic vaccination campaigns among other measures.

6. A number of other MTP III targets have not been achieved yet, including review of the Tourism Act 2011; development of resort cities; diversification of tourism product offering; implementation of the national tourism data and information project; assenting of reviewed tourism policy and the national wildlife policy; and reorganization of public institutions in the tourism sector. These require fast-tracking given that the MTP III period is nearing closure.

7. The sector faces several challenges including inadequate funding for infrastructure development; uneven development of facilities across counties, with 27 counties lacking classified establishments and only 18 per cent of hotels classified against an international benchmark of 40 per cent in competing destinations; diminishing wildlife population due to climate change and human encroachment; safety and security concerns; high cost of doing business

that inhibits its competitiveness; and low prioritization and unexploited tourism potential in the counties.

8. The COVID-19 era has unveiled a number of opportunities in the tourism sector that Kenya can adopt, including product development prioritizing on medical tourism; and leveraging on digital technologies in marketing and business tourism.

10.6.2 Policy recommendations

The following recommendations provide proposals for supporting recovery of the sector both in the short and long-term periods.

Addressing pending MTP III targets

Given that less than 24 months are remaining to the end of MTP III planning period, there is need to hasten implementation of the following targets:

1. Review the Tourism Act 2011 to accommodate aspects of devolution, inter-governmental coordination and streamline/amalgamate and simplify tourism and hospitality licensing requirements to attract more investors to the sector.

2. Assent and implement the revised National Tourism Policy 2020.

3. Finalize the draft National Wildlife Policy (2018) for assenting and implementation.

4. Address the pending institutional re-organization/establishment, namely: establishment of Beach Management Board, Baraza Kenya and the Tourism Council; and establishing an inter-governmental coordination mechanism on tourism product development and promotion.

Supporting recovery of tourism sector at national level

5. Increase allocation of funding to the tourism sector for marketing in specific source markets and rehabilitation and expansion of tourism establishments; and consolidation and reorganization of current tourism funding corporations to improve efficiency and widen the range of target beneficiaries to include tourism-oriented micro-enterprises to large hotel establishments.

6. Embrace standards and quality assurance in the sector to aid the recovery efforts and promote resilience and enhance sustainability of destination Kenya.

7. Support domestic tourism development at national level by:

   - Conducting research on domestic market preference
   - Repackaging tourism products to suit local market interests, with marketing campaigns targeting the growing middle-class that accounts for close to 40 per cent of the employed population
   - Developing tourist circuits with specific itineraries, organized road and rail transport to events and attractions
   - Promotion of holidays as non-wage benefits

8. Promotion of medical and regional tourism by formulating a medical tourism development and marketing strategy to target over 800,000 medical tourists from Africa and the Indian Ocean region

9. Improve security in the volatile areas (e.g. northern region) to encourage tourism investors

10. Enforce COVID-19 containment measures along with improving Water, Hygiene and Sanitation (WASH) protocols in all accommodation facilities and tourist attraction sites in line with the national guidelines for reopening of hospitality establishments to ensure business continuity.

11. Provide incentives to potential investors in the tourism industry – e.g. by availing land for conservancies and reducing the cost of doing businesses at county level.

Tourism sector development at county level

12. County governments are the custodians of tourism products and services, hence play a vital role in tourism development in the country. Therefore, all counties need to map all their tourist attraction sites and develop and implement county-specific tourism development and marketing plans that incorporate niche tourism product development (based on guidelines and technical assistance from the National Government) unique to each county (including eco-tourism, sports tourism, desert tourism, cultural festival tourism, M.I.C.E, tourists-on-transit, conference tourism, adventure tourism, pilgrimage tourism, archaeology, amusement parks, and agritourism.

13. In collaboration with the National Government, counties to improve infrastructure that supports tourism development: e.g. rehabilitating sporting stadia and other facilities; construction of high-altitude training camps that attract trainees from around the world; eco-lodges; talent academies; museums; airstrips; developing and maintaining tourism information centres and tourism signage.

CHAPTER 11

STRENGTHENING COOPERATION AND COORDINATION IN COVID-19 ERA FOR DELIVERY OF THE "BIG FOUR" AGENDA

The fast pace of globalization, including expansion in trade and travel, has increased the spread of infectious diseases and intensified the need for cooperation and collaboration in the public health arena. Global coordination and cooperation is required in identifying, controlling, and preventing the threat posed by such infectious diseases. The COVID-19 pandemic has had wide-ranging ramifications at global, regional, national, intergovernmental, and inter-county levels that require strengthening the collective response mechanisms. Weak enforcement mechanisms by WHO, non-implementation of directives, discordant approaches to COVID-19 and lack of consensus among states on the course of action on the COVID-19 can undermine efforts in fostering cooperation. At country level, County Governments are critical stakeholders in ensuring speedy recovery for successful implementation of the "Big Four" agenda, and therefore clear frameworks for coordination and platforms for consultative engagements between the two levels of Government need to be strengthened. As regional economic blocs have the potential to drive the "Big Four" agenda through their collective platforms, they need to establish enabling legal frameworks to empower them to foster collective response in responding to such emergencies.

11.1 Introduction

The World Health Organization (WHO) declared the COVID-19 outbreak a pandemic on 11th March 2020, and since then, governments all over the world have put in place measures to prevent and control the spread of the virus. The COVID-19 pandemic has resulted in widespread economic shocks across the world, and necessitated a significant shift not only in day-to-day life but in how governments, societies, communities, businesses and individuals are operating during the subsistence of the pandemic and how they will continue to operate in the anticipated aftermath. Further, COVID-19 is a global disaster that has had wide-ranging ramifications on global, regional, national, intergovernmental, and inter-county coordination and cooperation. Coordination is particularly critical in a devolved system of Government, which in Kenya, is made up of two distinct levels of government: National Government and 47 County Governments.

The devolved system of government in Kenya is established by the Constitution of Kenya, 2010 whereby the Fourth Schedule (Article 185 (2), 186 (1) and 187 (2) outlines the distribution of functions to be carried out by the National Government and those to be carried out by the County Governments. The devolved functions and powers of the County Governments that were most affected by the COVID-19 pandemic include health, agriculture, local tourism, pre-primary education, trade, and water and sanitation. Notably, agriculture, health, transport, housing, water and sanitation are also key components of the "Big Four" agenda targets for

the attainment of food security, universal health coverage, affordable housing and manufacturing. Thus, an adverse effect on these sectors by the COVID-19 pandemic has the potential to derail the attainment of the "Big Four" agenda targets. In the midst of the COVID-19 pandemic and the devastating effects it has posed to nations, economies, communities, families and individuals in Kenya, coordination and cooperation (at global, regional, national, intergovernmental, inter-county and community levels) have emerged as key instruments through which strategic measures can be employed and harnessed to forestall, pre-empt and counter the potential negative effects of COVID-19, including derailing the realization of the "Big Four" agenda. Further, realization, attainment and implementation of the objectives of devolution, which have been articulated through the "Big Four" targets is contingent on other players including the involvement of the private sector, communities, donors, Non-Governmental Organizations (NGOs) and Faith-Based Organizations (FBOs), which each play a distinct but important role.

This chapter focuses on the strategic coordination and collaborative measures that were taken at various levels in responding to the COVID-19 pandemic, and highlights the role that these collaborative activities played in mitigating the negative effects of the COVID-19 pandemic in Kenya.

Box 11.1: Coordination and cooperation during emergencies

In defining a good coordination and cooperation system during public health emergencies such as pandemics spread over multiple countries or continents, the paramount importance of cooperation at a global level cannot be overlooked. According to WHO, coordination during emergencies requires the following interventions:

1. Rapid, accurate, and transparent international communication about the unfolding epidemiology of this novel viral disease, including patterns of transmission, incubation period and lethality, and the efficacy of various methods of intervention.

2. Real-time sharing of detailed scientific information about the virus, the pathophysiology of the disease it causes and the human immunologic response, its origins, genetics, and mutations, and coordinated activities to advance knowledge in all of these areas.

3. Sharing of information about research and development (R&D) on medical products to deal with the disease, along with collaborative research efforts to advance this vital R&D.

4. Coordination and alignment of regulatory and manufacturing processes and quality standards required to accelerate availability of reliable personal protective equipment, diagnostic testing devices, and medical treatment capacity.

5. Collaborative efforts to undertake rapid but evidence-based analysis of emerging concerns or discrete programme and policy issues that may emerge as the global pandemic progresses.

6. Coordinated development of consistent evidence-based guidance, messaging and communications for the public and policy makers in rapidly changing circumstances.

Source: World Health Organization (2020), Guidelines on COVID-19

11.2 Policy, Legal and Institutional Frameworks to Address COVID-19

The public health laws in Kenya provide and define health interventions, define the powers, duties and boundaries of health agencies and systems, and provide an impact on health. Minimizing the transmission of infectious diseases is a core function of laws regulating public health. Clearly defined legal powers are needed to respond to outbreaks of diseases at national level. Having modern public health laws is critical in providing the enabling infrastructure to enable and empower authorities to respond to public health emergencies such as COVID-19 in a timely and systematic manner and to ensure the preparedness of the country in times of emergency. It also ensures there is an existing legal foundation that defines, empowers and authorizes government and private interventions to respond to health concerns. Having modern public health laws is critical in providing the enabling infrastructure to enable authorities to respond to public health emergencies such as COVID-19 in a timely and systematic manner and to ensure the preparedness of the country in times of emergency. It also ensures there is an existing legal foundation that defines, empowers and authorizes government and private measures to respond to health concerns. Further, it supports other health initiatives in the health sector, such as the establishment of health infrastructure, physical facilities of health institutions, clinics and hospitals, and the human resources to operate them.

In this regard, Kenya has ascribed to a number of international and regional instruments such as the World Health Organization International Health Regulations and the Sendai Framework for Disaster Risk Reduction. Kenya has also developed its domestic laws to respond to public health emergencies such as COVID-19. The Government of Kenya further developed its regulations and directives to prescribe measures to control, suppress, and prevent the spread of COVID-19. Further, through the devolved legislative making process, counties are empowered to enact laws within their legislative jurisdiction over the devolved functions outlined in the Fourth Schedule of the Constitution. Article 185 of the Constitution provides for the legislative authority of county assemblies, vesting the legislative authority of a county and the exercise of that authority in its county assembly. The county assembly has powers to make any laws that are necessary for, or incidental to, the effective performance of the functions and exercise of the powers of the county government under the Fourth Schedule, including the devolved function of health. County Governments are therefore empowered to enact their own public health laws.

11.2.1 International instruments

As a member of the World Health Organization, Kenya has ascribed to a number of international instruments that provide the framework for the control of international spread of disease.

World Health Organization International Health Regulations, 2005

In 1951, the WHO adopted the International Sanitary Regulations, the product of the nineteenth-century international sanitary conferences, which were renamed the International Health Regulations (IHR) in 1969 and modified slightly in 1973 and 1981. Thereafter, the IHR was last revised in 2005. The IHR is a legally binding set of regulations adopted under the auspices of WHO as an international organization and is one of the earliest multilateral regulatory mechanisms strictly focusing on global surveillance for communicable diseases. The IHR is a set of regulations for the control and sharing of epidemiological information on the transboundary spread of cholera, plague, and yellow fever; the fundamental principle is to ensure *"maximum security against the international spread of diseases with minimum interference with world traffic".*

The WHO Regional Office for Africa and its member states, along with their technical partners, adopted a strategy for developing and implementing comprehensive public health surveillance and response systems in African countries. The strategy was initially

called Integrated Disease Surveillance and has subsequently been referred to as Integrated Disease Surveillance and Response (IDSR) to highlight the essential link between surveillance and response. IDSR Technical Guidelines (2002) have been widely adopted and adapted throughout the African region and formed the justification for the adoption of the International Health Regulations, 2005. The International Health Regulations entered into force on 15th June 2007 and is a legally binding instrument designed to help protect all states from the international spread of disease. The main purpose of the International Health Regulations is to provide a framework to prevent, protect against, control and provide public health response to the international spread of disease in ways that are relevant and restricted to public health risks and which avoid unnecessary interference with international traffic and trade. To achieve this, the regulations provide for binding obligations on WHO member states to notify WHO of any outbreaks of these three diseases in their territories. Thereafter, WHO transmits this information to all the other member states as part of its mandate on control and respond to the global outbreak and spread of infectious diseases.

These regulations seek to address the threat to international public health security and trade caused by emerging and re-emerging diseases, including public health emergencies of international concern. The scope of IHR has been expanded from cholera, plague and yellow fever to all public health emergencies of international concern. They include those caused by infectious diseases, chemical agents, radioactive materials and contaminated food. Thus, IDSR is a system with the potential to ensure a reliable supply of information to the national level to fulfil the requirements under the International Health Regulations. The IHR provides an opportunity to address the threat to international public health security and trade caused by re-emerging and emerging infectious diseases, including public health emergencies of international concern. The International Health Regulations administered by WHO represent the most important set of international legal rules relating to infectious disease control, but the regulations primarily apply to plague, yellow fever, and cholera. The effectiveness of existing international law on infectious disease control is thus questionable and, in this context, it is apparent that the International Health Regulations are not able to function satisfactorily in times of serious disease outbreaks or new and emerging infectious diseases.

As a member state to the WHO and the 2005 IHR, Kenya is bound by the requirements under the 2005 IHR. Among other things, the IHR requires that Kenya "develop, strengthen and maintain the capacity to detect, assess, notify and report" outbreaks of infectious diseases. Accordingly, Kenya has put in place systems for early detection through the Integrated Disease, Surveillance and Response Strategy (IDSR). The objectives of this strategy are to strengthen capacity for effective use of surveillance information and improve laboratory involvement in epidemic detection. The IDSR is the foundational guiding framework for communicable disease prevention and control in Kenya and the WHO provides technical support in its development and expansion.

States parties to the IHR have an obligation to assess and notify WHO of all events occurring within their territories that may constitute a public health emergency of international concern. However, recently, non-compliance with these regulations has occurred in tandem with non-reporting or delayed reporting of disease outbreaks. Other weaknesses in the regulations are non-compliance with and non-observation of the regulations by WHO member states. Several countries have failed to report or have misreported data on COVID-19 in their countries. Similarly, several countries have openly disregarded WHO guidance on protective measures to contain the spread of COVID-19, such as openly challenging WHO's guidance, questioning WHO's credibility, flouting requirements on wearing of masks, maintaining social distancing, handwashing and restrictions on public gatherings. One major reason for this is the fear of excessive measures from other countries if a country that has suffered an outbreak of an infectious disease notifies this fact to WHO.

Other weaknesses follow from the principle of state sovereignty and the lack of effective enforcement of international law. States often agree to an international legal obligation without any serious intent of fulfilling it. The alleged failure of the International Health Regulations may be due to the failure of WHO member states to fulfil the duties they accepted. Neither the regulations nor WHO has established any power to enforce compliance. The IHR may require review and updating to remain relevant and to respond to cases of serious disease outbreaks and to overcome compliance and enforcement problems.

The IHR, which is binding on all WHO member states, set out basic rules of international law requiring countries to strengthen their national surveillance and response capacities, and to share important information with the global community. However, the most critical need for action in global public health generally, including emergency preparedness, is ensuring modern, up-to-date and well-designed laws at the national level for all states to support effective public health systems. Moreover, action to improve legal frameworks is hindered by the inaccessibility of information about the health laws of other nations, lack of peer learning and weak information exchange systems that reduce transparency and nations' accountability for meeting their international obligations. Here, the role of WHO is paramount in ensuring access to information.

Access to information and transparency is critical in building partnerships, facilitating peer learning, fostering coordination and harnessing trust among partners. Article 63 of the Constitution of the World Health Organization obliges member states to communicate to WHO their laws, regulations, official reports and statistics pertaining to health. Transparency of national laws and accessibility to national legal information, is crucial to effective international coordination in health and to the supportive role of WHO in providing needed expertise and guidance. Access to member states' national health laws will assist in coordination for COVID-19 recovery for purposes of exchange of information, research, emergency response, public information, and technical assistance. Advances in information communication technology and legal technology would offer a practical solution to managing the information.

The existence of specific laws is critical in building a strong health system and effective health practice. More importantly, during a health crisis, decision-makers need an immediate understanding of the regulatory landscape (including responsibility holders, their powers and limitations, response measures, freedoms, rights and their limitations, emergency response procedures and chains of command) without waiting to identify or develop the relevant legal provisions. Furthermore, it is important to ensure that the legal information of countries is available in a structured format to aid in comparing laws across countries, identifying country-level strengths and deficiencies, and monitoring changes over time. As WHO's legal mandate under the Constitution of the WHO extends to addressing a lack of transparency in national public health laws, WHO could encourage exchange of information and inter-jurisdictional peer learning across states on their public health laws. WHO can use its convening power and its broad topical expertise to bring together experts from different disciplines and backgrounds to consider the best model for global health policy surveillance. WHO can provide more support to countries in assessing and improving their public health systems, and advocate for leadership to improve partnerships for research, emergency response, public information and technical assistance purposes through policy surveillance.

Sendai Framework for Disaster Risk Reduction 2015-2030

Kenya is a signatory to the Sendai Framework for Disaster Risk Reduction 2015-2030. The Sendai Framework for Disaster Risk Reduction 2015-2030 outlines seven clear targets and four priorities for action to prevent new and reduce existing disaster risks: Understanding disaster risk; Strengthening disaster risk governance to manage disaster risk; Investing in disaster reduction for resilience, and; Enhancing disaster preparedness for effective response, and to "Build Back Better" in recovery,

rehabilitation and reconstruction. It aims to achieve the substantial reduction of disaster risk and losses in lives, livelihoods and health and in the economic, physical, social, cultural and environmental assets of persons, businesses, communities and countries over the next 15 years. The Sendai Framework applies to the risk of small-scale and large-scale, frequent and infrequent, sudden and slow-onset disasters, caused by natural or man-made hazards and related environmental, technological and biological hazards and risks. It aims to guide the multi-hazard management of disaster risk in development at all levels and within and across all sectors.

The key priorities for action under the Sendai Framework are geared towards focused action within and across sectors by states at local, national, regional and global levels in four priority areas. Priority 1 is understanding disaster risk. Disaster risk management needs to be based on an understanding of disaster risk in all its dimensions of vulnerability, capacity, exposure of persons and assets, hazard characteristics and the environment. Priority 2 is strengthening disaster risk governance to manage disaster risk. Disaster risk governance at the national, regional and global levels is vital to the management of disaster risk reduction in all sectors and ensuring the coherence of national and local frameworks of laws, regulations and public policies that, by defining roles and responsibilities, guide, encourage and incentivize the public and private sectors to take action and address disaster risk. Priority 3 is investing in disaster risk reduction for resilience. Public and private investment in disaster risk prevention and reduction through structural and non-structural measures are essential to enhance the economic, social, health and cultural resilience of persons, communities, countries and their assets, and the environment. These can be drivers of innovation, growth and job creation. Such measures are cost-effective and instrumental to save lives, prevent and reduce losses and ensure effective recovery and rehabilitation. Priority 4 is enhancing disaster preparedness for effective response, and to "Build Back Better" in recovery, rehabilitation and reconstruction. Experience indicates that disaster preparedness needs to be strengthened for more effective response and ensure capacities are in place for effective recovery. Disasters have also demonstrated that the recovery, rehabilitation and reconstruction phase, which needs to be prepared ahead of the disaster, is an opportunity to "Build Back Better" by integrating disaster risk reduction measures. Women and persons with disabilities should publicly lead and promote gender-equitable and universally accessible approaches during the response and reconstruction phases.

The Guiding Principles of the Sendai Framework include the following: primary responsibility of states to prevent and reduce disaster risk, including through cooperation; shared responsibility between central government and national authorities, sectors and stakeholders as appropriate to national circumstances; protection of persons and their assets while promoting and protecting all human rights including the right to development; engagement from all of society; full engagement of all state institutions of an executive and legislative nature at national and local levels; empowerment of local authorities and communities through resources, incentives and decision-making responsibilities as appropriate; decision-making to be inclusive and risk-informed while using a multi-hazard approach; coherence of disaster risk reduction and sustainable development policies, plans, practices and mechanisms across different sectors; accounting of local and specific characteristics of disaster risks when determining measures to reduce risks; addressing underlying risk factors cost-effectively through investment versus relying primarily on post-disaster response and recovery; build back better for preventing the creation of, and reducing existing, disaster risk; the quality of global partnership and international cooperation to be effective, meaningful and strong; and support from developed countries and partners to developing countries to be tailored according to needs and priorities as identified by them.

Other relevant instruments with provisions on disaster risk reduction include the Hyogo Framework of Action for Disaster Risk Management (2005-2015) where it was resolved that nations around the world integrate risk reduction into the various sectors of their economies. The Sendai Framework subsequently placed emphasis on risk

management for sustainable development and poverty reduction. The Sustainable Development Goals (SDGs) 2015-2030 place emphasis on disaster preparedness and response activities as a key element for sustainable development by "strengthening the capacity of all countries for early warning, risk reduction and management of national and global health risks". Equally, the World Health Assembly has made several resolutions and recommendations for the health sector to achieve progress in integrating disaster risk management in its operations. Regional efforts to adapt the Disaster Risk Management component have been embraced by the various regional bodies such as the African Union, Intergovernmental Authority on Development, and the East African Community.

11.2.2 National Policies

National Disaster Risk Management Policy, 2017

The National Disaster Risk Management Policy, 2017 defines a disaster as "a serious disruption of the functioning of a community or society causing widespread human, material, economic or environmental losses which exceed the ability of the affected community to cope using its own resources." The policy further notes that Kenya is prone to biological hazards such as epidemic and epizootic diseases, proliferation of pests and parasites, and invasion of areas by insects. Climatic factors and available food sources influence the spread of biological hazards. The policy acknowledges that Kenya is also at risk to disease outbreaks such as Cholera, Malaria, Meningitis and Typhoid, though HIV/AIDS has remained at national crisis levels since being declared a national disaster in 1999. With regional and global transportation hubs in both Mombasa and Nairobi, the high rates of tourism, influx of tourists, international business and humanitarian organizations, Kenya is particularly vulnerable to growing global threats caused by other pandemics. Further, several County Governments have developed and approved their own county disaster risk management policies and laws that relate to disaster risk management within their counties. Nonetheless, the National Disaster Risk Management Policy lacks specific measures to be taken in responding to public health disasters. The absence of health sector-specific Disaster Risk Management (DRM) policies at the national level has curtailed effectiveness in entrenching disaster risk management within the health sector. Besides the policy vacuum, other documents for effective implementation such as guidelines, standards and standard operating procedures have not been developed. Additionally, the policy does not adequately provide for a multi-hazards situation.

Similarly, the National Disaster Management Authority Bill, 2019 defines a disaster as "a sudden calamitous event caused by nature or human beings, that seriously disrupts the functioning of a community or society and causes human, material, economic or environmental losses that exceed the community's or society's ability to cope using its own resources". The Bill outlines the various responsibilities of National Government and the County Governments and stipulates that County Governments shall be responsible for disaster management within their areas of jurisdiction, while the National Government shall be responsible for disaster management in the country. Some of the functions of the National Disaster Management Authority include to coordinate and control the response to and management of disasters. Nonetheless, the bill does not provide specific measures in the event of a health-related disaster or emergency.

DRM coordination and management structures exist both at the national and county levels. The Office of the President is the overall coordinating authority for emergency and disaster management in Kenya through the Ministry of Interior and Coordination of National Government. The Cabinet Secretary for Health is the highest authority in the health sector and bears overall responsibility for all matters health, including disaster risk management. The Ministry of Interior and Coordination of National Government has two implementing units for emergency and disaster coordination and management, namely, National Disaster Management Unit and the National Disaster Operation Centre whereby the Ministry of Health is represented in the two units by the Head of the Division of Health Emergencies and Disaster Risk

Management. County health departments have designated officers responsible for streamlining DRM activities at the local levels and overseeing integration of DRM with the various sectors. The coordination and management structures are, however, in need of being strengthened for them to be more effective. Due to the dynamic concept of disasters and the possibility of multi-hazard risks occurring in future, more collaboration and consultation is needed between the various institutions involved in disaster risk management within their sectors.

Health Sector Disaster Risk Management Strategic Plan (2014-2018)

The Health Sector Disaster Risk Management Strategic Plan (2014 -2018) was published in 2014. It is based on a number of policy documents, including the Hyogo Framework of Action for Disaster Risk Management (2005-2015), the Sendai Framework of Action on Disaster Risk Reduction (2015-2030), the Sustainable Development Goals (SDGs 2015-2030), the Kenya Health Policy, the Kenya Health Sector Strategic Plan 2013-2018, Kenya National Disaster Response Plan (2014), the Kenya Health Sector Disaster Risk Management (DRM) Capacity Assessment Report of 2013 and the Kenya Health Sector Referral Strategy and Guidelines (2014-2018). The National Health Sector Disaster Risk Management Policy requires review to take into account the COVID-19 pandemic and the dynamism of disaster events and unpredictable climate-change scenarios. Further, majority of the policy documents in the health sector require review to ensure they are up to date and take into account various advancements in the health sector and globally, such as increase in globalization, trade, travel and technological advances.

11.2.3 National Laws and Regulations

Disease outbreaks require implementation of a wide range of measures (including disease reporting, surveillance, quarantine, social distancing, curfews, import of medical supplies and personnel, and vector control), all of which are effected through, or subject to, national laws. Under the IHR, governments are also obliged to protect the human rights of individuals affected by an outbreak. This requirement in the IHR for preparedness requires member states to develop the laws and regulations needed to carry out these measures to ensure the requisite enabling legal and institutional infrastructure exists in the event of a public health emergency. Therefore, in Kenya, the Government has established its own public health laws at the national level and has progressively introduced a series of new guidelines deriving from already existing various legislation, including the Constitution of Kenya, the Public Health Act Cap 242 Laws of Kenya, the Health Act No. 21 of 2017 and the Public Order Act Cap 50 Laws of Kenya.

The Constitution, 2010

Article 43(1) (a) of the Constitution provides that every person has the right to the highest attainable standard of health, which includes the right to health care services, including reproductive health care. The Constitution authorizes the Head of State to declare a state of emergency and put in place wide-ranging public security preservation measures, including restrictions on movement and assembly, appropriation of private property and labour, and restrictions on entry into the country. However, for actions under this authority to remain in place for an extended period, they need legislative approval. It obliges the Government to enhance the public health sector and manage public emergencies especially when it is threatening the life of its citizens. At this point, restrictions on the enjoyment of some rights are justified. However, the limitations should have a legal basis and they should only be imposed when necessary.

Though the Constitution outlines the roles for National and County Governments, it does not consider the overlaps in the health sector in delivery of health services to the public. Further, it does not consider the framework for the employment of health care workers. The framework for the employment of health care workers in county governments, therefore, needs to be reviewed.

The Health Act, No. 21 of 2017

This Act seeks to establish a unified health system to coordinate the inter-relationship between the National Government and County Government health systems, to provide for regulation of health care service and health care service providers, health products, and health technologies. The Health Act further outlines the duties and responsibilities of health care workers. As health is a devolved function, healthcare workers employed by public hospitals are employed by the respective County Government. Due to delays in exchequer releases and delayed establishment of institutional arrangements for counties, health care workers employed by County Governments have complained of delayed salary payments and poor, unsafe working conditions.

The Public Health Act, Cap 242 of 1921

The Public Health Act, the primary legislation applicable to matters of public health crises, has two main objectives to support the control of infectious diseases. Firstly, it has a proactive or preventive role by improving access to vaccinations, together with screening, education, counselling, and other strategies that aim to minimize exposure to disease. Secondly, it has a reactive role by supporting access to treatment and authorizing health departments and health care providers to limit contact with infectious individuals and to exercise emergency powers in response to disease outbreaks.

The Public Health Act authorizes public health authorities, particularly the Minister of Health, to take various actions during public health crises, including declaring an infectious disease a "notifiable infectious disease" or a "formidable epidemic, endemic or infectious disease," and taking the necessary prevention and suppression measures to fight the disease. Specific powers accorded to health authorities for the purpose of prevention and suppression of an infectious disease include search, seizure, and detention powers; the power to designate any place as a quarantine area, including ships and aircraft; and the power to restrict or ban immigration into the country.

The Public Health Act defines an "infectious disease" as any disease that can be communicated directly or indirectly by any person suffering therefrom to any other person and provides guidelines for the prevention and suppression of such diseases. The Ministry of Health has classified COVID-19 as a highly infectious respiratory disease; therefore, any infected person who exposes himself to the public without taking proper precaution is guilty of an offence under the Public Health Act. Upon conviction, this will lead to either a fine of up to Ksh 30,000, imprisonment for up to three years, or both. Further, Section 35 of the Public Health Act empowers the Cabinet Secretary responsible for health to declare a disease a formidable epidemic disease.

The Public Health Act gives the Cabinet Secretary, for the time being, responsible for Health, delegated powers to enact subsidiary legislation (including regulations, rules, and orders) for the better implementation of the Act. In this regard, a number of subsidiary legislation have been enacted in the exercise of these powers to provide for detailed implementation of the Public Health Act. In exercise of the powers conferred by Section 35 of the Public Health Act (mentioned above), on 2nd March 2020, the Cabinet Secretary for Health published the Public Health (Declaration of Formidable Disease) Order, 2020 and declared that the Coronavirus disease 2019 is a formidable epidemic disease as defined by the Public Health Act.

Further, in cases where any part of the country appears to be threatened by any formidable epidemic, endemic or infectious disease, the Cabinet Secretary for Health is empowered by the Public Health Act to make rules for prevention, control or suppression of such infectious disease. Pursuant to this authority, the Cabinet Secretary on 3rd April 2020 published the Public Health (Prevention, Control and Suppression of COVID-19) Rules, 2020. The Rules place an obligation on every owner, occupier of premises, and head of a household who suspects that any person who is residing at his or her premises is suffering from COVID-19 to notify a medical officer, public health officer or medical practitioner or take that person to a health facility for treatment. A similar obligation has been placed on employers in

respect of any person who is in their employment. As soon as a medical officer, public health officer or medical practitioner is notified of the above suspicion and upon examination of such person becomes aware or suspects that they are suffering from COVID-19, they are to transfer the patient to the nearest health facility.

After the transfer of the patient the medical officer, public health officer or medical practitioner shall immediately visit and inspect the premises where that patient resides and may either order all persons who have attended to or been in contact with the person to remain on the premises; or cause those persons to be removed to a health facility or other suitable place provided for the reception of persons suffering from COVID-19 or for quarantine. Where a person is confined in a place designated for isolation or quarantine for COVID-19 and escapes from that place, a medical officer shall immediately notify the police and request the police to apprehend and return the person to the designated place.

As indicated above, the Cabinet Secretary may declare any place to be an infected area and regulate the activities and conduct that may be carried out within the infected area. Such declaration shall be by notice in the Gazette and in a newspaper with a wide circulation. Any person residing in a declared infected area may be directed to undergo such mandatory medical inspection or examination as the Cabinet Secretary or Medical Officer of health may direct. Depending on the circumstances in an area, the Cabinet Secretary may designate a private health facility, an educational institution, hotel or any other establishment as he may deem appropriate as a designated facility for purposes of handling and treatment of COVID-19 patients, whether the area is designated as an infected area or not.

A public health officer, health inspector or other person acting on the written instructions of a medical officer of health, may enter any premises to search for any case of COVID-19 or to inquire whether there is or has been any case of COVID-19 on the premises. Upon discovery of any case of COVID-19, he or she shall report the discovery to a medical officer. Where a medical officer has information of contamination of a building or premises, they shall decontaminate it or cause its decontamination. A medical officer of health or public health officer may direct evacuation of such building or premises or prohibit entry for such duration as may be necessary to decontaminate it.

A carrier of COVID-19 is defined as anyone who may present the clinical symptoms of COVID-19 but has been proved or is believed on reasonable grounds, to be harbouring the infection and consequently capable of causing the spread of the virus. All such asymptomatic carriers of the disease are required to allow, on written request by the medical officer of health, the obtaining from him or her, specimens of blood, excreta, discharges or other material required for examination and investigation. Where any carrier intends to change his or her place of residence or work, he/she must inform the medical officer of his or her intended new place of residence or work within 7 days before the change.

The regulations provide that where a building, premises or conveyance has signs of contamination with COVID-19 or where a medical officer has information of contamination of a building, premises or conveyance, the medical officer may decontaminate or cause the decontamination of the affected building, premises or conveyance. Further, where a building, premises or conveyance has signs of contamination with COVID-19 or where a medical officer or public health officer has information of contamination of a building, premises or conveyance, the medical officer or public health officer may direct the manner in which that building, premises or conveyance may be used and may, in that regard, direct the evacuation of that building, premises or conveyance, or prohibit entry into that building, premises or conveyance, for such duration as may be necessary to decontaminate or cause the decontamination of that building, premises or conveyance.

Ensuing from the publication of the Public Health (Prevention, Control and Suppression of COVID-19) Rules, 2020 the President read the Cabinet Secretary's declaration of Nairobi Metropolitan area and the counties of Kilifi, Kwale and Mombasa as COVID-19 infected areas

pursuant to the *The Public Health (COVID-19 Restriction of Movement of Persons and Related Measures) Rules, 2020.* The President further directed a cessation of all movement in and out of these areas for an initial containment period of 21 days with effect from 7:00 pm on Monday, 6th April 2020.

Rule 3 of the Public Health (COVID-19 Restriction of Movement of Persons and Related Measures) empowers the Cabinet Secretary of Health to declare an area as infected and restrict movement into and out of the restricted areas. In exercise of such powers, the Cabinet Secretary of Health published the Public Health (COVID-19 Restriction of Movement of Persons and Related Measures) restricting movement in and out of Nairobi Metropolitan Area, Kilifi County, Mombasa County and Kwale County on 6th April 2020 through various legal notices. The directive was implemented in Nairobi Metropolitan Area on 6th April 2020 and for the other counties as from 8th April 2020. The National Police Service was tasked with the enforcement of the same.

Further, Rule 5 made it illegal for both public and private transport vehicles to carry more than 50 per cent of their licensed capacity and for motorcycles and bicycles to carry more than one passenger. In addition, the rules made it mandatory for all public and private transport operators to wear proper masks. Rule 6 further provided for the maintenance of physical distancing of no less than one metre from the next person and the use of a proper face mask that must cover the person's mouth and nose. Additionally, organizations and business entities had to provide a handwashing station with soap and water or an approved alcohol-based sanitiser, enforce physical distancing within their premises or business location, and regularly sanitise their premises or business location. The rules impose a penalty of either a fine of up to Ksh 20,000, imprisonment for a period of up to six months, or both, for contravening the measures set out above. These regulations were revised over time in response to developments and trends in COVID-19.

Further, Kenya developed a partnership framework to guide partnership coordination of the health sector to support implementation of the Kenya Health Policy 2014-2030, which represents collaborative efforts by all stakeholders in the health sector, including National Government and County Governments, development partners, private providers, civil society, and NGOs to better coordinate and align efforts towards improving the health of Kenyans. Other relevant health laws that have implications on the control and suppression of COVID-19, and its effects, include the Clinical Officers (Training, Registration and Licensing) No. 20 of 2017, the Counsellors and Psychologists Act, 2014, the Public Health Officers (Training, Registration and Licensing) Act, 2013, the Cancer Prevention and Control Act, 2012, the Nutritionists and Dieticians Act, 2007, the HIV and AIDS Prevention and Control Act, 2006, the Sexual Offences Act, 2006, Private Health Sector Policy, 2003, the Medical Laboratory Technicians and Technologists Act, No. 10 of 1999, the Medical Practitioners and Dentists Act Cap 253, the National Hospital Insurance Fund Act, Cap 255, the Food, Drugs and Chemical Substances Act Cap 254, and the Mental Health Act Cap 248.

Because infectious disease control and prevention laws may involve interference with freedom of movement, the right to control one's health and body, and with privacy and property rights, public health laws should balance these personal rights with the government's responsibility to maintain public health. Besides this is the wider and broader obligation to maintain rule of law and avoid arbitrary infringement of citizens' constitutional rights. *In Law Society of Kenya v Hillary Mutyambai Inspector General National Police Service & 4 others; Kenya National Commission on Human Rights & 3 others (Interested Parties) [2020] eKLR,* the High Court in response to allegations of police brutality held that unreasonable use of force in enforcing the Public Order (State Curfew) Order, 2020 is unconstitutional.

Nonetheless, despite the existence of an enabling legislative framework to regulate public health in the country, the Public Health Act is outdated in that it was enacted in 1921 and therefore does

not take into account the devolved institutional structures and regimes and the existing public health authorities that have been created after devolution, which leads to lack of coordination between the National Government and County Governments in the health sector. In addition, due to this, the Act appears disjointed with the Health Act, 2017. Further, the Act is not up to date in terms of current health, modern trends, developments and terminologies in public health. It is expected that the novel Coronavirus will provide an impetus for reform of the country's public health laws.

The Public Order Act, Cap 50

The Public Order Act allows for the imposition of a curfew within a part or all of Kenya by the Cabinet Secretary of the Ministry of Interior and Coordination of National Government. For instance, the initial 5 a.m. to 7 p.m. curfew observed in Kenya was formalized through Legal Notice 36 of 2020. The penalty for failure to observe the curfew included either a fine of up to Ksh 10,000, imprisonment for up to three months, or both. The timings for curfew changed over time through various executive orders and legal notices.

The Public Order Act gives the Minister responsible for administration (now referred to as the Cabinet Secretary for the time being responsible for Interior and Coordination of National Government) delegated powers to enact subsidiary legislation (including regulations, rules, and orders) to give effect to the provisions of the Act. Thus, the Public Order (State Curfew) Order, 2020 was published by the Cabinet Secretary for Interior and Coordination of National Government pursuant to the delegated authority of the Public Order Act on 25th March 2020 and expired on 26th April 2020 in response to the global pandemic of COVID-19 to enforce a state curfew. The Order restricted movement during the hours of darkness between seven o'clock in the evening and five o'clock in the morning with effect from 27th March 2020. The Order prohibited public gatherings, processions or movement either alone or as a group during the period of the curfew. However, the Order did not apply to the following services personnel, or workers: Medical professionals and health workers, national security, administration and coordination of national government officers, public health and sanitation officers in the County Governments, licensed pharmaceutical companies, pharmacies and drug stores, licensed broadcasters and media houses, Kenya Revenue Authority, Kenya Airports Authority and Licensed Civil Aviation Service Providers, Kenya Civil Aviation Authority, Kenya Airways PLC, Kenya Ports Authority and licensed ports operators, power production and distribution companies, water service providers, food and farm produce processors, distributors, dealers, wholesalers, retailers, and transporters, licensed supermarkets, mini-markets and hypermarkets, licensed distributors and retailers of petroleum and oil products and lubricants, licensed telecommunications operators and service providers, licensed banks, financial institutions and payment financial services, fire brigade and emergency response services, licensed security firms and postal and courier services.

These Rules were partially amended by the Public Order (State Curfew) Variation Order, 2020 which required all employers to ensure that their staff who are not designated as critical or essential services providers leave their place of work no later than 4 p.m. to facilitate compliance with the curfew timelines.

The Public Finance Management (COVID-19 Emergency Response Fund) Regulations, 2020

These Regulations were published by the Cabinet Secretary for the National Treasury and Planning on 30th March 2020. The regulations establish a Fund to be known as the COVID-19 Emergency Response Fund, whose purpose is to mobilize resources for emergency response towards containing the spread, effect and impact of COVID-19 pandemic. This includes funding the purchase of essential supplies for public hospitals and other related institutions, health professionals and frontline workers, as need arises; to fund programmes and initiatives towards cushioning and provision of emergency relief to the most vulnerable, older and poor

persons in urban informal settlements; to support and stimulate micro, small and medium enterprises rendered vulnerable by COVID-19 pandemic; to fund restoration of the facilities being used for compulsory quarantine for safe use by the hosting institutions; to enhance the capacity of the relevant research institutions in handling COVID-19 surveillance; and to fund any other emerging issue arising from the COVID-19 pandemic. The regulations provide that the COVID-19 Emergency Response Fund Board shall consist of a chairperson appointed by the President, the Cabinet Secretary for Interior and Coordination of National Government, Chairperson of the Council of Governors, and 8 other members who shall not be public officers, appointed by the President.

The Fund shall consist of monies appropriated by the National Assembly for purposes of the Fund; voluntary contributions from public officers and private persons; grants, donations, subscriptions, bequests or other gifts made to the Fund; and monies from any other source approved by the Cabinet Secretary. The National Treasury is to monitor the application of the COVID-19 Emergency Response Fund as per Regulation 14. Institutions, including the Office of the Director of Public Prosecutions (ODPP) and the Ethics and Anti-Corruption Commission (EACC) donated Ksh 2 billion recovered from graft cases to the National Treasury as part of efforts to bolster the COVID-19 Emergency Fund. Further, the World Bank approved US$ 50 million in immediate funding to support Kenya's response to the global pandemic under a new operation known as the Kenya COVID-19 Emergency Response Project. The winding up of the fund commences when the President of Kenya issues a Presidential Declaration that COVID-19 is no longer a threat to socio-economic and political stability of Kenya, which triggers the process of winding up the Fund.

Nonetheless, poor public financial management and abuse of procurement processes during emergencies pose loopholes for misappropriation of public funds amid the crisis. Therefore, it would be important to use the entrenched constitutional principles, as checks and balances to avoid such incidents. Thus, while these powers are critical during times of emergencies, the principles of accountability and transparency should not be overlooked. Whenever possible, all procurement information related to COVID-19 should be posted on government portals to enhance transparency and trust.

11.3 Role of the International and Regional Community during COVID-19

The global nature of the threat posed by novel and re-emerging infectious diseases requires international cooperation in identifying, controlling, and preventing these diseases. Because of this need for international cooperation, the international and regional community play critical roles in the coordination and implementation of a global strategy for the control of these diseases.

The Role of the United Nations (UN)

(a) The UN Security Council

The UN Security Council has the primary responsibility for international peace and security. According to Article 39 of the UN Charter *"The Security Council shall determine the existence of any threat to the peace, breach of the peace, or act of aggression and shall make recommendations, or decide what measures shall be taken in accordance with Articles 41 and 42, to maintain or restore international peace and security."* As well as the Security Council, the General Assembly and the Secretary-General play important and complementary roles, along with other UN offices and bodies.

Pursuant to Article 99 of the UN Treaty, the Secretary General has the power to bring to the attention of the Security Council any matter that may endanger international peace and security protection. The engagement of the Security Council is critical to mitigate the peace and security implications of the pandemic. However, geopolitical conflicts between the United States of America (USA) and China undermined global coordination efforts to respond to COVID-19 and delayed the meeting of the Security Council.

These geopolitical conflicts undermined the pursuit of a coordinated, uniform, global approach to COVID-19 as guided by WHO guidelines.

(b) The World Health Organization

The World Health Organization (WHO), a specialised organization of the United Nations, declared the COVID-19 disease caused by a new Coronavirus as a pandemic due to its presence in more than 114 states on 11th March 2020. WHO fulfils its objectives through its core functions such as providing leadership on matters critical to health and engaging in partnerships where joint action is needed; shaping the research agenda and stimulating the generation, translation and dissemination of valuable knowledge; setting norms and standards and promoting and monitoring their implementation; articulating ethical and evidence-based policy options; providing technical support, catalysing change, and building sustainable institutional capacity; and monitoring the health situation and assessing health trends.

The World Health Organization has asserted that emerging infections "represent a global threat that will require a coordinated, global response" emphasizing the global nature of their threat. The threat is global because a disease can emerge anywhere in the world and quickly spread to other regions through trade and travel. This has been seen from the COVID-19 disease of which 120,383,919 confirmed cases of COVID-19, including 2,664,386 deaths, reported to WHO as at 17th March 2021[31]. The USA Centre for Disease Control and Prevention (CDC) defines new and re-emerging infectious diseases as "diseases of infectious origin whose incidence in humans has increased within the past two decades or threatens to increase in the near future". The global challenge of emerging infections has serious consequences for national and international institutions as a state's ability to deal with them is eroded because these diseases do not respect borders. Therefore, the pursuit of a strictly national public health strategy is not likely to be adequate or effective as a means of containing the spread of such diseases.

The fast pace of globalization and increase in trade and travel has intensified the need for global cooperation in the public health arena, whereby WHO is in a strategic position to spearhead consultative engagements as the coordinating international agency on health. Indeed, the constitutional mandate of WHO is the "attainment by all peoples of the highest possible level of health" and it was given broad authority "to take all necessary actions" to advance this objective. Specific Articles of IHR 2005 reinforce this by stating that WHO will collaborate with member states in the provision or facilitation of technical cooperation and logistic support (Article 44) and will assist, on request, to develop, strengthen and maintain their core public health capacities (Article 5).

Kenya cooperates with the WHO significantly on matters relating to public health crises. As a member state to the WHO and a signatory of the International Health Regulations (IHR), Kenya is bound by the requirements and obligations under the 2005 IHR. Similarly, by this fact, Kenya has agreed to fulfil its obligation under the IHR to notify the WHO of any event that constitutes a public health emergency within twenty-four hours of assessment of such an event. Significantly, the WHO-Kenya 2008–2013 Cooperation Strategy indicates that one of the main areas of cooperation is providing technical assistance in strengthening Kenya's ability for early detection, diagnosis, management, and control of communicable diseases, including strengthening the country's capacity to prevent and respond to major epidemics and pandemic-prone disease. WHO and Kenya, therefore, have a close collaborative relationship in public health matters whereby WHO has supported Kenya throughout the COVID-19 pandemic and in other public health initiatives.

In responding to COVID-19, the WHO led the global response. The WHO issued a COVID-19 Preparedness and Response Plan, which outlines the strategies states needed to adopt and the resources required to fulfil them. WHO also established a COVID-19 Solidarity Response

[31] https://covid19.who.int/

Fund to ensure patients get the care they need, and frontline workers get essential supplies and information; and to accelerate research and development of a vaccine and treatments for all those who are affected by the disease. In this regard, WHO played a fundamental role in providing information and guidance to states, and the public, to ensure accurate information on COVID-19 is communicated promptly and based on scientific evidence. In addition, WHO established an epidemiological data series with updates on COVID-19 confirmed cases, deaths and recoveries at a global, region and country level, and highlighting key data and trends. Further, WHO has been publishing detailed disaggregated data by age and sex, trends over time, case fatality ratios by age, testing, hospitalization and data on health workers by country and regional levels which are shared by member states. The updates have enabled WHO to conduct and maintain timely global surveillance of COVID-19 as part of its efforts to ensure preparedness, readiness and response and monitor changes of the COVID-19. It also enables the public, public health authorities and policy makers to conduct further analysis by country and region to assist in making targeted interventions. The challenges faced at the international level in coordinating response mechanisms to COVID-19 include lack of consensus by states and politicization of COVID-19 over response mechanisms to the COVID-19, which also undermined efforts to contain the spread of the COVID-19 disease. Uncoordinated responses by states to the COVID-19 pandemic also weakened the control measures that had been put in place by WHO.

Other challenges faced during the subsistence of the pandemic have been non-compliance by states with WHO International Health Regulations, with some states failing to report or misreporting data on COVID-19, which creates a lacuna in governance at a global/international level. A key challenge for WHO has been to ensure compliance with its directives and guidance as there are no enforcement mechanisms for failure to comply with the WHO International Health Regulations, mainly because the International Health Regulations do not envisage the concept of compliance. Further, the IHR are not equipped with compliance mechanisms or procedures to look into instances and responses to non-compliance. The existing regime relies on the procedure of self-reporting from state parties to realize the objective of preventing the spread of diseases. Moreover, the obligation to assess and detect diseases remains the responsibility of state parties, except in the mechanism of surveillance where WHO must assess, through its information gathering networks, events from state parties that could potentially lead to the international spread of the disease and possible interference with international traffic. Therefore, the current regime significantly depends on goodwill, self-awareness and vigilance on the part of state parties.

Countries that have in the past experienced the negative effects of an infectious disease were more vigilant and quicker to respond to the COVID-19 pandemic and other threats of infectious disease. This can be seen from the example of South Africa who imposed stringent measures to curb the spread of the Coronavirus (such as closure of borders and strict measures to restrict movement) owing to their experience with HIV/AIDS, which has detrimentally affected the country. In addition, countries that were affected by Ebola virus were also seen to be vigilant in responding to COVID-19. In addition to being wary of stretching resources too thin or exposing citizens to another infectious disease, these countries may have had the advantage of being able to leverage on past strategies based on their experience with infectious diseases. These countries were able to apply their past experiences in conducting public health campaigns, using their expertise, know-how and infrastructure to conduct widespread testing and carrying out contact tracing to curb the spread of Coronavirus.

The Role of International Monetary Fund

The International Monetary Fund (IMF) approved the disbursement of US$ 739 million to be drawn under the Rapid Credit Facility to support Kenya's response to the COVID-19 pandemic. This was to mitigate the effect of COVID-19 on the Kenyan economy, including reduction of growth of the economy. The IMF also agreed to an additional US$ 2.4 billion financing to support the recovery of the Kenyan economy from the devastating effects

of the COVID-19 pandemic. The IMF indicated its intention to conduct an independent post-crisis audit of COVID-19 related expenditures to ensure that COVID-19 related resources were used for their intended purpose. The IMF responded promptly to support the Kenyan government in aiding the recovery of the economy.

The IMF responded to the Coronavirus crisis by providing financial assistance to help countries, notably to protect the most vulnerable and set the stage for economic recovery. The Fund's actions are focused on providing emergency financing. Through the IMF, emergency assistance and emergency financing has been provided to 80 countries[32]. The IMF further extended debt service relief through the Catastrophe Containment and Relief Trust (CCRT) to 29 of its poorest and most vulnerable member countries on their IMF obligations, covering these countries' eligible debt falling due to the IMF for the period between April 2020 and April 2021. This debt relief helps the benefiting countries to channel more of their scarce financial resources towards vital emergency medical and other relief efforts while these members combat the impact of the COVID-19 pandemic. As the IMF monitors economic developments and the impact of the pandemic at the global, regional, and country levels, it recommends policies needed to overcome the crisis, protect the most vulnerable and set the stage for economic recovery.

The Role of the African Union

The African Union has established an Africa Taskforce for Coronavirus (AFTCOR) to develop a unified continent-wide strategy, and sectoral strategies to combat the virus and its impact. African member states are also taking several measures at a national level to contain the spread of the virus and mitigate its socio-economic impact. The African Union also established a COVID-19 Response Fund for implementation of the continental strategy to respond to the pandemic. The African Union organized a fundraiser webinar to inform and solicit support and contributions from the African private sector, public and other partners, to ensure that the continent can respond effectively to the COVID-19 pandemic.

Role of the East African Community

The East African Community (EAC) established a comprehensive COVID-19 Response Plan to reinforce measures to protect and prevent further spread of the novel Coronavirus pandemic within the region. The response plan was developed following a directive by the Joint Meeting of Ministers responsible for Health, Trade and EAC Affairs held via video conference, which directed the EAC Secretariat to finalize and submit the EAC Regional COVID-19 Response Plan to the partner states. Among the key interventions proposed in the plan are risk communication and community engagement, which entails strengthening sensitization programmes and awareness creation on COVID-19. The response plan further seeks to ensure access to infection, prevention and control materials, laboratory supplies and equipment by the EAC organs and institutions, and the EAC partner states. Another key intervention is to strengthen the region's capacity for COVID-19 surveillance and reporting at all key border points, and build knowledge on safety measures, existing prevention and control strategies, and relevant regional guidelines. Mitigation of the fundamental impacts of the pandemic on the vital economic and social sectors of the region, including micro, small and medium enterprises is another key intervention outlined in the document. Other measures include building regional capacity to support partner states on surveillance, monitoring and coordination of preparedness and response to the pandemic, research and development, and resource mobilization.

The EAC also established networks to work with partner states and development partners to mobilize various stakeholders to achieve a broad coalition in stepping up preparedness against COVID-19 in the region. These include airport authorities in partner states' points of entry, government regulatory agencies, and

[32] https://www.imf.org/en/About/FAQ/imf-response-to-covid-19#Q1

other regional organizations. Among the efforts taken so far by the Community include training of EAC Mobile Laboratory experts with one expert per partner state having completed training on COVID-19 laboratory diagnosis at the EAC headquarters in Arusha, Tanzania. The Community also procured and distributed nine (9) mobile laboratories that are capable of diagnosing Ebola and COVID-19. However, majority of response mechanisms were managed at partner states' level, with few regional interventions being coordinated by the EAC Regional Ad Hoc Coordination Committee (EARCC). The EARCC (renamed Regional Taskforce on COVID-19) established linkages to the national taskforce of each partner state, and worked closely with implementing agencies including GIZ, TradeMark East Africa, JICA and USAID KEA. Within the EAC, however, acrimonious foreign relations among some member states over discordant views and responses to the pandemic have watered down attempts at coordinating response mechanisms and undermined efforts to control the spread of the virus.

11.4 Role of National Government and County Governments during COVID-19

11.4.1 National Government

Role of the Executive

A declaration of a state of emergency in Kenya is provided for in Article 58 of the Constitution, 2010. The said powers can only be exercised by the President in accordance with the provision of Article 132 (4). The declaration of emergency is limited to 14 days; however, the same may be extended by a resolution of the National Assembly. The resolution must be supported by a vote of at least two-thirds of all the members of the National Assembly and any subsequent extension require a supporting vote of a least three-quarters of all the members of the National Assembly. The Supreme Court of Kenya has the mandate to decide on the validity of a declaration of the state of emergency where an issue arises in so far as the extension of the emergency and enforcement of any legislation enacted and or action taken because of a declaration of a state of emergency.

However, Kenya has not declared a state of emergency in response to the COVID-19 disease; instead, the Government sought to invoke the provision of the Public Order Act, through which it issued several directives including but not limited to a dusk to dawn curfew orders pursuant to Section 8 of the Public Order Act. Public Health emergencies such as COVID-19 are provided for in the Public Health Act, which gives a wide array of power to the Cabinet Secretary for Health whenever any part of Kenya appears to be threatened by any formidable epidemic, endemic or infectious disease.

Further, the National Police Service was called upon to ensure enforcement of the directives, including the nationwide curfew under the Public Order Act. Allegations of police brutality and violation of human rights by the police against citizens in enforcing COVID-19 directives led to criticism over the police. It is important to balance the use of emergency powers to respond to the COVID-19 pandemic and protect the public from its spread. The specific measures adopted by the Executive ought to be appropriate to prevent or reduce the threat posed by COVID-19 and strive to ensure that there is a reasonable balance between the coercive measures imposed on individuals and the public health benefit that they seek to achieve. The appropriate exercise of emergency powers often varies according to the seriousness of the disease, the means of transmission, and how easily the disease is transmitted. Nonetheless, they must be proportional, and ensure reasonable use of force, be non-discriminatory nor arbitrary, and be grounded in applicable legal frameworks. All officers under the National Police Service are bound by the rules and principles of Article 238 and 244 (d) of the Constitution to protect the rights of all citizens and further the statutory obligations under the sixth schedule of the National Police Service Act and Section 14 of the Public Order Act, which stipulates that in use of force, the degree of force should not be greater than is reasonably necessary for the purpose it is being exerted.

While the Government's response mechanisms and measures of dealing with the COVID-19 pandemic ought to be supported, the observance of human rights and fundamental freedoms

is cardinal. The response by state agencies in placing suspects under forced quarantine and the action of the police in subjecting the citizens to physical assault points to the risk of violation of the Constitution. The health directives given by the Government to curb the spread of COVID-19, though laudable, require that those entrusted to enforce them be guided accordingly to ensure the end goal is achieved without compromising on the Bill of Rights. This led to dissonance between the Executive and Judiciary, as the Judiciary held in various cases against the Ministry of Interior and Coordination of National Government that the use of force by police was unreasonable and unconstitutional.

The Ministry of Health further complied with the WHO International Health Regulations by providing detailed daily reports on COVID-19 cases by county, age and gender. This has allowed the Ministry, and the public, to monitor trends occurring in COVID-19 and make appropriate responses to address the situation.

Role of the Legislature (Senate and National Assembly)

Article 58(2) of the Constitution grants Parliament the mandate over the exercise of emergency power as declared by the President. These powers extend only to instances where the emergency exceeds 14 days. The Public Order Act gives the Cabinet Secretary powers to impose a curfew. According to the law, the curfew remains in force until it is rescinded by the minister. Parliament oversights this power through its Committee on Delegated Legislation to ensure the Cabinet Secretary acts within the ambit of the law and does not use the discretion granted to him in a manner that contravenes the Constitution. Parliament also has legislative making powers through its National Assembly and Senate.

Role of the Judiciary and Access to Justice

Addressing COVID-19 is first and foremost a public health concern that has affected a wide number of sectors and radically shifted the way of life. However, the impact of the crisis, and the legal and policy responses developed by countries to counter the spread of COVID-19, have much wider ramifications that affect a broad range of human rights, including the ability of people to access justice in a timely, fair, and effective manner. The crisis also presents specific justice needs, such as addressing the rise in gender-based violence, police brutality and human rights violations and reorganizing internal systems and structures to strengthen the effectiveness of the justice system in the context of a pandemic. On 15th March 2020, the National Council on the Administration of Justice (NCAJ) resolved to scale down operations across the entire justice sector, including the Judiciary, as a way of curbing the spread of COVID-19 and reduce interaction between the public and the Judiciary. NCAJ (which is chaired by the Chief Justice) thereby appointed an ad hoc subcommittee consisting of major stakeholders in the justice sector, including the Judiciary, Office of the Attorney General and Department of Justice, Police, Office of the Director of Public Prosecutions, Kenya Prisons Service, Law Society of Kenya, Probation and Aftercare Service and the Ethics and Anti-Corruption Commission, among others, to monitor the COVID-19 situation and advise the NCAJ. The establishment of the committee was motivated by the need for the Judiciary to adopt measures to guarantee continued access to justice and expeditious disposal of cases in an environment that is not conducive to the spread of the pandemic.

Since the notification of the existence of COVID-19, the Judiciary has sought to implement special measures to mitigate the negative impact and effects of COVID-19 on legal processes while protecting the safety of members of the public and ensuring the judiciary plays its role in flattening the curve and preventing further transmission of the virus in line with the guidelines issued by the Ministry of Health to curb the transmission of the virus.

Key considerations were made regarding the susceptibility of the Judiciary and the legal justice sector to infection and transmission of COVID-19, which prompted the need for mitigating measures to be put in place to curb the spread or slow down the rate of transmission of COVID-19. Firstly, courts are heavy human-traffic establishments and court users, including judicial staff, witnesses, suspects of crimes, petitioners, lawyers, advocates,

pupils, paralegals and clerical staff may reside in areas where the spread of COVID-19 has been reported to be increasing. If a court user or judicial officer were to contract the virus, it would have a significant impact on the public health of the country. Further, a number of judicial officers conduct their court sessions from their chambers, making it difficult to maintain the required social distances and avoid close interactions. Also, scheduling open-court hearings and requiring them to appear personally will be putting them in harm's way. Court activities involve extensive exchange of paperwork, from advocates' offices to registry staff and finally to the judicial officers. Therefore, the risk of accelerating the spread of the virus through courtroom activities is inordinately high. In addition, both the Bench, the Bar and a number of litigants comprise many senior members who fall within the age bracket (58 and above) considered most vulnerable to COVID-19. In the case of the advocates who choose to work from home while their matters are listed for hearing, this would amount to breach of professional duty to represent their clients. This led to imposition of measures geared around scaling down of operations within the judiciary and other operations and services that affect the legal justice sector.

The COVID-19 pandemic has disrupted access to and administration of justice as individuals have been required to adopt physical and social distancing to curb the spread of COVID-19 disease. This has necessitated the digitization of legal services and in doing so has accelerated the evolution of the legal and justice sector, which was long overdue for rejuvenation. The use of legal technology and tech-facilitated justice have been widely used in the country, including the use of digital systems for legal practice and virtual courts. Generally, the strategies used by the Judiciary have been geared towards preventing the disruption of legal processes and ensuring continued operation of the judicial system while still preventing the transmission of the virus. This has included use of technology to avoid face to face contact, establishment of virtual courts, implementation of digital systems to enable online processing of judicial cases, use of video conferencing for court hearings, internal reorganization of work duties of judicial staff through remote working, establishment of digital systems to enable advocates to file suits online, establishment of dedicated cell phone and email to enable communication between parties and/or lawyers and court staff, temporary suspension of face to face attendance in court hearings and most critically suspension of the need for parties to comply with cases management rules and orders. This has provided an opportunity for the Judiciary to improve access to its services through digitization.

While the Judiciary has scaled down its operations, this has not meant that judicial services have been closed indefinitely. The following key judiciary services are currently being offered across the country. First is plea taking and urgent criminal hearings where all suspects in serious crimes are required to be presented in court for plea taking. This measure denotes that all suspects regardless of the nature of the offense are to be arraigned in court within 24 hours of arrest unless otherwise released on bond/bail by the police station where they are held. Police are to release minor offenders on bond or bail, failure of which they must take all suspects to court within 24 hours. Also, regarding filing of urgent matters and pleadings in civil matters, the Judiciary has recommended that except in exceptional circumstances, all pleadings are being filed and served electronically by scanning in pdf format. The virtual filing of documents is to be streamlined to enhance efficiency. Presiding Judges and Heads of Court Stations are to determine which matters can be heard and determined remotely and they are required to review their cases with a view to developing and issuing cause lists for remote hearing.

While these measures are well-intended largely to protect members of the public, court users and the staff of the Judiciary from contracting COVID-19, these measures have had both positive and negative impacts on the legal and justice sector and the overall justice system in Kenya. These issues relate to reducing risks of COVID-19 in prisons and detention centres, and issues to consider in ensuring access to justice for specific population groups, from access to legal aid and information, to comprehensive services for victims and survivors of violence, to protection

of vulnerable groups. Moreover, the growing backlog of cases across the entire justice system has been a consistent challenge affecting the delivery of justice in Kenya. Ultimately, this has resulted in delay in access to justice, particularly for vulnerable groups who require faster, more responsive justice, such as victims of sexual abuse, victims of human rights abuses and those evicted and are rendered more vulnerable to contracting COVID-19. In addition, resolution of civil cases has been significantly affected as there have been delays in hearing and determination of civil cases. This has been worsened by the measures requiring suspension in execution of civil decrees and orders. This ultimately means that parties to civil suits may not obtain the relief they seek in a timely, definitive manner. Limited technological know-how, availability of internet connectivity, ICT applications and electricity to all members of the public has also undermined the efficacy of the use of video conferencing and other online tools being used. Further, the e-filing system may be difficult for self-litigants to use.

Other measures have included partial closure of land, companies and marriage registries, thus delaying critical transactions and delaying access to public services. Of key concern has been the direct impact of scaling down operations of the judiciary, stalled transactions and closure of key registries on legal professionals, which has led to reduced work for litigants and advocates, loss of income, loss of opportunity, loss of employment, redundancy and frustration. While advocates are listed as essential services, the scaling down of operations of the Judiciary and closure of key registries (which form part of their core day-to-day business) have effectively impaired them from carrying out their work.

More pertinent implications relate to the risk of criminals taking advantage of partial closure of courts to commit crimes and delay in accused persons taking plea and likelihood of escaping justice. Besides this is the wider and broader impact on the capacity to maintain rule of law and avoid arbitrary infringement of citizens' constitutional rights. The directives issued by the Ministry of Health have had profound impact on the wider questions of enforcement of court orders, rule of law, police brutality, the place of the judiciary, human rights abuses, access to justice for vulnerable groups and reduced access to legal aid. In *Law Society of Kenya v Hillary Mutyambai Inspector General National Police Service & 4 others; Kenya National Commission on Human Rights & 3 others (Interested Parties) [2020] eKLR,* the high court in response to police brutality held that unreasonable use of force in enforcing the Public Order (State Curfew) Order, 2020 is unconstitutional.

Even though the measures proposed by NCAJ have undoubtedly impacted the operations of the judiciary, the legal justice sector and workings of the judicial system, a number of opportunities have emerged. The COVID-19 pandemic has compelled the Judiciary to invest in technology and other modern equipment to carry out and upscale justice delivery in a faster, more efficient manner through use of technology. This has also created an opportunity for litigants to reduce use of unnecessary paperwork through digitization. The Judiciary can also leverage on technology through faster uploading of judgments and rulings, and reduced handwriting of judgments.

While COVID-19 has posed significant challenges and strife among communities, it has undoubtedly prompted the judiciary to rethink its mode of operations and its inclusion in digital transformation and the digital economy. This has presented an opportunity to digitize and modernize its operations as has been envisaged in the Judicial Transformation Framework 2012-2016, though this requires more robust guidelines by the Ministry of ICT on ICT security. It is apparent that what is required going forward is a comprehensive strategy to enable the justice sector to respond effectively and address the short, medium, and long-term impact of the crisis. This requires adopting a holistic and inclusive strategy for ensuring the continued functioning of the justice system and equal access to fair, timely, and effective justice services. Lastly, is that the place of the Judiciary in facilitating access to justice needs to be strengthened.

11.4.2 Measures by County Governments to mitigate the effects of COVID-19

The Council of Governors through its mandate, which is set out under Section 19 of the

Intergovernmental Relations Act, 2012 has provided a central point for coordination of County Governments' COVID-19 response measures. The County Governments came up with plans to tackle the COVID-19 pandemic, including treatment of confirmed cases (recruitment of health workers, procurement of personal protective equipment (PPEs), expanding intensive care units, establishment of quarantine, isolation and testing capabilities); preventing the spread (COVID-19 prevention guidelines, community surveillance strengthening of border disease surveillance by counties, enforcement of market guidelines, initiating production of face masks at vocational training centres in various counties); supporting the vulnerable with formation of county food security war rooms; and raising finance by setting up COVID-19 emergency funds. Other countermeasures imposed by County Governments include closure of open markets within the counties. For instance, Kakamega County Government ordered the closure of mortuaries, provided a waiver of mortuary expenses to facilitate speedy disposal of bodies, and imposed a total ban on weddings in the county.

Other County Governments developed their own county laws in line with their legislative authority under Article 185 of the Constitution to provide a framework for control and prevention of COVID-19 and other infectious diseases within their counties. The County Government of Nyeri enacted the Nyeri County COVID-19 and Highly Infectious Diseases Response Act, 2020. The purpose of this Act is to provide a legislative framework to prevent, control and manage the spread and impact of COVID-19 and other highly infectious diseases; establish an Emergency Response Committee; provide for allocation of resources to meet the demands in times of outbreak of infectious diseases; provide for the establishment of public health standards during infectious diseases; provide for recruitment of temporary health workers and other professionals; provide for safeguards in respect to health workers during infectious diseases outbreak; provide for socio-economic support for all including water and electricity supply during infectious diseases outbreak; and improve quality of service delivery for better control and management of COVID-19 and other highly infectious diseases.

This is similar to Laikipia County Government, which also published the Laikipia County Public Health (Prevention, Control and Suppression of COVID-19) Regulations, 2020 to prescribe additional precautions and measures to prevent, suppress and control the transmission and spread of COVID-19 within the county, which is also a means through which the county is playing a role in supporting the National Government in containing the spread of the COVID-19 virus. Counties can enact laws and establish legislative and institutional frameworks to promote public health initiatives and respond to county-specific public health concerns within their respective counties. This would ensure counties are able to respond to public health concerns should they arise in future. Further, this would ensure the counties build their preparedness by having the necessary legal and institutional structures in place in the event public health emergencies or disease outbreaks occur in their regions in future.

In coordinating response measures for COVID-19, National Government and County Governments held consultative dialogue and platforms. However, instances of duplication of resources and efforts by National Government and County Government have led to wastage. Further, failure by some counties to achieve the required bed capacity prescribed by the National Government has undermined the effectiveness of COVID-19 response mechanisms.

Given that health is a devolved function, it is critical to ensure County Governments are empowered to fulfil and implement government policies in bolstering the health sector for achievement of universal healthcare. Going forward, County Governments are key players in ensuring speedy post-COVID-19 recovery to ensure achievement of the "Big Four". Further, the "Big Four" agenda includes affordable housing, universal healthcare and food security and agriculture, which counties are required to implement as part of the devolved functions. Therefore, the involvement and cooperation of County Governments is imperative in ensuring

the realization of the "Big Four" agenda. The establishment of consultative sectoral forums comprised of relevant National Government and County Government representatives would provide the platform for dialogue, consultation and participation. This would provide a platform to build consensus among all stakeholders involved in implementation of the "Big Four" agenda projects.

11.4.3 Measures by regional economic blocs to mitigate the effects of COVID-19

Thus far, six (6) county regional blocs have been formed in Kenya, namely North Rift Economic Bloc (NOREB), Lake Region Economic Bloc (LREB), Frontier Counties Development Council (FCDC), South Eastern Kenya Economic Bloc (SEKEB), Central Kenya Economic Bloc (CEKEB) and Jumuiya ya Kaunti za Pwani (Coast Counties Bloc). During the subsistence of COVID-19, the various regional blocs coordinated in various ways. For instance, the LREB is developing a bloc COVID-19 Control Strategy. The focus of the multi-thronged strategy is on infection prevention and control. The strategy proposes the establishment of a regional counties' coordination platform; promotion and building of partnerships, advocacy and resource mobilization; advocacy support through engagement with the government agencies, communities and partners; establishment of model village and communities that are safe; inter-county and cross border surveillance due to movement of people; identification of opportunities and provision of technical advisory support; inter-county sharing of human resources and training for quality health care; inter-county evacuation and assistance to county emergency response; and use of telemedicine and modern technology for the region. The blocs also worked together to undertake coordinated response mechanisms.

Regional economic blocs have potential to harness their synergies towards combating COVID-19 to ensure attainment of the "Big Four" agenda targets. However, most of the counties and the regional blocs are yet to develop guiding frameworks or enact enabling legislation within their respective County Assemblies to fortify their respective regional blocs and ensure their respective blocs are properly constituted and recognized as legal entities. Having a legal framework to recognize the establishment of regional blocs legally and formally is imperative to ensuring realization and implementation of the blocs' intended projects. Creation of a legal framework by all regional blocs would provide the necessary legal standing for their establishment and ensure that regional blocs are recognized in law, which is key in empowering the regional blocs to respond to COVID-19 and put in place coordinating mechanisms within the region for socio-economic recovery from COVID-19. Further, it is imperative for all member counties to enact laws within their respective blocs to ratify the policies developed by the regional blocs, including mechanisms for allocation of funds from member counties to finance activities of the bloc and enable them to operate fully, and legally.

11.5 Role of Private Sector during COVID-19

The private sector has been recognized as the main driver of value creation, growth and job creation. This implies that private sector performance is highly correlated with overall economic performance so that exposure of the sector to the effects of COVID-19 has potentially huge multiplier economic impacts. The strategic role of the sector makes its contribution inevitable to the recovery process. The sector is the producer of personal protective equipment, medicines, laboratory supplies, equipment and insurance.

The Kenya Private Sector Alliance (KEPSA) was established in 2003 as an apex body that gives a single voice to the private sector in Kenya to influence public policy. With a membership of 500,000 direct and indirect members, KEPSA has a structured public-private dialogue with various levels of Government, which works through 17 sector boards that represent 17 economic sectors. At the highest level of the executive, the Presidential Round Table brings together KEPSA, the President and Cabinet twice a year. The next tier is the Ministerial Stakeholder Forum where the 17 sector boards engage respective ministries bi-monthly. The private sector engages counties through the Council of Governor's Forum held

once annually, and parliament through the Speaker's Round Table.

At the onset of COVID-19, KEPSA responded in various ways using existing partnership structures. First, KEPSA put in place a COVID-19 Business Response Committee in March 2020, which developed an Economic Management Framework for COVID 19 response. The framework made several proposals for the government and private sector to mitigate the impact of COVID-19 on businesses and the economy. Some of the proposals contained in the framework informed KEPSA dialogue with the government, which were used to develop the economic stimulus package outlined by the President on 25th March 2020 and effected through the enactment of the Tax Laws Amendment Act 2020.

The second response by KEPSA was to spearhead resource mobilization towards the COVID-19 Fund, which is private-sector-led. The fund was established in March 2020 to mobilize resources towards the fight against the pandemic and support affected Kenyans. As at 26th October 2020, the ten leading donors to the fund included Equity Bank and James Mwangi family (Ksh 1.1 billion), Safaricom (Ksh 200 million), National Treasury (Ksh 150 million), Media Owners Association (Ksh 150 million), KCB Bank Kenya Ltd (Ksh 150 million), Standard Chartered Bank (Ksh 112 million), Hindu Council of Kenya (Ksh 110 million), Devki Group (Ksh 100 million), Co-operative Bank (Ksh 100 million), NCBA (100 million), ABSA Bank Kenya (Ksh 50 million), Shree Cutchi Leva Patel (Ksh 50 million), DTB Bank Kenya (Ksh 50 million). In addition to supporting the national COVID-19 fund, KEPSA launched the MSMEs COVID-19 Fund in August 2020 to give relief and build resilience among MSMEs by providing interest-free loans of up to Ksh 2 million to those affected by COVID-19. The fund is a joint project between the Kenya Private Sector Alliance (KEPSA) and the Mastercard Foundation that targets about 400 businesses, especially those owned by women and the youth. While Mastercard will provide the loanable funds repayable within 6 months, KEPSA will screen the applicants to ensure that they conform to the eligibility criteria.

The Kenya Healthcare Federation (KHF) – a health sector board of KEPSA was founded in 2004 to promote public-private partnerships between the government and healthcare providers, hospitals, pharmaceutical manufacturers and insurers. During COVID-19, KHF has used its networks to test and provide medical care to infected people, to provide quarantine facilities and feed medical staff at Kenyatta National Hospital. In addition, KHF put together a 24-hour response team, which collaborates with government agencies to ensure safety of Kenyans. KHF in collaboration with M-Tiba unveiled a new SMS-based service to facilitate the movement of healthcare service workers during curfew hours and lockdowns. The service helps security agencies to identify essential healthcare service workers and allowing them to offer seamless service. M-Tiba has developed a verification platform for security officers to check that people are healthcare workers providing essential services. They can do this by sending a free SMS with an ID number of the healthcare worker to 20253, upon which they receive a confirmation message from M-Tiba authenticating the ID – and vehicle registration details, when available. This will help KHF members, who are providers of gazetted essential services, to carry on with their official duties during curfew hours, or when transiting through lockdown areas. Over 2,000 staff of KHF member organizations have already been registered on the platform pilot.

Besides, KEPSA lobbied its members to protect jobs and reduce the risk of infection by allowing some to work from home and implement social distancing. Members were also encouraged to donate PPEs, sanitation materials, and food, among other items. A survey conducted in May/June 2020 shows that 46 per cent of all 2,466 responding firms had retained all their employees, 61 per cent had benefited from lower PAYE, 48 per cent from reduced VAT and 45 per cent from reduced corporate tax. However, fewer respondents (21% and 12%) had benefited from lower TOT and cheaper loans, respectively. Even fewer firms (6%) had their pending bills paid by government agencies while 11 per cent had received their VAT refunds.

In March 2020, KEPSA launched "Flowers of hope", which was a collaborative project between Kenya Healthcare Federation, Kenya Flower Council, Kenya Association of Manufacturers, Elgon Kenya, Kenya Airways, Jambo Jet, Rotary Kenya and Women of Kenya. The purpose of this initiative was to convey messages of hope and compassion to frontline staff or the suffering during response to COVID-19 and to cushion jobs in the flower industry. The campaign began by distributing flowers to five hospitals (Kenyatta National Hospital, Mbagathi Hospital, Pumwani Maternity Hospital, Mama Lucy Hospital, Mathare Hospital and National Spinal Injury Hospital). Later, the distribution was expanded to United Kingdom, which is one of the leading markets for Kenyan flowers.

In April 2020, the Kenya Association of Manufacturers automotive sector led by Mutsimoto Ltd unveiled Pumuashi 3.0, which is Kenya's first locally manufactured intensive care unit (ICU) ventilator. This machine was certified by the Kenya Bureau of Standards (KEBS) in September 2020. The invention brought together players from both private and public sectors, namely KEBS, KAM, Mutsimoto Motor Company, Mobius Motors, Kenyatta National Hospital and Aga Khan University. The project drew expertise from diverse fields including programming, engineering (biomedical and automotive) and medicine. Some of the unique features of the ventilator include its ability to run for at least 24 hours without power, which makes it handy during power blackouts. It can also be powered by solar energy, a feature which endears it for use in ambulances. The machine uses locally sourced raw materials and expertise, which demonstrates the local potential for manufacturing to be self-sufficient. Unlike other competing models, which can only be used by one age group, Pumuash 3.0 can be used by both children and adults weighing up to 180kg.

11.6 Role of Civil Society and Communities during COVID-19

During a pandemic, the vulnerability of poor people is higher than the non-poor. Moreover, the poor have limited means of responding to the adverse effects of pandemics and advocating for their rights. To fill this space, civil society organizations evolve to complement the action of states by providing services to those on the margins (women, children, the elderly, the poor, persons with disability) and give them a "voice'. In doing so, civil society organizations (CSOs) are driven not by profit like private firms but by voluntarism, charity, people-centredness and philanthropy. During COVID-19, the elderly and those with compromised immunity arising from pre-existing conditions were hardest hit.

The definitional scope of civil society is wide. Civil society actors include NGOs, trusts, societies, cooperatives, CBOs, charities, foundations and many others, which give voice to various sectors of society and enrich public participation in democracies. However, civil society is dominated by NGOs. According to the NGO Council, there were 11,262 registered NGOs in Kenya by 30th June 2019. Despite this large size, the sector is not well organized because of institutional policy and coordination problems. In the context of COVID-19, civil society is expected to respond to emerging issues such as community participation, human rights, inequality, discrimination, joblessness, equity, ethics and so on. The onset of COVID-19 has affected CSOs internally and externally. Internally, it has disrupted CSOs funding. Externally, it has curtailed their community outreach activities.

Although Kenya adopted a primary health care approach in the 1980s, the main focus at the time was on health care facilities, with less emphasis on community participation. This situation was reversed in the 2000s with the launch of the first ever community health strategy launched in 2006, whose main objective was to reverse poor health outcomes to achieve the Millennium Development Goals 4 and 5. The strategy introduced the Kenya Essential Package for Health, which was fashioned along the 6-level cohort of health service provision with level 1 being the community unit and level 6 being the referral hospital. The 2006 strategy was revised in 2013 to produce the 2014–2019 community health strategy, in which counties are responsible for delivering health services and implementing health programmes, including community health. Currently, delivery of health services is guided by

the Kenya Community Health Policy 2020–2030.

Over time, the deployment of community health strategies in Kenya has been hampered by lack of adequate resources, lack of standardization of community health services across counties, lack of prioritization of community health workers in the distribution of PPEs and lack of compensation for community health workers. In 2018, Kenya had a 41 per cent gap in the provision of community units (6,087 actual units vs 10,375 targeted units), 85 per cent gap in the deployment of community health assistants (1,569 actual staff vs 10,379 targeted staff) and 17 per cent gap in the deployment of community health volunteers (86,025 actual staff vs 103,783 targeted staff).

The faith sector includes faith-based CSOs, informal faith-based programmes, initiatives and community-based organizations, larger national and international NGOs, religious congregations and groupings, faith-based institutions (schools, hospitals, vocation and technical colleges, orphanages, homes for the elderly, children homes and so on), networks (including Christian Health Associations - CHAK, Inter-Religious Council of Kenya - IRCK, Kenya Episcopal Conference, National Council of Churches in Kenya – NCCK and Supreme Council of Muslims of Kenya -SUPKEM). Many faith-based actors are located at the grassroots. They play important roles as advocates of marginalized people, minority rights and gender equality, and therefore play a key role in enhancing space for civil society. Using their presence and networks at the local level, FBOs responded to COVID-19 by getting messages across to communities and people outside the immediate reach of government campaigns. Religious leaders have supported their communities in terms of providing physical resources, spiritual guidance and information sharing. In addition, they have supported their congregants and community by: (1) supporting their members to adapt to the "new normal" of congregational worship and other religious ceremonies; (2) countering all forms of misinformation, stigmas and hate speech; and (3) supporting dialogue with youth and leaders to create lasting solutions to common challenges.

The Interfaith Council for National Response to the Coronavirus Pandemic has been developing guidelines for reopening places of worship and hosting celebrations and other religious ceremonies, including religious funerals. To prevent the spread of COVID-19, Catholic Relief Services and their partners are supporting high-risk populations, especially elderly people, vulnerable children, and caregivers in Nairobi and Kisumu. The Muslim Psychologist and Councillor Association (MPCA) is a group of 40 psychiatrists, psychologists, counsellors and volunteers who offered mental health and psycho-social support to religious and traditional communities to mitigate the anticipated mental health crisis by dealing with the immediate distress caused by the pandemic. World Vision responded to COVID-19 by providing humanitarian assistance to vulnerable populations and collaborating with religious leaders to support faith-based communities. The organization procured food and other essential items, then connect school districts—who identify the most vulnerable children and families in their communities—with local churches to serve the neediest families.

11.7 Cooperation and Coordination between Government, Private Sector, Civil Society and Development Partners

The 2030 SDGs emphasize the role of partnerships in achieving all the other goals. This is because sustainable development is a complex process that cannot be achieved by one actor alone. A combination of capacities and resources are needed from multi-stakeholder partnerships, bringing together government, private sector and civil society to make this happen.

The Kenyan National Business Compact for COVID-19 was officially launched in Nairobi on 16th of March 2020. The coalition brings together actors from the private sector, government, non-profit, international organizations and professional associations. The main actors are Marketing Society of Kenya (comprised of competing brands in hygiene), Kenya Association of Manufacturers, Kenya Private Sector Alliance, Public Relations Society of Kenya, AMREF,

Association of Practitioners in Advertising, SDG Partnership Platform, and the UN family in Kenya. The compact is working with Business Fights Poverty and other Business networks on global best-practice. The main purpose of the compact are to: (a) Provide unified communications around COVID-19 to support and clarify messages to communities; (b) Scale up hygiene facilities in government-identified hotspots by leveraging the supply chain to increase handwashing supplies and infrastructure; and (c) Create a flexi-fund for rapid response to government appeals. The NBCC identifies opportunities for augmenting efforts of multiple stakeholders to accelerate local action and support the Ministry of Health and government efforts in countering the COVID-19 pandemic in Kenya.

Wheels for Life (W4L): This programme commenced on 28th April 2020. The brainchild of the programme is an obstetrician gynaecologist at Kenyatta National Hospital. The idea was to mitigate preventable maternal deaths during curfew and the COVID-19 pandemic by availing safe transport convenient to support baby deliveries. Ultimately, the outcome will be a stronger and more resilient community-based health care system. The initiative has eleven partners, namely University of Nairobi, Ministry of Health, KEPSA (Kenya Health Care Federation), Bolt, AMREF Health Africa, Telesky Ltd, Rescue Co emergency services, Citizen, Bolt, Pharmacess Foundation, UNFPA and Nairobi Metropolitan Services. The project is a free ambulance for mothers in labour after dark, with the costs being covered by partners. The patient calls 1196 to talk to a doctor after which the doctor gives advice to the patient on how to handle the situation. For an emergency, an ambulance is dispatched to collect the patient for admission for safe baby delivery. If not an emergency, a cab is dispatched. By February 2021, 60,108 calls had been received, 2,978 deliveries had been successfully conducted, 779 cabs had been dispatched and 653 emergency ambulance trips had been made. At the time, the programme had spread from Nairobi to five counties: Uasin Gishu, Kiambu, Machakos, Nyeri and Nakuru.

11.8 Challenges in Fostering Partnerships

Labour disputes between County Governments and health worker unions

The COVID-19 pandemic hit the country when the health sector was already facing industrial unrest. Strikes became a common feature of the health sector in 2013 when the health sector was devolved. For instance, between 2013 and 2020, there were more than 26 strikes by health workers, with the longest strikes in Kenya's history being the 100 days strike for doctors and 150 days strike for nurses in 2017. These strikes have been attributed to unpreparedness of counties to manage devolved health functions. Specifically, it has been observed that the devolution process moved faster than planned, which resulted in counties that were required to provide services without proper structures in place. The most immediate problem these counties faced was weak human resource management structure, thus exposing health workers to poor pay, salary delays, lack of career progression and training. It has also been observed that the recurrence of these strikes year after year was because health workers usually returned to work with their concerns largely unresolved, which tended to fuel further strikes.

Additional challenges that faced devolved health services included unharmonized salaries and allowances, non-remittance of health workers statutory deductions, delayed promotions and redesignations, staff shortages, inadequate budgets, skewed distribution of health workers, loss of skilled and specialized manpower, unclear procedures for career progression, inadequate infrastructure and equipment in health facilities, poor interpretation of guidelines for staff seconded from the national government, understaffing and complexity of procedures for inter-county transfers.

The number of COVID-19 infections started spiralling in Kenya in the months of June and July 2020. This led to crowded health facilities and

increased exposure of health workers to infection. Due to lack of masks and Personal Protective Equipment (PPEs), infections among frontliners started rising. This called for interventions that would enhance health workers welfare (including mental health services, adequate and regular pay, medical cover, risk allowances) and safety (including adequate PPEs and sufficient workspace to ensure physical distancing measures). Since this expectation was not met, by December 2020 hundreds of health workers had been infected by COVID-19 while over 30 had succumbed to the virus. In protest, the three health workers unions (Kenya National Union of Nurses - KNUN, Kenya Union of Clinical Officers - KUCO and Kenya Medical Practitioners, Pharmacists and Dentists Union - KMPDU went on strike in early December 2020.

Following the strike, the Ministries of Labour and Health and the Council of Governors (representing 47 counties) engaged the unions (KMPDU and KUCO) but KNUN was not part of the negotiations. At the end of the negotiations, the return-to-work formula committed the National Treasury to facilitate counties to pay doctors and clinicians all arrears, provide life insurance, supply PPEs and hire additional staff. Based on the agreement, the two unions called off their strikes (KMPDU on 24th December 2020 and KUCO on 1st January 2021).

Absence of county-level community health strategies

Although Kenya has been implementing community health strategies at the national level, the onset of devolution shifted community health focus towards the county. Despite this, most counties lack a community health strategy and community health workers (CHWs) are not well accommodated in the internal structures of County Governments. CHWs are underpaid as well. In addition, there is the absence of a comprehensive legal framework regulating community health workers.

The high cost of accommodation at designated quarantine centres

With high poverty levels in the country, especially in rural areas, a fee of Ksh 2,000–10,000 per person per day for two weeks can be considered out of tune with affordability levels among households. Whereas this was the case, there were few efforts to advocate for the rights of the poor and marginalized.

Weak monitoring of the partnerships

Since stakeholders need to justify both their engagement in partnerships and the value they derive therefrom, a monitoring and evaluation framework of these partnerships would be a key tool in achieving this. The COVID-19 period has seen the evolution of many multi- and bipartite collaborations among actors. Most of these initiatives are opportunistic, informal and at times ad hoc. This implies that many of them lack very clear indicators, targets and baselines upon which their relevance and effectiveness can be monitored and evaluated. Without a monitoring and evaluation framework, it is difficult to estimate their value for money, their sustainability and their outcomes and impact. This calls for the identification and development of expertise and resources.

Cross-boundary conflicts

Discordant and uncoordinated approaches to COVID-19 by states led to diplomatic ramifications across a number of states. The diplomatic rifts were attributed to divergent strategies that were being deployed across countries to manage the crisis. While certain states deployed lockdowns and other protocols, others resorted to non-implementation of WHO directives on containment measures of the virus, which heightened diplomatic disputes.

Duplicity of efforts

There are far too many collaborative efforts addressing COVID-19. However, analysis of the partnerships reveals significant duplicity among their mission statements. So why are there so many efforts to address the same issue using the same thinking? Critics attribute this duplicity to dissatisfaction with current efforts, the desire to take a different approach, or that the organization may serve a different purpose than that which is stated. With a great deal of the meetings occurring behind closed doors, suspicion runs high as to whether these industry groups are there to be proactive or obstructive.

Lack of partnership accountability

Accountability denotes the sense of responsibility and being held to account. It is compliance within the broad realm of standards and commitments. In August 2020, the US Ambassador to Kenya requested the Health Cabinet Secretary to provide an account of management of COVID-19 funds. One week later, the United States Agency for International Development (USAID) and Global Fund threatened to withdraw over Ksh 400 billion offered to Kenya as aid, after a report revealed possible mismanagement of funds. The two donors wrote to the government, stating that they would withdraw funds set out to support malaria, tuberculosis (TB) and HIV/AIDS for the next three years. KEMSA has been on the spotlight for irregularities in procurements.

Outdated public health laws

Despite the existence of public health laws in the country, such as the Public Health Act, it is outdated in that it was enacted in 1921 and has not been reviewed to take into account the devolved institutional structures or the existing public health authorities that have been created after devolution. This has led to poor coordination between National Government and County Governments in the health sector, and disharmony among health actors. In addition, the Act appears disjointed with the Health Act, 2017.

Weak enforcement mechanisms by WHO

At an international level, there are weak mechanisms within the International Health Regulations to respond to incidents of non-compliance by states with the International Health Regulations (IHR) or directives issued. This was exacerbated by competition among states, politicization and discordant approaches to COVID-19 by states on COVID-19, which undermined efforts for cooperation. The IHR, unlike other international law instruments, are not equipped with compliance mechanisms that have procedures to investigate instances of non-compliance and respond to then. The current regime would allow a negligent or incapable state party to escape the responsibility by simply notifying the WHO of an event of public health emergency of international concern at a delayed stage.

Inadequate consultation between the two levels of Government

Inadequate consultation hampers coordinated implementation of policies. Further, there is minimal involvement of County Governments in the "Big Four" agenda, leading to apathy and lack of ownership.

Lack of legal standing for regional economic blocs

Most regional blocs are yet to be legally established to authorise or enable them to carry out their planned projects. They, therefore, lack legal standing to execute any projects or apply any funds towards their planned projects.

11.9 Key Messages and Policy Recommendations

11.9.1 Key Messages

1. COVID-19 is a global disaster that has had wide-ranging ramifications on global, regional, national, inter-governmental, and inter-county coordination and cooperation. Since the pandemic started, most countries have focused on protecting their nationals. However, it has become clear that response measures to COVID-19 only within one's borders are ineffective in combating a

pandemic that is by its very nature global. International support and solidarity are required to respond to COVID-19.

2. Coordination is particularly critical in a devolved system of Government, which in Kenya is made up of two distinct levels of government (National Government and 47 County Governments), which are required to work together based on the principles of cooperation, interdependence and complementarity.

3. Coordination and cooperation (at various levels) have emerged as key instruments through which strategic measures can be employed and harnessed to forestall, pre-empt and counter the negative effects of COVID-19.

4. Further, realization, attainment and implementation of the objectives of devolution which have been articulated through the "Big Four" targets is contingent on the involvement of other stakeholders.

5. Clearly defined laws are needed to respond to outbreaks of diseases at national level; however, these laws need to be modern, up-to-date and well-designed to support effective public health systems. Further, the laws need to be reasonable to respond to the level of public health emergency and must respect the observance of human rights and fundamental freedoms.

6. Access to information and transparency is critical in building partnerships, facilitating peer learning, fostering coordination and harnessing trust among partners. However, inaccessibility of information about the health laws of other nations, lack of peer learning and weak information exchange systems that reduce transparency and nations' accountability for meeting their international obligations is a significant challenge.

7. The global challenge of emerging infections has serious consequences for national and international institutions as a state's ability to deal with them individually is eroded because these diseases do not respect internationally recognized borders. Therefore, the pursuit of a strictly national public health policy is not likely to be adequate.

8. The fast pace of globalization and increase in trade and travel, which have increased the spread of infectious diseases, has intensified the need for global cooperation in the public health arena. Given the rate and modes of transmission of COVID-19, fighting the disease only within a state's borders is not effective in combating a pandemic that, by its very nature, is global. International support and coordinated responses among states and solidarity are required to effectively combat COVID-19.

9. While international and regional cooperation is critical in combating COVID-19, there have been lacunas in international and global governance. Given the nature of COVID-19 and its transmission, the critical need for cooperation among states is paramount. However, politicization of the countermeasures to COVID-19, weak enforcement mechanisms by WHO, non-implementation of directives issued by regional and international bodies, competition among states, discordant approaches to COVID-19, and lack of consensus among states on COVID-19 undermine cooperation efforts.

10. The need for cooperation at the global level is critical in fighting the COVID-19 pandemic, which transcends international borders and thus requires a collective response. It is also important for states to adopt coordinated responses to COVID-19. The importance of collective international action to deal with shared challenges is critical in post-COVID-19 recovery.

11. WHO has little enforcement powers but has convening powers that it should take advantage of to bring member states together for dialogue purposes.

12. County Governments are critical stakeholders in ensuring speedy post-COVID-19 recovery for the success of the "Big Four" agenda, of which affordable housing, universal healthcare, and food security fall within county devolved functions of planning and housing, health and agriculture, which counties are required to implement. Nonetheless, inadequate consultation between the two levels of Government on the "Big Four" agenda hampers coordinated implementation of policies. Further, lack of involvement of County Governments in the "Big Four" agenda has led to lack of ownership of the targets and lack of participation by counties in the implementation of "Big Four" agenda targets.

13. Regional blocs have the potential to drive forward the "Big Four" agenda by spurring recovery from COVID-19 through their collective platforms. However, majority of the blocs are yet to be formally and legally established to authorize or enable them to carry out their planned projects.

11.9.2 Policy Recommendations

1. Public health actors need to foster more partnership and collaboration in research and development in the public health sector especially when dealing with pandemics that transcend borders and are threats faced globally. Further, health authorities need to invest in biomedical and public health issues (governance and leadership) to help in building resilience to feature pandemics.

2. Public health actors need to invest in more partnership and collaboration within the East African region on public health issues, including in administration of the vaccine.

3. Regional organizations and entities, research institutions, public health experts, international organizations could deepen aspects of collaboration, partnership, and multilateralism in dealing with the COVID-19 pandemic and other public health threats. Coordinated responses to COVID-19 are necessary in containing the spread of the virus.

4. Public health authorities need to make full use of all bilateral and multilateral mechanisms to enhance communication and cooperation to improve coordination of epidemic control efforts through regional and international collaboration.

5. Public health authorities could enhance public awareness to build public trust in health authorities, provide compensation and job security for public health workers, and incentives to health care workers to maintain their morale in the face of increased risk and to pay greater attention to infection control practices.

6. Public health institutions need to strengthen coordination of actions of the departments and divisions of the County Government, county governmental, National Government and non-governmental organizations in relation to disaster risk management, including infectious diseases outbreaks.

7. Public health authorities could establish and expand formal networks to rapidly identify, transport, and enlist experienced health care personnel in the event of future outbreaks. Such contingencies would be designed for local, regional, national and international responses and, in particular, would facilitate the mobilization of human and technical resources that are known to have previously tackled certain disease outbreaks. This could be complemented by providing up-to-date information and skills needed for containing infectious diseases to be better integrated into the training of all health care professionals, not only those specializing in infectious diseases or infection control.

8. Public health institutions could adopt global strategies for the control of emerging diseases by undertaking research on strategic actions from other similar infectious diseases to inform efforts to better prepare for other viral disease outbreaks.

9. In promoting coordination in the public health sector, cross-sectoral collaboration is necessary to address risks from COVID-19, disease outbreaks and other public health threats. This involves raising awareness among policy makers on the importance of investing in interdisciplinary surveillance, detection and preventive measures regarding COVID-19 and other infectious diseases.

10. National Government and County Governments could improve intergovernmental relations through increased consultation and exchange of information and establishment of intergovernmental sectoral forums.

11. Coordination aspects at international, regional and national level ought to be embraced and promoted through participation in multi-stakeholder forums and consultative fora.

12. It is important for states to adopt coordinated responses to COVID-19 as the importance of collective international action to deal with shared challenges is critical in recovery from COVID-19.

13. The system of WHO needs to be revisited to be more responsive to the challenges of a pandemic outbreak and have the management of such a pandemic outbreak under scrutiny. The centrality of the self-reporting procedure needs to be supported by third-party verification and monitoring.

14. Increased engagement of community health workers is required in community surveillance, creation of awareness and sensitisation of local communities on infection, prevention and control of COVID-19 and also in administration and roll out of the vaccine. This would increase understanding on the vaccination programme, which would in turn build trust, increase uptake of the vaccine and improve outcomes of the vaccine among the public.

15. Regional blocs could enact laws to ratify their operations to ensure the formation of the blocs is entrenched in law. All regional blocs could establish legal, institutional and administrative frameworks to ratify the policies of bloc and enable the blocs to be fully operational and recognized as legally constituted entities. This would stipulate provisions and processes regarding the funding, organizational and management structures and staffing of the blocs. Further, all member counties to enact enabling legislation in their respective County Assemblies to guarantee their legal status, recognition and participation in their respective regional economic bloc.

16. Legislators and legislative drafting institutions, in consultation with public health experts, could review the Public Health Act Cap 242 to consider modern public health trends, developments, challenges and emerging opportunities. The review process to consider existing laws on health (such as the Health Act 2017) to avoid conflict.

CHAPTER 12

CONCLUSION AND POLICY RECOMMENDATIONS

12.1 Conclusion

Macroeconomic Performance and Medium-Term Prospects

Kenya's growth momentum has been disrupted by the COVID-19 pandemic, with sharp contractions witnessed in the second and third quarters of 2020. The containment measures associated with COVID-19 pandemic took a heavy toll in the services sector, while agriculture remained resilient and supporting growth in 2020. The COVID-19 pandemic has further reversed the gains made in poverty reduction in the last two decades by pushing about 6.2 million Kenyans to poverty. The measures, though implemented by the government to protect the vulnerable groups, have served to ameliorate the situation.

Macroeconomic stability was maintained despite the disruptions from the COVID-19 pandemic. Most of the macroeconomic indicators such as inflation and interest rates remained stable, supported by an accommodative monetary policy adopted by the Central Bank of Kenya. However, the economic shock related to COVID-19 has derailed Kenya's fiscal consolidation path. The already existing limited fiscal space coupled with inadequate revenue collections aggravated Kenya's debt accumulation. On the external front, diaspora remittances remained resilient and recorded a 10.6 per cent growth in 2020, notwithstanding the high COVID-19 cases in Europe and America.

Before the pandemic, the 2020 economic growth forecast was robust under the assumption of stable macroeconomic conditions and favourable weather conditions. In the medium-term, Kenya faces significant downside risks that include possibility of different waves of the COVID-19 infections, natural calamities such as drought, floods and desert locust swarm invasion, debt burden and political tensions as the country nears the 2022 election year. Nevertheless, there are opportunities with the arrival of the COVID-19 vaccine, coming into effect of the AfCFTA in January 2021, and successful implementation of the Economic Stimulus Package and COVID-19 Social Economic Re-engineering and Recovery Strategy. Cognizant of the risks, the economy is projected to grow at 0.2 per cent in 2020, with an improved growth of 4.1 per cent in 2021, partly due to the base effect.

Navigating through the Effects of COVID-19 Pandemic to Deliver the Manufacturing

Manufacturing is important in driving growth of Kenya's economy. Over the last 20 years, manufacturing as a share of GDP has averaged 10.0 per cent annually. Further, the sector's contribution to wage employment over the last 5 years has averaged 16.3 per cent, with informal employment, contributing an average of 20.3 per cent. However, the manufacturing sector has been adversely affected by the COVID-19 pandemic contracting by an average of 1.4 per cent in the first three quarters of 2020 before recovery in the fourth quarter expanding by 3.8 per cent. The containment measures, including partial lockdowns, curfews, and requirements to adopt to the new pandemic guidelines, including rearranging floor plans to allow for social distancing, increased costs of doing business, and generally disrupted the supply chains. At international level, the total ban of flights and disruption in global supply chains affected the export market for manufactured goods and importation of material inputs, especially capital goods that are used in production processes. Most importantly, micro enterprises that dominate

the sector were most affected by the pandemic, especially due to their nature of operations.

In sustaining growth of manufacturing sector, it is important to enhance the local production capacity of the manufacturing firms, including the micro-enterprises by exploiting opportunities afforded by the pandemic, such as production of hospital beds and ventilators, reagents, gloves, masks, disinfectants, PPEs, and sanitizers; boost demand for locally manufactured goods by enforcing Buy Kenya, Build Kenya; and build resilience and sustainability of the manufacturing sector, for example by strengthening local value chains.

Trade Performance with COVID-19

Trade advances development agenda through its contribution to Gross Domestic Product and linkages to other sectors. The COVID-19 pandemic disrupted trade flows globally, with varying effects across countries, and Kenya was equally affected. There were restrictions in movement of persons that affected procurement of essential goods and services required for daily needs. This notwithstanding, Kenya trade increased from Ksh 380.6 billion in 2013 to Ksh 740.4 billion. Further, the EAC market posted a positive trade balance of Ksh 123.3 million in favour of Kenya. The COMESA and the other African markets remain unexploited, yet they offer an opportunity to grow Kenya's export trade.

The current account balance narrowed from a deficit of 8.8 per cent in 2013 to 4.9 per cent in 2020 due to improvements in current transfers, as remittances increased from US$ 279 million in 2019 to US$ 309 million in 2020. The trade balance remained erratic, and widened from a trade deficit of 1.7 per cent in 2013 to 10.1 per cent in 2020, with improvements between 2018 and 2019 that were not sufficient to narrow the current account deficit.

Food and beverages dominated the exports while industrial supplies and machinery were the key imports for Kenya. In terms of products, tea, coffee and horticulture remain the highest export revenue earners and demonstrated resilience to the pandemic shock. On the import side, electrical equipment and machinery are the key products imported to Kenya. The re-exports despite being vital for revenue generation, were highly sensitive to the shock.

Kenya's export destination remains Uganda in the EAC, the United Kingdom and Pakistan while China and India are the main import sources. However, on the African continent, South Africa is the highest source of imports for Kenya. The quick response in developing mitigation measures and guidelines for trade helped improve trade performance, including quick resolution of NTB's. The measures implemented by the EAC member countries enhanced trade facilitation to resuscitate trade in the second quarter of 2020.

Agriculture and Food Security in the COVID-19 Era: Fast-Tracking Recovery

Over the last two decades, the agriculture policy objectives in Kenya have mainly targeted increasing productivity, intensification of production and income growth, especially for smallholders; enhanced food security and equity; increasing the area under irrigation; and commercialization. The investments in these policy goals have led to the agricultural sector's growth that translates to a third of Gross Domestic Product (GDP). The sector faces challenges associated with low productivity, poor land-use practices, inadequate markets, and low-level value addition. These challenges have been compounded by climate change and the recent desert locust invasion, and the measures taken to contain the COVID-19 pandemic. The COVID-19 pandemic has tended to reverse the gains made towards reducing food poverty with varying intensities across and within counties.

The share of total Government spending in the sector has declined from 11 per cent in 2009 to 2 per cent in 2020. Intuitively, this indicates that the level and composition of spending is not sophisticated; i.e there is little investment in technology or value-added activities. Similarly, spending on agricultural research and technology has steadily declined; the expenditure as a share of agriculture GDP averages less than 2.0 per cent. In addition, the country's research system suffers from many challenges, including almost complete dependence on unstable and unsustainable

donor funds and an ageing labour force that could see the development of technology and innovation decline in the medium- to long-term if no action is taken. Concerted efforts are required to ensure that the linkages between research and the extension system are strengthened to support the transfer and adoption of the technologies and innovations developed.

There is potential to fast-track the recovery of agriculture by exploiting the land and water resources to expand the area under irrigation as envisioned in the "Big Four" agenda. Further, cooperatives present an opportunity to revamp the commercialization of agriculture. Given that all counties in the country have at least one or two commodity-based cooperatives, investment in these institutions, coupled with the empowerment of farmer/producer organization to participate in the commercialization of agriculture will go a long way in transforming the sector. The private sector can also contribute to transformation of agriculture by participating in output marketing, input supply and financial services.

Fast-tracking the Delivery of the Affordable Housing Project

The government and key stakeholders have formulated key policies, institutional and regulatory frameworks to hasten the implementation of affordable housing projects. The policy interventions mainly focus on financing, provision basic infrastructure, and land use planning to support the affordable housing project. However, the major challenge has been the implementation of the frameworks.

The housing sector budget allocation has significantly increased over the past in support of the affordable housing project. The uptake of credit in the building and construction and the real estate has also increased, indicating increasing activities in the sectors. The cost of residential building materials has shown an increasing trend, which increases the cost of construction that is passed on to the end-buyers.

Access to basic amenities is considered a key prerequisite and an integral component in developing affordable housing. However, huge disparities exist in access to basic amenities across counties. In particular, more than 50 per cent of counties lack access to improved drinking water, hand washing facilities and clean cooking fuels. Increased investment in provision of such basic amenities will facilitate successful implementation of affordable housing.

Inequalities in access to decent and adequate housing exist and have increased significantly during the COVID-19 pandemic, especially for the rental market, which comprises 90 per cent of urban dwellers. In particular, the low-end rental market segment is adversely and disproportionately affected, with 42 per cent of households falling behind on their rent payments. This emphasizes the importance of making a new homeowner under the affordable housing project.

Building a Robust ICT Ecosystem to Accelerate the Delivery of the "Big Four" Agenda

As Kenya continues to report significant progress in the digital transformation space at the global level, even during the COVID-19 pandemic period, universal access to digital services remains the biggest challenge due to service unavailability in the unserved and underserved areas, high cost of devices and low digital capacity. The uptake of e-commerce has also remained very low despite high internet and mobile penetration in the country. Although Kenya is home to well-known digital innovations in fintech space such as M-Pesa, much of the innovations experience inadequate support to scale up. Some of the key considerations to build a robust digital ecosystem include investment in robust ICT infrastructure, implementing programmes targeting the last mile users, building digital skills capacity, strengthening cybersecurity awareness programmes and undertaking legal and policy reforms to support the uptake of e-commerce and scale up digital innovations to offer contactless services in trade, education and health sectors.

Safeguarding Health Services in Kenya During and in Post-Covid-19 Era: The Role of the "Big Four" Agenda

The Government of Kenya has made a commitment to achieve Universal Health Care by the year 2022 as espoused in the "Big Four" agenda, which identifies healthcare for all as one of the four key development priorities. In this regard, the National and County Governments have put in place reforms and programmes towards achieving UHC. Some of the recent interventions include free maternity services in all public health facilities since 2013, free primary healthcare in all public primary healthcare facilities, health insurance subsidies by the National Hospital Insurance Fund (NHIF), and enhanced investments in infrastructure and equipment for health facilities.

As a result of these interventions, Kenya has experienced better performance in healthcare. Improvements have been recorded in the preventive and treatment indicators over time, including: full immunization in children; family planning coverage; antenatal care visits; and catastrophic expenditure by households. Although these gains have been made because of the government initiatives, the reforms face various implementation hurdles, including inadequate resource allocation and inefficiencies. Health facilities face inadequate health equipment, inadequate staff, and inadequate resource allocation to maintain healthcare equipment. Health financing is beset by high levels of poverty and relatively large and growing informal economy. In addition, the sector still faces several critical challenges related to medical devices and equipment, including deficiency of a rational process of acquiring medical devices and equipment; under-utilization of huge-investment medical devices; and the related problem of investments in devices that do not meet priority health needs. In relation to control of pandemics, many counties do not have adequate intensive care units and isolation beds. In addition, the preparation of rapid health assessment and isolation facilities to manage symptomatic and/or ill passengers is still nascent. Coordination between the County and National levels of government in the procurement of critical equipment and recruitment of additional healthcare personnel also require to be strengthened.

Fast-Tracking Recovery of the Tourism Sector from Effects of COVID-19 and its Contribution to Delivery of the "Big Four" Agenda

As one of the key sectors that contributes to economic growth, development, employment creation and achievement of the Kenya Vision 2030, the tourism sector registered significant recovery between 2015 and 2019, following a downturn in 2013-2014 period that was characterized by terrorism-related insecurity, to register a growth of 50.8 per cent and 87.8 per cent in tourist arrivals (to 2,035,400 tourists) and receipts (Ksh 163.6 billion) respectively. This was attributed to implementation of tourism recovery strategy that marketed Kenya as a safe destination, accompanied by lifting of travel bans by key source markets. The period was also marked by rapid entry of over a dozen global hospitality brands in the country. The sector was progressing well towards attainment of the MTP III annual targets of 2.5 million visitors, Ksh 175 billion in receipts and 6.5 million bed-nights by domestic tourists by 2022.

The growth trajectory of the tourism sector was adversely affected by the COVID-19 pandemic shock in 2020, which saw tourist numbers, revenue and employment in the sector plummet by 71.6 per cent, 73.6 per cent and 72.0 per cent, respectively, over the previous year's superb performance, to performance metrics witnessed 15 years ago. This was attributed to measures to combat the spread of the pandemic, including halting of global travel, observance of social distancing, which impacted negatively on all tourism-related sub-sectors in Kenya including accommodation and food services, entertainment, transportation, cultural and heritance practices, and decline in demand for sectors that supply goods and services to the tourism sector. Despite the dismal performance, the hospitality sub-sector was kept alive by domestic tourists who accounted for 80 per cent of all bed-nights.

Since formulation of tourism sector re-opening protocols from the second half of 2020, the sector

has shown signs of rebound, despite the country seeing escalation of COVID-19 cases by the end of 2020. The average occupancy has averaged 26.0 per cent compared to 10.0 per cent in May 2020. The local guests continue to be the main support for the sector, as international visitors worldwide slowly gain confidence to travel again. The sector is expected to witness progressive rebound in 2021 and 2022 as countries implement COVID-19 pandemic vaccination campaigns, among other measures. However, the anticipated performance for all key indicators in 2022 will be lower than the MTP III target.

The COVID-19 era has unveiled a number of opportunities in the tourism sector that Kenya can adopt for faster recovery. High hygiene protocols will be with us for a while and are now a standard globally in tourism and travel. The modern traveller who is technologically savvy is now shifting from conventional mass tourism to seeking experiential products and services. There is a cutback in travel by the elderly, hence product development will target millennial travellers. The pandemic has accelerated technology-driven changes in tourism including travel booking, payment systems, marketing and explosion in usage of virtual platforms in conduct of meetings and conferences. These will define the new normal in business tourism for years to come. In addition, domestic tourism has emerged as a cushion for the sector from total collapse following curtailing of international travel. Therefore, travel destinations that will adopt innovative business models and tourism policies will witness faster recovery in the short term.

Strengthening Cooperation and Coordination in COVID-19 Era for Delivery of the "Big Four" Agenda

The COVID-19 pandemic has resulted in worldwide economic shock, which has necessitated a significant shift not only in day-to-day life but in how governments, societies, communities, businesses and individuals operate during the subsistence of the pandemic and how they will continue to operate in the anticipated aftermath. The increase in trade, travel, globalization and urbanization has seen easier and faster spread and transmission of the pandemic, which necessitates cooperation and collaboration at international, regional, national, intergovernmental, intra-governmental, and inter-county levels for effective response to COVID-19. Coordinated responses to COVID-19 reduces duplicity, discordance and fosters collective investment in response measures.

During the COVID-19 pandemic, international institutions such as the World Health Organization, the United Nations, World Bank and the International Monetary Fund supported States in responding to the effects of COVID-19. Regional institutions such as the African Union and the East African Community also provided regional support in developing a unified strategy and sectoral strategies to combat the virus and its impact. At domestic level, National and County Governments established a platform to coordinate their responses. Further, intersectoral collaborations played a key role in supporting the Government's efforts to respond to the pandemic. This was through collaborative initiatives by the private sector, development partners, non-governmental organizations and civil society and community health workers. Nonetheless, more effort is required to ensure more collaborative, inclusive, cross-sectoral and participatory programmes and activities with the involvement of a wide range of stakeholders.

Kenya has ascribed to key international instruments (such as the International Health Regulations and Sendai Framework for Disaster Risk Reduction) and has enacted several laws at national level for the regulation and protection of public health in the country. However, some of the public health laws are outdated, such as the Public Health Act that was enacted in 1921 and has not been reviewed to take into account the devolved institutional structures or the existing public health authorities that have been created after devolution. This is necessary in fostering collaboration in the public health sector with clearly defined, modern and well-designed public health laws that provide the enabling infrastructure for effective response to outbreaks of diseases.

12.2 Policy Recommendations

In supporting the implementation of the "Big Four" agenda with the COVID-19 pandemic, the following are the recommendations.

Contain the spread of COVID-19

1. Invest adequately in the health sector to manage and control the COVID-19 pandemic. This is to ensure well equipped hospitals in terms of medical personnel and equipment. In addition, sustain the measures to contain and slowdown the COVID-19 transmission.

2. Expand the COVID-19 vaccination programmes to cover more population. This requires sensitization on the potential benefits of COVID-19 vaccination to promote the uptake of COVID-19 vaccines in the country.

Place the country on the recovery path

3. Ensure an all-inclusive recovery process by generating productive jobs and sustaining social protection coverage for most vulnerable households. Achieving this will require targeted fiscal injections to some sectors to revive growth and create jobs.

4. Maintain macroeconomic stability to promote faster economic recovery. This will require accommodative monetary policy and growth-oriented and sustainable fiscal policy.

5. With COVID-19 pandemic still unfolding, the National Government in collaboration with the County Governments needs to sustain support in building a resilient economy, including by cushioning the vulnerable groups and implementing the Universal Health Care.

6. With the 2022 general elections approaching, it will be important for the National and County Governments to work towards supporting all initiatives geared towards a peaceful general election in 2022.

Build resilience of the manufacturing sector

7. Strengthen ICT capacity of the country to boost uptake of e-commerce in sustaining market operations. Spreading connectivity to public buildings and key trade centres to boost MSMEs in trade and business could be achieved using the National Fibre Optic Backbone (NOFBI) and encouraging participation of the private sector.

8. Safeguard manufacturing firms by sealing loopholes for counterfeit goods. This can be done by strengthening and increasing inter-agency collaboration of institutions such as Anti-Counterfeit Authority, Kenya Revenue Authority and Kenya Bureau of Standards.

9. Enhance the local production capacity of the manufacturing firms by exploiting opportunities that have been afforded by the pandemic, such as production of hospital beds and ventilators, masks, disinfectants, PPEs, sanitizers, and medicines.

10. Map out the micro-enterprises in manufacturing engaged in production of essential goods (PPEs) to support them in exploiting their capabilities and advance technology.

11. Fastrack enactment of legislation on Buy Kenya, Build Kenya to enhance the market of the locally produced manufactured goods.

Deepen the trade sector to drive the recovery

12. Develop policies and legislation that support diversification of products and export destinations to cushion the country from supply sides shocks.

13. Develop policy frameworks to revitalize domestic industries through the ministry

responsible for trade and other supporting ministries to mitigate supply side shocks.

14. Set up a development fund with ability to advance financial assistance to spur growth of the wholesale and retail sector, and manufacturing to help cushion the sector against exogenous shocks.

15. Deepen trade agreements to enhance quality and facilitate diversification of export products through trade negotiations that offer the country a chance to influence the terms.

Strengthen agriculture to leap maximum return including food security

16. Increase funding for national agriculture research and strengthen the linkages with county-based extension services. Spending to the agriculture sector from the total budget has declined. This reduction has implication on food security, taking into account that the effects of climate change are evident from the declining overall production. This investment needs to be targeted to increased productivity and increase the area under irrigation, not forgetting markets and market infrastructure.

17. Promote agriculture extension service delivery. There is need for agricultural research, extension, and training services to work closely together to leverage their diverse skills and strengths to contribute to public supported agricultural productivity operation. Focus should be on supporting the existing soil management initiatives and developing them further to ensure sustainable agriculture production.

18. Promote evidence-based approaches that emphasis data collection and management to inform policy development, priory setting and planning for agricultural research, extension and training.

19. Strengthen irrigation expansion schemes for small-scale farmers to increase agriculture production; the potential areas of expansion are already known and mapped out. This will consequently improve food and nutrition security.

20. Strengthen producer groups/farmer organizations, increased growth and development of the sector will be propelled by the empowerment of producer groups who will facilitate commercialization of agriculture.

21. Promote private sector involvement such as public-private partnerships as envisioned in the Agriculture Growth and Transformation Strategy.

Fast-track the delivery of the affordable housing project

22. Implement fully the existing policies, institutional frameworks that support the affordable housing project and amend the National Housing Development Fund regulations to ensure effective, sustainable, and timely delivery of the housing project.

23. Leveraging on locally produced low-cost building materials and technologies such as Expanded Polystyrene (EPS) technology locally produced to address the housing sector's construction costs.

24. Undertake an in-depth analysis of the housing demand and supply study in urban areas to address country-specific challenges related to access to essential services, basic infrastructure, and the housing gap.

25. Symbiotic efforts among the key stakeholders in the housing sector will ensure a seamless execution of affordable housing plans. For instance, basic amenities are interdependent and cut across various sectors, hence the need for integrated plans to provide basic infrastructure.

Build robust ICT ecosystem

26. Develop and implement a more comprehensive E-commerce policy and legal framework through a multi sectoral approach

to promote the growth and development of e-commerce. The framework to address the following policy concerns: E-commerce regulation and facilitation, registration of digital businesses, e-payment, taxation structure of digital businesses, indicators and scoping of E-commerce, ICT Infrastructure, logistics, consumer protection and consumer awareness.

27. Create an enabling ecosystem to support identification, nurturing and support of contactless applications for e-commerce, e-health and e-learning by establishing innovation hubs and accelerator programmes across the country.

28. Accelerate implementation and operationalization of Key Digital projects such as National Public Key Infrastructure, National Addressing System and Konza Technopolis to generate jobs and create a conducive computing environment.

29. Tap on Universal Service Funds for infrastructure development to bridge the digital divide gap in the unserved and underserved areas and support and empower the low-income last mile users and MSME enterprises in owning devices and accessing basic ICT services.

30. Strengthen the online security through collaboration with all actors and continuously promote cybersecurity programmes to ensure digital users are accessing digital services safely.

31. Support digital transformation for businesses by providing incentives and resources, including training, free software/ hardware to accelerate adoption of digital technologies.

32. Formulate and implement policy framework to guide the adoption of the emerging technologies such as Artificial Intelligence, Blockchain, Fifth Generation technology (5G), Internet of Things (IoT) and Fourth Industrial Revolution (4IR).

Safeguard health services

33. Fast-track healthcare services to achieve MTP III targets and the "Big Four" agenda. A key intervention could be the successful implementation of the digital health programme which encompasses adoption of e-health and telemedicine. The programme has the potential to expedite the development of the healthcare industry.

34. Ensure adequate and equitable distribution of human resources for health. The delivery of better health services and outcomes requires adequate, skilled and equitably distributed human resources for health. It is important to strengthen human resource planning and management practices, provide for better working conditions, and promote integrated planning.

35. Implement the policy, legal and institutional commitments. Key policy reforms include to: implement Sessional Paper No. 2 of 2017 on the Kenya Health Policy 2014-2030; implement the National Food and Nutrition Security Policy 2012 and the Nutrition Plan of Action; and implement the Kenya Community Health Strategy 2020-2025. Although the Health Sector Disaster Risk Management Strategic Plan (2014 -2018) was published in 2014, the policy requires review to consider dynamic events brought about by pandemics, including the COVID-19 pandemic.

36. Improve reporting and monitoring of indicators by collecting nationally representative data more frequently. The current practice is that the household budget datasets and demographic health surveys are collected less frequently. There is need for datasets to be compiled more frequently to ensure frequent estimates and monitoring of the health indicators and putting in place appropriate measures towards progress in achieving SDG 10 by 2030. It would be important for Kenya to invest in collecting panel data.

37. Strengthen efficiency in the use of financial and human resources for health. Healthcare financing strategies play a key role in enhancing the achievement of Universal Health Care and other health goals. Although budgetary allocations have increased, the country faces a limited resource envelope. A quick win to improve health outcomes would be to allocate available resources rationally, reduce wastage, and enhance efficiency and synergies, e.g. with water, sanitation and hygiene (WASH) interventions.

38. Enhance investments required in rehabilitating and equipping existing health facilities. There is need to set aside a budget for repair, maintenance and operation of existing and new health infrastructure and equipment. Further, the budget for infrastructure could incorporate the human resource tasked with operating new equipment and its associated routine maintenance. In relatively remote areas, it will be crucial to enhance the role of mobile health services that have been relatively successful in enhancing access to health services.

39. Improve the coordination of interventions between and within the County and National Governments. Some of the crucial areas to work on include procurement of the managed medical equipment and human resources for health. In addition, effective healthcare delivery requires strong linkages with other sectors, notably improved access to quality nutritious food, education and amenities such as electricity, improved water and sanitation. It would therefore be important for counties to adopt a comprehensive and integrated approach in delivery of Universal Health Care.

Fast-track recovery of the tourism sector

40. Review the Tourism Act 2011 to accommodate aspects of devolution, inter-governmental coordination and streamline/amalgamate and simplify tourism and hospitality licensing requirements to attract more investors to the sector.

41. Assent and implement the revised National Tourism Policy 2020 and finalize the draft wildlife policy for assenting and implementation.

42. Address the pending institutional re-organization/establishment, namely: establishment of beach management Board, Baraza Kenya and the Tourism council; and establishing an inter-governmental coordination mechanism on tourism product development and promotion.

43. Increase allocation of funding to the tourism sector for marketing in specific source markets; rehabilitation and expansion of tourism establishments; consolidation and reorganization of current tourism funding corporations to improve efficiency and widen the range of target beneficiaries to include tourism-oriented micro-enterprises to large hotel establishments.

44. Support domestic tourism development at both national and county levels by supporting counties to map their tourism assets and to develop tourism sector master plans that support investment, product development and marketing; repackaging tourism products to suit local market interests, with marketing campaigns targeting the growing middle-class that accounts for close to 40 per cent of the employed population; developing tourist circuits with specific itineraries, organized road and rail transport to events and attractions; and promotion of holidays as non-wage benefits.

45. Promote medical and regional tourism given that over 800,000 regional tourists from Africa visit Kenya, accounting for 40.7 per cent of the total international tourists, which shows a huge potential for growth, including the medical tourism product.

46. Support recovery of the tourism sector at county level especially through infrastructure development, given that 27 counties lack classified accommodation facilities, which inhibit their competitiveness in business and hospitality tourism.

47. In collaboration with the national government, counties to improve infrastructure that supports tourism development: e.g. rehabilitating sporting stadia and other facilities; construction of high-altitude training camps that attract trainees from around the world; eco-lodges; talent academies; museums; airstrips; and developing and maintaining tourism information centres and tourism signage.

48. Improve security in the volatile areas (e.g. northern region) to encourage tourism investors.

49. Enforce COVID-19 containment protocols along with improving water, sanitation and hygiene (WASH) standards and quality assurance in all accommodation facilities and tourist attraction sites in line with the national guidelines for reopening of hospitality establishments to ensure business continuity and destination competitiveness.

50. Provide incentives to potential investors in the tourism industry, for example by availing land for conservancies and reducing the cost of doing businesses at county level.

Strengthen cooperation and coordination in responding to pandemic and other emergencies

51. Regional organizations and entities, research institutions, public health experts, international organizations to deepen collaboration and partnership in dealing with the COVID-19 pandemic and other public health threats. In promoting coordination in the public health sector, cross-sectoral collaboration should be encouraged to address risks from COVID-19, disease outbreaks and other public health threats.

52. Promote coordinated responses to COVID-19 among states and government authorities given the importance of collective international action in addressing the pandemic.

53. Public health institutions to strengthen coordination of actions of the departments and divisions of the County Government, National Government and non-governmental organizations in relation to disaster risk management, including infectious disease outbreaks.

54. Increased engagement of community health workers is required in community surveillance, creation of awareness and sensitization of local communities on infection, prevention and control of COVID-19 and also in administration and roll out of the vaccine.

55. Public health authorities to enhance public awareness to build public trust in health authorities, provide compensation and job security for healthcare workers, and incentives to health care workers to maintain their morale in the face of increased risk and to pay greater attention to infection control practices.

56. Legislators and legislative drafting institutions, in consultation with public health experts, to review the Public Health Act Cap 242 to consider modern public health trends, developments, challenges and emerging opportunities.

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APPENDIX

Appendix 3.1: Difference between usual hours worked and actual hours worked during COVID-19 period by sector and County

County	Agriculture, forestry and fishing	Mining and quarrying	Manufacturing	Electricity, gas, steam and air conditioning supply	Water supply; sewerage, waste management and	Construction	Wholesale and retail trade; repair of motor vehicles and	Transportation and storage	Accommodation and food service activites	Information and communication	Financial and insurance activities	Real estate activities	Professional, scientific and technical activities	Administrative and support service activites	Public administration and defence; compulsory	Education	Human health and social work activities	Arts, entertainment and recreation	Other service activites	Activities of households as employers;	Activities of extraterritorial organizations and
Baringo	6.3	8.0	14.0	-	48.0	14.6	7.7	19.8	55.6	0.0	25.0	-	0.0	-8.0	70.0	29.3	-1.5	-	4.0	-	0.0
Bomet	3.7	-	0.0	-	-	13.3	7.3	1.5	2.7	10.0	0.0	-	-	13.0	10.5	40.0	1.0	-	2.7	0.0	-
Bungoma	2.0	-	11.8	-	-	10.6	7.9	10.5	40.0	-	-	-	15.0	13.3	0.0	26.0	2.4	-	2.7	14.6	-
Busia	2.8	-	11.5	0.0	0.0	23.4	12.4	16.1	31.0	0.0	-	-	31.3	16.0	84.0	40.0	14.4	-	16.0	0.0	-
Elgeyo/M	4.7	0.0	3.1	-	-	10.5	7.3	19.5	-	21.0	2.5	-	-	0.0	0.0	25.9	0.0	0.0	6.5	33.0	-
Embu	7.5	-	33.5	-	-	16.4	13.1	23.8	10.0	-	25.3	-	6.7	4.2	-9.0	20.0	-3.7	-	15.6	0.0	-
Garissa	8.6	15.0	6.0	-	-	9.5	10.0	15.5	-	22.0	20.0	-	25.5	12.6	1.4	24.0	8.0	-	16.0	-	6.4
Homa Bay	5.7	-	11.6	-	-	15.3	16.1	9.2	14.7	12.0	7.3	-	98.0	12.0	6.0	29.6	2.5	15.0	13.2	-	2.5
Isiolo	3.1	-	18.2	-	-	20.6	9.9	10.4	29.3	-	-	-	33.0	6.9	17.4	41.0	6.0	-	14.5	15.0	-
Kajiado	4.5	-	9.4	-	-	10.9	13.6	6.1	38.5	0.0	0.0	-	18.7	5.5	54.0	29.7	-10.0	-	-3.2	0.0	5.0
Kakamega	6.8	-	14.8	-	-	24.8	12.5	26.2	-	-	0.0	26.0	34.0	8.9	-	40.0	2.0	-	3.5	-4.0	-
Kericho	5.8	-	4.0	-	-	17.5	13.0	19.7	10.5	0.0	6.0	-	19.5	0.0	9.5	24.9	-	-	8.3	6.8	-
Kiambu	2.4	21.0	10.4	-	6.0	19.4	11.6	21.6	17.0	0.0	3.0	48.0	0.0	16.7	0.0	35.0	0.0	-	10.8	12.3	0.0
Kilifi	7.5	6.0	6.7	-	0.0	6.1	9.5	12.4	0.0	24.0	0.0	-	5.0	2.4	-	0.0	0.0	-	2.4	-	25.0
Kirinyaga	7.5	-	6.0	0.0	5.0	13.7	8.8	15.7	10.5	5.0	0.0	-	0.0	4.0	0.0	28.0	8.6	-	8.3	9.4	0.0
Kisii	9.6	8.0	10.5	-	-	14.8	6.0	8.3	-	40.0	2.5	-	10.0	-	17.5	34.6	-	-	0.0	-	-
Kisumu	0.6	40.0	8.8	-	0.0	14.5	2.7	5.0	0.0	0.0	-	0.0	10.0	0.0	0.0	47.0	0.8	-	10.0	2.5	-
Kitui	7.1	-	0.0	-	-	10.0	11.5	15.1	6.0	-	36.5	-	13.0	10.7	0.0	25.0	0.0	-	18.8	8.3	16.4
Kwale	3.3	-	11.3	-	13.3	23.4	10.1	9.6	22.2	-	0.0	-13.0	10.0	7.5	24.0	12.5	6.2	30.0	16.0	26.7	15.0
Laikipia	6.9	-	4.3	-	8.0	14.5	10.5	19.4	14.0	-	11.8	-	12.5	5.9	0.0	-	0.7	-	26.3	0.0	-
Lamu	3.6	16.5	8.2	-	11.0	13.7	12.7	9.1	38.7	-	-	-	34.0	6.6	0.0	44.0	2.0	-	12.8	-	-12.0
Machakos	3.5	-	4.4	5.0	-	15.7	10.4	16.0	-	0.0	13.0	-	10.0	7.0	15.8	26.2	4.0	-	12.3	7.8	-
Makueni	3.2	-	5.1	9.0	-	11.4	6.2	10.0	5.3	14.0	4.0	-	-	-5.6	0.0	0.0	-7.0	-	17.0	3.6	-
Mandera	7.7	-	-	0.0	-	10.8	2.4	21.8	0.0	0.0	0.0	-	-	-4.8	5.0	0.0	0.0	-	0.0	-	-
Marsabit	8.0	-	10.3	-	7.0	9.0	15.7	10.0	-	-	7.0	-	12.0	8.0	-	14.8	3.6	-	14.0	-	-
Meru	8.5	-	0.0	-	-	21.5	17.4	14.9	-	-	20.0	-	-	-	20.0	25.0	0.0	9.0	13.5	-	-
Migori	6.9	21.0	8.0	0.0	-	16.5	10.3	15.3	7.5	0.0	0.0	-	0.0	0.0	0.0	20.0	-2.7	-	19.3	5.0	-
Mombasa	5.3	0.0	1.4	15.0	0.0	37.1	17.6	18.3	39.2	7.5	22.7	12.0	60.0	13.7	4.6	20.0	1.3	-	22.0	19.4	-
Murang'a	3.7	34.0	11.6	-	-	24.4	22.2	18.6	29.3	-	0.0	-	46.0	60.0	0.0	19.9	0.0	-	19.0	-10.0	-
Nairobi Ci	3.4	0.0	14.1	-	0.0	16.0	12.5	17.7	19.6	9.5	6.9	2.0	13.3	12.0	10.5	30.6	4.8	23.0	15.3	21.5	0.0
Nakuru	6.8	-24.0	11.5	48.0	-	12.6	11.7	10.5	5.0	0.0	-4.0	-	26.5	13.2	-22.5	18.3	0.0	36.0	11.9	28.0	-
Nandi	2.8	-	6.1	-	-	9.4	8.8	16.4	-	16.0	0.0	-	-	9.6	-2.7	29.9	14.0	-	12.0	0.0	-
Narok	8.2	4.0	13.5	-	-	16.3	15.1	27.2	9.0	-	-6.0	-	-	4.0	0.0	40.0	-3.0	35.0	12.0	-0.2	0.0
Nyamira	7.4	-	17.7	-	-	11.7	16.1	33.4	13.0	-	0.0	-	-	1.7	16.5	18.7	0.0	-	-	28.0	-
Nyandaru	3.2	0.0	8.0	-	-	16.5	10.3	2.6	-	-	52.0	-	-	-2.7	0.0	39.5	-	-	7.0	0.0	-
Nyeri	4.9	0.0	17.0	40.0	-	15.9	11.5	25.9	49.0	0.0	-8.0	-	7.5	12.8	6.2	-	-17.0	-	6.0	7.7	-
Samburu	1.7	-	8.0	-	-	11.1	10.6	26.6	18.5	-3.0	0.0	-	0.0	4.0	0.0	10.0	3.3	-	7.0	12.0	10.9
Siaya	5.0	-	8.5	-	-	32.8	7.9	10.3	25.0	0.0	-	-	0.0	0.0	10.0	48.0	0.0	-	24.0	19.0	-
Taita/Tave	6.3	2.7	13.9	-	-	17.0	6.5	2.9	18.0	-	40.0	-	0.0	7.6	-	20.0	0.0	-	14.5	18.7	-
Tana Rive	6.9	-	15.0	-	-	22.5	10.3	19.6	0.0	16.0	0.0	0.0	10.0	17.0	0.0	16.6	5.8	-	22.3	6.2	8.3
Tharaka-N	2.9	-	12.0	-	-	7.3	9.2	22.5	20.0	0.0	-	-	-	-1.3	8.5	22.3	4.0	-	15.1	-2.5	-
Trans Nzo	3.7	-	3.4	-	-	20.6	9.4	3.7	26.0	-	3.6	-	8.8	-7.2	-32.0	31.4	-4.0	0.0	4.0	-4.0	-
Turkana	7.3	27.5	3.6	-	0.0	14.0	3.6	9.6	21.0	26.0	0.0	-	-	7.0	0.0	15.0	0.0	-21.0	0.0	0.0	40.0
Uasin Gish	5.5	-	15.2	-	-	15.6	15.6	12.6	-2.8	5.0	-8.3	-	4.0	4.4	2.5	40.0	1.3	0.0	7.1	10.0	-
Vihiga	4.6	-	20.0	-	-	17.9	8.3	25.8	-	0.0	4.0	-	-	14.0	0.0	11.0	0.0	-	16.7	23.5	0.0
Wajir	14.4	-	2.8	-	-	15.7	6.2	4.8	10.3	-	-	-	16.8	16.8	4.2	30.5	5.6	-	17.5	-	-
West Pok	3.0	-	21.4	-	-	18.4	17.2	17.6	0.0	10.0	24.0	-	25.0	16.5	-4.9	29.1	8.0	-	17.5	21.0	-

Appendix 4.1: Share of manufacturing at county level and key target areas for value addition counties

S/No.	County	Manufacturing contribution to County GCP (%)	Key target areas for value addition by Counties (and enhance manufacturing)
1	Garissa	2.9	• Agro-processing for value addition with important areas of focus include livestock production, skins and hides processing, and honey production. • Exploration and processing of minerals such as gypsum, alluvial sand, conglomerate rock, quartz pebbles, and oil.
2	Isiolo	0.1	• Agro-processing for value addition with important areas of focus include livestock production, and skins and hides processing. • Exploration and processing of minerals such as sapphire, natural stones, green and red garnet.
3	Mandera	0.1	• Agro-processing for value addition with important areas of focus include; livestock production, hides and skins, fruit and vegetable production, oil crops, and apiculture. • Exploration and processing of minerals such as: gypsum, alluvial sand, oil, gold, limestone, coal and precious stones.
4	Marsabit	0.04	• Agro-processing for value addition with important areas of focus include livestock production, hides and skins processing, and honey production. • Exploration and processing of minerals such as blue Quamline, Mica, alluvial sand, and quarry stones. Potential also exists in oil, copper, beryl, nepheline, nickel, asbestos, graphite, tourmaline, garnet, iron ore, magnesite, rare earth, chromite, talc and salt mining.
5	Wajir	0.04	• Agro-processing for value addition with important areas of focus include livestock production, skins and hides production, and honey processing. • Exploration and processing of minerals such as limestone, gypsum, alluvial sand as well as potentials in oil and gas.
6	Kilifi	7.1	• Agro-processing for value addition with important areas of focus include coconut, mango, fish, cassava, cotton, sisal, cashew nuts, leather production and processing. • Exploration and processing of minerals such as iron ore, manganese, cement, coral rock harvesting, quarrying, ballast, salt and sand harvesting for both domestic and export markets.
7	Kwale	0.3	• Agro-processing for value addition with important areas of focus include coconut, mango, fish, cassava, cotton, cashew nuts, sugarcane, leather production and processing. • Exploration and processing of minerals such as titanium, iron ore, manganese, coal, cement, coral rock harvesting, quarrying, ballast, and sand harvesting for both domestic and export markets.

S/No.	County	Manufacturing contribution to County GCP (%)	Key target areas for value addition by Counties (and enhance manufacturing)
8	Lamu	0.1	• Agro-processing for value addition with important areas of focus include coconut, mango, fish, cassava, cotton, cashew nuts, sim sim, leather production and processing. • Exploration and processing of minerals such as coal, cement, coral rock harvesting, quarrying, ballast, salt and sand harvesting for both domestic and export markets.
9	Mombasa	14	• Agro-processing for value addition with important areas of focus include coconut, mango, fish, cassava, cotton, cashew nuts, leather production and processing. • Exploration and processing of minerals such as cement, coral rock harvesting, quarrying, ballast and sand harvesting for both domestic and export markets
10	Taita Taveta	0.7	• Agro-processing for value addition with important areas of focus include cereals, horticultural crops, nuts and oil crops, fibre crops, livestock, beef, dairy, leather production and processing. • Exploration and processing of minerals such as; iron ore, limestone, marble, magnetite, asbestos, graphite, Kaolin clay, copper, manganese, nickel and mica, quarrying, ballast and sand harvesting for both domestic and export markets.
11	Tana River	0.03	• Agro-processing for value addition with important areas of focus include mangoes, cowpeas, bananas, maize, green grams livestock including fish and leather. • Exploration and processing of minerals such as gypsum.
12	Bomet	3	• Agro-processing for value addition with important areas of focus include maize, tea, dairy, wheat, leather, textiles, and poultry and dairy production and processing.
13	Bungoma	0.9	• Agro-processing for value addition with important areas of focus include maize, cassava, honey, leather, sugarcane, avocado, tobacco, textiles, and dairy products.
14	Busia	0.2	• Agro-processing for value addition with important areas of focus include production and processing of sunflower, maize, poultry, cassava, sorghum, millet, honey, groundnuts, fish, leather, sugarcane and dairy.
15	Homa Bay	0.5	• Agro-processing for value addition with important areas of focus including maize, sorghum, millet, leather, textiles, poultry, watermelon, dairy, livestock, and fishing production and processing. • Exploration and production of minerals in Lake Victoria.
16	Kakamega	4.4	• Agro-processing for value addition with important areas of focus include maize, bananas, tea, groundnuts, dairy, avocado, sugarcane, poultry, livestock, gold mining and ballast harvesting. • Exploration and processing of minerals such as gold mining and ballast harvesting for both domestic and export markets.

S/No.	County	Manufacturing contribution to County GCP (%)	Key target areas for value addition by Counties (and enhance manufacturing)
17	Kericho	10	• Agro-processing for value addition with important areas of focus include tea processing, maize production and processing, and textiles.
18	Kisii	1.8	• Agro-processing for value addition with important areas of focus include increase banana, coffee, tea, and potato production and processing, dairy production, tilapia and catfish farming and textiles.
19	Kisumu	11.9	• Agro-processing for value addition with important areas of focus include fish processing, textiles, and sugar cane processing. • Exploration and processing of minerals such as quarry, sand harvesting, and cement.
20	Migori	2.8	• Agro-processing for value addition with important areas of focus include fish processing, hide maize production and processing, sweet potatoes, onions, capsicum, tobacco, bamboo production and processing, and textiles.
21	Nandi	3.4	• Agro-processing for value addition with important areas of focus include maize, tea, horticulture, textiles, dairy and leather production and processing.
22	Nyamira	5.2	• Agro-processing for value addition with important areas of focus include banana, maize and beans production and processing, tea, dairy farming, egg and broiler production, honey production, pyrethrum production.
23	Siaya	0.2	• Agro-processing for value addition with important areas of focus include fish production and processing, maize production, and textiles; production in sorghum, cassava, millet, beans, cowpeas, sweet potato, finger millet. Further, production and processing in cotton, sugarcane, ground nuts, fish, and leather.
24	Vihiga	0.6	• Agro-processing for value addition with important areas of focus include maize and banana production and processing; millet, avocado, papaya, sweet potatoes, cassava as well as French beans; and production of African indigenous vegetables such as: Jute Mallow (Murenda), Amaranth (Terere), Black Nightshade (Managu), Spiderplant (Saga), and Cowpeas (Kunde). • Exploration and processing of minerals such as granite.
25	Baringo	0.2	• Agro-processing for value addition with important areas of focus include honey refinery, livestock production, meat processing, textiles, fruit processing, dairy processing • Exploration of renewable energy and diatomite mining. • Other areas for consideration include; leather, coffee, timber, and aloe processing.

S/No.	County	Manufacturing contribution to County GCP (%)	Key target areas for value addition by Counties (and enhance manufacturing)
26	Elgeyo Marakwet	0.03	• Agro-processing for value addition with important areas of focus include maize production and processing, honey production, wheat, irish potatoes, millet, sorghum, groundnuts and green grams. and textiles. Other areas of focus include production of zebu cattle, poultry, goats and sheep.
27	Samburu	0.1	• Agro-processing for value addition with important areas of focus include livestock, sorghum, barley, honey, textiles, leather and craft production and processing. • Exploration and processing of minerals within the County for both domestic and export markets.
28	Trans Nzoia	0.7	• Agro-processing for value addition with important areas of focus include maize, horticulture, honey, textiles and dairy production and processing.
29	Turkana	0.1	• Agro-processing for value addition with important areas of focus include livestock, leather, honey, cement, beef, millet and sorghum production and processing. • Exploration and processing of minerals, oil and gas within the County for both domestic and export markets.
30	Uasin Gishu	5	• Agro-processing for value addition with important areas of focus include maize production and processing, honey production and processing, wheat, beans, potatoes, and horticultural crops and textiles; dairy farming, rabbit farming beef cattle, goats, sheep, pigs, and fish farming.
31	West Pokot	0.1	• Agro-processing for value addition with important areas of focus include maize, milk, coffee, tea, honey, livestock, leather, millet and sorghum production and processing. • Exploration and processing of minerals, oil and gas within the County for both domestic and export markets.
32	Embu	2.4	• Agro-processing for value addition with important areas of focus include horticulture, maize production and processing, and dairy production; other areas of priority include tree tomato, avocado, bananas, loquat, passion fruit, mangoes, macadamia, tea, and coffee.
33	Kiambu	11.8	• Agro-processing for value addition with important areas of priority include dairy production, pineapples, beans, maize, coffee, tea, irish potatoes, and leather and textiles production and processing.
34	Kirinyaga	6.6	• Agro-processing for value addition with important areas of focus include rice production and processing, maize production and processing, and dairy production, beans, maize, and irish potatoes, horticultural crops and textiles.

S/No.	County	Manufacturing contribution to County GCP (%)	Key target areas for value addition by Counties (and enhance manufacturing)
35	Meru	2.3	• Agro-processing for value addition with important areas of focus include dairy production, banana, coffee, tea, avocados, tomatoes, and cabbages production and processing.
36	Murang'a	4.3	• Agro-processing for value addition with important areas of focus include tea, coffee and avocado production and processing; horticulture and dairy production.
37	Nakuru	2.9	• Agro-processing for value addition with important areas of focus include horticulture (flower farming), maize production and processing, and dairy production. • Exploration and processing of minerals such as kaolin, diatomite, sand and building stones, trona (soda ash), natural carbon dioxide for both domestic and export markets.
38	Nyandarua	0.5	• Agro-processing for value addition with important areas of focus horticultural crops and dairy production.
39	Nyeri	2.1	• Agro-processing for value addition with important areas of focus include: Irish potatoes, coffee, tea, beef, dairy, leather and textile production and processing, and horticulture. • Mining and extraction activities of clay, sand, aggregate, gravel and natural building stones.
40	Tharaka Nithi	0.2	• Agro-processing for value addition with important areas of focus include: Khat, Sorghum, honey, and dairy production and processing. • Exploitation of sand, building blocks and ballast. The county also has potential in minerals such as gemstones, iron, copper, ore, fluospar, and quartz.
41	Laikipia	0.8	• Agro-processing for value addition with important areas of focus include hide and skin processing, maize production and processing, and textiles.
42	Kajiado	4.7	• Agro-processing for value addition with important areas of focus include livestock and skins and hides processing; and crops such as tomatoes, maize, beans, and kales. • Exploration and processing of minerals such as Soda ash, Gypsum, Marble, Limestone, and Salt.
43	Narok	1.2	• Agro-processing for value addition with important areas of focus include horticulture, millet, sorghum, maize, livestock and skins and hides processing. • Exploration and processing of minerals such as gold, iron ore, quartz, and limestone.

S/No.	County	Manufacturing contribution to County GCP (%)	Key target areas for value addition by Counties (and enhance manufacturing)
44	Kitui	0.1	• Agro-processing for value addition with important areas of focus include honey production and processing, hides and skins processing; and crops such as green grams, cow peas, maize, tomatoes, bananas, water melons, kales, spinach, paw paw, onions and mangoes, tomatoes, maize, beans, and kales. • Exploration and processing of minerals such as limestone, iron ore, coal, graphite, gypsum, quartz, copper and granite.
45	Makueni	0.4	• Agro-processing for value addition with important areas of focus including Mango maize, citrus, passion, poultry and textiles production and processing.
46	Machakos	16.5	• Agro-processing for value addition with important areas of focus include crops such as maize, cow peas, beans, mangoes, Irish potatoes, coffee, sorghum, mangoes, French beans, pineapples and kales. • Exploration and processing of minerals such as gypsum, sand, and pozzolana.
47	Nairobi	25.1	• Production and processing for value addition with important areas of focus include production of small-scale consumer goods producers (flour, plastic, batteries, textiles, soap, and furniture), agricultural products processing, oil refining, and cement.

Data Source: KNBS (2019) Gross County Product; and KIPPRA (2020): County COVID-19 Social Economic Re-Engineering Recovery Strategy 2020/21-2022/23

Appendix 7.1: Population across urban centres in counties

County	Urban Centre	Total	County	Urban Centre	Total	County	Urban Centre	Total
Baringo	Kabarnet	22,474	Isiolo	Isiolo	78,650	Kiambu	Ruiru	490,120
Baringo	Eldama Ravine	21,385	Isiolo	Garbatula	17,443	Kiambu	Kikuyu	323,881
Baringo	Marigat	9,395	Isiolo	Kinna	11,175	Kiambu	Karuri	194,342
Baringo	Maji Mazuri	5,138	Isiolo	Merti	10,990	Kiambu	Juja	156,041
Baringo	Timboroa	4,744	Isiolo/Garissa	Modogashe	11,814	Kiambu	Kiambu	147,870
Total		**63,136**			**130,072**	**Kiambu**	**Limuru**	**81,316**
Baringo	Makutano	2,147	Kajiado	Ongata Rongai	172,569	Kiambu	Kawaida	14,038
Bomet	Bomet	11,765	Kajiado	Kitengela	154,436	Kiambu	Githunguri	10,615
Bomet	Sotik	4,194	Kajiado	Ngong	102,323	Kiambu	Gatundu	7,947
Bomet	Mulot	3,149	Kajiado	Kiserian	76,903	Kiambu	Ting'ang'a	6,059
Bomet/Nyam-ira	Chebilat	5,373	Kajiado	Kajiado	24,678	Kiambu	Githiga	5,565
Total		**26,628**	**Kajiado**	**Namanga**	**14,922**	**Kiambu**	**Rironi**	**5,544**
Bungoma	Bungoma	68,031	Kajiado	Isinya	14,429	Kiambu	Kimende	4,356
Bungoma	Kimilili	56,050	Kajiado	Loitoktok	10,568	Kiambu	Ikinu	2,532
Bungoma	Webuye	42,642	Kajiado	Kimana	10,116	Kiambu	Ngewa	2,452
Bungoma	Chwele	9,797	Kajiado	Il Bissil	7,812	Kiambu	Kijabe	2,026
Bungoma	Kapsokwony	7,077	Kajiado	Illasit	4,631	Total		1,454,704
Bungoma	Cheptais	4,419	Kajiado	Isineti	4,437	Kilifi	Malindi	119,859
Bungoma	Sirisia	2,096	Kajiado	Rombo	3,854	Kilifi	Mtwapa	90,677
Total		**190,112**	**Kajiado**	**Masimba**	**2,504**	**Kilifi**	**Kilifi**	**74,270**
Busia	Busia	71,886	Kajiado	Ewuaso Kedong	2,144	Kilifi	Watamu	27,857
Busia	Malaba	15,581	Total		606,326	Kilifi	Vipingo	12,183
Busia	Port Victoria	12,194	Kakamega	Kakamega	107,227	Kilifi	Gongoni	10,993
Busia	Amagoro	4,182	Kakamega	Mumias	41,942	Kilifi	Marereni	7,085
Busia	Nambale	3,993	Kakamega	Butere	7,596	Kilifi	Kaloleni	7,016
Busia	Funyula	3,645	Kakamega	Shianda	7,502	Kilifi	Bamba	2,015
Total		**111,481**	**Kakamega**	**Malava**	**5,131**	**Total**		**351,955**
Elgeyo/Mar-akwet	Iten	12,630	Kakamega	Khayega	3,892	Kirinyaga	Wanguru	51,722
Elgeyo/Mar-akwet	Kapsowar	4,709	Total		173,290	Kirinyaga	Kerugoya	30,045
Elgeyo/Mar-akwet	Kapcherop	3,240	Kericho	Kericho	53,804	Kirinyaga	Kagio	13,961
Total		20,579	Kericho	Litein	13,403	Kirinyaga	Sagana	11,203
Embu	Embu	64,979	Kericho	Brooke Bond	7,896	Kirinyaga	Kutus	9,143
Embu	Runyenjes	4,943	Kericho	Kapsoit	3,545	Kirinyaga	Kimbimbi	6,826
Embu	Siakago	4,315	Kericho	Londian	3,148	Kirinyaga	Kagumo	3,673
Total		**74,237**	**Kericho**	**Chepsion**	**3,096**	**Kirinyaga**	**Kianyaga**	**2,974**

County	Urban Centre	Total	County	Urban Centre	Total	County	Urban Centre	Total
Garissa	Masalani	43,642	Kericho	Kapkatet	2,484	Total		129,547
Garissa	Ijara	11,792	Total		87,376	Kisii	Suneka	13,405
Garissa	Dadaab	11,525	Homa Bay	Homa Bay	44,949	Kisii	Ogembo	3,901
Garissa	Bura East	6,496	Homa Bay	Oyugis	19,947	Kisii	Mosocho	3,824
Total		**73,455**	**Homa Bay**	**Mbita**	**14,916**	**Kisii**	**Magonga**	**3,628**
Mombasa	Mombasa	1,208,333	Homa Bay	Sindo	10,286	Kisii	Magena	3,505
Murang'a	Kenol	44,086	Homa Bay	Rodi Kopany	8,122	Kisii	Tabaka	2,910
Murang'a	Murang'a	43,314	Homa Bay	Kendu Bay	6,064	Kisii	Kenyenya	2,698
Murang'a	Maragua	8,597	Homa Bay	Ndhiwa	4,762	Total		33,871
Murang'a	Kangema	6,424	Homa Bay	Nyandiwa Beach	4,033	Kisumu	Kisumu	397,957
Murang'a	Kangari	4,096	Total		113,079	Kisumu	Ahero	11,801
Murang'a	Kiriaini	3,779	Makueni	Wote	19,725	Kisumu	Muhoroni	7,215
Murang'a	Saba	2,438	Makueni	Makindu	15,038	Kisumu	Maseno	6,771
Murang'a/ Kiambu	Thika	251,407	Makueni	Kibwezi	8,143	Kisumu	Katito	5,098
Total		**1,572,474**	**Makueni**	**Mtito Andei**	**5,626**	**Kisumu**	**Awasi**	**5,052**
Nairobi City	Nairobi City	4,397,073	Makueni	Kikima	3,269	Kisumu	Rabuor	2,942
			Makueni	Kiboko	2,708	Kisumu/Kericho	Sondu	6,869
Nakuru	Nakuru	570,674	Makueni	Nunguni	2,266	Total		443,705
Nakuru	Naivasha	198,444	Makueni/Kajiado	Emali	18,325	Kitui	Kitui	29,062
Nakuru	Gilgil	60,711	Makueni/Kajiado	Sultan Hamud	8,718	Kitui	Mwingi	17,025
Nakuru	Turi	48,356	Total		83,818	Kitui	Kabati	2,420
Nakuru	Njoro	42,173	Mandera	Mandera	114,718	Total		48,507
Nakuru	Elburgon	28,359	Mandera	El Wak	60,732	Kwale	Ukunda	77,686
Nakuru	Mai Mahiu	20,823	Mandera	Rhamu	35,644	Kwale	Msambweni	14,951
Nakuru	Mau Narok	11,806	Mandera	Lafey	22,882	Kwale	Kwale	10,063
Nakuru	Subukia	10,344	Mandera	Takaba	21,517	Kwale	Kinango	5,928
Nakuru	Salgaa	9,447	Mandera	Banisa	14,974	Kwale	Samburu	4,454
Nakuru	Mwisho Wa Rami	6,499	Total		270,467	Kwale	Mackinon Road	3,901
Nakuru	Ndundori	5,392	Marsabit	Moyale	47,850	Kwale	Lunga	2,536
Nakuru	Keringet	4,774	Marsabit	Marsabit	36,289	Kwale/Kilifi	Mariakani	31,715
Nakuru	Bahati	3,180	Marsabit	Sololo	7,683	Kwale/Kilifi	Mazeras	16,254
Nakuru	Total	2,893	Marsabit	Loiyangalani	5,193	Total		167,488
Nakuru	Olenguruone	2,787	Marsabit	North Horr	5,177	Laikipia	Nyahururu	37,650
Nakuru	Kampi Ya Moto	2,775	Marsabit	Laisamis	5,047	Laikipia	Rumuruti	13,056
Nakuru	Kinungi	2,573	Total		107,239	Laikipia	Kinamba	4,890
Nakuru	Muchorwi	2,162	Meru	Meru	80,191	Laikipia	Wiyumiririe	2,449

County	Urban Centre	Total	County	Urban Centre	Total	County	Urban Centre	Total
Nakuru	Rongai	2,099	Meru	Maua	22,121	Laikipia	Karuga	2,301
Nakuru/ Baringo	Mogotio	13,366	Meru	Timau	10,571	Total		60,346
Total		**1,049,637**	**Meru**	**Nkubu**	**7,675**	**Lamu**	**Lamu**	**25,385**
Nandi	Kapsabet	41,997	Meru	Laare	5,358	Lamu	Mpeketoni	5,957
Nandi	Nandi Hills	8,032	Meru	Mitunguu	3,293	Lamu	Mokowe	4,249
Nandi	Musoriot	4,916	Meru	Kiirua	2,158	Lamu	Faza	2,855
Nandi	Baraton	2,043	Total		131,367	Total		38,446
Narok	Narok	65,430	Migori	Migori	71,668	Machakos	Mlolongo	136,351
Narok	Kilgoris	10,845	Migori	Isebania	23,891	Machakos	Athi River	81,302
Narok	Lolgorian	6,053	Migori	Kehancha	22,194	Machakos	Machakos	63,767
Narok	Ololunga	5,609	Migori	Rongo	20,688	Machakos	Githunguri	63,319
Narok	Nairagie Ngare	4,954	Migori	Awendo	16,815	Machakos	Makutano (Kyumbi)	12,396
Narok	Ntulele	3,390	Migori	Sori	7,020	Machakos	Matuu	12,073
Narok/Kisii	Nyangusu	3,590	Migori	Muhuri Bay	4,924	Machakos	Tala	11,446
Total		**156,859**	**Total**		**167,200**	**Machakos**	**Kangundo**	**10,258**
Nyamira	Nyamira	24,483	Nyandarua	Mairo Inya	30,527	Machakos	Kathiani	4,304
Nyamira	Kijauri	5,993	Nyandarua	Ol Kalou	13,234	Machakos	Masii	3,653
Nyamira	Kebirigo	4,711	Nyandarua	Engineer	5,324	Machakos	Oldonyo Sabuk	3,353
Nyamira/Kisii	Kisii	112,417	Nyandarua	Ndunyu Njeru	4,354	Machakos	Kithimani	2,923
Nyamira/Kisii	Keroka	10,881	Nyandarua	Njabini	3,929	Machakos	Wamunyu	2,190
Total		**158,485**	**Nyandarua**	**Kasuku**	**2,209**	**Total**		**407,335**
Nyeri	Nyeri	80,081	Nyandarua	Ol Joro Orok	2,116	Tharaka-Nithi	Chuka	22,388
Nyeri	Karatina	23,552	Total		61,693	Tharaka-Nithi	Chogoria	7,603
Nyeri	Othaya	6,650	Wajir	Wajir	90,116	Tharaka-Nithi	Marimanti	2,752
Nyeri	Mukurweini	6,508	Wajir	Habaswein	49,599	Total		32,743
Nyeri	Chaka	5,970	Wajir	Bute	14,108	Trans Nzoia	Kitale	162,174
Nyeri	Kiganjo	4,009	Wajir	Eldas	12,270	Trans Nzoia	Kiminini	16,560
Nyeri	Mweiga	3,609	Wajir	Giriftu	7,935	Total		178,734
Nyeri	Endarasha	2,743	Wajir	Tarbaj	3,146	Turkana	Lodwar	82,970
Nyeri/Laikipia	Nanyuki	72,813	Total		177,174	Turkana	Kakuma	22,984
Nyeri/Laikipia	Naro Moru	8,097	West Pokot	Makutano	28,469	Turkana	Lokichar	12,676
Total		**214,032**	**West Pokot**	**Ortum**	**3,372**	**Turkana**	**Lokichoggio**	**11,626**
Samburu	Maralal	31,350	Total		31,841	Turkana	Kainuk	10,535
Samburu	Archers Post	4,620	Siaya	Siaya	33,153	Total		140,791
Samburu	Wamba	4,580	Siaya	Bondo	22,712	Uasin Gishu	Eldoret	475,716
Samburu	Baragoi	4,254	Siaya	Usenge	7,976	Uasin Gishu	Moi's Bridge	16,355
Samburu	Suguta Marmar	2,328	Siaya	Ugunja	7,060	Uasin Gishu	Burnt Forest	4,739
Total		**47,132**	**Siaya**	**Sega**	**4,179**	**Uasin Gishu**	**Jua Kali**	**4,623**

County	Urban Centre	Total	County	Urban Centre	Total	County	Urban Centre	Total
Taita/Taveta	Voi	53,353	Siaya	Ndori	3,770	Uasin Gishu	Turbo	2,559
Taita/Taveta	Taveta	22,018	Siaya	Yala	3,237	Uasin Gishu	Kesses	2,293
Taita/Taveta	Mwatate	9,572	Total		82,087	Uasin Gishu/ Kakamega	Matunda	10,807
Taita/Taveta	Maungu	4,713	Tana River	Hola	20,912	Total		517,092
Taita/Taveta	Wundanyi	4,118	Tana River	Bura	13,650	Vihiga	Mbale	17,404
Total		**93,774**	**Tana River**	**Garsen**	**7,176**	**Vihiga**	**Luanda**	**13,319**
			Tana River	Kipini	2,656	Vihiga	Chavakali	12,674
			Tana R.Gar-issa	Garisaa	163,399	Vihiga	Majengo	11,913
			Total		207,793	Vihiga/Nandi	Serem	3,984
						Total		59,294

Source: Kenya Population and Housing Census (2019)

Appendix 10.1: Tourist arrivals, spending and total receipts by source country in 2019

Source Country	Arrivals in 2019 (No.)	Average Expenditure Per Day (Ksh)	Length of Stay	Average spending per tourist per trip (Ksh)	Estimated Income (Ksh million)	% of revenue	Urban Centre
1	USA	245,437	22,600	7.5	169,500	41,601.57	25.4
2	Uganda	223,010	5,200	5.0	26,000	5,798.26	3.5
3	Tanzania	193,740	5,200	5.0	26,000	5,037.24	3.1
4	United Kingdom	181,484	14,200	7.5	106,500	19,328.05	11.8
5	India	122,649	7,000	10.0	70,000	8,585.43	5.2
6	China	84,208	8,210	10.0	82,100	6,913.48	4.2
7	Germany	73,150	14,200	7.5	106,500	7,790.48	4.8
8	France	54,979	14,200	7.5	106,500	5,855.26	3.6
9	Italy	54,607	14,200	7.5	106,500	5,815.65	3.6
10	South Africa	46,926	5,200	5.0	26,000	1,220.08	0.7
11	Rwanda	43,321	5,200	5.0	26,000	1,126.35	0.7
12	Canada	41,039	22,600	7.5	169,500	6,956.11	4.3
13	Ethiopia	40,220	5,200	5.0	26,000	1,045.72	0.6
14	Nether-lands	37,266	14,200	7.5	106,500	3,968.83	2.4
15	Nigeria	32,906	5,200	5.0	26,000	855.56	0.5
16	Somalia	32,268	5,200	5.0	26,000	838.97	0.5
17	Burundi	31,218	5,200	5.0	26,000	811.67	0.5
18	Australia	27,867	20,600	10.0	206,000	5,740.60	3.5
19	Spain	26,398	14,200	7.5	106,500	2,811.39	1.7
20	South Su-dan	24,646	5,200	5.0	26,000	640.80	0.4
21	Others	431,495	10,200	7.0	71,400	30,808.74	18.8
	Total	**2,048,834**	**10,629**	**6.8**	**78,167**	**163,550.21**	**100.0**

Data Source: Estimated from Kenya National Bureau of Statistics (Various), and Kenya Tourism Research Institute data

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 sector. 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.

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An international centre of excellence in public policy research and analysis; an international centre of excellence

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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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