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Policy Monitor

Thinking Policy Together

Focus on Industrialization to Drive Job Creation and Economic Growth

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Editorial

Welcome to the KIPPRA Policy Monitor, April-June edition. This edition comes at a time when Kenya is consolidating its efforts towards enhancing industrialization by creating an enabling environment for the manufacturing sector, opening markets, and leveraging technology to augment Kenya's competitiveness globally. The theme for this issue is "Focus on industrialization to drive job creation and economic growth".

The articles in this edition focus on Kenya's recent economic developments; leveraging global value chains to enhance industrialization in Kenya; human vaccine production in Kenya and leveraging industrialization for economic growth and job creation across the counties.

This Edition highlights various activities undertaken by the Institute in the fourth quarter. Among the key activities are capacity building including the executive public policy making process for the Intergovernmental Relations Technical Committee (IGRTC), various capacity building programmes for the Central Project Planning and Monitoring Directorate; and the KIPPRA Mentorship Programme for Universities and TVETs (KMPUTs) in Meru University of Science and Technology (MUST), and the National Youth Service (NYS), Engineering School.

Additionally, the Institute undertook a validation of research papers by the 2023/2024 Cohort of the Young Professionals (YPs) under the theme "The future of industrialization in Kenya: Leveraging on the 4th industrial revolution". Further, the Edition highlights several roundtables and stakeholder engagement workshops conducted during the period on different thematic and interdisciplinary research areas including understanding Kenya's fertilizer market; what works for youth employment in Africa: a review of existing policies and empirical analysis in Kenya; and implications of forest restoration on forest cover and social effects.

This Edition also highlights demand-driven and collaborative research projects including the FAO project on analysing public expenditure towards food and agriculture in Kenya; the African Centre Economic Transformation (ACET) project on the country's economic outlook for Kenya, and collaborative project with the Partnership for Economic Policy (PEP) and MasterCard Foundation Kenya in implementing the second phase of a project on the review of youth employment policies and their impact in Kenya; and the RESET Kenya initiative on alcohol policy and tax reforms in Kenya.

In the spirit of corporate social responsibility and welfare activities, we share activities carried out in the fourth quarter, including the annual staff team building exercise in Naivasha, and indigenous tree-planting exercise at Naivasha Game Farm.

Finally, we give you a glimpse of the upcoming KIPPRA events such as planned dissemination workshops; policy seminars; capacity building programmes such as the young professionals (YP) graduation ceremony; and the launch of the Kenya Economic Report 2024.

On behalf of the entire KIPPRA fraternity, we trust that you will find this edition informative and engaging as Kenya leverages industrialization to drive job creation and economic growth.

Kenya Recent Macroeconomic Performance

By Laureen Karima, Elvis Kiptoo and Jacob Nato

Introduction

This article analyses Kenya's recent economic developments with a focus on four key areas: the growth of economic activities, monetary and financial policy, fiscal developments, and the external sector. The article also takes cognizance of the official launch of the Fourth Medium-Term Plan (MTP IV) 2023-2027 of the Kenya Vision 2030 by the government on 21st March 2024. The theme for MTP IV is the bottom- up economic transformation agenda for inclusive growth. The government also launched the Kenya Economic Survey 2024 in May 2024.

Economic Growth

The domestic economy grew by 5.6 per cent in 2023, greater than a 4.9 per cent growth observed in 2022 that is attributed to a rebound of agricultural activities stemming from more favourable weather conditions in the year. According to data from the Kenya National Bureau of Statistics, the key sectors in the economy that recorded an impressive growth were accommodation and food service activities (33.6%), financial and insurance services (10.1%), information and communication (9.3%) agriculture, forestry, and fishing (6.5%) and transportation and storage services (6.2%). However, there was dismal performance in the mining and quarrying sector that contracted by 6.5 per cent due to declined production of minerals such as titanium, soda ash and gemstone.

Agriculture, forestry, and fishing activities rebounded in 2023 with a growth in gross value addition of 6.5 per cent compared to 1.5 per cent in 2022. Favourable climatic conditions enabled a 13.7 and 5.7 per cent growth in crop and livestock production, respectively. Growth in crop production was supported by a 6.6 per cent increase in the quantity of tea production, 44.1 per cent increase in the volume of exported fruits to 0.19 million tonnes and growth in volume of exported vegetables increased to 0.20 million tonnes. Milk production increased by 6.9 per cent from 754.3 million litres in 2022 to 806.6 million litres in 2023.

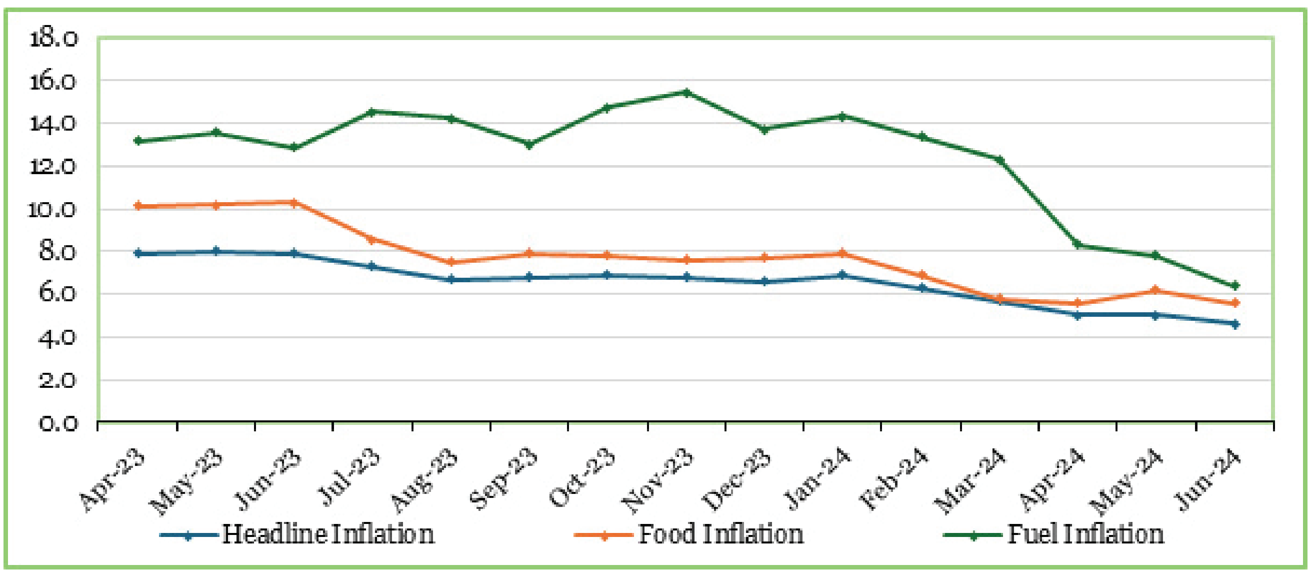
Accommodation and food services activities grew by 33.6 per cent in 2023 from a 26.8 per cent growth in 2022. The growth is linked to an increase in tourist activities resulting from international engagements hosted in Kenya. Key international events such as the Africa Climate Summit held in September 2023 and the EU Kenya Business Forum held in February 2023 led to increased demand for hospitality services. International tourist arrivals at both JKIA and Moi International Airport increased by 25.6 per cent rising from 1.20 million in 2022 to 1.63 million in 2023, reflecting a significant boost in tourist activity.

In the first quarter of 2024, the economy expanded by 5.0 per cent, slightly lower than the 5.5 per cent growth recorded in the same period in 2023. Key drivers of growth included robust performances in agriculture, forestry and fishing (6.1%), real estate (6.6%), financial and insurance (7.0%), information and communication (7.8%), and a remarkable 28.0 per cent growth in accommodation and food services. Favourable weather conditions bolstered agricultural output through good crop and animal production throughout the quarter.

Inflation

The headline inflation rate averaged 4.9 per cent in April-June 2024 (Figure 1) and was within the government's target range of 2.5 per cent on either side of the 5.0 per cent medium-term target. The inflation rate recorded in June 2024 was 4.6 per cent was driven by the rise in prices of commodities under transport (7.7%), food and non-alcoholic beverages (5.6%), and housing, water, electricity, gas and other fuels (3.1%) between June 2023 and June 2024. Due to the favourable weather conditions, the food prices reported in June 2024 were lower compared to the same month in 2023. For instance, the prices of fortified maize flour, sifted maize flour, loose maize grain, and wheat flour reduced by 2.3, 3.2, 1.6 and 1.3 per cent, respectively. Food inflation declined from 10.3 per cent in June 2023 to 5.6 per cent in June 2024. Fuel inflation also decreased to 7.5 per cent in April-June 2024 from 13.2 per cent in April-June 2023. The decline is attributed to the strengthening of the Kenyan shilling against the US dollar, which helped offset the rising global crude oil prices.

Figure 1: Inflation rates, April 2023-June 2024



Source: Kenya National Bureau of Statistics CPI reports (Various issues)

Monetary and Financial Policy

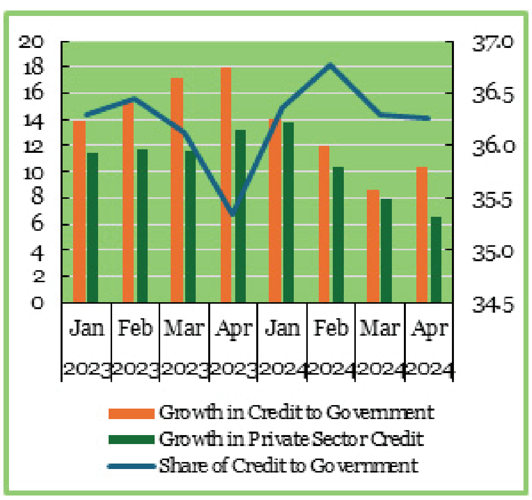
The banking sector remained stable and vibrant, supported by a recovery in the private sector activities. The Monetary Policy Committee (MPC) during its meeting on 5th June 2024 maintained the Central Bank Rate (CBR) at 13.0 per cent. The accommodative monetary policy stance was informed by the stickiness of non-food non-fuel inflation and interest rates of major economies, which are expected to remain higher for a longer period.

The average interbank rate was at 13.5 per cent in the April-June 2024 period compared to 9.2 per cent in a similar period in 2023. Yields in government securities increased as reflected by the performance of the weighted average interest rate for treasury bills. The 91-day, 182-day, and 364-day T-bills, rose from averages of 10.7 per cent, 10.9 per cent, and 11.3 per cent, respectively, in April-June 2023 to 16.0 per cent, 16.6 per cent, and 16.7 per cent in the same period in 2024 because of improved investor confidence in government securities.

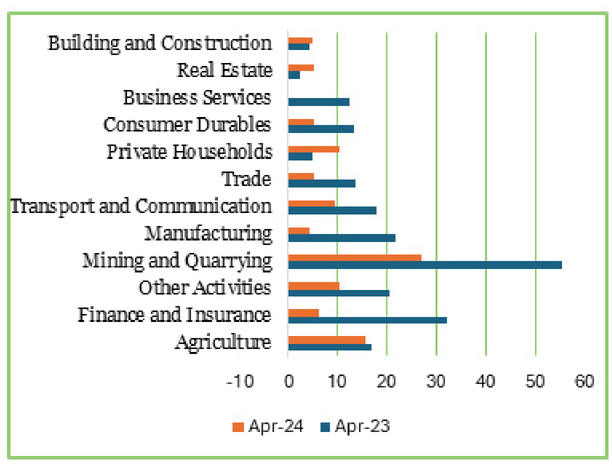
The liquidity in the money market remained adequate throughout the April-June 2024 quarter, bolstered by effective open market operations. By the end of June 2024, commercial banks had maintained excess reserves of Ksh 12.8 billion in relation to the required 4.25 per cent cash reserves requirement (CRR). The total liquidity ratio in April 2024 rose to 53.3 per cent from 48.6 per cent recorded in April 2023 to remain significantly above the minimal statutory ratio of 20 per cent. The non-performing loans to gross loans ratio grew to 16.1 per cent in April 2024 from 14.5 per cent in April 2023. The banking sector's return on assets was at 1.27 per cent in April 2024 down from 1.23 per cent in a similar period in 2023 owing to the effects of the Kenya shilling depreciation on private equity funds during investment and distribution periods.

Growth in private sector credit in April 2024 was 6.6 per cent compared to 13.2 per cent in a similar period in 2023. The 6.6 per cent growth reflects an increase in lending to the private sector to Ksh 3,851 billion in April 2024 period from Ksh 3,613.5 billion in April 2023. Figure 2b shows that mining and quarrying (26.9%), and agriculture (15.7%) sectors experienced strong credit growth in April 2024. The number of loan applications and approvals grew, indicating that demand had improved as economic activity increased. Growth in credit to government decreased from 18.0 per cent in April 2023 to 10.4 per cent in April 2024. The percentage share of domestic credit to government increased from 35.5 per cent in April 2023 to 36.26 per cent April 2024.

Figure 2: Private sector credit Jan-April 2023 and Jan-April 2024



2a: Credit to the private sector and government



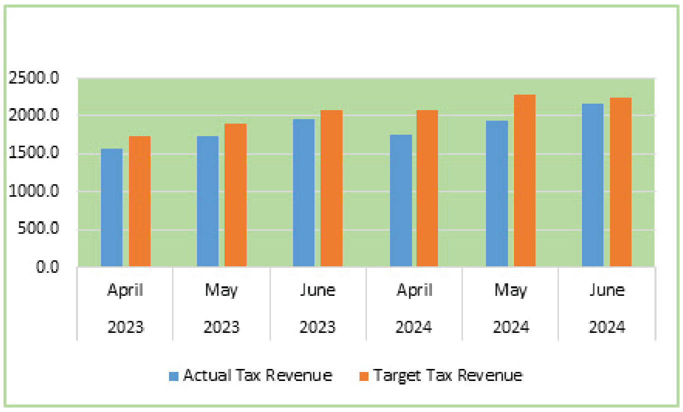
2b: Sectorial private credit growth

Source: CBK Monthly Report (Various issues)

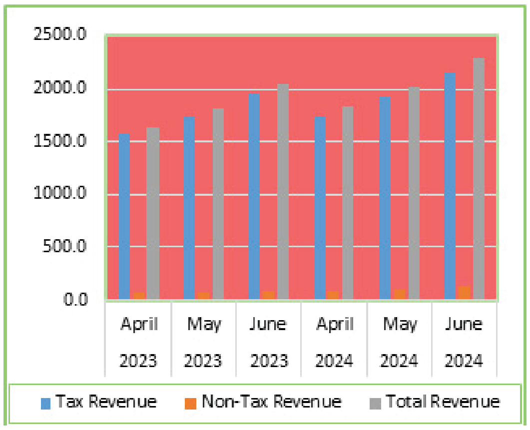
Fiscal Developments

In June 2024, the economy had achieved a tax revenue collection of 89.0 per cent of the target implying a tax revenue collection shortfall of 11.0 per cent. This was a decreased performance compared with the previous period when it fell short of the targeted tax revenue by 10.36 per cent. The tax revenue represented 94.36 per cent of the cumulative total revenue as at the end of June 2024.

Figure 3: Revenue performance in April-June 2023 vis-à-vis April-June 2024



3a: Actual and target revenue estimates

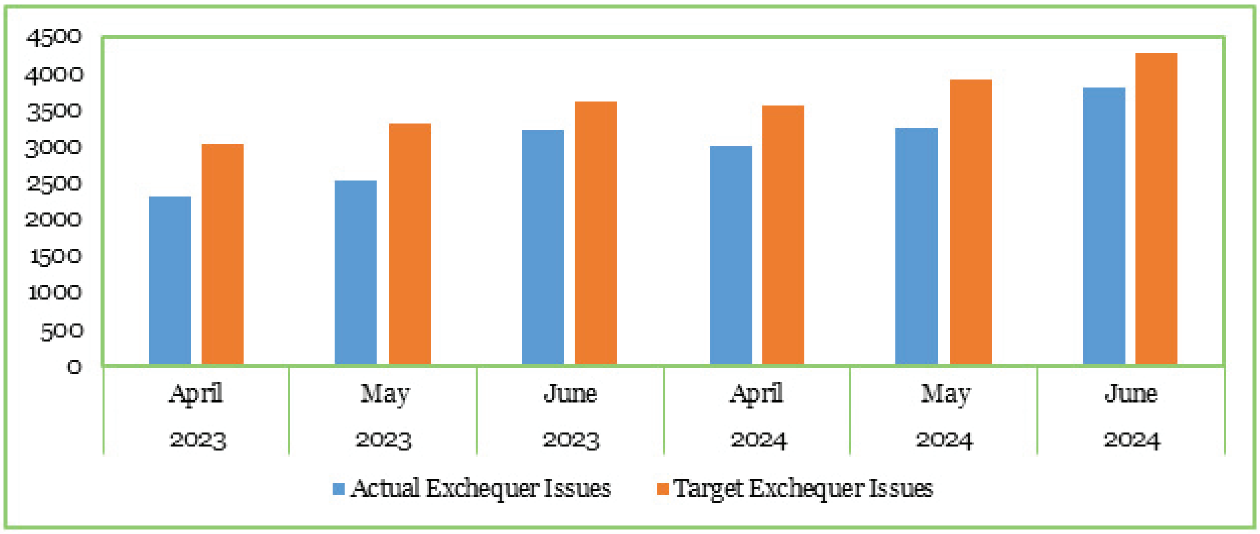


3b: Quarterly revenue composition

Source: Gazette Notices and CBK Monthly Report (Various issues)

The total exchequer issues as of June 2024 fell short of the targeted exchequer issues by 10.97 per cent. This was due to the national exchequer issues and transfers to county governments falling short of their targets by 16.9 per cent and 18.7 per cent, respectively. The expenditures to national government failed to observe the fiscal responsibility principles that require a minimum threshold of 30 per cent on development expenses as a share of total budget with the development exchequer issues accounting for 8.3 per cent of the total national exchequer issues at the end of June 2024. The recurrent exchequer issues accounted for 35.8 per cent, while the consolidated fund issues accounted for 46.5 per cent of the total national government issues.

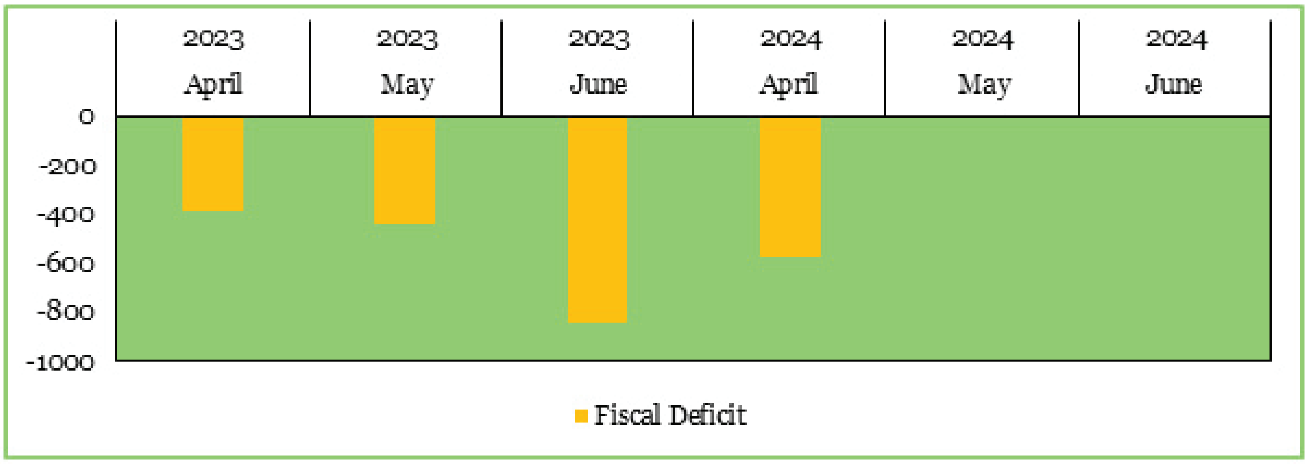
Figure 4: Government exchequer issues performance, April-June 2023 and April-June 2024



Source: Gazette Notices and CBK Monthly Report (Various issues)

Total exchequer issues as of June 2024 increased by 17 per cent to about Ksh 3,796.1 billion from about Ksh 3,221 billion in the same month in 2023. Total revenue inclusive of grants, domestic and external borrowings increased by 16.9 per cent to about Ksh 3,794.6 billion from Ksh 3,244.8 billion in a similar month in 2023, a growth that is attributed to increased inflows from both domestic borrowing and external loans and grants. The faster revenue growth and slower expenditure growth in April 2024 saw the overall decline in the fiscal deficit to a positive one of about Ksh 578 billion (see Figure 5).

Figure 5: Fiscal deficit in April-June 2023 and April 2024



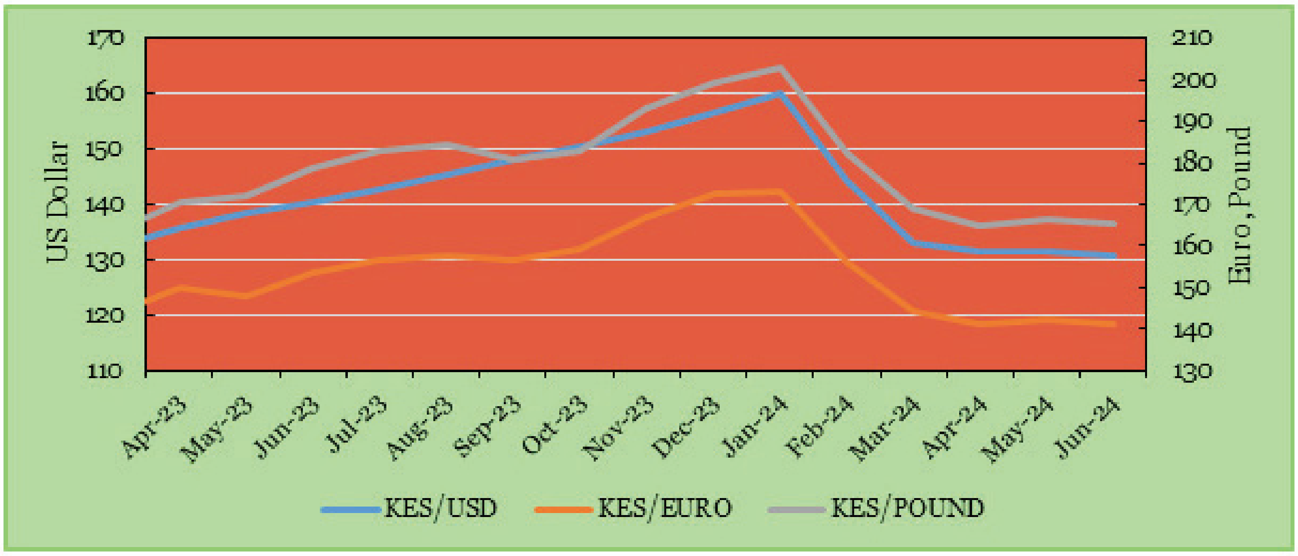
Source: Calculated using CBK data

The total debt stock for Kenya increased by 9.2 per cent from Ksh 9.6 trillion in April 2023 to Ksh 10.5 trillion in April 2024. The debt mix consists of 50.6 per cent domestic debt and 49.4 per cent external debt. The gross domestic debt grew by 11.9 per cent from Ksh 4.8 trillion in June 2023 to Ksh 5.4 trillion in June 2024 with government securities treasury bills and treasury bonds accounting for 11.4 and 85.5 per cent, respectively. At the end of June 2024, banking institutions held the largest share of domestic debt at 45.1 per cent. Pension funds, insurance companies, and parastatals held 29.6, 7.2, and 5.1 per cent, respectively, while other investors collectively held 13 per cent of the domestic debt.

External Sector Developments

In April-June 2024, the Kenya shilling strengthened against the US Dollar, Sterling pound, and Euro, appreciating by 4.7, 3.8, and 5.6 per cent, respectively. The Kenya shilling exchanged at an average of Ksh 130.8, Ksh 165.2, and Ksh 141.0 against the US dollar, Sterling pound, and Euro, respectively, in April-June 2024, compared to an average exchange rate of Ksh 137.3.5, Ksh 171.8, and Ksh 149.4 in April-June 2023 (Figure 6). The appreciation of the Kenya shilling against the major currencies emanated from government reaping the benefits of a rise in investor confidence following Eurobond issuance, diminished short term debt sustainability concerns, reduced pressure from the import bill, strong diaspora remittances, attractive yields, which could continue to draw portfolio flow into the country, and flows from development partners.

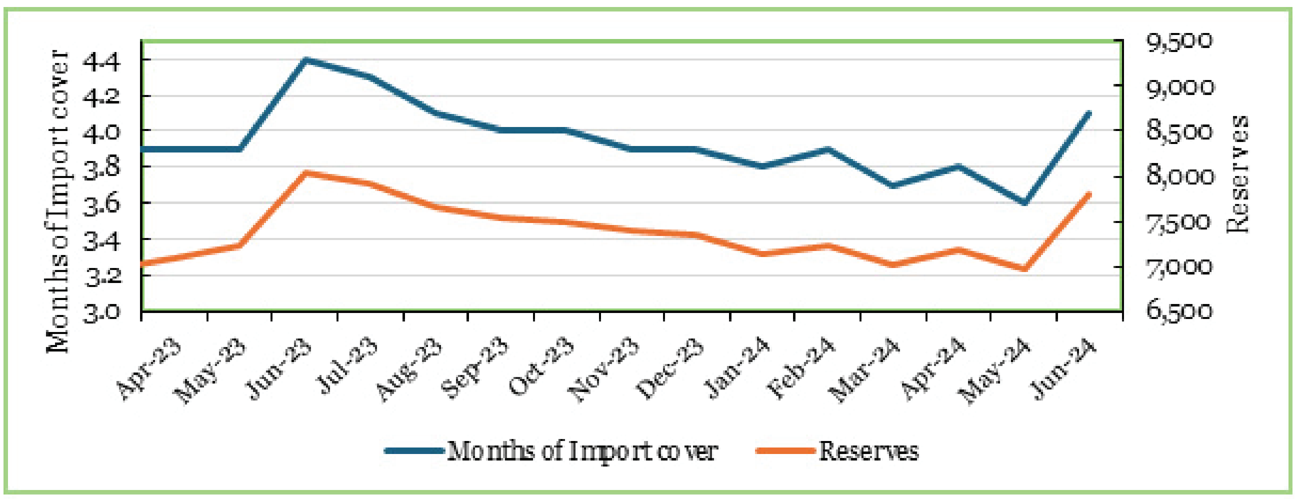
Figure 6: Exchange rates, April 2023-June 2024



Source: Central Bank of Kenya

The Central Bank of Kenya maintained sufficient foreign exchange reserves where the stock of official reserves was US$ 7,800 million (4.1 months of import cover) in June 2024. This represented a 2.9 per cent decrease from US$ 8,036.7 reported in June 2023. Foreign reserves measured in months of import cover remained slightly above the CBK's statutory requirement of at least four months with a 4.1 cover in June 2024 pointing to the economy's ability to provide a buffer against short-term shocks in the foreign exchange market (Figure 7).

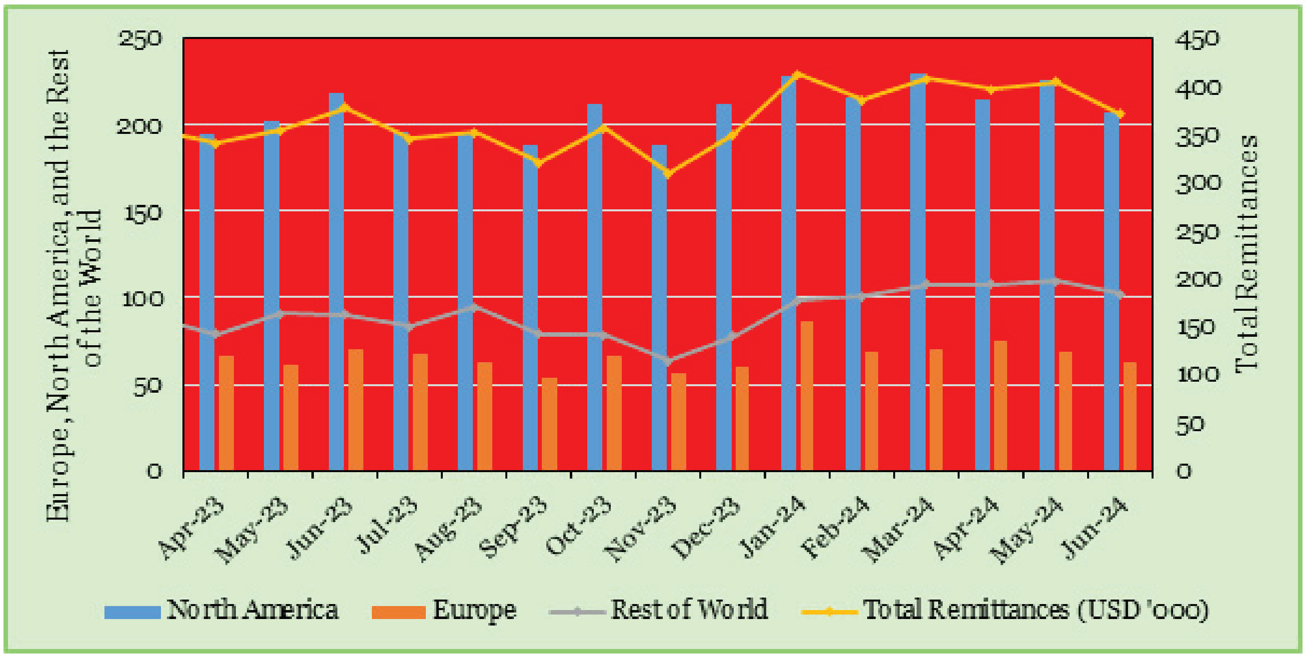
Figure 7: Foreign exchange reserves, April 2023-June 2024



Source: Central Bank of Kenya

Total diaspora remittances in the April-June 2024 increased by 9.36 per cent to a total of US$ 1,173.3 million from US$ 1,072.9 million in the same period in 2023 (Figure 8). In the fourth quarter, North America had the highest proportion of the total remittances (55.2%), followed by the rest of the globe (27.3%) and Europe (17.5%). Remittances from all source destinations recorded growth with the highest growth observed in remittances coming from the rest of the world at 23.0 per cent, followed by North America at 5.3 per cent and 3.9 per cent from Europe.

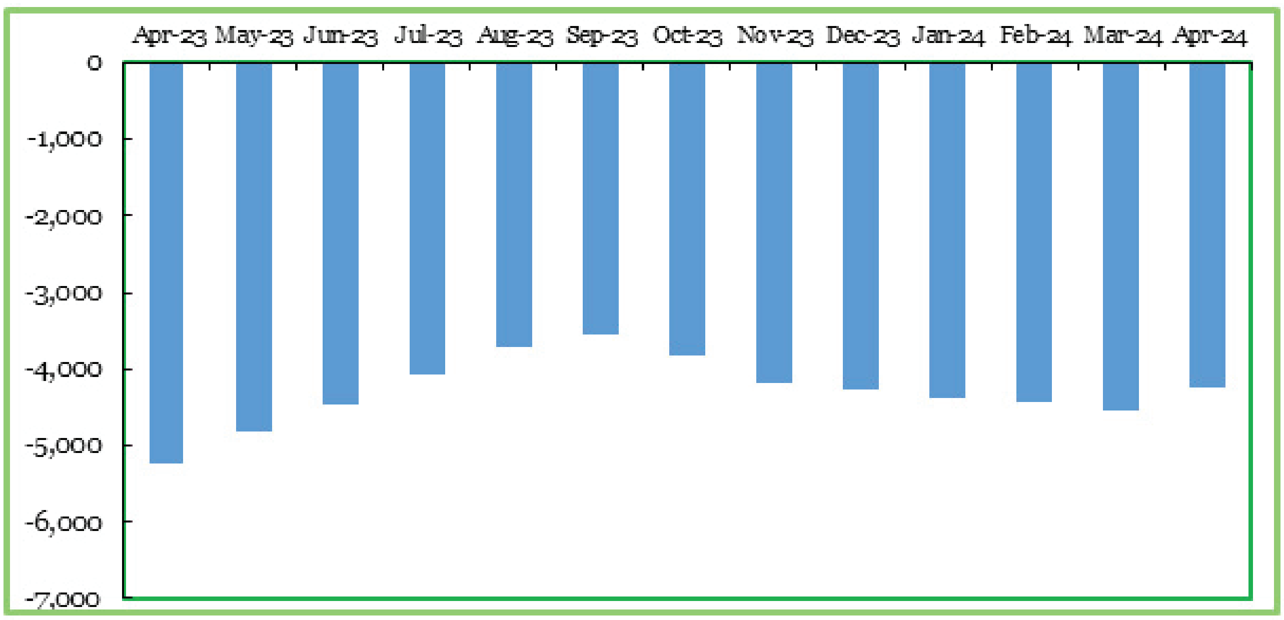
Figure 8: Diaspora remittances, April 2023-June 2024



Source: Central Bank of Kenya

The value from export of goods rose to US$ 7,562.7 million in April 2024 from US$ 7,372.7 million in the same period in 2023. The rise in exports of goods was supported by robust revenues from tea and horticultural products. The external balance was also supported by tourism receipts, which exceeded pre-pandemic levels and robust remittances. Imports of goods declined from US$ 18,815.6 million to US$ 17,441.5 million. The rise in exports and decline in imports have been crucial in reducing the current account deficit from US$ -5,537.8 million in April 2023 to US$ -4,228.3 million in April 2024 (Figure 9).

Figure 9: Current account balance from April 2023 to April 2024



Source: Central Bank of Kenya

Economic Outlook and Associated Risks

The domestic economy is projected to grow by 5.5 per cent in 2024 supported by expectations of sustained favourable weather patterns and continued control of inflation. As the country's economic growth maintains an upward trend and the outlook seems positive, emerging factors that could maintain the upward trajectory beyond the global threshold of 3.8 per cent include growth in agricultural activities due to favourable weather forecast and agriculture related government interventions; expectations of enhanced economic benefits of a stronger shilling and growing capital inflows in the economy, and lower inflation, which is likely to boost demand for working capital and term funding.

High cost of credit due to high interest rates and prospects of increased interest rates raises the cost of doing business in the country and this could dampen businesses' willingness to borrow. The expectations that the resumption of the normal import levels and increased demand for dividend repatriation could keep the exchange rate slightly under pressure.

Efforts to maintain inflation within the target band (5±2.5%) and to stabilize the Kenyan shilling will support investment decisions. Additionally, government initiatives to improve anti-money laundering measures, resolve non-performing loans, ensure timely payments and county disbursements, and establish stable regulatory frameworks will create a more predictable business environment. Enhancing predictability of the tax landscape remains key in sustaining the country's growth. Implementation of programmes, interventions and strategies outlined in the BETA will also be expected to stimulate economic activities and support growth.

Leveraging Global Value Chains to Enhance Industrialization in Kenya

By Kevin Wanjala, Lilian Kingori, Ramadhan Mafta, and Kenneth Malot

Introduction

Global Value Chains (GVCs) represent the complex network of production processes where different stages of manufacturing are located across various countries.[1] Despite Kenya's strategic geographical location and relatively robust economy compared to its African counterparts, its potential to establish a significant presence in the GVC has not been fully realized. The country's trade remains predominantly driven by natural resources, such as extractives and agriculture, with minimal diversification into higher value-added sectors. Micro, Small, and Medium Enterprises (MSMEs), which are critical economic drivers, have largely remained local, with limited integration into the GVC. Those that participate are typically involved in low value-added phases, hindering broader economic potential.

There are two levels of GVC participation: backward linkage, where production incorporates inputs from other countries, and forward linkage, where a country's exports are used as inputs in another country's production process. The trend of Kenya's GVC integration has shown an upward trajectory from 2000 to 2021, with significant growth in backward linkages compared to forward linkages. While backward linkages have increased substantially, indicating a growing dependency on imported inputs, forward linkages have not kept pace, revealing a gap in the country's export value-added integration. It is imperative to note that for a country to be on a path of economic development, the export of highly value-added goods is critical, underscoring the importance of forward linkages. Kenya aims to grow its economy by double digits by the year 2030, as outlined in its Vision 2030 blueprint. However, if the current trend in GVC participation, particularly forward linkages, continues, achieving this ambitious goal may prove challenging.

[1] Wanjala and Mohamed (2022). Firm level analysis of global value chain participation in Kenya. https://repository.kippra.or.ke/handle/123456789/4319

Global Value Chains Landscape in Kenya

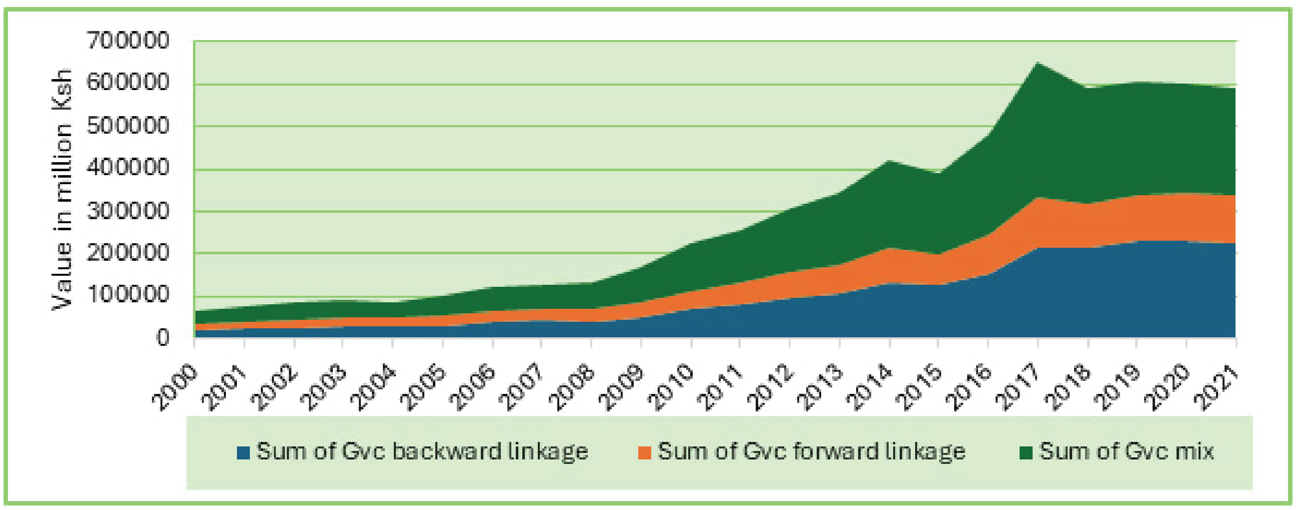
Figure 1 provides a detailed look into the evolution of Global Value Chain (GVC) linkages, specifically backward and forward linkages, from 2000 to 2021. These linkages reflect the degree to which a country is integrated into global trade networks, either through importing inputs for its production (backward linkages) or providing exports that serve as inputs in other countries' production processes (forward linkages).

The trend of the GVC mix over the years shows a significant upward trajectory from 2000 to 2021, indicating increasing integration into the global value chain. Notably, there are periods of sharp increases, particularly from 2010 to 2014, and in 2016 to 2017. There is a slight decline and stabilization from 2018 onwards, likely influenced by global trade dynamics and potential disruptions, including the COVID-19 pandemic that emerged in early 2020.

The GVC backward linkages have consistently been higher than the forward linkages. Starting at 19,339.56 in 2000, they rose significantly to 222,842.8 by 2021. This substantial increase highlights a growing dependency on imported inputs for the country's exports, reflecting deeper integration into global supply chains. It is, however, worth noting that the higher and rapidly increasing backward linkages indicate an escalating dependency on imported inputs for production. This could have implications for economic stability, particularly in the face of global supply chain disruptions such as the COVID-19 pandemic and the Ukraine-Russia crisis.

On the other hand, the GVC forward linkages, though increasing, have done so at a lower level compared to backward linkages. Beginning at 13,308.67 in 2000 and reaching 117,931.4 in 2021. This upward trend indicates that the country's exports are increasingly being used as inputs in the production processes of other nations, albeit to a lesser extent than its reliance on imports for its exports. The gap between backward and forward linkages has widened over the years. This growing disparity suggests that the country's reliance on foreign inputs has increased more rapidly than the use of its exports in global production.

Figure 1: Trends in global value chain linkages (backward vs forward) – 2000-2021



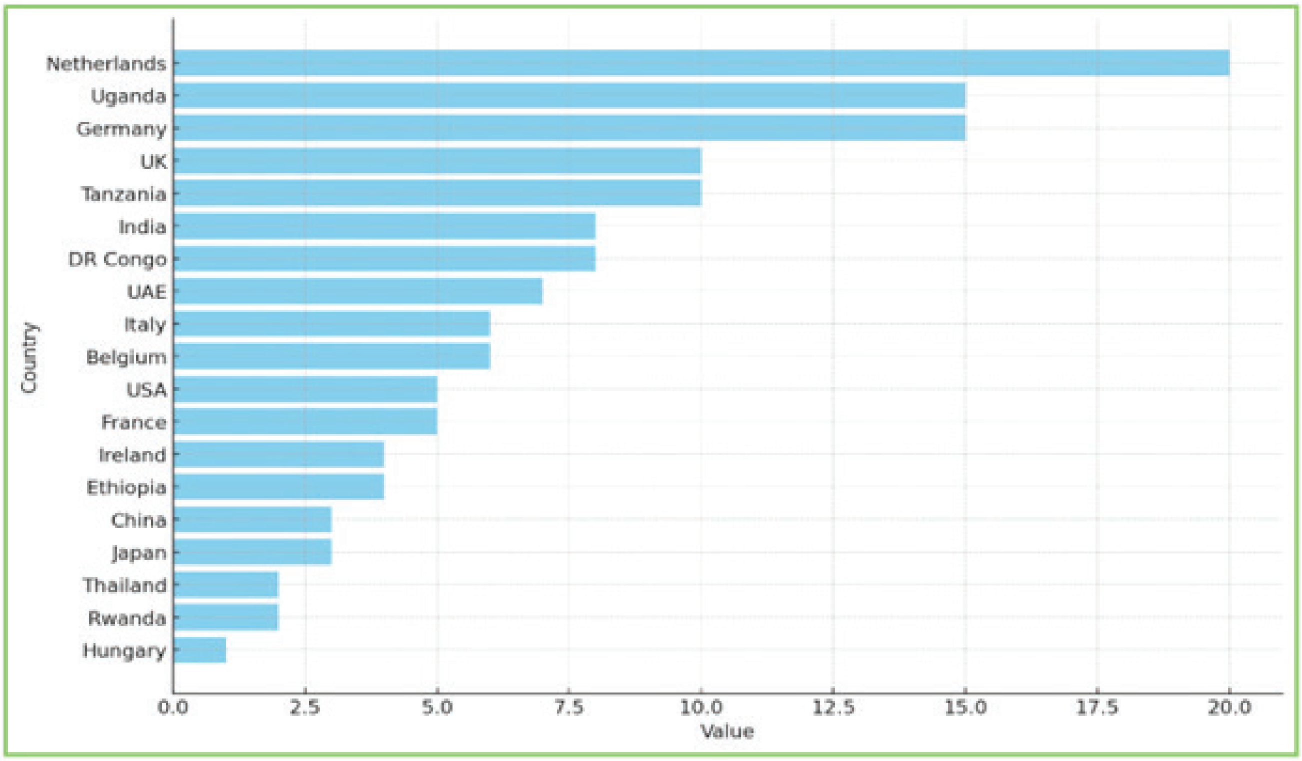
Source: UNCTAD-EORA database, 2021

Kenya has established robust Global Value Chain (GVC) connections with traditional European partners and neighbouring East African countries, while also expanding ties with Asian markets, as demonstrated by Figure 2. At the forefront is the Netherlands, occupying the largest space on the tree map, reflecting the deep economic ties between Kenya and the Netherlands, particularly in the horticultural sector. The Netherlands is a major importer of Kenyan flowers and vegetables. Germany and the UK also feature prominently, showcasing diverse trade relations. These countries engage with Kenya in both industrial and consumer goods sectors, which highlights the multifaceted nature of Kenya's trade with Europe.

Substantial trade with Uganda encompasses agricultural products, manufactured goods, and services. Tanzania and India are notable participants as well, signifying strong trade ties. Kenya's trade with Tanzania involves regional cooperation, while India's participation includes agricultural products, textiles, and machinery, reflecting the broad scope of economic activities between these countries. Other significant countries in the region include the Democratic Republic of Congo (DRC), with trade potentially involving mineral exports, and Italy, France, and China, which are important for importing machinery, vehicles, and electronics, contributing to Kenya's industrial capabilities.

Belgium, the USA, and the UAE are smaller yet significant participants in Kenya's GVC. The USA and UAE are crucial for technology and oil products, respectively, indicating Kenya's reliance on these countries for specific sectors. Emerging partners such as Ireland, Rwanda, Ethiopia, South Korea, and Hong Kong are also represented, albeit with smaller rectangles. These countries are indicative of Kenya's efforts to diversify its trade relations and expand into new markets. Japan and Thailand, though smaller in the context of the tree map, play notable roles in sectors such as automotive and electronics.

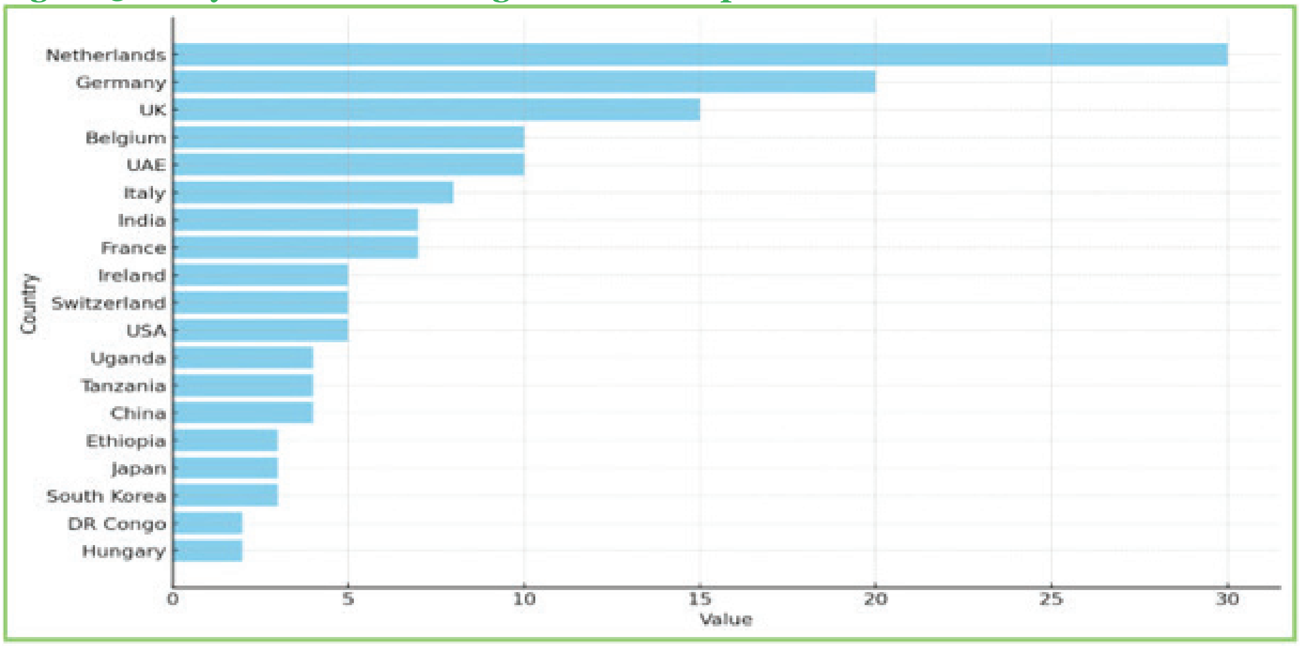
Figure 2: Overall GVC participation with partner states



Source: UNCTAD-EORA database, 2021

Figure 3 illustrates the dominant role of the European dominance in shaping Kenya's forward linkage. The significant forward linkage with the Netherlands indicates that Kenya exports a substantial amount of its products to the Netherlands. This strong economic tie indicates a high degree of integration with Dutch markets, in sectors such as agriculture (flowers, tea, coffee), technology, and manufacturing. Germany also shows a considerable share, reflecting a robust demand for Kenyan goods, including agricultural products, textiles, and other manufactured goods. The UK's involvement signifies a solid trade relationship where Kenyan exports support various sectors in the UK.

Figure 3: Kenya's forward linkages with trade partners



Source: UNCTAD-EORA database, 2021

Regional trade plays a crucial role in Kenya's forward linkages, particularly with neighbouring East African countries such as Tanzania and Uganda. The regional trade of agricultural products, manufactured goods, and other exports is vital for the economies of these neighbouring East African countries. The close proximity makes transportation easier and strengthens regional economic integration. Although Ethiopia and the Democratic Republic of Congo have smaller shares, they are still important destinations for Kenyan exports, which reflects regional market interdependencies. Kenya exports notable intermediate inputs to its EAC counterparts, including cement, tobacco, sugar, inorganic chemicals, tanning, and dyeing extracts.

Kenya's global reach is evident through its forward linkages with countries such as the UAE, India, China, and the USA. The UAE's involvement likely points to Kenya exporting agricultural products, textiles, and other high-value goods. India, China, and the USA are diverse markets for Kenyan exports. India may import Kenyan tea, coffee, and other agricultural products; China might demand raw materials and agricultural goods; and the USA imports a range of goods from Kenya, enhancing Kenya's presence in these major global markets. Japan and Hong Kong, despite their smaller shares, are important markets for specialized Kenyan products, including high-quality agricultural goods such as processed avocado that they use to extract avocado oil and other products.

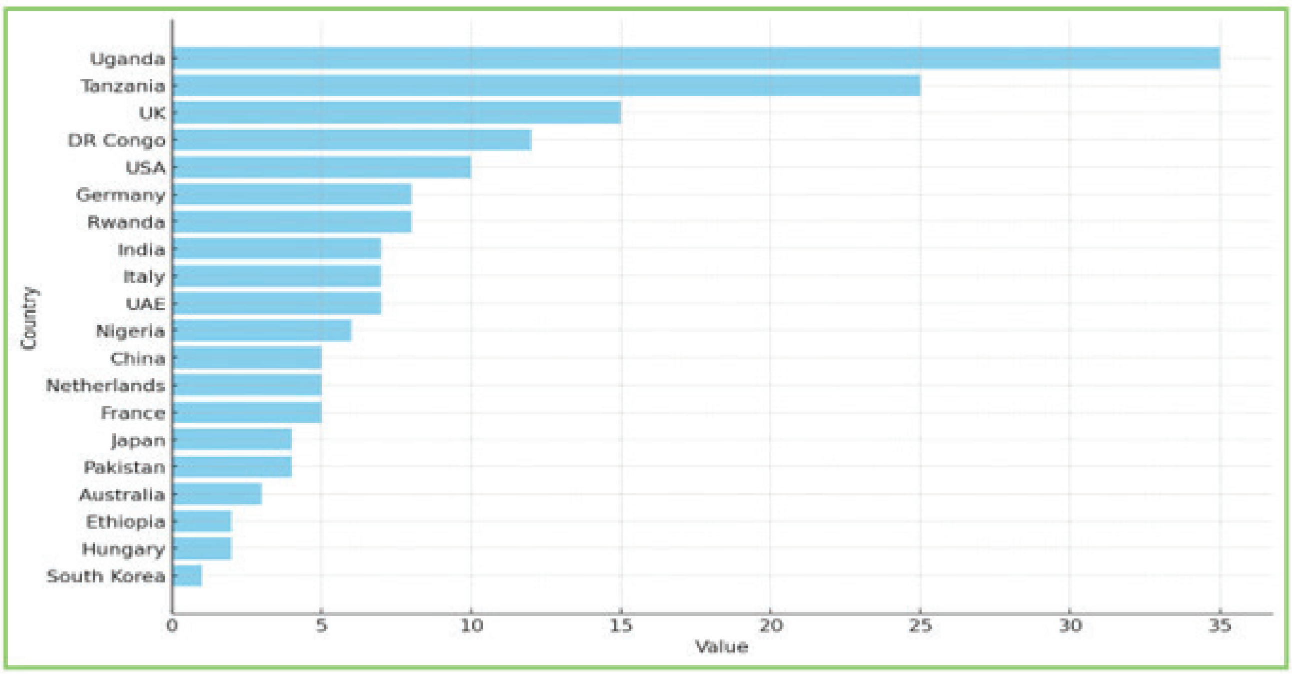
Switzerland, South Africa, and Thailand are relatively minor players in Kenya's forward linkages. Although they have smaller shares in forward linkages, they still represent valuable markets for Kenyan exports. Switzerland imports high-quality agricultural products and manufactured goods, South Africa is a significant market within the African continent, and Thailand demand specific Kenyan goods like agricultural products and textiles.

Kenya's backward linkages show a well-diversified network of suppliers, crucial for its industrial and manufacturing sectors. Figure 4 points out a regional dominance in the fragmentation of the production process in Kenya. Uganda holds the highest backward linkage with Kenya, indicating that a significant portion of intermediate goods or raw materials used in Kenya's production processes come from Uganda. Some of the intermediate inputs sourced from Uganda include dairy produce, sugar, wood and minerals. Following closely, Tanzania is Kenya's second most significant supplier of intermediate goods. It mainly supplies cereals including maize and wheat that are further processed to flour. It also supplies fertilizer, wood and cotton to Kenya. This underlines the importance of regional trade within the East African Community, enhancing economic interdependence and reducing transportation costs. Similarly, the Democratic Republic of Congo plays a significant role in supplying goods to Kenya especially minerals and wood, reflecting regional economic ties and the importance of intra-African trade. Nigeria's role points to intra-African trade relationships, supplying ores, aluminum, iron, glass and glassware to Kenya.

In the international scene, the United Kingdom is a key supplier to Kenya, providing a variety of intermediate goods such as parts of aircraft, iron and steel, fertilizers, precision instruments and mineral oil that support Kenyan industries. The United States is also an important supplier of intermediate goods namely aircraft and their parts, electrical machinery and equipment, nuclear reactors and mineral fuel among others, indicating Kenya's integration into the broader global supply chain, particularly in sectors requiring advanced technology and industrial inputs such as assembling of aircraft. Germany's involvement reflects Kenya's reliance on high-quality industrial goods and machinery especially in motor vehicle assembly. India is a significant source of intermediate goods, particularly in sectors such as pharmaceuticals, textiles, and machinery. Both Italy and the Netherlands provide essential goods that support Kenya's industrial sector, for example, pharmaceuticals and fertilizer. The United Arab Emirates supplies high-value goods, including petroleum products and electronics, which are critical inputs for Kenyan industries.

Finally, China and Japan, as major Asian economies, supply Kenya with various industrial and technological goods such as manufacturing equipment and electrical machinery. Pakistan and Afghanistan, despite their smaller shares, contribute valuable intermediate goods such as electrical machinery and equipment and parts that feed into Kenya's production processes.

Figure 4: Kenya's backward linkage with trade partners

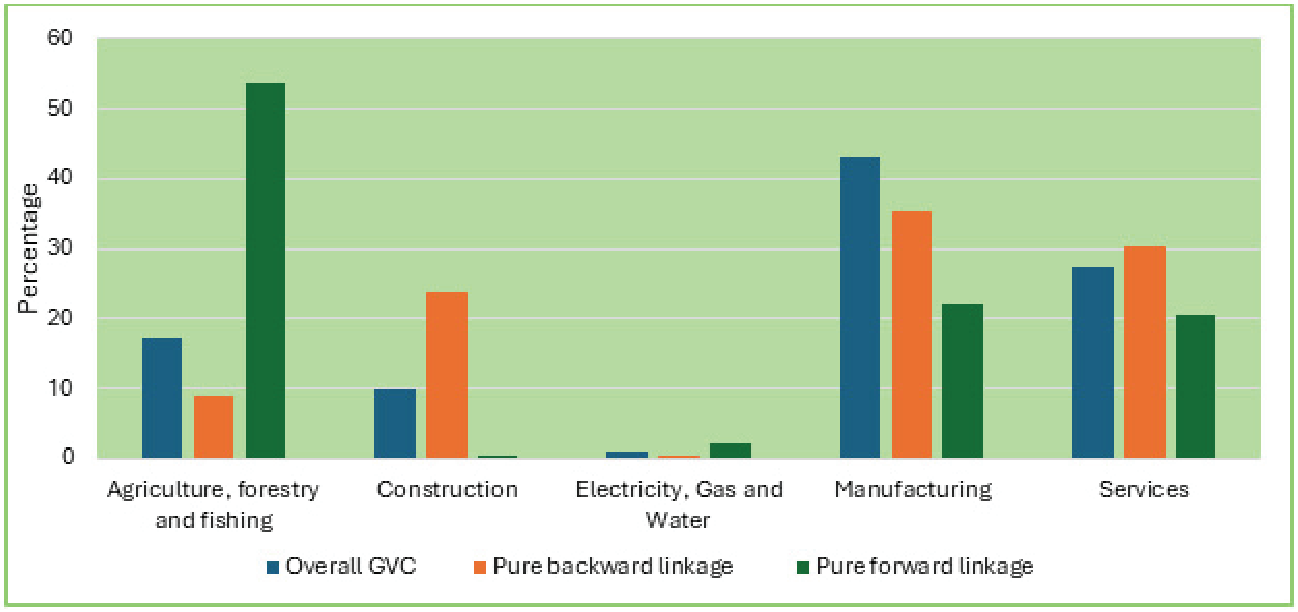


Source: UNCTAD (2021), EORA database

Sectoral analysis of GVC participation

Figure 5 illustrates the varying degrees of global value chain integration across different sectors in Kenya. Manufacturing stands out with the highest GVC integration at 42.97 per cent. This sector significantly depends on imported intermediate goods and raw materials, with 35.27 per cent of its inputs coming from China, the UK, DRC Congo, and the Netherlands. Additionally, 22.01 per cent of its exports are utilized by other industries, indicating that manufacturing is a key supplier of intermediate goods, contributing substantially to both domestic and international markets. Within manufacturing, the food and beverage sector accounts for the largest share of overall GVC integration at 12.29 per cent, followed closely by petroleum, chemical, and non-metallic mineral products at 10.37 per cent, electricity and machinery at 6.50 per cent, and textile and wearing apparel at 2.91 per cent.

Figure 5: GVC participation by sector group



Source: UNCTAD-EORA database, 2021

In the agriculture, forestry, and fishing sectors, 17.43 per cent of the value chain is integrated into the global market. This sector shows significant reliance on imported intermediate goods and raw materials, with 8.87 per cent of its input coming from foreign sources. Notably, 53.77 per cent of this sector's outputs are used by other industries, making it a critical supplier of intermediate goods both domestically and internationally. This highlights the essential role of agriculture in supporting various other industries.

The construction sector demonstrates a 9.93 per cent integration into global value chains. It has a high dependence on imported inputs, materials, and services, with 23.69 per cent of its inputs sourced globally. Conversely, only 0.46 per cent of its outputs are used by other industries, indicating that the construction sector primarily consumes rather than supplies intermediate goods within the GVC framework. Electricity, gas, and water sector has a minimal 1.07 per cent integration into global value chains. It relies only slightly on imported inputs, with 0.49 per cent of its inputs sourced from abroad. Additionally, 2.12 per cent of this sector's outputs are used by other industries, reflecting a modest role in supplying essential utilities that support other production processes.

The services sector shows substantial GVC participation with 27.33 per cent integration. It relies heavily on imported services and inputs, with 30.18 per cent of its input sourced from abroad. Additionally, 20.44 per cent of this sector's outputs are used by other industries, underscoring its important role as a supplier of services that support various sector activities within Kenya and internationally.

Conclusion

Despite its advantageous geographical location and relatively strong economy, Kenya has not fully realized its potential for integration into the global value chain (GVC). This is due to the country's heavy reliance on natural resource-based exports and low-value-added activities. Such an economic structure significantly hinders Kenya's ability to fully utilize its strengths for deeper participation in the GVC. While there is some level of integration, it remains limited, with Kenyan exports being used as inputs in global production processes. However, this forward linkage is overshadowed by the country's substantial backward linkage, with most production inputs being imported from abroad. This imbalance highlights a growing dependency on imported intermediate goods and raw materials, which poses risks to economic stability, especially during global disruptions.

MSMEs in Kenya, especially small and medium-sized enterprises, are mostly confined to the local market and have limited involvement in global value chains. Those that do participate in global value chains are mainly involved in low value-added stages, which limits their impact on the global markets and their contribution to the country's economic growth. Furthermore, there are significant variations in the integration of different sectors into global value chains. The manufacturing and services sectors are more integrated compared to agriculture and construction. This unequal integration among sectors indicates the need for tailored strategies to promote participation in global value chains. By addressing these disparities and concentrating on increasing the value-added activities within local industries, Kenya can improve its position in the global market, reduce economic vulnerabilities, and foster sustainable economic growth. Moreover, enhancing the capabilities of local MSMEs to engage in higher value-added stages of global value chains will be essential for achieving more balanced and resilient economic development. For Kenya to achieve better GVC participation the following specific initiatives can be put in place:

i. Provide targeted support to Small and Medium Sized Firms (SMEs) as they largely drive Kenya's economy to integrate into GVC. This support includes:

   a. access to finance, capacity building, and technical assistance to meet international standards and requirements;

   b. investment in technology and innovation to enhance the productivity and competitiveness of Kenyan firms; and

   c. incentivise firms that engage in GVC to produce through tax breaks and holidays.

ii. Promote the diversification of export markets to reduce vulnerability to demand shocks in specific regions. This can be achieved through expanding trade relationships with emerging trading partners such as Ireland, Rwanda, Ethiopia, South Korea, and Hong Kong to provide new opportunities for Kenyan exports.

iii. Zero rate Import Declaration Fee (IDF) for intermediate products to reduce production costs and factory gate prices.

iv. Negotiate in bilateral trade agreements with Kenyan counterparts on GVCs especially on tariff reduction or zero ratings for intermediate inputs.

v. Encourage renegotiation of regional economic communities (REC) that Kenya is a signatory to add chapters and articles on GVCs.

Towards Sufficient Human Vaccine Production in Kenya

By Peris Mwangi, Violet Nyabaro and Boaz Munga

Introduction

Human vaccines play a crucial role in improving global public health, with the ability to curb the spread of infectious diseases and the potential to eradicate them. Although the Government of Kenya recognizes that vaccination is one of the most successful and cost-effective interventions in disease control, vaccine preventable diseases, such as diarrhoea and malaria, continue to be significant causes of morbidity and mortality. Part of the challenge is that vaccines do not reach the entire population, and many remain unvaccinated or under-vaccinated. Underlying this challenge is the fact that Kenya is overly reliant on external sources for human vaccines, which is associated with supply chain disruptions and delays, especially during global shortages (UNICEF, 2023).

There are compelling reasons for Kenya to develop its human vaccine industry. First, establishing a vaccine industry would align with global and regional efforts to achieve Sustainable Development Goals (SDG 3) on good health and wellbeing. It also aligns with one of the key goals of the strategic plan for the Africa Centre for Disease Control aimed at the continent manufacturing at least 60 per cent of pharmaceuticals and human vaccine requirements locally. Good health, economic growth, and job creation are mutually reinforcing. As an example, good health supports human capital development leading to a more skilled and productive workforce. This is crucial for the innovation and development of industries that drive economic growth.

Second, a vibrant vaccine industry is likely to stimulate economic growth and create job opportunities through investments. In addition, local production of human vaccines would also enhance sovereignty in healthcare services and tailor products to local disease burdens. In addition, local vaccine production can stabilize the economy by reducing the expenditure on importing vaccines, thus freeing up resources for other critical areas. Currently, Kenya imports over 98 per cent of its vaccine requirements, costing the country Ksh 36 billion (US$ 225 million) annually. This cost is expected to rise to 500 million US$ by 2026.[2] Investment in human vaccine production is also known to yield high returns as much as four times higher cost-benefit ratios (Lancet, 2023 and Mutasa et al. 2023).

There are also strategic reasons for Kenya to transition toward producing its human vaccines. The country's human vaccine needs have been financed largely by the Global Alliance for Vaccines and Immunization (GAVI) and the United Nations Children's Fund (UNICEF), which together funds 88 per cent of the Ksh 36 billion (US$ 225 million) spent annually on immunization in Kenya (UNICEF, 2023). However, this support is scheduled to be phased out by 2029 since Kenya moved into an ineligible status following its acquisition of middle-income status. By producing its vaccines, Kenya can ensure a reliable supply, reducing dependency on international suppliers that may face delays and shortages. This is particularly crucial during global pandemics, where global demand for vaccines exceeds supply.

Initiatives Towards Human Vaccine Manufacturing

Producing vaccines requires a country to have a supportive regulatory framework, well-developed infrastructure, a skilled workforce, and adequate resources. The government has initiated processes towards achieving these requirements and self-sufficiency in human vaccine manufacturing. A fundamental intervention is setting up a supportive regulatory framework. Kenya has enacted patent laws that protect intellectual property (IP) rights and innovation through the Industrial Property Act of 2001. Regulatory agencies such as the Pharmacy and Poisons Board are in place to oversee vaccine approval, monitor safety, and enforce compliance with international standards. The Board is also crucial in clinical trial oversight.

The Government of Kenya has also established research and development facilities. The most recent initiative was the establishment of the state-owned Kenya BioVax Institute (KBI) to help realize human vaccine manufacturing. The state-of-the-art plant intends to manufacture vaccines and other specialised human health products therapeutics and other biomedical products. The Kenya Biovax Institute also intends to fill the skills gap in terms of biotechnology experts in the country by collaborating with other international institutes such as the International Vaccine Institute hosted by the Republic of Korea, seeking support in developing, manufacturing, and delivering vaccines through joint research, training, and education initiatives to enhance vaccine production capacity. KBI is a recipient of WHO mRNA[3] technology transfer support and intends to produce 500 million doses of routine vaccines using reverse integration technology through the fill-and-finish process. It is set to receive support from the World Bank through funding.[4]

Besides BioVax, Kenya has also a cluster of research institutes including the Kenya Medical Research Institute (KEMRI), which is undertaking numerous research and development work. Currently, KEMRI is undertaking clinical trials for the Human Papilloma Virus (HPV) vaccine in Thika and the malaria vaccine in Kisumu. There are also private led initiatives such as Dawa Limited, which intends to manufacture routine vaccines. The National Control and Quality Laboratory has been upgraded to enhance quality control and quality assurance measures on pharmaceutical products, with a high-end control facility being established at the Kenya Biovax Institute.

Kenya has a relatively skilled workforce, including experts in microbiology, immunology, virology, and biochemistry. Additionally, there are skilled professionals capable of operating and maintaining production equipment, and personnel dedicated to ensuring vaccines meet safety

2 WHO (2024). A case study on the ecosystem for local production of pharmaceuticals, vaccines, and biologicals: the Kenya context. WHO.

3 The full form of mRNA is messenger Ribonucleic Acid

and efficacy standards. Even so, there is a significant need to organise these personnel to leverage the diverse skills of Kenya's nationals at home and in the diaspora.

Although Kenya has wide-ranging institutional frameworks in place, there are further interventions that are required. For example, the Pharmacy and Poisons Board is yet to attain World Health Organization (WHO) Good Manufacturing Practice Maturity (GMP) Level 3. Achieving GMP Maturity Level 3 indicates that a country has a well-functioning regulatory system for ensuring the quality, safety, and efficacy of medicines, including vaccines. This implies that Kenya needs to ensure that the regulatory system complies with WHO GMP standards and that these regulatory practices are consistently applied across all manufacturing processes. Kenya also needs to have in place comprehensive standard operating procedures (SOPs) for all aspects of manufacturing, including quality control, quality assurance, and process validation. Achieving and maintaining level 3 status also requires workforce competency, modern technology and infrastructure that meet GMP requirements.

There is also a need for country to secure and maintain strong collaboration and partnerships with global players. This emanates from setbacks observed in several collaborative efforts including the partnership between Dawa Ltd and the Merck Life Science in Germany, a global leader in biotechnology with an interest in routine immunisation products and with established related capacities. The setback could be a signal of weaknesses that need to be addressed within the domestic economy. One of the areas of intervention by the Kenyan government is the need to do more to bring about the transformation needed to improve the ease of doing business in the African and international markets and to create conditions that reassure investors that human vaccine manufacturing businesses can succeed in the country.

[4] https://biovax.go.ke/our-overview/

Thus, in addition to what has been done, the country needs to implement a variety of interventions, including the need to:

i. Streamline the regulatory framework to ensure high-quality compliance in vaccine manufacturing. Regulatory partnerships and benchmarking will play a crucial role in the country's success in vaccine production. Despite the efforts of our national regulatory body, the Pharmacy and Poisons Board, to achieve WHO Prequalification, it is important for the country to also align with other regulatory bodies, such as the Africa Medicines Agency by the African Union.

ii. Enhance and sustain public sector support and investments. Kenya has a window to leverage the goodwill from international platforms such as GAVI and the African Union to garner financial and technical support. Moreover, there is need to foster deeper collaborations with key actors including international research institutions and pharmaceutical companies as a way of building public-private partnerships (PPPs). Political goodwill and more so public sector support through sustained budgetary allocations is indispensable.

iii. Commercialise and protect intellectual property, which is an aspect overlooked by local actors. While many scientists focus on gathering data for grants, they often neglect the commercialisation of intellectual property rights, which could enable vaccine manufacturing in the country. It is essential for stakeholders to raise awareness among the scientific community about the significance of commercialising their patents and keeping them within institutions. This has the potential to develop research, which is a crucial aspect of the vaccine industry.

iv. Enhance coordination of the entire vaccine ecosystem encompassing research for development, regulatory framework, academic and workforce development and manufacturing and market access – for the vaccine industry to be successful. Innovative financing mechanisms must be sought especially for research and development of human vaccines to allow the country to acquire and retain its patents for vaccines that prevent locally endemic preventable diseases. Demand creation both locally and regionally for the vaccines should be prioritised with the manufacturing plant focusing on routine immunisation vaccines.

v. Review the training of human resources to enhance skills development in the context of the evolving technologies and ensure recruitment and retention measures are vibrant to avoid loss of human capital to other countries.

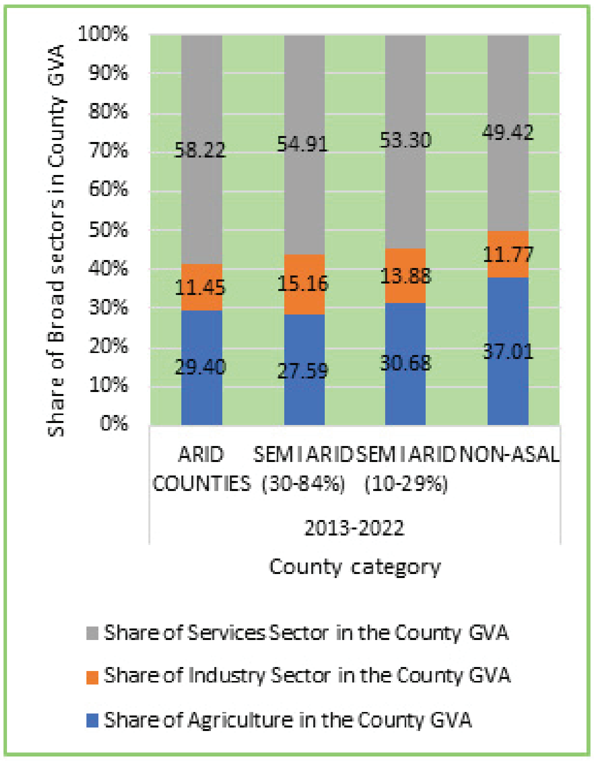
Leveraging the Industrial Sectors for Economic Growth and Job Creation Across the Counties

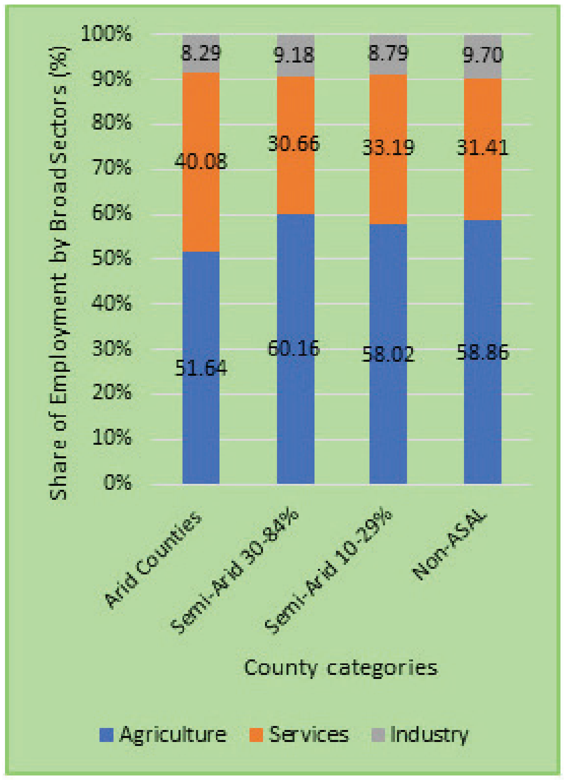
By Cecilia Naeku and Paul Lutta

Introduction

According to the International Standard Industrial Classification (ISIC), the industry sector consists of five sectors: mining and quarrying, manufacturing, electricity supply, water supply, sewerage, waste management, and construction. Despite its potential to contribute to county output and employment, the industry sector has the least share of County Gross Value Added (GVA) and employment compared to sectors such as agriculture and services (Figure 1). The dominance of one industrial sector over another matters not only for economic output but also for income equality and distribution. Capital-intensive industries, instead of labour-intensive ones, tend to increase income disparities, as does the employment of skill-biased technologies, especially where the level of education is low and human capital is concentrated. Additionally, the location of industrial facilities has an impact on overall poverty reduction and inequality. However, in Kenya, industries are often concentrated in urban areas, as they have ready access to a skilled labour force, better infrastructure, larger markets, and technological spillovers.

Figure 1: Share of sectors in the county gross value added and employment





Source: Authors' computation using KNBS 2023 GCP data and KNBS Kenya Continuous Household Survey 2021

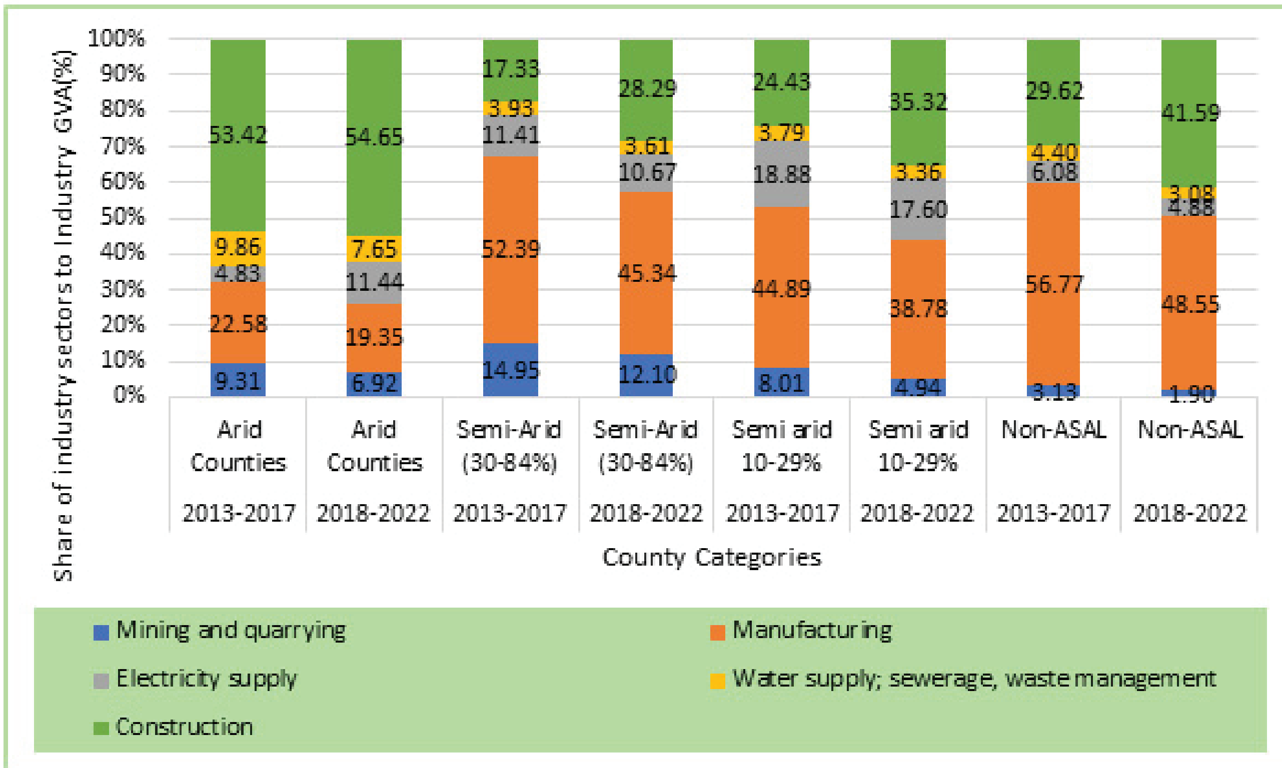
Sectoral Analysis

In all county categories, the manufacturing and construction sectors dominate the industry GVA (Figure 2). In arid counties, the construction sector is dominant, while the manufacturing sector is dominant in the semi-arid and non-ASAL (non-Arid and Semi-Arid Land) counties. A comparison of the two county regimes (2013-2017 and 2018-2022) also shows that in all the county categories, the output from manufacturing declined as that of the construction sector increased.

The utilities sector, specifically electricity supply, has lower shares of industry sector output. This is because the output from this sector depends on resource endowment, which is unevenly distributed across the counties. For example, the Seven Forks Dams, which are the largest source of hydroelectric power in the country, are all located in one county. Geothermal resources, contributing to about 32 per cent of the energy mix, are mainly in the Rift Valley region, with the majority of the sites in Nakuru County. Consequently, this sector falls mainly within the mandate of national agencies charged with providing utilities in the country.

Similarly, the mining sector has the lowest share of industry output. This is also because the sector's performance is determined by the presence of natural resources. Furthermore, the high costs of exploration limit the full exploitation of the sector's potential.

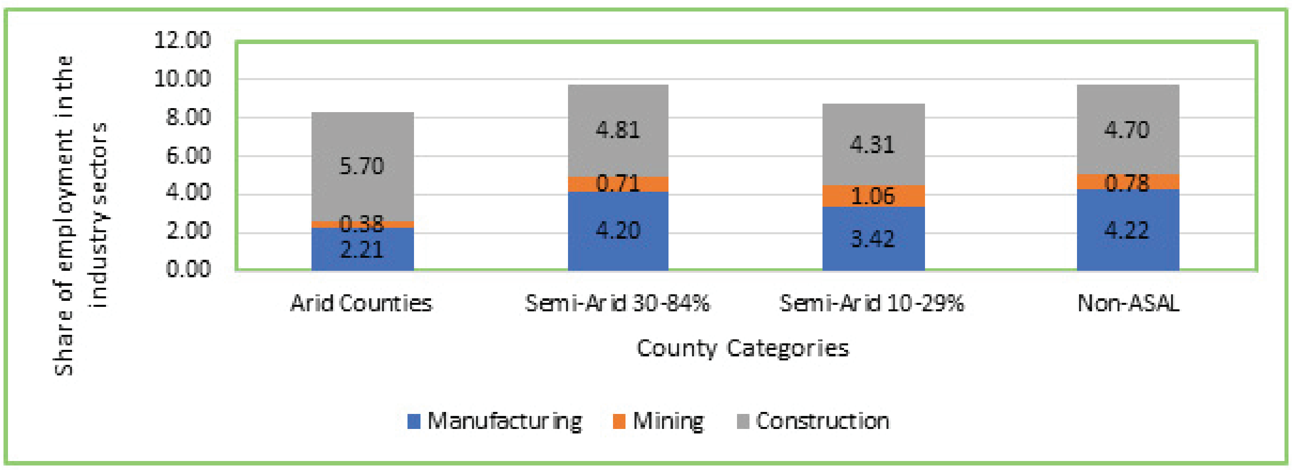
Figure 2: Share of sectors in the industry broad sector gross value added



Source: Authors' computation using KNBS 2023 GCP data

Sectoral employment patterns showed that the construction and manufacturing sectors had the highest share of employment, which was expected due to their higher labour intensity compared to the utilities and mining sectors.

Figure 3: Share of employment in the industry broad sector



Source: Authors' computation using KNBS Kenya Continuous Household Survey, 2021

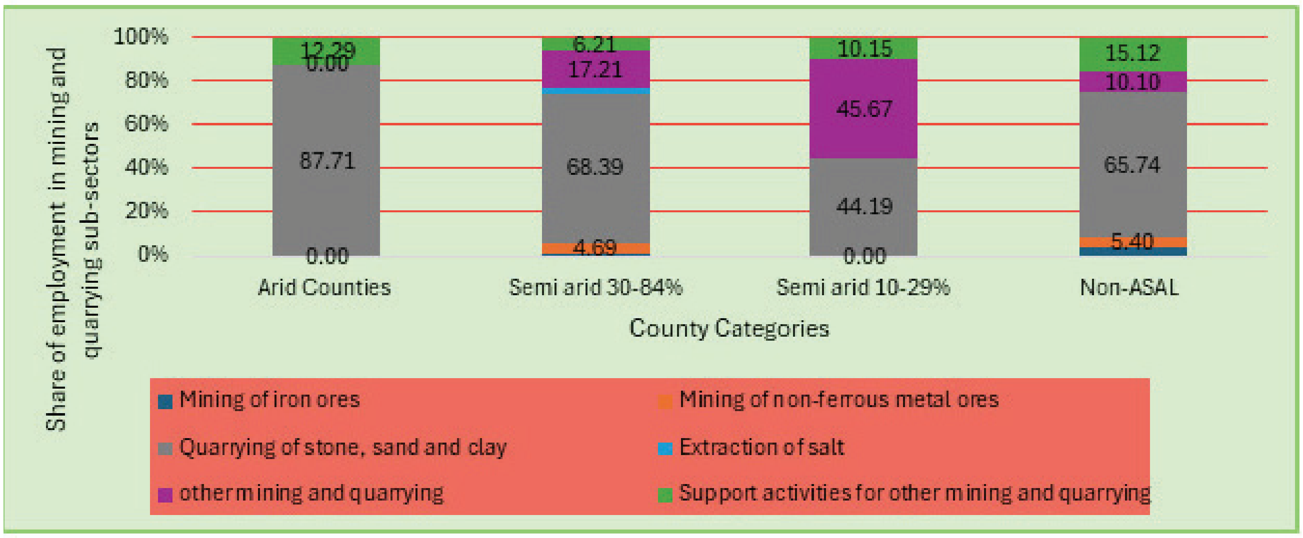
Mining Sector

The mining sector plays an important role in the economy by providing raw materials to other sectors such as the construction and manufacturing sectors. The mining sector in Kenya is guided by the Mining and Minerals Policy-Sessional Paper No. 7 of 2016, which has addressed the main issues (human rights and domestic players) facing the sector, especially the small-scale and artisanal miners. The role of counties in the sector is however inadequately addressed by the policy. The Mineral Royalty Revenue Sharing

Framework as per section 183 of the Mining Act provides that royalties shall be distributed at 70 per cent to the national government; 20 per cent to the county government; and 10 per cent to the communities. This further underscores the importance of collaboration and coordination by the two levels of government to grow this key sector, which has a high potential for revenue generation.

Although the Mining Act, gives legal force to the policy, it also has gaps in the schedule of minerals, which have excluded construction minerals such as stones, gravel, and sand with implications for over-exploitation of these minerals. Consequently, most counties have enacted laws to regulate sand harvesting whose over-exploitation has been contributing to serious environmental degradation.

Figure 4: Share of employment in mining and quarrying sub-sectors



Source: Authors' computation using KNBS Kenya Continuous Household Survey, 2021

Employment in the mining and quarrying sub-sectors is concentrated in the quarrying of stones, sand, and clay for all the county categories as shown in Figure 5. The semi-arid counties (30-84%) arid and the non-ASAL counties, however, showed more employment diversification across the sub-sectors. Although its share of employment is still low, the mining sector has a high potential for creating jobs. Artisanal mining in particular, has prospects for creating employment and growing the sector, hence needs to be supported. Additionally, employment in this sector will also grow through the full implementation of the Mining (Employment and Training) Regulations of 2017, which promote the use of local expertise in the mining industry and the development of local capacities in the mining industry value chain through education, skills and technology transfer, research and development.

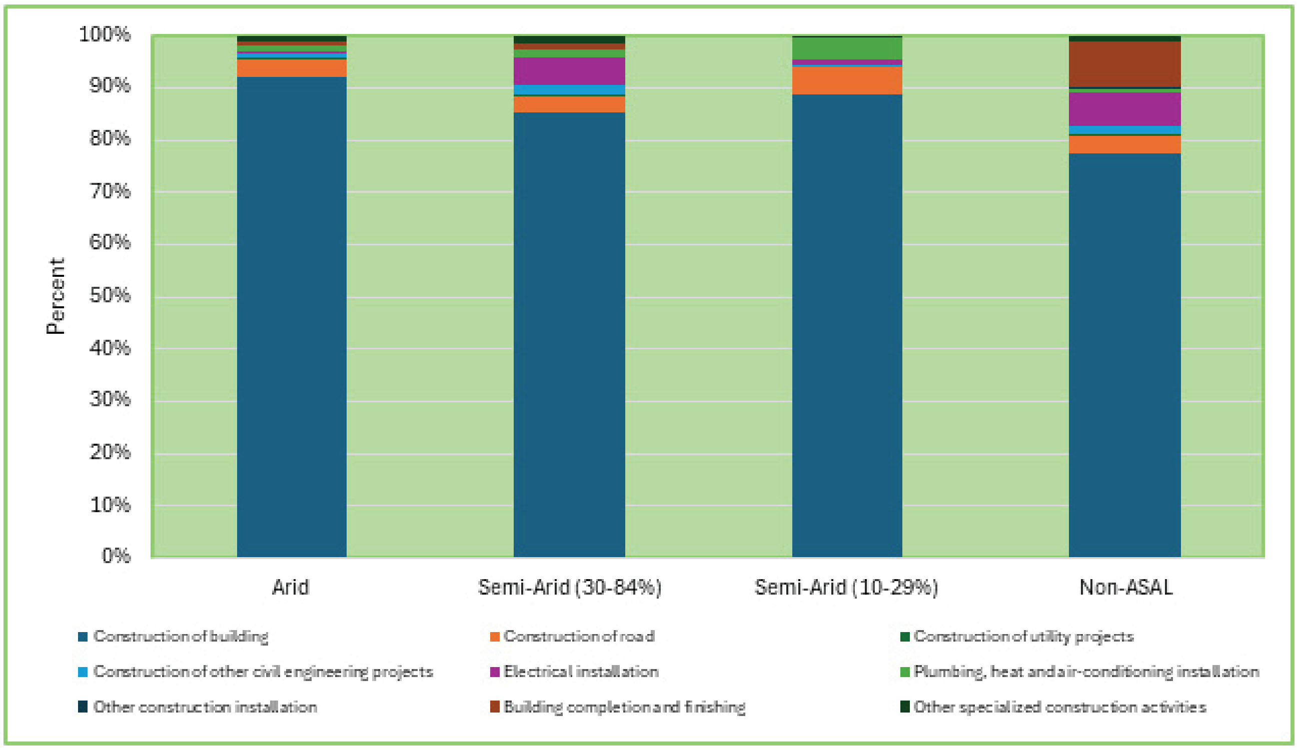
The Construction Sector

The construction sector plays a significant role in the economy not only as an economic activity that creates new goods and services but also as an enabler to productive activities in an economy. The sector is investment-led with significant government participation as it entails the development of public infrastructure related to health, transport, and education sectors, which provide the crucial services that society needs. The industry is also driven by the private sector through private infrastructure, private commercial buildings, and to a great extent private housing. The construction sector is instrumental in propelling economic growth by bolstering job creation, stimulating the demand for goods and services, and substantially contributing to tax revenue for the government and GDP for the country. Indeed the Kenya Vision 2030 recognises infrastructure construction as one of the foundations upon which Kenya will achieve her social, political and economic pursuits. The sector is also key to the realisation of the affordable housing agenda within the BETA plan.

Currently, the National Construction Authority regulates the sector to guarantee quality and safety. Of concern is that the main policies that are to guide the sector, which include the Construction Industry Policy and the Public Works Management Policy are still drafts. Other cross-cutting policies also regulate the sector to protect human health and the environment such as the NEMA Act and Occupational Safety and Health Act. Additionally, the global outlook indicates that regulations in the sector are likely to increase as governments around the world are increasingly concerned about the sustainability of the sector and its contribution to carbon emissions as the dangers caused by climate change manifest.

Figure 5 shows that the majority of those employed in the construction sector work in the construction of buildings sub-sector. The semi-arid (30-84%) and the non-ASAL, however, show diversity of employment in the sector compared to the arid counties and semi-arid (10-29%).

Figure 5: Share of employment in the construction sub-sectors



Source: Authors' computation using KNBS Kenya Continuous Household Survey, 2021

The sector is important to the county government as it has a significant number of MSMEs, most of which have self-employed individuals working in the construction of buildings. Schedule Four of the Constitution of Kenya 2010 gives county governments the power to make laws and regulate county planning and development in land survey and mapping to approve development plans based on sound county planning, health and safety. Therefore, counties play a critical role in regulating the sector. County governments are also constitutionally mandated to issue business permits, therefore, the sector is also an important source of revenue for the county. This implies that counties can play a big role in promoting the sector not only by ensuring that the players abide by regulations, but also by creating an enabling environment for the players in the sector to thrive.

County governments can play a role in developing the skills needed for the construction sector through the Vocational Training Centres (VTC). Most of skills needed in the construction sector are obtained through apprenticeships, hence continuous collaborations and coordination between the National Construction Authority, county covernments, TVETA and Kenya National Qualifications Authority is critical in the development of skills in this sector. As skills in this sector are often acquired through informal learning, the implementation of the Recognition of Prior Learning (RPL) Policy will facilitate mobility and career progression for practitioners who have inadequate formal training. Additionally, counties can also catalyse growth in the sector through enabling MSMEs to access affordable financing and promoting innovation and the use of local materials.

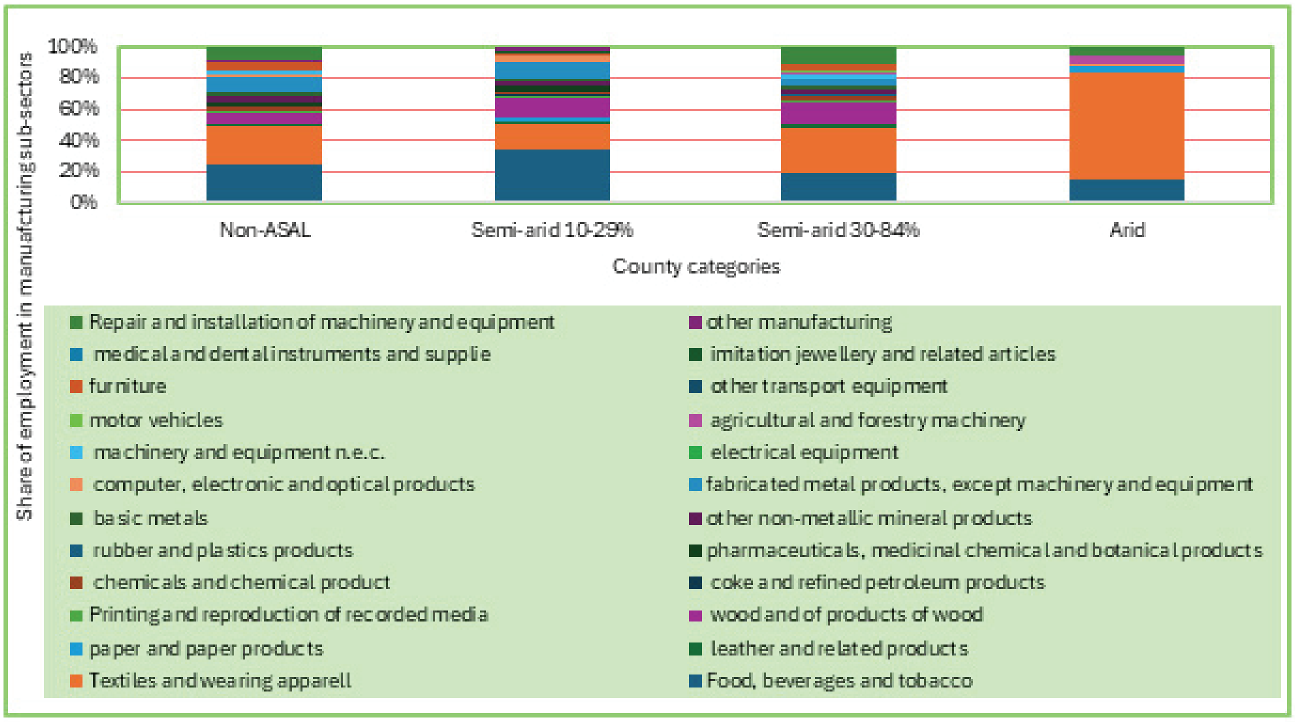
Manufacturing Sector

This sector is significant in all counties in its contribution to GVA and employment as shown in Figures 2 and 4. The sector is also dominated by MSMEs and is of high interest to counties – many counties are in the process of establishing infrastructure (industry parks) to support the sector. However, a disaggregation of employment in the manufacturing sector established that in all county categories, employment is concentrated in low-technology manufacturing sub-sectors of food, beverages and tobacco, and the manufacture of textiles and wearing apparel (Figure 6). These two sub-sectors have close backward linkages with the agriculture sector, which supplies raw materials.

Furthermore, Figure 6 shows that arid counties have comparatively lower employment diversification as there are fewer manufacturing firms in these counties. Additionally, despite these counties having significant raw materials for the leather industries, survey data did not establish the presence of employment in the leather industry indicating untapped potential in the leather value chain in these counties.

Strategies such as integration of the leather value chain into the livestock value chain holds potential for job creation in the manufacturing sector for arid counties. Additionally, utilization of the County Aggregation and Industrial Parks (CAIPS) in the rural counties will increase the output of the manufacturing sector and create jobs. The development of skills required by the high technology manufacturing sub-sectors through education and training is also critical in transforming the manufacturing sector from low technology to high technology, which have numerous benefits including providing better paying decent jobs and increased output from the sector.

Figure 6: Share of employment in manufacturing sub-sectors



Source: Authors' computation using KNBS Kenya Continuous Household Survey, 2021

In conclusion, it is observed that while some sectors in the industry, such as the utilities sector (electricity and water supply) and mining, are largely dependent on resource endowment and fall within the mandate of the national government, the county government also plays a key role, especially in sectors dominated by micro, small, and medium enterprises (MSMEs), such as construction and manufacturing. Their roles include supporting innovation, building linkages with education and industry players, attracting investments through incentives, and creating access to affordable financing. Sustained collaboration and coordination between the counties, national government agencies, and the private sector is also key to growing the industry sector in Kenya.

Legislative Developments and Policy News

A. Acts of Parliament

The Statute Law (Miscellaneous Amendments) Act 2024, was gazetted on 25th April 2024. The principal objective of the Act is to amend several laws in the manner specified therein. The amended laws are the Office of the Attorney-General Act, Advocates Act, Notaries Public Act, Sexual Offences Act, Public Schedule Holidays Act, Trustees (Perpetual Succession) Act, Universities Act, Employment Act, Industrial Training Act, Veterinary Surgeons and Veterinary Para-Professionals Act, Civil Aviation Act, Traffic Act, Public Finance Management Act, Value Added Tax Act and Privatizations Act.

The National Government Administration Laws (Amendment) Act 2024, was gazetted on 3rd May 2024. The principal objective of the Act is to amend several laws in the manner specified therein. The amended laws are Assumption of the Office of the President Act, and the National Government Coordination Act.

B. National Assembly Bills

The National Police Service Commission (Amendment) Bill 2024, was introduced in the National Assembly and was gazetted on 2nd April 2024. The principal object of the Bill is to make provision for the mental wellness and wellbeing of police officers including but not limited to the establishment of psychosocial support centres for police officers. The Bill recognizes that in the execution of their tasks, police officers work in potentially confusing roles alternating between law enforcement and public service and constantly face danger or mortality to ensure the safety of others. In some cases, due to the unique challenges of policing, they inflict harm on human beings as police work is more stressful than other jobs. Several studies, including the recent Mental Health Taskforce Report of 2020 have examined the germane aspect of mental health, but have overlooked the mental health of police officers. The proposed Bill, therefore, gives the National Police Service Commission various mandates aimed at promoting the mental health of police officers.

The National Transport and Safety Authority (Amendment) Bill 2024, was introduced in the National Assembly and was gazetted on 12th April 2024. The principal object of the Bill is to amend the National Transport and Safety Authority Act (Cap 404) to assign the function of overall responsibility for safety of land transport including transport by road, railway, pipeline, and any other form of land transport to the National Transport and Safety Authority. It seeks to have an integrated and unified approach towards regulation of safety of various modes of transportation, unlike the current fragmented approach where different regulatory agencies regulate different modes of transportation, in order to promote transportation safety and enhance transportation efficiency.

The Pensions (Amendment) Bill 2024, was introduced in the National Assembly and was gazetted on 12th April 2024. The principal object of the Bill is to amend the Pensions Act Cap 189, to include an automatic cost of living adjustment to the pensions earned by all retired public servants. In addition, the Bill seeks to provide for the use of the most current salary applicable to a job group as the basis for the calculation of the pensions payable to public servants who have retired in that job group or its equivalent.

The Public Finance Management (Amendment) (No. 2) Bill 2024, was introduced in the National Assembly and was gazetted on 16th April 2024. The principal object of the Bill is to amend the Public Finance Management Act, Cap 412A, to align the timelines for the passing and consideration of the Finance Bill by the County Assemblies and the National Assembly.

The Assembly and Demonstration Bill 2024, was introduced in the National Assembly and was gazetted on 26th April 2024. The principal object of the Bill is to provide a legal framework for the regulation of assemblies and demonstrations. The Bill seeks to give effect to the provisions of Article 37 of the Constitution, which provides for the right of any person to assembly, demonstration, picketing and petition.

The Kenya Revenue Authority (Amendment) Bill 2024, was introduced in the National Assembly and was gazetted on 9th May 2024. The Bill has been submitted by the Cabinet Secretary for the National Treasury and Economic Planning as part of the Budget for the year 2024/2025 and proposes to amend Section 5 of the Kenya Revenue Authority Act (Cap. 469) to provide for a legal framework for the Kenya School of Revenue Administration to collaborate with other institutions of higher learning to provide programmes in revenue administration, develop curricula and assess or examine students and award qualifications.

The Finance Bill 2024, was introduced in the National Assembly and was gazetted on 9th May 2024. The Bill has been submitted by the Cabinet Secretary for the National Treasury and Economic Planning and formulates proposals relating to revenue raising measures including liability to, and collection of taxes. It amends the Income Tax Act (Cap 470), the Value Added Tax Act (Cap 476), the Excise Duty Act (Cap 472), The Tax Procedures Act (Cap 469B) and the Miscellaneous Fees and Levies Act (Cap 469C). The Bill also amends other pieces of legislation relating to fees, levies, and management of public funds.

C. Senate Bills

The Advocates (Amendment) Bill 2024, was introduced in the Senate and was gazetted on 3rd April 2024. The principal object of the Bill is to amend section 81 of the Advocates Act to exempt members of the Senate who are advocates of the High Court of Kenya from the requirement to undertake continuing legal education.

The Environment Laws (Amendment) Bill 2024, was introduced in the Senate and was gazetted on 12th April 2024. The Bill seeks to amend the Forest Conservation and Management Act, Cap 385, to make further provision for afforestation and reforestation of all forests and to promote tree-planting in all counties in Kenya. It further mandates the Kenya Forest Service to ensure the sourcing of tree seeds and seedlings that are suitable for the environment and climatic conditions of various parts of Kenya and establish tree nurseries in each county. The Bill incorporates tax and fiscal incentives to boost investments in forest land use and utilization, as suggested by the Cabinet Secretary for the National Treasury following recommendations from the Cabinet Secretary for Environment, Climate change and Forestry. Among these incentives are income and other tax deductions for private entities that participate in a tree planting programme. The Bill further mandates county governments to promote tree planting in all public land vested in counties and to plan and execute programmes for observing the national tree planting week and the International Day of Forests. The Bill also amends the Climate Change Act, Cap 387A, to mandate the Cabinet Secretary for Environment, Climate change and Forestry to set and formulate strategies for achieving annual carbon sequestration targets.

The Labour Relations (Amendment) (No. 2) Bill 2024, was introduced in the Senate and was gazetted on 16th April 2024. The principal object of the Bill is to reduce the number of members who attend a meeting to register a trade union from at least fifty members to at least seven members of the proposed trade union.

The County Allocation of Revenue Bill 2024, was introduced in the Senate and was gazetted on 3rd May 2024. The principal object of the Bill is to make provision for the allocation of revenue raised nationally among the county governments for the financial year 2024/25.

The Public Finance Management (Amendment) Bill 2024, was introduced in the Senate and was gazetted on 7th May 2024. The principal object of the Bill is to amend the Public Finance Management Act, Cap 412A, to rectify ambiguities and inconsistencies within the existing legislation, particularly concerning the submission and passage timelines of a County Finance Bill. The Bill mandates that the County Executive Committee Member for finance is required to submit a County Finance Bill to the respective County Assembly by 30th April each year, ensuring it is passed before the end of the financial year on 30th June. This amendment aligns with the stipulations of section 129(1)(b) of the Public Finance Management Act, which outlines the responsibilities of the County Executive Committee member regarding the submission of budget estimates and legislative requirements for the implementation of the county government budget.

The Election Offences (Amendment) (No. 2) Bill 2024, was introduced in the Senate and was gazetted on 7th May 2024. The principal object of the Bill is to amend Section 6 of the Election Offences Act of 2016. The Bill seeks to give effect to the recommendations and views of the public that were submitted during the national dialogue discourse on the issues of electoral justice and related matters; outstanding constitutional matters; fidelity to political parties/coalitions and the law on multiparty democracy; entrenchment of the National Government Constituencies Development Fund; the Senate Oversight Fund and the National Government Affirmative Action Fund and establishment and entrenchment of state offices.

The Election (Amendment) (No. 2) Bill 2024, was introduced in the Senate and was gazetted on 7th May 2024. The principal object of the Bill is to amend the Elections Act of 2011. The Bill seeks to give effect to some of the recommendations and views of the public that were submitted during the national dialogue discourse, the issues of electoral justice and related matters, outstanding constitutional matters, fidelity to political parties/coalitions and the law, multiparty democracy, entrenchment of the national government, Constituencies Development Fund, the Senate Oversight Fund, National Government Affirmative Action Fund and establishment and entrenchment of state offices.

Policy News

A. Domestic News

Kenya Rolls out Incentives to Support the Manufacturing Sector in a bid to Boost Exports

The government is rolling out incentives to attract investors to the manufacturing sector, in a bid to grow the country's manufacturing sector to an ambitious 20 per cent of Kenya's GDP by 2030. President William Ruto, speaking during the commissioning of Cemtech Limited Clinker Plant in Sebit, West Pokot County, pointed out that strategic investment in manufacturing will increase exports, create employment opportunities, boost economic activity using local resources and generate attractive returns for investors. The President reiterated that Kenya must take advantage of the opportunities provided by the Africa Continental Free Trade Area Agreement (AfCFTA), which has created a vast market for the country's exports noting that his Administration will focus on Kenya's policies and strategy towards the growth of local production and value addition in line with the Bottom-up Economic Transformation Agenda. The President noted that the Ksh 45 billion plant will create employment and expand opportunities for entrepreneurs in the region. He further stated that the local manufacturing of clinker and steel will save the country foreign exchange to the tune of US$ 500 million a year.

B. Bilateral Relations Kenya-Uganda Relations

Kenya and Uganda signed an agreement on the importation and transit of petroleum products through the two countries on 16th May 2024, during the Joint Ministerial Commission meeting in Kampala, Uganda. This agreement will enable Uganda to import refined petroleum commodities directly from the producer countries. Seven other memoranda of understanding were signed earlier in the week with President Ruto expressing his confidence that the agreements will consolidate the strong relationship between the two countries and anchor it on a "transformative trajectory".

Further, the two presidents directed the ministers of trade in both countries to meet and resolve any outstanding barriers affecting trade. President Ruto said the meeting also emphasised the importance of extending the Standard Gauge Railway from Naivasha to Malaba and to Kampala and DRC as an efficient and sustainable infrastructure for the transportation of goods. The two respective ministers were instructed to take urgent measures and mobilize resources for the implementation of the regional shared infrastructure and report on progress by the end of this year.

On the agreements the two governments have signed, there is a memorandum of understanding to anchor cooperation between Foreign Service institutions, which will ensure knowledge exchange and harmonization of the structures and content of diplomatic training. President Ruto also pointed out that a memorundum of understanding (MOU) on cooperation in sports demonstrates the seriousness with which both countries attach to sports promotion, development, and the mobilization of investment to unlock the potential in the sector ahead of the joint hosting of the 2027 African Cup of Nations alongside Tanzania. On his part, President Museveni emphasized the need for the two countries to eliminate barriers hindering the development of trade urging the East African Community and Africa to enhance free market and modern economy policies for shared prosperity.

Kenya Chinese Youth Association Signs Trade Partnership Deal

Kenya Chinese Youth Association - KYCA has signed a partnership aimed at creating opportunities in the imports and exports chain between the two countries. Under the partnership, Kenyan traders will export fruits and tea to the city of Shaoyang in China and import beauty products, electronics, and automotive spare parts. The partnership, which was signed after the economic and trading forum in Nairobi brought together over 15 local entrepreneurs and a delegation comprising of government officials and entrepreneurs from Shaoyong Municipality. Further, in a bid to ease the movement of products from China to Kenya, Shaoyang has set up a warehouse along Mombasa Road to support local businesses specializing in the importation of goods. According to statistics, Shaoyang has been exporting 28.8 per cent of its goods to Africa majorly in South Africa and Tanzania before venturing into Kenyan market in 2010.

C. Regional News

East Africa Trades More with its African Peers than with EU, Asia

East African Community (EAC) member states are increasingly trading with one another and with other African countries, while reducing their trade with Europe, Asia, and other parts of the world, shaping the intra-Africa trade dream projected to boost commerce and livelihoods on the continent. Latest data by the EAC Secretariat shows that EAC trade with the rest of Africa increased to US$ 4.3 billion in the fourth quarter of 2023, which is a 14 per cent rise compared with a similar period in 2022. Cross-border trade within the region also recorded a 12 per cent rise, from the previous year's US$ 2.6 billion to US$ 2.9 billion in last year's quarter four, an indication of rising trade within the region over the years.

During quarter three, intra-EAC trade rose by 20 per cent to US$ 3.2 billion, the highest level recorded within the region in over two years. Similarly, trade with the rest of Africa crossed the US$ 5 billion mark for the first time in two years. However, the region's trade with the European Union (EU) countries, which traditionally account for about 10 per cent of EAC's total trade, recorded a drop of 14 per cent, from US$ 2.04 billion in the last quarter of 2022, to US$ 1.7 billion in the same period of 2023. This is a signal of improving trade integration on the continent, coming at a time when governments are pushing for increased implementation of the African Continental Free Trade Area (AfCFTA), which is projected to alleviate poverty levels for about 65 million Africans.

Top EAC partners that experienced a sharp decline in their dealings with the region is Belgium, whose trade dropped by 45 per cent to US$ 188 million in quarter four of 2023, from US$ 263 million in the previous year. The United States, recorded a 19 per cent drop in its business dealings with the region, from US$ 200 million in the last quarter of 2022 to US$ 161 million in the same period last year. Germany, Italy, and Switzerland trade with the region dropped by 12 per cent, 2.0 per cent, and 23 per cent, respectively. A similar trend was observed in EAC's trade with leading Asian producers, Pakistan, Malaysia, China, Vietnam, Indonesia, and Korea. While imports from China improved, exports to the Asian powerhouse slowed by 12 per cent, an indication that regional businesses are finding markets elsewhere.

KIPPRA Demand-Driven and Collaborative Research Projects

A. Demand-Driven Projects

FAO/World Bank Project on Analyzing Public Expenditure Spending in Agriculture Sector in Kenya

KIPPRA is implementing the Food and Agriculture Organization and the World Bank Group project on analyzing public expenditure spending in the agriculture sector in Kenya. The goal of the project is to update the public expenditure indicators and classify the PE according to MAFAP methodology for the national and the six counties of Baringo, Kakamega, Nakuru, Kilifi, West Pokot and Makueni. The exercise will cover data for the period 2018/2019 to 2022/2023. The exercise also involves the preparation of Kenya Agriculture Expenditure Reports for the national and the six counties for the same period. KIPPRA classified the data for the national and the counties and prepared the final dataset for the national and the six counties in May 2024. The team embarked on the preparation of the public expenditure reports for the national and six counties in June 2024.

Kisumu Project on Local Economic Development Plan

KIPPRA is supporting the County Government of Kisumu to develop a Kisumu Local Economic Development Plan. Through this plan, the county will establish its local economic development status and social and economic safeguards for urban MSMEs, determine local economic development priorities and interventions and build a profile for investment attraction, among other activities. Additionally, the Plan will bring together all pre-existing visions and plans to attain the SDGs while considering Kisumu's strengths and assets. Among other developmental aspects, the Local Economic Development Plan aims to analyze the major trends and opportunities of an integrated local economic development, considering the significant impact of COVID-19 and consolidating all opportunities for private sector investment for city development. The team prepared reports on SAM and the Local Economic Plan for the County in June 2024.

Nakuru Affordable Housing Project

KIPPRA is currently engaging with the County Government of Nakuru to undertake a survey on affordable housing in the county. The survey will inform on the development of a county housing policy. The development of this policy will ultimately provide a sustainable framework that will guide the development and management of the county's housing programme, in line with the National Agenda on Slum Upgrading and Affordable Housing Programme. The project's general objective is to analyse the county's housing and related construction sectors. More specifically, the project will explore the county's housing management, demand and supply, analyse the housing status and patterns and construction costs and materials used, and have other relevant outputs. The team conducted a household survey in the county and embarked on analysing the data.

Development of Kenya Quality Policy

KIPPRA is providing support to the State Department for Industry in the development of the Kenya Quality Policy. The objective of the Kenya Quality Policy is to bring together all stakeholders involved in quality infrastructures. The policy aims to support the country in benefiting from trade, meeting quality standards for both local and global markets, and adhering to standards, technical regulations, and sanitary and phytosanitary measures as stipulated by WTO's Agreement on TBT, and related regional obligations concerning health, safety, environmental requirements, and fair-trade practices. By developing the Quality Policy, Kenya will have a framework that supports compliance with globally recognized standards. KIPPRA in conjunction with the State Department for Industry conducted public participation for the policy across various counties in March 2024.

Africa Center For Economic Transformation (ACET) Project on Country Economic Transformation Outlook for Kenya

KIPPRA is collaborating with Africa Center for Economic Transformation on the project on Country Economic Transformation Outlook for Kenya. The goal of this project is to undertake a comprehensive diagnostic analysis of Kenya's economic transformation progress and challenges, and to offer policy advice to public and non-public actors. The Institute conducted data collection exercise for the two selected deep dives, that is, harnessing the digital and innovation economy for Kenya's economic transformation; and leveraging Kenya's MSMEs for increased productivity, trade and economic transformation in nine counties (Nairobi, Machakos, Mombasa, Kilifi, Nyeri, Nakuru, Uasin-Gishu, Kisumu and Kiambu) between 12th and 29th February 2024. The team developed a report and held a stakeholder validation workshop on 13th June 2024.

USAID/AMREF-Uongozi wa Afya Thabiti Project

KIPPRA is supporting the Uongozi wa Afya Thabiti Project which is a five-year USAID-funded project that aims at providing system-level support to achieve leadership and governance programmatic outcomes across 10 counties (Nairobi, Baringo, Kilifi, Elgeyo Marakwet, Tharaka Nithi, Taita Taveta, Laikipia, Samburu, Trans-Nzoia and Turkana). The specific objectives of the project are to strengthen health systems' governance, institutions, and stewardship for improved delivery of quality health services; improve health systems accountability and structures for transparent, efficient, and effective delivery of quality health services; strengthen structures for national and county level legislation and policy development and review; and strengthen national, county, and intergovernmental coordination structures capacity to improve health systems. The contract between KIPPRA and USAID was signed, and initial project activities commenced in June 2024.

B. Collaborative Projects

KIPPRA-JRC-EU Collaborative Project on Forest Rehabilitation and Ecosystem Services Modelling in Kenya

The African continent is facing the dual challenge of having to feed a fast-growing population while meeting the Sustainable Development Goals (SDGs) that are closely connected to the use and state of water and land resources. At the same time, with low industrial development and energy use per capita, the African greenhouse gas emissions are mostly concentrated in the agricultural sector and the land use, land use change and forestry (LULUCF) activities. The developing status and the reduced emissions levels are also an explanation why very few African countries have indicated net-zero emissions targets. Indeed, the Nationally Determined Contributions (NDCs) in Africa to meeting the UNFCCC Paris Agreement are primarily focused on reducing emissions relative to "business as usual" in energy, agriculture and LULUCF, while emphasizing on poverty reduction and employment creation. In its updated NDC of 2020, Kenya is aiming to reduce greenhouse gas emissions by 32 per cent by 2030 relative to a business-as-usual emissions pathway. The forestry sector has an important contribution, with a target of 10 per cent tree cover of the total land area. JRC and KIPPRA are collaborating in this project to model the forest rehabilitation impact in Kenya. This project aims to facilitate and disseminate the analysis of forest rehabilitation policies in Kenya, by including the national stakeholders in the modelling exercise. Contract negotiation for this project was concluded and the contract signed in June 2024.

KIPPRA/IWMI Collaboration on Multiscale Polycentric Governance (MPG) Tool Guide and Climate-Smart Governance (CSG) Dashboard project

KIPPRA in Collaboration with International Water Management Institute (Sri Lanka) are implementing Multiscale Polycentric Governance (MPG) tool, which is an initiative of the CGIAR's Climate Resilience "ClimBeR project". MPG tool offers a transformative adaptation solution that offers a framework for navigating the complex governance challenges associated with adaptation challenges. Furthermore, the Climate-Smart Governance Dashboard for Kenya is also a CGIAR initiatives on climate resilience to support the implementation process of national adaptation plans (NAPs). The dashboard serves as a centralized platform for decision-makers, stakeholders, and the public to access critical information, monitor progress, and make informed choices regarding climate adaptation efforts. The contract negotiation for this project was concluded and signed in June 2024.

KIPPRA – PEP and MCF Collaboration on the Project to Review Youth Employment Policies

KIPPRA has collaborated with the Partnership for Economic Policy (PEP) and the Mastercard Foundation Kenya in implementing the second phase of a project entitled "Review of Youth Employment Policies and their Impact in Kenya". The broad objective of the project is to provide a comprehensive review of youth employment policies and their impact in Kenya. The ongoing project is a follow up of the review focusing on emergent changes in policies and practices after the first review was completed in early 2023. The literature review of emergent issues and consultation with relevant local/national policy stakeholders was conducted in quarter three and data collection implemented in June 2024. The project aims to identify key knowledge gaps and provide information and lessons on accelerating efforts to create job opportunities.

KIPPRA-UNU-WIDER Collaboration on a Book on Savings Project Titled "The Domestic Savings Shortfall in Sub-Saharan Africa: What Can Be Done About It?"

KIPPRA in collaboration with UNU-WIDER is working on a book on savings project titled "The Domestic Savings Shortfall in Sub-Saharan Africa: What Can Be Done About It?". The book aims to close the gap in knowledge about drivers of domestic saving rates in Sub-Saharan Africa; explores whether alternative approaches, such as pension funds or fintech, could provide new solutions to increase domestic savings; and lessons learnt from the experiences so far in different countries in Sub-Saharan Africa and other regions which have been more successful in raising savings rates. KIPPRA authors completed drafting the manuscript for three chapters on: the determinants of domestic savings in Kenya; pension funds in Sub-Saharan Africa; and capital markets in Sub-Saharan Africa in April 2024.

KIPPRA-IFPRI Collaboration on the Project to Develop CGE Framework in Support of KIPPRA Modelling Hub

KIPPRA and IFPRI signed an MOU on 11th July 2022 with the objective to collaborate on policy research, capacity sharing and policy communication activities. Since then, the collaboration between KIPPRA and IFPRI under the CGIAR Initiative on National Policies and Strategies (NPS) with inputs from the CGIAR Initiative on Foresight has successfully been working toward accomplishing these goals by co-creating research and database and tools. The focus of the collaboration this year is the tax based computable general equilibrium (CGE) models and other related modelling tools for model-based policy analysis and advice. This will be achieved in a step-by-step and hands-on manner using the training-of-trainer (ToT) approach and the co-creation of model-based research. A team of CGE modelers have been attending both physical and online training and working sessions. So far, the team has focused on taxation of agricultural income, focusing on the proposed 5.0 per cent for produce delivered to cooperatives. The team jointly with IFPRI and KIPPRA developed a policy brief, published on IFPRI website and held a stakeholder's validation workshop to discuss preliminary results in April 2024.

Kippra Events

A. KIPPRA Organised Conferences/Symposia

i. 7th KIPPRA Annual Regional Conference

KIPPRA held its 7th KIPPRA Annual Regional Conference (KARC) on 26th-28th June in Kisumu County. The theme of this year's conference was the "Future of Industrialisation in Kenya: Pathways to Industrialisation in the Bottom-Up Economic Transformation Agenda (BETA)." The conference provided a platform for stakeholders to engage in policy discourse and to explore the pathways and opportunities for industrialisation in the Bottom-Up Economic Transformation Agenda (BETA). The three-day conference brought together 800 delegates including 200 youths who were part of the youth side event themed "The Role of the Youth in Industrialisation" from the Lake Regional Economic Bloc, MDAs, counties and the private sector. During the Conference, the KIPPRA-Partnership for Economic Policy (PEP) national engagement report for Kenya, which is a local contextualisation of the Earth4All was launched. The report examines the current national context of the economic, political and social pillars providing policy implications for the same. The three-day conference culminated with the formation of the Kenya Futures Foresight Community of Practice, with KIPPRA, KNATCOM-UNESCO, PEP, and UNESCO Futures Literacy Lab Chair at Dedan Kimathi University (DeKUT) outlining the vision for a vibrant futures foresight community. The conference communique can be accessed through the KIPPRA website at www.kippra.or.ke.

ii. The Kenya Think Tank Symposium

KIPPRA in collaboration with the Kenya Think Tanks Forum hosted the 5th Kenya Think Tank Forum from the 24th to 25th April 2024 at the Strathmore University Business School Auditorium in Nairobi. The theme of this year's symposium was "Advancing Healthcare Futures in Kenya: Preparedness, Financing, Vaccine Manufacturing, Market Efficiency, and Strategic Partnerships." The objective of this year's symposium was to explore themes around preparedness, financing, vaccine manufacturing, market efficiency, and strategic partnerships. The symposium through insightful discussions and strategic planning, aimed to contribute to a transformative agenda that ensures the wellbeing of Kenya's population in healthcare. The event brought together policymakers, healthcare professionals, researchers, and industry leaders to collaboratively envision and shape a resilient and inclusive healthcare future for the nation. The symposium of the Kenya Think Tanks Forum is an annual event that brings together Think Tanks in Kenya to deliberate on current policy issues.

B. KIPPRA Organised Workshops

KIPPRA-ACET Validation Workshop on the Kenya's Country Economic Transformation Outlook (CETO) Study

KIPPRA in collaboration with the African Center for Economic Transformation held a validation workshop on the Country Economic Transformation Outlook (CETO) study on 13th June 2024 in Nairobi. The workshop that brought together key stakeholders who play a critical role in Kenya's economic transformation agenda aimed to disseminate findings of the CETO study and gain valuable feedback and insights to improve the research work. The study focused on assessing ways of raising the overall productivity level while ensuring the quality of employment, equitable distribution of income and wealth, access to quality public services, and protection of the environment. The workshop was opened by the Head of Partnerships Department, Dr Eliud Moyi, on behalf of KIPPRA Executive Director, Dr Rose Ngugi.

C. KIPPRA Organised Roundtables/Stakeholder Engagements

i. KIPPRA Roundtable on Understanding Kenya's Fertiliser Market

KIPPRA held a roundtable workshop to gather insights on a research study on Kenya's fertiliser market on 30th May 2024 in Nairobi. The Workshop, organised by the Productive Sector Department focused on understanding the fertiliser market in Kenya. The workshop brought together participants from the government and private sector Kenya Bureau of Standards (KEBS), Alliance for Green Revolution in Africa (AGRA), Tea Board of Kenya (TBK), African Fertilizer and Agribusiness Partnership (AFAP), Agriculture and Food Authority (AFA), Kenya National Farmers' Federation (KENAFF), Kenya Revenue Authority (KRA), Kenya Agricultural and Livestock Research Organization (KALRO), Kenya Tea Development Agency (KTDA), YARA East Africa, GIZ, Local Development Research Institute (LDRI) and aimed to gather insights and recommendations that will inform the study.

ii. KIPPRA Roundtable on What Works for Youth Employment in Africa: A Review of Existing Policies and Empirical Analysis in Kenya

KIPPRA held a roundtable workshop to gather insights on a research study on, "What works for youth employment in Africa: A review of existing policies and empirical analysis in Kenya" on 22nd May 2024, in Nairobi. The workshop was spearheaded by KIPPRA Policy Analysts Boaz Munga and Anne Gitonga and focused on youth employment programmes and policies. The workshop, which brought together participants from the government and private sector aimed to gather insights and recommendations that will inform the collaborative study that is being undertaken by KIPPRA in collaboration with Partnership for Economic Policy (PEP) and Mastercard Foundation.

iii. Roundtable Workshop on the Implications of Forest Restoration on Forest Cover and Social Effects

KIPPRA held a roundtable workshop on the Implications of Forest Restoration on Forest Cover and Social Effects on 30th April 2024, in Nairobi. The workshop that was spearheaded by the Productive Sector Department, aimed to understand whether the restoration efforts done across the country are aiding in achieving its forest cover goals. The workshop brought together participants from the Kenya Wildlife Service (KWS), Kenya Meteorological Department, Regional Centre for Mapping of Resources for Development (RCMD), Kenya Forest Service (KFS), National Environment Management Authority (NEMA) and Kenya Tea Development Agency (KTDA).

D. Capacity Building Activities

i. Tools for Policy Analysis

KIPPRA conducted a capacity building training for officers from the Research Department of the Parliament on Tools for Policy Analysis on 22nd May - 1st June 2024, at the Kenya School of Revenue Administration (KESRA) in Nairobi. The sessions, which were facilitated by KIPPRA Policy Analysts Victor Mose and Silvanus Opiyo aimed to build the capacity of officers with prerequisite knowledge and skills required for understanding policy analysis during the policy design. Further, the participants were equipped with the necessary skills to identify data, appropriate tools, and information sources, collect and analyze data, and interpret the results correctly in the policy formulation cycle. The capacity building workshop brought together 25 officers from the National Parliament.

ii. Executive Public Policy Making Process

KIPPRA conducted a capacity building training for officers from the CASCADE -KENYA (CARE & GAIN) on executive public policy making process on 27th - 31st May 2024, in Mombasa. The training aimed to build the capacity of executives in public policy making, examining the various stages of policy making and policy analysis and the policy instruments that governments use to achieve their intended goals. The sessions were facilitated by KIPPRA Ag. Deputy Director for Capacity Building Department, Dr Nancy Nafula, Deputy Director, from the Partnership Department Dr Eliud Moyi and Ag. Principal Policy Analyst Mr Joshua Laichena. The capacity building workshop brought together 15 officers from CASCADE-KENYA.

iii. Public Policy Making Process

KIPPRA capacity-built senior management officers from the Intergovernmental Relations Technical Committee (IGRTC) on Public Policy Making Process on 20th - 24th May 2024, in Machakos. The sessions which were facilitated by KIPPRA Deputy Director, from the Partnership Department Dr Eliud Moyi gave the officers an opportunity to gain understanding and skills on creating public policies, role of stakeholders in public policy, participation, problem identification, agenda setting, policy design, policy implementation, policy monitoring and evaluation. The capacity building workshop brought together 23 officers from IGRTC.

iv. Central Project Planning and Monitoring Departments

KIPPRA capacity-built technical officers from Central Project Planning and Monitoring Departments (CPPMDs) on various capacity building programmes on 13th - 17th May 2024, in Nairobi. The workshop facilitated by Policy Analyst, Mr Paul Lutta and Senior Policy Analyst, Dr Irene Nyamu, aimed to build the capacity of officers in public policy making process, monitoring, and evaluation, applied policy research methods and governance structures in a devolved system of government. The workshop brought together over 18 participants from CPPMD.

v. KIPPRA Hosts KIPPRA Mentorship Programme for Universities and TVETS at National Youth Service

KIPPRA hosted the KIPPRA Mentorship Programme for Universities and Technical and Vocational Education and Training (TVETS) on the 16^{th} - 17^{th} May 2024, at National Youth Service (NYS) Engineering School in Nairobi. The theme for the event was Kenya's transformation agenda since independence and future projections. The two- day event was graced by the KIPPRA Board Vice Chair, Ms Christine Wanjala, KIPPRA's Executive Director, Dr Rose Ngugi and NYS Deputy Director, General, Mr Jamlick Chabari and aimed to build the capacity of university and TVETs communities in understanding the public policy making process. Also present were representatives from the National Youth Council, State Department for Economic Planning, the National Crime Research Centre and the Directorate of National Cohesion and Values. The event brought together over 400 students and representatives from government and private institutions.

vi. KIPPRA Young Professionals Research Papers Validation Workshop

KIPPRA held the KIPPRA Young Professionals (YP) Cohort 2023/24 validation workshop for their research papers on the 13^{th} - 14^{th} June 2024 in Nairobi. The research theme for the cohort is "The Future of Industrialization in Kenya: Leveraging on the 4^{th} Industrial Revolution". The two-day validation workshop, which brought together stakeholders from various MDAs and SAGAs aimed to enable the YPs to present their research work and receive valuable insights, with an aim to enrich the outcomes of their research. The research papers were in line with the 7^{th} KIPPRA Annual Regional Conference themed "The Future of Industrialization in Kenya: Pathways to Industrialization in the Bottom-Up Economic Transformation Agenda". The YPs presented a total of 15 research papers to participants drawn from MDAs, county governments and the private sector.

vii. KIPPRA Hosts KIPPRA Mentorship Programme for Universities and TVETS at Meru University of Science and Technology

KIPPRA hosted the KIPPRA Mentorship Programme for Universities and Technical and Vocational Education and Training (TVETS) on 8^{th} - 9^{th} April 2024 at Meru University of Science and Technology (MUST) in Meru County. The theme for the event was Kenya's Transformation Agenda Since Independence and Future Projections. The two- day event was graced by KIPPRA Board Chair, Prof. Benson Ateng',KIPPRA's Executive Director. Dr Rose Ngugi and Ag. Vice Chancellor, Academic and Students Affairs, Prof. Eustace Mwenda. The two-day event aimed to build the capacity of the TVETs communities in understanding the public policy making process. Also present were the Principal Policy Analyst, Joshua Laichena, Senior Policy Analyst Victor Mose among other KIPPRA staff and Young Professionals. The event brought together over 500 students and representatives from government and private institutions.

E. CSR and Welfare Activities

i. KIPPRA Donates School Books

KIPPRA CSR and Environment Committee visited the Hatua Network Library on 12th June 2024 in Likoni, Mombasa. The CSR team led by the Committee Chair Abudhoo Yattani donated copies of each subject's book for grades one to eight. As part of its corporate social responsibility, the Institute aims to support the provision of essential educational resources to the Likoni community's children supporting their learning and fostering a reading culture.

ii. KIPPRA Holds Staff Team Building

KIPPRA held its annual staff team building activity on the 1st - 2nd May 2024, in Naivasha. The team building exercise aimed to enhance team spirit, collaboration, and morale of the staff. The two-day event encompassed indoor sessions and outdoor activities focusing on organisational culture development and management; effective communication for optimal performance and service delivery; transformational leadership; and strategy development and implementation. The event brought together a total workforce of 177 members encompassing KIPPRA staff, young professionals, interns, and attachees. Additionally, the winning teams from the KIPPRA sports day held earlier in the year were feted during the team building exercise.

ii. Tree Planting at Naivasha Game Farm

KIPPRA participated in a tree planting exercise at the Naivasha Game Farm on 2nd May 2024 during the annual team building exercise. The KIPPRA staff planted 2000 indigenous trees as part of the Institute's corporate social responsibility and in compliance with the presidential directive of planting 15 billion trees by 2032. Tree planting stands as one of the most impactful and accessible actions individuals and communities can take to address pressing environmental concerns. From mitigating climate change to fostering biodiversity and enhancing the quality of life for both humans and wildlife, the benefits of tree planting are multifaceted and far-reaching.

F. Partnerships and Engagement

i. KIPPRA Participates in the PEP Annual General Meeting and Policy Conference

KIPPRA participated in the Partnership for Economic Policy (PEP) Annual General Meeting and Policy Conference on 3rd - 7th June 2024, in Nairobi. The KIPPRA team led by Senior Policy Analysts Dr Irene Nyamu from Partnerships Department and Mr Boaz Munga from Social Sector, presented the progress on the PEP-MasterCard collaborative research project on, "What works for youth employment in Africa: An empirical review of youth employment policies and their impact in Kenya", which aims to provide evidence that can drive policy reform to increase youth employment in ten African countries. The study will provide empirical knowledge and best practices to inform country-level youth employment policy reviews and strategy development by the government in Kenya. The AGM – that took place during the first two days of the conference brought together researchers from 10 countries that are implementing the research project together with research mentors and policy advisors supporting the project. The countries include Kenya, Tanzania, Uganda, Ethiopia, Senegal, Ghana, South Africa, Niger, Burkina Faso and Gambia. The second part of the event involved the policy conference on the future of work in Africa and a training/capacity building session on communicating research findings by researchers.

ii. KIPPRA Participates in the AFDB Annual Meetings 2024

KIPPRA participated in the African Development Bank (AFDB) annual meetings on 27^{th} - 31^{st} May, 2024 in Nairobi. The institute was represented by KIPPRA Executive Director, Dr Rose Ngugi, who also moderated a panel on harnessing human capital for sustainable growth and development in Africa. This year's theme for the meetings, which comprise the 59^{th} Annual Assembly of the African Development Bank and the 50^{th} meeting of the African Development Fund was on Africa's transformation, African Development Bank Group, and Reform of the Global Financial Architecture. The annual meetings of the African Development Bank Group offer opportunities for knowledge dissemination among high-level decision makers in Africa, key officials of bilateral and multilateral development agencies, academics and representatives of non-governmental organisations, civil society, and the private sector. The event organised by the AFDB brought together over 1,000 participants from around the globe.

iii. KIPPRA Participates in the Machakos University 6^{th} International Research Conference

KIPPRA participated in the Machakos University 6^{th} International Research Conference on 31^{st} May 2024 in Machakos County. The institute was represented by Ag. Director Directorate of Integrated Development, Dr John Karanja who represented KIPPRA Executive Director, Dr Rose Ngugi, as the chief guest at the official closing ceremony of the conference. The theme of this year's conference was adaptive responses to global challenges for sustainable socioeconomic development. Also in attendance was the Machakos University Vice Chancellor, Prof Joyce Agalo, Deputy Vice Chancellors, and Kenya Education Network Executive Director, Prof Meoli.

iv. KIPPRA Participates in the NADPA-RADPD Annual Meeting and Conference

KIPPRA participated in the Network of African Data Protection Authorities (NADPA- RADPD) annual meeting and conference on 7^{th} - 9^{th} May 2024, in Nairobi. The Institute was represented by the Principal Policy Analyst, Dr Humphrey Njogu who made a presentation on data sovereignty. This year's theme, "Promoting Regional Data Governance for Digital Transformation" sought to facilitate the exchange of knowledge and experiences among African data protection authorities to strengthen the implementation of robust data protection frameworks. The NADPA-RAPDP AGM and Conference is an annual gathering of data protection authorities, sector decision-makers, businesses a investors and multinational executives operating around Africa and beyond. The event organised by the Office of Data Protection Commissioner brought together over 700 participants from around Africa.

v. KIPPRA Participates in the Global South Climate Agenda Conference

KIPPRA participated in the Strengthening the Global South Climate Agenda – Recommendations for the G20 and Brics+ seminar during the G20 Social on 10th April 2024 in Brasilia, Brazil. The Institute was represented by the Head of the IESD Department, Dr Humphrey Njogu who made a presentation on the adoption of green Technologies such as electronic vehicles in the global south at the Think 20 (T20) engagement. The presentation was informed by a draft policy that KIPPRA is undertaking. The T20 engagement aimed to promote knowledge exchange between Brazil and South Africa on the climate and just energy transition agenda in the context of the G20, Brics, and the United Nations Framework Convention on Climate Change (UNFCCC). The seminar participants discussed the growing pressure to limit the globe's increase in temperature to less than 1.5 °C. The primary goal is to strengthen global cooperation and develop solutions to reduce social and environmental impacts. The event contributed to the implementation of two projects currently underway by the South African Institute of International Affairs (SAIIA): Brics shaping economic cooperation for green growth, development, and the just transition: A Partnership between Brazil and South Africa, supported by the South African BRICS Think Tank, and the global south climate etwork, supported by the African Climate Foundation.

F. Meeting Partners

i. Governor Kisumu County

KIPPRA Executive Director, Dr Rose Ngugi called on the Kisumu County Governor, Hon. ProfPeter Anyang' Nyong'o on 25th June 2024. The meeting focused on partnerships and collaboration between the County Government and the Institute, in preparation for the 7th KIPPRA Annual Regional Conference themed "The Future of Industrialisation in Kenya: Pathways to Industrialisation in the Bottom-Up Transformation Agenda (BETA) that took place on the 26th - 28th June 2024 in Kisumu County. In attendance were the Director of Corporate Services, Ms Irene Mithia, and Ag. Director of Integrated Development, Dr John Karanja.

ii. Cabinet Secretary, Ministry of Investments, Trade and Industry

KIPPRA Executive Director, Dr Rose Ngugi called on the Cabinet Secretary, Ministry of Investments, Trade and Industry, Hon. Rebecca Miano, and the Principal Secretary, Investment Promotions, Mr Abubakar Hassan on 14th June 2024. The meeting focused on partnerships and collaboration between the two organisations in preparation for the 7th KIPPRA Annual Regional Conference themed "The Future of Industrialisation in Kenya: Pathways to Industrialisation in the Bottom-Up Transformation Agenda (BETA)". The meeting further focused on mutual areas of collaboration including undertaking joint research on industrialisation, investment promotion and trade. Hon. Miano was also briefed on research work the Institute has undertaken particularly on The African Continental Free Trade Area. In attendance was the Director of Corporate Services, Ms Irene Mithia, Ag. Director of Integrated Development, Dr John Karanja, and Conference Committee Chair Ms Jane Kenda.

iii. Ambassador of Azerbaijan to Kenya

KIPPRA hosted the Ambassador of Azerbaijan to Kenya, H.E Sultan Hajiyev on 6th June 2024. The Ambassador was received by KIPPRA Executive Director Dr Rose Ngugi. The discussions at the meeting centred on fostering collaboration for the upcoming COP29 in Baku, Azerbaijan in November 2024 with a focus on supporting youth participation in COP29. The meeting was also attended by Ag. CEO, National Youth Council Ms Margaret Kiogora, Youth Greenspace Action and Network CEO, Mr. Thomas Hurdson, KIPPRA's Head of Capacity Building Department Dr Nancy Nafula and Senior Policy Analyst Dr Irene Nyamu. KIPPRA has been supporting youth in climate action space by building their capacity in public policy making process and development of policy briefs.

iv. Vice Chancellor Dedan Kimathi University of Technology

KIPPRA team called on Dedan Kimathi University of Technology (DeKUT) Vice Chancellor Prof. Eng. Peter Ng'ang'a Muchiri on 4th May 2024. The team interviewed the Vice Chancellor for the 7th KIPPRA Annual Regional Conference documentary. He further discussed coffee value addition the University is undertaking where they use new technology to blend coffee extract with milk to develop coffee yoghurt. The University also hosts Semiconductor Technologies Limited (STL), a company that is spearheading Kenya's foray into high-tech manufacturing, particularly in the semiconductor and nanotechnology industries.

v. Chief Executive Officer Kenya Yearbook Editorial Board

KIPPRA hosted a delegation from the Kenya Yearbook Editorial Board on 2nd May 2024. The delegation was led by the Chief Executive Officer, Ms Lilian Kimetto and was received by KIPPRA Executive Director, Dr Rose Ngugi. The purpose of the meeting was to discuss possible areas of partnership and collaboration including best practicesin curating and publishing content for KIPPRA research outputs and networking engagements. The meeting further focused on possible areas of collaboration including content development and dissemination for the 7th KIPPRA Annual Regional Conference and exploring areas of mutual interests. Also present during the courtesy call was the Director of Corporate Services, Ms Irene Mithia, Ag. Director Integrated Development, Dr John Karanja, and Chairperson KIPPRA Annual Regional Conference planning committee Ms Jane Kenda.

vi. Deputy Governor Kisumu County

KIPPRA team called on Kisumu County Deputy Governor, Hon. Dr Mathew Ochieng' Owili on 26th April 2024 in Kisumu County. The team interviewed the Deputy Governor for the 7th KIPPRA Annual Regional Conference Documentary. The Deputy Governor discussed the collective efforts the Lake Region Economic Bloc (LREB) counties are undertaking to spur industrialisation in the region. He further highlighted the areas that need to be enhanced and leveraged to enhance industrialisation including reviving of cottage industries like the Kisumu Cotton Mills (KICOMI) and value addition in agro-processing of sugar.

G. MOU Signing

KIPPRA-Kenya National Library Services

KIPPRA and the Kenya National Library Services signed an MOU on mutual areas of collaboration on 3rd June 2024, in Nairobi. The signing ceremony of the MOU was attended by KIPPRA Director Corporate Services, Ms Irene Mithia and KNLS Director General Dr Charles Nzivo. Also, present were KNLS and KIPPRA staff. The mutual areas of collaboration include joint implementation of accessibility of KIPPRA research outputs, planning and holding of joint campaigns on data accessibility and capacity building through tailor-made short courses for KNLS staff. Other areas of partnership include collaborative research in the areas of mutual interest, joint research workshops to disseminate research findings, and joint resource mobilisation.

H. Trainings

Capacity Building Workshop on Research Communication

KIPPRA organised a capacity-building workshop on research communication for KIPPRA staff on 26th April 2024. The primary objective of the workshop that was facilitated by Mr Andrew Johnson from Words for Change, was to develop KIPPRA staff writing and editing skills enabling them to effectively communicate their research findings to diverse audiences through various media channels. The participants comprised of policy analysts, researchers and communication officers who were enthusiastic about learning how to frame and package KIPPRA research outputs to engage, inform and persuade different audiences. By the end of the workshop, participants were able to communicate complex research ideas in a clear and accessible manner and leverage different communication tools and platforms to maximize the impact of their research.

I. Collaborative Workshops and Stakeholder Engagements

KIPPRA-RESET Breakfast Meeting on Alcohol Taxation

KIPPRA held a collaborative breakfast meeting with RESET Kenya on RESET Alcohol Kenya Initiative on April 16th 2024, in Nairobi. The meeting that was facilitated by KIPPRA Policy Analysts Boaz Munga and Laureen Karimi aimed to exchange ideas on championing effective alcohol policies with a focus on alcohol taxation as an effective intervention for reducing consumption. The workshop brought together representatives from the International Institute for Legislative Affairs (IILA), Anti-Counterfeit Kenya, Technical University of Kenya, and Export Processing Zones Authority (EPZA) among others. RESET is a consortium with Johns Hopkins University (Tobacconomics team), Movendi International, Global Alcohol Policy Alliance, NCD Alliance, and the World Health Organization. The RESET Alcohol is an initiative that brings together national governments, civil society, research organisations, and global leaders in public health and alcohol policy to develop and implement evidence-based alcohol policies from the World Health Organization's SAFER technical package.

KIPPRA Upcoming Events July to September 2024

A. Launch of the Kenya Economic Report 2024

KIPPRA will launch the Kenya Economic Report (KER) 2024. The theme of this year's Kenya Economic Report is Enhancing Productivity for Sustained Inclusive Growth. The KER 2024 has 10 areas of focus: trends in macroeconomic performance; Kenya's medium term macroeconomic prospects; increasing labour productivity in manufacturing; enhancing productivity through trade; investing in skills for a productive and dynamic workforce; transforming agricultural for enhanced productivity; reimagining strategic partnerships in unlocking technology transfer; assessing productivity at the county level; enhancing productivity in the public service and leveraging digitisation to increase productivity in the informal economy. The overarching goal of the report will be to present evidence-based public policy options that can foster sustainable and inclusive economic growth in Kenya by boosting productivity across various sectors.

B. Policy Seminars

The upcoming policy seminars will focus on the following policy issues: Kenya's investment performance; World Economic Outlook updates; tracking UHC global; Monitoring report (WHO); EAC Revised Common External Tariff, World Governance Index; and FAO State of Food Security and Nutrition Report.

C. Roundtables/Stakeholder Engagement

The planned roundtables will discuss the following: What works for the youth employment in Africa: A review of existing policies and empirical analysis in Kenya; Creating jobs in the Infrastructure sector; Promoting job creation through trade; Exploiting creative economy for job creation in Kenya; Sustaining macroeconomic stability for job creation; Securing job creation through human capital development; and Re-engineering the public sector for future work.

D. Dissemination Workshops

The following research work will be disseminated: Kenya Economic Report 2024 sectoral dissemination; Digital economy Workshop, Forest management and restoration workshop, PAI dissemination workshops in Busia, Kakamega, Vihiga and Bungoma counties; County Business Environment for Micro and Small Enterprises (CBEM) dissemination workshops in Busia, Kakamega, Vihiga and Bungoma counties; County Integrated Development Plans (CIDPs) workshops.

E. Capacity Building

i. The Young Professional (YP) 2023/24 Cohort Graduation Ceremony

KIPPRA will host the graduation of the 2023-24 cohort of the KIPPRA Young Professionals (YPs). The event will oversee the graduation of about 30 Young Professionals from the 2023-2024 cohort. The research theme for the cohort is, "The Future of Industrialization in Kenya: Leveraging on the 4th Industrial Revolution". The YPs completed 15 discussion papers, 15 policy briefs, 15 information notes and 30 blog articles as part of their training for successful completion of the programme. The YPs programme is KIPPRA's flagship programme that has been running since 2003 and has overseen 20-40 graduands each year. The programme targets young people from both public and private sector at the initial stages of their careers.

ii. KIPPRA Commercialised Programmes

In the first quarter of FY 2024/25, the Institute will undertake commercialised capacity building programmes on executive public policy making process; applied policy research methods; macroeconomic modelling and forecasting; and monitoring and evaluation. This is in line with the Institute's mandate of developing human and institutional capacities.

The KENYA INSTITUTE for PUBLIC POLICY RESEARCH and ANALYSIS

About KIPPRA

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

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

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