Kenya: Poverty Reduction Strategy Paper

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FIRST MEDIUM TERM PLAN
(2008 - 2012)

A GLOBALLY COMPETITIVE
AND PROSPEROUS KENYA
FIRST MEDIUM TERM PLAN, 2008 – 2012

KENYA VISION 2030
A Globally Competitive and Prosperous Kenya

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The National Anthem

**Swahili**

<table>
<thead>
<tr>
<th>Swahili</th>
<th>English</th>
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</thead>
<tbody>
<tr>
<td>Ee Mungu nguvu yetu</td>
<td>O God of all creation</td>
</tr>
<tr>
<td>Ilete baraka kwetu</td>
<td>Bless this our land and nation</td>
</tr>
<tr>
<td>Haki iwe ngao na mlinzi</td>
<td>Justice be our shield and defender</td>
</tr>
<tr>
<td>Natukae na undugu</td>
<td>May we dwell in unity</td>
</tr>
<tr>
<td>Amani na uhuru</td>
<td>Peace and liberty</td>
</tr>
<tr>
<td>Raha tupate na ustawi</td>
<td>Plenty be found within our borders</td>
</tr>
<tr>
<td>Amkeni ndugu zetu</td>
<td></td>
</tr>
<tr>
<td>Tufanye sote bidii</td>
<td>Let one and all arise</td>
</tr>
<tr>
<td>Nasi tujioe kwa nguvu</td>
<td>With hearts both strong and true</td>
</tr>
<tr>
<td>Nchi yetu ya Kenya</td>
<td>Service be our earnest endeavour</td>
</tr>
<tr>
<td>Tunayoipenda</td>
<td>And our homeland of Kenya</td>
</tr>
<tr>
<td>Tuwe tayari kilinda</td>
<td>Heritage of splendour</td>
</tr>
<tr>
<td></td>
<td>Firm may we stand to defend</td>
</tr>
<tr>
<td>Natujenge taifa letu</td>
<td></td>
</tr>
<tr>
<td>Ee, ndio wajibu wetu</td>
<td>Let all with one accord</td>
</tr>
<tr>
<td>Kenya istahili heshima</td>
<td>In common bond united</td>
</tr>
<tr>
<td>Tuungane mikono</td>
<td>Build this our nation together</td>
</tr>
<tr>
<td>Pamoja kazini</td>
<td>And the glory of Kenya</td>
</tr>
<tr>
<td>Kila siku tuwe na shukrani</td>
<td>The fruit of our labour</td>
</tr>
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<td></td>
<td>Fill every heart with thanksgiving</td>
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Foreword

The publication of Kenya Vision 2030: First Medium Term Plan (MTP) 2008-2012 marks a critical milestone for our nation because it is now the primary document which outlines the consensus on policies, reform measures, projects and programmes that the Grand Coalition Government is committed to implement during 2008-2012. Indeed, the MTP has taken on board the main policy recommendations of the manifestos of the constituent parties of the Grand Coalition Government as its point of departure. As our country’s next Medium Term Plan, the MTP takes over from the Economic Recovery Strategy for Wealth and Employment Creation, 2003-2007. It constitutes the first phase in the implementation of Kenya Vision 2030, whose aim is to transform our country into a modern, globally competitive, middle income country, offering a high quality of life for all citizens by the year 2030. Among the priority areas scheduled for implementation in the initial year of the Plan are projects geared towards national healing and reconciliation, as well as rapid economic reconstruction to reverse the damage and setbacks the country suffered following the December 2007 General Elections. The prominence given to equity measures in this document is therefore expected to contribute to the reconciliation process and to the overall national economic growth.

In support of the goal of achieving high economic growth rate of 10 per cent by 2012, the Plan contains detailed policy measures and interventions that will be implemented in all sectors of the economy. The policies have also been prepared to bring about a higher and sustainable growth with equity. In this regard, the government is committed, over the course of the next five years, to attaining the target of reducing the number of Kenyans currently living below the poverty line, from 46 per cent to 28 per cent. Accordingly, this Plan also outlines specific policy interventions that will be implemented in various sectors to ensure the realisation of this important goal.

Other critical issues and challenges addressed under the various chapters and sections of the Medium Term Plan include the creation of more employment opportunities especially for the youth who presently constitute the largest segment of the nation’s labour force and the pool of the unemployed. The attainment of gender balance in our national programmes as well as introducing measures aimed at bringing more equitable development in all regions of our country is another key objective of the Plan.

A large part of the financing of the infrastructure and projects scheduled for implementation under the MTP 2008-2012 is expected to come from the private sector in the form of both local and Foreign Direct Investment (FDI). To facilitate this, the government has developed a policy on Public Private Partnerships (PPPs) and the modalities for its implementation will soon be put in place. Learning from our previous experience, many important development initiatives have in effect, been constrained by failure to address governance issues coupled with a large quantity of inappropriate and outdated legal framework. Consequently, the MTP 2008-2012 has identified and listed the major critical reforms and pieces of legislation which need to be enacted and operationalised to ensure that the Plan is successfully implemented. Moreover, a special session of the National Assembly will be called upon to deliberate on the list of critical, legal enabling bills and legislation that will need to be expeditiously passed to facilitate the implementation of this Medium Term Plan.

Finally, I must emphasise that the successful implementation of the MTP 2008-2012 calls for dedication and commitment from all Kenyans. Indeed, we will also expect equal support from the private sector and development partners. Kenyans have always appreciated the development assistance they receive from donor friends. I am therefore confident that with the renewed spirit of national reconciliation and nationhood, and under the Grand Coalition Government we will collectively achieve the goals set out in this Plan.

H.E. Mwai Kibaki, C.G.H., M.P.,
President and Commander-In-Chief of the Armed Forces of the Republic of Kenya
Preface

The Vision 2030: First Medium Term Plan (2008-2012) succeeds the Economic Recovery Strategy for Wealth and Employment Creation, 2003-2007 as the National Medium Term Plan. The document has been produced through wide stakeholder-participation involving government, private sector, civil society, and development partners. In accordance with its mandate for the formulation of economic policies and overall national development planning, the Office of the Prime Minister and Ministry of State for Planning, National Development and Vision 2030 took the lead role in the process and production of this national Medium Term Plan.

Within its first year, the MTP 2008-2012 will incorporate interventions underscored in the report of The National Accord Implementation Committee on National Reconciliation and Emergency Social and Economic Recovery Strategy, and in The One-year Economic and Social Recovery Plan produced to address immediate issues arising from the 2007 post election crisis. Moreover, it incorporates the policies contained in the manifestos of the parties that constitute the Grand Coalition Government. Consequently, this provides a foundation for a new national development strategy that links national policies to specific programmes and projects to broadly-shared national political objectives. In the short term, this will entail the resettlement of Internally Displaced Persons (IDPs); restoration of security in the country as well as promoting national dialogue and reconciliation. Other measures will include the rehabilitation and restoration of social sectors, providing support to key economic sectors such as agriculture and tourism in order to ensure their quick recovery and accelerated growth. A new Youth Engagement Programme will also be structured to meet the demands of youth unemployment.

Despite the achievements realised during the implementation of the ERS 2003-2007 our country still faces many challenges including especially the high rate of unemployment, high levels of poverty and inequality in development and income distribution. Hence, the policies, programmes and projects contained in the Medium Term Plan place great emphasis on policies that can address as was the case with the ERS. Other important objectives of the MTP will be the attainment of high economic growth and the provision of quality services for Kenyans. Furthermore, the MTP 2008-2012 focuses on improving and modernising the country's infrastructure and achieving the long overdue structural transformation of our economy in terms of increasing the share of manufacturing and industry in GDP as well as manufactured exports in total exports. All these measures will be critical in order for our country to achieve middle-income status as envisaged under the long term development framework of the Vision 2030. Consequently, each of the programmes and policies has been designed with the aim of lessening poverty and increasing equity in wealth distribution.

The MTP will be evaluated through Annual Progress Reports (APRs) under the National Integrated Monitoring and Evaluation System (NIMES) in order to ensure its successful implementation. The focal point for NIMES will be the Monitoring and Evaluation Directorate (MED) of my ministry. Subsequently, the MED will produce monthly, quarterly and annual reports on the progress made in the implementation of the Medium Term Plan (2008-2012). These reports will be availed on the Ministry’s web site. In addition, the Kenya National Bureau of Statistics (KNBS) will develop technical as well as other capacities in the line ministries and in all districts with a view to carrying out data collection for input in the NIMES.

Let me take this opportunity to thank everyone who was involved in the production of this document, including government officials, private sector players, civil society representatives, and our development partners. My special thanks also go to the staff of the Office of the Prime Minister and Ministry of State for Planning, National Development and Vision 2030 for successfully spearheading the process and producing this national Medium Term Plan.

Hon. Wycliffe Ambetsa Oparanya M.P.,
Minister for State for Planning, National Development and Vision 2030
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LIST OF ACRONYMS

ADR  Alternative Dispute Resolution
AFC  Agricultural Finance Corporation
AGOAAfrican Growth Opportunity Act
AMFI  Association of Micro-Finance Institutions
APRM  African Peer Review Mechanism
ARVs  Anti Retroviral
ASALs  Arid and Semi Arid Lands
BAE  Board of Adult Education
BLP  Basic Literacy Programme
BOO  Build, Operate and Own
BOOT  Build, Own, Operate and Transfer
BOT  Built, Operate and Transfer
BPO  Business Processing Outsourcing
/Off-Shoring
BSPS  Business Sector Programme Support
CAP  Community Action Plan
CBK  Central Bank of Kenya
CCK  Communication Commission of Kenya
CDF  Constituency Development Fund
CEMs  Central Electronic Monitoring System
CEP  Continuing Education Programmes
CFs  Consolidated Funds
CHE  Commission for Higher Education
CHEWs  Community Health Extension Workers
CKRC  Constitution of Kenya Review Commission
CMA  Capital Market Authority
CMS  Catchment Management Strategies
COMESA  Common Market for Eastern and Southern Africa
COTU  Central Organisation of Trade Unions
CSO  Community Service Order
DFI  Development Finance Institutions
DPMUs  District Planning and Management Units
EAC  East Africa Community
EARNP  East African Road Network Project
ECK  Electoral Commission of Kenya
EEZ  Exclusive Economic Zone
EMCA  Environmental Management and Coordination
EPA  Economic Partnership Agreement
EPZA  Export Processing Zones Authority
ERS  Economic Recovery Strategy
ERSWEC  Economic Recovery Strategy for Wealth and Employment Creation
ESA  Eastern and Southern Africa
ETR  Education, Training and Research
FBOs  Faith Based Organisations
FFS  Financial Services Sector
FGM  Female Genital Mutilation
FKE  Federation of Kenya Employers
FOSA  Front Office Savings Activity
FPE  Free Primary Education
FSAP  Financial Sector Assessment Programme
FTI  First Track Initiative
GER  Gross Enrolment Rate
GJLOS  Governance, Justice, Law and Order Sector
GMOs  Genetically Modified Organisms
GoK  Government of Kenya
GPRS  Global Position Remote System
HEL  Higher Education Loans Board
HIV/AIDS  Human Immunodeficiency Virus/Acquired Immunodeficiency Syndrome
HRH  Human Resources for Health
HSSF  Health Sector Services Fund
HSWAPs  Health Sector Wide Approaches
ICDC  Industrial Commercial Development Corporation
ICT  Information Communication Technology
IDP  Internally Displaced Persons
IEC  Information Education and Communication
IERC  Independent Electoral Review Committee
IHRDS  Integrated Human Resource Development Strategy
IMR  Infant Mortality Rate
IOSCO  International Organisation of Securities Commissions
IPPD  Integrated Payroll and Personnel Data
IRA  Insurance Regulatory Authority
JBIC  Japanese Bank for International Cooperation
JLBS  Joint Loans Board Scheme
JPWF  Joint Programme of Work and Funding
<table>
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<th>Acronym</th>
<th>Name</th>
<th>Acronym</th>
<th>Name</th>
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<tr>
<td>JSC</td>
<td>Judicial Service Commission</td>
<td>NSSF</td>
<td>National Social Security Fund</td>
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<td>KACC</td>
<td>Kenya Anti Corruption Commission</td>
<td>NYS</td>
<td>National Youth Service</td>
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<td>KAM</td>
<td>Kenya Association of Manufacturers</td>
<td>OVC</td>
<td>Orphans and Vulnerable Children</td>
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<td>KDHS</td>
<td>Kenya Demographic Health Survey</td>
<td>PAPA</td>
<td>Pan-African Productivity Association</td>
</tr>
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<td>KEFRI</td>
<td>Kenya Forestry Research Institute</td>
<td>PCK</td>
<td>Productivity Centre of Kenya</td>
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<td>KENAO</td>
<td>Kenya National Audit Office</td>
<td>PCSC</td>
<td>Public Complaints Standing Committee</td>
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<td>KENSUP</td>
<td>Kenya Slum Upgrading Programme</td>
<td>PIC</td>
<td>Parliamentary Investment Committee</td>
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<td>Kenya Private Sector Alliance</td>
<td>PLP</td>
<td>Post Literacy Programme</td>
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<td>KEPSS</td>
<td>Kenya Electronic Payments and Settlement</td>
<td>POPs</td>
<td>Persistent Organic Pollutants</td>
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<td>KESSP</td>
<td>Kenya Education Sector Support Programme</td>
<td>PPOA</td>
<td>Public Procurement Oversight Authority</td>
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<td>KIHBS</td>
<td>Kenya Integrated Household Budget Survey</td>
<td>PPP</td>
<td>Public Private Partnership</td>
</tr>
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<td>KLGRP</td>
<td>Kenya Local Government Reform Programme</td>
<td>PPSRRB</td>
<td>Permanent Public Service Remuneration</td>
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<td>KNALS</td>
<td>Kenya National Adult Literacy Survey</td>
<td>PSC</td>
<td>Public Service Commission</td>
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<td>Kenya National Commission on Human Rights</td>
<td>PSR&amp;Ds</td>
<td>Public Service Reform and Development</td>
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<td>KRA</td>
<td>Kenya Revenue Authority</td>
<td>PSSS</td>
<td>Public Service Superannuation Scheme</td>
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<td>Kenya Wildlife Service</td>
<td>PWD</td>
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<td>LASDAP</td>
<td>Local Authority Service Delivery Action</td>
<td>RBA</td>
<td>Retirement Benefits Authority</td>
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<td></td>
<td>Plans</td>
<td>RBM</td>
<td>Result Based Management</td>
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<tr>
<td>LGA</td>
<td>Local Government Acts</td>
<td>RMLF</td>
<td>Road Maintenance Levy Fund</td>
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<tr>
<td>MAPSKID</td>
<td>Master Plan for Kenya’s Industrial</td>
<td>ROM</td>
<td>Results Oriented Management</td>
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<tr>
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<td>Development</td>
<td>RRI</td>
<td>Rapid Results Initiative</td>
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<td>MDGs</td>
<td>Millennium Development Goals</td>
<td>SACCO</td>
<td>Savings and Credit Cooperative Society</td>
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<td>Micro-Finance Institutions</td>
<td>SEBF</td>
<td>Secondary School Education Bursary</td>
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<td>Micro and Small Enterprises</td>
<td>SNL</td>
<td>Sub-National Level</td>
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<td>MSME’s</td>
<td>Micro Small and Medium Enterprises</td>
<td>ST&amp;I</td>
<td>Science Technology and Innovation</td>
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<td>MTEF</td>
<td>Medium Term Expenditure Framework</td>
<td>TEAMs</td>
<td>The East African Marine Cable System</td>
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<td>NACADAA</td>
<td>National Coordination Agency Against Drug</td>
<td>TFP</td>
<td>Total Factor Productivity</td>
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<td>Abuse</td>
<td>TFR</td>
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<td>National Anti-Corruption Campaign Steering Committee</td>
<td>TIP</td>
<td>Trafficking In Persons</td>
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<td>NAP</td>
<td>National Action Plan</td>
<td>TJRC</td>
<td>Truth, Justice and Reconciliation</td>
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<td>TSIs</td>
<td>Trade Support Institutions</td>
</tr>
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<td>NEPAD</td>
<td>New Partnership for Africa’s Development</td>
<td>URTI</td>
<td>Upper Respiratory Tract Infections</td>
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<td>NER</td>
<td>Net-Enrolment Rate</td>
<td>VCT</td>
<td>Voluntary Counselling and Testing</td>
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<td>National Economic and Social Council</td>
<td>WIBA</td>
<td>Work Injury Benefits Act</td>
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<td>National Data Infrastructure</td>
<td>WIT</td>
<td>Work Improvement Teams</td>
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<td>NSIS</td>
<td>National Security Intelligence Service</td>
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Executive Summary

- **Overview:** This *Medium Term Plan* (MTP) identifies the key policy actions and reforms as well as programmes and projects that the Grand Coalition Government intends to implement in the period 2008-2012. It is the foundation for the first phase of implementing *Kenya Vision 2030*, Kenya’s new, long term policy blueprint. The overall objective is to realise a higher and sustainable growth of the economy in a more equitable environment, accompanied by increased employment opportunities. The MTP incorporates the activities identified in the *Report of the National Accord Implementation Committee on National Reconciliation and Emergency Social and Economic Recovery* and the country’s *One-Year Economic and Social Recovery Plan*, all of which target a quick economic and social recovery, following the destructive aftermath of the December 2007 General elections.

- **Economic Growth Targets:** The MTP aims at increasing real GDP growth from an estimated 7 per cent in 2007 to 7.9–8.7 per cent by the years 2009-2010; and to 10 per cent by 2012. Over the next five years, savings and investment levels are targeted to increase at a high rate in order to support the high economic growth and employment creation envisaged under the Plan.

- **Tourism:** The overall strategy for the Tourism sector is to treble national earnings by increasing international arrivals from 1.6 million to 3 million, while also increasing the average spending per visitor from Kshs. 40,000 to 70,000. In this regard, three Tourist Resort Cities will be established in the next five years: one in Isiolo and two at the Coast to enhance bed capacity and improve the standards of tourist accommodation and facilities.

- **Agriculture and Livestock:** Agriculture contributes directly to over a quarter of the GDP and provides a source of livelihood to the majority of Kenyans. Indeed, it is expected to grow at a pace of about 6-8 per cent as a result of various measures to be implemented under the MTP, including a reduction in the cost of farm inputs such as fertiliser; improving farm prices; providing higher value addition; improved marketing and the implementation of policies to revitalise the sector, while increasing overall agricultural productivity. The government will also irrigate an additional 1.2 million hectares of land for crop production while five disease-free zones will be established in different parts of the country to improve the health and quality of livestock and to facilitate export of livestock and livestock products into the world market.

- **Manufacturing, Wholesale and Trade:** The sector is targeted to increase from the current 5 per cent to 10 - 12 per cent by 2012. To meet this target, two Special Economic Clusters will be set up in Mombasa and in Kisumu for manufacturing establishments. Additionally, at least five Small and Medium Enterprises (SMEs), Industrial Parks and Specialised Economic Zones will be set up. Among the projects to be implemented in the Wholesale and Trade sector are the construction of wholesale, retail and hawkers markets throughout the country and facilitating the creation of 1,000 - 1,500 producer business groups.

- **ICT and BPOs:** A BPO Park and digital villages will be established to enhance the low cost of provision of ICT goods and services while also facilitating productivity and growth of other sectors of the economy. The BPO sector is expected to create an additional 7,500 jobs and to increase its contribution to GDP by Kshs. 10 billion. The underground submarine cable currently under construction, along with the implementation of the National Terrestrial Fibre Optic Network Project under this Plan will create a positive developmental impact through its facilitation of widespread internet connectivity to ensure universal access to ICT throughout the country. All these will enhance Kenya’s economic competitiveness and development of a knowledge-based society. It will also create new income-earning opportunities for Kenya’s youth, thus answering to the acute need for jobs in that sector of the population.
• **Financial Services**: In order to implement the Flagship Projects in the six economic sectors falling under the Economic pillar of Plan, an estimated Kshs. 500 billion will need to be invested. The government will invest Kshs. 250 billion in the next five years to ensure the implementation of these projects, with the remaining half expected to be financed by both local and foreign private investors, and many through PPP arrangements. The Financial Services sector is thus expected to play a key role in mobilising the savings and investments required to implement the Medium Term Plan. Among the financial service strategies to be implemented will be the re-organisation of the National Social Security and Pension system; Insurance and Banking sectors as well as SACCOs and capital markets with a view to facilitating higher savings and investment. Measures will therefore be taken to improve the reach and access of financial services since currently, only 19 per cent of Kenyans have access to formal financial services. The Financial Services will also target improving access to informal businesses, SMEs, Youth and Women groups and different categories of entrepreneurs.

• **Employment and Job-Creation**: To increase employment, the Plan targets the creation of an additional 3.5 million jobs within the next five years. In order to address equity and poverty reduction, it aims at significantly reducing the number of Kenyans living in poverty, from 46 per cent to 28 per cent, while raising average annual incomes from an estimated USD 650 in 2006 to USD 992 by 2012. It also seeks to reduce the rural and urban Gini coefficients from the current levels of 0.38 and 0.447 to 0.34 and 0.407 respectively by 2012, while raising the level of Kenya’s Human Development Index from approximately 0.5 in 2007 to 0.7 by 2012.

• **Education**: Among the programmes and projects planned for the education sector within the next five years include: constructing and fully equipping 560 secondary schools; building at least one boarding primary school in each constituency of the ASAL districts; and recruiting an additional 28,000 school teachers. Other activities to be implemented during the Plan period are the integration of the Early Childhood Development and Education Programme; the introduction of Special Needs Education into basic education; Curriculum Development and Review as well as developing new programmes towards the enhancement of ICT education and Adult Basic Education. The target set by 2012 is to raise the primary to secondary school transition rate to 75 per cent and the rate from secondary to university to 15 per cent. All this will help reduce enrolment disparities between regions and across gender while advancing national education indicators close to that of a middle income country.

• **Health**: The main goal of the health sector is to provide affordable and quality health care to all citizens, involving (among other things) the restructuring of the health delivery system in order to shift the emphasis to preventive and promotive health-care, which will lower the nation’s disease burden. A devolution approach will therefore be adopted to facilitate the allocation of funds and responsibility for delivery of health care to district hospitals, health centres and clinics. Furthermore, Community-level health units will be introduced to serve local populations. Such units will be supported by a well trained cadre of Community–Owned Resource Persons (CORPs) and Community Health Extension Workers (CHEWs). Furthermore, a viable Mandatory National Health Insurance Scheme will be considered over the medium term period. Among the health sector targets to be achieved in the next five years include the reduction of under five years mortality rates from 120 to 33 per 1000; reducing maternal mortality from 410 to 147 per 100,000 live births; increasing the proportion of birth deliveries by skilled personnel from 42 per cent to 95 per cent; increasing the proportion of immunised children below one year from 71 per cent to 95 per cent; reducing cases of TB from 888 to 444 per 100,000 persons; reducing the proportion of in-patient malaria fatality to 3 per cent and reducing the HIV prevalence rate to less than 2 per cent.

• **Water** The provision of clean water, sanitation and waste management is closely related to the status of human health. However, the current water supply is poor, with only 57 per cent of households using water from sources considered safe. Available data also indicates that about 75 per cent of the country’s urban population and 50 per cent of the rural population currently have access to safe drinking water. To address this problem, a number of programmes and projects will be implemented, including the rehabilitation and protection of forests in five
water towers; water storage and harvesting programme through the construction of two large multi-purpose
dams with capacity to store 2.4 billion cubic meters as well as the development of sanitation and urban sewerage
programmes.

- **Gender, Vulnerable Groups and Youth:** Over the Medium Term Plan period, the government will continue to
mainstream gender into all government policies, plans and budgets, with the aim of achieving gender equity in all
aspects of society. Affirmative action will subsequently be implemented to ensure that women have at least 30
per cent representation in recruitment, promotion and appointment at all levels. The Women Enterprise Fund will
be increased during the Plan period. Furthermore, an efficient legal system will be put in place to help protect the
rights of individuals and reduce gender based violence and other human rights violations on vulnerable groups.
Currently, there are an estimated 2.4 million orphans in the country, including over 1.2 million orphaned due to
HIV/AIDS. Measures will also be taken through the MTP to address the plight of these vulnerable groups including
the Orphans and Vulnerable Children, Persons with Disabilities, the aged, and Internally Displaced Persons.
Currently, the youth constitute 38 per cent of the population and this number is projected to increase from 11
million to 16 million over the MTP period. Measures will therefore be taken to facilitate the training of young people
in technical, vocational and entrepreneurial skills to equip them with relevant skills to participate fully in
productive activities. Youth polytechnics will also be revitalised and expanded in all districts. The Youth Enterprise
Fund will be increased and in addition, youth will be employed in labour intensive road projects, tree planting
programmes and other productive activities.

- **Housing:** The housing sector is characterised by the absence of adequate, affordable and decent housing,
particularly for low-income earners in urban areas and equally so, in the rural sector. The country also faces the
problem of low level of urban home ownership (16 per cent) and extensive and inappropriate dwelling units
including slums and squatter settlements. Out of a total of 150,000 housing units required annually in urban areas,
only an estimated 35,000 are produced; i.e. only 23 per cent of the demand is met. The quality of housing also
varies from one part of the country to another. It is estimated that only 20 per cent of the houses constructed cater
for low income households despite the fact that they constitute the majority of households in Kenya. To address
this problem, plans are in place to build 200,000 housing units annually by 2012. In this regard, incentives will be
provided to the private sector to construct houses, and to individuals through establishment of a secondary
mortgage finance corporation. The Capacity of local authorities to provide serviced land to produce low cost
housing will be enhanced and they will be encouraged to construct low cost housing units through PPP
arrangements.

- **Physical Infrastructure:** The development of high quality national physical Infrastructure is a critical foundation
for this Medium Term Plan. The strategies and measurers to be pursued in the medium term period include the
strengthening of the institutional framework for infrastructure development; raising the efficiency and quality of
infrastructure as well as increasing the pace of implementation of infrastructure projects so that they are
completed within the specified time frames. A National Spatial Plan to optimise the development and utilisation
of infrastructure facilities and services will therefore be developed. The operationalisation of the PPP policy will
also be expedited to facilitate private sector participation in infrastructure facilities and services strategically
complemented by public sector interventions. The five-year target is to have 64,500 km of well maintained and
motorable roads with a total of Kshs.186 billion spent on road construction and upgrade during the 2008-2012
period. Over the same period, the government will concession many toll roads to be built by the private sector. A
new transport corridor linking Lamu, Ethiopia, Southern Sudan and Somalia to a second port to be constructed at
Lamu will be developed and implemented through Build, Own, Operate and Transfer (BoT) arrangements at a cost
of USD 15-20 billion while a free port at Dungu Kundu in Mombasa will also be developed. The other major
transport infrastructure projects will be the development of a Rapid Bus and light rail system in the Nairobi
Metropolitan area, which is expected to serve as a prototype for the other main urban areas in the country.
• **Energy:** An Energy Access Scale-up Programme will be implemented through which a million households will be connected with energy in the next five years at a cost of Kshs. 84 billion. A major project to connect Kenya to the Southern Africa power pool through Tanzania at a cost of USD 110 million will also be implemented in two years, while other projects in the power sector will include geothermal, solar and wind power.

• **Governance, Peace Building and Conflict Management:** The strategy for improving governance and the rule of law will focus on rebuilding confidence among Kenyans, particularly in the light of the 2007 post-elections crisis. The aim is to ensure that the safety and security of Kenyans is guaranteed at all times; that Kenyans from all walks of life have equal access to justice and that disputes will be resolved through non-violent, amicable and legally-sanctioned mechanisms. To enhance security in urban areas, a national CCT/Camera Surveillance project will be piloted in four major urban locations of Nairobi, Mombasa, Kisumu, and Nakuru. An additional 20,000 housing units will be developed for Police Staff Housing while other measures will include the establishment and operationalisation of a *National Security Data Centre* and the rolling out of the National Community Policing Initiative to all parts of the country. Also, in order to improve on good governance and the rule of law, a new draft constitution will be finalised and presented to the public through a national referendum in the early phase of the MTP. An Independent *Truth, Justice and Reconciliation Commission* (TJRC) will be operationalised in 2008/09 while the Independent *Electoral Review Committee* (the Kreigler Committee) already established will present a comprehensive report in the 2008/09 fiscal year. To promote national cohesion a permanent *Ethnic and Race Relations Commission* of Kenya will commence operations in 2008/09. Additionally, national policy, legal framework and the justice system will be aligned with the needs of a market-based economy, with a strong national human rights and gender equity commitments. The laws and regulation covering political parties and the regulatory framework covering the electoral process will also be amended in line with the *Kenya Vision 2030* goal of promoting genuinely competitive and issue based politics.

• **Conclusion:** The policy, legal and institutional reforms that are necessary to ensure the successful implementation of the MTP are elaborated in subsequent sections of this document. The Grand Coalition Government will therefore ensure that the requisite legislation and reforms are undertaken upfront so that the sector programmes, projects and activities are implemented within the specified time lines and as highlighted in the strategy’s Implementation Matrix. The programmes and projects to be implemented under PPPs are also highlighted in each of the sectors’ Implementation Matrices to be found in the final pages of this document.
1 SETTING THE CONTEXT OF THE VISION 2030 MEDIUM TERM PLAN

1.0 Overview

The Medium Term Plan (MTP) 2008-2012 is the first in a series of successive 5 year medium term plans which will implement the Kenya Vision 2030. It will implement the Flagship Projects identified under Vision 2030 as well as other key policies and programmes over the next five years. A large part of the financing and investment of the programmes and projects is expected to come from the private sector through the Public Private Partnerships (PPPs). The plan calls for increased levels of savings and investment to facilitate the growth and development envisaged by 2012. The ratio of investment to GDP is targeted to rise by 10 percentage points in the next five years while that of domestic savings to GDP is targeted to increase from the current 16 per cent to 26 per cent over the same time period.

Other than high growth, the MTP places a premium on faster job creation, poverty reduction, improved income distribution and gender equity while also ensuring that balance is attained in development across all regions of the country. The policies and reforms contained herein aim at achieving faster and significant structural changes in Kenya’s economy in terms of increasing the share of manufacturing and industry in GDP and that of manufactured exports in total exports. Additionally, the strategy identifies policy, legal, and institutional reforms that are required to be implemented in each sector to facilitate the implementation of the programmes and projects over the next five years. In this regard, the government will ensure that the requisite legislation is passed and necessary public sector reforms effected expeditiously. In light of the current concerns about global warming and the need to ensure sustainable growth which safeguards the health of the environment, the government has taken on board these issues with environmental sustainability being factored in as a cross cutting issue in all the MTP sectors.

1.1 Progress Achieved under the Economic Recovery Strategy (ERS)

The various reports and surveys published since publication of the Economic Recovery Strategy (ERS) for Employment and Wealth Creation, 2003 - 2007 in 2003 including the Annual Economic Surveys; the Annual Progress Reports (APRs), the Annual Public Expenditure Reviews (PERs), the Mid-Term Report of the ERS, the Annual APRM Report and the Kenya Integrated Household Budget Survey (KIHBS) all attest to significant progress being made the ERS period. The economy recovered from a low growth of 0.5 per cent in 2003 to 7 per cent in 2007. As a result of the strong growth performance, real per-capita income have increased at an annual average rate of 3 per cent over the recent period while poverty declined from 56.8 per cent in 2000 to 46 per cent in 2006.

Following the Government policy of Universal Free Primary Education (UPE), an additional 2.1 million children have been enrolled in primary school, bringing total primary school enrolment to 8.2 million compared to 6.1 million in 2002. Success has been achieved in combating the HIV/AIDS with the prevalence rates declining from 13 per cent in 2001 to 5.1 per cent in 2007. Significant progress has been achieved in public sector reforms resulting in Kenya winning the United Nations Public Service Award in the category “Improving Transparency, Accountability and Responsiveness in the Public Service” in June 2007. The 2008 World Bank “Doing Business Report” records significant improvement in Kenya’s overall ranking, making the country one of the top ten global reformers in terms of ease of doing business.
1.2 The Remaining Challenges

Despite the achievements made in reviving economic growth and meeting many of the ERS targets, the country is still confronted with major developmental challenges. These include the challenge of faster job creation that is required to address the high unemployment of labour and which is compounded by an increasing number of youths leaving school and unable to find gainful employment; the large number of Kenyans still living in poverty; high inequality in income distribution; inequity in gender; considerable disparities in development among the different regions of the country; low savings and investment rates; insecurity; persisting corruption and weak governance; poor infrastructure; slow progress in achieving structural changes in the economy, away from reliance on agriculture and export of primary products.

1.3 Short Term Measures to address Socio-Economic Recovery

The events following the December 2007 general elections impacted negatively on the economy. In addition to loss of lives of many innocent Kenyans, they led to the dislocation of 350,000 people, destruction of property estimated at Kshs. 90 billion, and general disruption of social and economic life. In its first year this MTP will incorporate the measures aimed at mitigating the effects of the post election problems and thereby facilitating faster economic recovery. A mitigation and Settlement Committee has been set up by government to resettle and rehabilitate Internally Displaced Persons (IDPs). The Government will also take measures to enhance security, rebuild the affected economic and social infrastructure such as schools, health facilities, water supplies and sanitation facilities, bridges, culverts, railway lines and roads. There will also be measures to initiate and support activities that enhance the positive engagement of the youth. These will include recruitment of 5,000 youth to the National Youth Service and employing them in the reconstruction of damaged infrastructure and in other useful activities such as tree planting under the Trees for Jobs Programme and other environmental projects. The youth will also be employed in expanded labour intensive Roads construction projects including the Roads 2000 and CDF Roads Programme.

To ensure quick recovery of the most adversely affected economic sectors, the Government will resettle farmers and farm workers back to their farms, provide assistance in the form of seeds, fertiliser, land preparation and planting, and intensified extension Services. The government will also aggressively re-brand Kenya as a safe destination and enhance security on critical tour routes leading to game parks as well as strengthening the Tourist Police Force. Additionally, Kshs 10 billion will be allocated to assist the business community to re-build their premises and provide working capital for un-insured businesses and to re-stock supplies and products.

1.4 Equity and Wealth Creation opportunities for the Poor

Social equity and equitable access to public services have been part of the nation’s development agenda since independence. However, concerns have been raised on the extent of disparities between the rich and poor and inequitable distribution of public resources between individuals, regions and along gender lines. There are also rural-urban inequalities, income disparities within the rural areas themselves and within major cities and towns. Moreover, an increasing number of urban residents live in informal settlements that lack the most basic amenities. Such disparities which include issues of quality have been a major cause of social tensions in the country as was evident during the 2007 post-election crisis.

Inequality and poverty therefore remain among the key development challenges that the government continues to confront and address. Whereas substantial attention has been placed on poverty alleviation, there exists a huge gap between the poor and non-poor in the entitlement to political, civil and human rights. There also exists large disparities in incomes and access to education, health and land, as well as to basic needs, including; clean water, adequate...
housing and sanitation. In addition, there exist other remarkable intra-regional, inter-regional, and gender disparities in poverty and inequality levels. In 2006, the absolute poverty varied from a low of 11 per cent in Kajiado District, to a high of 94 per cent in Turkana district, and yet the two districts are in the same province. In the urban areas, the poverty prevalence was 30 per cent for male-headed households compared to 46.2 per cent for female-headed households. Further, the proportion of children who die in the first year of their lives in Nyanza province is twice that of Rift Valley. In 2004, HIV/AIDS prevalence in Kisumu and Mombasa was 18.4 and 12.3 per cent respectively, compared to 4.1 and 5.0 per cent in Embu and Malindi respectively. Indeed, the scourge affects and impacts on men and women differently within regions.

Although various interventions have led to the reduction in poverty and improvement in equity particularly in rural areas, the poverty and inequality levels prevailing in various regions of the country are still unacceptably high. Hence, more effort will be made under this MTP to reduce these levels even further.

The key programmes aimed at reducing poverty and inequalities by 2012 are outlined in the subsequent chapters of this document and will be critical towards achieving a socially equitable and just society. The government will implement policies and programmes that minimise the differences in income opportunities and access to social services across Kenya's geographical regions, paying special attention to the most disadvantaged communities in the Arid and Semi-Arid Districts, urban informal settlements and pockets of poverty in high potential areas. It will also increase community empowerment through “devolved” public funds for both social and income programmes. Allocations to these funds will be in favour of the most disadvantaged communities and areas. Resource utilisation will be in accordance with locally determined priorities identified in a transparent, participatory and accountable process. Accordingly, the realisation of the overall growth objectives projected in the macro-economic framework of the Medium Term Plan will act as a catalyst for poverty reduction and empowerment at community level.

In the course of the first fiscal year of this Medium Term Plan, the issue of resettling the Internally Displaced Persons (IDPS) will be comprehensively addressed. The Government Finance Management Humanitarian Fund for the Mitigation of effects and resettlement of victims of post 2007 election violence will therefore be fully operationalised. The government will also fully implement the measures identified by the National Reconciliation and Emergency Social and Economic Recovery Strategy Report (March 2008) prepared by the National Accord Implementation Committee to address needs of IDPs.

In order to tackle poverty and inequality in the medium term period, the following key targets that are in line with those of industrialising countries need to be achieved:

- Raising the average annual incomes per person from an estimated US$650 in 2006 to above US$992 by 2012;
- Reducing poverty levels from the 46.9 per cent to 28 per cent by 2012;
- Reducing rural and urban inequality from the current levels of 0.38 and 0.447 to 0.34 and 0.407 respectively by 2012; and
- Raising the level of Human Development Index for Kenya from about 0.532 in 2007 to between 0.6 and 0.7 by 2012.

### 1.5 Programmes and projects for 2008 - 2012

To work towards the realisation of the above targets, the following flagship projects will be prioritised and implemented:

**Profiles of the Poor and their needs:** This will map out the spread of the poor throughout the country and create profiles for their pressing needs. Targeted programmes and projects will be formulated in light of the data profiles established.

**A Comprehensive Study and Analysis of Poverty Reduction Initiatives:** A comprehensive study and analysis of the diverse poverty eradication initiatives in the country originating from the Government, NGOs, Private sector,
development partners and faith-based organisations, will be undertaken to enable the government understand their effectiveness. This will enable the government reformulate and update the National Poverty Reduction Strategy including using the poverty data to guide the allocation of resources to areas and regions with high poverty levels.

**Promotion of Pro-poor growth through targeted poverty programmes and projects:** The government will promote equitable growth that provides the poor with genuine opportunities to participate in decision making to shape their future. The government will implement pro-poor growth strategies that take cognisance of the following key factors: (i) Rapid and sustainable growth as a fundamental factor for poverty reduction; (ii) Improve the capacities of the poor to participate in growth and take advantage of the opportunities that growth generates; and (iii) Provision of accessible, affordable and quality social services.

**An Integrated National Strategy for Good Governance and effectiveness of devolved funds:** In order to enhance community empowerment through devolved funds, the government aims at increasing the amount of devolved funds by the percentage growth in annual revenue. This goal will be achieved by increasing the amount, efficiency and effectiveness of devolved funds and increasing public participation and voice of the poorest members of local communities so that development issues of concern to such members can be channelled into public policy. An Integrated National Strategy will be developed to promote good governance and effectiveness of use of devolved funds.

**Social Programmes:** The government will initiate programmes that target the poorest of the poor. This will take into account local basis of livelihoods such as the unique needs of the poor in pastoralist communities.

**Gender and regional parity in access to education, health, and other social services:** The government aims at raising the levels of income, education, individual health, longevity and access to basic needs of all Kenyans. This will raise the Human Development Index for Kenya from about 0.532 in 2007 to between 0.6 and 0.7 by 2012. This achievement will reduce social inequalities the country faces today in access to wealth creating opportunities and public services across gender, regions and income groups. Revamping the national health infrastructure, targeting of preventive health care, reduction of child and maternal mortality ratios will all prolong the lives of those currently under threat, thus presenting them with better opportunities. In addition, the Ministry of Health will complete ongoing institutional reforms to delegate primary health care delivery to local health facilities with the full participation of communities in decision-making. This will allow the Ministry to focus on policy issues. Overall, health expenditure will emphasise preventive and promotive care, which has the highest potential in lowering the national disease burden.

**Wealth creation to reduce income disparities:** The MTP is geared towards reducing inequality occasioned by lack of access and affordability of public services and to create income-earning opportunities across gender, social status and regions. A key strategy to attaining this goal is to target more wealth creating opportunities for disadvantaged groups and regions through increased infrastructure spending in the sub-sectors of roads, water, sewerage, communications, electricity targeting poor communities and regions; and availability of affordable and accessible credit and savings programmes. These measures will be aimed at creating an enabling environment for poor communities to take part in wealth creation.

**Welfare programmes:** Education and health sectors will play a particularly unique role in the attainment of gender and regional parity. Achievement of a net enrolment ratio of 95 per cent in primary schools, and a transition rate of 90 per cent into secondary schools, as well as integration of pre-schooling and primary education, will offer increased opportunities for currently disadvantaged groups. A voucher system modelled along the Output Based Approach project will be developed for disadvantaged children who may not even make it to secondary school to be able to qualify for a bursary. Special welfare programmes will be provided to meet the needs of the most disadvantaged individuals and communities in the country in order to raise their overall welfare levels. A social protection fund to cushion vulnerable groups will also be established.
1.6 Information, Education and Communication (IEC) Strategy for the MTP 2008-2012

To rally the nation behind the Vision 2030 and facilitate the implementation of the First Medium Term Plan, 2008-2012, the government working with other partners and stakeholders will implement a comprehensive Information, Education and Communication (IEC) strategy whose objective is to ensure that all Kenyans will be made familiar with the goals of the Vision and that of its first Medium Term Plan. The Ministry of Education will ensure that the education curriculum for Kenyan school children and students incorporate information relating to the key objectives and goals of the Kenya Vision 2030. The government through the Provincial Administration and the Ministry of Information and Communication will also launch a sustained campaign to ensure that Kenyans at all levels; from the grass roots and community levels to urban centres, are all provided with information on the implementation and progress of Vision 2030, so that they can appreciate its role and support its successful implementation. Well-targeted capacity building programmes and training fora on Economic Policy and Development Journalism will be mounted for media practitioners to enable Kenyan media practitioners report and critique the national Vision from a more informed standpoint. A national Vision 2030 Day will be held once every year throughout the country to enable Kenyans report and reflect on what their organisation, community and districts have achieved towards the implementation of the Vision 2030 and its first Medium Term Plan.

1.7 Risks to the Implementation of the MTP 2008-2012 and Mitigation Measures

The MTP which will implement the first five years of Kenya’s long term development blueprint, Kenya Vision 2030 is being launched at a time when oil prices in the international market are rising to unprecedented high levels. The increase in oil prices has also resulted in an escalation in world food prices as food crops are increasingly being used to produce fuel and bio-diesel. Among the measures to be implemented under this Plan are mitigating measures to address these risks and challenges. Some of the mitigating measures in the energy sector include expansion of geothermal energy projects, and expansion of initiatives to tap power from solar and wind energy sources. The programmes and projects to boost agricultural output, including food crops and livestock products, through initiatives to reduce cost of fertiliser as well as expansion of land under irrigation for crops are meant to ensure adequate supply of food and moderate food prices as well as the cost of living.
2 THE MACROECONOMIC FRAMEWORK

2.0 Overview

The *Vision 2030 First Medium Term Plan* elaborates on the government’s five-year plan aimed at accelerating economic growth to 10 per cent by 2012. This chapter presents the medium term macroeconomic framework for the period 2008-2012 that is compatible with the *Vision 2030* strategy and the coalition Government’s development agenda. It also describes key structural reforms that the government will implement to bolster a broad-based economic growth that will address the social-economic challenges including increasing wealth and equality for all Kenyans.

2.1 Situation Analysis of the Economic Performance under the ERS (2003-2007)

In response to bold economic and structural reforms implemented by the government since 2003, the Kenyan economy recorded a remarkable recovery over the period 2003-2007, as real Gross Domestic Product (GDP) grew steadily from 2.9 per cent in 2003 to 7.0 per cent in 2007. This was in spite of the adverse effects of droughts and continued increases in the oil prices. On average, real GDP expanded by 5.3 per cent over the period 2003-2007, which compares well with growth rates achieved by most reforming countries in sub-Saharan Africa.

The broad-based economic growth was evident in all sectors of the economy. Agriculture grew at an average of 3.6 per cent over the period 2003-2007 mainly in response to government initiatives to revitalise production in the coffee, dairy, livestock sectors. Prices were also favourable during this period leading to improved income and greater incentives for farmers to expand production.

### Table 2.1: ERS 2003-2007 Targets and Actual Performance

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
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<tbody>
<tr>
<td></td>
<td>Actual</td>
<td>ERS</td>
<td>Actual</td>
<td>ERS</td>
<td>Actual</td>
</tr>
<tr>
<td>Real GDP (%)*</td>
<td>2.9</td>
<td>2.3</td>
<td>5.1</td>
<td>3.7</td>
<td>5.7</td>
</tr>
<tr>
<td>Inflation (%)</td>
<td>9.8</td>
<td>3.8</td>
<td>11.6</td>
<td>3.5</td>
<td>10.3</td>
</tr>
<tr>
<td>91-day T-bill (%)</td>
<td>3.4</td>
<td>4.0</td>
<td>2.9</td>
<td>3.0</td>
<td>8.4</td>
</tr>
<tr>
<td>Fiscal deficit (% of GDP), FY to June</td>
<td>-3.7</td>
<td>-4.0</td>
<td>-1.0</td>
<td>-4.1</td>
<td>0.1</td>
</tr>
<tr>
<td>Gross Domestic debt (% of GDP), FY to June</td>
<td>26.8</td>
<td>29.2</td>
<td>25.3</td>
<td>28.3</td>
<td>23.4</td>
</tr>
<tr>
<td>Current account (% of GDP)</td>
<td>1.0</td>
<td>-4.9</td>
<td>-1.5</td>
<td>-5.7</td>
<td>-1.9</td>
</tr>
<tr>
<td>Gross foreign reserves:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>In US$ million</td>
<td>1,468</td>
<td>1,620</td>
<td>1,517</td>
<td>2,096</td>
<td>1,766</td>
</tr>
<tr>
<td>Months of import cover</td>
<td>3.3</td>
<td>4.0</td>
<td>2.7</td>
<td>5.0</td>
<td>2.6</td>
</tr>
<tr>
<td>Employment creation ('000)</td>
<td>466</td>
<td>500</td>
<td>483</td>
<td>500</td>
<td>449</td>
</tr>
</tbody>
</table>


1. Following the post-December 2007 election unrest, the political players agreed on the National Accord and Reconciliation Bill, 2008 that provides for a power-sharing arrangement in the form of a coalition government in Kenya
Industrial output also expanded by an average of 5.3 per cent over the period 2003-2007 buoyed by strengthened domestic and external demand, despite the strengthening of the Kenya shilling towards the end of the period. Domestic demand was fuelled by rising incomes and strong domestic credit expansion, while external demand was supported by favourable growth in regional trading partners’ economies.

The services sector expanded at an average rate of 5.3 per cent over the period 2003-2007 and rose to 5.9 per cent in 2007. The continued expansion in this sector was largely driven by growth in the tourism sector, which registered remarkable gains with increased tourist arrivals in response to improved security and marketing. The transport and communication sector has also expanded with improvements in port clearance and increased air freight as well as continued expansion of mobile telephony providers to outside Nairobi.

The strong broad-based economic expansion noted above was supported by generally stable macroeconomic conditions. While the underlying rate of inflation was broadly within the 5.0 per cent target, the overall rate of inflation has been volatile due to increases in food prices occasioned by dry spells, and the continued increase in world prices of oil. Overall inflation averaged 11.1 per cent over the period 2003-2007.

Reflecting the implementation of prudent fiscal and monetary policy, the 91-day Treasury bill rate declined from a range of 8.0 – 9.0 per cent in 2002 to around 6.0 – 7.0 per cent in 2007. Meanwhile, commercial banks lending rates declined significantly from over 18.0 per cent in 2002 to average about 12 - 13 per cent in 2007. This was as a result of increased competition in the financial sector following entry of new banks, and the favourable macro-economic conditions. Even though lending rates came down, the deposit rates remained unchanged leading to a narrowing of the spread between lending and deposit rates from 13.4 per cent in 2002 to 9.1 per cent in 2007.

Government fiscal operations were generally satisfactory. The overall budget deficit (commitment basis, including grants) on fiscal year averaged about 2 per cent of GDP over the period 2003-2007 compared with a target of 3.2 per cent of GDP in the ERS. The ratio of domestic debt to GDP declined from 26.8 per cent in 2002 to 23.6 per cent in June 2007, while net domestic borrowing has largely been contained at about 1.8 per cent of GDP in 2006/07 down from 3.6 per cent of GDP in 2002/03. This provided room for non-inflationary expansion of credit to the private sector to support production activities.

The external balance of payments position has remained healthy reflecting in part the diversified sources of the foreign exchange. Over the ERS period, the current account deficit remained modest at an average of 2 per cent of GDP, largely as a result of large inflows of remittances from Kenyans in the Diaspora, and higher receipts from tourism. Capital inflows, particularly of portfolio nature, were strong and there is also evidence that foreign direct investment picked up over the same period. As at the end of December 2007, gross official foreign exchange reserves held by the Central Bank of Kenya stood at USD 3,355 million up from USD 1,067 million at the end of December 2002.

The exchange rate remained generally stable against the US dollar for a greater part of the ERS period, but with tendencies to appreciate in 2007. It exchanged at an average of KShs 75.7 against the US dollar in the period 2003-2006, before appreciating to about KShs 63.0 at the end of 2007. The strengthening of the shilling against the US dollar reflected a strong balance of payments position and the general weakening of the US dollar vis-à-vis other major currencies in the international currency markets.

Overall, the recent strong and broad-based economic output expansion and implementation of structural reforms have had a positive impact on welfare. The growth in per capita income has rebounded strongly from a decline of 2.5 per cent in 2002 to an increase of 4.1 per cent in 2007. In addition, the overall incidence of poverty declined from 56.8 per cent in 2000 to 46 per cent in 2006, a remarkable reduction of about 20 per cent. Even more significant is the 32 per cent reduction in urban poverty from 49.2 per cent in 2000 to 33.7 per cent in 2006, suggesting significant improvements in living standards for the urban population.
Despite the achievements made in revitalising economic activity, unemployment remains high, as the number of jobs generated has not been adequate to absorb the influx of labour entrants.

2.2 Impact of External environment

In the past decade, the world has witnessed rapid economic growth and expansion of trade driven primarily by emerging economies like China, India and Russia. This trend is expected to continue in the 2008 - 2012 period, although slowed by the rising oil prices and a possible recession in the United States of America. From a demand side, the growing world economy and population offers an expanded potential market for Kenyan products beyond the traditional developed country markets. However, other global economic trends including the growth of outsourcing, environmental concerns and increased demand for raw materials are likely to impose greater competition for countries like Kenya. Hence, even as Kenya attempts to exploit the opportunities availed by the growing world trade, over the medium term, measures will be implemented to scale up productivity and quality control regimes to ensure that the country enhances its competitiveness.

The Economic Partnership Agreement (EPA) between the East Africa Community (EAC) partner states and the European Union (EU) will be critical determinants of Kenya’s opportunities for export led development as well as the potential for adopting certain economic strategies. The Common Market for Eastern and Southern Africa (COMESA) and the EAC will continue to be important markets for Kenya’s exports, especially for manufactured goods.

The multilateral trading arrangements are under review under the auspices of the World Trade Organisation (WTO) in the context of the Doha Round. The Doha Round benefits to Kenya will depend on the final design of the ‘development package’, and in particular, the need for full preferential tariff treatment; limitations of developed countries exclusions of sensitive areas of interest to Kenya; and increased Aid-for-Trade to enable Kenya enhance its competitiveness and take advantage of emerging export opportunities.

2.3 Measures to mitigate effects of post-election crisis and growth prospects

Given the foregoing external environment and following the post-election disturbances that have adversely affected agriculture (due to delay in land preparation, displacement of farm workers and rising input cost), industry (due to transportation hitches and insecurity) and services (driven by a decline in tourism), it is expected that economic growth will slow down to about 4.5 – 6 per cent in 2008. In addition, investor confidence has also been adversely affected leading to delayed investment that had picked prior to the general elections in December 2007.

To mitigate the negative effects of the post-election events, the Grand Coalition Government will re-allocate outlays toward programmes associated with wealth and employment creation as well as investment programmes that would have a higher level of social impact. In addition, the resettlement of Internally Displaced People (IDPs) following the post-election skirmishes will be a high priority. This will assist in faster recovery of the agriculture sector and production of food crops and thus moderate inflationary pressures.

These initial interventions are expected to last for the next twelve months to June 2009. The political stability resulting from the establishment of the Grand Coalition Government and restoration of investor confidence on the economy is expected to contribute to the acceleration of economic growth over the medium term. Real GDP growth is expected to increase to 8.0 - 8.7 per cent by the years 2009-2010, consistent with the growth path envisaged under Vision 2030 (see Table 2.2). Agriculture, which contributes directly to over a quarter of GDP, will rebound and grow at a pace of about 6 per cent following an expected improvement of farm prices and the implementation of policies to revitalise the agricultural
sector and increase agricultural productivity as envisaged under Vision 2030 flagship projects. Manufacturing growth is expected to rise from the modest rate of 5 per cent in 2008 to 10-12 per cent by 2012, to become the fastest growing sector. Construction is also expected to receive a boost from higher infrastructure spending and housing construction. The services sector is expected to benefit from a rebound in tourism as well as increased communication activities following the completion of the undersea fibre optic cable and completion of the fibre optic network across major towns in the country. This will also contribute to faster growth in BPOs and ICT-related industries.

Table 2.2: Real GDP Growth Targets, 2008-2012

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall GDP</td>
<td>4.5</td>
<td>7.9</td>
<td>8.7</td>
<td>9.4</td>
<td>10.0</td>
</tr>
<tr>
<td>Agriculture</td>
<td>3.1</td>
<td>8.1</td>
<td>6.0</td>
<td>6.7</td>
<td>6.8</td>
</tr>
<tr>
<td>Industry</td>
<td>5.1</td>
<td>9.3</td>
<td>10.2</td>
<td>11.2</td>
<td>12.4</td>
</tr>
<tr>
<td>Services</td>
<td>5.3</td>
<td>8.0</td>
<td>9.6</td>
<td>10.9</td>
<td>12.4</td>
</tr>
</tbody>
</table>

Source: Economic Survey, KIPPRA-Treasury Macro Model

The government will continue to pursue macroeconomic policies that promote economic stability with accelerated economic growth, employment generation and wealth creation. In the medium term, the Central Bank of Kenya (CBK) will continue to pursue a monetary program that will deliver low inflation.

Despite the expected strong growth in exports of goods and non-factor services, the external current account deficit is projected to widen gradually to 6.7 per cent of GDP by 2009, reflecting the strong increase in imports associated with increased foreign direct investment and higher disbursement of long term capital for investment spending. However, net capital inflows are expected to more than offset the deficit in the current account thereby facilitating an overall balance of payments surplus. This should in turn help the government further build up adequate foreign reserves to the equivalent of 4.7 months of import cover by 2012 as a way to cushion the economy from external vulnerabilities including high oil prices and drought effects. This will be equivalent to 6 months import cover using the previous years import bill.

Pursuance of a prudent fiscal policy will be one of the government’s strategies over the medium term period. The Medium Term Expenditure Term Framework (MTEF) process will be strengthened to accommodate public spending on interventions to deal with post-election challenges and the critical flagship projects identified under Vision 2030 and the coalition manifesto. The overall fiscal balance (after grants) is projected to decline from about 6.2 per cent of GDP in 2007/08 to a sustainable level of about 3-4 per cent of GDP over the medium term. This will allow domestic debt to stabilise within the range of 21-22 per cent of GDP over the medium term. Underpinning the fiscal programme are measures to sustain the revenue to GDP ratio at 20-22 per cent throughout the medium-term, mainly from increased efficiency in revenue collection with reforms and modernisation efforts at the Kenya Revenue Authority (KRA). Public expenditure will continue to be restructured to provide fiscal space for priority interventions. The Public Financial Management (PFM) Reform Program being implemented by the government with the assistance of development partners will be implemented expeditiously to strengthen macro economic stability and improve public sector performance and service delivery. Prudent management of public sector finances will lead to a positive shift in investor and creditor confidence as well as boost growth by providing the fiscal resources to raise public development spending from 4.6 per cent of GDP in 2006/07 to 9.5 per cent of GDP by 2012.

To meet the growth target of 10 per cent, the level of investments is projected to expand by 9.7 percentage points of GDP, raising the level of investments as a ratio of GDP from an estimated 22.9 per cent of GDP in 2007/08 to 32.6 per cent by 2012/13. Out of the 9.7 per percentage points of GDP increase in overall investment level in the medium-term, 3.9 per percentage points will come from the public sector in the form of infrastructure developments (roads, transport, energy, ICT, science, technology and innovation and water and sanitation), while the balance of 5.8 per cent is expected to be financed by the private sector (including foreign direct investments). These levels of investment will require a continuous increase in the level of national savings to sustain economic growth. In this regard, financial sector reform measures will be implemented and more savings products developed to support the requisite national savings. The government will put in
place appropriate measures to encourage Foreign Direct Investment (FDI). The FDI flows are also expected to increase significantly with the expanded regional market as well as the result of on-going regional integration initiatives.

Table 2.3: Projections of Main Macroeconomic Indicators, 2008/09 – 2012/13

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<tr>
<td></td>
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<td>Est.</td>
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<tr>
<td>and prices (% change)</td>
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</tr>
<tr>
<td>Real GDP</td>
<td>6.7</td>
<td>5.7</td>
<td>6.2</td>
<td>8.3</td>
<td>9.1</td>
<td>9.7</td>
<td>10.0</td>
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<td>CPI (end of period)</td>
<td>13.6</td>
<td>28.5</td>
<td>7.5</td>
<td>5.0</td>
<td>5.0</td>
<td>5.0</td>
<td>5.0</td>
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<tr>
<td>GDP deflator</td>
<td>7.1</td>
<td>11.9</td>
<td>11.0</td>
<td>5.8</td>
<td>4.2</td>
<td>4.2</td>
<td>4.2</td>
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<td>savings (% of GDP)</td>
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<tr>
<td>Investment</td>
<td>19.1</td>
<td>22.9</td>
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<td>27.0</td>
<td>29.7</td>
<td>32.6</td>
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<tr>
<td>Gross national</td>
<td>15.2</td>
<td>16.7</td>
<td>16.2</td>
<td>18.5</td>
<td>21.4</td>
<td>24.4</td>
<td>27.7</td>
</tr>
<tr>
<td>savings</td>
<td></td>
<td></td>
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<tr>
<td>Central government</td>
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<td>budget (% of GDP)</td>
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<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Total revenue</td>
<td>21.9</td>
<td>21.4</td>
<td>20.9</td>
<td>21.3</td>
<td>21.5</td>
<td>21.5</td>
<td>21.7</td>
</tr>
<tr>
<td>Total expenditure</td>
<td>24.9</td>
<td>29.5</td>
<td>26.2</td>
<td>25.7</td>
<td>25.8</td>
<td>27.0</td>
<td>27.3</td>
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<tr>
<td>and net lending o/w:</td>
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<tr>
<td>Development</td>
<td>4.7</td>
<td>8.3</td>
<td>7.1</td>
<td>7.1</td>
<td>7.3</td>
<td>8.9</td>
<td>9.7</td>
</tr>
<tr>
<td>spending</td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Overall balance (incl. grants)</td>
<td>-2.1</td>
<td>-5.2</td>
<td>-3.9</td>
<td>-2.9</td>
<td>-2.7</td>
<td>-3.6</td>
<td>-3.6</td>
</tr>
<tr>
<td>Gross Domestic</td>
<td>21.9</td>
<td>22.2</td>
<td>20.8</td>
<td>20.1</td>
<td>19.4</td>
<td>18.8</td>
<td>18.3</td>
</tr>
<tr>
<td>debt, (eop)</td>
<td></td>
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<tr>
<td>Monetary sector</td>
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<td>(%) change</td>
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</tr>
<tr>
<td>Broad money, M3</td>
<td>17.1</td>
<td>17.0</td>
<td>16.5</td>
<td>16.0</td>
<td>16.8</td>
<td>17.5</td>
<td>17.8</td>
</tr>
<tr>
<td>Credit to private</td>
<td>11.3</td>
<td>17.1</td>
<td>16.5</td>
<td>16.0</td>
<td>16.9</td>
<td>17.6</td>
<td>17.8</td>
</tr>
<tr>
<td>sector</td>
<td></td>
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<tr>
<td>External sector</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current account incl. off. transfers (% of GDP)</td>
<td>-4.0</td>
<td>-6.1</td>
<td>-7.0</td>
<td>-6.1</td>
<td>-5.6</td>
<td>-5.3</td>
<td>-5.0</td>
</tr>
<tr>
<td>Reserves (months of import cover)</td>
<td>2.9</td>
<td>3.3</td>
<td>3.7</td>
<td>3.9</td>
<td>4.1</td>
<td>4.4</td>
<td>4.7</td>
</tr>
<tr>
<td>Total External Debt (% of GDP)</td>
<td>23.1</td>
<td>21.2</td>
<td>22.5</td>
<td>20.8</td>
<td>21.7</td>
<td>20.6</td>
<td>22.3</td>
</tr>
<tr>
<td>Debt service ratio (% of exports)</td>
<td>10.9</td>
<td>8.2</td>
<td>9.1</td>
<td>10.9</td>
<td>12.4</td>
<td>13.4</td>
<td>13.8</td>
</tr>
</tbody>
</table>

Source: KIPPRA - Treasury Macro Model
2.4 External Financing

Total donor support is expected to rise steadily from 3.9 per cent in 2007/08 to about 4.6 per cent of GDP by 2012/13, as the Government improves the absorption capacity of these funds. It is also expected that donor support will increase significantly under the recently launched Kenya Joint Assistance Strategy (KJAS) signed by the Government and development partners and following the formation of the Grand Coalition Government. A significant amount of external financing is also expected to come from the private sector and commercial financing, as improved sovereign credit rating and introduction of a benchmark bond entices international private investors into the economy.

Table 2.4: External Financing Requirement and resources, 2007/08 – 2012/13 (US$ Million)

<table>
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<tbody>
<tr>
<td></td>
<td>Medium-term projection</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>External financing requirements</td>
<td>-2,981</td>
<td>-3,633</td>
<td>-3,524</td>
<td>-3,772</td>
<td>-4,195</td>
<td>-4,643</td>
</tr>
<tr>
<td>Current account (excl. off. transfers)</td>
<td>-1,940</td>
<td>-2,443</td>
<td>-2,369</td>
<td>-2,430</td>
<td>-2,564</td>
<td>-2,716</td>
</tr>
<tr>
<td>Scheduled amortization (official)</td>
<td>-252</td>
<td>-249</td>
<td>-310</td>
<td>-329</td>
<td>-376</td>
<td>-414</td>
</tr>
<tr>
<td>IMF payment</td>
<td>-11</td>
<td>-14</td>
<td>-22</td>
<td>-25</td>
<td>-26</td>
<td>-32</td>
</tr>
<tr>
<td>Reduction in arrears</td>
<td>0</td>
<td>-89</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Build-up of gross official reserves</td>
<td>-777</td>
<td>-837</td>
<td>-823</td>
<td>-988</td>
<td>-1,229</td>
<td>-1,481</td>
</tr>
<tr>
<td>Resources</td>
<td>2,981</td>
<td>3,633</td>
<td>3,524</td>
<td>3,772</td>
<td>4,195</td>
<td>4,643</td>
</tr>
<tr>
<td>Official external support</td>
<td>1,270</td>
<td>1,430</td>
<td>1,356</td>
<td>1,440</td>
<td>2,136</td>
<td>2,483</td>
</tr>
<tr>
<td>IMF</td>
<td>59</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Program loans</td>
<td>20</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Program grants</td>
<td>57</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Project Support</td>
<td>1,134</td>
<td>1,430</td>
<td>1,356</td>
<td>1,440</td>
<td>2,136</td>
<td>2,483</td>
</tr>
<tr>
<td>Commercial financing (sovereign bond)</td>
<td>0</td>
<td>300</td>
<td>152</td>
<td>143</td>
<td>250</td>
<td>279</td>
</tr>
<tr>
<td>Private financing, net</td>
<td>1,711</td>
<td>2,279</td>
<td>2,168</td>
<td>2,331</td>
<td>2,058</td>
<td>2,160</td>
</tr>
<tr>
<td>Accumulation of arrears</td>
<td>0</td>
<td>-89</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

Source: Ministry of Finance Estimates

It is expected that additional resources (to those included in Table 2.4) will become available with the implementation of the wide range of reforms and improved governance. These will be used to scale-up programs in the priority sectors, including MDG related interventions and Vision 2030 flagship projects.

2.5 Structural Reforms

Increasing total factor productivity (TFP), especially in the agriculture sector, is critical to achieving the potential growth targets. The government will therefore continue undertaking structural reforms in various fronts with the aim of improving the efficiency in the allocation and utilisation of resources as well as effective public sector service delivery. Priority areas will include creating fiscal space to finance priority programmes; addressing the root causes of weak competitiveness by reducing transport and distribution costs through better infrastructure; providing reliable and affordable energy; and addressing corruption and simplifying business procedures. Other reforms initiated under ERS covering governance, public expenditure and financial management, procurement, privatisation, business regulatory and trade will be deepened.

In the area of governance reforms will focus on prevention; investigation and recovery of corruptly acquired assets; strengthening the prosecutorial capacity; enhancing transparency and accountability under a coordinated strategy to revitalise Public Financial Management (PFM), including the management of devolved funds such as the Constituency Development Fund, Local Government Transfer Fund and the Road Maintenance Levy; enhancing the effectiveness of
the Public Procurement Authority (PPOA); enhancing the effectiveness of the Privatisation Commission to oversee the implementation of the Privatisation Strategy that is aimed at promoting accountability and efficiency while also opening opportunities for private sector investment and new technology in public enterprises in addition to implementing a comprehensive financial sector reform strategy.

2.6 Medium Term Employment Projections

With an average employment growth projections of 8.2 per cent, total job generation for 2008-2012 is expected to reach 3.7 million in 2012 from about 1.8 million in 2004 or an average of 740,000 new jobs each year (Table 2.5). In 2007, the informal sector created 426,900 new jobs compared to 420,400 in 2006. This constituted about 90 per cent of all new jobs created outside small scale agricultural sector and pastoralists activities. It is expected that most of the job creation will be transformed into formal or semi-formal employment with strategies to formalise the wholesale and retail sector and revitalise agriculture.

Table 2.5: Employment Projections, 2008 - 2012

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</tr>
</thead>
<tbody>
<tr>
<td>Employment growth (%)</td>
<td>5.4</td>
<td>4.7</td>
<td>8.4</td>
<td>8.7</td>
<td>9.1</td>
<td>10.0</td>
<td>8.2</td>
</tr>
<tr>
<td>Total Employment (000’s)</td>
<td>2,344</td>
<td>469</td>
<td>425</td>
<td>759</td>
<td>787</td>
<td>823</td>
<td>904</td>
</tr>
</tbody>
</table>

Source: Economic Surveys and KTM Model
3 Fondations for National Transformation

3.0 Overview

The successful implementation of Kenya Vision 2030 and especially this First Medium Term Plan will be anchored on a number of cross-cutting factors and themes that are in themselves the foundation of Kenya’s envisaged national transformation. These factors, also called enablers, include the central role to be played by an improved and expanded national physical infrastructure including, the roads and railways network; water and airports; Information Communication and Technology (ICTs), as well as the overarching role of Science, Technology and Innovation (STI). Other cross-cutting themes include envisaged reforms in the management and utilisation of land; reforms targeting the entire public sector as well as the overall national human resource development undertaken under the auspices of the labour sector. In the wake of the 2007 post-election crisis, there will be deliberately targeted MTP measures to address issues of security, peace building and conflict resolution. This chapter considers each of these foundational factors and themes, beginning with the medium term plans for the infrastructure sector.

3.1 Infrastructure

“Deploying World Class Infrastructure Facilities and Services”.

Infrastructure is an important enabler for sustained economic growth. Accordingly, the MTP 2008-2012 seeks to accelerate and consolidate gains made in the ERS on infrastructure development, focusing on quality, aesthetics and functionality of the infrastructure services. The MTP targets increased investments in the road network, water and sanitation services, rail, sea and air transport and energy supply services. Effective and reliable infrastructure is critical in lowering the cost of doing business and increasing competitiveness of the country. Consequently, under the MTP, measures to reduce the impact of infrastructure and cost of doing business will be implemented.

A major concern will be to enhance the level of ICT utilisation in development and management of the country’s infrastructural base. In deploying world-class infrastructure facilities, measures will be taken to conserve the environment as a national asset. Further, citizens will be encouraged to cultivate a social attitude of respect and care for infrastructure facilities and services.

3.1.1 Situation Analysis

On average, the physical infrastructure sector accounts for 2.6 per cent of the GDP and 13.4 per cent of total government expenditure. In line with the ERS objective of expanding and rehabilitating the infrastructure, annual expenditure within this sector increased from Kshs. 24 billion in 2002/03, to Kshs. 78.8 billion in 2007/08. The total sectoral expenditure increased both as a percentage of total ministerial expenditures and GDP from 11.8 per cent and 2.2 per cent in 2002/03, to 15.2 per cent and 3 per cent in 2005/06 respectively.

Recurent expenditure within this sector accounts for about 55 per cent of the entire sector's expenditure. However, this has been on the decline while that of development has been on the increase. For example, recurrent expenditure declined from 57 per cent in 2004/05 to 47 per cent in 2005/06, while development expenditure rose from 45 per cent to 53 per cent during the same period. This expenditure pattern is in line with government policy of shifting budgetary
resources from recurrent to development. The following is a brief analysis of the situation in each of the five main Infrastructure sectors.

**Transport:** In order to address challenges faced in the transport sub-sector, recommendations for a National Integrated Transport Policy (NITP) were made in 2004. This covered diverse issues like transport infrastructure planning, development and management, legal, institutional and regulatory frameworks, safety and security, funding, gender mainstreaming, utilisation of Information and Communication Technologies (ICTs), as well as environmental considerations. The aim of all this was to create an enabling framework to nurture the development of a safe, efficient and affordable transport system, whilst maintaining the leading edge of technological advancement in a rapidly changing and globalised environment.

**Roads:** During the 2003-2007 period, reforms were implemented to enhance efficiency. In October 2006, Parliament approved Sessional Paper No. 5 of 2006 on the Management of the Roads sub-sector for Sustainable Economic Growth. Subsequently, in 2007, Parliament enacted the Kenya Roads Act 2007, which provided for the creation of three new agencies to be responsible for the development and maintenance of the road network namely: Kenya National Highways Authority (KeNHA) - the implementing agency to manage and maintain all road works on class A, B, C as well as other rural paved roads; Kenya Rural Roads Authority (KeRRA) - responsible for all rural and small town roads, class D and below including special purpose roads and unclassified roads (currently under county councils and town councils), also responsible for Forest Department Roads and County Council Game Reserve Roads and Kenya Urban Roads Authority (KURA) - to manage and maintain all road works on urban roads in cities and major municipalities.

**Rail Transport:** The performance of the Kenya Railway Corporation (KRC) has declined over the years due to inadequate locomotive power and rolling stock capacity constraints caused by inadequate funding. In addition, there have been significant governance challenges. In an effort to revamp the corporation and contribute to economic growth, the Government concessioned the KRC to the Rift Valley Railways (RVR) on 1st November 2006. However, there still remains significant challenges in the performance of the RVR which will be given top priority.

**Maritime and Inland Waterways Transport:** Modernisation and computerisation of Mombasa port facilities is on going and this has enabled the port to register improved operational performance over the years, with traffic handled increasing from 11.9 million metric tons in 2003 to 16.0 million metric tons in 2007. However, this turnaround remains below the performance needed to effectively contribute to national development. In addition, utilisation of inland waterways remains a significant challenge.

**Air Transport:** Expansion of facilities at Jomo Kenyatta International Airport (JKIA), to include a new state- of- the- art terminal is currently underway. Moi International Airport and forty airstrips have already been rehabilitated as part of the effort to improve air services. Wajir airport has been expanded and converted to a military and civilian airport. Isiolo Airstrip has also been fenced-off and land for expansion identified. The Kenya Civil Aviation Authority (KCAA) has undertaken a programme to upgrade equipment and internal structures to enhance air safety.

**Meteorological Services:** The demand for improved meteorological services for various purposes related to transport, the environment and economy have increased significantly. For instance, installation of Very Small Aperture Terminals (VSAT) for data reception and transmission has already been connected to all airports. In addition, the automation of weather facilities at the JKIA Airport has been undertaken as part of the programme to improve and modernise weather observation, data exchange, analysis and forecasting as well as dissemination systems. General Packet Radio Services (GPRS) have also been acquired and installed in meteorological outstations. Further, Public Weather Display (PWD) boards have been installed to display weather information to the public, while construction of district observatory offices at Wajir, Mandera, Nakuru and Kericho has been completed.

**Energy:** Commercial energy is dominated by petroleum and electricity, while wood fuel provides energy needs for
domestic use, especially in rural communities and the urban poor. At the national level, wood fuel and other biomass accounts for about 68 per cent of the total primary energy consumption, followed by petroleum at 22 per cent, electricity at 9 per cent and others sources of fuel (including coal) standing at less than 1 per cent. Solar energy is also extensively used for drying and to some extent, for heating and lighting. However, its consumption in Kenya is extremely low standing at 121 kilowatt hours (KWh) per capita (compared to 503kwh in Vietnam or 4,595khw for South Africa). The national access rate stands at approximately 15 per cent, while the access rate in the rural areas is estimated at 4 per cent. Overall, the utilisation of coal fuel has remained low in Kenya, despite international prices having been reasonable and fairly stable over the years relative to petroleum.

The Government has continued to finance the extension of electricity supply in rural areas as part of the basic infrastructure to stimulate economic growth and employment creation. In this regard, the Rural Electrification Authority (REA) came into operation in July 2007 to fast-track the Rural Electrification Programme (REP). Current policy provides for the extension of electricity to market centres, public secondary schools, youth polytechnics, health centres, and water systems, among other community projects. This is intended to increase the access to electricity which in rural areas currently stands at 4 per cent but is projected to increase to 12 per cent by the year 2012. Moreover, Ethiopia and Kenya have undertaken a feasibility study to facilitate the transfer of electricity to Kenya from a number of large Ethiopian hydropower projects that provide power at lower costs compared to local ones.

Feasibility studies on two regional inter-connectors – Nairobi-Arusha and Jinja-Lessos are complete, while the Ethiopia-Kenya inter-connector is currently ongoing. Feasibility studies on three wind turbines are complete, as are two pre-feasibility studies: one on co-generation and the other on solar water heaters respectively. Seven other studies were completed: two studies on the penetration of energy-saving cook stoves in Kenya; one each on power market design and pre-privatisation; geothermal development company, and unbundling of KPLC; Geothermal reservoir optimisation and SCADA/EMS system study.

With regard to policy, Sessional Paper No. 4 of 2004 on Energy Policy was put in place and a new sector legal framework; the Energy Act, 2006, enacted to operationalise the policy framework. Further, the Energy Regulatory Commission was established as a single sector regulator for the energy sector and an Energy Tribunal set up to arbitrate disputes in the sector. A Rural Electrification Policy was also developed to enhance the implementation of the Rural Electrification Programme.

**Buildings and other Public Works:** Since the implementation of the ERS, the sub-sector has been able to implement several projects despite the large portfolio of stalled projects that were an economic liability to the government. However, there has been increased demand for facilities to cater for both office and housing needs besides ensuring that facilities are well maintained, rehabilitated and refurbished. Over the last five years, 140 stalled projects were completed (buildings and related works) out of a portfolio of over 200 projects. Thirty projects have been revived and are ongoing while a further 9 projects have been tendered out of which 4 have already been awarded and works are expected to start.

The damage resulting from the 2007 post-elections crisis affected both public facilities as well as private property. The main public facilities affected included government buildings, vehicles and equipment and sections of roads and railway lines. In particular, the destruction of the railway line and blocking of roads affected transport to western Kenya and countries within the Great Lakes region. Moreover, the energy sub-sector experienced great losses due to the theft and destruction of transformers and other expensive equipment. Further, there were delays in ongoing road construction works occasioned by the displacement of workers due to insecurity in the affected areas.
3.1.2 Emerging Issues and Challenges

The infrastructure sector is characterised by a number of challenges that revolve around poor, inadequate and poorly integrated infrastructure; inadequate funding levels; out dated technology; and insufficient technical skills and personnel. This has been manifested by long infrastructure programme rollout lead times and development periods. A further and critical concern is the lack of a coherent unifying policy, legal and institutional framework to address these concerns.

**Roads:** This sector faced a number of challenges including: inadequate road maintenance equipment; pavement overloading by heavy goods vehicles; a huge maintenance backlog of the road network; low contracting and supervision capacity; congestion within cities/towns and overloading on Kenyan roads; encroachment on road reserves, and inadequate research on alternative low cost materials for construction of roads.

**Energy:** Challenges faced by the sector include: over reliance on hydro-power; long lead times in the development of energy infrastructure; inadequate specialised skills and tools required for planning and forecasting energy needs; the high cost of rural electrification through grid extension due to the scattered nature of settlements; frequent power outages and high system losses, and high and ever rising prices of imported fossil fuels.

**Transport:** The challenges faced in this sector include: the over-reliance on one transport corridor; traffic congestion and the accompanying environmental pollution from transport sources; poor traffic management and enforcement of traffic laws; old, dilapidated equipment used for meteorological services; a shortage of technical staff in all aspects of transport operations; the low investment in transport infrastructure; an inappropriate institutional framework; inadequate security services at ports and airports, and an out-dated legislation structure.

3.1.3 Programmes and Projects for 2008 – 2012

The goals for the Infrastructure sector will be to lay a sustainable foundation for achieving the objectives of *Vision 2030*. They include the following:

- Acceleration of ongoing infrastructure development, focusing on quality, aesthetics and functionality of the infrastructure services developed;
- Building infrastructure to support identified flagship projects to ensure its contribution to the economic growth and social equity goals;
- Improving efficiency and effectiveness of the infrastructure development process at all levels including planning, contracting, and construction;
- Providing a utility sector (water, sewerage and electricity) that is modern, customer-oriented and technologically-enabled to provide efficient, cost-effective, quality services to all citizens;
- Creating inter-connected, technologically-advanced information and communication systems driving innovation, growth and social progress;
- Protecting the environment as a national asset and conserve it for the benefit of future generations and the wider international community; and
- Cultivating a social attitude of respect and care for public infrastructure facilities and services amongst all citizens.

With regard to the goals for the Infrastructure sector under the MTP, and taking into account the challenges experienced up to the end of 2007, the following strategies will be pursued:

- Strengthening the institutional framework for infrastructure development and accelerating the speed of its completion;
• Raising efficiency and quality of infrastructure projects, and increasing the pace of implementation of infrastructure projects so that they are completed in specified time frames;
• Enhancing local content (materials and services) of identified infrastructure projects i.e. minimising import content;
• Developing and maintaining an integrated, safe and efficient transport network;
• Supporting the development of infrastructure initiatives around flagship projects;
• Benchmarking infrastructure facilities and services provision with globally acceptable performance standards targeting enhanced customer satisfaction;
• Integrating information and communication technologies in the processes of infrastructure services provision;
• Implementing infrastructure projects that will stimulate demand in hitherto neglected areas targeting increased connectivity and reduced transport and other infrastructure costs;
• Developing a national spatial plan to optimise the development and utilisation of infrastructure facilities and services;
• Modernising and expanding sea port facilities;
• Identifying, developing and retaining the requisite human resources to support the infrastructure facilities and services; and
• Enhancing private sector participation in the provision of infrastructure facilities and services strategically complemented by public sector interventions.

The following programmes and projects will be undertaken during the period 2008-2012:

The First National Spatial Plan: The need for a National Spatial Plan is recommended under agriculture, manufacturing, urbanisation, and environmental management, which are priority sectors under Vision 2030. In 2008, work will commence on the preparation of the First National Spatial Plan for Kenya to guide physical development activities over the next 50 years. In addition, it will provide a spatial illustration of all national projects, identify a strategy for land development and address issues such as settlement, environment, transport and economic development. This will form a critical basis for appropriate deployment of infrastructure in support of Vision 2030 objectives.

National Integrated Transport Master Plan: This project is to be completed within two years of initiation and will be linked to the National Spatial Plan. It will aim at ensuring that investment and location of transport infrastructure and services are consistent with public policies while ensuring optimal transport infrastructure investment to position Kenya as the most efficient and effective transport hub of the East and Central African region. It will also facilitate improvement and expansion of transport infrastructure in a manner that will reduce transport costs and also open new frontiers for economic development. The policy will provide the Government and the private sector with a systematic decision-making tool for investment in transport infrastructure over the next 50 years. In addition, this programme will have as its mandate, an integral component of institutional capacity-building to manage roads, ports and air, sea and land transport systems with a view to improving efficiency and effectiveness of service delivery and enhancing revenue-earning capabilities.

Development of a new transport corridor to Southern Sudan and Ethiopia: The project involves the development of a new transport corridor from the new port at Lamu through Garissa, Isiolo, Mararal, Lodwar, and Lokichoggio to branch at Isiolo to Ethiopia and Southern Sudan. This will comprise of a new road network, a railway line, oil refinery at Lamu, oil pipeline, Lamu Airport and free port at Lamu (Manda Bay) in addition to resort cities at the coast and in Isiolo. It will form the backbone for opening up Northern Kenya and integrating it into the national economy.

National Road Safety Programme: The objective of this programme is to fast-track implementation of the National Road Safety Action Plan to achieve the targets of reducing the incidence of road crashes and their impact on the Kenyan economy. This will be implemented through the development and implementation of a driving school curriculum for both drivers and instructors on basis of best practices and models in other parts of the world amongst others. Further, the Motor Vehicle Inspection Unit will be privatised to ensure improved maintenance status of Kenya’s motor vehicle fleet. To support effective enforcement of traffic regulations, a system of instant fines and ticketing for traffic offences will be introduced.
Computerised Information Maintenance Management Systems: This programme entails developing three integrated computerised systems to manage Kenyan roads, bridges and pavements. The Road Maintenance Management System will therefore be used to monitor the condition of roads, and manage road maintenance works. On its part, the Bridge Maintenance Management System will be used to monitor the condition of bridges on the main roads network and manage maintenance works on those bridges. The Pavement Maintenance Management System will be used for the short and long-term planning of road resurfacing and rehabilitation works.

Maintenance of existing road network and airstrips in the country: This strategy will lead to the construction of 1,327 km of roads through periodic maintenance (9 billion); reconstruction and rehabilitation of 1,364 km of failed roads sections at a cost of Kshs 55 billion and the resuscitation of 40 sealing camps and rescaling units at Kshs 2 billion. In addition, a road maintenance manual will be developed. The upgrading of 12 existing weighbridges and the establishment of 15 mobile weighbridges and 4 weigh – in - motion (WIM) will cost approximately Kshs.6 billion. In addition, the management of road axle load controls will be prioritised as well as the routine maintenance of airstrips.

Use of machinery and labour intensive techniques to promote employment and income earning: The Roads 2000 Strategy is set for expansion, from the current 37 districts to over 111 districts during the MTP period. the implementation of this Strategy will lead to the development of 1,960 km of roads and the training of 3,000 people to undertake the work of road construction.

Road Network Expansion: The aim is to construct 1,950 km of new roads by 2012 by developing and effectively managing a robust road system that will require minimum maintenance. This strategy will involve carrying out 20 feasibility and design studies; provision of 1,950 km of roads to all major production, marketing and consumption areas; provision of legal framework to repossess illegally acquired land on road reserves, and the expansion of 1,103 km of road width to provide for non-motorised-transport (NMT).

Under the road transport policy, road concessioning will be introduced on Nairobi bypasses and major roads, including sections of the Northern Corridor route (Mombasa-Nairobi-Nakuru-Mau Summit-Eldoret-Malaba and Mau Summit-Kisumu-Busia); Machakos turnoff-Nairobi-Rironi (and including the Uhuru Highway); Waiyaki Way; and Westlands to Rironi sections. It is expected that at least 3 concessions will be accomplished by 2012.

Nairobi Metropolitan Region Bus Rapid Transit System: The Government has laid down plans for the development of a rapid bus transport system, starting with the following three transport corridors: First is the Athi River Town to Kikuyu Town (approximately 38 km); Second is Thika Town to the Central Business District (approximately 50 km); and third is Jomo Kenyatta International Airport to the Central Business District (approximately 25 km).

Development of light rail for Nairobi and its suburbs: The area expected to be served by the light rail stretches from Nairobi Railway Station, situated in the Central Business District, to Embakasi/Jomo Kenyatta International Airport, a distance of 15.6 kilometres and serving about 150,000 daily passengers - about 5 per cent of daily passengers in Nairobi Metropolis.

Dredging of Mombasa port: Dredging of the port will be done with the purpose of deepening the channel to 14.5 metres to enable larger post-Panamax vessels to access the port and thereby remove the risk of the port slowly evolving into a feeder facility which larger vessels have no access.

Ferry Services Programme: This will involve revamping water transport on Lake Victoria, replacing the old vessels in Mombasa, and establishing cruise ships and floating hotels network on the Indian Ocean and Lake Victoria to promote tourist activities.
**Development of landing sites for smaller boats and canoes:** This project will be undertaken on the shorelines of Lake Victoria. Role of private sector will be enhanced as many of the boats and canoes are privately operated.

Other interventions on Maritime and Inland waterways include:

- Developing other minor satellite ports (Funzi, Vanga, Shimoni, Kilifi, Malindi, Lamu, Kiunga and Mtwaipa) through strategic partnership approaches which tap the potential of the private sector in port development and management;
- Establishing a Coast Guard to link up with other international community coast guards to enhance the creation of a safe and secure maritime industry;
- Revitalise the inland waterways port infrastructure in the lake region, with Kisumu as a regional inland waterways hub to link with other regional ports such as Bukoba, Jinja, Mwanza and Port Bell.

**Rail Transport Programme:** A total of USD 390 million will be spent towards additional capital expenditures over the 25 years of the project with the concessionaire investing at least USD 5 Million per year for the first five years. In addition, the following will be undertaken on rail transport: The construction of 17.2 km railway by-pass and implementation of the Relocation Action Plan (RAP) in Kibera and Mukuru areas, creating a 5.2 metre safe zone.

**Modernisation of airstrips and airports:** This will involve the rehabilitation, expansion and maintenance of airstrips and airports serving tourist and commercial sites in the country such as in Kisumu, the Coast, Isiolo, Lokichoggio, and Maasai Mara.

**Air Facilities Modernisation:** This will be facilitated in order to increase the efficiency of air transport to meet the standards of FAA and ICAO. In addition, the following will be put in place: Radar/Flight Data Processing Systems; Primary and Secondary Surveillance (MSSR) Radars; Voice Communication Systems; VHF Communication Systems; Surface Movement Control Radars; and a Flight Data Recorder Laboratory including an Investigations Workshop and a Hangar. The mentioned projects will improve aviation safety and security while enhancing the air passenger and cargo handling capacity. Other key interventions in air transport will include:

- Modernising and expanding Jomo Kenyatta International Airport and Moi International Airport;
- Building an international airport in Kisumu to serve as the aviation hub for the Great Lakes region;
- Upgrading airstrips at provincial capitals and sub-provincial towns to national airports and institute proper maintenance of all other airstrips and aerodromes;
- Liberalizing the air transport sub-sector to attract public-private ventures;
- Enhancing the capacity of regulatory authorities and eliminating the possibility of conflict by separating regulatory functions from service providers like air navigation services and airports.

**Meteorological Systems Modernisation Programme:** The objective of this programme is to improve Kenya’s disaster preparedness and mitigation as well as to promote public education and awareness among vulnerable communities and decision makers. The programme will involve three components namely: tsunami early warning systems; tidal gauge station, marine automatic weather systems and seismic systems; and the introduction of dynamic modelling capabilities for prediction of weather and climate.

**Weather Modification Programme:** This is an integrated programme with six components, including the establishment of cloud chamber laboratory for rainfall enhancement; hailstone suppression snow pack augmentation on Mt. Kenya to enhance air quality measurement; improved flash-flood forecasting using Doppler weather surveillance technology; and improved research to suppress fog and frost on the high-ground areas of Kenya.

**Rural Electrification Programme:** A Rural Electrification Programme financed to a tune of Kshs. 2.7 billion to cover
various parts of the country. Upon completion, the project will facilitate connection of power to 460 trading centres and 110 secondary schools, among other public facilities. Furthermore, the Government intends to spend Kshs. 180 million to provide solar electricity generators to 74 public institutions including boarding primary and secondary schools, health centres and dispensaries.

**Energy Access Scale-up Programme:** Through this programme, one million households will be connected with electricity over the next five years at an estimated cost of Kshs.84 billion. The programme will target connecting all major trading centres, secondary and primary schools, community water supply works and health centres in the country. The Government will also partner with the Government of Uganda and Tamoil East Africa Limited in a joint venture company for the extension of 352km oil pipeline from Eldoret to Kampala.

In addition to this will be the construction of a 6,000 ton common user LPG import handling facility in Mombasa. The construction of a 2,000 ton common user LPG handling facility in Nairobi will greatly increase storage space, thus increasing supply sources. This will eventually result in competitively priced LPG fuel. Public – private partnerships are also expected to increase parcel sizes imported thereby reducing freight costs and making LPG cheaper to Kenyans. Following the completion of appraisal drilling in Mui Basin of Kitui and Mwingi district, Kenya will have access to local coal as an energy source. Initial exploration activities indicate the existence of coal in this area. Consequently, an appraisal drilling project to ascertain the commercial quality and viability of the deposits is in progress.

**Olkaria IV appraisal drilling of 6 wells:** This is expected to produce 70 mw of electricity. The project is expected to prove that commercially exploitable steam is available in the field.

**Wind Power Generation by IPPs at various sites:** It is envisaged that wind power will provide total power installed of about 150mw. Power will also be obtained in the process of producing sugar. It is envisaged that the potential of about 120 MW will be exploited using sugar factories as a base. This will be done through Public Private Partnerships (PPP).

**The Energy Sector Recovery Project (ESRP):** This project funded by the World Bank and some bilateral donors, has a major component on “Distribution Reinforcement and Upgrade” to be implemented over a period of four years. This will improve the quality and reliability of supply, reduce system losses and increase access to electricity service especially in urban and peri-urban areas. This is of special interest to the industrial sector where power fluctuations and cuts have frequently led to losses. Further, the Kenyan and Tanzanian Governments have obtained funding to implement a 330kV transmission line project between Arusha and Nairobi. This will provide an additional source of power.

**National Electricity Supply Master Plan:** The initiatives described above with respect to enhancing national power generation and supply will be incorporated in a National Electricity Supply Master Plan. The Plan will identify new generation and supply sources to ensure that the national electricity supply dependable energy is tripled in the next ten years from the current 1,050 MW to 3,000 MW by 2018. This is necessary to meet the power needs of an expanding economy and the Vision 2030 Flagship projects which will be implemented in the key economic sectors. In light of the increase in international oil prices, emphasis will also be placed on the development of alternative power sources – especially geothermal, solar and wind power. Given that power projects take time to construct, the National Electricity Master Plan will identify the power projects to be initiated in the initial years of this MTP 2008-2012 to ensure adequate supply of energy to meet the increase in demand over the MTP period.

**Public Facilities Improvement Programme:** This programme will target the aesthetic improvement and functionality of all public facilities and buildings. Consequently, the maintenance and management of public facilities will be enhanced through comprehensive facility management approaches. The programme will be supported by reliable Computerised Facilities Management Information Systems. In addition, during the Plan period, the sector will develop a policy geared towards the development of the construction industry. This will be done by establishing a Contractors
Registration Board which will regulate, train, register and deregister non-performing contractors. A National Construction Company will also be established to enhance the capacity of small and medium enterprises. The establishment of a Construction Industry Development Board will be set up to review the standards of Design and Construction as well as the utilisation of a Facilities Management System for existing public facilities.

### 3.1.4 Policy, Legal and Institutional Reforms

**National Integrated Transport Policy:** A draft National Integrated Transport Policy (NITP) has been prepared and is currently awaiting parliamentary approval. A Sessional Paper on transport sector development will also be prepared and presented to Parliament for legislative enactment. The adoption of the Sessional Paper by Parliament during the Plan period will subsequently lead to implementing recommendations of the NITP, including institutional reforms to be undertaken within the transport sector.

**Legal Framework to support Private Public Partnerships in the infrastructure sector:** The legal framework governing the various transport modes will be reviewed to allow for more private sector participation in developing the infrastructure of the transport sector.

**Construction Industry Development Policy:** The performance of the construction industry directly affects the development and management of infrastructure facilities and services. Hence, a Comprehensive Construction Industry Development Policy will be formulated within 12 months. Thereafter, it will be consistently implemented through a Construction Industry Development Board. One of its objectives will be to strengthen the capacity of Kenya’s construction industry.

**Roads investment policy:** A new road sector policy was ratified by Parliament in 2006. This was followed by an enactment of the Kenya Roads Act 2007. During the Plan period, the following will be undertaken: full implementation of the Sessional Paper No. 5 of 2006 on the Management of the Roads Sub-sector for Sustainable development; establishment and operationalisation of the three autonomous road sector agencies Kenya National Highways Authority (KeNHA), Kenya Rural Roads Authority (KeRRA) and Kenya Urban Roads Authority (KURA) by the end of 2008 to develop and maintain the entire national road network. This operation will cost Kshs 450 million. Additionally will be the preparation and implementation of the Road Investment Plan (2008-2018) as well as the full harmonisation of legislative framework governing roads.

**Development of rules and regulations for the maritime laws:** The rules and regulations to be drafted are expected to assist during the operationalisation of six maritime law bills. They are: the Merchant Shipping Bill; the Marine Pollution Bill; the Carriage of Goods by Sea Bill; the Marine Insurance Bill; the Kenya Ferry Corporation Bill; the Admiralty Court Jurisdiction Bill; and the Amendment Bill. All these bills are due for enactment by Parliament during the Plan period.

**Transformation of Kenya Meteorological Department into Semi-Autonomous Status:** The Kenya Meteorological Department (KMD) will be de-linked from the mainstream Civil Service to a semi-autonomous status. This new agency will be renamed the Kenya Meteorological Agency (Kenya MET). The de-linked Kenya MET will be capable of generating and borrowing funds in order to offer more efficient and effective services within and outside the country.

**Energy:** The sector will continue to implement Sessional Paper No. 4 of 2004 governing the use of energy. The following institutional and legal reforms that are embedded in the Sessional Paper and will be undertaken. They include:

- Formation of a Geothermal Development Company to undertake resource assessment;
- Transformation of KPLC into a government owned transmission company and private sector led distribution company;
• Establishment of a Centre of Excellence for energy efficiency and conservation;
• Establishment of energy equipment testing laboratories;
• Development of standards and codes of practice on cost-effective energy use; and
• Amendment of building by-laws under the Local Government Act Cap 265, in collaboration with the Local Government in order to make it mandatory to incorporate solar hot water systems in urban building designs.

Urban Development Policy: A policy framework for the proper development and management of the urban sector is vital. This is due to a number of significant challenges faced in urban areas. Firstly, the rapid urban growth is unmatched by services and urban management capacity. Secondly, the rapid growth of slums in urban areas is a potential disaster in the making. Thirdly, the growing tendency towards urban primacy and the imbalance between urban and rural development compromises the goals of sustainable development.

Accordingly, a policy for urban development (which is currently lacking) will define strategies and mechanisms to enable the urban sector respond effectively to the challenges of urban development in order to meet the needs of urban areas. This process will also harness the incremental gains achieved by the ongoing initiatives of the Local Government reforms, and translate the same into policy. These include: the Local Authorities Transfer Fund (LATF) experiences and the LASDAP (participatory development, decentralisation and intergovernmental transfer systems).

3.2 Information and Communications Technology (ICTs)

"Strengthening the Foundation for a Knowledge Economy"

The Government of Kenya recognises the importance of ICT in economic development and has therefore initiated major steps to promote its use. One of the major initiatives that the Government is pursuing is to improve ICT infrastructure in order to bridge the digital divide and lower the cost of communications. The Government is also levelling the ground through development and implementation of policy and regulations aimed at attracting investment within the sector. It must be emphasised that the Government recognises information to be a resource which must be generated, collected, organised, leveraged, secured and preserved to enhance national prosperity.

3.2.1 Situation Analysis

In 1997, the government issued a telecommunications policy statement that underscored the Government's vision on telecommunications development up to the year 2015. The challenge in 1997 was therefore to transform the monopoly policy structure to one designed to manage initially, a liberalised telecommunications market and later, the ICT industry in general. This policy was followed by the enactment of the Kenya Communication Act in 1999. The Act created three entities to spearhead the development of the communications sector. These are the Communication Commission of Kenya (CCK) which is the regulator, Telkom Kenya, a national operator, and Postal Corporation of Kenya (PCK) to deal with postal services.

In 2007, the Government launched the ICT Board to oversee the development of ICT in Kenya and the National Analogue Digital Broadcasting Migration Plan to be finalised by 2012. In the same year, (2007) the Government also published the ICT strategy for business process outsourcing, as well as the Kenya Communications Amendment Bill and the Media Bill 2007.

The Government has also liberalised the mobile cellular market and currently there are four licensed mobile operators. Following the liberalisation of the international gateway there are now many players in the sector providing satellite based broadband access. In particular, the mobile telephony providers have introduced internet access products. However, the costs are still relatively high. In an effort to reduce these costs, the Government is investing in both
terrestrial and undersea fibre optic cable. In addition, there has been rollout of a broadband wireless connectivity in rural areas through various wireless technologies including Code Division Multiple Access [CDMA] and WIMAX. Mobile telephone operators are expanding their network and Telkom Kenya is also expanding its network to reach more wireless subscribers around the country.

As part of the on-going public sector reforms, the government has endeavoured to leverage the use of information technology in order to give Kenyans services that are prompt, convenient and responsive to their demand. To accelerate the flow and exchange of information, Local Area Networks (LANs) have been installed in all Ministries/Departments headquarters in addition to acquisition of ICT hardware and software. The development of integrated government-wide information systems has been accelerated. These include the Integrated Financial Management System and Integrated Personnel and Payroll System, online recruitment and selection system, online exam results and pension system.

The government has also established a web portal http://www.kenya.go.ke and created web sites for all ministries as well as mainstreaming the use of emails within the Civil service. In addition, the Government has established a dedicated fibre connection for all ministries within the capital to allow for efficient communication between various government agencies. The ICT sector has been directly involved in mapping, collection and management of data for planning purposes.

Kenya possesses a big comparative advantage in terms of unmatched filming locations and an abundance of professional film makers, artistes and local crew. The last five years have seen the emergence of Kenya as the hub of filming in a number of major international films shot, thus earning the country global recognition and contributing to GDP growth. To spearhead the development and maintenance of an orderly and sustainable film industry, the Department of Film Services has continued to license both local and international filmmakers, provided liaison services and continued its onslaught as a leading production house. In July 2005, the Kenya Film Commission was established to market Kenya as a major filming destination in the region. Subsequently, a restructuring of the Kenya Film Censorship Board was initiated to enable regulate and set standards for the film industry.

The industry has continued to support training both locally and internationally to impart skills for efficient service delivery. The Kenya Institute of Mass Communications (KIMC) and Kenya College of Communications Technology (KCCT) offer training opportunities to students in the fields of Information and Communication Technology and Mass Media. These Institutes produce market ready graduates every year in the various fields of ICT and mass communication.

3.2.2 Emerging Issues and Challenges

Since ICT is a dynamic area, advances in technology are likely to occur frequently. Currently, the following challenges are being experienced within the communications sector:

- Lack of an institutional and legal frame work to implement automated services including electronic transactions;
- Lack of standardisation of components and systems being procured and applied across the Government;
- Limited country-wide ICT awareness that hinders cultural and attitudinal change;
- A wide internal digital divide between rural and urban areas as well as low bandwidth;
- Financial and human resource constraints;
- Bridging the “islands of automation” by allowing sharing of information among agencies;
- High costs of ICT utilisation and maintenance;
- High costs of migrating from analogue to digital broadcasting;
- Challenge of obtaining a better integration of ICT solutions into company and public policies.
3.2.3 Programs and Projects for 2008 – 2012

Developing affordable information and communication network infrastructure and applications is central to building the information economy. Accordingly, the government’s objective is to ensure that the country has a competitive telecommunications industry which delivers reliable and affordable services and products for the economic and social benefit of citizens. The development of ICT Parks and Digital Villages will gradually lead to low-cost provision of ICT goods and services. This is also expected to facilitate the growth and establishment of BPOs.

The East African Marine Systems (TEAMS): Kenya relies mainly on satellite connections to link it to the rest of the world. Hence, this makes it costly for outsourcers to do business. In addition, the lack of high-capacity bandwidth connectivity has limited Kenya from exploiting its full potential. Hence, the government, in collaboration with the United Arab Emirates, will install The East African Marine Systems (TEAMS). This is a submarine cable that will extend from Mombasa to Fujairah in the UAE, thus providing Kenya with an affordable high-capacity bandwidth. Furthermore, the government is pursuing a partnership project with the private sector and it is projected that the construction will be completed by the end of 2009.

National Terrestrial Fibre Optic Network Project: The National Terrestrial Fibre Optic Network Project is intended to complement the TEAMS project by ensuring maximum utilisation of capacity and connectivity in all districts in the country. Consequently, the implementation of the National Terrestrial Fibre Optic project is divided into three main components that will include the Central, Western, Coast and North Eastern regions of the country.

Government Common Core Network (GCCN): The Government Common Core Network (GCCN) is intended to function as a shared and secure interoperable government-wide ICT architecture. The system will not only integrate work processes and information flows, but will also improve inter-ministerial sharing of databases and exchange of information. This will eliminate duplication and redundancy, improve public access to government services and ensure responsiveness in reporting, monitoring and evaluation.

Local and Wide Area Networks: Local Area Networks (LANs) have been installed in all government ministry headquarters. In addition, LANs will be put in place in the provinces as well as the districts. Currently, the project has been implemented in five provincial headquarters. These LANS will eventually be linked to the GCCN to form the basis of a national information infrastructure that will allow for seamless communication within the government. The target is to complete the project during the Medium-Term Plan period.

Kenya Transparency Communication Infrastructure Programme (KTCIP): The KTCIP programme aims to ensure equity in the provision of ICT services. The programme has two components, namely:

- **Establishment of Digital Villages**: The government is currently supporting the development of digital villages at the constituency level. These centres will provide avenues for the full utilisation of the NOFBI and TEAMS infrastructure for BPO related initiatives. This will facilitate online delivery of government services and capturing statistical data right from the constituency level.
- **Bandwidth subsidy**: This component aims at providing bandwidth subsidy for universities and colleges, business processing outsourcing, e-government and content development and digitisation. This will accelerate the usage of ICT in learning, social and government institutions.

Data Centre/Data Recovery Centre: The government Data Centre (GDC) will be established to provide storage for all government data bases. In addition, the Neutral Data Centre (NDC) will provide world-class services to government ministries, departments and agencies, private sector operators and businesses.

Integrated Management Information Systems (IMIS): To improve on governance, the following systems will be
developed: Pensions Management Information System (PMIS); a Company Registry and e-voting; digitised court recording; Geographic Information System (GIS); digitisation of archival resources at the Kenya National Archives; Land Registry System; Electronic Banking Systems, District Management Information System (DMIS) and Integrated Population Registration System (IPRS).

**Information and Content Development:** The government has embarked on initiatives aimed at leveraging on digital content to unlock new opportunities to conduct business. The scope of information and content activities within the ICT sector include digital content strategy, creating and protecting content and delivering and accessing content.

**Film Industry:** A major goal of the industry is to become a significant player by developing a major motion picture production industry with sufficient employment, and capitalising on the economic, social, and cultural rewards associated with such industries worldwide. Hence, the government will implement the following programmes: Market promotion and generation of investments within the industry; the development of creative and technical skills; improvement of public, mass media facilities and equipment; development of information, education and communication services; public awareness about the industry; film administration and facilitation; and incorporating a general restructuring and reforms within the film industry.

**Rural ICT Enterprises (RIEs):** The government will facilitate the marketing of locally assembled ICTs such as the PCs and related ICT products on behalf of SACs. It will also encourage rural ICT SMEs or “digital villages” with the necessary minimum ICT platform for electronic communications to take place. These RIEs will be based at the constituency level in an effort to offer business solutions suitable to rural settings, taking into consideration the specific business and commercial needs of Kenya’s rural economy. In addition, the RIEs will have the capacity to provide affordable access to basic and a diversity of ICT services to the surrounding population.

**Multimedia Technology Parks (MTPs):** The government has identified the Export Processing Zones (EPZ) in Athi River as the location site for the proposed MTPs. Plans are therefore underway to establish more ICT enterprises.

**The East African Sub-Marine Cable Systems:** The main objective of the project is to improve the quality of bandwidth available for global connectivity by linking the East African region to the Global Submarine System. This will involve the laying of undersea Fibre Optic Cable from Mombasa to Fujairah in UAE. This project will cost approximately $110m. The project is being implemented in an open access model where operators in the region, under the Public Private Partnership Initiative, have invested in a special purpose vehicle. However, the government will retain 20 per cent of the project.

**ICT Hardware:** ICT hardware is a very important component of ICT infrastructure and a pre-requisite to any meaningful deployment of ICT services to the population. Unfortunately, they have to be imported and until recently, imported hardware parts were not subject to any fiscal concessions. Currently, the taxes on ICT hardware are largely zero-rated. Zero-rated taxes on ICTs are integral to the stated government policy objective of universal access to affordable ICT services. On its part, the Government will set up National ICT Centres of Excellence to develop a critical mass of human resource required to support capacity for the industry.

**Madaraka PC Project:** In collaboration with ICT incubators at Jomo Kenyatta University of Agriculture and Technology (JKUAT), University of Nairobi (UoN), Kenya College of Communications Technology (KCCT), and Strathmore University (SU), the Ministry is implementing a project to assemble a low cost PC for the local market. The project is intended to provide an incubation environment for students in local universities. In addition, it will give Kenyans access to affordable, robust PCs and create a market which will not only provide hardware and software products, but also create an environment where these products can be developed and manufactured. It will also facilitate the provision of after-sale and maintenance services.
ICT Software: The government is currently holding negotiations with various ICT software providers with a view to securing bargains which will make ICTs affordable and universally accessible. In addition to providing fiscal concessions on software, the government will also promote local software development by encouraging a scheme to ensure that at least 50 per cent of government software procurement is sourced from local software developers. The government will also encourage software multinationals like Microsoft and Oracle to offer special incentives like free development tools, training, certification and marketing support to local software developers.

3.2.4 Policy, Legal and Institutional Reforms

Due to rapid technological changes in the sector, the legal and regulatory framework has lagged behind ICT development. Consequently, a clear policy and legal structure will be put in place to guide developments within the sector.

Policy Framework
- Develop and enact National Film Policy;
- Review the Telecommunications Sector Policy Framework (March 2006);
- Develop and enact National Records Management Policy;
- Enact the National Policy on Natural Resource Information; and
- Develop and enact E-waste Management Policy.

Legal Framework
- Enact Freedom of Information Bill;
- Enact ICT Bill; Repeal Films and Stage Plays Act Cap 222;
- Review Kenya Communications Regulations 2001;
- Repeal Postal Corporations Act 1998;
- Amend Kenya Broadcasting Corporation Act Cap 221.

Other Acts that impact on the sector’s performance include:
- The Monopoly and Price Control Act;
- The Copy Right Act;
- The Act on Privacy;
- The Official Secrets Act;
- The Science and Technology Act of 1990; and
- The Local Government Act.

All these Acts will be reviewed in tandem with changing technology.

3.3 Science, Technology and Innovation

“Harnessing Science, Technology and Innovation for Regional and Global Competitiveness”

The integration of Science, Technology and Innovation (STI) in national productive processes is central to the success of the government’s policy priorities and programmes outlined in Kenya Vision 2030. This is particularly important within the context of demands for global economic competitiveness, sustainable development and equity concerns. Consequently, the development of the necessary scientific and technological infrastructure, as well as the technical and entrepreneurial skills is an essential prerequisite to the transformation of Kenya into a knowledge-based society. Introducing innovative ideas into products, processes and services is highly dependent on the presence of a clearly
defined and supportive policy, as well as having an institutional and legal framework that effectively addresses citizen needs and aspirations.

The capabilities of STI are therefore critical in ensuring sustainable development associated with natural resource management and disasters. Further, STI capabilities promote sustainable development, especially through social integration, conservation and sustainable management of biodiversity; sharing opportunities and benefits of a knowledge-based society and economy and strengthening local and indigenous knowledge and culture.

### 3.3.1 Situation Analysis

If Kenya is to benefit from globalisation, it must enhance the global competitiveness of its exports by using STI. Furthermore, the accelerated emergence of a knowledge-based society and breakthroughs in the sciences has had a tremendous impact on the activities of businesses and the government. Indeed, it has also affected the way people live, study, and work. Kenya has recognised the critical role played by STI in its national development. Hence, over the years, the country has established many S&T institutions in addition to making significant strides in Research and Development (R&D).

The MTP prioritises on social and regional equity in the development of technological infrastructure, technical and entrepreneurial skills. In addition, it defines supportive policies inclusive of institutional and legal frameworks. Specific areas of focus include: the development of innovative ideas into products, processes and services; measures aimed at creating more jobs; safeguarding the environment against disasters; and mitigating the effects of climate change.

However, greater efforts are needed to ensure that there is an adequate supply of scientific and technological skills. This can be achieved by:

- Acquiring and retaining highly skilled staff;
- Strengthening policies to enhance awareness and public understanding of science;
- Improving the quality of scientific and technological learning;
- Encouraging individual creativity and broadening opportunities and support for students to pursue STI studies;
- Adapting curricula to changing skill demands;
- Including interdisciplinary knowledge and managerial/entrepreneurial skills;
- Developing partnerships with the industry.

### 3.3.2 Emerging Issues and Challenges

In Kenya, the challenges faced by the STI sector include the need to develop stronger, national innovation systems. In addition, there is a need to ensure sustained development of human resources within the realm of science and technology. The relative contribution made by the private and public sectors needs to be considered. The STI sector must address the changing role of intellectual property rights and global-scale issues that call for enhanced international co-operation in science and technology. There is also a need to efficiently harness available natural resources in a sustainable way for the benefit of all Kenyans. Other challenges include the following:

- Enhancing the role of STI in national development;
- Ineffective coordination and lack of critical resources and infrastructure to develop and integrate STI;
- Inability to acquire, maintain and retain modern equipment as well as personnel;
- Weak linkages with the productive sector, as well as regional and international counterparts;
- Lack of an integrative policy framework;
• Mismatch between skills acquired from Kenyan training institutions and the industry requirements; and
• Inappropriate and unresponsive intellectual property rights regimes and lack of awareness of STI benefits.

Against a background of growing demand for human resources in STI, a recent decline in the number of science and engineering graduates poses a great concern because it could hamper the long-term growth prospects of the country. The challenge of meeting demand for Science and Technology talent is made all the more difficult by waning interest in science among youth thus leading to a rapid ageing of the workforce in the public research sector. In addition, there is an obvious gender gap among Science and Technology graduates (notably at the doctorate level) with male students forming a large majority. Other concerns include market disincentives to research careers and brain drain of scientific personnel.

### 3.3.3 Programmes and Projects for 2008 – 2012

Since the government of Kenya recognises the importance of STI, it will institute a number of measures to leverage the STI sector to deal with the challenges it faces for the benefit of Kenyans. These measures will cover the 2008–2012 period and are categorised under five, key strategic thrust, namely:

**Strengthening Technical Capacities and Capabilities:** Kenya’s overall STI capacity and capability is currently weak in comparison with other developing countries. Consequently, the government will focus on the creation of better production processes, placing a strong emphasis on technological learning. The focus will be on technologies and processes that enhance national competitiveness and facilitate the creation of quality jobs. In addition, the capacities of STI institutions will be enhanced through advanced training of personnel, improved infrastructure, equipment, and by strengthening linkages with actors in the productive sectors. A programme targeting provision of STI infrastructure will also be implemented over a period of three years.

**Developing a Highly Skilled Human Resource Base:** Skilled human resource requirements relate to sufficiency and competence. Although Kenya has a pool of talented human resource, there is a shortage of skilled workforce in many STI fields that support the national priority sectors. In order to develop a highly skilled human resource base, measures will be put in place to improve the national pool of skills and talent relevant to the needs of national priority areas. To this end, a National Skills Inventory and Audit Survey will be implemented to form a basis for targeted long-term development of a human resource base to support the STI sector in accordance to UNESCO’s STI standards. On the basis of this, a National Critical Skills Development Strategy will be formulated for implementation by 2009. The number of researchers, scientists and engineers will be increased to focus on national priority sectors. Furthermore, the current transition rate from secondary level education to university will be increased and the postgraduate training will be strengthened, particularly in the fields of Science and Technology. Numeracy and literacy levels will be substantially increased by 2012 at all levels of the education system.

**Intensification of Innovation in Priority Sectors:** The Kenyan economy exhibits limited levels on innovation required to foster increased output and productivity improvements necessary for employment and wealth creation. In this regard, a biannual National Innovation Survey will be conducted to determine the incidence of innovation in the national priority areas as well as determining the impediments to increased innovation in those sectors. Additionally, to intensify innovation, the funding for basic and applied research at higher institutions of learning, as well as for research and development conducted in collaboration with industries will be increased to Kshs. 37 billion by 2012.

In order to promote greater efficiency in various national priority sectors, promote international competitiveness and assure consumer acceptance, a programme to promote standardisation and quality assurance in the various sectors will be implemented. This will strengthen existing systems and bring them up to par with international best practice. Indigenous knowledge and technology, which is part of Kenya’s national heritage, remains unmapped. Moreover, it has
exposed the country’s national heritage to misuse by external interest groups. Measures will therefore be taken to identify and protect this heritage. In order to encourage innovation and other scientific endeavours, a system of national recognition will be established to honour innovators.

Enhancing Science, Technology and Innovation Awareness: A strong foundation and basic understanding of STI, and its universal importance is needed to make certain breakthroughs or commercialise applications that will ensure the prosperity of the country. There is need to create appreciation and awareness on the importance of science, technology and innovation in Kenya and its implication in everyday life, among policymakers and the general public. Currently, the awareness of ethical, moral, legal, social and economic aspects is low. In view of the importance of STI in society, efforts must be made to promote awareness of new ideas and discoveries to the general public. A key goal of activities under this thrust will be to impart a culture of creativity, innovativeness and continuous learning in Kenya, which is supportive of STI uptake and utilisation. Under this plan, measures to create and deepen STI awareness amongst policy makers and implementers, particularly in the social sphere will be put in place. In addition, multi-sectoral initiatives to develop STI solutions that can address current and future development problems will be publicised and showcased. This will include professional associations and community science networks; non-profit Organisations and large businesses; Early Childhood Development (ECD), primary and secondary schools, universities and technical institutes. It is anticipated that such a programme will create and nurture a passion for learning, creativity, technology and innovation.

Strengthening the STI Performance Management Framework: There is general ineffectiveness in the coordination of the national STI system, leading to inefficient resource utilisation. Furthermore, there is a lack of adequate information to facilitate regional and international benchmarking and track the implementation of STI activities. Consequently, under this plan, an understanding of the utilisation of resources in the STI sector and its capacity to contribute to national development will be critical. A framework to collect and disseminate information on the resources employed by the sector and their effectiveness will be put in place. It will focus on timely tracking of the implementation of various programmes/initiatives under this plan which will aim at realising its overall objectives. The coordination of STI activities will also seek to leverage the activities of international Organisations working in the country for the furtherance of national STI objectives.

Resource Mobilisation: Implementation of the STI components of the MTP 2008-2012 will require significant resources. Even after aligning the funding requirements for implementing the identified strategic thrusts with the MTEF budget, significant gaps still remain. Hence, funding for the implementation of the STI interventions in support of the MTP 2008-2012 will be drawn from the following sources:

- **Government Funding:** With regard to government funding, the sector will prepare its annual Public Expenditure Review (PER) reports to form the basis for resource bidding under the overall MTEF budgetary process. In this regard, all the sector members will be involved in the budget process to ensure that the annual ministerial PERs and sector reports accommodate their respective needs.

- **The Kenyan National STI Fund:** The objective of this fund is to secure adequate local and international funding in support of the national Science, Technology and Innovation sector Medium-Term Plan. The fund will be formulated as a general national fund with a framework that allows for the creation of various specific funds to meet specific funding needs in the STI sectors. This includes infrastructure development, applied research, innovation support among others.

- **Venture Capital:** The private sector will be targeted to provide capital to bridge the gaps in Science and Technology as well as financing innovation programmes. The macroeconomic environment for attraction and growth of venture capital will also be created. In addition, the financial services sector will be strengthened and
focused to support the growth of venture capital. The programme will also focus on public – private STI funding as well as general financing of STI initiatives.

- **Tax Concessions and STI Levy:** Fiscal policies to promote resource mobilisation have been proposed in the MTP 2008-2012. Tax concessions on targeted sectors will be introduced to motivate the private sector to contribute to the funding of the MTP 2008-2012 at the firm level and/or the national fund level. Additionally, a national STI levy will be targeted to support the financing of the implementation of the MTP 2008-2012. This will be a Private Public Sectors Partnership arrangement, where the government and private sector contribute to the levy. This will be implemented under an agreed framework of partnership.

- **Development Partners:** Development partners are currently supporting the government in some of the initiatives outlined in this Plan. The sector therefore plans to engage their support to fill in the resource gap between the MTEF budget and Medium-Term Plan budget. The relationship between the sector and the development partners will be strengthened by developing strategic alliances based on the needs and policy direction of the Vision 2030. Subsequently, the development partners will form a Joint Financing framework that will fund the implementation of the projects and programmes.

### 3.3.4 Policy, Legal and Institutional Reforms

Kenya’s STI interventions for 2008-2012 will be implemented through a coordinated effort within the context of Vision 2030 medium-term objectives. It will also be based on targeted programmes of sectoral areas. The capacities of the national R&D and innovation system will aim at responding to the needs of activating innovation. In addition, they will enhance the competitiveness of national industries in the regional and global market, in undertaking policy, legal and institutional reforms. A deliberate effort will also be made to rationalise the participation of the government, the private sector and civil society organisations.

The government, through the Ministry responsible for Science, Technology and Innovation will provide the necessary policy and political leadership to facilitate the realisation of the goals and objectives underscored in the STI Section of the MTP 2008-2012. This will include the following:

- Ensure consistency in implementation of the STI programmes, projects and plans;
- Create a favourable business environment required for the performance of the STI initiatives;
- Provide a framework for mobilising resources, including funding support from domestic and foreign sources within the framework of the national policy for coordinating support for STI from Kenya’s development partners;
- Ensure coordination of the activities of ministries in order to implement the STI programmes and create unified management and organisation arrangements at national and local levels;
- Ensure the participation of domestic and international actors in the execution of the STI activities.

Further, the Ministry responsible for Science, Technology and Innovation will be the coordinating body in implementing targeted STI programmes. In the strategic framework of implementing the Medium-Term Plan, it will assume the following functions:

- Provide standardised methodological administration of STI initiatives of the MTP 2008-2012 implementation, and analyse the implementation;
- Submit to the government consolidated reports of the STI implementation progress and evaluation/monitoring every two years;
- Monitor and evaluate activities of the parties implementing the STI tasks and actions, reflected in the MTP 2008-2012;
• Develop in consultation with the AG’s office, laws needed for implementation of the STI initiatives  MTP2008-2012;
• Inform the public, through the media, about the MTP 2008-2012 STI implementation progress, spending, results, and achievements.

Implementing sectors will thereafter organise activities related to development, implementation of policies on the STI reforms required for each specific sector. Specific related tasks and activities are firstly, enhancing the STI and innovation capacity of the relevant sector; secondly, implementing STI programmes and projects within each specific sector; and thirdly evaluating, assessing and reviewing the performance of each of the programmes.

3.4  Land Reforms

Land is an important factor of production. This is because it provides the foundation for all other activities such as agriculture, water, settlement, tourism, wildlife and forestry. Accessibility to land remains a key aspect of the MTP 2008-2012. Apart from its economic importance, land in Kenya has cultural value. This factor makes it one of the most sought-after resources and therefore makes it one of the major sources of conflict. To deliver on programmes and projects outlined in various sectors of the MTP 2008-2012 and give incentives to investors, land reforms will address issues concerning land ownership and administration, security of tenure, land use and development, and environmental conservation.

3.4.1 Situation Analysis

Kenya has a total surface area of 59,195,800 hectares. Water bodies form a surface area of 1,123,000 hectares, while land makes up approximately 58,072,800 hectares. The total agricultural land stands at 56,914,000 hectares. However, the proportion that is classified as high and medium potential land suitable for arable agriculture forms a meagre 17.5 per cent. The rest (82.5 per cent) is suitable for extensive livestock production, wildlife and irrigated farming. Rapid population growth (from 5.4 million in 1948 to an estimated 36 million in 2007) means that in the last 60 years, the per capita land availability has decreased from 11 hectares to a mere 1.7 hectares. This is bound to decrease further to less than 1 hectare by 2030, when the Kenyan population is projected to be about 60 million.

Land scarcity and population pressure is responsible for the conversion of marginal lands (such as floodplains and slopes) into farm land by the poor. This situation further increases their vulnerability and aggravates environmental damage. Consequently, the concerned agrarian groups are made economically worse off, barely able to meet their subsistence needs. Measures to ensure that there is sustainable land use and alternative off-farm economic enterprises for households will be implemented.

Huge disparities exist with regard to ownership of land in the country, particularly in high potential regions where a few individuals own large tracts of land (most of which is idle), while a large number are squatters without any land of their own. In addition, glaring disparities exist with regard to gender, with few women claiming land ownership. Land is often a major source of conflict in the country, as witnessed in 1992, 1997 and most recently after the December 2007 general elections. The underlying causes of these disputes included (but were not limited to):

• Historical land allocation disputes;
• Long-term land problems eventually leading to the squatter problem; and
• Economic disparities among different communities.
To address the above causes, the government will develop and implement policies on security of land tenure, land use and development, and sustainable environmental conservation. A draft National Land Use policy was initiated in 2004, with a view to addressing a number of land-based challenges such as the proliferation of informal settlements, inadequate infrastructural services, environmental degradation, unplanned urban centres, and land conflicts. Finalisation of this policy and enactment of attendant legislations will be given priority within this sector.

3.4.2 Emerging Issues and Challenges

There are a number of challenges facing the optimal and sustainable land use and ownership in the country. They include the following:

**Insecure land ownership:** Land adjudication and registration in the country covers only one-third (8 million hectares) of the country. This hinders people from asserting their rights over land. To emphasise this point, to date, only 4.06 million title deeds have been registered countrywide. This is partly due to a slow adjudication process, inadequate resources for survey and mapping, conflicting land laws, a backlog of land disputes, (some over 20 years old) and lack of civic education and awareness. All these challenges will be addressed in the MTP 2008-2012.

**Unsustainable land use:** In rural areas, land use practices are largely incongruent with the specific ecological zones. Uneconomic land sub-divisions, coupled with poor land use practices are responsible for accelerated land degradation and declining land productivity. In urban areas, proliferation of informal settlements, urban sprawl and encroachment into protected land remain key challenges. Meanwhile, the escalation of desertification as a result of land degradation and climate change pose risks to the lives of people living in ASAL communities.

**Land administration:** Land is currently governed by many laws, most of which are in conflict. This presents great difficulties in land administration and management. However, this challenge will be overcome by the National Land Policy which provides a framework for access to, planning and administration of land in the country. The policy will also provide a framework to remedy gross disparities, particularly with regard to gender, in land ownership. Harmonisation of land laws into one statute will also reduce the multiple allocations of title deeds.

**Land information system:** The current manual system of lands record management is not tenable for expeditious land transactions.

3.4.3 Programmes and Projects for 2008 - 2012

The flagship projects to be implemented include:

**Land registry:** Land adjudication has not been completed in most areas of the country. Where it has been successfully completed, sub-divisions and new registrations make it a never-ending process. Consequently, the establishment of a GIS-based land registry at the Ministry of Lands will significantly streamline this process and help eliminate the existing bureaucratic practices.

**The Land Information Management System:** This intervention will focus in establishing a transparent, decentralised, affordable and efficient GIS based Land Information Management System. This will contribute to poverty reduction, good governance and improved security of tenure. In addition, the system will enhance efficiency and effectiveness in the delivery of services for all Kenyans, especially the poor. Further, the system will enable the capture, management and analysis of geographically referenced land-related data in order to produce land information for decision-making in land administration and management. Investments will therefore be directed at
revamping the recording system, revising the land maps and computerisation of the land registries to reduce the amount of time taken in service delivery.

**National Land Use Master Plan:** This project entails the development of national, regional and local area land use plans through an integrated and participatory process.

**Land ownership documents replacement programme:** The government will fully support the replacement of land ownership documents for those affected by the 2007 Post-Election crisis. Where appropriate, the government will waive the gazetted land ownership documents fees but only after conducting thorough verification in line with the laws governing land in the country.

### 3.4.4 Policy, Legal and Institutional Reforms

The policy, legal and institutional reforms will focus on four critical areas namely:

**National Land Policy Finalisation and implementation:** A draft National Land Policy has been finalised. The Policy gives the roadmap to land institutional and legal reforms. This will ensure effective, efficient and equitable delivery of services; devolution of land administration and management; facilitate access to land administration and management by the poor; and ensure participation and accountability.

**Institutional Transformation:** A Land Reform Transformation Unit has already been established in the Ministry of Lands (Mol). This unit will facilitate the implementation of the Land Reform programme as outlined in the National Land Policy.

**Local Level Mechanisms for Sustainable Land Rights Administration and Management:** This will involve improving land administration and management issues, developing eviction guidelines and building capacities for Land Control Boards (LCBs) and Land Disputes Tribunals (LDTs). The capacity of the local land administration establishments will be strengthened to deliver efficient and timely services.

### 3.5 Public Sector Reforms

**“A Citizen-Focused and Results-Oriented Institution”**

Public Service reforms will continue to be entrenched across the entire government. The reforms will be guided by the principles of Results Based Management, inculcation of values and ethics, strengthening institutions and development of key competencies. Reform Programmes outlined in the *MTP* are anchored on the human rights based approach to development, which defines rights holders and duty bearers in a citizen-government relationship. Transparency, accountability, participation and the rule of law will constitute an integral part of the reform agenda.

### 3.5.1 Situation Analysis

Public Service reforms were initiated soon after independence, with the objective of enhancing efficiency and productivity within the Public Service. Further, the reforms were intended to achieve equity in wealth distribution and create a competitive environment for investment and private sector growth.

In 1993, the Civil Service Reform programme was launched and implemented in three phases: Phase 1 covered the period 1993-1998 and focused on cost containment. During this phase, the Voluntary Early Retirement Scheme was carried out. 86,516 civil servants passed through the scheme, while others were dropped through natural attrition. In
addition, 4,000 ghost workers were cleared from the payroll. Phase 2 covered the period 1998-2002 and resulted in the rationalisation of ministries, with a further reduction of 23,448 civil servants in over-staffed cadres. In addition, ministries divested from non-core activities through privatisation and abolition while non-strategic operations were privatised under the State Corporations Privatisation Programme.

Phase 3 of the Public Service Reforms programme was introduced and implemented during the Economic Recovery Strategy (ERS) period. Measures undertaken during this period entailed consolidating and sustaining the gains made during the previous phases. They further aimed at accelerating the achievement of the ERS, MDGs and other national targets. This resulted in a strengthening of the institutional framework whereby a number of strategic institutions were established. This included the Public Financial Management Secretariat (PFM); Public Procurement Oversight Authority (PPOA); Privatisation Commission; among others. Other initiatives include establishment of the National Integrated Monitoring and Evaluation System (NIMES); Performance Contracting; Integrated Financial Management Information System (IFMIS), and the Local Authority Integrated Financial Operations Management Systems (LAIFOMS).

3.5.2 Emerging Issues and Challenges

Despite the gains made in the public service, there are a number of challenges which must be overcome in order to have an efficient public service.

Cultural and attitudinal aspects: The public services delivery system is characterised by inefficiencies associated with cultural and attitudinal aspects. This is partly responsible for the discomfort among service deliverers who are often fearful of the consequences of reforms. This call for stakeholder involvement, including the citizens in determining policies, priorities and service delivery system so as to inculcate a culture of values and ethics throughout the public service.

Service delivery orientation: Currently, public service delivery is largely process-driven rather than results-based. This means that the quality of services offered to citizens is not commensurate with the government’s spending on service delivery across the sectors. Furthermore, the situation is compounded by a weak enforcement of the Public Officer Ethics Act and lack of a critical mass of transformative leaders to drive and sustain necessary reforms.

Capability and capacity: The existing capability and capacity is insufficient to deliver the kind of services necessary for national transformation as envisaged under Vision 2030. Moreover, the available competence is neither efficiently nor effectively utilised and may be lacking altogether. Inefficiency in the public service is mainly attributed to the lack of a modern human resource management system that champions competency-based and value-driven human resource management principles and practices. Consequently, there is slow adoption of modern technology and low service delivery standards which are rarely benchmarked against best practice.

Performance management: The rewarding system currently in place does not promote efficiency in the management of the public service. The government will therefore deepen the performance management framework to ensure that both rewards and sanctions are used as measures to boost service delivery.

3.5.3 Programmes and Projects 2008-2012

The following projects have been earmarked for implementation in the Medium-Term Plan:

Kenya School of Government: The Kenya School of Government will be established with the objective of inculcating public service values and ethics as well as enhancing transformative leadership. The school will also be used to promote core competencies for personnel within the public service sector.
Results Based Management: This programme entails deepening results-based management strategies in order to meet citizen expectations. It will therefore target all government ministries/departments and regional development authorities. To attain a citizen-focused public service, the government will develop and implement a results-based performance for monitoring systems, common public service delivery measurement standards and service delivery action plans.

3.5.4 Policy, Legal and Institutional Reforms

The government will give priority to the following reforms in transforming the public sector:

Sectoral reform Strategies: Reforms to be undertaken include: Citizen-Centred Policy Review, Citizen Participation and decentralisation of service delivery.

Public Finance Management Reform (PFM): The PFM were initiated in 2005, with the objective of strengthening financial management and enhancing resource utilisation across the government. These reforms will be finalized and made more comprehensive during the Plan period.

Structural Review of sectors: This review will seek to clarify and harmonise roles of actors in policy, planning, monitoring and evaluation.

Organisational Review: This will aim at separating policy formulation, regulatory functions, legal and service delivery across the public sector.

3.6 Human Resource Development, Labour and Employment

“Every Kenyan with decent and gainful employment”

Kenya aims to create a globally competitive and adaptive human resource base to meet the requirements of Vision 2030. Kenya’s main potential lies in its people – their creativity, work ethic, education their entrepreneurial and other skills. To ensure significant and consistent results, the human resources will be managed, rewarded and steered to develop global competitiveness. To be successful in developing competitiveness, the capacity to utilise knowledge and information in design, production and marketing of traditional exports will be enhanced. This will result in quality human resources in health care, education, and training on improving work performance.

Kenya’s global competitiveness will depend on the ability to create a human resource base that will be constantly subjected to re-training and access to technological learning within employment. These specific human resources play a major role in contributing not only to efficiency gains in existing economic activities, but also in diversifying economic sectors and activities in order to realise productivity gains.

3.6.1 Situation Analysis

The current primary working-age population (15-64 years) in Kenya is about 19.2 million which is 54.2 per cent of the total population. Out of the 19.2 million persons, 14.6 million are labour market participants of which 11.9 million are employed while 1.7 million are openly unemployed. It is estimated that by 2012 the working-age population will increase to about 23 million persons. It is critical to note that 1.3 million (72 per cent) of the unemployed are young people below the age of 30 years while 51 per cent of the unemployed are below 24 years of age. The unemployment rate among the youth age 15-24 is at 24.5 per cent with that of the females being higher at 27.4 per cent compared
to 21.6 per cent for the males. Urban areas account for higher rates (38.5 per cent) compared to the rural areas 18.9 per cent.

Over the period 2003-2006, the share of modern sector employment to total employment shrunk from the 2002 baseline figure of 24.7 per cent to 21.3 per cent in 2006. The private sector accounted for over 60 per cent of wage employment in the formal sector, with the public sector wage employment having declined from 38.8 per cent in 2002 to 35 per cent in 2006. The service sector is the main source of employment in the formal sector accounting for about 55 per cent of the wage employment. In the informal sector, wholesale and retail trade, hotels and restaurants accounted for 58.6 per cent of informal sector employment in 2006 followed by the manufacturing sector at 22 per cent in the same year. The MSE sector, including the Jua Kali sector played a vital role providing employment opportunities to 74.2 per cent of the total employed population and contributing about 18 per cent to the country’s GDP. There is notable gender disparity in employment. The level of participation of women in modern sector employment is less than a third. For instance between 2002 and 2006, the proportion of women employed in the formal sector increased marginally from 29.6 per cent to 30.3 per cent. This depicts a less than one percentage point increase over the five-year period, implying that even though dismal gains were made in creation of wage employment in the formal sector of the economy, the opportunities were not equally accessed by both genders as envisaged under the decent work framework. Women are predominantly engaged in domestic unpaid work, subsistence agriculture and informal sector activities. Within the formal sector, women are engaged in low skill manufacturing, service and horticulture activities which are mainly of low value addition, attracting low wages and relatively poor terms and conditions of employment, and hence perpetuate poverty among women.

Generally, creation of productive and sustainable employment opportunities has presented one of the formidable challenges to the government during the ERS period. Employment creation fell short of the ERS target of 500,000 by 34,100 jobs. The jobs created in 2004 were some 16,600 jobs below the target while in 2005, the government realised 41,100 less of the jobs that were expected to be created in that year. In 2006, 469,000 jobs were created, which was some 31,000 jobs below the country’s target.

Kenya’s business environment is characterised by a large number of Micro and Small Enterprises (MSEs), which account for roughly 75 per cent of total employment and an estimated 18 per cent of GDP. Despite the critical role played by informal sector and particularly Micro and Small Enterprises (MSEs) in promoting employment creation, the sector continues to face traditional challenges which include low productivity and limited technological transfer. Some of the measures to address MSE issues include Sessional Paper No. 2 of 2005 on Development of Micro and Small Enterprises for Wealth and Employment Creation for Poverty Reduction which provides the policy framework to guide growth and development within the sector, and the recently enacted Occupational Safety and Health Act 2007, which provides for safety and health standards for all work places, including in the informal sector. Other interventions are as indicated in table 3.6 below.

<table>
<thead>
<tr>
<th>Activity</th>
<th>Number of Units</th>
<th>Outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rehabilitation of worksites</td>
<td>204</td>
<td>Reduced productivity Constraints</td>
</tr>
<tr>
<td>Securing of land parcels in various parts of the country</td>
<td>381</td>
<td>Increased worksite areas</td>
</tr>
<tr>
<td>Local and regional exhibitions</td>
<td>373</td>
<td>Increased marketing of the Jua Kali products; Knowledge sharing among entrepreneurs</td>
</tr>
<tr>
<td>Training of operators in the sector</td>
<td>416</td>
<td>Skills upgrading and productivity improvement</td>
</tr>
<tr>
<td>Facilitation to form SACCOs</td>
<td>15</td>
<td>Improved savings and access to credit</td>
</tr>
<tr>
<td>Provision of financial services through MFIs</td>
<td>300</td>
<td>Increased capitalization and performance</td>
</tr>
</tbody>
</table>
To reform the labour market management in Kenya to international best practices, the government enacted five Labour Laws in 2007. These are; The Labour Institutions Act, 2007; The Labour Relations Act, 2007; The Employment Act, 2007; The Occupational Safety and Health Act, 2007; and The Work Injury Benefits Act, 2007. The modalities to operationalise and implement the laws are being worked on under the tripartite arrangement that involves government, employers and workers.

A safe and healthy workplace minimises the risk of employers and workers in encountering occupational accidents and diseases. Such a scenario is critical for enhancing enterprise and national level productivity as it impacts positively on the longevity of life, earnings, quality of life, and country’s socio-economic development and minimises cases of workmen compensation claims. Enactment of the Occupational Safety and Health Act, 2007 is a key achievement in this direction and its implementation in the plan period will have great impact.

In realisation that productivity is an important determinant of competitiveness as it enhances the capacity of firms to become viable, profitable and create sustainable jobs, the government has, in collaboration with the social partners - FKE and COTU- established a productivity centre which champions the productivity movement in the country. Since its establishment in 2002, the centre has undertaken productivity awareness campaigns and improvement programmes. The activities are being undertaken in collaboration with the Japan Productivity Centre for Socio-economic Development (JPC-SED) through the Pan African Productivity Association (PAPA).

### 3.6.2 Emerging Issues and Challenges

Kenya’s ability to compete in the global arena is hampered by several factors. These include:

**High Population and Youth Unemployment:** The high population growth rate that is not matched with the creation of viable economic opportunities poses a great challenge. Kenya has a youthful population. The high unemployment amongst the youth constitutes a formidable risk factor for both the youth and prosperity of the economy, and requires appropriate intervention. About 90 per cent of the unemployed youth do not have appropriate vocational or professional training and therefore have limited chances of fully participating in the labour market. One of the forms of unemployment that has persistently been manifested in Kenya is voluntary unemployment. This form of unemployment has mainly been reported amongst the youth who, in most cases, are selective about the type of jobs. This type of youth unemployment is contributed by the negative attitudes of the job seekers towards some jobs, especially manual labour. Current government employment creation strategies have tended to favour, among others, labour-intensive public works programmes. These strategies cannot be effective if the negative attitudes of young job seekers towards some jobs are not addressed.

**High Rural-Urban Migration:** There is high level of rural-urban migration especially among the youth due to low levels of development in the rural areas which makes them less attractive to investors. In addition the rural-urban migration creates high pressure on available job opportunities and social amenities.

**Child Labour:** Lack of updated and comprehensive information on the size and structure of child labour and all its manifestations has led to inconsistent intervention measures. In addition the persistent incidences of poverty, increase orphanhood especially due to HIV/AIDS, high levels of unemployment and limited income generating opportunities have tended to aggravate the problem.

**Human Trafficking:** Kenya suffers from both domestic and international Trafficking in Persons (TIP). Studies have shown that Kenya is a source, transit and destination country for victims of TIP. Given the considerable effects of TIP on human resource development, utilisation and the general labour market, it is critical that non-legislative steps that have already been initiated and be up scaled to achieve greater gains.
The Informal Sector: While the informal sector continues to play a critical role in employment creation, the sector is faced by challenges which include low productivity, limited technological transfer, poor occupational health and safety measures, inadequate access to markets and marketing channels, and information asymmetry.

Labour Market Skills and Information: Kenya faces a number of challenges in aligning the planning and development of its human resources to her developmental needs. The lack of reliable, adequate and timely data on almost all facets of the labour market has constrained policy formulation necessary for promoting employment and human resource development. There also seems to be un-coordinated collection of socio-economic data by different public and private sector institutions. A number of gaps also exist in the data in terms of comprehensiveness, interval of collection, coverage and the general form in which the data may be available, its accuracy and the extent of accessibility. Poor linkages between the labour market and training/research institutions has led to skills mismatch and underdevelopment. The country’s labour market is still characterised by co-existence of trained unemployed manpower alongside skill shortages in some areas within the market. This needs to be addressed for enhanced competitiveness within the economy.

Workplace Safety and Health: One of the greatest challenges that undermined the fortification of workplace health and safety services in the country is the lack of comprehensive policy on occupational health and safety. This has partly contributed to the weak safety culture amongst workers and employers, and non-compliance with international health and safety standards.

Industrial Relations: Industrial harmony is critical for enhanced productivity and firm competitiveness. Data on collective bargaining shows that the number of Collective Bargaining Agreements (CBAs) negotiated and registered by the trade unions increased from 304 in 2002 to 344 agreements in 2006. Most of these agreements contain the traditional clauses such as wages, working hours, leave, housing, retirement and medical schemes. Only 32.7 per cent of the CBAs in 2005 and 24.7 per cent in 2006 contained contemporary issues such as productivity, gender, HIV and AIDS, sexual harassment and specific occupational health and safety clauses. In the recent past, issues such as introduction of technology, outsourcing, job evaluation, and provision of childcare facilities and other forms of employment such as casual, temporary and contract works have become more crucial than ever before. Delay in settlement of industrial disputes affects industrial relations. Specifically, investigation, conciliation and industrial court arbitration points have been identified by labour market players to be some of the key areas of delay in the dispute resolution chain. A number of issues are alluded to for such delay which include absence of a legally set time limit within which dispute conciliation/investigation has to be finalised; inadequate human and financial resource capacity within the MLHRD; and limited goodwill in negotiations by parties to a dispute. Even though the new Labour laws have incorporated time limits, within which a dispute has to take in critical stages of its resolution, their operationalisation and effective enforcement laws remains a challenge.

Social Protection: Maintenance of a comprehensive social protection programme is regarded as one of the sufficient requirements for improved productivity and industrial competitiveness. The existing schemes of which NSSF is the key player are not fully developed and modernised. There is need to offer affordable and comprehensive coverage of persons in the informal sector. Also expanding the service offering to include development loans for employees and contributors is a key challenge.

Productivity Promotion: Inappropriate legal and institutional capacity for the Productivity Centre of Kenya (PCK) to facilitate its effective operation remains a challenge. It is established as a private company under the Companies Act (Cap. 486) which makes it difficult for the government to fully finance its operations.

Vulnerable and Persons with Special Needs: The plight of people with special needs has not been adequately addressed in the past. People with special needs constitute a considerable proportion of the openly unemployed, disguised employees and the working poor. Such a scenario, if not addressed, cannot guarantee adequate socio-
economic development and social cohesion within the country. Full integration of this group into the world of work can sustainably reduce the numbers of the poor and the unemployed in the country.

**Gender and Employment:** Gender disparities in the formal employment and particularly in the decision making levels continue to be a challenge. This requires to be addressed among others, through the implementation of the Affirmative Directive requiring a minimum 30% to women in the public sector. In addition, deliberate efforts need to be taken to promote women employment in all sectors of the country’s economy.

**Mitigating HIV/AIDS in workplaces:** HIV/AIDS is one of the contributors of low productivity and high labour costs in Kenya. It is reported that the national adult HIV/AIDS prevalence reduced from 10 per cent in 2004/2005 to 5.1 per cent in 2005/2006. The youth are the most affected. Prevalence continues to be high amongst the active labour force with adverse impact on the operations of many companies in Kenya, their employees, and households. It threatens to drag the country’s competitiveness. The trade unions, employers’ organisations and the MLHRD have crucial role in ensuring that employees have domesticated/implemented the HIV/AIDS workplace policy. Areas that need addressing include discrimination against persons living with HIV/AIDS, establishing of Voluntary Counselling and Testing of HIV at workplace, proper referrals for employees testing HIV positive, and workload and sick leave for sick workers.

The Post 2007 Elections crisis, caused turbulence in the labour market. Some workers lost their lives and/or their close relatives, others sustained injuries of varying degrees while a similarly large number of workers and their families were displaced and lost means of livelihood. In addition, property of considerable value has been destroyed. This has impacted negatively on productivity and competitiveness nationally and globally.

### 3.6.3 Programmes and Projects for 2008 - 2012

For the period 2008-2012, specific human resource development interventions will be undertaken in the following areas;

**Human Resource Development:** Kenya’s global competitiveness will depend on the country’s ability to identify, develop and utilise its human resource base. A National Human Resources Database will be established through a National Manpower Survey, a Micro and Small Enterprise (MSE) Survey, an Informal Sector Survey, and a skills inventory.

To address the issue of brain drain, the government is committed to implementing measures that would ensure expansion of the absorptive capacity of the domestic labour market and retention of a critical mass of skilled personnel within the economy. At the same time, mechanisms to offload excess labour to needy and friendly foreign markets will be developed. These efforts will be preceded by taking stock of available skills in the country and the subsequent identification of skills for export.

To promote creativity, innovation and development of special talents, a framework will be put in place to facilitate identification, recognition, nurturing, and rewarding of both academic and non-academic talents. In the public service, training and capacity building will focus on training for performance improvement as opposed to training for promotion. In the informal sector, tailor-made skills will be imparted to the entrepreneurs, their staff and trainees. In addition, centres of excellence for MSEs will be established in each province to promote technological transfer, capacity building, product design and development and marketing of MSE products. The said trainings will be facilitated in collaboration with the private sector. To consolidate the gains already realised on industrial and vocational training, Youth Polytechnics and National Youth Service will be transformed into Centres of Excellence so as to produce high quality graduates.
In bridging the gaps between high cadre and middle-level technical skills, mechanisms of tapping the skills of retired technical and professional Kenyans through specific mentorship programmes will be developed. Existing institutions will be expanded, improved and equipped with e-learning facilities for public servants. In addition the government will retrain and redirect human resources in excess supply to areas experiencing shortages in order to meet the requirements of enterprises.

For efficient skills utilisation, the gap between the skills possessed by the job seekers and those required by industry will be addressed. Linkages between the industry, technical training institutions and research institutions will be strengthened. This will promote training that is demand-driven, and ensure that technical and research institutions are responsive to the requirements of industry, particularly in the priority sectors. Consequently, the curricula and syllabi in the education and training institutions will be reviewed. An appropriate feedback mechanism and policy framework to promote industrial attachment and apprenticeship system will be established. Strategic management and coordination of human resource aspects of skills development and utilisation will be ensured. Measures will be put in place to identify, attract and retain talent, particularly in the key sectors of the country’s economy. Towards this end an Integrated Human Resource Development Strategy (IHRDS) will be developed. The strategy will provide the guiding framework for review of the curriculum for various programmes at all levels of skill development and career guidance and counselling.

On creating employment for the youth, Youth Empowerment Centres will be established in all the constituencies. The centres will promote information sharing, provide online career services and facilitate ICT development. The government will facilitate regulation and operations of the Foreign Private Employment Agencies (FPEA) to enhance ethical standards in foreign employment matters, and facilitate collection of information on the Kenyans working and living abroad.

**Occupational Safety and Health:** Employers have an inherent duty to provide safe work places for their employees. A safe place of work would lead to reduced occurrence of work-related accidents and diseases, and insurance claims resulting to higher productivity and lower production costs. The government has committed to enforcing the Occupational Safety and Health Act No. 15 of 2007. The government will also endeavour to collect, analyse and disseminate necessary information to workers and employers. Towards this end, collaborative interventions will be pursued. To develop and manage occupational health and safety, and work injuries benefits an Occupational Safety and Health Insurance Benefits Authority (OSHIBA) will be established. The Authority will be responsible for the administration of Occupational Safety and Health Act (OSHA) and Work Injury Benefits Act (WIBA).

**Promotion of fundamental principals of Rights at the Workplace**

Enterprise competitiveness and industrial democracy are hinged on the extent which players in the labour market can dialogue. One of the key reform areas that the government will continue to focus on, especially in the medium term is mechanisms to expedite settlement and arbitration of industrial disputes and to address the decent work deficit in the country. In an effort to create a conducive environment for employment creation for majority of unemployed Kenyans, the government will ratify and domesticate ILO Convention No. 122 on employment policy. The ratification of this convention will complement the government’s resolve to pursue as a major goal, an active policy designed to promote full, productive and freely chosen employment.

**Productivity Management:** A significant step in growth and economic prosperity is nurturing, mainstreaming and promoting productivity culture in all the sectors of the economy. To address the constraints of productivity, the legal status of the Productivity Centre of Kenya (PCK) will be reviewed to make it a national public institution that is independent. It will be run under the PPP framework. An integrated productivity management system will be developed and implemented to facilitate productivity development.
Promotion of Entrepreneurship Culture: The performance and competitiveness of the MSEs and the *jua kali* sector will be increased for it to effectively respond to the challenges of creating productive and sustainable employment opportunities, promoting economic growth and poverty reduction in the country. A large number of Kenya’s current and potential entrepreneurs need human resource development to meet their operational and developmental needs. This will be realised through specialised training that will be designed and offered to the entrepreneurs and their membership organisations at different levels. Entrepreneurial development programmes will be introduced in schools and other training institutions to facilitate development of a wide spread enterprise culture. Appropriate mechanisms will also be put in place to increase participation of youth and vulnerable groups in MSE and *jua kali* activities. In addressing the financial constraints facing youth and women entrepreneurs particularly start-up capital, the government will scale up the already established Youth and Women Enterprise Funds. Commercial banks and Micro Finance Institutions (MFIs) will be encouraged to enhance lending to MSEs and the *jua kali* operators at fair interest rates. To give MSE and the *Jua Kali* Sector the required impetus, the implementation of Sessional Paper No. 2 of 2005 on Development of Micro and Small Enterprises for Wealth and Employment Creation for Poverty Reduction will be fast-tracked. In addition the government will formulate and enact the MSE Act and establish a National Council for Small Enterprise (NCSE).

Social Protection: Social protection is crucial for workers as it covers family benefits and health care and provides income security in the event of such contingencies as sickness, unemployment, old age, disability, accidents, maternity, loss of the breadwinner and social assistance programmes. To address the challenge of low coverage of the social security systems, the NSSF Act has been reviewed to provide for conversion of NSSF from a provident fund to a pension scheme. This will facilitate expanded coverage and provide for the requirements of the people in the informal and other sectors. The Fund is in the process of exploring various ways of enhancing contributions base by encouraging voluntary contributions and setting a minimum contributory level. The Fund also will continue to play a significant role in national development by providing affordable housing projects for workers.

3.6.4 Policy, Legal and Institutional Reforms

The following specific reforms will be undertaken:

Policy Reforms

- Develop an Integrated Human Resource Strategy;
- Enact the Employment Policy;
- Develop the Diaspora and Labour export policy;
- Formulate and implement the Wages and Incomes Policy, Review of the 16 wage regulation orders;
- Enact the Child labour Policy;
- Develop a National Occupational Safety and Health policy;
- Develop a Productivity Policy;
- Formulate and implement a multi-sectoral National Social Security Policy;
- Wages and Incomes Policy;
- Implementation of Employment Policy and Strategy for Kenya which will give a comprehensive framework for large scale employment creation including the establishment of a 24 hour economy; and
- Fast Track implementation of Sessional Paper No. 2 of 2005 on Development of Micro and Small Enterprises for Wealth and Employment Creation for Poverty Reduction.
Legal Reforms

- Enact and enforce the Trafficking in Persons (TIP) Bill;
- Enact of the National Youth Council Bill;
- Finalise the Permanent Public Service Remuneration Review Board (PPSRRB) Bill;
- Entrench workers social and economic rights in the Constitution;
- Formulate and enact the MSE Act;
- Promoting Fundamental Principles and Rights at the workplace;

Institutional Reforms

- Transform the Directorate of Industrial Training into a SAGA;
- Create framework for linkages between industry, education, training and research institutions;
- Establish labour and employment attaché offices;
- harmonise statutes and mandate of public sector wage review bodies;
- Develop labour colleges to offer Diploma and Degree programme on Labour and Employment;
- Establish the Occupational Safety, Health and Injury Benefit’s Authority;
- Develop the Occupational Safety and Health Institute;
- Establish the National Council for Small Enterprise; and
- Transform the NSSF into a pension scheme with wider coverage and more products.

3.7 Security, Peace Building and Conflict Resolution

“A nation of peace and stability; a society free from danger and fear”

Security is the foundation of good governance, individual social welfare and economic development. The pre-requisites of security are peace and elimination of conflict. However, the 2007 post-election crisis demonstrated to Kenyans that peace and security cannot be taken for granted. There is empirical evidence to demonstrate that insecurity increases the cost of doing business in Kenya. Consequently, in order to effectively implement the first phase of Vision 2030, it will be necessary for Kenya to build a strong and sustainable framework for peace and security, and to ensure that all internal conflicts and differences are resolved within the boundaries of the law.

3.7.1 Situation Analysis

Over time, Kenya has acquired a deserved reputation as one of the most stable states in Africa. Nevertheless, the country has faced numerous threats to its national security and stability. These challenges have become increasingly sophisticated and complex, and have equally required change in the ways security agencies approach the fight against crime and insecurity. Moreover, the challenges call for a collaborative and integrated framework to effectively handle security threats within the country.

Although there have been incidences of electoral violence, ethnic clashes, terrorist attacks of external origin, and other crimes the state has managed to keep all of these in check.

Over the years, the Kenya Police, Administration Police, Provincial Administration (Provincial Commissioners, District Commissioners, District Officers, Chiefs and Assistant Chiefs) and other national security agencies have played an important role in the maintenance of peace, security and conflict resolution. Under the ERS, these institutions have
undergone various reforms targeted at institutional capacity, as well as attitude and integrity change, in order to improve service delivery.

The events that followed the 2007 General Election and the difficult path that has been pursued in returning the country to normalcy have brought to light a number of issues. Firstly, despite the encouraging progress made in the area of security reform to date (as compared to the situation in 2003), a lot still remains to be done and a highly accelerated reform effort is urgently required. It is pertinent to note that the post-election events also affected individuals and families within the security forces who were deployed to restore law and order. Furthermore, some institutional buildings, equipment and vehicles were also damaged thereby affecting the work of the Provincial Administration as well as law enforcement officers.

The Strategy as it applies to the maintenance of peace and security will therefore have to focus on rebuilding confidence in the government among Kenyans. In addition, there is a need to cultivate trust and confidence among different communities and in re-assuring them that their safety and security is guaranteed. Perpetrators of crime will face the law and all IDPs will be resettled and reintegrated into their earlier areas of residence or places of work. Some of the ways this can be achieved will be by:

- Enhancing peace building and conflict resolution programmes;
- Increasing police presence through recruitment of more police officers and building of more police stations; and
- Constructing Administration Police (AP) camps and intensified intelligence gathering to pre-empt crime.

These will be complemented by political efforts to build inter-communal trust and harmony and to promote better relations between security forces and the communities they work with.

Progress has been made in a number of areas over the ERS period. Through an accelerated double recruitment programme, the ratio of police to the general population improved from 1:850 in 2003, to 1:600 in 2007. At the current pace of recruitment, the target ratio of 1:450 now seems imminently achievable. As a way of building trust between the police and the general public, initial steps have included the establishment of Community Policing (now in 222 police stations across the country), the introduction of Police Open Days and the use of interactive multi-media (electronic and internet) to provide important information to the public.

Steps to increase police effectiveness are also underway. These have included accelerated re-tooling and re-training of the police force through sensitisation trainings on human rights approaches and anti-corruption. In addition, the completion of the pilot phase of a force-wide attitude and culture change programme is now being rolled out across the country. In terms of working conditions for the police, a police housing programme is in the process of being successfully implemented, with 65 per cent of the project completed. Remuneration terms and conditions for the police have also been reviewed and improved from 2003.

With regard to equipment and technology, more vehicles and patrol boats have been deployed to increase visibility and mobility of the police force. Other innovations include enhanced communication technology, fingerprinting equipment and anti-riot gear. As a result of these capacity improvement efforts, the level of reported crime fell from 77,340 in 2003, to 63,028 in 2007. Furthermore, internal and cross-border cattle rustling has fallen by 90 per cent, while 20,136 illegal firearms and over 50,000 rounds of ammunition were recovered and destroyed during the ERS period.

In an effort to deal with the growing complexity and sophistication of crime, the Proceeds of Crime and Anti – Money Laundering Bill was presented to Parliament. In addition, a Trans-national Organised Crime Bill, a Counter-Trafficking-in-Humans Bill and the Anti-Terrorism Bill will be expected to be tabled in Parliament shortly. Moreover, both the Kenya Police Act and the Administration Police Act are at an advanced stage of review.
Following the 2007 post-election crisis, the government has accelerated the strengthening of border security and enhanced cross border peace dialogues through peace building committees established under the framework of the National Steering Committee on Peace Building and Conflict Management. In the North Rift region, the Provincial Administration and security forces successfully established a voluntary disarmament campaign, titled: *Dumisha Amani*. Furthermore, specific Humanitarian Civil Action (HCA) social and infrastructure initiatives have been undertaken to begin the process of reducing conflict and promoting socio-economic development.

Other achievements within the Security sector during the period 2003-07 included the following:

- A Public-Private Stakeholders Security Forum was established to promote dialogue and enhance partnerships;
- The National Coordination Agency Against Drug Abuse (NACADAA) was transformed into a fully-fledged semi-autonomous national authority;
- A draft National Crime Prevention Strategy has been developed and is currently under discussion;
- A draft Policy and Legal Framework on the Integration of Population Registration Services has been developed;
- The Citizenship Act, Immigration Act and Aliens Registration Act have been reviewed and updated;
- A draft Civil Registration (Births and Deaths) Act has been developed and is currently being finalised;
- Police Human Rights Manuals have been developed for the Kenya Police (Police HR Manual), while a Provincial Administration Training Manual was developed to capture children rights, gender, succession issues, land and environmental issues.

### 3.7.2 Emerging Issues and Challenges

Despite the progress made within this sector, the area of security, peace building and conflict resolution faces several challenges that need to be addressed for *Vision 2030* to be realised. These challenges can be broadly categorised as either external challenges which refer to the national environment or internal challenges relating to the institutional setup.

#### i) External/National Challenges

In its efforts to promote a safe and secure environment, the sector faces eight broad challenges, namely:

**Organised Criminal Groups:** In the midst of widespread unemployment and poverty in the country as well as a fast growing population, the emergence of organised criminal groups is now a real and significant threat to the peace-loving society that most Kenyans would aspire to live in. In particular, the majority of Kenya’s unemployed comprise of young people who are idle, frustrated and, increasingly, have little at stake to lose. Hence, it is not unusual that they are easily lured to join criminal groups as well as indulging in generally anti-social behaviour.

**Resource Conflict:** Resource conflict manifests itself particularly in terms of competition for land, water and pasture. This situation is likely to persist and could also rise in the face of growing population pressure. It has also become increasingly difficult for Kenyans to earn a living in a challenging economic environment.

**Politically related Violence:** Politically related violence, (as recently witnessed both before and after the 2007 General Elections) has become prevalent in Kenya’s political landscape that largely constitutes ethnically-based political parties. The unregulated use of campaign funds has further aggravated this problem. With regard to this, a more recent concern is the increasing use of the aforementioned organised criminal groups and militia to perpetrate electoral and ethnic violence.

**Drug and substance abuse and Drug trafficking:** Increasing anti-social behaviour, as exemplified in widespread drug and substance abuse, presents a new and growing challenge particularly among the youth. The ease with which
illicit drugs and alcohol are now available presents a major problem. Further compounding the problem is the increasing use of Kenya as a drug trafficking focal point with an international dimension.

**Increasing Visibility of Contact Crime:** Although robbery, burglary and outright theft account for roughly four out of every ten crimes committed in Kenya, increased human rights awareness, and more intense press reporting, has shifted the spotlight to contact or violent crime. This accounts for three out of every ten crimes in Kenya, with sexual violence and other forms of abuse against vulnerable persons coming to the fore. The increased exposure accorded to such contact crime has naturally set new standards of public expectation of the need for security and justice institutions to rapidly resolve and bring to justice the perpetrators of these crimes, particularly in the context of rape and sexual assault.

**Trans-national Crime:** Fast-changing trends in the international arena have resulted in more complex and sophisticated crime of a trans-national nature. These crimes include money laundering, human trafficking and terrorism. Kenya has received significant international attention in each of these areas over the past few years.

**Proliferation of Small Arms:** Small arms trafficking and usage continues to pose a major threat to security in Kenya by creating a market for arms and space for violence in both urban and rural areas. Furthermore, Kenya’s extensive international boundaries and inadequate surveillance of cross-border movement calls for more effective border and immigration control, especially across borders shared with countries that have had a history of political instability.

**Ebbing Confidence in Kenya’s Security:** There is an urgent need to re-build public confidence in Kenya’s security institutions as was demonstrated in the post-2007 election events. As a result of the chaos and violence and general state of insecurity, many Kenyan citizens showed no respect for national security institutions, or institutions of law and order. It should be emphasised that this often understated challenge deserves greater policy attention.

**ii) Institutional Challenges**

Faced with the significance of the external challenges just described, the government will adopt the necessary action to deal with these challenges. In so doing, the following six internal challenges will be addressed:

**Early Warning and Response Mechanism:** The government will put in place Conflict and Disaster Early Warning and Response mechanisms to avoid a recurrence of the disturbing situation that recently emerged in Kenya after the 2007 elections. In particular, existing mechanisms need to graduate from an “event” or “incident” based response to an approach based on “trend monitoring” (e.g. banditry, cattle rustling, ethnic friction, food or water shortages). More emphasis needs to be focused on “prevention”, as the recent post-election crisis aptly demonstrated.

**Security and Crime Research:** Related to the foregoing point is the challenge of an inadequate security and crime research framework, following the 2007 launch of the National Crime Research Centre. The 2007 post-election crisis demonstrated that emphasis must be placed on getting this institution up and running as a matter of urgency.

**Outdated Institutional Policies:** Several security sector institutions continue to operate within a framework of outdated policies and laws that are at odds with the demands of an emerging democracy. Examples of outdated laws include the Police Act, Administration Police Act and Public Order Act. The relevant policies and laws are presently under review and will be implemented as soon as they are approved.

**Inadequate Human Capacity:** Human capacity in the sector is inadequate both in terms of numbers and skills. The “numbers” challenge is particularly crucial, as it impacts on the capacity of the sector to provide security within and along Kenya’s borders and territorial spaces. Furthermore, despite recent improvements, remuneration and living conditions remain deficient particularly with regard to police and prisons staff housing.
Aging Infrastructure: The sector currently suffers a general inadequacy in working infrastructure, with aging facilities and equipment and insufficient office space affecting the disciplined forces and provincial administration in particular. Hence, adequate modern working infrastructure is urgently required.

Need for ICT-Based Systems: The lack of modern systems and technology, particularly ICT-based systems, is a particular challenge for the security sector in today's fast-evolving context. This ranges from basic document management systems (e.g. crime records/files) to data management systems (e.g. crime data analysis systems, or forensic databases). It also extends to systems for dealing with citizens (front-office systems). In a systems and technology-weak environment which Vision 2030 seeks to promote, both the speed and quality of decision taking in the security sector must be improved. Linked to this is the need to build capacity in the use of ICT as a management and decision-support tool and getting the technology to be accepted across the sector.

Integration of ex-Security Officers: An increasingly serious challenge relates to ex-security officers. Kenya lacks a 'veterans' or retired security officer's framework or policy for the re-integration of these ex-officers into society. Consequently, the country has failed to tap into valuable human capital and knowledge which could make a positive contribution to society. These ex-security officers could make an impact in so far as security, peace building and conflict management issues are concerned. The government will therefore give attention to this issue over the Plan period.

3.7.3 Programmes and Projects for 2008-2012

Under the security, peace building and conflict resolution framework, the vision for 2030 is “security of all persons and property throughout the Republic”. The goal for 2012 is to enact and operationalise necessary policy, legal and institutional frameworks around security, peace building and conflict resolution. Specific strategies will involve:

- Promoting a stronger sense of Kenyan statehood and nationhood, as the foundation of sustainable peace, security and national unity;
- Promoting national and inter-community dialogue in order to build harmony among ethnic, religious, racial and other social groups, in order to enhance peace building and reconciliation among all Kenyan communities;
- Inculcating a culture of respect for the sanctity of human life that restrains people from resorting to violence as means to resolving personal and community disputes. This should start with the family, schools, the church and all public institutions;
- Deepening policy, legal and institutional reforms for improved enforcement of law and order;
- Improving coordination and communication among the various institutions dealing with security to enhance effective management of crime;
- Promoting sustainable public-private partnerships in policing and the provision of security services;
- Promoting stakeholders cooperation and community involvement for improved safety and security;
- Curbing small arms trafficking and usage and tighten immigration and border control;
- Deepening the use of early warning systems to detect and address crime and other forms of insecurity;
- Executing policies and programmes for the re-integration of ex-security personnel into society, and the deployment of their skills to local communities;
- Intensifying the campaign against and control of drug and substance abuse as well as drug trafficking;
- Intensification of surveillance and improvement in crime detection;
- Improving human resource management, particularly with regard to terms and conditions of staff in the police force, security forces and administration related field services;
- Modernisation of security equipment;
- Recruitment of more security staff: This will improve security by improving the police to population ratio; and
- Capacity building through intensified modern training of security staff and provision of the necessary equipment in all security agencies.
Flagship Projects for 2008 – 2012

As a cross-cutting sector, the security sector creates an enabling environment for the entire nation, at personal, family and sectoral levels. Security is a vital factor from an economic and social perspective, as well as at institutional levels. For the period 2008-2012, four flagship projects, which fall under the National Security and Policing Programme, have been identified:

- **Forensic Laboratory** – Establishment of a modern functional forensic laboratory to support the ongoing war on crime. The key elements include the procurement and equipping of the laboratory and the simultaneous development of appropriate human capacity to manage this new function.

- **Urban Area Camera Surveillance (Pilot)** – A national CCTV/camera surveillance project will be piloted in four major urban locations in Kenya – Nairobi, Mombasa, Nakuru and Kisumu. It is anticipated that this project will be carried out as a Public-Private Partnership.

- **Police Staff Housing** – This project was initiated under the ERS. A target of 20,000 housing units will be developed during the MTP period.

- **National Security Data Centre** – Its role will be to systematically buttress the war on crime, and to accelerate the sharing of information across all security and policing agencies. This national Centre will be established and made operational during the MTP period. A key objective of this project will be to integrate all security information into a single national security database covering the whole of Kenya.

In addition, one flagship project, which falls under the Population Registration and Immigration Services Programme, has been identified, as follows:

- **Integrated Population Registration System** – A modern, integrated population registration database will be established under this programme. This database, titled the IPRS, will link other systems included (as listed later in this section) the Third-Generation ID Card, a new Visa Issuing System, a new Births and Deaths Certificate System, a new Biometric Passport System and a new Border Management System. It will also be linked to other national population registration systems, including the Kenya Revenue Authority, National Social Security Fund, National Health Insurance Fund Systems, as well as the National Security Database mentioned above.

Other Priority Programmes

The entire MTP framework for Security, Peace Building and Conflict Resolution (including the above flagship projects) is reflected in seven key programmes as follows:

- National Security and Policing;
- Peace Building and Conflict Resolution (PBCR);
- Small Arms and Light Weapons (SALW) Control and Management;
- Drug Demand and Supply Reduction (DDSR);
- Administration and Field Services;
- Aid To Civil Authority; and
- Population Registration and Immigration Services.

Key projects and policies within these programmes are outlined below, with a definite time frame and resource detail provided in the Implementation Matrix (Annex).
National Security and Policing

The overall objective of this programme is to “enhance the effectiveness of national security and policing services and operations across Kenya”. This will be done through the following core projects and activities.

Officer Recruitment and Training: Through the double recruitment programme, 10,000 additional police officers will be recruited and trained during the MTP period raising the police-to-population ratio from 1:600 in 2007 to 1:450 in 2012.

Crime Management Curriculum Review: A comprehensive review of the overall policing and crime management curriculum will be carried out between 2008 and 2009. The focus of this long-outstanding review will be to consolidate curriculum improvements made over the years, while creating important new training content that reflects the latest international, regional and local skills in crime management as attuned to Kenya’s crime management needs as an emerging democracy. The new curriculum is expected to be piloted in 2009 for full launch in 2010.

Security and Policing Law Review: The government is in the process of reviewing the security and policing laws including the Kenya Police, Administration Police and Public Order Acts. Under this key measure, all other related laws will also be reviewed within an overall package aimed at making such law consistent with modern democratic norms. National Community Policing Initiative: The rollout of community policing initiatives – already established in 222 stations across Kenya – will be accelerated to ensure that all police stations in Kenya are engaged in community policing. Part of this rollout will include important lesson learning based on the experiences gains thus far. Public-Private Partnership (PPP) modalities will be explored to ensure that this national rollout is accelerated.

Enhanced Crime Data Collation/ Analysis/Storage: Crime data reporting by the Kenya Police has improved over the ERS period. However, data collection, analysis and storage methodology is still rudimentary and urgently needs to be improved. This will be the integrated focus for security and police agencies over the MTP period, during which the National Crime Research Centre – launched in 2007 – is likely to play an important role.

Completion of Phase 1 of Police Reforms Programme: The first phase of the Police Reforms Programme had as a focus, crime prevention, improved human resource management, improved facilities, equipment and technology, building a positive image and strengthening its institutional framework. In the face of funding and operational constraints, not all reforms were completed, and these have now been rolled over into the MTP period.

Security Facilities and Equipment Modernisation: In addressing the capacity challenges the sector faces, specific resources will be earmarked towards a comprehensive and phased modernisation of all security facilities and equipment.

Peace Building and Conflict Resolution (PBCR) Programme

The overall objectives of this programme are to “promote tolerance and peaceful co-existence among all Kenyan communities” and to “establish and operationalise a policy and institutional framework for PBCR and Early Warning Mechanisms on social conflict”.

To achieve these objectives, the following core projects and activities will be undertaken:

Country-wide PBCR Civic & Stakeholder Dialogues / Fora: Expanding on a pilot framework already in place in selected locations, this process of civic and stakeholder dialogues and fora at national, provincial, district and local level is envisaged to take place at least once a year across the country. Such dialogue will be open in nature, aimed at community interaction on social and other issues, while at the same time allowing communities and stakeholders to make their views known to government on matters of interest and concern.
**District Peace Committee (DPC) Framework:** 20 District Peace Committees (DPCs) have been set up mainly located in the North Rift region. Under this initiative, the DPC framework will be extended to the entire country, and linked to District Security Committees. It is envisaged that 20 DPCs will be established every year.

**Annual Socio-Cultural Events:** It is envisaged that 2 annual cultural events will be held every year in at least 40 districts around the country. Working on a rotational basis, these events will include music concerts, sporting contests, multi-cultural exhibitions and peace modelling. This initiative will act as an important cornerstone of the process of building national cohesion in a multi-cultural context. Public-Private Partnership (PPP) modalities will be pursued to ensure that these events are successfully carried out.

**Multi-Media Peace Messages:** As an ongoing programme, resources will be devoted towards the timed and regular transmission of peace messages through the electronic, print and broadcast media. Varying creative approaches will be used to ensure that these messages retain their impact and effect over the period of the MTP.

**PBCR Policy Framework:** The peace building and conflict management processes will be institutionalised through a policy and legal framework that establishes a National Peace Building Commission (NPBC). The core functions of this Commission will revolve around leadership, management and coordination of all projects, measures and actions falling within the Peace Building and Conflict Resolution Programme. It is expected that the NPBC will replace the current National Steering Committee (NSC) on Peace Building and Conflict Management.

**PBCR Capacity Development:** Capacity development will be necessary not simply for officers of the NPBC, but also for Administrative Officers (Provincial Administration), Chiefs, Administration Police, District Security Committees and District Peace Committees. The current peace building curriculum (including records of practical activities undertaken) will be consolidated and converted into a formal curriculum, including teaching, Training of Trainers and actual training manuals. This will form the basis for continuous capacity building.

**PBCR MIS/M&E System:** With a policy, legal and institutional framework in place, and a capacity development package available, the third element of management improvement will involve the development of a comprehensive MIS/M&E system for PBCR.

**Small Arms and Light Weapons (SALW) Control and Management Programme**

The overall objectives of this programme are to:

- control and manage the proliferation of small arms and light weapons across Kenya;
- reduce demand for illicit SALW; and
- establish and operationalise a policy and institutional framework for the Kenya National Focal Point with respect to SALW.

The following key projects and actions are identified for this programme:

**District Awareness Forums:** Public forums at district level will be held to create awareness and interact with communities on the issue of small arms and light weapons. It is expected that these forums will be institutionalised in at least 20 districts in traditionally conflict and crime prone districts across the country.

**SALW Retrieval:** Building on the success of retrievals achieved in the ERS period, law enforcement agents will continue to work closely with defence forces to retrieve illegal SALW.

**SALW Demand Reduction Research:** Much practical experience and research work has been done in the area of
SALW, particularly as regards the East and Central Africa region. The focus of this action will be to build on this work by establishing an institutionalised research process that seeks more efficient strategies to reduce demand for illegal SALW.

**District IGE Programmes:** In conjunction with the above research effort, efforts will be made to promote and guide income-generating initiatives, through the Provincial Administration, in at least 20 conflict prone districts across the country.

**SALW Policy Framework:** To formally institutionalise the Kenya National Focal Point (KNFP), which currently coordinates SALW monitoring efforts through the Provincial Administration, a national policy framework on SALW will be developed and implemented during the MTP period.

**SALW Capacity Development:** Capacity development will be necessary not simply for officers and members of the KNFP, but also for Provincial Task Forces (PTFs), District Task Forces (DTFs) and all law enforcement and security agencies and committees. Such capacity development will be informed both by ongoing SALW efforts and the proposed SALW demand reduction research.

**Drug Demand and Supply Reduction Programme**

The objectives of this programme are to:

- reduce drug and substance demand and supply, and related crime and conflict;
- facilitate effective treatment and rehabilitation of drug users; and
- fully operationalise NACADAA.

Key elements of this programme will include:

**Full Operationalisation of NACADAA:** With NACADAA now formally established as a statutory authority, the initial MTP focus will be:

- full operationalisation, involving the recruitment of dedicated staff (previously most staff were drawn from mainstream Ministries), the acquisition of offices, procurement of equipment and other institutional set-up and capacity development activities; and
- establishment of formal inter-sectoral coordination and collaboration mechanisms.

**Drug Demand and Supply Reduction.** Key focus areas will include:

**Public Education and Awareness Campaigns:** Building on ongoing public education and awareness efforts will be enhanced, in partnership with private sector and development partners, as a demand-side initiative.

**Anti-Narcotic And Police Operations:** Multi-agency operations involving police and intelligence agencies will be enhanced, with a key objective being to reduce the supply of drugs and illegal substances available in Kenya.

**Zero-Tolerance Measures:** Enhanced punitive measures, including legal measures, will be introduced and implemented in order to increase risks to drug traffickers and other trans-national criminals, while sending out a strong “zero-tolerance” message to drug users.

**Drug and Substance Abuse Research:** NACADAA will continue to collaborate with educational and research institutions on drug and substance abuse in Kenya.
Facilitation of Effective Treatment and Rehabilitation of Drug Users: Under this measure, NACADAA intends to work in partnership with private sector medical institutions, private sector sponsors and private and community groups on initiatives that support the treatment and rehabilitation of drug users, within a holistic context that also includes post-rehabilitation counselling.

Administration and Field Services Programme

The objective of this programme is to “facilitate improved delivery of government services to Kenyans”. Key projects and actions identified for this programme will include:

Expanded District Development: With districts having increased from 72 to 147 in the past five years, the focus of this effort will be the necessary construction, equipping and operationalisation of district offices for all newly created districts.

Sector Policy and Law Review: This programme will continue to lead policy, law and institutional reform efforts across the sector. A summary of the reform agenda is shown at the end of this chapter.

Capacity Development and Sector Linkages: As part of continued institutional strengthening, it is expected that past large scale capacity development efforts will be enhanced during the MTP period. In addition, a core MTP focus of the Administration and Field Services programme, which is a coordinating programme, will be the effective coordination of all security agencies, particularly given the expanded peace building and conflict resolution scope now envisaged for the sector.

Working Infrastructure: Working infrastructure, particularly communications equipment, vehicles and ICT will continue to be upgraded as the programme seeks to be increasingly responsive to the needs and rights of Kenyans.

New Headquarters: It is envisaged that this programme will be relocated to a new, and more expansive, headquarters during the MTP period.

Aid to Civil Authority Programme

The objective of this programme is to “support civil authorities in social and infrastructure development in harsh/conflict areas”. The key project under this programme is HCA (Humanitarian Civic Action) – Social and Administrative Infrastructure Support, which essentially involves the military working with civil authorities, mainly the provincial administration, in social and infrastructure projects as and when needed.

Population Registration and Immigration Services Programme

The objective of this programme is to “establish and operationalise an Integrated Population Registration Database System (IPRS) and key supporting systems for Kenya”. Beyond the IPRS -identified earlier as a flagship project - the key projects identified for this programme are:

- Introduction of Third-Generation ID Card;
- Improve Births and Deaths Registration Certificate System;
- VISA Issuing System;
- Biometric Passport System; and
- Border Management System.

All these systems will be linked through the flagship IPRS project.
3.7.4 Policy, Legal and Institutional Reforms

Policy Reforms

In support of the comprehensive programme defined in the previous section, an extensive policy reform agenda is envisaged for the sector, which includes:

- Finalisation and Rollout of the National Security Policy to enable the relevant sectors to develop their specific sectoral policies;
- Finalise and implement the Community Policing Policy;
- Finalise and implement Stakeholders Partnership Policy;
- Review the policy on Military Humanitarian Civic Activities/Aid to Civil Authority;
- To enhance the role of the Armed Forces in socio-economic development;
- Finalise and implement a national Drug and Substance Abuse Control Policy;
- Finalise and implement draft Peace Building and Conflict Management Policy;
- Finalise and implement a draft policy on Small Arms and Light Weapons in line with regional and international conventions;
- Review and Finalise the implementation of ICT ministerial policy especially by the security agencies;
- Finalise and implement regulating policy on private security providers;
- Finalise and implement District Focus for Rural Development Policy;
- Develop a policy on Internally Displaced Persons (IDPs), Besieged Persons (BP) and Resettlement and reintegration Programmes;
- Develop a policy on universal conscription of youth into the National Youth Service (NYS);
- Develop and implement a gender mainstreaming policy for PA&IS; and
- Finalise and implement the National Alcohol Policy.

Legal Reforms

The policy reform agenda will be supported by a legal reform agenda that includes the following:

- Finalise the review of Kenya Police, Chief’s, and Administration Police Acts;
- Finalise and enact the organised Crime Bill;
- Finalise and enact Anti Terrorism Bill;
- Review and implement the Proceeds of Crime and Money Laundering Prevention Bill, 2006
- Harmonisation of the Liquor licensing Act and Traditional Liquor licensing Acts;
- Implement the Witness Protection Act;
- Review and enforce the Physical Plan Act to control the mushrooming of informal and illegal settlements especially in the urban areas;
- Finalise the Hate Speech Bill;
- Review the Firearms Act;
- Review the Media Act to control incitement attempts;
- Review the Freedom of Information Bill;
- Review the Refugee Act;
- Review the Narcotics Drugs and Psychotropic Substances (Control) Act, 1994;
- Review the Armed Forces Act to enhance its integration of HCA activities;
- Enact the Alternative Dispute Resolution (ADR) Bill to institutionalise peace building and conflict transformation in the country;
- Finalise the Land dispute Tribunal Act;
• Enact the Precursor Chemicals and Drugs Law;
• Amend the Provincial and District Boundaries Act to accommodate the newly created districts; and
• Domesticate international and regional Conventions through an enactment of the relevant legislations such as the International Shipping port security code and international maritime conventions.

Institutional Reforms

Institutional reform continues to be a priority for the sector. Over the MTP period, such reform will focus on the following:

• Deepen reforms being implemented in the Provincial administration especially the integrity and attitude change reforms to make the officers more people friendly;
• Enhance the capacity of both human resource and equipment of security agencies;
• Consider the establishment of a Metropolitan Police Authority for Nairobi and other major cities;
• Establish an Independent Police Complaints Authority to deal with public complaints;
• Establish a framework for co-ordination of public and private security stakeholders;
• Implement the Integrated Population Registration System (IPRS);
• Enhance the capacity and operationalise NACADAA;
• Restructure the Early Warning System and Disaster Management Co-ordination mechanism in Kenya;
• Provide a framework for stakeholder partnership for effective emergency response and rescue services;
• Restructure the Peace Building and Conflict Resolutions Secretariat and structures at all levels;
• Restructure the mechanism for identifying persons for registration in the districts along the international borders;
• Restructure the Kenya National Focal point on Small Arms and Light Weapons;
• Build the capacity of Forensic investigation unit through provision of appropriate equipment and specialised training;
• Acquire and install appropriate ICT infrastructure for all security agencies;
• Enhance the capacity of National Maritime Patrol through provision of appropriate and adequate equipment;
• Establish a mechanism to re-integrate retirees/ ex-servicemen into the society; and
• Establish a framework for coordination of the campaign against drug abuse among all stakeholders.
THE ECONOMIC PILLAR

“Moving the Economy up the Value Chain”

4.0 Overview

To address Kenya’s economic growth challenges and thereby creating more opportunities for everyone, six priority sectors have been targeted to raise the national GDP growth rate to 10% by 2012. The sectors are: Tourism, Agriculture and Livestock, Wholesale and Retail Trade, Manufacturing, Business Process Outsourcing and Financial Services. These sectors make up the bulk of Kenya’s GDP (57 per cent) and account for approximately half of the country’s total formal employment. The sectors are supported by the enablers that include energy, infrastructure, Human Resource Development (HRD), Security, Information Communication Technology (ICT), Science, Technology and Innovation (STI) as discussed in chapter 3 of this MTP 2008 - 2012. This chapter looks at each of the six economic pillar sectors and identifies the priority programmes and projects to be undertaken during this first Medium Term Plan period.

4.1 Tourism

“To be a top 10 long haul tourist destination offering a high-end, diverse, and distinctive visitor experience”

Kenya is one of the leading tourist destinations in sub-Saharan Africa, a region that has significant potential for tourism growth. Moreover, the country is endowed with a unique combination of tourist attractions comprising of tropical beaches, abundant wildlife in natural habitats, scenic beauty, and geographically diverse landscape. Tourism is highly competitive and sensitive to price changes, while premium parks and niche products are so unique that they can be marketed successfully at higher prices. In addition, tourism, through its multiplier effect has the capacity to promote regional development, create new commercial and industrial enterprises, stimulate demand for locally-produced goods and services and provide a market for agricultural products.

4.1.1 Situation Analysis

Tourism currently accounts for about 10 per cent of the Gross Domestic Product (GDP), making it the third largest contributor to the GDP after agriculture and manufacturing. It is also Kenya’s leading foreign exchange earner generating about Kshs 65.4 billion in 2007, up from Kshs 21.7 billion in 2002. The sector’s contribution to the generation of employment has grown by over 3 per cent annually. Moreover, earnings per employee increased by 18 per cent over the last five years. Further, the sector is a major source of government revenue in the form of taxes, duties, license fees, entry fees among others. This contribution has the highest multiplier effect due to its linkage with other sectors. Further, the sector benefits from lower capital/output ratio and import-content per unit of final output compared to most other sectors.

The Tourism Recovery Programme, which started in 2003 resulted in tremendous recovery for the country, with international arrivals rising by an average of 12.5 per cent annually, from about 1 million in 2002 to about 1.8 million in 2007. On the other hand, domestic tourism registered a remarkable growth from 656,100 bed nights in 2002, to 1,869,800 bed nights in 2007.
4.1.2 Emerging Issues and Challenges

Post election violence: Since the onset of the 2007 post-election violence, tourism practically collapsed as a result of the negative publicity Kenya received in the global media which resulted in the country being perceived as very insecure. This violence led to a great reduction in the number of tourist arrivals; domestic tourism declined; damaged infrastructure (hotels) and in some cases displacement of skilled labour. With the formation of the Grand Coalition Government, given that the necessary infrastructural facilities are already in place, there is renewed optimism that tourism will pick up in the months ahead. However, the tourism sector is faced with other key challenges which need to be addressed for it to attain its full potential. These challenges include the following:

Insecurity: In the past, the tourism sector has suffered from negative publicity and insecurity both real and perceived. The major sources of insecurity in the East African region are associated with political instability, terrorist threats, income inequalities, unemployment and poverty. The post election violence further complicated the security situation and generally had a negative impact on the sector.

Inadequate Infrastructure Support: The available infrastructural and hospitality support facilities are inadequate for the expected high tourist numbers. Improvements have been made on a number of roads leading to key resort areas as well as in new parks targeted as destinations to encourage additional tourists. Other investment avenues to be explored include Rail and Marine transport.

Narrow Product Diversity: Tourism activities in Kenya are currently concentrated on wildlife, which accounts for 70 per cent of gross tourist earnings and 5 per cent of the GDP. Seven of the twenty six parks receive about 80 per cent of visitors to the country. This is despite the existing potential in cultural, sport and resort cities, business tourism, eco-tourism, sports tourism, shopping, conference tourism, heritage sites among others community-based tourism. The sector also needs to improve on the product and service quality.

Inadequate hotel/bed capacity: The increase in tourist arrivals registered has not been accompanied by corresponding investment in tourist accommodation. Consequently, bed occupancy levels during peak season are close to full capacity (about 92 per cent). This challenge is more severe in the 4-5 star hotel categories that represent 18 per cent of premier hotels.

Untapped Domestic Tourism: Over reliance on traditional markets from western countries makes the sector vulnerable to external shocks. However, there is a huge national and regional potential which need to be harnessed. This can be achieved through identification, development, effective marketing and promotion of products that appeal to domestic and regional tourists.

### Table 4.1 Tourism Arrivals and Earnings, 2002 - 2007.

<table>
<thead>
<tr>
<th>Year</th>
<th>Holiday/ Business visitors ('000)</th>
<th>Visitors on transit ('000)</th>
<th>Other Visitors ('000)</th>
<th>Total International tourist Arrivals ('000)</th>
<th>Bed nights by Residents of Kenya ('000)</th>
<th>Earnings (Kshs Billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>819.1</td>
<td>163.3</td>
<td>189.9</td>
<td>1,001.3</td>
<td>656.1</td>
<td>21.7</td>
</tr>
<tr>
<td>2003</td>
<td>866.1</td>
<td>219.0</td>
<td>61.0</td>
<td>1,146.1</td>
<td>738.7</td>
<td>25.8</td>
</tr>
<tr>
<td>2004</td>
<td>1,132.0</td>
<td>162.2</td>
<td>66.5</td>
<td>1,360.7</td>
<td>1,190.3</td>
<td>39.2</td>
</tr>
<tr>
<td>2005</td>
<td>1,269.2</td>
<td>79.8</td>
<td>130.0</td>
<td>1,479.0</td>
<td>1,129.6</td>
<td>48.9</td>
</tr>
<tr>
<td>2006</td>
<td>1,313.6</td>
<td>137.2</td>
<td>149.8</td>
<td>1,600.5</td>
<td>1,374.8</td>
<td>56.2</td>
</tr>
<tr>
<td>2007</td>
<td>1,520.7</td>
<td>130.9</td>
<td>165.2</td>
<td>1,816.8</td>
<td>1,869.8</td>
<td>65.4</td>
</tr>
</tbody>
</table>

Source: Economic Survey 2007 and 2008
Environmental Issues: Major challenges to wildlife include the loss of habitats due to changes in land use and human encroachment into protected areas and those adjacent to wildlife migration corridors as well as inadequate policy and governance to curb poaching. In addition, human encroachment into migration routes and use of protected areas as grazing areas by pastoralists has heightened human/wildlife conflicts in areas such as Amboseli and Mara. This has been compounded by the effects of climate change.

Inadequate skilled Human Resource: An inadequate supply of skilled labour force has hindered the provision of high quality services within the sector. Further, the available training at lower cadres need to be upgraded to provide the required skills.

Research and Development (R&D): There is need for support to create and equip a functional and effective Research and Development Unit in the sector. This will spearhead research on emerging trends, market and consumer surveys to duly inform decision makers and investors.

4.1.3 Projects and Programmes for 2008 - 2012

In order to address the challenges confronting the sector, the MTP, in addition to the One Year Recovery Strategy will undertake the following flagship projects as part of the overall programme to promote the tourism sector.

One Year Recovery Strategy

Short term measures currently being undertaken include:

- Aggressive advertising of Kenyan products and Media Campaigns both locally and internationally;
- Re-branding of Kenya in overseas markets;
- Advising countries that have imposed travel advisories to lift them;
- Strengthen foreign missions to promote Kenya as a safe tourism destination;
- Suspension of the programmed increment of park fees by Kenya Wildlife service for the entire 2008;
- Encouraging, hotels, airlines and tour operators to offer discounts to attract customers;
- Organising familiarisation trips;
- Enhancing security on critical tour routes such as those leading to game parks and strengthening Tourist Police Force.

Flagship projects for 2008 - 2012

Development of 3 Resort cities – Isiolo, Diani and Kilifi
The first resort city will be constructed around Isiolo to optimize the rich tourism potential presented by Mt. Kenya, Meru National park, the Aberdares and Samburu National Park among others. The project is expected to turn Isiolo town into a regional hub. In addition, it will open up the northern part of the country thereby, attracting economic activities and investments. The other two will be located at the coast with a specific theme. The resort at Kilifi will be a family-friendly resort targeting predominantly high-income tourists, while the one in Diani will emphasise on sensitising tourists to the rich culture of Kenyan communities.

Premier Parks Initiative
This will involve branding of the most popular parks with the aim of offering high quality experience at premium rates.

Under-utilised parks initiative
The existing facilities and infrastructure in these parks will be rehabilitated and expanded. In particular, the current bed capacity will be improved and expanded. In addition, measures will be taken to attract new investment to the parks.
and also to advertise tourist attractions at the parks. These parks include Meru, Mt Kenya, Tsavo East, Tsavo West, Mt Elgon and Ruma.

Development of niche products

- **Eco-tourism** – This is a popular product especially for the European and American market due to its environment friendly nature. Sites for these products will be developed in the Western region of Kenya. They will include Kakamega Forest, Ruma National Park, Mt Elgon and Mt Kenya Regions.

- **Cultural Tourism** – Kenya has a wide variety of indigenous cultures, which have not previously been explored for tourism purposes. Deliberate efforts will therefore be made to promote authentic cultural experiences and launch high value cultural projects and festivals. The government will also partner with stakeholders to develop criteria to certify cultural homes (Home stay) in each community that can provide tourists with a cultural experience and benefiting the communities at the same time. One way of achieving this is by creating opportunities for the local communities to participate in the tourist industry through cooperatives. The government will also partner with stakeholders to develop criteria to certify cultural homes (homestays) in each community that provides tourists with cultural experience.

- **Local Tourism entrepreneurship**: This initiative will seek to develop the capacity of indigenous Kenyans to participate in the industry as entrepreneurs and investors. Among other things, this will entail awareness raising and training.

- **Water-based tourism**: Although the country has enormous potential for water-based tourism, this remains largely under-utilised. This particularly applies to fresh waters such as Tana River and Lake Victoria where water sports and fishing can be developed. However, in order to facilitate the development of this product, additional bed capacity will be required around Lake Victoria and Ruma National Park.

- **Sports tourism**: Kenya enjoys a great international reputation in sports. Nevertheless, this potential has not been fully exploited, yet it provides a good foundation for promotion of various types of sports tourism. Deliberate efforts will therefore be made to promote Kenya as a popular destination for sports tourism.

- **Cruise tourism**: An ultra-modern cruise terminal at the Coast and a launch steamer service in Lake Victoria will be built.

- Other Niche products to be explored and promoted include Bird tourism and Agro-tourism.

Other Programmes

**Amusement Park at Bomas of Kenya**

The park shall offer a variety of entertainment complexes that are designed to evoke distant or imaginary activities such as Kenyan safari tours, immigration, cultural homesteads and innovative attractions. This park will also be an amusement centre for family members, where parents and children can enjoy twists, turns, bumps, spins, and smiles all day long. Features of the proposed park include a cliff hanger, falling star, rattler, demolition disco, the scrambler, roller coaster, larger swings and a mini railway.

**Building new exhibitions galleries for the Nairobi National Museums**

The Nairobi National Museum has had its infrastructure refurbished and modernised through a grant from the European Union. However, it requires new, more relevant, engaging and exciting exhibitions. Accordingly, the new exhibitions will include cultural and natural artefacts which will give a more comprehensive account of Kenya’s culture and history.
These displays will promote patriotism and national pride as well as be a major tourist attraction for domestic and international tourism. Other displays will include human origins (Kenya is a cradle of mankind), geology, ecology of Kenya and art.

**Development of World heritage sites as tourist destinations (Lamu, Mt. Kenya and Sibiloi)**
Worldwide World Heritage sites are major tourist destinations. Kenya has three World Heritage sites: Lake Turkana National Parks, Mt. Kenya and Lamu Old Town. The National Museums of Kenya (NMK) in partnership with the Kenya Wildlife Services (KWS) plans to develop Sibiloi National Park where the famous fossil site, Koobi Fora also known as the Cradle of Humankind exists.

**Health spas at Geothermal sites**
Health spas are tailored-made to provide relaxation and curative benefits to users. They also benefit visitors with chronic health complications as well as stress-related problems. Moreover, health spas are ideally located in serene areas characterised by naturally occurring hot, spring water and geysers. The Great Rift Valley is a high potential area for these geysers whose mineral content has some curative element and serves as a core tourist attraction.

**Business and conference tourism initiative**
Kenya has a large potential for business and conference tourism as a major product, owing to its location and ease of international connections. To harness this huge potential, there is need to build ultra-modern conventions/conference complexes preferably in the coastal region which accounts for about 57 per cent of the total bed nights. In addition, this product will be improved by up-grading and building new conference facilities with possible location in the three new resort cities. To cater for increasing numbers of business tourists, the government, together with private sector stakeholders, will also promote investment in hotels by international chains in major towns, especially in the cities of Nairobi, Mombasa and Kisumu.

**Tourism Marketing and Recovery Strategy**
The objectives of this strategy are to remedy damage caused to tourism sector by the post-election violence and to sustainably market Kenya as the preferred tourist destination. These will be achieved through media and brand-building campaigns, destination familiarisation trips, source markets and products diversification, market research, and promotions.

**Classification of all tourism facilities**
The objective is to ensure that tourists get value for their money by the sector maintaining high standards with regard to tourist facilities and attractions. Additionally, there is need to maintain a highly regulated tourism business environment for investment and employment generation through the enforcement of both the Hotels and Restaurants Act and Tourist Industry Licensing Act.

**Reclaim Wildlife corridors and migratory routes (Mt Kenya and Kitengela)**
The establishment and maintenance of wildlife corridors and dispersal areas and biodiversity hot spots are significant to ensure continuity of viable ecosystems and capacity building for natural resource management. Securing the dispersal areas and wildlife corridors requires continuous efforts to encourage creation of conservancies. In critical cases, the government will intervene and provide funds to support easement programmes, lease land from the communities, and acquire prime wildlife dispersal areas.

**Senior citizen assisted living facilities/wellness centre**
Kenya has a great potential for the development of assisted living facilities due to her value added advantage of a pleasant climate and unique tourist attractions, including geothermal springs, rare species of flora and fauna and medicinal herbs. An estimated 16 per cent of the tourists arriving in Kenya are aged 50 years and above with the financial ability to stay in the country for a long duration if the right facilities are in place. These facilities could provide...
specialised services such as nursing homes and facilities for elderly people unable to live alone, yet without incapacitating medical problems that necessitates living in a nursing home.

Other key initiatives that would contribute to the expansion of tourism include:

- Increasing the share of local investors in the tourism industry in order to increase the proportion of returns earned and re-invested locally;
- Streamlining the management of the tourism sector in order to attract investment and increase returns through the development of an effective tourism policy;
- Developing a tourism Master Plan and a tourism regulatory framework; and
- Establishing a workable compensation scheme for economic losses caused by wildlife.

### 4.1.4 Policy, Legal and Institutional Reforms

#### Policy Reforms

To realise and sustain the tourism sector, various policy changes were made or initiated in the last five years. To this effect, tourism and wildlife policies were formulated. While the sector will continue to review these policies to suit changing circumstances, the process of translating the two policies into law has been initiated. Hence, the Finalisation of the Wildlife and Tourism Acts will thus be conducted within the MTP Period.

The sector will Finalise a Heritage policy during the Plan period in order to maximise the utilisation of existing heritage facilities, develop a facilitative legal and institutional and regulatory framework, as well as improve efficiency in heritage investment.

#### Legal reforms

The legal reforms within this sector include the following:

- **Amendment of the KTDC Act**: Gazettement of the KTDC Act will be necessary in order to increase borrowing capacity from Kshs 265 million, to Kshs. 1 billion;
- **Implement the DFI reform strategy for KTDC**: The implementation of the DFI Reform Strategy for KTDC will be done through the Ministry of Tourism & Wildlife and the Ministry of Finance;
- **Zoning**: Zoning of Kenya into tourism development zones will be done in order to establish a development standard for each product type. The carrying capacity of each zone will form the basis of a pricing mechanism that will take into account the exclusiveness of each zoned area;
- **Enactment of KTB and KICC by Acts of Parliament**: The existence of the two Acts has currently gone through legal notice; and
- **Passing and enactment of the Tourism Bill 2007**.

### 4.2 Agriculture, Livestock and Fishing

Agriculture is one of the key sectors in the country with great potential for growth. Indeed, it contributes about 24 per cent of the GDP, 75 per cent of industrial raw materials and 60 per cent of the export earnings. Of this percentage, about 26 per cent earnings are indirectly linked to the sector through linkages to agro-based manufacturing, transport, wholesale and retail trade. The sector is acknowledged as one of the major employers of rural people, with an estimated 3.8 million Kenyans directly employed in farm, livestock production, and fishing while another 4.5 million
were being employed in off farm informal sector activities. Under the MTP period, the sector is expected to be one of the key sectors in realising a quick post election recovery as well as the desired economic growth for the country.

4.2.1 Situation analysis

The Implementation of the Economic Recovery Strategy for Wealth and Employment Creation (ERS), and the Strategy for Revitalising Agriculture (SRA), over the last 5 years have demonstrated that sustained growth in the sector is possible, as outlined in this section.

Food Crops: Food crops are classified into: cereals (maize, wheat, sorghum, rice, millet); pulses (beans, pigeon peas, cow peas, chick peas, green grams); and roots and tubers (Irish potatoes, sweet potatoes, cassava, arrow roots and yams). Most of these food crops have recorded increased production since 2002, with maize production increasing from 2.4 million tons in 2002 to 3.2 million tons in 2006. Production of beans increased from 481,225 tons to 531,800 over the same period. Production of rice increased from 40,498 tonnes in 2003 to 64,840 tonnes in 2006. This was due to expansion of rice production in Mwea, Yala and Bunyala Irrigation Schemes and revival of Ahero Irrigation Scheme. Production of wheat, has over the past 5 years averaged 375,000 tonnes compared to consumption estimated at 890,000 tonnes. Production of roots and tubers, excluding Irish potatoes, on the other hand, increased from 1.1 million tons in 2002 to 1.41 million tons in 2006. Production of Irish potatoes increased from 0.86 million tons in 2002 to 2.41 million tons in 2006.

Industrial Crops: Main industrial crops are tea, coffee, sugarcane, cotton, sunflower, pyrethrum, barley, tobacco, sisal, coconuts, and bixa. Tea is still one of the leading foreign exchange earners in Kenya. Tea production increased from 287,100 tons in 2002 to 310,578 tons in 2006, while the value of exports increased from Kshs. 34.3 billion to Kshs. 47.3 billion over the same period. Export value of coffee increased by an average of 8 per cent per annum, while that of pyrethrum recorded an average of 13 per cent growth rate. The value of coffee exports increased from Kshs. 6.5 billion to Kshs. 8.7 billion over the same period. Following government efforts to revitalise the sugar industry, area under cane increased from 122,580 hectares in 2003 to 158,568 hectares in 2007.

Horticulture: The horticulture sub-sector products include cut-flowers, vegetables, fruits, nuts, herbs and spices. Area under horticultural crops increased from just over 350,000 hectares in 2002 to over 380,500 hectares in 2006, while the value of total production increased from Kshs. 32.0 billion to Kshs. 54.4 billion over the same period. The export target of 16 per cent of total exports was achieved and surpassed. Between 2002 and 2007 revenues from the sub-sector amounted to between Kshs. 26.59 billion in 2002 to Kshs. 65.2 billion in 2007, of which cut flower export value increased from Kshs 14.8 billion in 2002 to 42.3 billion in 2007 and vegetables Kshs 10.2 billion to Kshs 20.8 billion over the same period.

Fish Production: Fisheries production is a major source of livelihood for communities living around Lake Victoria and the coastal regions. It employs over 60,000 fishermen directly, while over 600,000 people depend on the sub sector indirectly for their livelihood through linkages in fish processing and trade. Currently, earnings average Kshs. 4 billion annually through fish exports.

Great potential exists for the development of fisheries activities within Kenya’s Exclusive Economic Zone (EEZ) at the Coast and in the inland waters. During the last 2 years, the government acquired 13 patrol boats to use in the monitoring and surveillance of the EEZ and inland waters. It also availed 35 out-board engines worth Kshs 10 million to Beach Management Units along the Coast, the Lake Victoria region and in the inland lakes such as Naivasha, and Turkana for monitoring and surveillance. This has led to a substantial increase in revenues collected from Kshs 30 million in 2004 to Kshs 117 million in 2005 and Kshs 135 million in 2006. The government is in the process of acquiring a vessel monitoring system to enhance monitoring and surveillance of the EEZ. In addition, adequate attention has been directed towards the promotion of aquaculture (fish farming) in order to ease fishing pressure in major water bodies.
Due to the perishable nature of fish, the government is putting in place the necessary marketing infrastructure to support fish production and marketing. For instance, an ice making facility has been completed in Mbita and is being run by the community. In addition, three cold storage facilities are under construction in Vanga, Malindi and Lamu.

**Livestock Production:** Livestock production is one of the major activities in the sector. Further, it is practiced in all parts of the country either under the pastoral extensive system in the Arid and Semi Arid areas (ASALs) or under intensive, ranching and smallholder systems. The pastoral and commercial ranch systems traditionally contribute to the supply of beef and small stock meat. Livestock production in the ASAL accounts for nearly 90% of the employment opportunities and nearly 95% of the family incomes. It also accounts for about 40% of the Agricultural GDP and about 30% of the farm gate value for agricultural commodities. In the high rainfall areas of the country, dairy production is a key source of income to over 600,000 households. Production of sheep, goats and poultry was also promoted with the aim of reducing poverty.

**Dairy:** Since 2003, dairy production has grown impressively as manifested by an increase in milk production, from 2.8 billion litres in 2002 to 3.8 billion litres in 2006, representing a growth of 36 per cent. The milk intakes by processors also increased from 143 million litres to 362 million litres during the same period representing a growth of 153 per cent, while milk prices increased from a low of Kshs 8 per litre to a high of Kshs 18 per litre. In the year 2006, Kenya exported about 14 million litres of milk worth Kshs 700 million compared to less than one million litres that used to be exported prior to 2003. The main export destinations are neighbouring countries like Tanzania, Uganda, Rwanda, Burundi, Democratic Republic of Congo, Sudan and Ethiopia. The revival of the dairy industry has stimulated growth in related industries that manufacture animal feeds, veterinary drugs, packaging materials and other equipment.

**Beef Production and Marketing:** During the last three years, the government invested a total of Kshs 840 million into the rehabilitation of the Kenya Meat Commission (KMC) and procurement of livestock from farmers. The revival of the KMC in June 2006, the operationalisation of the Landhies Road Depot in Nairobi and the Kibarani factory in Mombasa in 2007 have all ensured that livestock keepers are increasingly having a ready market for their livestock. In addition, efforts are being made for the construction of satellite abattoirs in Isiolo and Garissa and rehabilitation of a slaughter house in Wajir at a total cost of Kshs 170 million. These are further expected to enhance employment and business opportunities in the ASALs. In addition to the traditional commodity exports, the country ventured into external markets for beef products in the Middle East and Mauritius.

**Disease and Pest Control for Crops and Livestock:** Disease and pest control in crops and livestock sub-sectors is being addressed through an integrated extension services and enhanced surveillance in collaboration with other stakeholders. Outbreaks of major crops and livestock diseases were successfully contained during the last 5 years. The locust outbreak was quickly controlled in NEP before spreading to the South.

**Livestock Branding:** During the last 2 years, the government identified a number of development interventions in the North Rift and Upper Eastern provinces aimed at improving the livelihoods of the pastoralists. Livestock branding and vaccination was one of the identified activities. A total of Kshs 75 million was used for branding activities in 2006/07 FY in pilot districts where a total of 1.4 million heads of cattle were branded. A further Kshs 120,770,040 was released in 2007/2008 FY to complete the branding exercise in the pilot districts and extend the coverage to other cattle rustling-prone districts. This is expected to reduce cattle rustling and enhance traceability and promote livestock production and marketing.

**Food Security:** Ensuring food security and eliminating hunger still remain a challenge for the country. More than 40 per cent of the population lacks access to adequate food due to poverty. To deal with this problem, the government has undertaken policy reforms to address poverty and food insecurity in a holistic manner. For instance, the Food Security and Nutrition Policy (FNSP) has been finalised. One of the proposals in the policy is the development of a Strategic Food Reserve which will expand the current Strategic Grain Reserve to include other food commodities such
as powder milk, rice, pulses, meat and a reserve (cash) fund. Over the next one year, the GCG is going to increase the country’s Strategic Food Reserves from the current 4 million bags of cereals to 6 million bags. In addition, efforts have been made towards value addition including small scale processing of fruits and honey; detergent making and household manufacture of body lotion and body oil. Production of traditional food crops have also been promoted to ensure food security.

**Agricultural Financial Services:** Access to financial services by farmers has increased significantly over the years. This is evidenced by the data from financial institutions such banks, the Agricultural Finance Corporation (AFC) and SACCOs which mobilise huge financial resources some of which is directed towards agriculture activities. Following its revival, AFC has increased its loan disbursement to farmers from Kshs 90.7 million in 2002/03 to Kshs 1.79 billion in 2006/07.

- **Irrigation:** It is estimated that intensified irrigation can increase agricultural productivity four-fold and depending on the crops, incomes can be multiplied ten-times. Experience from other countries shows irrigation is a major driver of agricultural productivity. Some water deficit countries have proved that co-ordinated development and utilisation of irrigation does transform economic development. The Grand Coalition Government will in addition to rain fed agriculture promote irrigation based farming for both food and cash crops. Funding of irrigation and drainage has continued to grow over the period 2003-2007. As a result, most of the districts have implemented an average of two projects per year. For example, 87 new schemes were constructed increasing the area under irrigation by 8,200 hectares, 16 irrigation schemes rehabilitated, 131 new irrigation and drainage schemes identified, 12,409 irrigation farmers trained on irrigation water management, and 105 Water User Associations (WUAs) formed.

- **Delivery of Extension Services:** Following the strengthening of agricultural extension service delivery the number of farmers reached per year increased from 1.0 million in 2003 to 2.1 million in 2007. Over the MTP period, measures will be taken to revamp the key extension institutions of Agricultural Training Centres (ATCs) and Agricultural Mechanisation Stations (AMSs) through rehabilitation and upgrading of facilities and equipment.

- **Agricultural Inputs:** The use of inputs such as fertilisers, purchased seeds, and animal feeds has increased steadily over the last five years. The annual fertiliser demand increased from 329,449 tons in 2002/03 to 410,214 tonnes in 2006/07. Production of certified seeds for various crops increased from 12,998 tons in 2002 to 34,682 tonnes in 2006. The volume of imported seeds increased from 1,217 tons to 4,773 tons over the same period respectively. Prices of inputs increased steadily during the same period negatively affecting the returns to farmers.

### 4.2.2 Emerging Issues and Challenges

The recent 2007 post-election political developments in the country have disrupted normal economic activities in many parts of the country. The agricultural sector has not been immune to these economic disruptions as evidenced by lower farm production figures reported in the first two months of 2008. This has been compounded by increasing prices of inputs especially fertiliser prices which could further affect agricultural productivity, and in turn food security efforts in the short run. Moreover, key agro-processing industries have also reported difficulties in accessing key inputs and hence lower outputs during the same period. Other emerging challenges that will have a bearing on the sector are the escalating energy prices, increasing commodity prices in the world market and increased competition from other agricultural producing countries.

The agriculture sector is constrained by a number of factors such as:

- **High cost of inputs:** This results in low application of fertiliser and certified seeds which thereby affect agricultural productivity;
• **Land use in agriculture:** There has been over-subdivision of land into uneconomic units in some parts of the country while other land parcels in the possession of large scale farm holders remains unutilised;

• **Limited application of agricultural technology and innovation:** Many farmers lack adequate capital to adopt to new technology or apply recent innovations in agricultural research;

• **Weak farmer institutions:** A number of agricultural cooperatives, have experienced mismanagement thereby resulting in the collapse of many of such institutions;

• **Poor livestock husbandry practices;**

• **Limited extension services:** This has resulted from an over-reliance on public extension services, coupled with low funding of the service;

• **Over-dependence on rain fed agriculture:** This implies that any poor weather condition will inevitably cause heavy drops in production, famine and death of livestock;

• **Inadequate exploitation of Value Addition.** This confines Kenya to low value of exports. Lack of Value Addition also robs Kenya of the opportunity to increase the shelf life of products;

• **Inadequate Credit facilities:** Due to insufficient funds, many farmers have no funds to invest in improving their agricultural productivity;

• **Low marine fish exports:** There has been low exploitation of the potential of the EEZ resulting in low sea fish exports. Moreover, there is inadequate capacity to monitor unauthorised exploitation of the EEZ.

The above challenges are further exacerbated by a weak institutional and legal framework; poor post harvest handling; lack of market driven production; poor handling of the supply chain of the finished products; and limited access of Business Development Services (BDS) by farmers.

### 4.2.3 Projects and Programmes

In an effort to reverse the decline, and fastrack growth efforts within the Agriculture sector, the following projects and programmes will be undertaken:

**One Year Recovery Programmes**

• Continue meeting the basic food needs of resettled families and any IDPs who might be in the camps;

• Fast track efforts in supporting the resettled families as well as the neighbouring families with farm inputs such as seedlings, fertilisers and equipment;

• Enhance peace building, reconciliation and provide psycho-social support in order to rebuild trust among the warring communities and in particular, farming and pastoralist communities;

• Strengthen the capacity of agriculture-based institutions and support farmers through concessionary loans;

• Replacement of damaged government equipment such as motor vehicles and re-building of damaged office blocks;

• Develop and support business development services to link affected farm families, fishermen, livestock farmers and traders with financial institutions and access to market;

• Double the Strategic Grain Reserves from the current 4 million bags to 8 million bags in the next one year and expand it to include other food commodities such as powdered milk, rice, pulses, and a reserve (cash) fund.

**Other Programmes for 2008 - 2012**

• Enhance knowledge and skills of farmers and extension staff through training and sharing knowledge etc. This will be aimed at empowering farmers to take and appreciate farming as a business;

• Transform agriculture, from a low-income, low-efficiency and low technology sector into a vibrant modern sector supporting value-addition through scientific and technological innovation, improved extension services, credit and
insurance programmes. This will be complemented by the establishment of more agro-processing industries in rural areas in addition to the urban ones;

- Enable Kenya to become a regionally and internationally competitive provider of agricultural products, by raising the quality and supply of these good, as a way of increasing producer incomes and quality of life;
- Support the establishment of crop and livestock insurance scheme;
- Exploit the agriculture potential in ASAL areas by putting an additional 600,000 hectares under irrigation. Specifically, the amount of land under irrigation will be increased by 30 per cent by establishing additional 25 small-scale irrigation schemes throughout the country and several large-scale irrigation schemes mainly in the Tana River, Athi River, Mwea, Yatta, Nyando, and Nzoia basins;
- Enhance the capacity of Districts in food security and livelihood assessment, to equip them with skills on contingency planning, early warning system and response;
- Support the establishment of crop and livestock insurance scheme;
- Exploit the agriculture potential in ASAL areas by putting an additional 600,000 hectares under irrigation.

Specifically, the amount of land under irrigation will be increased by 30 per cent by establishing additional 25 small-scale irrigation schemes throughout the country and several large-scale irrigation schemes mainly in the Tana River, Athi River, Mwea, Yatta, Nyando, and Nzoia basins;
- Enhance data collection, analysis and dissemination including sharing among key stakeholders;
- Enhance monitoring and evaluation at all levels;
- Work towards making fertiliser and other key inputs affordable to poor farmers; and
- Initiate privatisation of commercial parastatals such as the sugar companies.

Flagship projects for 2008 - 2012

Enactment of the Consolidated Agricultural Reform Bill: The legal framework will need to be reviewed, updated and harmonised to rationalise contradictory development, regulatory, licensing, processing, lobbying and marketing roles of agricultural parastatals. The bill will also set up industry development funds and dispute resolution mechanisms. The regulatory agency to be set up will balance the needs of producers, processors and consumers. The reforms will increase operational efficiency, reduce marketing costs and increase the role of producers in these organisations. The legal reforms will lay the basis for the implementation of institutional reforms necessary to achieve the Vision 2030 goals for the sector.

Fertiliser Cost-reduction Investment: This project will be implemented through a three-tiered fertiliser cost-reduction programme involving purchasing and supply chain improvements in the market for this input and the blending and local manufacturing of fertiliser. Working with the private sector and reviewing farmers institutions’ ability to import and distribute fertiliser in bulk, will be the initial steps in the programme. The fertiliser cost reduction project/programme will require capacity building of farmers and farmer’s organisations; efficient fertiliser ordering and distribution process, and provision of warehousing to address the inefficient and costly fertiliser importation and distribution structure that is currently in place. Efforts to reduce costs of other inputs will follow.

Establishment of Disease-Free Zones: This will involve improvements in vaccination and disease control through a strengthened veterinary department, movement controls, and investments in livestock breeding, range improvements, and marketing infrastructure to raise the quality, quantity and value of processed meat animals that Kenya can export. Kenya’s milk exports will also benefit from enhanced disease control measures in the highlands.

Land Use Master Plan: A National Land Use Master Plan will be developed with Agriculture Land Use Master Plan as part of it. The Master plan will enable efforts targeted at efficient utilisation of all forms of land.

ASAL Development Project: This project will initially be implemented in the Tana and Athi River basins to bring between 600,000 - 1,000,000 Ha. under irrigation.
Key Supportive Initiatives

The flagship projects enumerated above will be supported by the following nine key supportive initiatives:

**Agricultural research and development**: enhanced collaboration and coordination among research and education institutions to increase efficiency and create stronger linkages between researchers and farmers. Increased emphasis will be laid on research on irrigation, biotechnology and products suitable for production in the ASALs. Increased investment in agricultural research is expected to contribute significantly to reducing the cost of food production in Kenya.

**Extension services**: a more holistic approach will be adopted to agricultural extension that involves government along with the private sector, NGO’s etc in provision as well as more extension linked to markets and value addition will be adopted. Technologies to reduce post harvest losses and support value addition will also be introduced and promoted.

**Transformation of parastatals and producer organisations**: to upgrade the performance of agricultural parastatals, commercial ones will be privatised; government will strengthen and consolidate regulatory functions; and producers will be given increased voice and participation in the governance of industry bodies aiming to develop sectors and commodities. Government will help strengthen producer organisations in commodities where they are weak or non existent. Formation of these organisation will particularly be encouraged in marketing of inputs.

**The Cooperative Sector**: strengthening governance and technical capacity of cooperatives for better performance and to be able to play the important roles laid out for them in connecting farmers to markets in the wholesale and retail section of Vision 2030. The government will also ensure better enforcement of the Cooperative Act, and encouragement of community based organisations and groups to transform into cooperatives.

**Seed and breed quality improvement**: for traditional crops and animal species. High yielding but disease resistant varieties will be a priority in the pastoral and other dry areas. The government will intervene towards multiplication of quality crops seeds such as sorghum, legumes, millet, cassava, potatoes, among others, that cannot attract commercial seed companies.

**Test, promote and distribute low-cost irrigation technology**: This will be carried out in large schemes on the Tana, Nyando and Nzoia rivers as well as small scale schemes and establishment of livestock feed reserves

**Undertake livestock initiatives**: This will include livestock breeding programmes; range improvements, improving access to veterinary drugs and artificial insemination services, livestock marketing; value addition; establishment of livestock feed reserves and infrastructure development.

**Reorganisation of agricultural investment and export promotion agencies**;

**Plan for development of identified idle lands in high potential and ASAL areas**;

**Legal, regulatory and institutional reforms**;

**Improving access to farm inputs**: post harvest handling, and efficient management of the supply chain, value addition, Business Development Services and access to markets;

**Promoting the growing and consumption of traditional foods**: This will incorporate them into the national food security programme;

**Fast track efforts towards empowering farmers through participatory grassroots stakeholders’ forums**: Such
areas as technologies and technology uptake, provision of credit inputs, post harvest handling, supply chain management and access to markets;

**Agricultural Financial Services:** Measures will be taken to modernise and encourage farmers to adopt agriculture as a business. Institutions and mechanisms for supporting agriculture as a business, including access to financials services, agricultural information services will be enhanced.

### 4.3 Wholesale, Retail and International Trade

“A Formal Sector that is Efficient, Multi-tiered, Diversified in Product range and Innovative”

Trade sector has been identified to play a crucial role towards attainment of national development objectives including the Millennium Development Goal (MDG) number one on Eradicating Extreme Poverty and Hunger; and goal number eight on Developing Global Partnerships for Development. Trade sector comprises five main economic areas namely: distribution and wholesale trade, retail trade, international trade, informal trade, trade in services and electronic trade (e-trade).

Wholesale and Retail trade is one of the key sub-sectors in the economic development agenda of Kenya which is expected to expand substantially as the economy moves towards a 10 per cent growth target. Informal and formal trade in Kenya accounts for approximately 10 per cent of GDP and 10 per cent of formal employment. Wholesale, retail and international trade has been among the most rapidly-expanding sub-sectors of the economy since the introduction of trade liberalisation in the 1990s. Formal trade tends to be more efficient and provides more permanent high quality jobs, which is what most Kenyan job seekers require.

Most of the employment in trade is found in the informal sub-sector, which refers to businesses that are not registered by the Registrar of companies. This sub-sector is characterised by ease of entry and exit; reliance on indigenous resources; family ownership; small scale operations; labour intensive and adaptive technology; skills acquired from and outside of the formal sector; and unregulated and competitive markets, among others. These enterprises are found in every part of the country and have great potential for creating a variety of jobs while generating widespread economic benefits.

On the other hand, international trade comprising both import and export of both goods and services is crucial as an instrument for economic growth. Kenya’s exports remain concentrated both in traditional market destinations and primary products, with Common Market for Eastern and Southern Africa (COMESA) being the leading market destination for Kenyan products, accounting for an overall market share of 69.7 per cent in 2006. Other market destinations for Kenya products include the East African Community (EAC), European Union (EU) among others. Lastly, Trade in services refers to the sale and delivery of intangible product called a service between producer and consumer. Recent trends show faster growth in trade in services and the significant role it plays in the national economy.

#### 4.3.1 Situation Analysis

The contribution of the wholesale and retail trade to the GDP grew by an average of 10.3 per annum between 2003 and 2006. The value of domestic trade grew at an annual average of 16.5 per cent over the same period. Currently, trade in services accounts for 60 per cent of the GDP, and 68 per cent of total wage employment in Kenya. The informal sector provided 78 per cent of total employment and contributed 87 per cent of new jobs created in 2005/06. It is estimated that the sector contributes approximately 18.4 per cent to the GDP.

The value of exports of goods and services rose from Kshs 244.5 billion in 2002 to Kshs 412.4 billion in 2006. Although the
export market remains dominated by primary commodities, new sectors have emerged such as Horticulture, particularly cut-flowers; and fish and fisheries sectors are now major export earners and have created several job opportunities.

During the ERS period, the National Export Strategy (NES) whose focus was on export diversification was initiated and implemented. The Strategy made it possible for exports to grow at 11.4 per cent between 2003 and 2006 and hence surpassing the planned annual target of 5.7 per cent. Again during the same period, partnership with the private sector was expanded and strengthened following which several trade fairs, trade missions and market surveys were successfully undertaken. In addition, the Private Sector Development Strategy (PSDS) whose objective was to catalyse growth and competitiveness of the sector was developed and launched in 2006.

In 2005, the Investment Promotion Act was enacted establishing the Kenya Investment Authority, a One-Stop Shop for both local and international investors. In addition, the government streamlined the business regulatory environment to further improve Kenya’s investment environment to spur growth of businesses and investments. Consequently, a detailed review of 1,325 trade licenses which resulted in the rationalisation of 694 licenses, elimination of 424 licenses as well as the simplification of another 607 was successfully undertaken. The regulatory reforms, led to the formation of the business regulatory business unit (BRRU), a custodian of a e-Registry of licenses, both which were launched in November 2007. The unit is expected to deepen business regulatory reforms in Kenya easing the cost of investment in the country. Further, an Anti-counterfeit Goods Bill, which will be enacted by the 10th Parliament was drafted. In addition, Kenya under the EAC configuration signed the Interim-EAC-EU Economic Partnerships Agreement (EPA) with the European Union (EU) in 2007 to sustain the preferential market access to the EU market until a final agreement is reached.

4.3.2 Emerging Issues and Challenges

Post Election Violence: Following the post election violence, several business stalls, shops, supermarkets and kiosks were vandalised or gutted down by fire in Nairobi, Nyanza, Rift Valley and Coast Provinces. Some parts of Central Province and Western province were also affected. These slowed down or reversed the growth of businesses particularly the small and medium enterprises (SMEs).

Weak Business Regulatory Framework: this is as a result of high cost of doing business, centralised business registration, influx of counterfeit, substandard and contraband goods in the market, inappropriate trade regulatory regimes, Furthermore, most business enterprises are highly fragmented and operate informally and hence has hindered their vertical growth to link them with mainstream businesses.

Infrastructure: Majority of traders operate from temporary premises or work sites with no basic facilities and amenities. There are poorly maintained roads and general environment within the market centres, inadequate water supply, Lack of and/or high cost of energy, Inadequate and poorly serviced business premises. In addition, the sector is faced with inefficiency in the supply chain due to poor infrastructure, highly fragmented distribution and retail outlets leading to wastages and price escalation of goods and services.

Market Access: Constraints to market access include; weak mechanisms for implementing and enforcing the 30 per cent preferential access to public procurement, lack of trade support infrastructure such as trade centres or warehouses in priority export markets, low access to international markets due to stringent standards, Inadequate diversification of exports and value addition of products due to tariff peaks and escalation of tariff barriers and technical barriers to trade despite continued participation in the multilateral, regional and bilateral trade agreements, declining value of preferential trade schemes as a result of trade liberalisation, lack of comprehensive trade information on the existing and, emerging markets, market and product diversification and inappropriate backward and forward linkages.
Business skills development: Majority of traders are not able to expand, and sustain local and international business opportunities due to lack of sound managerial skills and exposure to international best business practices; and inadequate understanding of legal requirements relating to international contracts and procurement requirements.

Low utilisation of Information and Communication Technology (ICT): In spite of the opportunities associated with the use of ICT, the level of its utilisation in the sector is low. This has hampered adoption of e-Trade as a platform for promotion of trade particularly trade in services that is highly dependent on the development of ICT.

Low capacity in Market development: The growth and development of trade depends on the existence of a vibrant market for products and services. However, the market is hampered by low demand, unfair competition from counterfeit, substandard and contraband goods. Moreover, linkages between the informal traders and the formal sector are either weak or non-existent.

Limited Access to Finance and Credit: Access to affordable trade finance and credit facilities are crucial to the growth and development of wholesale and retail trade. Further, limited access to affordable credit facilities, guarantees and credit rating agencies, venture capital coupled by limited financial services in rural areas, and requirement for collaterals to access credit have all continued to inhibit the expansion of the sector.

HIV and AIDS: HIV/AIDS remains a challenge to trade development in Kenya due to high morbidity and mortality rates and slows the growth of businesses as a result of high expenditures on treatment rather than business expansion.

4.3.3 Projects and Programmes for 2008 - 2012

Flagship projects, one year recovery strategies and programmes have been identified for implementation in the initial year and the entire MTP period. They are therefore expected to accelerate expansion of trade in the short and medium term respectively as shown below:

One Year Recovery Strategy

- Commission a survey to determine the number of establishments affected by the post election crisis;
- Re-build affected business infrastructure and restore investor and donor confidence;
- Scale up linkages and networks with Kenyans in the Diaspora;
- Initiate and support a Marketing Strategy for the sector;
- Facilitate the establishment of industrial clusters as seedbeds for innovation, business incubation and business development support services;
- Encourage establishment of procurement programmes within KAM, KNCCI and KEPSA;
- Create a conducive licensing and regulatory framework and decentralise these services to the district level; and
- Streamline and integrate informal sector into the mainstream production system.

Flagship Projects for 2008 - 2012

- Build one free trade port in Mombasa;
- Create at least 10 hubs and 1000 -1 500 Producer Business Groups with a pilot project in Maragua to be extended to other regions;
- Build at least 10 tier one market with a pilot project in Athi River, and construct whole and retail hawker’s market in selected urban areas;
- Develop and institutionalise capacity building and training programmes on technology and business procurement negotiations skills for the traders associations and their members;
• Business linkages and subcontracting programme through Public Private Partnerships (PPP);
• Support and promote the development of cooperative Organisations to market their produce directly, thereby shortening supply chains, achieving economies of scale and reducing consumer prices while increasing producer earnings; and
• Establishment and strengthening of informal traders associations to form SACCOs for enhancing savings Mobilisation in order to provide affordable finance and enhancement of management of the existing SACCOs.

**Other Programmes for Implementation in the Period 2008 - 2012**

• Training members of informal traders’ associations on procurement procedures;
• Strengthening capacity of the institutions that deal with verification and certification of standards to meet international standards, improving packaging and develop brands, establishing marketing and distribution channels in foreign markets, strengthening e-business capacity for enterprises, establishment of an export development fund and guarantee scheme to cover risks faced by exporters, and facilitate export market development;
• Creating conducive licensing and regulatory framework by decentralisation of business registration to the districts.
• Establishment of markets and distribution channels in foreign markets;
• Establishment and strengthen export credit guarantee schemes to cover risks faced by exporters, and facilitate export market expansion;
• Strengthen capacity of the institutions involved in trade development and negotiations;
• Establish incentive programmes such as export performance award to facilitate penetration into new markets.
• Establish commercial offices, exhibition centres and warehouses in the identified strategic foreign markets such as COMESA and Asian Markets to increase visibility of Kenya’s products;
• Undertake market surveys and develop networks to provide trade intelligence in the targeted markets;
• Establish a network with Kenya’s Diaspora to assist in marketing Kenya’s products;
• Establish centre for product development and adaptation to facilitate graduation to higher value added activities through branding, adoption, packaging and new designs;
• Establish an export development fund to promote product development, value addition, market development and diversification;
• Establish a coordinated framework to facilitate development and promotion of targeted service sub-sectors;
• Develop an E-Trade policy and integrate it in all public and private sector institutions of higher learning and tertiary colleges;
• Review the legal and institutional frameworks relating to market infrastructure development;
• Strengthen quality assurance institutions to ensure that imports, exports and all goods sold in Kenya are to the highest international standards and prevent dumping of products;

**4.3.4 Policy, Legal and Institutional Reforms**

The government will initiate key reforms to strengthen the already existing legal and institutional framework by addressing the following key areas:

• Fastrack the development and implementation of the Public Private Partnership Policy;
• Fastrack the establishment of decentralised/ networked one-stop shop for registration licensing and taxation;
• Enact a Trade Development Act to provide an institutional framework for monitoring of the trade sector;
• Promote formalised business linkages between traders and manufacturers;
• Establish Credit guarantee schemes from the mobilised savings by micro-finance institutions;
• Establish a mechanism to monitor trade trends, and negotiations skills as well as strengthen trade support institutions (TSIs) to analyse and to disseminate trade information to exporters;
• Establish marketing and distribution channels in foreign markets;
• Establish an Exports Development Fund and guarantee schemes to cover risks faced by exporters, and facilitate export market development;
• Establish Commercial offices in the identified strategic markets;
• Establish a network with Kenya’s Diaspora to assist in marketing Kenya’s products; and
• Formulate a National Market development Policy.

4.4 Manufacturing
“Robust Diversified and Competitive Manufacturing Sector”

The role of the manufacturing sector in Vision 2030 is to support the country’s social economic development agenda by creating jobs, generating wealth, and attracting Foreign Direct Investments (FDI). In addition, the sector will continue to provide impetus towards achievement of the Millennium Development Goals (MDGs) in both the medium and long term, particularly goal one on Eradication of Extreme Poverty and Hunger and goal eight on Global Partnerships for Development. Over the Medium Term Plan (MTP) period 2008–2012, the overall goal of the sector is to increase its contribution to Gross Domestic Product (GDP) by at least 10 per cent per annum. To achieve this, the following objectives will be pursued:

• Strengthen production capacity and local content of domestically-manufactured goods;
• Increase the generation and utilisation of Research and Development (R&D) results;
• Raise the share of products in the regional market from 7 to 15 per cent; and
• Develop niche products for existing and new markets.

4.4.1 Situation Analysis

The implementation of the Economic Recovery Strategy (ERS) 2003-2007 resulted in improved performance in the manufacturing sector. The contribution of the sector to GDP has remained at about 10 per cent over the ERS period. The sector grew by an annual average of 5.5 per cent between the period 2003 and 2007. In 2007, 1.88 million people were employed in both the formal and informal sectors. Employment within the formal manufacturing sector grew by an annual average of 2.6 per cent between 2003 and 2007. The proportion of employees in formal manufacturing to total employees in the sector averaged 15.7 per cent between 2003 and 2007.

During this period, the investment code was developed, through the Investment Promotion Act of 2004, to improve the investment environment. Similarly, the Kenya Investment Authority Act was enacted in 2006 to provide a ‘one-stop-shop’ for licensing and registration of businesses. In addition, 8 of the identified 52 sites were established within various local authorities to facilitate development of basic infrastructure for Small, and Medium Enterprises (SMEs) to serve as incubators. The Private Sector Development Strategy (PSDS) was formulated in 2006 to promote the participation of the private sector. Partnerships with the private sector have been enhanced through formation of Sector Working Groups (SWG), inter-ministerial/Stakeholders forums and task forces.

Further, the National Exports Strategy (NES) was formulated to improve competitiveness of the sector. NES has assisted in deepening of markets for manufacturers in traditional markets and expansion into new markets. In implementing NES, the government and United Nations Industrial Development Organisation (UNIDO) implemented Phase 1 of the Kenya Integrated Programme (KIP) whose objective was to help increase productivity, develop productive capacities in the Leather, Apiculture and Fish processing with high export potential. The programme that ended in 2006 resulted in a National Study on apiculture; study report on value chain analysis of the Leather and Leather products and strengthening some related institutions; and regulations on quality and safety of fish products as well as capacity building of stakeholders in the sector.
This has increased production, improved earnings and conformity to international standards in the identified sectors. A National Industrial Policy was prepared in line with the Vision 2030 to guide the development of the manufacturing sector which takes over from the Sessional Paper No.2 of 1997 on Industrial Transformation to the Year 2020. Similarly, a Master Plan for Kenya’s Industrial Development (MAPSKID) has been developed and will provide the roadmap for development of the industrial sector. The priority sectors identified in the MAPSKID include Agro-processing; Agromachinery; Electrical and Electronics/ICT. In addition the Sessional Paper No. 2 of 2005 on Development of MSEs was prepared to provide a framework to stimulate the growth of MSEs and contribute towards employment creation and poverty alleviation.

4.4.2 Emerging Issues and Challenges

Post Election Violence: The post-election violence, witnessed during the first two months of 2008, adversely affected the sector by disrupting the whole production and supply chain. At the same time, there was destabilisation of the factors of production that include land, labour and capital (stock and equipment). Access to raw materials and supply of goods was disrupted. Investors and the labour force were also affected due to destruction, burning of businesses and labour displacement from the affected areas leading to reduced capacity utilisation. Fuel and electricity interruptions further impacted on the sector negatively. As a result of security concerns, most manufacturers were forced to hire extra security and this increased the production and distribution costs. The perception of Kenya in the world as a regional economic hub was severely damaged resulting to low investor confidence.

Low Value Addition and Narrow Export Base: Most industries are still engaged in the production of low value-added and limited range of products due to limited technological capability and limited information on international trade opportunities. These factors have contributed to limited scope for product diversification and expansion of exports base. The narrow product range and focus on few markets have restricted the growth of Kenya’s exports. This has hindered expansion of manufacturing activities. Kenyan industries have not effectively kept pace with changing consumer demands and level of competition international markets.

Underdeveloped and/or Dilapidated Transport Network: The poor and dilapidated state of infrastructure in Kenya has led to low productivity, high production and distribution costs and uncompetitive products and services. Further, the road networks in Kenya are concentrated in a few urban areas, with limited feeder roads in regions with resources endowments. This has resulted in the agglomeration of industries in areas with good road networks thus further creating disparities in regional industrial development.

Inadequate, Costly and Unstable Supply of Energy: The cost of production is high due to inadequate and costly supply of energy which is higher than main competitor countries. In areas with abundant resources, investors are compelled to provide alternative sources of power supply or relocate to areas where power is already available at the expense of incurring additional transportation costs. The unstable power supplies have caused investors to install power regulators and/or large stand-by power generators at the expense of investment in actual productive activities.

Low adoption of Information and Communication Technology (ICT): The low levels of penetration and high cost of ICT infrastructure has hindered access and usage leading to low access to markets and technological information and increased costs of marketing and communication.

Overlaps and ambiguity in Mandates and Functions: Lack of clear boundaries in the institutional mandates and functions have caused distortions in the value chain, weak sectoral policies, overlaps and conflicts in policy implementation. For example, sugar milling, tea and coffee processing are manufacturing activities currently integrated in agricultural production under the Ministry of Agriculture while fish and fish products, meat, meat products and leather processing are also manufacturing functions under the Ministries of Livestock and
Fisheries Development. These ambiguities have been detrimental to the development of the sector in terms of improvement of manufacturing and marketing efficiencies.

Low Technology, Innovation and R&D Uptake: The culture of embracing technology, innovation and R&D in the sector is low and hinders its growth. In addition, there is lack of institutionalisation of incentives for promotion and efficient use of existing knowledge, creation of new knowledge and flourishing of entrepreneurship activities which will increase the capacity and competitiveness of local enterprises. Low capacity for Intellectual Property Rights is another disincentive to innovation in the manufacturing sector.

Weak Legal, Regulatory and Institutional Frameworks: Registration of businesses (incorporation/business name) is still centralised in Nairobi. Though efforts have been made to simplify the local authority licensing through the single business permit, the permits are still costly and encumbered with inappropriate implementation mechanisms. In addition, there is lack of capacity within the judiciary to handle e-trade related litigations.

Influx of sub-Standard, Counterfeits and Contraband Goods: The entry into the local market of sub-standard, counterfeit and contraband products has serious impact on the manufacturing sector. While manufacturers spend money in advertising, the presence of counterfeit goods is a major impediment hence reducing their market share. Counterfeit trade has also discouraged innovation efforts and reduced government revenue base. Further, substandard and counterfeit goods are a health-hazard to the consumers.

Inadequate capacity to meet Quality and Standards Requirements: Rapidly changing consumer needs, preferences and quality requirements, both locally and internationally are creating a strain for many Kenyan manufacturers, especially the MSMEs. ISO Certification can guarantee international competitiveness. However, the capacity of many Kenyan manufacturers to undertake and implement ISO Certification requirements is low. In addition, the capacities of certifying Organisations are weak and the process of certification is still too costly to many firms.

Limited Access to Financial Services: Lack of access to formal financial services such as credit products and trade guarantees have inhibited the competitiveness and growth of MSMEs both in rural and urban areas. In addition, insurance premiums are generally too high and unaffordable to most businesses. The current financial products available are mainly short and medium terms loans; however, industrial development requires long term financing. This has limited the availability of finance for industrial development. Besides, the level of interest rate spread is high as a result of provision for Non-Performing Loans and administrative costs. This has increased the cost of doing business.

Limited Production and Managerial Skills: Strategic management and technical skills are not developed in a well-structured and coordinated manner and are virtually absent in MSMEs. There is also a mismatch between the available technical skills and market demands due to poor linkages between training institutions and the industry. Many Organisations have not yet appreciated productivity improvement strategies such as ISO, Kaizen, 5S (Separating, sorting, shine, standardising, sustaining), 5C (Classify, configure, check, conformity, customise) energy efficiency and other related activities. Within the MSMEs, productivity improvement strategies are still unknown. Many Organisations still focus on cost reduction measures such as downsizing, and elimination of non-core services rather than productivity improvement.

4.4.3 Projects and Programmes for 2008 - 2012

One Year Recovery Strategy

- Emergency Business Recovery Programme: An Emergency Business Recovery Programme will be set up within the framework of the Private Sector Development Strategy in order to support manufacturing entities that were adversely affected by the post election crisis after a proper identification process has been carried out.
• **Promotion of small scale firms**: Issues of stagnation of small scale firms, securing of property rights and security of tenure, costs associated with entry, expansion and exit regulations, notably securing a license, tax and labour law compliance will be addressed as a matter of priority in order to ensure that in the long term these businesses graduate to large formal companies.

### Flagship Projects for 2008 - 2012

**Development of industrial and manufacturing zones**: The initial pilot for the Special Economic Cluster (SEC) will be set up in Mombasa to allow for easy importation of necessary raw materials and exporting of finished goods. The project will include an agro-industrial zone incorporating activities such as blending and packaging of fertilisers, teas and coffees, and a consolidated meat and fish processing facility to encourage growth of offshore fishing. The second SEC will be located in Kisumu to allow for access to regional markets and availability of limestone to support cement, chemicals and metals industries; agro-processing through increased horticultural production along the lakeshore.

**Development of at least five SME industrial parks and specialised Economic Zone in key urban centres**: A pilot metal SME park will be located in Nairobi due to the proximity to most important markets. A pilot agro-processing SME park will be located in Eldoret because of the location in high potential agricultural area and access to an airport. A second agro-processing SME park which targets processing of fruit juices and vegetables oils will be located in Mombasa. Another SME park will be located in Kisumu for agro-processing of vegetables, horticulture, fish processing, and fruit processing. The fifth SME Park will be located at Nakuru for meat processing (with tannery).

### Other Programmes

The following Programmes have been identified in addition to the flagship projects for implementation in the period 2008 to 2012:

- Product and market diversification and development programmes;
- Research development and commercialisation programmes;
- Create an MSME research and development, risk and venture capital fund;
- Create a Business and Technology Incubation Programme to include an incubation Fund;
- One village one product; and
- 4 K (KEBS, KIRDI, KIPI, KNFJKA) MSE 2030 initiatives Project.

### 4.4.4 Policy, Legal and Institutional Reforms

The policy and legal reforms to be undertaken during the 2008-2012 period include;

- **Legal Institutional Framework**: Enact a legal and institutional framework to harmonise regulations dealing with manufacturing and other sectors and eliminate overlaps in functions across Ministries dealing with manufacturing. This is to be done by enactment of a National Industrial Development Act.

- **Counterfeits and Contraband goods**: Fast track the enactment of the Anti-counterfeit Act.

- **Appropriate Regulatory Framework**: rationalise business licensing and an efficient regulatory framework to facilitate doing business. Further there will also be need to harmonise the operations of the regulating bodies within the East African Community (EAC) region particularly with regard to product standards.

- **rationalise Taxation and Eliminate Duty Anomalies**: Simplify tax administration to be responsive to the
changing business environment. Initiate continuous review of the EAC commodity classification to ensure that there are no duty anomalies.

- **Competition Law:** Review of the Monopolies and Price Control Act (1989) will be fast tracked with a view to strengthen the institutional framework as well as providing for close consultation between the sector regulators and the Commissioner for Monopolies and Price Control on all matters appertaining to competition. Similarly, a legal mechanism will be provided for close consultation between the sector regulators and the Commissioner for Monopolies and Price Control on all matters of competition.

- **Consumer Protection:** A Consumer Protection Act will be enacted to create a national consumer protection body to undertake consumer advocacy, education and ensure effective consumer protection.

### 4.5 Business Process Outsourcing

*“To be a top off-shoring destination in Africa”*

Business Process Outsourcing (BPO) is an emerging and growing sector expected to become the sector of choice for employment among the youth and young professionals. The country will thus quickly establish the necessary capacity for BPO to flourish and catch up with other destinations in Africa. Business Process Outsourcing (BPO) involves the transfer of non-core business processes along with the associated operational activities and responsibilities to a third party with at least a guaranteed equal service level.

#### 4.5.1 Situation Analysis, Emerging Issues and Challenges

In Kenya, the BPO sector is a small, new, but growing part of the economy. It currently account for less than 0.01 per cent of GDP, 500 seats and 1,000 employees. In a day, one seat can support more than one worker depending on the number of shifts per day. The global BPO sector however is large and growing rapidly. Kenya plans to take a portion of this market. In doing so it has a comparative advantage due to quality education, volume of people trained in various foreign language skills and a time zone that aligns her to those of major global economies. In this regard, the sector will be targeted to ensure Kenya diversifies her service and product offering in the global market.

The government has in the past undertaken various measures to improve the BPO sector performance. Key among them is development of a comprehensive national ICT policy launched in 2006 with a main objective of making Kenya an ICT hub and a premier location for Business Process Outsourcing (BPO) in Africa, the establishment of the ICT board and the launching of the East African Marine Cable Systems (TEAMS) project among others.

Key challenges facing the sector are:

- Poor telecommunication infrastructure leading to high costs. Data transmission costs in Kenya are three times more expensive than those of its competitors;
- The high cost and unreliability of energy supply. For instance, energy costs are twice as expensive as those of other BPO destinations, such as India and the Philippines.
- Lack of dedicated BPO facilities which weaken the attractiveness of Kenya as a primary BPO destination.
- Inadequate supply of necessary skills.
- Poor local supplier base of the necessary hardware and software.
- No targeted incentives for BPO apart from those at the standard Export Processing Zones (EPZ)
4.5.2 Programmes and Projects for 2008 - 2012

Since ICT infrastructure is important for the Business Process Outsourcing (BPO), there is a need to modernise telecommunications infrastructure and provide internet access to majority of citizens. However, this is only possible if the economic, political and social environment is conducive. Specifically the government will undertake to complete the TEAMS, National Optic Fibre Backhaul Initiative (NOFBI), and Kenya Transparency Communication Infrastructure Programme (KTCIP) projects and also empower the ICT Board to develop content and market Kenya as a BPO destination.

The country will strive to increase its infrastructure and connectivity to the international market, and put in place measures to improve technical skills. To realise the five-year goal of creating more than 20,000 direct BPO jobs and of increasing its contribution to GDP by Kshs 10 billion the projects specified under the ICT foundation sector will be implemented. In addition and more specifically, a BPO park will be established and supportive initiatives will be implemented within the period 2008-2012;

Establishment of a BPO Park
A state-of-the-art BPO Park will be constructed at Athi River Export Processing Zone. The aim is to provide superior telecommunications infrastructure, easy access to international transport facilities, and affordable and readily available energy which are critical for a competitive BPO industry.

Marketing campaigns
Undertake study to determine the existing opportunities and proactively promote BPO in the targeted geographical markets. This will be done through developing and launching a focused marketing programme through the country’s foreign missions, trade commercial attaches and media.

Training Programmes
Targeted training programmes around primary processes (e.g. customer contact) and industry specifics (e.g. back-office data entry within financial services) will be conducted to build the required quality and size of the talent pool. Best practice processes and culture will also be cultivated.

BPO Incentive Framework
A comprehensive set of incentives will be designed and implemented to improve the attractiveness of Kenya as a BPO destination and to encourage investments in this field. This therefore calls for the development of related incentive framework. The framework will define the kind of incentives to be offered to the BPO sector, the stages of the application of the incentives, and the period in which it is to be offered. One such incentive that is already in place is the subsidisation of bandwidth costs through financing from the World Bank.

4.5.3 Policy, Legal and Institutional Reforms

BPO and Contact Centre (CC) Policy

The BPO and CC policy will guide the operations of the BPO and CC and set a framework that will guide the growth of the BPO sector.
4.6 Financial Services

“A vibrant and globally competitive financial sector driving high levels of savings and financing Kenya’s Investment need”

A well-functioning financial system is critical to accelerating economic growth. It will also ensure macroeconomic stability as well as promote private sector development, which in turn will generate employment opportunities and reduce poverty. A sound financial sector will also encourage Foreign Direct Investment (FDI), safeguard the economy from external shocks as well as propel Kenya to become a leading financial centre in Eastern and Southern Africa.

4.6.1 Situation Analysis

The Financial Services Sector (FSS) in Kenya comprises of Banking, Insurance, Capital Markets, Pension Schemes and Quasi-banking institutions such as: Savings and Credit Cooperative Societies (SACCOs); Microfinance Institutions (MFIs); Building Societies, Kenya Post Office Savings Bank (KPOSB); Development Finance Institutions; (DFIs) and informal financial services such as Rotating Savings and Credit Associations (ROSCAs).

**Banking Sector:** The Central Bank of Kenya provides the overall supervisory and regulatory services to financial institutions in the country. The banking sector had a buoyant performance over the ERS period (2003-2007) with assets increasing by 99 per cent from Kshs 457 billion to Kshs 908 billion. During this period, banking institutions increased their credit extension to the economy by Kshs 116.1 billion between the end of 2002 and the end of 2007; banking institutions introduced new financial products that are increasingly relevant to small enterprises and low income households; lending by banks to agriculture increased by Kshs 8.5 billion with some Kshs 1.7 billion being extended to medium and long-term borrowers; and interest rate spread has declined from 13.4 per cent in 2002 to 9.1 per cent in 2007.

According to the Financial Access Survey 2007, by FSD Kenya, the banking sector serves only 19 per cent of Kenya’s bankable population with 8 per cent being served by other financial services providers such as MFIs and SACCOs. 38 per cent are totally excluded and 35 per cent rely on informal financial services providers such as the ROSCAs. The indication is that access to financial services outside the main cities still remains limited.

**Insurance Sector:** The insurance industry premium income recorded Kshs 41.5 billion in 2006 placing Kenya’s insurance industry at position 71 worldwide and position 4 in Africa in premium volumes. Premium volumes were Kshs13.2 billion for life and Kshs 28.4 billion for general insurance ranking them 63 and 72 on premium volume worldwide.

The penetration ratio, measured as a percentage of GDP, has remained constant at 2.5 per cent over the last three years, which compares well with the average for emerging economies at 2.7 per cent of GDP but is well below the 9.2 per cent of GDP in the industrialised countries. On per capita basis (insurance density), an average of Kshs1,152.8 or (US$17.2) was spent on insurance. This was quite below the average for emerging markets, which stood at US$ 60.

**Capital Markets:** The capital market has witnessed robust activity over the past five years, which is attributed to continued growth in the economy coupled with wide ranging capital market modernisation and deepening reforms undertaken in the sector. During the ERS period, there were a number of notable improvements in the arrangements that affect the performance of the public and private security markets. First, the government made considerable success in lengthening the maturities of its own debt to as long as 15 years. Second, the privatisation Act, which was passed in 2005, has had a profound effect both on the total supply of securities to the market and the availability of more attractive security instruments to a wide section of the Kenyan public.

Other notable improvements in the capital market include establishment of a Central Depository System (CDS) in 2004 and Automation of Trading System in 2006; significant new equity listings have been floated successfully (including
listing of 3 companies in the Uganda and 2 in the Tanzania stock exchanges); and new fiscal incentives have been developed targeting both issuers and investors.

Market capitalisation has grown rapidly over the last 5 years from a value of Kshs 112.3 billion in 2002, to a value of Kshs 810 billion in 2007 representing about 43 per cent of GDP. During the last 3 years, more than Kshs 20 billion was raised through the capital markets by way of public equity offerings and corporate debt instruments. Activity in the secondary market has increased significantly in virtually all parameters with the NSE 20 Share index yielding average returns in excess of 30 per cent over the last five years since 2003. The number of licensees and approved institutions by the Capital Markets Authority (CMA) increased by 40 per cent from 58 in 2002 to 81 in December 2007. While the primary auction market for government securities remained active, the secondary trading at the Nairobi Stock Exchange (NSE) is still low. The NSE’s stock market capitalisation to GDP ratio stood at 43 per cent in 2007 compared with South Africa’s 266 per cent, Nigeria’s 63.8 per cent and, in Asia, Hong Kong’s 127.6 per cent and Malaysia’s 67.2 per cent.

Pensions Sector: The pensions sector is an important contributor to the capital markets with pension schemes holding over Kshs 80 billion in government securities and Kshs 96 billion in quoted equity. Government securities held by the sub sector account for 23 per cent of outstanding securities while quoted equity held by the sub-sector accounts for 11.9 per cent of market capitalisation. Pension schemes are also important investors in real estate, corporate debt instruments, bank deposits and insurance funds.

Inter-bank and Money Markets: Inter-bank and money markets provide players (banks, enterprises and individuals) with the means for effective liquidity management. A strong foundation has been laid for a market in short-term unsecured inter-bank lending, and a base for money markets (including Treasury Bills) over the last ten years. In addition, the inter-bank market has been strengthened by establishment of regulations for diverse money market instruments such as certificates of deposits, repurchase agreements and primary dealership system. The money market has also been broadened with the regulatory framework for non-bank issuers of money market instruments such as commercial paper. Going forward, the government will undertake a number of steps, including refining of existing regulations, to improve liquidity in the market place.

Quasi-Banking Sector

Microfinance: Microfinance is crucial in financial services in the country. About 27 per cent of Kenyans have access to formal financial services including from banks (19 per cent), SACCOs and MFIs ( 8 per cent). Another 35 per cent have access to informal financial services ranging from ROSCAs, merry-go-rounds to relatives and friends. Overall, some 38 per cent of Kenyans do not have access to financial products and services. An estimate of the outreach of the sector as at December 2007, gives a credit portfolio of Kshs 25 billion against collateral savings of approximately Kshs 30 billion. The client outreach is estimated at 2 million savers, and slightly under half a million individuals with loans.

Savings & Credit Cooperative Societies (SACCOs): There are about 4,900 active SACCOs offering savings and credit services to over 2.1 million Kenyans. The bulk of these clients are salaried (almost three quarters) and only a quarter are rural. There are now approximately 155 SACCOs in rural areas. Unfortunately, while much salary-based lending programmes have performed well, other SACCOs and particularly rural and informal sector societies, have considerable Non Performing Loans (NPL) problem.

Kenya Post Office Savings Bank (KPOSB): There is a significant potential role for KPOSB in the provision of access to financial services particularly in poorer, sparsely populated rural areas. By 31st December 2007 KPOSB had 1.2 million active clients with a deposit base of Kshs 11.5 billion. However, the KPOSB has a much greater potential that could be achieved through a synergistic relationship with the Postal Corporation of Kenya (PCK) and expanding its mandate to providing additional financial services.
Development Finance Institutions (DFIs): DFIs exist to help finance those sectors not catered for by private banks and other financial institutions, especially in rural areas. Examples include development and seasonal loans for agriculture, small industrial investments and small business loans. Currently, there are five DFIs, namely: Agricultural Finance Corporation (AFC), Industrial and Commercial Development Corporation (ICDC), IDB Capital, Kenya Tourist Development Corporation (KTDC) and Kenya Industrial Estates (KIE). There has been a decline in total assets of the five DFIs together from Kshs 13.8 billion to Kshs 8.3 billion. The total loans (gross) has risen but the more realistic provisioning of those loans has resulted in a fall in loans outstanding on a net basis from Kshs 7.2 billion to Kshs 2.7 billion.

National Payments System (NPS): National Payment Systems (NPS) play a critical role in the stability of the financial sector and contribute to the efficient functioning of the economy. The NPS is largely non-integrated with participants duplicating resource investment, leading to minimum interoperability, high interchange fees etc thereby making it expensive for end users. Promoting the sharing of infrastructure is thus one of the key objectives that need to be pursued. In addition, the continued importance of cash usage by the public and cheque & Electronic Funds Transfer (EFT) usage by the government and its agencies to settle both low and high values transactions raises concerns of risk and efficiency that require to be addressed by 2012. The payment needs of the un-banked community need to be fulfilled through sound programmes to increase the accessibility of the payment system by providing for new types of participants and products.

The increasing adoption of technological advancement in NPS has seen the collapse of national boundaries and the emergence of efficient cross-border payment systems with attendant regulatory issues. This phenomenon however promotes regional financial stability and economic development. Oversight over these payment systems necessitates the development of risk management standards and common regional approach to payment systems. The enactment of the proposed NPS bill will provide a sound legal basis for the NPS as it will enable non-banks to participate in the system to provide innovative and competitive payment services.

The recently implemented KEPSS has provided potential for further reduction in the usage of cheques and EFTs in the settlement of large value obligations especially by the government and its agencies. The government will move its high value payments to KEPSS. Efficiency will be enhanced through enabling direct participation of government ministries in the RTGS system. One of the key objectives is to increase access to payment system by the public. Towards this end, ICT will continue to be exploited especially in the use of mobile phone networks, internet and payment cards. Enhanced operational resilience and security will be pursued in order to increase trust, integrity and confidence in these ICT based payment systems.

4.6.2 Emerging Issues and Challenges

Mobilisation and Access to financial services: Currently, the penetration level of the banking services is limited especially in rural areas and does not link with production activities in agriculture and small industrial and business investment. The existing banks are concentrated in urban areas. The low ICT infrastructure in rural areas inhibits increased coverage. It is pertinent to note that the current cost of finance (14%) is very high.

Legal and regulatory framework: There is inadequate legislative and regulatory framework to support the growth of the insurance and capital markets in the country including Quasi-banking and SACCOs sectors. Additional challenges include overcapacity and price competition; corruption and fraud; poor corporate governance; negative public perception of insurance; unfavourable tax regime and multiplicity of taxes; high cost of insurance to the common man; and low level use of Information Technology.

Retirement benefits: The existing retirement benefits arrangements cover less than 15 per cent of the labour force, primarily those in the formal sector. Coverage in the informal, rural and self-employed sectors is low if not non-
existent. The retirement benefits also provide low benefits with the income replacement ratio estimated at around 20 per cent of pre-retirement income against the recommended basic standard of 40 per cent and the target standard of 65 - 75 per cent. In addition, the local capital markets do not provide the vehicle to enable schemes to adequately diversify their investments and match assets to liabilities.

Absence of an overall policy framework, retirement benefits remain disjointed with occupational and individual schemes falling under the Retirement Benefits Act, while the National Social Security Fund (NSSF) falls under both the NSSF Act and RBA Act. There is a need for an overall policy and legal framework to encompass all pension related sectors. The Retirement Benefits Act and regulatory framework need to be continuously updated to reflect the emerging trends in life expectancy at retirement.

**Capacity constraints:** There are limited skilled human capacities especially in actuarial studies, which constraints the growth of the insurance sector. Other constraints are lack of adequate IT capacity, slow payment process and lack of an Information Education Communication (IEC) framework.

### 4.6.3 Programmes and Projects for 2008 - 2012

The projects and programmes to be pursued in the medium term for the various components of the financial sector will aim at creating a vibrant and competitive financial sector driving high levels of savings and financing the country’s investment needs. They will be anchored on the flagship projects for the sector, namely:

- Consolidation of the banking sector through enhanced capital base;
- Increase financial access through formalisation of microfinance;
- Deepen capital markets by raising institutional capital and expanding bond and equity markets; and
- Leverage remittance and long term capital inflows.

In addition to the flagship projects, the strategies and action plans will be on key initiatives to be undertaken by the various components of the financial services sector, that is, banking and quasi-banking, insurance, capital markets, pensions and legal infrastructure.

### Objectives under The Medium Term Plan

The key objective of the MTP for the financial services sector is to mobilise savings to realise a savings to GDP ratio of 25-28 per cent as envisaged in the macroeconomic framework underpinning the Vision 2030. This level of savings will sustain an increase in the ratio of investment to GDP of around 30-32 per cent, with a growing amount of resources channelled to support the agriculture, manufacturing and other key sectors identified under Vision 2030, including lending to micro, small and medium enterprises (MSMEs). This will also further the government’s policy objectives under the ERS, which articulated improved access to financial services for a much larger number of Kenyan households and small enterprises; greater efficiency in the delivery of financial services; and ensure the chances of a financial crisis are kept to a minimum.

Specifically, the objectives of the MTP are aimed at achieving the following:

- Maintenance of sound fiscal and monetary policies to ensure macroeconomic stability which is key to a vibrant financial sector;
- Review the banking sector legal and regulatory framework to align it to international best supervisory practice as set out by the Basel Committee on Banking Supervision. A revised Banking Act will be enacted in this regard;
- Enact the Proceeds of Crime and Money Laundering (Prevention) Bill to safeguard the integrity of the financial sector;
• Operationalise regulations for Credit Reference Bureaus to facilitate credit information sharing;
• Promotion of a competitive, sound and efficient banking system, including strong microfinance institutions that are well regulated and supervised, that effectively mobilises savings to provide financing to support the growth of private sector;
• Establishment and development of non-bank financial institutions that will increase the depth of the financial sector as well as increase access of financial services to majority of Kenyans by providing a broad array of diversified services such as leasing and finance to MSMEs;
• Development of the insurance sector that is well regulated and supervised so as to effectively protect businesses and individuals from risks;
• Promotion of a strong pensions system that provides a secure retirement to a wider Kenyan population and which provides capital for long-term investment in the real sector;
• Development of a safe and reliable payments system that will ensure smooth transfer and settlement of funds between customers and banks as well as between banks;
• Strengthening of money/inter-bank markets that provide banks, enterprises, and individuals with the means for effective liquidity management;
• Develop a comprehensive consumer protection framework;
• Promote financial literacy/education;
• Invest in human capital and information technology;
• Improve the functioning of the financial system to enable it mobilise domestic savings and to promote investments;
• Expand the coverage and outreach of financial services to all parts of the country especially the rural areas;
• Encourage commercial banks to finance industrialisation;
• Development of efficient and transparent capital markets with a critical mass of issues that mobilises funds for long-term investment;
• Establishment of a legal infrastructure that promotes and enforces the rule of law in commercial and financial transactions including protection of property rights and enforcement of contracts, as well as that which supports good governance by promoting transparency, accountability, participation, and predictability; and
• Establish a single unified notification system (register) of all security document (charges, pledges, debentures, etc) of all movable assets given by all legal and natural persons so as to encourage registration of non-traditional securities such as chattels and guarantees to improve collateral security access to credit from the formal sector.

4.6.4 Policy, Legal and Institutional Reforms

Reforms in the sector will focus on the following:

• Reform the commercial justice system to enable it better support the effective working of market-based financial institutions;
• Improve the registration arrangements for pledges over movable assets to help banks establish sound collateral; improving the land registration system to facilitate land as a viable collateral;
• Review the Insurance Act to empower the newly created Insurance Regulatory Authority (IRA) to pre-empt financial distress or intervene to help resolve financial problems of an insurance company;
• Strengthen management and regulation of the NSSF including bringing it directly under the supervision of the RBA. This will focus more critical attention to the financial viability of the NSSF, the quality of the services it delivers to its members, and its costs and other aspects of its efficiency;
• Development of a National Pensions Policy, enact new legislation for the Public Service Superannuation Scheme (PSSS) and completion of phase I of the Pensions ICT project (the Pensions Management Information System – PMIS);
• Review the Capital Markets Act to provide the Capital Market Authority (CMA) with adequate legal protection, access to bank records in an investigation, ability to obtain freeze orders, and authority to visit at will the regulated companies and their auditors;
• Review the ownership structure of the NSE through demutualisation as part of initiatives to strengthen its role;
• Introduce the risk-based capital adequacy framework for providers of financial services and products under CMA regulation and supervision; and
• Increase government participation in capital markets such as leveraging on public private partnerships (PPPs) and specialised bonds to facilitate investment in key areas.
5

THE SOCIAL PILLAR

“Investing in the People of Kenya”

5.0 Overview

Kenya’s journey towards widespread prosperity involves building of a just and cohesive society that enjoys equitable social development in a clean and secure environment. This quest is the basis of transformation in some eight key social sectors that include education and training; health, water and sanitation; the environment; housing and urbanisation as well as in gender, youth, sports and culture. It also makes provisions for Kenyans with various disabilities and pays due attention to previously marginalised communities. The medium term priorities and policies as outlined in the main Vision 2030 policy blueprint will be anchored on a strong science and technology foundation as already outlined in Chapter 3 that deals with the basic foundations of our national transformation.

5.1 Education and Training

“Globally Competitive Quality Education, Training and Research for Sustainable Development”

The government is committed to the provision of quality education, training and research for all Kenyans. In the recent past, the education sector has undergone accelerated reforms to address the overall goals of the Economic Recovery Strategy for Employment and Wealth Creation (ERS). The government is also committed to achieving the international development commitments such as the Millennium Development Goals (MDGs) and Education for All (EFA).

Major reforms the education sector has undergone include:

- The launch and implementation of Free Primary Education (FPE) in January 2003;
- Adoption of the Sector Wide Approach (SWAP) to planning and financing of education and training;
- Development and implementation of the Kenya Education Sector Support Programme (KESSP), which is an investment programme that allows different stakeholders to support the sector in the medium term; and
- The recently introduced Free Day Secondary Education (FDSE).

Other achievements in the sector include:

- Development of the Education Governance and Accountability Plan;
- Production of Financial Management and Procurement Manuals;
- Enactment of the Ministry of Education (MOE) and sub-sectoral Strategic Plans and Service Charters for Universities, Secondary schools and the Teachers Service Commission (TSC);
- Recognition of various sub-sector policies like Gender, Early Childhood Development Education (ECDE) and Information Communication Technology (ICT);
- Establishment of Voluntary Counselling and Testing (VCT) centre at the Ministry of Education headquarters,
- Review of the Ministry of Education Legal framework which is currently ongoing;
- Strengthening of the Education Management Information System (EMIS); and
- Development of Geographical Information System (School Mapping).
In 2006, Kenya was evaluated and endorsed for education support from Fast Track Initiative (FTI) on the basis of the credibility of the “basic education for all” policy as formulated in the KESSP which was launched in July 2005. The implementation of the KESSP’s investment programmes was based on the thematic areas of Financing, Access, Sector Management, Quality, Retention, Secondary, Tertiary and Higher Education. Currently, KESSP is under review and three new investment programmes have been proposed for inclusion namely: Communication Strategy, Examination and Certification and Curriculum development and support. In addition, the Secondary, Technical, Industrial, Vocational Entrepreneurship Training (TIVET) and University programmes will need to be expanded to be more comprehensive addressing all aspects of the sub-sectors in line with the recently formulated strategies for the sub-sectors and Vision 2030 human capital needs.

5.1.1 Situation Analysis

In order to effectively carry out its mandate, the education sector has various sub-sectors and Semi Autonomous Government Agencies (SAGAs) which are charged with various responsibilities. These sub-sectors and SAGAs have experienced marked improvements including the following:

**Early Childhood Development and Education (ECDE):** The government recognises the importance of ECDE as one of the most important levers for accelerating the attainment of EFA and the MDGs. One of the EFA goals obligates the government to expand and enhance comprehensive ECDE programmes that are essential for basic education. While enrolment in ECDE increased from 1,672,336 in 2006 to 1,691,093 children in 2007, the GER (59.3 per cent) is still below acceptable levels. Furthermore, the number of ECDE centres also increased marginally from 36,121 in 2006 to 37,263 in 2007. With low enrolment at this level, many of the children between the ages 4-5 years end up directly joining primary schools without the relevant background thus negatively affecting retention and quality.

**Primary Education:** Kenya has made remarkable progress in increasing access to Primary education. Primary school NERs increased from 86.5 per cent in 2006, to 91.6 per cent in 2007. There was a slight change in the GER to 107.2 per cent during the same period. The completion rate increased from 56.9 per cent to 76.8 per cent in 2006. Currently, the country has 18,063 public primary schools and 8,041 private schools enrolling 8.2 million pupils.

Regional disparities are evident, with North Eastern (24.3 per cent) and Nairobi (32.9 per cent) provinces having low NERs compared to a high of 97.8 per cent recorded in Nyanza province. With regard to gender disparity in enrolment, the situation has been improving and the disparity is relatively small in primary school. Female Primary school enrolment stood at 49.4 per cent of the total enrolment, with North Eastern province recording the lowest proportion of female enrolment of 25 per cent.

There has been significant increase in Primary school enrolment after the introduction of FPE in 2003. However, this has exerted additional pressure on the existing physical facilities. This has led to an acute shortage of permanent classrooms, particularly in poor communities. At the same time, existing infrastructure is generally in poor condition due to a lack of investment capital, poor construction standards and inadequate maintenance. The results of the sharp rise in enrolment numbers include poor learning conditions and overcrowding in schools. Indeed, this has compromised the quality of education at this level. Furthermore, there is limited number of primary schools serving those in ASAL areas and urban slums.

**Secondary Education:** A major factor constraining secondary school enrolment is that growth in the number of secondary schools has not matched the growth in primary schools. In 2007, there were 4,245 public secondary schools and about 2,240 private secondary schools as compared to 26,104 primary schools. Currently, the total enrolment in secondary schools stands at 1.18 million students as compared to 3.7 million children of secondary school going age. The GER increased from 32 per cent in 2006, to 37 per cent in 2007. On its part, the NER stood at 23 per cent in 2006.
and 24.2 per cent in 2007. The GER for boys was 40.4 per cent while the rate for girls was 33.3 per cent.

This imbalance is expected to worsen following the successful implementation and strengthening of FPE as well as the introduction of Free Day Secondary Education. The demand is already very acute in urban areas, particularly in urban slums, where over 60 per cent of the total urban population live. Moreover, the sector has set a target transition rate of 80 per cent from Primary to Secondary schools by 2009. This will be an increase from the current rate of 70 per cent, with enrolment doubling from 1.17 million students in 2007 to about 2.8 million in 2012 and tripling to 3.51 million students by 2015. In order to effectively address the challenges at this level, the sector has developed a Secondary Education Strategic Plan, which is a key component of the government of Kenya’s approach to the provision of Education for All (EFA). This is expected to be integrated into the revised KESSP that will be extended to 2015.

**Special Needs Education:** Special Needs Education aims at assisting persons with special needs realise their full potential. It is estimated that 26,885 out of 1.8 million school going age population with special needs are enrolled in the few special education schools, units and integrated programmes including 1,130 integrated special units and 8 special schools offering secondary education programmes. This means that close to 1.77 million children with special needs are not receiving any educational support. The problem of integrating students with special needs has not been adequately addressed at post secondary and university level. There is need to provide appropriate educational facilities, materials, equipment and a cadre of trained teachers, professional and support staff to address their needs at all levels.

**Adult Basic Education:** According to the Kenya National Adult Literacy Survey (KNALS), 2007, 61.5 per cent of the adult population has attained minimum literacy level. Only 29.6 per cent of the Kenyan adult population has attained desired mastery literacy competency. About 29.9 per cent of the youth aged 15 to 19 years and 49 per cent of adults aged 45 to 49 years are illiterate. The survey reveals high regional and gender disparities in literacy achievements with Nairobi recording the highest 87.1 per cent and North Eastern province recording the lowest at 8 per cent.

**Teacher Training:** There are 33 public Primary Teacher Training Colleges that produce approximately 9,000 graduates annually. Majority of secondary school teachers are trained under university education programmes. In addition, there are two diploma colleges that produce about 400 graduates annually who are absorbed in secondary schools. However, the institutions lack adequate and modern facilities required for effective delivery of both pre and in-service training services.

**University Education:** Transition from secondary to university education stands at about 3 per cent. The last decade witnessed substantial growth in the University sub-sector. Enrolments rose from 112,229 during the 2006/2007 academic year to 118,239 in the 2007/08 academic year. Female students constituted 31 per cent of the total university student population. However, the increasing number of universities (28 by 2008) has failed to meet the demand for University education. In addition, access to highly marketable degree programmes and science based programs remains limited due to high costs while gender and regional disparities still abound. The phenomenal demand for university education has resulted into expansion of universities through opening of satellite campuses most of which lack the requisite infrastructure and personnel. The expansion is also likely to stifle the diversified university system and the goal of creating ‘Centres of Excellence’, thereby affecting the quality and relevance of education at this level.

Currently the Higher Education Loans Board (HELB) is able to support only 16,000 out of the over 80,000 students who qualify for admission to the public universities and an additional 3,000 students from private universities. This has adversely affected access to higher education since only a few students can afford to pay for the self-sponsored parallel programmes.

**Quality Assurance and Standards:** The education sector has expanded rapidly and this growth has impacted on quality and relevance of education at all levels. The objective of Quality Assurance and Standards is to ensure that:
relevant curricula as well as teaching and learning materials are developed; appropriate physical facilities and equipment are provided; and there is an adequate number of qualified teaching staff for efficient delivery of the curriculum. The sector will continue to improve the capacity of quality assurance officers, revitalise subject panels at schools, initiate teacher support initiatives and conduct subject based in-servicing, among others.

**Teacher Management:** Teacher resource is the single most important input into the learning process. Over the years, the number of educational institutions has substantially increased to the current 26,104 primary schools and 6,485 secondary schools. The Pupil-Teacher ratio in Public Primary and Secondary schools stood at 44:1 to 23:1 in 2007, representing a rise from 43:1 to 20:1 in 2006 respectively. The Economic Recovery Strategy (ERS) targeted a PTR of 40:1 for Primary education and 35:1 for Secondary education.

The introduction of the Free Primary Education Programme has resulted in an increase in the transition rate. However, this has substantially increased the shortage of teachers currently estimated at 42,000 for primary schools and 11,000 for post-primary institutions. The shortage is anticipated to be higher with the expected increase in transition and transfer of students from Private to Public schools, following the implementation of Free Day Secondary Education. To address the uneven distribution of teachers, the TSC is currently using the demand-driven recruitment policy whose achievements may be affected by the recent displacement of teachers occasioned by post election violence.

**Curriculum Development:** Curriculum development is recognised as one of the major pillars of quality in education and training. Between the 2005/2006 and 2006/2007 financial years, 721 titles in different categories were evaluated respectively. This included life skills textbooks developed by the institute and a few Mother Tongue titles. The Kenya Institute of Education has also developed E-Content curriculum materials for secondary level which are being digitised. In addition, digital laboratory and Broadband internet connectivity has been established. In the recent years the adaptation of curriculum for learners with special needs has been finalised for three levels of education, namely: Primary, Secondary and Primary teacher education. This will continue through the next five years to fully cover all aspects of the curriculum.

**Information and Communication Technology in Education:** A National ICT Strategy for Education and Training aimed at guiding the sector in the adoption of ICTs across all levels of education and training has been developed. This strategy takes into consideration the National ICT Policy of 2006, Sessional Paper No. 1 of 2005, E-Government Strategy of 2004 and the ERS. In addition, the sector has developed an e-school model for Kenya under the New Partnership for Africa's Development (NEPAD) initiative. This takes into consideration the partnership of the community and schools management committees. Under the programme, more than 213 schools have benefited and are expected to be centres of excellence in the respective district.

### 5.1.2 Emerging Issues and Challenges

For the sector to deliver the targeted *Vision 2030* goals, challenges identified in the sector at the various levels ought to be addressed. Some of the major challenges in the sector include:

**Effects of 2007 post-election violence:** The post-election crisis has had a negative impact on the educational sector in Kenya. The main affected areas are Rift Valley, Nyanza, Western, Coast, Nairobi, and Central provinces with massive displacement of students, burning and looting of schools as well as teacher migration. The sector has undertaken an assessment to determine the extent of the damage, with a view to identify the necessary interventions. Currently, this crisis is being managed by placement of displaced children in local schools as well as establishment of temporary classrooms in host community schools. The displaced teachers have also been deployed appropriately.
In the meantime, the sector is undertaking the following interventions:

- Integrating over 120,000 displaced learners into existing learning institutions and provision of teaching and learning materials as well as financial support;
- Addressing the psycho-social and peace education needs of children and teachers;
- Creating new structures and services where necessary such as IDP camps;
- Continuous monitoring of the educational situation to facilitate appropriate interventions and planning.

Many students attending Technical Training Institutions were affected by the post election violence. Hence, the bursary fund will to be increased to enable students from the affected families to access technical education. To this effect, an increase of Kshs 50 million has been proposed for the 2008-2009 financial year to benefit 42 Technical Institutions.

**Quality and relevance of education:** The rapid increase in enrolments at all levels of education without commensurate increase in infrastructure and personnel has led to overstretched facilities, overcrowding in learning institutions and high student staff ratios. All these challenges have had a negative effect on the quality of education. In addition, the different curriculum has not kept pace with the demands of globalisation. For instance, rapid expansion in the demand for University education has strained the existing facilities and adversely affected the teaching and learning, research productivity and the intellectual climate of universities as a whole.

Many primary and secondary students who cannot proceed with formal education are supposed to be absorbed by TIVET institutions. However, the training at this level has been hindered by inadequate facilities and inappropriate curriculum; hence most graduates at this level lack appropriate skills. Furthermore, a mismatch between the level of skills imparted by the education system and the requirements of the labour market must be realigned in order to meet the demands of the economy and improve students’ opportunities to participate effectively in the development process and for globalisation.

**Low transition rates:** Though rising, the transition rate from primary to secondary school, estimated at 60 per cent, and from secondary to University level at 3 per cent is still below the desired levels of 75 per cent and 15 per cent by 2012 for the two levels respectively. The increase in high school enrolment had been hindered by the high cost of secondary education, and the low participation of private providers in post-primary education. In recognition of this problem, in 2008, the government commenced the provision of Free Day Secondary Education (FDSE), with the exception of boarding expenses. With the imminent rise in the number of students completing primary and secondary education as a result of state-financed education at those levels, preparations will have to be made to expand tertiary and higher education facilities.

**Access and equity:** Despite recent improvements, high regional disparities in access to education at all levels remain a challenge. There is lack of adequate and quality infrastructure particularly in ASAL districts, urban slums and pockets of poverty. At university level, access to technical and science based courses is hampered by lack of infrastructure.

**Gender disparity:** In some regions of the country, girls do not have the same opportunities in accessing education at all levels as boys. Certain religious and cultural practices such as the marrying off of girls at a very early age inhibit them from attending school. Other factors that work against the education of the girl child include poverty in the homes, such that given a choice parents would prefer to educate a boy than a girl. The most affected are those in remote rural areas, urban slums, and other marginalised areas. In addition, girls mostly enroll for Arts based subjects while boys enroll for science based subjects. This puts girls at a disadvantage in the labour market as they cannot compete favourably with their male counterparts. The effects of HIV/AIDS scourge have turned many girls into caregivers at the expense of their education.

**The impact of HIV/AIDS:** HIV/AIDS poses a great challenge to the efficiency and quality of education delivery. This is
because it leads to an increase in the number of orphans, loss of trained teachers and high absenteeism rates among teachers and pupils/students. It is for this reason that school-based HIV spread prevention programmes have been identified as a necessary step towards protecting the general population from infection. In addition, substantial progress has been made in developing capacity among teachers at primary school level to facilitate behaviour change and the use of available resources to support teaching and learning about HIV and AIDS. Although the prevalence rate has considerably declined, the issue of orphans still remains a challenge.

**Special Needs Education:** This sub-sector faces numerous challenges such as inadequate statistics on children with special needs, poorly trained staff and insufficient funding. The lack of clear policy on special needs education, appropriate technical and assistive devices including ICT that enhance teaching and learning and appropriate tools for assessment of the special need compounds the situation. Special Needs education is further faced with the challenges of curriculum inflexibility; examination oriented educational system, as well as negative attitude of the society towards those learners with special needs.

**Teacher Management:** The TSC has continued to experience operational constraints and challenges in certain areas of teacher management. The commission is currently faced with the challenge of providing adequate teachers to schools and tertiary education institutions. This challenge to provide adequate teachers is further compounded by the implementation of FPE, FDSE and the establishment of learning institutions through the devolved funds such as CDF and LATF. The implementation of the ECDE policy as an integral component of basic education will require provision of 20,229 teachers for the sub sector.

The government has not been employing teachers since 1998, following the freeze on employment in the public sector. From 2001, the TSC was allowed to recruit teachers to replace those leaving service through natural attrition. In 2007, the TSC recruited 4,000 additional teachers to address national teacher shortage, a move which is likely to continue following the improvement of the country’s economy. This additional number has raised the total number of teachers to 239,000.

**Teacher Training:** The current Teacher Training curriculum does not adequately address the modern needs of ensuring that the graduates are well suited to cope with the globalisation challenges. The Teacher Training curriculum will therefore be reviewed with a view to modernising it to reflect changing technologies and delivery methods.

**University Student Loans and Bursary Scheme:** In executing its mandate of providing financial assistance to university students, HELB experiences many challenges including: increased number of applicants, low government funding, partial loan allocations and low loan recovery rate. The Board will therefore be strengthened in order to reach more vulnerable groups in both public and private universities.

**Curriculum Development, Review and Delivery:** The development of curriculum and its review has been hampered by lack of continuous capacity building in areas like instituting a modern curriculum. Due to weak linkages between university education and industrial needs, reforming curriculum to provide relevant skills and competencies for national development and global competitiveness remains a priority. Hence, the private sector will participate in the curriculum review and in order to ensure its relevance to labour market needs.

**Examinations and Certification:** Efficient administration of examination process faces a number of challenges which include: inadequate ICT to handle high volume of data, inadequate funding to cover the administration costs, due to increased work load and lack of direct control of examination distribution centres. In addition, advanced technology, particularly with regard to mobile phones has posed a great challenge to Kenya National Examination Council (KNEC) during the administration of examinations. Unfortunately, a few secondary school candidates have attempted to use this technology to commit examination irregularities. To deal with this vice, the KNEC is currently exploring ways of stamping out this problem.
Adult Basic Education: Lack of a clear Adult and Continuing Education (ACE) policy and clear transition mechanisms remains a challenge. The findings of KNALS 2007 indicated an acute shortage of teachers, teaching and learning materials and negative attitude towards ABE. The survey further established the existence of limited access to ABE programmes capacity for quality assurance and standards and ICT capacity for e-learning.

5.1.3 Programmes and Projects for 2008 - 2012

The government, in collaboration with development partners and other stakeholders has been implementing the KESSP with a view to addressing the main sector issues including the need to strengthen the management and delivery of educational services. In effect, this will improve the access, quality, equity and relevance of education and training. In order to stay on track towards meeting the objectives of the EFA, MDGs and Vision 2030, further investments in the short, medium and long term will be made necessary. The short- and medium-term investment programmes that will be implemented have been categorised into key areas including: One Year Recovery Strategy; Flagship projects which are critical to the achievement of Vision 2030; and Public Private Partnership (PPP) programmes.

One Year Recovery Strategy

In order to address the effects of the post election disturbances in the Kenyan educational system, the Sector will carry out the following short term interventions:

- Conduct an impact assessment to establish the educational needs and subsequent mitigation measures;
- Guidance and counselling of post-election victims including Education Officers and teachers at all levels;
- Building capacity and confidence of teachers who are expected to provide psychological support to affected pupils/students;
- Construction of schools and temporary shelters in affected areas;
- Provision of teaching and learning materials in areas affected by post-election violence arson and pockets of poverty; and
- Gender sensitive interventions and voucher system to support orphans and vulnerable children affected by the violence.

Flagship Projects for 2008 -2012

The sector will implement the following flagship projects cutting across all the sub-sectors. These projects include:

Construction of new schools: In order to address the inadequate physical facilities at secondary level to support the attainment of the desired transition rate of 75 per cent by 2012, the sector intends to construct more schools and expand and rehabilitate existing ones. The newly developed school mapping (Geographical Information System) undertaken by the Ministry of Education will assist in identifying the needy regions for this intervention.

Recruitment of more teachers: The sector plans to recruit more teachers both at the primary and secondary level to address the acute shortage and improve the pupil to teacher ratio. An additional 28,000 teachers, (both males and female) are to be recruited. Out of this group, 21,400 primary school teachers and 6,600 post-primary institutions tutors will be employed. These will be distributed over the first four years of the Plan period, with 6,000 teachers being recruited each year. The balance of 4,000 will be recruited in the final year during 2012/13.
To ensure efficient teacher utilisation, the TSC will implement cost effective staffing measures which include:

- Implementing differentiated staffing norms at Primary school level which will allow for a PTR of 45:1 in high potential areas and 25:1 in rural ASAL areas;
- Raising the Secondary school average teaching load from 18 hours to 20 hours per week;
- Retraining some of the under-utilised teachers to specialise in the optional subjects for which supply exceeds demand;
- Sharing teachers across schools as deemed appropriate;
- Placing a lower limit on the class size for optional subjects; and
- Considering various options for retraining and redeploying the teachers below the cut-off teaching load level.

**Computer Supply Programme:** In order to achieve the Vision’s goal of mainstreaming information technology in schools, the sector will establish a computer supply program to schools in order to equip students with modern ICT skills. The program will target 20,000 public primary schools, 4,000 public secondary schools, 22 PTTCs, 2 diploma colleges and the 7 public universities.

**Construction of Boarding Primary Schools in ASAL Areas:** Due to the migratory nature of the pastoral communities, the sector will construct, rehabilitate and equip at least one boarding Primary school in each constituency of the ASAL districts. This will go a long way to increase the enrolment rates and ensure equity in education indicators for these disadvantaged areas. This programme will supplement the national infrastructure programme under KESSP. This will be complemented by a sensitisation programme to ensure that parents enroll and retain children in school.

**Establishment of the Voucher System:** In order to ensure equity in access to education, the government will increase the financial assistance targeting vulnerable groups to supplement the already existing initiatives including School Feeding and Nutrition Programme, bursary, Free Primary Education and Free Day Secondary Education. This will be accomplished by rolling out the voucher system for the learners from poor households and children rescued from early marriages and child abuse, consistent with the voucher system being implemented by the Ministries of Health and Home Affairs.

**Establishment of Centres of Specialisation:** To address the challenges associated with capacity in the targeted sectors, universities and other middle level colleges will undertake training programmes in cognisance of globalisation and local skills needs in a knowledge based economy. The sector will establish ‘Centres of Excellence’ in Hospitality training (Tourism), Agriculture, Trade, Manufacturing, Financial services and Business Process Outsourcing/Off shoring. The establishment will be based on individual institution/university’s comparative advantages. Universities will also be expected to forge linkages with industry and international Organisations to facilitate establishment of Science Parks for skills development.

**Other Programmes**

The sector will continue to implement other programmes besides the flagship projects. These programmes are aimed at achieving the broad sector strategic objectives of enhancing access, equity, quality and relevance. The programmes are in line with Sessional Paper No. 1 of 2005, the KESSP, Sector Strategic Plans and Sub-sector Strategic Plans.

**Early Childhood Development and Education Programme:** The government will integrate ECDE into the basic education curriculum, with a view to improving its management, increasing access to ECDE and enhancing retention at lower primary school level. Currently, the programme entails community mobilisation and capacity building, provision of community support grants, review of ECDE curriculum, promotion of ECDE health and provision and primary school readiness. In addition, the government will support provision of teaching and learning materials, trained teachers and infrastructure.
Basic Education Programme: The government will support the sector in alternative basic education programmes including Non-Formal Education (NFE) schools, madrassas and mobile schools. In an effort to ensure full utilisation of the boarding schools in ASAL, the sector will mount community sensitisation programmes.

Special Needs Education: The sector will integrate Special Needs education at all levels of education and training. This will entail the following measures:

- Enforcement of legal provisions that safeguard the rights of those with special needs;
- Implementation of a Special Needs Education Policy;
- Conduct further research in the area of Special Needs;
- Development of a flexible curriculum and evaluation system appropriate for learners with special needs;
- Utilising the most appropriate language of communication for learners with special needs;
- Provision of funding and rehabilitation of existing institutions to make them disability friendly;
- Creation of awareness and advocacy campaigns on the rights, needs and potential of learners with special needs;
- Strengthening educational assessment centres through the provision of staff training and relevant assessment tools; and
- Capacity-building to embrace inclusive education practices and innovative methods of teaching, learning and evaluation.

Grants to Boarding Primary and Secondary Schools in ASAL: Grants will be provided to low cost boarding primary schools to cater for operational costs at an estimated budget of Kshs 4,000 per child annually. This programme will be rolled out to boarding primary schools to be constructed in each constituency in ASAL districts to improve access and reduce regional disparities.

Similarly, the government has been providing grants to all public secondary schools in the ASALs districts (as part of affirmative action to address equity) for development expenditures. This benefits the districts of Mandera, Wajir, Ijara, Garissa, Moyale, Marsabit and Isiolo. The sector will continue this programme within the Plan period to ensure quality and equal opportunities. This programme will also target secondary schools in pockets of poverty within other districts.

Grants to Non Formal Schools: The sector has for the last five years been providing grants to NFSs for teaching and learning materials. Currently, there are 208 non formal schools registered and receiving grants. There are still more NFSs which are not yet registered hence missing out in the provision of grants. In the plan period the sector will assess and register all viable NFSs and provide support in form of grants in order to enhance its efforts towards reaching children in hardship/disadvantaged zones.

Free Day Secondary Education (FDSE): The FDSE aims at enhancing equity, access and improving transition from primary to secondary. To achieve this, the sector will continue to implement secondary school expansion strategy which among other things recommends the expansion of secondary education by construction of new schools of at least three streams and increasing class size from 40 to 45. To ensure successful implementation of the Strategy, the government introduced free tuition in Secondary schools in January 2008.

Secondary School Bursaries: The programme enhances access, equity and retention at secondary level. These bursaries target vulnerable groups. These include orphans, the girls and children from poor families in slum areas, pockets of poverty in high potential areas, and ASAL districts. Although the government has introduced free tuition secondary education, the programme will be continued to assist the poor and vulnerable groups meet the other expenses not catered for by the government such as boarding fees.

University Education: In an effort to increase the Gross Enrolment Ratio (GER) of university students from the present 3 per cent to 15 per cent, the number of students will be increased from the current 130,000 to about 450,000
students by 2015. The strategies to achieve this include:

- establishing new university colleges in regional areas, with specific focus on strategic disciplines deemed important to the regions;
- expanding the capacities of existing universities and establishing campus colleges of existing universities in strategic areas; and
- upgrading existing middle-level colleges to degree-granting institutions without losing their current mandate.

In addition to the above measures, there will be streamlining and fast-tracking of postgraduate programmes in order to increase the number of PhD holders required for university education and other national needs. This will entail an increase in postgraduate student enrolment to at least 10 per cent of the undergraduate enrolment. This can be achieved by increasing the number of government grants and incentives provided to local universities. Nevertheless, such an expansion calls for reforms that will ensure that quality and relevance are not compromised. To achieve this total of Kshs. 14 billion additional funding will be required to finance the initiative.

**University Loans, Bursaries and Scholarships:** The Higher Education Loans Board (HELB) awards loans, bursaries and scholarships to students from needy families studying in public and private universities. With the rapid expansion of university enrolment, the board will improve its loan recovery, targeting procedures, and means testing. In addition, the HELB Act (Cap. 213) will be reviewed to empower the Board to operate as a fully fledged student bank. The Ministry of Education also provides bursaries to university students. However, the current level of funding is inadequate, given the increasing need for university education. The government will therefore increase funding and explore more efficient allocation criteria.

The sector will augment implementation of the initiatives to expand access to university education such as; de-linking admission from bed space, establishing new university campuses and colleges and upgrading existing middle level colleges. The sector will establish a National Open University and expand or establish Open and Distance Learning (ODL) in existing public and private universities as well as increase access to university education for women, students with special needs and other disadvantaged groups as part of the affirmative action.

**Provision of Science/Laboratory Equipment in Schools:** The government has been providing grants to schools for procurement of science and laboratory equipment in order to improve the teaching of science related subjects. However, the funding is inadequate to create the required critical mass/capacity for training the anticipated science based skills necessary for the **Vision 2030** objectives. The government will therefore allocate more resources for this critical programme during the Plan period.

**Information Communication Technology:** Programmes towards the enhancement of ICT education and training will be tailored to address the following objectives: develop institutional ICT policies and strategic plans, strengthen ICT human capacity. The sector will scale up resource mobilisation towards establishment of e-school programme. This programme is expected to increase the number of education institutions with proper ICT resources/facilities for effective delivery of education content in the Digital and Knowledge Economy. With regard to Special Needs education, assistive technology (adaptive, assistive and rehabilitative devices) will be provided to enhance their ability to interact with other learners.

**Curriculum Development and Review:** Curriculum development and review will ensure quality and relevance in education and training for the realisation of **Vision 2030**. Under this area, KIE will undertake the following: development and revision of the curriculum, digitisation of the secondary curriculum, development of curriculum support materials, in-servicing and orientation activities, enhancement of out reach programmes, capacity building, needs assessment on adult education and training, education of learners with special needs and child minders, and monitoring and evaluation of curriculum at all levels. The CHE will therefore be strengthened to accredit university curricula.
**Research and Development**: Universities will increase the quantity, quality and relevance of their research output with a view to creating innovations and inventions that will enable Kenya to effectively transform into knowledge based economy. The sector will therefore provide incentives for research and increase the research endowment fund.

**University-Industry Linkage**: Universities will build strong partnerships with other universities, industries, international organisations and communities through a policy environment that is conducive to growth. The linkages will be instrumental in boosting the relevance of university education, mobilising resources, enhancing research activities and facilitating technology transfer.

**Adult Basic Education**: Given that education is the main vehicle for transforming latent human potential for socio-economic development, the sector will continue implementing programmes aimed at achieving the medium term goal of 80 per cent adult literacy rate. These programmes will include:

- Expanding access and increasing participation in adult classes;
- Improving the quality and efficiency of adult education programmes;
- Reviewing the legislative framework on Adult and Continuing Education;
- Creating and sustaining a literate environment; and
- Promoting e-learning for out of school youth and adults.

**HIV/AIDS Programme**: To strengthen the sector’s capacity to provide HIV/AIDS prevention, care, support and mitigation, the following will be undertaken:

- In-service training for staff in Primary and Secondary schools on HIV/AIDS;
- Peer support initiatives in education and training institutions;
- Orientation on curriculum materials; and
- Provision of teaching and learning materials in the various sub-sectors, as well as the provision of a school health club activity kit.

In order to implement workplace interventions, the establishment of networks of Teachers Living With HIV/AIDS (TLWHA) will be strengthened. Additionally will be the implementation of the Education sector policy on HIV/AIDS in the workplace, including the revision and distribution of guide on regulations. The ACUs of all institutions under the sector will be strengthened in order to entrench management response to the effects of the scourge.

**Guidance and Counselling**: The education sector will continue to support the provision of Guidance and Counselling services to enable learners cope with emerging issues like HIV/AIDS, drug and substance abuse, disaster management, conflict resolution, violence prevention and trauma management.

### 5.1.4 Policy and Legal Framework

The Ministry has been engaged in the process of reviewing the legal framework governing the education sector to facilitate the anchorage of reforms that have taken place over the past years. This will include incorporating the Parents and Teachers Association (PTA) into the management of schools, decentralisation of both Ministry and TSC functions and disbursement of funds directly to institutions. In addition, the Ministry will gazette the current fees guidelines for secondary schools as a way of entrenching Free Day Secondary Education.

At university level, the sector will:

- Popularise the policy of Built, Operate and Transfer (BOT), as a way of upgrading and expanding university facilities;
• harmonise the legal statutes governing education and training;
• Empower the Commission for Higher Education to be an effective quality assurance body for both Public and Private universities;
• Strengthen and improve the governance and management structures of local universities; and
• Provide incentives to private universities to enable them to expand facilities and capacities for increased access and especially access to science oriented programmes.

Curricula developed by individual universities will be geared effectively towards addressing the changing market needs. Consequently, there is a need to review the legal framework with a view to empowering Commission for Higher Education (CHE) to undertake programme accreditation for both public and private universities. The sector will also Finalise the development of the National Qualifications Framework and review the Board of Adult Education (BAE) Act and its inclusion in the proposed Education Training and Research (ETR) Act. In addition, the sector will develop a legal policy framework to establish an independent Educational Broadcasting channel for both Radio and Television under the Kenya Institute of Education. In order to assist persons with special needs realise their full potential, a special education policy will be developed and implemented with a view to have an integrated and inclusive education.

5.2 Health
“Equitable and Affordable Health Care of the Highest Standard”

The Kenya Vision 2030 goal for the Health sector is to provide equitable and affordable quality health services to all Kenyans. This is in recognition of the fact that good health and nutrition boosts the human capacity to be productive. Subsequently, this will enhance economic growth, contribute to poverty reduction and the realisation of the Vision’s social goals. The Health sector is one of the key components that appeals to the equity and socio-economic agenda emphasised in the social pillar of the Kenya Vision 2030. Moreover, the Vision builds on the achievements of the Economic Recovery Strategy for Wealth and Employment Creation (ERS) (2003-2007) and the National Health Sector Strategic Plan II (2005-2010) which was formulated with an aim of reversing the downward trends in health indicators during the 1990s. Kenya also aims at restructuring its health delivery system to shift its emphasis from curative to promotive and preventive health care. In turn, this will lower the nations’ disease burden. In particular, this will be achieved by shifting from curative care in large hospitals, to lowering the incidence of preventable diseases. In addition, efforts will be made to control environmental threats to health and improve the nutritional status and research that targets the health needs of communities in their specific circumstances.

The Vision 2030 strategy is to undertake programmes that entail the public taking charge of their lifestyles in ways that will improve the health status of individuals, families and communities. This approach will achieve major gains by firstly, involving local communities in the management of health services and secondly, by allowing the Ministry of Health (MoH) to focus on policy, standards and research. The MoH has therefore defined a decentralisation approach that will allocate funds and responsibility for the delivery of health services to district hospitals, health centres and dispensaries. In turn, this will empower Kenyan households and social groups to take charge of improving their own health and nutrition. This will be achieved through the introduction of community-level care units to serve the local population. In addition, a cadre of well-trained Community-Owned Resource Persons (CORPS) and Community Health Extension Workers (CHEWs) will be created. This strategy is based on the realisation that communities benefit from affordable, equitable and effective health care when they have an opportunity to participate in policy making and the development of programmes on local health care delivery.

The government also recognises the role of the private sector in improving the delivery of health services in partnership with the public sector. Accordingly, fostering partnership in the health sector has been one of the goals of health reforms. In July 2005, the Ministry of Health embarked on a Kenya Health SWAP design process to enhance the coordination and harmonisation of government and partner efforts (service delivery and funding). This was intended to
achieve greater effectiveness and efficiency through the adoption of a country-led plan for service delivery, a single monitoring and evaluation framework. In addition, it would strengthen and use the country’s systems of financial management and procurement. Consequently, through such partnerships, Kenya will be able to position herself as a competitive provider of specialised health care services. The overall goal is a paradigm shift that will bring fundamental changes to the way health services are delivered in Kenya.

5.2.1 Situation Analysis

The majority of Kenyans do not have access to affordable health care. Furthermore, nearly half (46 per cent) of the population live below the poverty line. According to the Household Health Expenditure Report of 2003, 44 per cent of Kenyans who fall sick do not seek health services due to lack of finances. This implies that low income remain a major hindrance to accessing health care services in the country. Mortality rates still remain high, particularly among women and children. For instance, the Infant Mortality Rate (IMR) increased from 71 per 1,000 live births in 1998, to 77 per 1,000 live births in 2003. In addition, the Under-five Mortality (U5M) increased from 105 to 115 per 1,000 live births during the same period. Mortality rate among under-fives show marked regional disparities, ranging from 54 per 1,000 live births in Central Province, to 163 in North Eastern province and 206 in Nyanza province. The overall concern is that if the current national trend continues, the Under-five Mortality related MDG may not be achieved. Maternal mortality rate stands at 414 maternal deaths per 100,000 live births. Approximately 14,700 women of reproductive age die annually due to pregnancy related complications. Recent statistics show that 60 per cent of births in Kenya take place outside health facilities and only 40 per cent of deliveries are attended by skilled personnel.

Communicable and infectious diseases, nutrition deficiency disorders and parasitic infections still dominate the morbidity profile in the country. The majority of Kenyans continue to seek treatment in health care facilities for ailments that can be controlled through preventive and promotive measures. Further, health statistics indicate that Malaria is a leading cause of outpatient morbidity, accounting for 30 per cent of the total disease burden in Kenya. On the other hand, diseases of the respiratory system, pneumonia, skin diseases, diarrhoeal diseases, and intestinal worms, contribute over three quarters of the total outpatient cases reported. HIV/AIDS continues to pose health and socio-economic challenges. The National AIDS Control Council estimated that there are an estimated 1.2 million people currently infected with HIV/AIDS. Approximately 85,000 people die of AIDS-related complications annually, leaving behind over 2.4 million orphans. Although in some areas VCT centres have been established up to village level, the uptake remains low with only 5 per cent of the population visiting these centres. The incidence of Tuberculosis (TB) is on the rise due in part to the interaction between TB and HIV/AIDS. Multi Drug Resistant (MDR) is on the rise. If not checked, it can possibly erode the gains made in the management of TB in the country.

Poor nutritional status also remains a challenge in Kenya because malnutrition is an underlying factor accounting for 54 per cent of deaths among children under-five years. At national level, one out of every three children under-five years of age exhibits stunted growth, due to long term deprivation of quality nutrition. An estimated 55 per cent of women of reproductive age are anaemic and over 70 per cent of children below 5 years suffer from Vitamin A deficiency. Indeed, these nutritional outcomes are totally unacceptable because of their negative consequences on the human and economic development in the country.

Currently, the health expenditure in rural areas account for 30 per cent of the government’s spending on health services. Of this figure, urban areas account for 70 per cent, and yet only 20 per cent of Kenyans live in urban areas. Quality health care services are low particularly in government-run facilities because of lack of supplies/stocks. With a total of 6,194 health facilities, 51 per cent are Ministry of Health facilities, while the remaining 49 per cent are Faith Based Organisations (FBOs) and private facilities. However, only 52 per cent of Kenyans are within 5 kilometres to the health facilities.
Inadequate and inequitable distribution of Human Resources for Health (HRH) is hampering health care delivery and ultimately health outcomes. Overall, the Health sector is experiencing a shortage of health workers. Estimates show that there are approximately 17 doctors per 100,000 people in Kenya and 120 nurses per 100,000 of the population. However, analyses of regional distribution within the country indicate serious disparities. A case in point is that whereas the doctor to patient ratio in Central province stands at 1:20,715, in North Eastern Province, it stands at 1:120,823.

Nevertheless, Kenya’s health services have improved considerably in the last five years. This has been due to an increase in the budgetary allocation of financial resources as well as better governance and management of health delivery systems. Recurrent and development funding for health services has increased from 7 per cent in 2003/2004, to 7.9 per cent in 2006/07. The actual government expenditures on health increased from Kshs 16 billion (2003/04), to Kshs 27 billion in 2006/07 and further, to an estimated Kshs. 32 billion in 2007/08. The per capita expenditure on health also rose from USD 6.4 in 2003/04, to USD 10.9 in 2006/07. However, the expenditure is still skewed towards curative services. For instance, in 2006/07, curative services accounted for 52 per cent of the recurrent expenditure, while preventive and promotive care accounted for 5 per cent.

The levels of some key health status indicators associated with mortality and morbidity of the population observed in the 1990s have been reversed. For instance, immunisation coverage increased from 59 per cent in 2003, to 73 per cent by 2007 (against the set target of 70 per cent). However, the coverage in Western province of 68 per cent, Nyanza at 66 per cent, and Rift Valley at 70 per cent still falls below the national immunisation coverage target. In addition, the HIV/AIDS prevalence rates declined from 6.7 per cent in 2003, to 5.1 per cent in 2007, with disparities ranging from 13 per cent in Nyanza, to 3 per cent in North Eastern province. The expansion and scaling up of Voluntary Counselling and Testing (VCT) centres and the prevention of Mother to Child transmission of HIV significantly contributed to the prevention of new infections, from 86,000 per year in 2003 to 50,000 per year in 2007. The number of people on Anti Retroviral Treatment (ART) has increased from 2,000 in 2003 to over 160,000 in 2007.

5.2.2 Emerging Issues and Challenges

Despite the achievements attained over the last few years, the Health sector still faces a number of challenges that include:

The 2007 post-election violence

The recent post-election violence resulted in the deaths and displacement of thousands of people. Most of the affected people sought health care in health facilities especially at the major hospitals mainly Kenyatta National Hospital, Moi Teaching and Referral Hospital and New Nyanza Provincial General Hospital. This crisis occasioned an additional workload that put stress on all health public health care facilities, including the loss of revenue experienced in various health facilities. Consequently, the Ministry of Health had to divert medical supplies earmarked for routine supply to manage the crisis. A case in point is that the government waived fees for mortuaries and health care services in the affected areas. Service delivery was also hampered by the displacement of health workers in affected areas. To date, some of the health services disrupted include the provision of ARVs for HIV/AIDS patients and children’s immunisation. The provision of these services in the IDP camps has greatly increased the Health sector’s expenditure on operation and maintenance.

Health Care Financing

The Health sector’s expenditure accounts for 8 per cent of the total government expenditure, constituting 1.7 per cent of the GDP, and USD 10.9 per capita. However, this amount remains inadequate when compared with the WHO recommendation that developing countries spend an average of USD 34 per capita on health care. This will enable the country to cope with the rising burden of diseases and other emerging health concerns and ultimately achieve the Millennium Development Goals on improved health care. Similarly, during the Abuja Declaration, African governments (including Kenya) made commitments to allocate 15 per cent of their annual spending on the provision of health care services.
Health Facilities constructed through Constituency Development Fund
About 1,000 dispensaries have been constructed to address the need for people to have access to health services especially in underserved areas of the country. However these facilities face challenges in terms of staffing and medical supplies. This has called for their adoption in phases. Currently, 294 of the facilities have been gazetted and a further 336 are planned for gazettement. In order to undertake a rational development of health service infrastructure to ensure equity, the MoH will undertake a comprehensive health facility mapping, which will provide the necessary information for policy development. This information will be useful in the proper targeting of construction of health facilities using CDF resources, efficient management of human resource for health and linkages with Local Authorities for service delivery.

Human Resource in Health
In addition to insufficient human resources, the Health sector also suffers from a mal-distribution of the available health personnel, with some rural dispensaries having an insufficient number of personnel. According to a Human Resource Study conducted in 2004, there are an inadequate number of health personnel at the dispensary level, with 50 per cent of the dispensaries managed by support staff or nurse. This situation calls for the harmonisation of staffing needs and deployment in order to address equity in the distribution of health care workers.

Weak Health Management Information Systems
Despite extensive previous investments, the current Health Management Information System (HMIS) does not provide timely and comprehensive data. Taking into account the emerging decentralised systems, disease burden, prevention and other epidemiological trends, the system provides limited information for monitoring health goals and empowering individuals and communities with timely and understandable information on health. Focus will therefore be directed towards strengthening health information systems. This will require ICT connectivity, systems redesigning and capacity building for health care workers critical in data generation and management.

Foundations for Health Sector Transformations
The adoption of the Kenya Essential Package for Health (KEPH) constitutes a paradigm shift in the delivery of health services. It emphasises on life-cycle cohorts and a shift from disease orientation to health promotion has meant that service delivery efforts are focused at primary and lower levels of health care such as district health services up to the community level. The paradigm shift will be enhanced by the following transformations:

Community Strategy
The progressive shift from curative to preventive and promotive health care will require the participation of individuals and communities to take charge of their health. A Community Strategy has been developed to ensure that communities benefit from affordable, equitable and effective health and nutrition care by participating in decision making on local health and nutrition care delivery. The strategy will be achieved through introduction of community-level care units to serve the local population and by creating a cadre of well-trained Community-Owned Resource Persons (CORPs) and Community Health Extension Workers (CHEWs).

Health Sector Services Fund
Previous Public Expenditure Tracking Surveys reveal that only 44 per cent of the resources earmarked for lower level health facilities actually reach these units. Consequently, in order to improve on these disbursements, the government has gazetted regulations for the Health Sector Services Fund (HSSF) to:

- Provide financial resources for medical supplies, construction and equipment of health facilities in the country;
- Support capacity building in management of health facilities;
- Support and empower rural communities to take charge of improving their own health;
- Provide grants for strengthening of faith based health facilities through their respective secretariats; and
• Improve the quality of health care services in health facilities.

In addition to this, the Ministry of Health intends to spend the first half of 2008 building capacity for rolling out the HSSF in all the facilities. The Ministry of Health will also review the Public Health Act to allow disbursement of funds as grants to health facilities, develop requisite systems and linkages to the Medium Term Expenditure Framework (MTEF).

Human Resource in Health (HRH) management
Human Resource within the Health sector is a critical component in the delivery of health care. Hence, the staffing norms for (all existing health cadres) have been developed for the deployment of health personnel. A Health Manpower policy and Improvement Plan has also been developed to address the development, absorption, management and retention of human resources in the sector in the wake of brain drain resulting from migration. Further, to address regional imbalance in the distribution of health personnel in the marginalised areas, the Ministry embarked on hiring staff on contract. Those hired on contract were posted to serve in these areas for the entire period of the contracts. Contract hiring has succeeded in ensuring key staff cadres are available in the hardship areas. Available information shows that most of health facilities which had closed especially in North Eastern province are now operational thus translating into availability of health services.

Sector Wide Approach (SWAP)
A Joint Programme of Work and Funding (JPWF) was developed and adopted in 2006 and has provided a framework for a structured engagement between partners and the Ministry. It has also enhanced the stewardship function of the Ministry of Health. Notable developments in this regard include the adoption of joint annual implementation planning, and annual reviews of sector performance. Through these processes, it is increasingly becoming possible to determine the level of donor and partner resources available for health through either budget or off budget sources. This also enhances the roles played by other implementing agencies in the health sector. This is important for determining the sector’s resource envelope as part of the Medium Term Expenditure Framework (MTEF).

Research and Development
Research on health has been recognised as a major contributor to knowledge and information critical for policy development and priority interventions identification. Currently, health research is conducted, managed, and financed by a diverse number of Organisations. However, they have demonstrated limited coordination, accountability and impact analysis of the research on the critical health needs. The health sector will therefore develop an explicit research policy and legal framework to guide research activities by various institutions in Kenya. Furthermore, the sector shall progressively increase its budget for research in conformity with the regional targets.

5.2.3 Programmes and Projects for 2008 - 2012

The overall goal for the Health sector for the Medium-Term Period is to reduce health inequalities and to reverse the downward trend in health related impacts and outcome indicators. The country will also build on achievements made under the ERS and the ongoing Health Sector Strategic Plan II to achieve the Vision 2030 objectives.

One Year Recovery Programmes

In order to address the impact of the post election violence on the Health sector, the following interventions will be implemented:

• Replenishing buffer stocks diverted for medical supply during the crisis;
• Rebuilding health care facilities destroyed during the crisis;
• Increasing budgetary allocation to health facilities to cover lost revenue due to the crisis;
• Reviewing the waiver system to address the needs of the poor and vulnerable;
• Recruitment and distribution of extra nurses to address the existing constraints worsened by the crisis.

Medium Term Targets

Among the health sector targets to be achieved in the next five years include:

• The reduction of under five mortality from 120 to 33 per 1000;
• Reducing maternal mortality from 410 to 147 per 100,000 live births;
• increasing the proportion of birth deliveries by skilled personnel from 42 per cent to 95 per cent;
• increasing the proportion of immunised children below one year from 71 per cent to 95 per cent;
• reducing cases of TB from 888 to 444 per 100,000 persons;
• reducing the proportion of in-patient malaria fatality to 3 per cent and reducing the HIV prevalence rate to less than 2 per cent.

Flagship Projects for 2008 - 2012

To provide an efficient and high quality health care system for all Kenyans, the sector will implement flagship projects identified by both the Vision 2030 and at the sector level. They include the following:

Rehabilitation of Health facilities: The objective of this strategy is to provide a functional, efficient and sustainable health infrastructure network in the country. Although the government has invested in the rehabilitation of the infrastructure in the last few years, health facilities have been run down over the years due to lack of maintenance. Increased attention will be given to improving the health infrastructure, particularly in rural and disadvantaged areas and communities.

Strengthen KEMSA: The management of procurement and the supply chain has been a major constraint in the effort to deliver equitable, quality and efficient health care service. Since drugs and other medical supplies are paramount in the delivery of quality health care, there is need to strengthen KEMSA to be a strategic procurement agency for the entire health sector. This will be achieved through the following strategies:
• Enhance KEMSA procurement system to avoid delays currently witnessed; KEMSA should be able to service a pull system for all facilities in Kenya in the next five years;
• Allow Mission for Essential Drugs (MEDs) to compete for supply of medical supplies and equipment to health facilities and;
• Refurbishing and strengthening KEMSA regional depots.

Community based information systems: A Community strategy has been developed in order to enhance communities’ awareness of the health preventive and promotive aspects of health, in order for them to adopt positive health seeking behaviour. The strategy will be operationalised to promote the participation of individuals and communities to take charge of their health. Moreover, the government will put in place strategies to fast-track implementation of the MOH Community Strategy by training Community Based Health workers on preventive and promotive health care.

De-linking the Ministry of Health from service delivery: The Ministry of Health continues to be both a health regulator as well as a service provider. However, it is necessary to separate these roles by establishing a Health Service Commission which is separate from the Ministry of Health. It is envisioned that the Health Service Commission will be mandated with Service delivery, while the Ministry of Health will provide guidance on policies, standards and guidelines. The Ministry will
also perform the function of regulating service pension by health providers.

**Human Resource Strategy:** The issue of human resource for the provision of health services continues to constrain health care delivery due to the lack of adequate staff. Consequently, there is a need to develop a human resources strategy to balance the supply and demand for human resources in the entire Public Health sector in the country. Similarly, the Human Resources Information Systems will be implemented.

**Develop equitable financing mechanism:** An equitable financing mechanism will be developed through the introduction of a system to channel funds directly to health care facilities to ensure that funds allocated are utilised for their intended purpose. The following initiatives will be reviewed:

- Implement the National Health Insurance Scheme as a means of financing curative and rehabilitative services thus leaving the government health system to concentrate on prevention, research, and policy;
- Channel health funds direct to Health facilities in line with the HSSF gazette notice;
- Increase resources to underserved or disadvantaged areas;
- Scale up the Output Based Approach System for other health services;
- Review the Public Health Act to allow disbursement of funds as grants directly to health facilities;
- Empower health facility boards to manage and supervise resources generated locally and those allocated from the Central Government.

### 5.2.4 Policy, Legal and Institutional Framework

The Health sector has been reviewing the legal and institutional framework to facilitate the implementation of flagship projects. Accordingly, the following legal and institutional reforms will be necessary for the effective implementation of projects:

**Health Infrastructure**

- Develop an integrated health infrastructure plan to guide investments in the Health sector;
- Strengthen and facilitate the timely procurement and distribution of medical supplies; and
- Fast track the Community Strategy framework to promote participation of individuals and communities.

**Service Delivery**

- Review the Public Health Act to allow establishment of a Health Service Commission;
- Develop a human resource strategy to link demand and supply for human resources;
- Develop a policy to encourage local manufacturers to produce drugs and commodities locally to reduce the cost of healthcare; and
- Develop a policy on Public-Private Partnerships (PPPs) to ensure a well coordinated approach to health care delivery

**Health Care Financing**

- Enact a policy to guide the health sector financing and inform debate on the National Social Health Insurance Bill and its subsequent adoption in Parliament;
- Review the Public Health Act to allow for the disbursement of funds as grants directly to health facilities;
- Empower health facility boards to manage and supervise resources generated locally and those allocated from the Central Government.
Public Private Partnership (PPP)
• Develop a policy framework for Institutionalising PPPs - legislation enabling Public Private Partnerships (PPPs) will be enacted to ensure a well-coordinated approach to healthcare delivery.

5.3 Environment, Water and Sanitation
“Enhancing Access to a Clean, Secure, and Sustainable Environment, Water and Sanitation”

About 42 per cent of GDP is derived from natural resource-based sectors of agriculture, forestry, tourism, mining, water and energy that are otherwise closely related to the state of the environment. Sound environmental conservation results in preservation of natural resources thus, assuring continuous supply of environmental goods and services. In addition, proactive management of the environment pre-empts serious calamities and occurrences e.g. drought, floods and global warming that would otherwise take up a lot of resources to deal with their eventualities.

Development activities planned under Vision 2030 will have different impacts on the state of the environment. Some could lead to increased pollution levels and larger quantities of waste. Activities in the manufacturing sector are also expected to give rise to an increase in effluents discharged, which will require effective and efficient management. In line with the country’s global commitment towards the sustainable development objective, targeted socio-economic development initiatives towards the Vision 2030 targets will take into account environmental considerations.

Water is an environmental resource necessary not only to support life but also sustain economic activities across different sectors. The average annual rainfall in Kenya varies from about 250 mm in the ASAL areas to 1800 mm in the Lake Victoria region. The country’s water endowment is also low and currently stands at 647 cubic metres per capita per year hence Kenya’s classification as a water scarce country. In recognition of the importance of sustainable management of water resources, the government initiated reforms in the sector through the enactment of the Water Act 2002. Further, the government, together with other riparian countries within the Nile Basin has developed the Nile Basin Cooperative framework for development and management of the shared water resources particularly Lake Victoria.

Sanitation and waste management are closely related to human health. The challenges of addressing sanitation and waste management have been compounded by rising population, improvement in standard of living, and high rural-urban migration which is responsible for the development of densely populated informal settlements in urban and peri-urban areas with poor sanitation facilities. Pollution and waste management is exacerbated by dumping of waste into rivers, streams and other water bodies coupled with inadequate strategies leading to serious health implications.

5.3.1 Situation Analysis

Water and Irrigation: Kenya suffers from water scarcity since demand outstrips the stock of renewable freshwater. The current water supply is inadequate with only 57 per cent of households using water from sources considered safe. There are disparities in urban water access with informal settlements recording lower levels. Surface water resources account for 86 per cent while ground water accounts for 14 per cent. Trans-boundary waters constitute 54 per cent of water resources in the country. A Nile Basin cooperative framework for management and development of the shared water resource is under preparation by the nine riparian countries. The government remains conscious and committed to trans-boundary water management frameworks aimed at enhancing the socio-economic development of the people. Likewise, strategies for inter-basin water transfer will be considered.

The available water is often inadequate for industrial, commercial, domestic as well as livestock and wildlife use. This scarcity has intensified competition among various users and often results to conflicts. Involvement of local communities in the management of water resources through formation of Water Resource Users Association (WRUAs)
has resulted in reduced illegal abstractions, reduced catchments encroachment, rehabilitation of catchments areas and river bank protection. A positive outcome has been observed in River Ewaso Nyiro North which is flowing up to 110 km as opposed to previous flow of 40 km, and the flow is for a longer period of time.

Water is also a vital requirement in hydro-power generation as hydro-power accounts for 72 per cent of the country’s electrical power generation. Geothermal power production and its sustainability are largely dependent on natural ground water recharge. The government has implemented far reaching reforms in the Water sector within the legal framework provided by the Water Act 2002. Various water institutions have been established effectively separating the functions of policy formulation, service delivery and regulation of the water supply and sanitation and resources. In addition, Sector Wide Approach to Planning (SWAP) has been initiated aimed at improving coordination of the sector.

Currently only 105,800 hectares (about 20 per cent of irrigable land) have been utilised for agricultural production. It is therefore prudent to construct more water storage facilities towards increasing land area under irrigation whose potential is about 1.3 million hectares within the Plan period. In addition, these facilities will contribute to flood control and reduce associated environmental costs that mainly impact heavily on the rural poor.

The following are some of the major accomplishments in the water sector for the period 2003 – 2007:

- Water and sewerage schemes in Eldoret, Garissa and Nyeri and Phase One of the Kisumu water and sanitation programme were completed;
- 759 dams and pans were constructed and rehabilitated in the ASAL areas;
- 209 community water projects were completed through the Water Services Trust Fund (WSTF);
- 203 rural water supply schemes were rehabilitated;
- 586 boreholes have been drilled and equipped;
- Rehabilitation of 9 sewerage schemes in urban centres were completed; and
- Construction of dykes, canals, gabions and river training along Rivers Nyando, Nzoia and Tana as well as the rehabilitation of Yatta and Njoro Kubwa canals.

Sanitation: Development of water supplies has not been matched by a corresponding increase in facilities of sanitary disposal of wastewater. As a result, wastewater is discharged into mainstream rivers, valley depressions and dams leading to high pollution levels. In addition, main sewer systems suffer from constant breakages and/or leakage due to increased discharge to fixed systems. The national sanitation coverage increased from 45 per cent in 1990, to 48 per cent in 2006. Difference in access to adequate sanitation between urban and rural environments still persists, with the formally planned urban areas being better served than rural areas, and urban informal settlements. Approximately 80 per cent of the outpatient hospital attendance in Kenya is due to preventable diseases while 50 per cent of these are water, sanitation and hygiene related. Hygiene and sanitation are also major determinant of poverty, disproportionately affecting women and children.

Forests: Despite the socio-economic, ecological and environmental importance of forests, the forest cover in Kenya remains below 2 per cent. The Forest Act 2005 and Kenya’s Draft Forest Policy formulated in 2005 has several objectives which include:

- increasing forest and tree cover; increasing wood production especially at farm level;
- conserving and rehabilitating the remaining natural forests and woodlands for environmental protection and biodiversity conservation;
- enhancing participatory forest management; and
- ensuring that the Forestry sector makes a contribution to poverty reduction.
Sustainable management, conservation and development of Kenya’s forests depend on application of science to generate improved technologies. Consequently, forestry research is undertaken by Kenya Forestry Research Institute (KEFRI) whose focus is the generation of improved technologies aimed at sustainable forest conservation and management.

**Wildlife:** Most of the wildlife in Kenya is found in only 8 per cent of the land area (4,403,595 hectares) that are gazetted for wildlife conservation. The main concern in wildlife management is the encroachment for agriculture and infrastructural development and also the rapid decline in wildlife population, both in and outside protected areas. Since 1977, the country has lost 60-70 per cent of large wildlife and the annual decline of wildlife is currently estimated at 3 per cent with some species like rhinos, the Hirola antelopes, and the dugongs being endangered.

**Biodiversity, ecosystem and habitat management:** Kenya is a mega-biodiversity state with its biodiversity hoisted in its various habitats and ecosystems. The latter include forests, grasslands, wetlands, coral reefs and mangroves among others. Most of Kenya’s biodiversity are also found within protected areas which comprise these habitats and ecosystems. Species loss and management of protected areas remains significant challenges.

Kenya has over time lost some of her well known biodiversity resources mainly due to population increase; habitat destruction, desertification, over exploitation of species and conversion through deforestation, drainage of wetlands for agriculture and settlement, poaching due to lack of proper patent regulation. This problem is exacerbated by limited functional mechanisms for monitoring and regulating the introduction into the country of alien invasive species, including Genetically Modified Organisms (GMOs).

**Minerals and Mining:** This industry account for about 1 per cent of the GDP and 3 per cent of total export earnings. Kenya also has a wide range of minerals such as Soda Ash, Fluorspar, Limestone, Barite, Gypsum, Salt, Dimension Stones, Silica Sand, Kisii Stone (Soapstone), Manganese, Zinc, Wollastonite, Graphite, Kaolin, Copper, Titanium, Lead, Nickel, Carbonic Dioxide, Chromite, Pyrite, various Clays, Rare Earth Elements and Phyrochore. Despite the potential of the industry, it remains largely undeveloped hence appropriate policy and legislation supportive of investments in the industry and particularly small scale investors will be put in place.

5.3.2 **Emerging Issues and Challenges**

The major challenges under this sector include environmental degradation; deterioration of water quality and quantity; pollution and waste management; impacts of Climate change and Global Warming; inadequate adoption of Bio-Technology and lack of an integrated environmental planning strategy towards attaining the sustainable development objective.

**Environmental Degradation:** The quality of land in the country is generally declining due to unsustainable farming practices, effects of climate change, Soil erosion, pollution and toxicity from agro-chemicals and alien and invasive species (e.g. Ipomea kituiensis, Prosopis juliflora, and water hyacinth). Soil erosion is the main form of land degradation and is most prevalent in ASALs. This is due to the fragile ecosystems and overstocking although it also occurs in the high potential areas where inappropriate agricultural techniques are practiced. The magnitude and distribution of soil erosion hazards in Kenya is influenced by rainfall erosivity, soil erodibility, gradient of the land and soil cover. Soil erosion reduces soil fertility and has implications on land productivity, livestock carrying capacity, water quantity and quality, and fuel wood availability. Land degradation has huge economic costs. It is estimated that the losses at the national scale amount to USD 390 million annually or about 3 per cent of GDP.

**Forestry:** The Forest sector plays vital roles in protection of water catchment areas, conservation of biodiversity and in provision of forest products in the country. However there has been accelerated destruction of forests in the country due to increasing population and Kenya is now internationally considered to be a low forest cover country. The remaining natural forests have also been degraded and the forests on the Kenya’s five water towers can no longer
provide sustainable supply of water, raw materials and other services to meet the goal of Vision 2030. Further, trees on farmlands and in industrial plantations have also been over cut and there is widening gap between the supply and demand of forest products. Forestry sector also experiences low level public investment. Clearing of woodlands in dry areas for agriculture and charcoal production is another major cause of environmental degradation.

Water Resources

With regard to this sector, key challenges include:

- **Water Scarcity:** Renewable fresh water per capita stands at 647 cubic meters and is projected to fall to 235 cubic meters by 2025 if supply does not keep up with population increase. There are also regional imbalances in water availability and utilisation that must also be addressed. Highland areas, the Coast and the Lake Region have better water access than the ASAL districts. The state of existing water supply system will be upgraded to address the high unaccounted for water (currently estimated at 50 per cent) and improve customer satisfaction especially in urban areas. The distances to the nearest water points pose a challenge particularly to women and girls who bear the responsibility of fetching water. Most time is spent on this activity hence compromising the girls’ education and time for other productive activities for the women.

- **Water Security:** Provision of water throughout the year presents a major challenge. Inadequate water harvesting is responsible for regional imbalance in water security with some parts of the country having a lot of water during rainy seasons and little or no water during dry periods. The challenges are further compounded by extreme climatic changes that cause flooding and immense negative impact on both the social and economic fronts.

- **Water Catchment management:** Deforestation has caused severe degradation of the country’s main water towers. This has led to reduced flows in a number of rivers thereby disrupting water and electricity supply.

- **Water quality:** The quality of water has deteriorated overtime due to a number of factors such as increased commercial farming activities, rapid industrialisation and laxity in law enforcement. In most cases effluents and chemical waste from various sources are discharged directly into water bodies.

- **Infrastructure development:** Poor physical planning in urban areas, coupled with the proliferation of unplanned settlements, is challenge to the provision of safe drinking water. As stated earlier, water coverage will be increased through investment in infrastructure, rehabilitation and construction of new water supplies and more efficient management of available water. In addition, an estimated 60 per cent of water is unaccounted for. This problem will be addressed under the Medium Term Plan.

- **Monitoring of Resources:** Currently, water resource monitoring covers only 30 per cent of the total estimated available supply. This constrains effective water resource planning and management. In the plan period, relevant capacity for monitoring trends in water flows and abstraction will be given priority.

Pollution and Waste Management

Pollution and solid waste are some of the leading environmental health problems in the country affecting both rural and urban populations. Air pollution results mainly from industries. Even though the quality of air in Kenya is not regularly monitored, it is estimated to be below the WHO recommended levels. For instance, the PM10 pollution level in Nairobi is about 42µg/m³ attributed mainly to high concentration of industries and vehicles in the city. Air pollution is responsible for increasing cases of Upper Respiratory Tract Infections (URTI) which is the second highest cause of morbidity in Kenya. Incidences of URTI morbidity are 6.0 per cent in urban compared to 5 per cent in rural areas and affect women more (6.2 per cent) than men (5.7 per cent).
Waste management is another environmental risk affecting the country. Of the 174 Local Authorities, only 32 have some form of sewage treatment and disposal facilities; only two have conventional treatment plants while 30 have oxidation lagoons which can only handle organic waste. In Nairobi City, only 20 per cent of solid waste is collected and taken to approved dumpsites. In rural areas, 50 per cent of households dispose domestic waste in farms. This is associated with the high incidences of environmental related diseases. Diarrhoea, due to poor hygiene, accounts for 2.6 per cent of morbidity and affects 2.4 per cent women and 2.8 per cent men. The effect is more in rural areas than in urban areas where 2.6 per cent and 2.2 per cent of cases are reported respectively. High poverty and low awareness levels are some of the factors for the disparities between urban and rural. Misuse of chemicals have now become a world concern because of negative environmental and health impacts leading to global control programmes on chemical and wastes. Kenya is signatory to various international conventions on Persistent Organic Pollutants (POPs) and will remain committed to their implementation during the Plan period.

**Climate change**

There exists overwhelming evidence of climate change in Kenya and one of the apparent signals is the rapid and drastic disappearing of glaciers on Mt. Kenya with scientists projecting that the ice cap on the mountain could disappear by the year 2020. Further, there have been widespread changes in extreme temperature in the country. Data from the meteorological departments show that cold days and cold night have become less frequent, while hot days and hot nights have become more frequent. In addition, Lake Victoria and other lakes within the Rift valley like Nakuru, Turkana, Baringo, Naivasha and Elementaita have experienced serious declines in water levels. Similar drastic changes have been observed in volumes of river flows.

Climate change poses a serious challenge to Kenya’s social and economic development. This change will lead to major challenges in the economy, human life and on the environment. Kenya is most vulnerable to climate change since the key drivers of the economy (agriculture, livestock, tourism, forestry, and fisheries) are climate-sensitive. Coupled with the country’s low adaptive capacity to climate change, the country experiences a high level of vulnerability. Scientific evidence exists that Global Warming is leading to reduced snow caps with negative environmental implications. A National Climate Change Secretariat will be strengthened.

**Bio Technology**

There is no comprehensive policy on biotechnology and legislative framework to regulate access and exploitation of genetic resources. While collection of genetic materials for industrial purposes is going on, there is no mechanism for monitoring such activities. With increasing demands for genetic materials for use in biotechnology by the developed countries, illegal collection of genetic materials has increased. This denies the country revenue from sale of such materials and also her potential to develop its own biotechnology capacity and related industrial potential. In addition, capacity in the field is low hence research activities are minimal.

**Integrated environmental planning**

The preparation of the National Environmental Action Plan and the on-going initiatives to prepare the National Environment Policy are some of the efforts towards achieving the integrated planning initiative. Despite the legal provision, the current planning approach is largely sector based and neglects the essential economic and social values associated with the environment. Consequently, there is insufficient risk assessment in terms of impacts on the environment of proposed investments in various sectors hence the high risk of environmental and natural resources degradation. The sector has not sufficiently demonstrated and communicated the economic and social benefits arising from sound environmental management in a form that is easily assimilated with sector-based planning. In addition, there is inadequate capacity for monitoring environmental trends and lack of harmonisation of data collection methodologies, storage and access in the entire area of environment and natural resources.
Institutional and legal framework
In recognition of the importance of good governance in the environment and water sector, the government has instituted a number of legal and institutional reforms. The main one being the enactment of the Environmental Management and Coordination Act (EMCA) of 1999. The Act provided the avenue for the harmonisation of about 77 sectoral statutes. However, the major challenge relate to low enforcement to the provisions of Act. This has been occasioned by inadequate institutional capacity to oversee its implementation and low level of environmental education in the country. The low stakeholder involvement such as the public, civil society, institutions of higher learning and the private sector is another challenge.

5.3.3 Programmes and Projects for 2008-2012

One Year Recovery Strategy
To address the impact of the post election crisis, the following strategies will be put in place in the short term:

- Rehabilitation of water infrastructure destroyed during the post election violence; and
- Provision of water to displaced persons in and out of camps.

Flagship Projects for 2008-2012
The sector will aim at implementing the following flagship projects within the Plan period:

Rehabilitation and protection of indigenous forests in the five (5) Water Towers: This project entails full rehabilitation of the five water towers of Mau Escarpment, Mt. Kenya, Aberdare Ranges, Cherangany Hills and Mt. Elgon. The current forest policy aims to promote sustainable management of the forests to serve as water catchments, biodiversity conservation reservoirs, wildlife habitats and carbon sinks. The indigenous forests will provide important economic, environmental, recreational, scientific, social, cultural and spiritual benefits. Management will embrace preservation of religious and cultural sites, traditional medicinal sources, water catchments, habitats for endemic and threatened flora and fauna. Moreover, this will seek to introduce high-value tree species at farm level in order to contribute to the targeted forest cover of 4 per cent by 2012. The initiative will introduce commercial tree species in ASALs in order to control desertification and improve livelihoods.

The ecosystem approach will be adopted in forest management. This will also involve Joint management with stakeholders, (KFS, KEFRI, local communities, civil societies, KWS, development partners and others) through forest conservation committees around each tower. This process will be supported by adaptive research for tree species and their suitability in ASALs.

Secure wildlife corridors and migratory routes: Most wildlife corridors and migratory routes have been interfered with by human activities. Strategies will be developed to reclaim them if wildlife is to continue providing the base for the tourism sector.

Preparation of a National Spatial Plan (Land Use Master Plan): This will involve collecting accurate and continuously updated mapping of land use patterns in Kenya and of tracking developments. This project will also entail undertaking both livestock and wildlife censuses and Zoning of land rural and urban areas currently unmapped.

Waste management system: This will entail preparation of a Waste Management Strategy aimed at involving mainly the Youth Groups. In addition, Dandora dump site in Nairobi and establishment of a solid waste management system for the City of Nairobi on a Public Private Partnership basis. This will set a trend to be followed by other municipalities.
Rehabilitation, Regeneration & Restoration of Nairobi Rivers: The aim of the programme is to fully rehabilitate the catchment basin of the Nairobi River in order to make it a recreation site. Other rivers like Ngong will also be covered under this programme. The involvement of the private sector will be enhanced to supplement government efforts in the control of water pollution. In particular, the programme will be strengthened as a show case to other cities and towns in the country.

Water resources information management: This will entail rehabilitation and acquisition of new hydro-metric which will be installed in strategic and vulnerable water resources (surface and groundwater) country-wide, and be linked to World Hydrological Observation Cycle (WHYCOS); rehabilitate 600 hydrometrical stations; capacities of WRUA’s will be built to collect records and monitor the data acquisition instrument. Groundwater Hydro-geological Mapping will be undertaken in Turkana and Marsabit for purposes of planning groundwater development in the two districts and replicated in other ASAL districts. Formulation of four water Catchment Management Strategies (CMS) for Lake Victoria South; Ewaso Ngiro North; Ewaso Ngiro South and Athi catchment areas will be completed through stakeholder involvement.

Water harvesting and storage programme: The recurrent floods of Western Kenya will be managed through construction of large multi-purpose dams along Rivers Nzoia and Nyando. In addition, Water dykes will be constructed along the lower reaches of Nzoia and Nyando Rivers. In addition, a 54 km inter-basin water transfer canal will be undertaken in the Rahole Area, connecting Tana River to Garissa District, and development of High Grand Falls Multipurpose reservoir with a storage of 5.4 billion cubic meters will be undertaken; the canal, other than supplying water will also serve to tame River Tana in lower reaches and also re-distribute water resources to Arid areas down stream. Improved water harvesting will particularly provide opportunities for the ASAL communities to achieve food security. Measures will be put in place in regions that continually experience drought and floods such as Kano Plains, Budalangi and ASAL areas to reduce water insecurity and vulnerability.

Urban Sewerage programme: In order to improve sanitation and hygiene and reduce environmental pollution of towns located on shared water basins, there is urgent need to undertake, liquid waste treatment feasibility studies at the towns of Malaba, Lagdera, Lodwar, Wajir/Elwak and Liboi. These are areas where the water table is high, forcing the local councils to adopt “Bucket latrines” which are unhygienic. The focus of this programme is to implement appropriate technological approaches in line with the Environmental Sanitation and Hygiene Policy 2007 to ameliorate the situation. Other urban areas especially within the lake Victoria Basin will be targeted under a joint initiative between government and UN Habitat.

Water storage and harvesting: The government will develop two multi-purpose dams with a total storage capacity of 2.4 billion cubic meters along Rivers Nzoia and Nyando. An additional 24 medium-sized multi-purpose dams with a total capacity of 2 billion cubic meters will be undertaken to supply water for domestic, livestock and irrigation use in the ASAL areas. They are Bunyonyu, Munyu, Londiani, Itare, Upper Narok, Chemesusu, Kiserian, Yatta, Kitui, Mwingi Thwake, Rare, Thiba, Umma, Rumuruti, Badasa, Archers’ Post, Awasi, Kora, Ndarugu, Mwachi, Ruiru A, Siyoi and Nyahururu.

National water supply and sanitation: The projects aim at expanding the Mzima pipeline to meet the current demands of the coastal towns including additional proposed resort cities of Lodwar and Isiolo. It will also cover urban water supply and sanitation in the satellite towns around Nairobi, Mombasa, Kisumu, Nakuru and Kisii alongside 26 medium-size towns that have the potential to support manufacturing and tourism activities. These are Narok, Machakos, Maralal, Wajir, Wote, Hola, Chuka, Ruiru, Athi River, Siaya, Ol Kalou, Matuu, Maau, Moi’s Bridge, Limuru, Moyale, Kapissor, Maseno, Kapenguria, Kitui, Lokitaung, Karuri, Lamu and Chogoria. Other project aimed at increasing water coverage annually include construction of 180 water and sanitation projects, drilling of 140 boreholes and construction of 160 small dams/pans in ASAL areas.

Water resource information management: This will entail rehabilitation of the hydro metroligical network to reactivate 600 stations that are not functioning currently. In order to provide water to the ASAL areas, ground water
hydro-geological mapping will be undertaken in Turkana and Marsabit.

**Irrigation and drainage:** The main flagship project in irrigation will be the construction of the Tana delta project. The other areas of focus will include expansion of the schemes in Bura, Hola, Kano Plains, Nzoia (Upper, Middle and Lower), Perkera, Kerio Valley, Mwea, Taita Taveta, Ewaso Nyiro North and Ngurumani (Kajiado) irrigation schemes. In addition the Yatta Canal will be extended for another 100 km to cover Yatta District, parts of Kitui District and Mwingi District. The extension will also involve construction of a 1 km uptake dam above the existing intake point along Thika River and repair of Mathauta and Munyu Dams to serve as the starting point of the extension of the canal. This will increase cropland substantially and boost agriculture that was previously dependent on rainfall. Drainage areas will also be expanded in provinces of western (Busia, Kakamega, Butere, Mumias, Bungoma, Teso) and Central (Thika and Nyandarua - North and South). Research will also be carried out to enhance efficiency and productivity of rain fed agriculture.

**Additional Programmes**

In addition to the flagship projects, there are other supportive projects that will be implemented under this sector. These include:

**Carbon offset scheme:** The initiative will exploit opportunities within the Kyoto Protocol on the establishment of voluntary carbon markets in order to promote conservation and compensation for environmental services. To this end, capacity to attract Clean Development mechanism projects will be enhanced.

**Disaster preparedness:** Securing funding from global funding mechanisms to implement adaptation programmes in ASALs and high-risk zones. This will be accompanied by an improved disaster-preparedness strategy, including an early warning system and environmental monitoring covering climatic events (e.g. droughts, floods, pestilences, seismic occurrences etc.), as well as initiation of a public awareness, avoidance and preparedness campaign.

**Compensation for environmental services programme:** This programme will be undertaken in consideration of the contribution provided by the environment and natural resources to the National Accounts. The programme will incorporate the valuation of environmental resources, amenities, and services into the overall economic activity to ensure such resources are not over-exploited. It will entail the design and implementation of appropriate incentives in environmental management.

**Exploration and Mining:** An accurate and detailed geological mapping of the country will be undertaken to provide information that may lead to the discovery of natural minerals of commercial value. As a result, the current exploration for minerals and crude oil will be intensified. The private sector will be encouraged to participate in both small and large scale mining industry and to develop the geo-tourism sites as part of the tourism circuit within the country. Small scale miners will be targeted for increased investments.

**Invasive species:** Serious economic and ecological damage is caused by this alien and invasive species particularly in ASALs. A number of initiatives are currently ongoing aimed at curbing the spread of this species. The government will take lead in coordinating these initiatives so as to control further spread.

**Trans-boundary waters:** The Nile Basin Initiative is supporting the rehabilitation and expansion of Bomet Water Supply and Sewerage System to serve an additional 25,000 people and extension of pipeline by about 2 Km. It is also building early confidence, through sensitisation and awareness, to communities in the basin in undertaking self initiation projects, for the purpose of optimising resource usage.

**Geological Mapping:** This will cover the remaining 20 per cent unmapped parts of the country bordering Somalia and southern Sudan (ELEMI triangle). This will include inventory, mapping and zoning of geo-hazard areas.
**Linkages with institutions of higher learning:** The government will strengthen linkages with Universities and other research institutions through joint capacity building in environment related disciplines especially through short term training, establishment of university-based Science Parks as centres of technological innovation and development, development of environmental and hydrological monitoring of programmes in major water catchments and development of effective and environmentally-friendly solid waste recycling technology usable at community level in major urban areas. The government, in collaboration with the universities will develop national research priorities in environment, water and sanitation to guide public and private sector research and management interventions.

### 5.3.4 Policy, Legal and Institutional Reforms

In order to achieve environment integrity and sustainable resource management, the following reforms will be undertaken in the Plan period:

- Revision of Environmental Management and Co-ordination Act (1999);
- Development of Solid Waste Management Policy;
- Formulation of a Research and Development Policy;
- Revision of the Forest Policy and its subsidiary legislations;
- Review of the Timber Act Cap 386 of the laws of Kenya;
- Development of the Charcoal Policy;
- Review of Water quality standards to ensure that they conform with the country’s water situation and needs;
- Enact a policy on trans-boundary water management;
- Enact a policy on ground water protection;
- Operationalisation of a national policy on mineral resources and mining;
- Formulation of a national policy on the establishment of a national geological survey;
- Development of implementation strategies for the National Environmental Sanitation and Hygiene Policy;
- Implement an occupational health and safety policy.

### 5.4 Population, Urbanisation and Housing

*Adequate and Decent Housing in a Sustainable Environment*

High population growth, rapid rural - urban migration, skyrocketing costs of housing construction materials and high costs of housing finance and their implications on socio-economic development have been of concern and a challenge to the government since independence. The development of Vision 2030 constitutes an important framework for the government’s commitment to improve the welfare of her people especially in urban areas where planning for the high population on scarce land amidst high costs of housing is a big challenge. Rapid urbanisation mainly due to rural-urban migration and high urban growth rate are significant dynamics impacting on the socio-economic development of the Kenyan society. This to some extent is a result of the limited capacity of planning agencies in terms of the requisite technology, human resources and financial outlay, to prepare timely and sustainable physical development plans. Consequently this has led to constraints in provision of water, sanitation, security infrastructure, housing and transportation.

Urban areas are symbols of prosperity and thus are engines of growth. The concentration of activities in urban areas allows for Specialisation and exchange-processes which are essential to economic growth. Nairobi in its current state, for instance, contributes to about 50 per cent of Gross Domestic Product in the country. It is these attributes that have made it a regional hub in terms of service provision.
Kenya Vision 2030 aims to provide the country’s population with adequate and decent housing in a sustainable environment. Improvement in the quality of life of all Kenyans – the supreme goal of Vision 2030 – cannot be achieved if large sections of the rural and urban population are inadequately housed. The housing sector is characterised by inadequacy of affordable and decent housing, low-level of urban home ownership, extensive and inappropriate dwelling units, including slums and squatter settlements. This is attributed to under-investment in low and middle-cost housing by both the public and private sectors. Other constraints include an outdated legal and regulatory framework, uncoordinated policy implementation, low private sector participation, insufficient capacity, poor governance, and inadequate financing to buyers and developers. In addition, research on low cost building materials and construction techniques has been limited thus not providing viable guidance to the development of the low cost housing in the sector.

5.4.1 Situation Analysis, Emerging Issues and Challenges

Population

Population Size and Growth: Kenya’s population in 2007 was estimated at 37.2 million and is projected to increase to 42.4 million in 2012. High population growth rates recorded in the country has had the effect of large household sizes which affects resources available to household members. Population density in Kenya increased from 19 to 49 people per square kilometre in 1969 and 1999.

Population projections indicate that, Kenya’s population will remain youthful in the 2008-2012 period. The high number of young people in the population is a result of decades of high fertility rates and is a powerful force for continued population growth as more young people move into childbearing ages. The segment of the population aged 15 to 24 years old form a critical resource for future development. Decisions made by these young people on timing and number of children will have long-lasting consequences for Kenya’s population growth, and hence national development. Given the sheer size of the youth in the population, it is important to invest in young people’s health and development by highlighting the potential benefits – in terms of building human capital, capitalising on the demographic dividend, and breaking the intergenerational cycle of poverty.

Fertility: The population growth patterns experienced both at the national and regional levels of the country have been mainly driven by the three demographic processes; fertility, mortality and migration. The level of fertility has been a major factor underlying Kenya’s population growth since it has contributed more to the country’s population growth than any other demographic event. The Kenyan population experienced high fertility levels in the 1970s with Total Fertility Rate (TFR) estimated at about 7.9 children per woman. In the early 1980s, TFR was estimated at 7.7 children per woman while in the late 1980s TFR was 6.6 children per woman and declined to 5.4 children per woman in early 1990s. In early 2000, TFR was estimated at about 5.0 children per woman. Though fertility has declined to these levels, it is still high and would still keep the population young. Childbearing is also common among teenagers in the country with about 23 per cent of teenagers (ages 15 to 19 years) giving birth each year.

Mortality: High mortality levels were recorded in the 1970s, showed signs of decline in the late 1980s and early 1990s but experienced a reversal in mid-1990s mainly due to HIV/AIDS pandemic. Recent data show significant declines in HIV prevalence rates, from an estimated prevalence rate of 13 per cent in the mid-1990s down to 6.7 per cent in 2003 to about 5 per cent in 2006. Life expectancy at birth for the country improved from 35 years in 1948 to 49 years and 60 years in 1969 and 1989 respectively but declined to 57 years in 1999 mainly due to the HIV/AIDS pandemic. Life expectancy is projected to have improved to 58 years; lower than was recorded in the 1980s and is expected to improve further. This implies higher survival and therefore an increase in the proportion of those aging in the population. Infant mortality was estimated at 184 deaths per 1,000 live births in 1948, declined to 118 deaths per 1,000 live births in 1969 and then to 66 deaths per 1,000 live births in 1989 but increased to 77 deaths per 1,000 live births in 2003.
**Migration**: Majority of the population in Kenya still reside in rural areas and hence most types of migration in the country are rural-urban and rural-rural migration. The rate of urbanisation has increased from 15 per cent in 1979 to 18 per cent and 19 per cent in 1989 and 1999 respectively. Urban population size increased from 1.1 million in 1969 to 2.3 million in 1979 to 3.9 million in 1989 and then to 5.4 million in 1999. This increase has mainly been as a result of rural-urban migration. The changes have however constrained resources in the existing urban centres since services did not grow in tandem with growth of the population. As a consequence of the increasing urban growth rates, major urban centres in the country are facing increasing housing shortages, high unemployment, poverty, crime and slums and informal settlements.

**Urbanisation**

Kenya is rapidly urbanising with an expected average growth rate of 3.9 per cent per year for the period 2005-2010. The population shows remarkable shifts in urbanisation levels having increased from 8 per cent at independence to 19 per cent in 1989 and 19.4 per cent in 1999. Urbanisation is estimated to have reached over 25 per cent in 2007 and is projected to account for about 32 per cent of the total population by the year 2012. This growth is largely due to a high level of rural-urban migration fuelled by rural poverty and a dwindling of the per capita ownership of farming and grazing land. The urbanisation process in the country has also been uneven dominated by one primate city- Nairobi, with a population of about 2 million. This is about four times bigger than the next largest urban centre (Mombasa) with a population of 660,080.

Kenyan urban centres are characterised by spontaneous growth and haphazard development, which has mainly taken place outside urban planning intervention. Nationally, physical planning is beset by a complex institutional arrangement where plan formulation is undertaken by Central government whereas implementation is the responsibility of Local government. This has led to physical development plans not being informed by the local needs and therefore does not address local realities resulting to apathy during implementation. The situation is exacerbated by the glaring disconnect between national economic planning process and physical planning. Consequently, the physical development plans have not been recognised as essential instruments for the development of urban centres, which are engines of growth.

There are also wide discrepancies in terms of the level of urbanisation and the distribution of urban centres across regions. It is for this reason that the six flagship projects on metropolitan regions of Nairobi, Mombasa, Kisumu-Kakamega, Kitui-Mwingi-Meru, Wajir-Garissa-Mandera and Nakuru-Eldoret are highly necessary as a corrective measure that will spread the benefits of urbanisation across the country. This will lead to the establishment and operationalisation of the Metropolitan Area Authority whose task will be to assist the central government and local authorities undertake comprehensive physical planning and zoning for the six metropolitan regions, as well as to develop and enforce standards for urban development.

**Housing**

The Kenyan housing sector is characterised by inadequate affordable and decent housing, low-level of urban home ownership (16 per cent) and extensive and inappropriate dwelling units including slums and squatter settlements. It is estimated that out of a total 150,000 housing units required annually in urban areas, only an estimated 35,000 are produced. In the rural areas it is estimated that there is a need to improve the quality of over 300,000 housing units every year. The shortage of housing for low-income households is particularly acute in urban areas, with only an estimated 6,000 units, or 20 per cent of all houses produced catering for this group. This is attributed to under-investment in low and middle-cost housing by both the public and private sectors. Other constraints include; poor governance; an outdated legal and regulatory framework; and the high cost of finance for housing both to long term developers and the end users (buyers). The housing shortage is both for owner-occupier and rental housing.

According to government surveys, the quality and quantity of low-income housing is better in rural areas than in urban areas; in fact, the main problem of housing in the rural areas is not that of adequacy but that of quality and lack of basic infrastructural services. In the urban areas, overcrowding, lack of adequate sanitation and pollution characterise
urban slums posing serious health risks to residents. Unplanned informal settlements, on the other hand, pose a serious challenge to the socio-economic development of the country.

With the demand for new housing units in urban areas currently standing at 150,000 units annually and only 23 per cent of this demand being met, the national gap is big and requires an urgent solution, the shortfall is more acute among low-income households whose present demand is about 48 per cent of total new houses required in Kenya. More than 80 per cent of new houses constructed are for high and upper middle-income earners. Considering that more than 60 per cent of the Kenyan population is younger than 25 years, it is clear that the demand for adequate housing will rise steadily as those aged 20 and below reach adulthood and start family life.

*Post-election violence impact on housing:* The housing sector was negatively affected by the 2007 post election skirmishes that led to destruction of housing, leaving many Kenyans without shelter. In addition people lived as IDPs in different camps spread across the country. The impacts of these skirmishes were worse in slums and informal settlements. In Nairobi a total of about 9,000 housing units were destroyed affecting close to 100,000 residents. Other urban centres most hit by the post-election skirmishes were Kisumu, Eldoret, Kericho, Nakuru and Naivasha.

*Stock and Quality:* The distribution of housing stock in Kenya is skewed in favour of the rural areas. For instance from the 1999 Population and Housing Census statistics, 82 per cent of Kenya’s housing stock is in the rural areas leaving only 18 per cent in urban areas. The quality of housing is however dictated by cultural and environmental factors.

### 5.4.2 Programmes and Projects for 2008 - 2012

**One Year Recovery Strategy**

Specific initiatives in housing and urbanisation aimed at reversing the damages caused by the post-election skirmishes include:

- Develop a strategy for resettlement of Internally Displaced Persons (IDPs);
- Addressing safety and security issues;
- Advocacy for Peace and co-existence;
- Creating incentives to attract investment;
- Re-Investment in basic infrastructure; and
- Building of houses for IDPs.

**Flagship Projects for 2008 - 2012**

Prepare and implement strategic development and investment plans in six metropolitan regions (Nairobi, Mombasa, Kisumu-Kakamega; Nakuru-Eldoret, Wajir-Garissa-Mandera, Kitui-Mwingi-Meru). Similar plans will also be developed for special border towns and all other municipalities. The flagship projects will include:

- Preparation of a national land-use plan in order to facilitate better urban planning;
- Installation of physical and social infrastructure in slums in 20 urban areas to make them formal settlements, permit construction of permanent houses and attract private investment;
- Producing 200,000 housing units annually by 2012 under PPP and other initiatives;
- Establishing housing technology centres in each constituency to increase access to decent housing by promoting location-specific building materials and low-cost housing;
• Establishing a secondary mortgage finance corporation to increase access to housing finance; and
• Enacting the Housing Bill, 2006 to legislate for a one-stop housing development approvals mechanism to fast-track approval of housing plans and reduce the time cost of construction.

Other Programmes

Population
• Undertake the 2009 Population and Housing Census and Socio-Demographic Surveys to inform Policy and Programmes;
• Undertake Advocacy and Public Education and Communications on the effects of population change on development; and
• Establish and strengthen partnerships and coalitions to mobilise support for policy and programmes.

Urbanisation
• Preparing Physical Development Plans for three Resort Cities (Isiolo and two others at the Coast;
• Establishing waste management systems in selected Local Authorities; and
• Preparation of integrated physical infrastructure investment plans.

5.4.3 Policy, Legal and Institutional Reforms

Reforms on population, housing and urbanisation will include:

• Review of the current population policy;
• Review and harmonisation the existing legal and institutional framework governing urbanisation;
• Enactment of the Housing Bill 2006, to legislate for a one-stop housing development approvals mechanism to fast-track approval of housing plans and reduce the time cost of construction
• Enactment of the Landlord and Tenant Bill
• Formulation and implementation of Urban Development Policy and the National Land Policy; and
• Preparation of a markets development policy.

5.5 Gender, Vulnerable Groups and Youth

“Gender Equity in Power Resource Distribution, Improved Livelihoods for all Vulnerable Groups and a Responsible, Globally Competitive and Prosperous Youth”

In order to realise the aspirations of Vision 2030 goals, the government will continue to mainstream gender into government policies, plans, budgets and programmes as an approach geared at achieving gender equity in all aspects of society. Moreover, the government will increase the participation of women through the affirmative action policy of at least 30 per cent representation in all economic, social and political decision-making processes and platforms as well as through economic empowerment. As a positive step to reduce vulnerability across gender lines, deliberate efforts will be made to reduce levels of poverty across the board, prohibit retrogressive cultural practices and social ills as well as improve access to essential services. In addition, the government will ensure that the country upholds the basic rights of children in line with internationally recognised standards. The government will also ensure that the country produces a globally competitive labour force inclusive of young people at all levels, through youth empowerment programmes and policies.
5.5.1 Situation Analysis, Emerging Issues and Challenges

Gender

The government has introduced a number of initiatives on gender mainstreaming. This includes the appointment of gender officers in all ministries and state corporations and the ratification of relevant International Instruments. However, despite these achievements, glaring gender gaps still exist in access to and control of resources and socio-economic opportunities. A case in point is that, only 3 per cent of Kenyan women own title deeds thereby, minimising their opportunities to access credit. It is important to note that the participation of women in modern sector wage employment has risen gradually since independence from 12.2 per cent in 1964, 29 per cent in 1999 to 30 per cent in 2007. Nevertheless, women are still grossly under represented in senior decision-making positions within the civil service. For instance, in the top most levels of the civil service, male representation stands at 84 per cent, against 16 per cent female representation. At the lower cadres of the Civil service, female representation stands at 74 per cent, with 26 per cent male representation. The participation of women in senior decision-making positions is constrained by mobility and time limitations resulting from the challenges of trying to reconcile family duties, career development, productive activities and management of community resources.

While women account for slightly more than half of the total population (50.7 per cent) and comprise a large voting population, they are still under represented in strategic decision-making processes. For instance, in 2002, the total of female Members of Parliament was 10 translating to 4.8 per cent. In the current 10th Parliament, only 21 Members of Parliament are women, representing a paltry 9.6 per cent. The following are the ratios of male to female appointments in the Grand Coalition Government:

- 7 female Ministers as compared to 35 male Ministers;
- 6 female Assistant Ministers as compared to 46 male Assistant Ministers;
- 21 female MPs as compared to 200 male Members of Parliament;
- 11 female Ambassadors/High Commissioners as compared to 29 male Ambassadors/High Commissioners;
- 6 female Permanent Secretaries as compared to 38 male Permanent Secretaries; and
- 0 female against 8 male Provincial Commissioners.

Gender specific violence and vulnerabilities prevent particularly the female gender from enjoying a high quality of life and equal opportunities. For example, reported cases of domestic violence and rape (or attempted rape) have been on the increase. Similarly, the girl-child health educational and career development has been negatively affected by retrogressive cultural practices such as female genital mutilation (FGM) and early marriages.

Empirical evidence reveals that there is a significant gap in poverty levels between female headed and male headed households. In rural areas, 48.8 per cent of male headed households were classified as poor as compared to 50 per cent for female headed households. This poverty gap does not appear significant in rural areas when compared to urban areas, where 30 per cent of male headed households are poor while female headed households constituted 46 per cent.

Following the post election violence, men and women were affected differently numerous cases of women’s rights violations such as rape were among the most immediate challenges. In total, 354 cases of Sexual and Gender Based Violence (SGBV) were reported between December 24th, 2007 and February 29th 2008. Assessments show that many other SGBV went unreported. In addition, women formed the majority of Internally Displaced Persons (IDPs) in the camps. Several women experienced trauma due to the loss of family members and disrupted social ties, especially those in cross-cultural/inter-ethnic marriages. In addition, pregnant women, lactating mothers and people living with HIV/AIDS were exposed to higher risks of malnutrition and deteriorating health. Overall, although the post-election crisis caused a huge economic impact affecting both genders, women suffered more from the loss of lives, property, agricultural livelihoods and businesses. However, the extent of losses for both genders was broadly
Vulnerable groups

Vulnerable persons are mainly Orphans and Vulnerable Children (OVC), Persons with Disabilities (PWDs), the aged persons, offenders and ex-offenders, widows, widowers, internally and externally displaced persons, marginalised persons and pastoralists living in the Arid and Semi Arid Lands (ASAL), among others. All these groups are faced with multiple challenges in their daily life including high level of poverty and various forms of deprivation. It is estimated that these vulnerable persons comprise about 40 per cent of the total population.

The number of vulnerable children remains high due to the diverse nature of vulnerabilities. There are about 2.4 million orphans in the country, which includes over 1.2 million children orphaned due to HIV and AIDS. Additionally, there are 3,500 children in 25 Statutory Children Institutions and 39,840 OVC under the Cash Transfer Programme. The number of children in need of care and protection has been on the increase. Over 60,000 cases involving children are handled in the districts every year. Helpline 116 toll free has been launched by the Children’s Department and will be devolved to all provinces where children can get advice and counselling services when in distress. In addition, child labour in Kenya is quite high. Although this situation has been acerbated by poverty it nevertheless constitutes a significant share of household income. The unfortunate trade off is that children who sacrifice schooling for employment are highly likely to be poor as adults.

Persons with Disabilities (PWDs) in Kenya consist of approximately 3.7 million people. The majority of these people live a vicious cycle of poverty due to stigmatisation, limited education opportunities, inadequate access to economic opportunities and access to the labour market. Accordingly, the government enacted The Persons with Disabilities Act No 14 of 2003 to ensure that the issues and concerns of PWDs are mainstreamed.

Only 18 per cent of Kenya’s labour force contributes towards some form of pension. Lack of income in old age explains why the incidence of vulnerability among the aged in Kenya is high. This is supported by the fact that the poorest age group consists of individuals aged 56 years and above. In rural areas, this group forms 55 per cent, while in urban areas, the group consists of 48 per cent (source: KNBS). Interestingly, the incidence and depth of poverty of household heads increases with age and is much more evident in rural areas than in urban areas.

Eighty per cent of Kenya consists of Arid and Semi-Arid Lands (ASAL), which are prone to disasters such as droughts and floods. An estimated population of 7.4 million constitutes the vulnerable and food insecure population in these areas. To further compound the problem, Kenya has a huge refugee burden. The country currently plays host to an estimated 239,800 refugees from the region. Most of these refugees lack the capacity to manage risks such as unemployment, illness, disability and old age. Most of these refugees are women and children.

All the aforementioned vulnerable target groups will require adequate mechanisms to address their concerns through programmes and projects to alleviate their conditions and enable them to get equitable opportunities to participate in socio-economic activities. The post election crises compounded the plight of these vulnerable groups throughout the country. An estimated 350,000 people who were displaced had to seek refuge in 181 camps scattered throughout the country. Although profiling of IDPs in various camps was undertaken, there were no targeted interventions specific to the PWDs as a special category of persons. Hence, the general targeting did not take into consideration the special needs of PWDs. Moreover, no tracking was done for the IDPs who either took refuge with relatives or fled to their ancestral home areas.

This situation necessitates an urgent need to profile the IDPs and for a needs assessment to be undertaken of the PWDs to identify their special needs for resettlement and reintegration. People living with HIV/ AIDS were adversely affected by the post election violence. Indeed, many had their treatment regimes disrupted as a result of the crisis and
their subsequent displacement. The PLWHA, especially lactating mothers and children were further exposed to the risk of serious malnutrition and deterioration of health especially in cases where food was unavailable.

**Youth**

In Kenya, the youth are defined as persons aged between 15 and 35 years. Currently, young people constitute approximately 38 per cent of the population, of which 57 per cent are female. Notably, it is at this age spectrum that beneficial human capital formation is achieved. Decisions made during this transitional period have long term impacts on how human capital is kept safe, developed and deployed.

The number of youth is projected to increase from the current 11 million to 16 million during the period under review. Such a significant change in the number of the young people is likely to lead to increased crime, drug and substance abuse and other symptoms of social disorder. Consequently, initiatives to mitigate such vices need to be put in place.

Minimal involvement of young people in gainful employment and economic participation as well as their exclusion from decision making poses a threat to the stability of this country. For instance, despite the fact that 60 per cent of the total active labour force in the country consists of young people, 80 per cent of the unemployed are youth. In addition, 92 per cent of the unemployed youth have no vocation or professional skills training. On the other hand, about 500,000 graduates enter the job market every year. Unemployment among the youth leads to an increase in crime rates, which may explain the increasing formation of youth criminal gangs and militia groups in Kenya. Over 60 per cent of all convicted criminals in Kenya are young men aged between 16 and 25 years old. This may be a credible reason why the youth played a big role in the 2007 post-election violence.

Over 60 per cent of new HIV infections are diagnosed among the youth. The most affected age bracket among women is the 25 – 29 age group, while the most affected among the men is the 40 – 44 age group. It is evident that HIV/ AIDS prevalence is highest among the economically active age group. The situation is further aggravated by self destructive tendencies such as drug abuse, high risk sexual behaviour and teenage pregnancies.

The 2007 post election violence and related events demonstrated that having a large number of relatively well educated but unemployed youth is not just a serious deterrent to economic growth, but also poses a real threat to national security. During the chaos, the youth played the role of combatants and engaged in destructive activities and confrontations with law enforcing officers. In urban areas, many assumed the role of landlords and forcefully extorted rent and protection fees. Many youth, particularly those living in low income areas, effectively engaged in acts of banditry during the strife. Enormous challenges facing the youth were exposed such as their exclusion and marginalisation from decision making policies that directly affect them. In addition a number of the youth (particularly girls) suffered sexual and gender based violence. The violence also had an adverse effect on athletics in the sense that the country lost a number of prominent athletes in the Rift Valley province. In addition, athletes who were in the process of preparing for major International competitions could not do so adequately due to the state of insecurity in the country. It therefore became evident that there is a lack of operationally effective mechanisms of integrating the majority of Kenyan youth into mainstream economic activities.
5.5.2 Programmes and Projects for 2008 – 2012

In order to deal with the challenges previously highlighted (and other emerging issues), during 2008 – 2012 the government will pursue the following projects and programmes:

Gender

One Year Recovery Strategy

- Develop gender disaggregated profiling of IDPs;
- Introduce programmatic short-term interventions to provide psycho-social support for IDPs and support peace building initiatives;
- Enhance security in the affected areas;
- Actively support the participation of women at all levels; and
- Establish committees for peace building and reconciliation efforts.

Flagship Projects for 2008 - 2012

*Gender mainstreaming:* This will be introduced into all government policies, plans and programmes to ensure that the needs and interests of each gender (i.e. women and men, girls and boys) are addressed. There will be a deliberate effort to recognise and acknowledge the various ways in which women make a contribution to the economy and indeed, the society as a whole. This will bring a considerable degree of gender awareness in all ministries and government agencies. Furthermore, the operationalisation and strengthening of gender divisions in all ministries and state corporations will be implemented to aid the gender mainstreaming process.

*Gender disaggregated data:* This information that accurately portrays the gender balance in all sections of the country will be availed to form the basis for developing gender-sensitive policies, plans and programmes.

*Affirmative Action Policy:* Once this policy is instituted, it will ensure that women have at least 30 per cent representation in recruitment, promotion and appointment at all decision making levels. The aim of this is to increase the number of female participation and representation.

*The Women Enterprise Fund:* The fund will continue to provide Kenyan women with access to alternative financial services. It is expected that the loans women will access as a result of the establishment of the fund will have a positive impact on family welfare. In addition, it will increase the estimated earned incomes (purchasing power parity). By using a group approach, it is envisioned that the fund will serve to strengthen women’s voices and bargaining power within the home as well as the wider community.

*Additional programmes:* These will be implemented in close collaboration with other ministries and government agencies including:

- Promote campaigns to eliminate retrogressive cultural practices such FGM and early marriages;
- Double the number of births attended to by skilled health personnel;
- Reduce the rate of high risk sex through increased access to safe sex methods;
- Use the de-centralised funds to provide social amenities at close proximity in order to reduce the amount of time taken by people to access services; and
- Put in place an efficient legal system to help protect the rights of people in order to reduce gender-based violence and any human rights violations.
Vulnerable Groups

One Year Recovery Strategy

The government, in collaboration with stakeholders, will implement the following projects to help in the 2007 post-election recovery:

- Coordinate humanitarian relief efforts in the resettlement of IDPs;
- Reintegration of IDPs;
- Addressing special needs of the PWDs;
- Facilitate the provision of emergency aid and supplies to the PWDs in camps and host communities;
- Establish committees at various levels, with PWDs representation to oversee the implementation of emergency relief operation and facilitate protection of the displaced;
- Provide more targeted psycho-social counselling programmes to People Living with HIV and AIDS (PLWHAs), placing emphasis on children and the physically challenged in the resettlement areas;
- Facilitate access to ARV treatment in sites close to resettlement areas, including a programme to supplement the provision of food supplement for a period of six months.

Flagship projects for 2008 - 2012

*Establishment of a consolidated Social Protection Fund:* This will be established for cash transfers to Orphaned and Vulnerable Children (OVCs), the elderly and other persons facing vulnerabilities.

*Implementation of the Disability Fund:* This fund will be inclusive of appropriate budgetary allocations to provide financial assistance to Persons with Disabilities for their socio-economic empowerment.

*Representation of PWDs in decision making processes at all levels:* This will ensure that issues that directly affect the PWDs are adequately addressed in policies and legal frameworks, programmes and projects. Other programmes: These will include:

- Developing an integrated data management system for vulnerable groups;
- Empowering children through improved children rehabilitation programmes;
- Increasing the level of public awareness on the needs, aspirations and capacities of vulnerable persons;
- Establishing the National Drought Contingency fund;
- Enhancing the Hunger Safety Nets Programme;
- Implementing HIV/AIDS programmes;
- Strengthening Child protection programmes;
- Enhancing alternative family care services (adoption, foster care, and guardianship);
- Eliminating child labour, discrimination and malpractices as well as other retrogressive practices causing vulnerabilities among the target groups;
- Improving and expanding existing prison penal institutions for youthful offenders, aged, and other vulnerable groups; and
- Restructuring pension schemes to increase savings for the old in order to reduce their dependency.
Youth

One Year Recovery Strategy

The government, in partnership with other stakeholders, will implement the following projects to address the 2007 post-election violence:

- Peace building and reconciliation programme targeting the youth;
- Equipping the youth with knowledge, attitudes and skills in conflict resolution to campaign for peaceful coexistence in their neighbourhood and beyond; and
- Engage the youth in reconstruction of the infrastructure.

Flagship projects for 2008 - 2012

There will be full integration and harmonisation of issues affecting the youth into every aspect of public policies and programmes across all ministries and government agencies. This will produce more focussed, responsive and youth oriented strategies.

Affirmative action policy: The policy will ensure that the youth have a 30 per cent representation in appointments to public service, management and development committees, political, social and economic sectors. The needs of the youth will therefore be implemented to increase their representation and participation.

Revision of education and training curriculum: This will be conducted at all levels of learning to improve the production of skills that are demand-driven. Further, the curriculum will teach behavioural and life skills in order to impart positive character traits that will help the youth to make appropriate choices in life.

Revitalisation of Youth Polytechnics: This will facilitate the training of young people in technical, vocational and entrepreneurial skills in an effort to increase their productivity and equip them with skills to participate fully in productive activities. In addition, they will also be equipped with creative skills to deal with advances in technology.

Increase of allocation to secondary and tertiary level bursary programmes: The increase in allocation of funds will greatly increase the opportunities particularly for destitute young people to continue with education irrespective of their poor background. It will also reduce the burden on parents who are unable to pay for their children’s secondary and tertiary education.

The Youth Enterprise Development Fund: The youth will benefit from accessing this Fund since effective mechanisms will be put in place for easier access to credit and collateral. In addition to accessing the Fund, the youth will be effectively equipped with appropriate skills to creatively engage in economically viable activities.

Youth Empowerment Centre: Centres will be rehabilitated or established in every constituency in the country. The purpose of such centres will be to creatively engage young people with a view to tap young talent and create opportunities for them. A further purpose of these centres will be to minimise the prevalence of drug and substance abuse among the youth. The centres will be equipped to provide services such as counselling and health services, ICT facilities, library and information services, performance and training facilities in music, dance and the performing arts. The centres will also provide basic literacy and continuing education opportunities for school leavers in each constituency.

International Academy of Sports: This Academy will be set up at Moi International Sports Centre Kasarani where land has already been earmarked for development. This will be an institution for advanced training in all areas of sports.
Moreover, it will cater for top level skills development of the sports men and women whose talent is tapped and
developed from the grassroots level countrywide. The Academy will also train sports administrators, instructors, and
coaches. Further, it will serve as an international centre for excellence in sports and thus contribute to Kenya’s tourism
package.

**Regional Sports Stadia:** The government will establish 30 regional stadia around the country to promote the
development of sports within each of the regions as well as tap the immense talent of the youth.

**Establishment of a Sports Lottery Fund:** The Fund will provide a tool for raising funds targeting sports development.
It is estimated that the lottery fund will have the potential to inject more than Kshs 500 million into the sports budget
annually. The funds raised will then be used for the less developed sports in the country and to supplement the budgets
of major sports events.

**International Centre for Arts and Culture:** This Centre will be located at Moi International Sports Centre, Kasarani. It
will house a National Hall of Fame to honour contributions and recognise the special talent of Kenyans from all walks
of life in the areas of sports, film, music, culture and other areas.

**One billion tree planting campaign under the “Trees for Jobs Programme”:** This Campaign will be implemented
order to engage the youth, address the global campaign on environmental conservation and help increase the forest
cover of the country.

**Roads 2000 and other Labour intensive public projects:** The Roads 2000 project is currently underway under the
implementation of the Ministry of Roads and Public Works. The objective of this project is to create short-term labour
intensive employment for young people.

**Additional programmes**

- Campaign programmes to reduce new HIV and AIDS infections, teenage pregnancies and drug abuse among the
  youth;
- Intense youth rehabilitation programmes for drug addiction and criminals;
- Promotion of a sustainable reading culture through expansion of Kenya National Library Services (KNLS); and
- Establish a systematic programme to document, conserve, preserve and disseminate the music and dance
  heritage of Kenya.

5.5.3 **Policy, Legal and Institutional reforms**

The policy, legal and institutional reforms to be addressed will include the following:

- Implementing a national policy on FGM;
- Developing and implement the national policy on Children’s rights;
- Developing a National Youth Council Bill;
- Implementing the Sports Bill and Kenya National Sports Stadia Authority Bill;
- Revising the Kenya National Library Act Cap 225;
- Developing a national music policy;
- Developing a national cultural policy;
- Implementing the Adult and Continuing Education policy;
- Developing a National Policy for Youth Polytechnic and Vocational Training;
- Implementing the Betting Lotteries and Gaming Act (Cap 131 of 1966); and
- Developing a national policy on the Ageing and Elderly.
6 THE POLITICAL PILLAR

“Moving to the Future as One nation”

6.0 Overview

The government is committed to a wide ranging governance reform programme over the five year plan period that will take into consideration all the lessons learnt from the 2007 post-election crisis. During the ERS period, the country made considerable progress in the areas of governance, security and the rule of law. With the launch of Vision 2030, the government seeks to focus on reforms already initiated in the sector. This will entail not only initiating new programmes, but also ensure respect of rights of citizens in law enforcement. It will also deal with any emerging governance and security issues during the Plan period. The formulation of these strategies, projects and programmes will be guided by the Political Pillar of Vision 2030, which envisions “a democratic political system that is issue-based, people-centred, result-oriented and accountable to the public.”

Kenya has learnt a lot from the 2007 post-election crisis. Events that followed the 2007 election and the path that Kenya has pursued in returning to normalcy have demonstrated that, despite the remarkable progress made in governance and the rule of law, a lot still remains to be done. Furthermore, a highly accelerated reform effort is now required to move the country to the path projected in the Vision 2030. The sector experienced psychological trauma particularly the Electoral Commission of Kenya, the Judiciary and the Police Force. For the first time since independence, the relations between some of Kenya’s 42 ethnic communities became strained and took a negative turn towards violence of a magnitude that the country has never witnessed before. Hence, there is an urgent need to address and solve the underlying reasons behind the ethnic tensions, violence and destruction of life and property experienced in Kenya.

To this effect, the strategy for governance and the rule of law will focus on rebuilding confidence among Kenyans that their access to justice is guaranteed. Electoral disputes as well as other types of disputes will need to be resolved through legally-provided channels. Moreover, structures need to be put in place to ensure that Kenyan citizens can in future participate in free, fair, credible and decisive elections.

6.1 Governance and the Rule of Law

6.1.1 Situation Analysis

In the Governance, Justice and Law and Order sector, progress since ERS has included the creation of a policy-focused Ministry of Justice and Constitutional Affairs, as the flagship reform institution in the sector. The government has also enacted the Anti-Corruption and Economic Crimes Act, 2003 (No. 3 of 2003), which facilitated the creation and operationalisation of the Kenya Anti-Corruption Commission (KACC), Kenya Anti-Corruption Advisory Board and Special Magistrates (to adjudicate over corruption and economic crime cases); and enactment of the Public Officer Ethics Act, 2003 (No. 4 of 2003). The legal framework for the fight against corruption was bolstered following the enactment of the Statute Law (Miscellaneous Amendment) Act, 2007 which enhances KACC’s asset recovery and investigative powers, while making public officer wealth declarations publicly accessible.

Other key governance institutions that have been established during the period include the National Anti-Corruption
Campaign Steering Committee (NACCSC), the Public Complaints Standing Committee (PCSC), and the Kenya National Commission on Human Rights (KNCHR), the Kenya National Audit Office (KENAO) and the Public Procurement Oversight Authority (PPOA). On its part, the Department of Public Prosecutions (State Law Office) established two new specialised units, to deal with Anti-Corruption, Economic Crime, Serious Fraud and Asset Forfeiture, Counter-Terrorism, Narcotics, Organised Crime and Money Laundering.

In practice, the Office of the Attorney-General continues to institute and sustain prosecutions of persons involved in corruption and economic crime, while KACC produces publicly accessible quarterly and annual reports on the progress made in anti-corruption work (investigations, prevention, public education and asset recovery). Further, the Attorney General produces an annual report on the status of the prosecution of cases referred to him by KACC. To address the long-standing issue of pending bills, a Pending Bills Committee was established in 2005 to review and advice on all pending contract bills. By July 2007, this committee had reviewed pending bills in the amount of Kshs. 89.97 billion under the development vote and Kshs. 15.07 billion under the recurrent vote. The work of this Committee continues to date.

The constitutional review process was re-started in 2003, and led to the proposed New Constitution of Kenya, which was subjected to a national referendum on 21st November 2005. Following the rejection of this Draft Constitution, the government set up a Committee of Eminent Persons in 2006 which received stakeholder views on the way forward and recommended a national healing and reconciliation process; and an inclusive multi-stakeholder approach to finalising the constitution, with an emphasis on the contentious issues.

The Judicial Commission of Inquiry into the Goldenberg Affair was established in 2003 to look into the most egregious cases of corruption. Its report was completed in 2005 and was thereafter adopted by the government on 9th January 2006. It is currently being implemented through a number of measures, including prosecution of suspects, legal and law reform and administrative action. Further, a taskforce on Truth, Justice and Reconciliation Commission established in 2003 received stakeholder views and provided the government with specific recommendations on the way forward.

Finally, in order to enhance the legal framework for good governance, the following laws have been enacted and are now in force: Public Procurement and Disposal Act (2005); Public Procurement and Disposal Regulations, 2006; Political Parties Act, 2007; Kenya National Commission on Human Rights Act, 2002; Government Financial Management Act (2004); Privatisation Act, 2005; Public Audit Act (2003) and Witness Protection Act (2006). A modernised Companies Act is now in its final stages of drafting.

Progress in the area of rule of law, including justice and penal reform, has focused on capacity enhancement. As a way of increasing the capacity of the Judiciary, a total of 37 judges were appointed, and 150 magistrates hired during the period. In addition, 10 senior administrators and 58 clerical officers were employed. An annual colloquium for judges has been held annually since 2004, while formal training programmes are firmly in place for heads of station, accountants and executive officers, as well as induction courses for all newly recruited magistrates. Prisons officers have also been trained extensively in human rights, as well as specific skills training relating to modern management of rehabilitation and reformation programmes.

In a major step forward for commercial and civil justice, the Companies and Civil Registries have been refurbished and automated, while automation of select registries (Public Prosecutions, Registrar General and Public Trustee) is in progress. Further, a draft bill on Alternative Dispute Resolution (ADR) has been developed, while the Chief Justice-appointed Rules and Expeditious Disposal of Cases Committee has completed a report on the efficacy of court rules and procedures (and alternatives such as ADR), which now awaits stakeholder validation. In addition, adjudication of complaints against advocates has been improved following the promulgation of rules under Section 54 (3) of the Advocates Act.

With regard to infrastructure, a total of 40 courts have been renovated, refurbished or built anew, while high court commercial divisions have been established in Nairobi and Mombasa. In addition, the budgetary provisions for the
Prisons department have been significantly enhanced, with ring-fenced resources for staff housing; and tools and equipment provided for inmates’ skills development.

Finally, in order to deepen penal reform, the Community Service Orders (CSO) Act is now fully operationalised, with all judicial and probation officers trained on its implementation. Further, the Prisons Act has been fully reviewed in line with modern management and human rights practice.

Beyond the ERS, the specific focus on governance and the rule of law has mainly been through the Governance, Justice, Law and Order Sector (GJLOS) Reform Programme. In addition to infrastructure and capacity improvements, the programme has focused on the modernisation and reform of policies, laws and strategies. Specific policy and strategy efforts undertaken to date include the National Anti-Corruption Plan (NACP) and the related Governance Strategy for a Prosperous Kenya; National Prosecution Policy; Legal Aid and Education Policy (supported by a pilot Legal Aid and Education programme commenced in the 2007/08 fiscal year); Action Plan on Gender-Sensitive Legal Reforms; Child Adoption Guidelines and a National Policy on Orphans and Vulnerable Children. A further key initiative known as the National Action Plan on the Promotion and Protection of Human Rights is at an advanced stage of implementation.

Comprehensive policy and legal frameworks are under finalisation in the areas of “plea bargaining” and legal education. Sector-specific laws passed in the Ninth Parliament include the Sexual Offences Act and the Political Parties Act, while other laws, including the Children’s Act are under review. The new bills presently under finalisation include the Elections Bill, Marriage Bill, Matrimonial Property Bill, Domestic Violence (Family Protection) Bill, Private Prosecutions Bill, Companies Bill, Insolvency Bill, Partnership Bill and Small Claims Courts Bill among others.

Significantly, national case law reporting through Kenya Law Reports, has been re-introduce for the first time in 20 years. Other new innovations in the sector include specialised anti-corruption tools such as the Whistleblower (BKMS) system and a computerised investigation system established at KACC. Additionally, the provision of a modern research and library centre for Parliament is now 80 per cent complete. It is important to note that the Electoral Commission made progress in computerising its voter register and reviewing the electoral boundaries. Further, the Laws of Kenya are now freely available on line via the National Council on Law Reporting.

6.1.2 Emerging Issues and Challenges

Despite the recent progress made within the sector, the areas of governance and the rule of law are still faced with several challenges that must be addressed for Vision 2030 to be effectively realised. In so doing, the emphasis of MTP 2008-2012 (as the first five-year time horizon for Vision 2030) will be focussed more on structural challenges, which will create a systematic basis for dealing with operational and administrative constraints. The challenges include the following:

- Inadequacy of the current Constitution and the need for a modernised, rights-based and democratic constitutional order especially in the light of numerous constitutional reform efforts;
- Inadequate and outdated policies, laws and regulations with regard to governance, human rights, justice and the wider rule of law;
- Inadequate commitment to patriotism, national values and norms that uphold good governance (democracy, ethics and integrity, human rights, justice for all and respect for the rule of law) and national cohesion at the individual, institutional and national levels;
- Ineffective justice and dispute resolution mechanisms to deal with disputes, conflicts, injustice, rights abuses and outright crime(particularly contact crime)— in light of the 2007 post-election crisis;
- Low public confidence in governance and rule of law institutions, especially after the events succeeding the 2007 elections;
• Inadequate regard for the social and human dimensions of governance, justice, law and order; particularly the need for post-trauma counselling for both victims as well as serving officers;
• Highly under-capacitated or under-motivated institutions; and
• Weak inter-agency cooperation and cross-agency collaboration across governance and the rule of law institutions.

6.1.3 Programmes and Projects for 2008 - 2012

Programmes and projects to be implemented within this plan period are categorised into three broad groups, namely:

• Flagship projects, which take into account the post-2007 election crisis and therefore aim to build a strong governance and rule of law foundation for the achievement of Vision 2030;
• Other new and ongoing programmes across four strategic priority areas; and
• Sector-wide initiatives within the scope of the GJLOS Reform Programme.

Flagship Programmes and projects for 2008 - 2012

Following the signing of the Accord in February 2008, a 90-day National Reconciliation and Emergency Social and Economic Recovery Strategy was developed to address pressing issues of recovery, resettlement, reconstruction, rehabilitation and reconciliation. This Strategy would also initiate steps towards building a firm and solid foundation for the future. During the early part of the Medium-Term Plan period, the following national initiatives will be undertaken:

Constitutional Reform: A draft new Constitution will be finalised and presented to the general public through a national referendum. The specific measures that will go into the new constitution will be drafted by experts, stakeholders, various leaders and legislators. It will take full account of the nation’s history, draft constitutions that were presented to Kenyans in 2005, the 1963 constitution and all the amendments made to it after that date.

TJRC Process: An independent Truth, Justice and Reconciliation Commission (TJRC) will begin its operations in 2008/09 – after the necessary legal framework is put in place. It is expected that the TJRC will complete its work within two years of its establishment.

Kriegler Committee: The Independent Electoral Review Committee (IREC) was established in the 2007/08 fiscal year with the mandate to investigate all aspects of the 2007 Presidential election. It is expected to finalise its operations and present a comprehensive report to the relevant authorities in the 2008/09 fiscal year.

Commission on Post-Election Violence: This non-judicial Commission has the mandate to investigate the facts and circumstances related to acts of violence that followed the 2007 Presidential election. Having been established in the 2007/08 fiscal year, it will finalise its operations and present its report to the relevant authorities in the 2008/09 fiscal year.

National Cohesion: In order to promote a lasting national cohesion, a permanent Ethnic and Race Relations Commission of Kenya will be operationalised into law in the 2007/08 fiscal year. Thereafter, it will commence its operations in the 2008/2009 fiscal year, to deal with grievances arising from inter-ethnic relations, and particularly the problem of negative ethnicity.

Post-Election Legal Counselling: Kenya’s pilot Legal Aid and Education programme will be enhanced and fast-tracked in its six pilot locations. It will have a focused legal counselling component directed at Kenyans affected and traumatised by the post-election events.
Other Programmes

In addition to the Flagship projects, which are national in nature, other programmes in the area of governance and the rule of law will be guided by four main initiatives as stipulated in the Political Pillar of Vision 2030, namely:

- The Rule of Law;
- Electoral and Political Processes;
- Democracy and Public Participation; and
- Transparency and Accountability.

The Vision 2030 initiatives will therefore be delivered through the following programmes:

- Legal, Ethics and Constitutional Reform Programme;
- Human Rights Programme;
- Legal Education Programme;
- Legal Services Programme;
- Dispensation of Justice Programme;
- Judicial Reform Programme;
- Audit Services Programme;
- Legislation and Oversight Programme;
- Electoral Processes Programme;
- Anti-Corruption Programme;
- Prison Services Programme;
- Probation and After-care Services Programme; and
- Governance, Justice, Law and Order Reform Programme.

Strategies for delivering Programmes and Projects

The Rule of Law: Under the Rule of Law initiative, the Vision 2030 aspires towards “adherence to the rule of law applicable to a modern, market-based economy in a human rights-respecting state”. The specific goal for 2012 is to enact and implement a legal and institutional framework vital for promoting and sustaining fair, affordable and equitable access to justice. The specific strategies will involve:

- Aligning the national policy and legal framework along the chain of justice, with the needs of a market-based economy, national human rights and gender equity commitments;
- Increasing service availability and access including reducing barriers to justice;
- Streamlining the functional organisation and introducing professionalism in legal and judicial institutions, (including police and penal institutions) to enhance inter-agency co-operation; and
- Inculcating a culture of compliance with the law and decent human behaviour

Electoral and Political Processes: Under Vision 2030, the Electoral and Political process aims at promoting “genuinely competitive and issue-based politics”. The overall goal for 2008-2012 is to enact and operationalise the necessary legal and institutional frameworks to support issue-based political processes. The strategies to be implemented include:

- Introducing laws and regulations governing political parties;
- Enhancing the legal and regulatory framework governing the electoral process;
- Conducting civic education programmes to widen knowledge and participation among citizens, leading to an informed and active citizenry;
- Strengthening laws on non-discrimination to promote the inclusion of women and disadvantaged groups into electoral and political processes; and
• Enriching the quality of parliamentary debate by providing Members of Parliament with relevant information on proposed laws and policies.

The following is a summary of the envisaged Electoral and Political Process programmes:

<table>
<thead>
<tr>
<th>Strategic Thrust – Electoral and Political Processes</th>
<th>Key initiatives to be undertaken during the MTP period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal, Ethics and Constitutional Reform</td>
<td>Operationalisation of the Political Parties Act, including funding mechanisms; Comprehensive review of Parliamentary Standing Orders</td>
</tr>
<tr>
<td>Legislation and Oversight</td>
<td>Comprehensive reform of all electoral-related laws (Cap 7, Cap 66, Cap 212, Cap 56, Cap 85, Cap 128 etc) and development of Electoral Commission of Kenya Act; Institutionalisation and strengthening of Voter Education programmes</td>
</tr>
</tbody>
</table>

**Democracy and Public Participation:** Under Democracy and Public participation, the Vision 2030 underscores a “people centred and politically engaged open society”. Accordingly, the goal for 2012 is to enact and operationalise necessary policy, legal and institutional framework to enhance democratic participation. The specific strategies will include:

• Pursuing constitutional and legal reforms necessary to devolve power and support local governance;
• The encouragement of formal and informal civic education programmes;
• The promotion of open engagement between the government, civil society and private sector; and
• The promotion of free flow of information.

The following is a summarised version of the specific strategies under Democracy and Public Participation:

<table>
<thead>
<tr>
<th>Strategic Thrust – Democracy and Public Participation</th>
<th>Key initiatives to be undertaken during the MTP period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal, Ethics and Constitutional Reform</td>
<td>Comprehensive review of laws relating to decentralisation of funds, and the Local Government Act; finalisation and operationalisation of the Freedom of Information Act</td>
</tr>
<tr>
<td>Electoral Processes</td>
<td>Institutionallisation and strengthening of Civic Education programmes</td>
</tr>
</tbody>
</table>

**Transparency and Accountability:** Under Transparency and Accountability, the Vision 2030 emphasises on: “transparent, accountable, ethical and results-oriented Government institutions”. A transparent and accountable system of governance is expected to promote integrity, free flow of information and enhance the accountability of leaders to the citizenry. In order to achieve this vision, reforms in the legal and administrative systems will be identified and prioritised in the medium-term to provide an enabling environment for the transformation of the governance system which will in turn, make it more transparent and accountable.

The goal for 2012 is “to enact and operationalise the necessary policy, legal and institutional framework needed to strengthen public transparency and accountability”. The specific strategies to be pursued in the Plan period include:

• Strengthening the legal and institutional framework for anti – corruption, ethics and integrity;
• Encouraging public access to information and data;
• Establishing a legal framework to promote compliance with the Codes of Conduct and Ethics;
• Review the legal framework for declaration of incomes, assets and liabilities with a view to establishing an efficient and devolved administrative, compliance and analysis institutional framework;
• Introducing civilian oversight around the key legal, justice and security institutions;
• Strengthening Parliament’s legislative oversight capacity.

The following is a summary of measures to be enacted under Transparency and Accountability:

<table>
<thead>
<tr>
<th>Strategic Thrust – Transparency and Accountability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Programme</td>
</tr>
<tr>
<td>Legal, Ethics and Constitutional Reform</td>
</tr>
<tr>
<td>Key initiatives to be undertaken during the MTP period</td>
</tr>
<tr>
<td>Full operationalisation of the Public Complaints Standing Committee (the Ombudsman);</td>
</tr>
<tr>
<td>Implementation of Commission of Inquiry and Task Force reports;</td>
</tr>
<tr>
<td>Law reform focusing on anti-corruption, economic crime and money laundering legislation such as the Anti-Money Laundering and Proceeds of Crime Bill;</td>
</tr>
<tr>
<td>Continuous monitoring of the Public Officer Ethics Act, and domestication of international and regional anti-corruption conventions; and</td>
</tr>
<tr>
<td>Full operationalisation of the Public Complaints Standing Committee (the Ombudsman)</td>
</tr>
<tr>
<td>Legal Services</td>
</tr>
<tr>
<td>Programmes to support improved prosecution of corruption and economic crime cases</td>
</tr>
<tr>
<td>Dispensation of Justice</td>
</tr>
<tr>
<td>Programmes to support improved adjudication of corruption and economic crime cases</td>
</tr>
<tr>
<td>Legislation and Oversight</td>
</tr>
<tr>
<td>Programmes to support improved oversight and consideration of anti-corruption and audit reports by Parliament</td>
</tr>
<tr>
<td>Audit Services</td>
</tr>
<tr>
<td>Systems and capacity enhancements to strengthen the National Audit Office in conducting systems and specialised audits</td>
</tr>
<tr>
<td>Anti-Corruption</td>
</tr>
<tr>
<td>Enhancing capacity and performance in the Investigation and Asset Tracing Programme;</td>
</tr>
<tr>
<td>Enhancing capacity and performance in the Civil Litigation and Asset Recovery Programme;</td>
</tr>
<tr>
<td>Enhancing the National Anti-Corruption Awareness Campaign; and</td>
</tr>
<tr>
<td>Enhancing capacity and performance of District Anti-Corruption Civilian Oversight Committees</td>
</tr>
</tbody>
</table>

Sector-wide initiatives under the GJLOS Reform Programme

In addition to the Flagship Projects and the strategies and programmes identified under specific strategic initiatives, a range of sector-wide strategies will be pursued during the MTP period. These strategies relate to the wider GJLOS reform framework. They include the following:

• **The GJLOS Policy Framework Paper will be finalised and operationalised.** This far-reaching and ground-breaking national and sectoral policy framework will provide a vital link between the modernised constitution envisaged by the constitutional review, national, sectoral and institutional policies, laws and regulations, as well as sectoral and institutional strategies, programmes, projects and action plans, with regard to this vitally important GJLOS sector.

• **A comprehensive GJLOS policy review and update process will be established.** The basis of this will be the GJLOS Policy Framework. It is expected that in the one year period, it will initially focus on ten major policy areas. These include: anti-corruption, promotion and protection of human rights; freedom of information; access to justice; community policing; victim empowerment; public order policing; conflict prevention; human security and penal reform/alternatives to imprisonment.
Ongoing reform under the GJLOS Reform Programme will be accelerated, beyond policy and law, to supporting processes and systems. In particular, pilot architectures and prototypes will be developed and finalised to form an integrated criminal justice database, an integrated national population registration system and internal data and document management systems across the sector. Moreover, court proceedings will be automated, while case management systems will be put in place. All of these systems will provide an initial platform for improved and accelerated service/rights delivery, while at the same time, promoting internal transparency and accountability among GJLOS institutions.

A major capacity development programme will be introduced across the sector. This programme will focus on strengthening knowledge and skills across the sector, while at the same time, promoting comprehensive attitude and culture change among GJLOS personnel.

A comprehensive working infrastructure (including equipment) needs assessment, cutting across the entire GJLOS sector, will be completed during the year. The Needs Assessment in collaboration with the Capacity Development programme mentioned previously, provide a firm basis for consistent and predictable budgetary allocations to the sector in future years. However, it is unlikely to affect ongoing infrastructure and asset replacement exercise.

6.1.4 Policy, Legal and Institutional Reforms

The ambitious medium-term investment programmes to be implemented within the Plan period will require the backing of key policy, legal and institutional reforms. These can be categorised under two headings namely:

- National policy and legal reform; and
- Policy, legal and institutional reform across the five strategic thrusts.

National policy and legal reform

The core national policy and legal reform that will underpin Kenya’s medium-term governance and rule of law agenda is the new constitution mentioned earlier. Kenya will aim for a constitution that enjoys broad national support that is rights-based, gender-friendly and fiscally affordable. This agenda has been forefront in the minds of Kenyans for a long time. Consequently, a consensus based constitutional document could act as a basis for national renewal, stability and accelerated development that is widely shared.

Policy, Legal and Institutional reform

Supporting the national constitutional effort, a sectoral policy framework on Governance, Justice, Law and Order – titled the GJLOS PFP and covering all policy-related aspects of the Political Pillar of Vision 2030 - will be finalised within the first year of the MTP period. As a vital tool in linking Vision 2030 to sectoral and institutional policies and strategies, the GJLOS PFP has been prioritised as one of the sector-wide reform initiatives to be completed. Other policy, legal and institutional reform measures identified under each of the strategic initiatives include the following:

The Rule of Law

Policy and Legal Reform Measures

- Ensure the rule of law is followed to the letter, and that human rights and access to justice issues forms a core element of the Constitutional reform debate;
• The National Action Plan (NAP) on Human Rights will be finalised and launched as the primary government policy document on human rights;
• Promote gender equality and empower women. To this effect, a number of relevant bills will be enacted and operationalised including the Marriage Bill, Matrimonial Properties Bill, Domestic Violence (Family Protection) Bill, Equal Opportunities Bill and Affirmative Action Legislation;
• In order to promote economic growth based on competition with justice, the government will enact new laws to govern the market including a new Companies Act, a reformed Restrictive Trade Practices, Monopolies and Price Control Act, reformed laws relating to personal securities (Hire Purchase Act, Sale of Goods Act, Chattels Transfer Act), a new legal framework for Consumer Protection, and a finalised Proceeds of Crime and Anti–Money Laundering Bill;
• To improve access to justice, legislation will be passed including the Small Claims Court Bill; Private Prosecutions Bill; Legal Aid Bill; Court of Petty Sessions Bill; Alternative Dispute Resolution (ADR) legislation as well as the Judicial Service Bill; the Evidence Act and the Land Disputes Tribunal Act; and
• To inculcate a culture of compliance with the law and decent human behaviour a Contempt of Court Bill will be enacted, while the Community Service Orders Act will be reviewed.

Institutional Reform Measures

• Improve access to justice, and establish an institutional framework for the proposed Small Claims Court system; National Legal Aid and Awareness Programme, Alternative Disputes Resolution (ADR) mechanisms (to recognise African Customary practices which are not repugnant to justice); National Prosecution policy and Crime Victims Compensation Scheme;
• Streamline the functioning of legal and judicial institutions by adopting a sector-wide approach to increased recruitment, training, planning, management and implementation of programmes and activities in the justice sector. In addition, strengthen and harmonise co-ordination and linkages among stakeholders at national level and develop a comprehensive continuing professional training policy;
• Inculcate a culture of compliance to the law and encourage decent human behaviour among Kenyan citizens as well as with foreigners. To this effect, institutional reforms will be introduced that aim at promoting integrity, transparency and accountability in the management of public affairs. Performance contracting and Results-Based Management (RBM) will be entrenched within the legal framework, in addition to continuously reviewing public service terms and conditions of service. This will enhance competence, results, competitiveness and professionalism, while ensuring guidelines are in place for consultancies and short-term contracts.

Electoral and Political Processes

Policy and Legal Reform Measures

• Ensure electoral and political processes form a core element of the Constitutional reform;
• Facilitate the financing and operation of political parties. Further, the Political Parties Act 2007 will be implemented through the drafting, gazettement and operationalisation of necessary rules and regulations
• Enhance the legal and regulatory framework pertaining to elections. To this effect, the Elections Bill will be finalised, initially through the consolidation of all election-related laws. Provisions will also be made to enable Kenyans of majority age in the Diaspora to vote. There will be a review of constituency and electoral boundaries.
• The enactment of an Electoral Commission of Kenya law will strengthen and restructure the Electoral Commission of Kenya to deal with (among other things) building the confidence of the public in the electoral process, while at the same time, eradicating election malpractices and streamlining party nominations.
• Other laws linked to elections will be reviewed, including the Kenya Broadcasting Act (Cap 212); Public Order Act
Implementation of the policy/law-related recommendations of the Independent Electoral Review Committee (The Kriegler Committee) will constitute an additional policy reform.

An Equal Opportunities Bill, Persons with Disabilities (Amendment) Bill and an Affirmative Action Bill will be developed and finalised in order to promote the inclusion of women and other disadvantaged groups in electoral and political processes; and

The National Assembly (Standing Orders) will be reviewed, streamlined and operationalised in an effort to enrich the quality of Parliamentary debates and the subsequent output of these debates.

**Institutional Reform Measures**

- The national gender and diversity policy, which substantively aims at creating gender balance in the election and/or appointment of party officials and nominated candidates will be mainstreamed;
- Other electoral reforms at institutional level will focus on strengthening the enforcement of the Electoral Code of Conduct, as well as the electoral system, to guarantee free and fair electoral competition and an independent electoral management body;
- Implementation of the administrative recommendations of the Independent Electoral Review Committee (The Kriegler Committee) will constitute an additional institutional reform;
- To widen knowledge and participation among citizens, key institutional reforms will be targeted towards extending the voter education curriculum to the school system, and expanding non-school voter education, with greater reliance on domestic, rather than external, funding;
- To promote the inclusion of women and other disadvantaged groups in electoral and political processes, the United Nations Declaration on the Elimination of Violence against Women (UNDEVW) and the Convention on the Elimination of all forms of Discrimination Against Women (CEDAW) will be fully implemented, while existing legislation will be stringently enforced; and
- To enrich the quality of Parliamentary debate and output, Parliament’s Research Centre will be strengthened, recording of proceedings through Hansard production will be digitise and live coverage and electronic voting will be introduced.

**Democracy and Public Participation**

**Policy and Legal Reform Measures**

- Ensure issues of devolution, local governance, decentralisation of decision making at all levels, recall of MPs, equitable delineation of constituency boundaries are a core element of the Constitutional reform;
- Review the entire legal, regulatory and institutional policy regime for engagement between government and NSAs;
- Enact the Freedom of Information Bill to enhance access to public information (in the domain of government and other public bodies);
- Establish a policy, legal and regulatory framework that allows constant review of all devolved funds, especially CDF and LATF, to ensure effective allocation and management of resources;
- Finalise, enact and operationalise the Local Government Bill; and
- Finalise and operationalise of the Public-Private Stakeholder Participation Policy (PPSP)

**Institutional Reform Measures**

- Establish an institutional framework that allows for constant review of all devolved funds, especially CDF and LATF, to ensure effective allocation and management of resources;
• To improve public participation in democratic processes, operationalise the Political Parties Act, 2007, through new regulations;
• To enhance participation by civil society and private sector, initiate and fund civic education programmes and promote civic action programmes. Also, develop a broad civic education curriculum at formal and informal level, in schools and outside schools; and
• To promote open engagement between the government, the civil society and the private sector, create an annual national forum for government/NSA engagement which will focus on social, economic, political and democratic issues.

Transparency and Accountability

Policy and Legal Reform Measures

• To strengthen the legal framework for anti-corruption, ethics and integrity, a national anti-corruption policy will be developed, while the Anti-Corruption and Economic Crimes Act, 2003 and Public Officer Ethics Act, 2003; will be reviewed to guarantee a transparent and accountable public service through review of the Anti-Corruption and Economic Crimes Act, 2003 and Public Officer Ethics Act, 2003;
• Further strengthening of the legal framework will come through the enactment of the Mutual Legal Assistance Bill, the Proceeds of Crime and Anti-Money Laundering Bill and new legislation on whistleblower protection; while the Witness Protection Act, 2006 will be operationalised. Additionally, international anti-corruption instruments (such as the United Nations Convention against Corruption and the African Union Convention on Preventing and Combating Corruption) as well as initiatives such as STAR (Stolen Assets Recovery (STAR), will be domesticated.
• To promote results-based management in the public service, a policy on RBM and Performance Contracting will be developed and implemented. RBM principles will be entrenched in the Constitution, while public performance and results legislation will be developed to cover all persons paid from public funds;
• To encourage public access to information and data, the ICT Bill and Freedom of Information Bill will be enacted and policy and legislation developed on cyber crimes and related issues; and
• To strengthen Parliament’s legislative oversight capacity appropriate legal reforms will be undertaken to facilitate parliamentary vetting of senior public appointments; while the Parliamentary Budget Office will be anchored on a relevant legal framework.

Institutional Reform Measures

• To strengthen the institutional framework for anti-corruption, ethics and integrity, the National Anti–Corruption awareness campaign will be expanded, as will the capacity of District Anti–Corruption Civilian Oversight Committees to monitor the management of devolved funds and stigmatise corruption;
• In addition, anti-corruption, ethics and integrity in the public sector will be mainstreamed through the modernisation of government operations and service-delivery (e-government); the prompt implementation of audit reports; enhancement of the capacity of agencies mandated to prevent, investigate, prosecute and adjudicate on corruption and economic crime; enhanced co-operation and partnership among institutions responsible for preventing, investigating, prosecuting and adjudicating corruption and economic crime – including international institutions; and harmonisation of terms and conditions of service for employees of institutions responsible for prevention, investigation, prosecution and adjudication of corruption and economic crime;
• Results-based management will be promoted in public service through mainstreaming of corruption prevention strategies in RBM and Performance Contracting; and institutionalising Rapid Results Initiative (RRI) in the public service;
• Public access to information and data will be promoted through implementation of the ICT policy, modernisation of operations and communication systems through the use of ICTs, enhancement of information management including processing, storage and access and capacity development through training, equipping and expanding local and wide area networks to support efficient seamless communication and fast and convenient service delivery;
• Civilian oversight over key legal, justice and security institutions will be achieved through the transformation of the Public Complaints Standing Committee into a fully-fledged Ombudsman office with adequate legal mandate; capacity building to strengthen the Office and other watch dog institutions, including the District Anti–Corruption Civilian Oversight Committees and the establish Civilian Oversight Committees for the Police force and Prisons service;
• Parliament’s own legislative oversight capacity will be strengthened as well as the introduction of stricter and more timely deliberations on reports by the various institutions such as Kenya Anti-Corruption Commission (KACC); Kenya National Audit Office (KENAO); State Law Office; Kenya National Commission on Human Rights (KNCHR); strengthening the organs of Parliament such as Parliamentary Accounts Committee (PAC); Parliamentary Investments Committee (PIC), among others to support the war against corruption and economic crime and promote transparency and accountability in utilisation of public resources; address the physical capacity requirements for Parliament (Members of Parliament (MPs) and Parliamentary staff) by infrastructural development including modernisation of the House Chamber; construction of footbridge on Harambee Avenue and acquisition of more office space. All this will require closer consultation and collaboration between parliament and the Executive branch of government.

6.2 Decentralisation

The Vision 2030 envisages a democratic process in the decentralisation of decision-making and a more equitable distribution of resources. This calls for a devolved system that conforms to the national and local structures. Devolution is defined as: “a shift in power, authority, resources, and responsibilities from the centre to other lower levels of government.” On the other hand, in broad political terms, decentralisation can be defined as: “any change in the organisation of government which involves the transfer of some powers from the national level to any sub-national levels, or from one sub-national level to another lower level”. While the country awaits the implementation of new devolution structures from the proposed constitution, the government’s position is that decentralisation measures can still be undertaken in the interests of growth with equity.

Accordingly, the new constitution will define the duties of the Central Government and the functions to be carried out by the lower levels of government. In the meantime, the government is committed to the following policies in the course of the implementation of the MTP:

• To ensure that locally defined needs are met with services that conform to the best national standard and in so doing, promoting equity;
• Give local institutions both the appropriate capacity and authority to carry out their defined functions;
• Deliver public services through better co-ordinated local institutions and planning;
• Ensure that financial resources are distributed equitably across the country and are also adequate to perform the functions defined for the various decentralised institutions;
• Put in place a system that promotes greater accountability of the Central Government to all the communities that it serves;
• Enhance community participation in decision making on issues that directly affect them; and
• Address issues of institutional capacity and social capital at the lower (or grassroots) level.

Benefits of a decentralized system

The major benefits of a decentralised governance process (even prior to the introduction of a new constitution) is that it will meet the strongly expressed needs in many parts of Kenya to bring services and decision making procedures closer to the people. Decentralisation is also expected to provide a more equitable expenditure system. Further, it will in effect make it easier for the government to receive initial feedback on the impact of development projects from the people themselves.
6.2.1 Situation Analysis

Kenya inherited a federalist constitution with clearly defined functions for regional, county and municipal authorities. This was gradually replaced by a more centralised government, which was based on provincial administration yet still leaving certain functions to Local Authorities. On their part, Local Authorities were initially responsible for the provision of a wide range of community and social services. However, poor governance as well as an inadequate and weak institutional capacity led to unsatisfactory service delivery. Consequently, in 1970, the Central Government took over the provision of key services such as the provision of health care and education.

The Kenya Government has undertaken periodic reviews of this situation. In particular, an earlier Task Force (1974) and a Commission of Inquiry (1995) recommended that issues of structures, functions and the powers of Local Authorities be streamlined with those of the Central Government by:

- Promoting a participatory approach to the Local Government;
- Enhancing the Local Government’s capacity, both in terms of human resources and functional streamlining; and
- Promoting collaborative and effective linkages between the Central and Local Government.

The rapid proliferation of Local Authorities, most of which had weak resource bases (in terms of revenue) led to the deterioration of services provided to the communities. As a result, the government initiated yearly subventions to Local Authorities through the Local Authorities Transfer Fund (LATF) which is currently one of the devolved funds. In addition to these reforms, the government introduced a Ministry for Regional Development. This Ministry is now responsible for administering regional development projects under various authorities that have specified geographical mandates. Examples include the Lake Basin Development Authority, Kerio Valley Development Authority and the Tana and Athi Rivers Development Authority. In 1983, the government introduced the District Focus for Rural Development (DFRD) to galvanise Local Government resources towards a participatory planning based on local level decision making, but its implementation was not achieved fully due to the numerous challenges encountered.

In recent years, there has been significant movement to transfer local service deliveries to the constituencies. Current efforts by the government in the decentralisation of service delivery can be grouped as follows:

- Local Authorities;
- Regional Development Authorities;
- Sector Ministries;
- Provincial Administration;
- District Focus for Rural Development;
- Decentralised Funds (CDF, LATF, District Bursary Fund etc); and
- Development Partners and Non-Governmental Organisations.

Local Authorities

There are currently 175 Local Authorities in Kenya made up of one city council, forty five municipal councils, sixty-two town councils and sixty seven county councils. Each council is divided into wards with one elected councillor. The councillors elect from amongst themselves a mayor (in cities and municipalities) or a chairman (in towns and counties). The ward is an administrative unit without any form of elected assembly. Additional councillors are nominated by the political parties pro rata to their representation in the council.

Regional Development Authorities

There are six regional Development Authorities with each having its own governing legislation. The Regional Development Authorities were established to harness local resources for the benefit of the local people. These were
mainly river basins, catchment areas and coastal resources in Kenya. Their main aim is to rationalise equitable and balanced sustainable regional and national development in the country. The regions covered are the Lake Basin, Kerio Valley, Ewaso Nyiro North and Ewaso Nyiro South, Tana and Athi River, and Coast Region each with its own establishment date between 1974 and 1990.

**Sector Ministries**

A large number of Central Government ministries have delegated their functions to institutions within the districts. They include Roads, Land, Health, Education and Water Boards which are also organised into regional or district units. They exercise the authority for that service remains with the relevant central ministry. The allocation of resources to the individual boards is at the discretion of the relevant ministry and does not generally follow specific and transparent disbursement criteria. The Boards are also appointed by the relevant ministry with little formal local accountability. Other ministries such as Agriculture and Finance deliver services through district units of the ministry.

Additional sectoral initiatives for decentralisation include the following:

- The Ministry of Land has developed a draft land policy which proposes devolution of power and authority, participation and representation, justice, equity and sustainability to the districts and other institutions. Three institutions are suggested for managing land affairs in the country namely: The National Land Commission, The District Land Board and Community Land Board. District Land Tribunals will also be set up for dispute resolution.

- The Ministry of Education has developed a sector-wide approach which is being implemented through the Education Sector Support Programme (KESSP). The four central themes of this programme are: transparency, decentralisation, team work; and performance-based management and accountability. Sub national co-ordination of the education sector is carried out through the Provincial and District Education Boards though grants are provided directly to primary schools.

The Strategy for revitalising Agriculture (SRA) was launched in 2004 as a national policy document for steering the development of the agricultural sector for the period up to 2014 by the Agricultural sector ministries representing the Ministries of Agriculture, Livestock and Fisheries Development, and Cooperative Development and Marketing. It uses participatory approaches to development through empowerment of local level institutions to initiate and implement their own priority projects. At the sub national level, District Coordination Units are formed in all districts and provide a forum for the coordination of SRA activities, working closely with the District Development Committees. The provincial level provides backstopping and monitoring of implementation progress.

In the Ministry of Health, a Sector Wide Approach through the National Health Sector Strategic Plan II 2005-2010 which will re-invigorate the Kenya Health Policy Framework (KHPF) elaborated in 1994. The Plan envisages the piloting of direct financing to health facilities in a few districts, following the Education model. It proposes delivery of health services through a hierarchical system of Health Management Teams at the province, district, and service outlet and village level, overseen by Boards or Committees at each level. The direct financing of health facilities using a similar approach to the Education model is, however, currently being piloted in a few districts.

The structure for decentralised delivery of services in the roads sector is defined in the Kenya Roads Act 2007 which establishes the Kenya Rural Roads Authority and the Kenya Urban Roads Authority with the Kenya National Highways Authority having an oversight role. These authorities will take over the responsibilities of the Ministry of Local Government and the Local Authorities road maintenance and construction. At sub national level they will work through the existing District Road Committees.

The Ministry of Water and Irrigation transferred the management and operation of water services to the Water Services...
Boards with effect from July 2005. These Boards have taken over the water supply responsibilities in their jurisdictions from the central and local government institutions, though actual delivery of the services are delegated to water supply companies or community organisations. The Ministry of Finance has put in place a system of District offices which allows for direct release of funds to the sub national level thus reducing the need to obtain funds from the Central Ministries in Nairobi. This mechanism facilitates the operation of decentralised institutions.

District Focus for the Rural Development Strategy

The District Focus for Rural Development (DFRD) Strategy was established in July 1983. This strategy is based on the principle of a complementary relationship between ministries with their sector approach to development and the districts with their integrated approach to addressing local needs. In addition, the strategy makes districts the centres of development and involves a bottom-up approach to planning where the districts have autonomy in setting their priorities, unlike the previous top down strategy where ministries set district priorities.

Although the adoption of the DFRD strategy broadened the level of engagement with the citizenry in districts, this framework has over time faced implementation challenges that have necessitated its revision. As a result, the government has initiated the process of revising the DFRD in order to make it responsive to the changing needs of the rural/urban population and also the emerging policy initiatives.

Decentralised Funds

Funds are transferred by the Central Government to the various decentralised ministries, departments, agencies and the local revenue sources of Local Authority boards and Regional Development Authorities. In addition, there are a number of specific decentralised central funds financing activities at the local level. They include the following:

Local Authorities Transfer Fund (LATF)

LATF was introduced under the Local Authorities Transfer Fund Act, 1998 with the objective of facilitating “the disbursement of funds to local authorities to supplement the financing of the services and facilities they are required to provide under the Local Government Act.” It is a block grant equivalent to 5 per cent of national income tax revenues and is allocated to all local authorities using a population-based formula. The amount provided in FY 2007/08 will be Kshs 8.25 billion.

Constituency Development Fund (CDF)

The Constituency Development Fund was introduced under the Constituencies Development Fund Act, 2003 with the objective of ensuring “that a specific portion of the national annual budget is devoted to the constituencies for purposes of development and in particular in the fight against poverty at the constituency level.” The amount paid into the fund each financial year is fixed as not less than 2.5 per cent of all government ordinary revenue collection. Three quarters of the amount allocated annually to each of the 210 constituencies is based on equal shares per constituency, while the balance is allocated on the basis of a weighted poverty index. The amount to be released in FY 2007/08 is Kshs 10.1 billion. The Act requires that the projects be identified through community participation. At the local level the Fund is administered through Constituency Development Committees and project implementation is co-ordinated through District Development Committees. CDF has acquired great popularity among Kenyans but it has encountered some management problems that need to be addressed in the course of the plan period.

Road Maintenance Levy Fund: Disbursements from this fund are budgeted at Kshs. 18.3 billion in FY 2007/08. This amount is partly allocated to local authorities and the constituencies, the balance being expended through central contracting by the Roads Board.
**HIV/AIDS (TOWA) Community Support Initiative:** The disbursements from this fund are budgeted at Kshs 742 million in FY 2007/08. The fund is geared towards a total war on the HIV/AIDs scourge through related education and awareness campaigns at the constituency level for all the 210 constituencies.

**Constituency Bursary Fund:** Disbursements from this fund are budgeted at Kshs 800 million in FY 2007/08 and target for the payment of school fees for destitute children. The funds are used to ensure that deserving students do not miss out on high school education due to financial inabilities.

**Community Development Trust Fund:** Disbursements from this fund are allocated at Kshs 382 million in FY 2007/08.

**Poverty Reduction Fund:** This fund which is supported by the European Union (EU) commenced disbursements in 2006 and will end in 2009. It provides earmarked financing of specific projects in 63 selected councils totalling Kshs 581 million.

**Youth Development Fund:** The fund was introduced in FY 2006/07, for disbursement through the constituencies and Kshs 750 million has been allocated for FY 2007/08. The resources under this fund are meant to go a long way in creating job opportunities for the youth of this country through engaging in income generating activities.

**Women’s Enterprise Development Fund:** The fund was introduced in FY 2007/08, for disbursement through the constituencies with an initial allocation of Kshs 1 billion. Since commercial banks have borrowing conditions that are not favourable to women, this fund was to fill the gap by providing more easily accessible credit for investment by women. In addition to the disbursement of funds mentioned, there exists a number of special programmes targeting specific issues in specific areas, allocating additional resources to the most disadvantaged provinces such as the Arid Land Resource Management Project.

**Development Partners and Non-Governmental Organisations**

There are many initiatives at the local level either supporting the local authorities or dealing directly with communities that are financed by Development Partners or Non Governmental Organisations. In addition, the development partners support the Water Sector Trust Fund to provide finance for improving access to safe, affordable and sustainable water supply and sanitation services to the poor. The fund has budgeted Kshs 700 million for disbursement to local water providers in 2007/08.

### 6.2.2 Emerging Issues and Challenges

Kenya’s decentralisation policies suffer from poor coordination and overlaps between governmental functions. Hence, there has been a strong demand in favour of devolution. Other challenges include a weak legal framework, poor coordination, limited budgetary allocation, uncoordinated financial management, weak human resource management and unstructured stakeholder participation. The multiplicity of devolved funds whose activities are not properly coordinated also indicates the lack of a coherent policy on decentralisation. The capacity for financial management and accountability of these funds has generally been weak.

A second challenge is the large number of uncoordinated decentralised funds. These have been formed without a critical review of past efforts and wastage may be extensive with poverty increasing instead of reducing. Centralisation has an adverse impact on equity and distribution of resources especially in a multi-ethnic setting like Kenya’s and is an emerging issue and challenge. Although there is no model of decentralisation that is universally agreed upon, the government will undertake decentralisation based on five conditions to ensure that the process is effective in uplifting general existential welfare and enhancing the capacity of the Local Government for self-administration. Measures will be taken to adapt the programme to specific local prevailing conditions, capacities, historical and political realities.
These conditions are expressed as a set of inter-related, pre-existing frameworks and will be used as guidelines for effective decentralisation. They include the following:

- **The basic legal and policy framework:** This will clearly stipulate the division of roles and responsibilities between different layers of government. Only if significant responsibilities are assigned to local governments will they play a role in uplifting the standard of living and address local needs.

- **The political and administrative framework:** The election of local leaders will be the most basic precondition. Effective local accountability will also demand that citizens and politicians have access to information, institutional arrangements for participatory planning, open budget processes, social audits, and be influenced by political structures and civil society Organisations.

- **Local authority financing:** This shall be aligned with and commensurate with functions. Finances will be provided to include a proper mix of local revenue sources, intergovernmental fiscal transfers and borrowing. A certain level of fiscal autonomy will be allowed to ensure that potential benefits of decentralisation can materialise, and this autonomy will be designed in a way that does not compromise overall national targets.

- **Local authority human resource:** The government will ensure that the numbers, qualifications, and motivation of the enlisted staff are adequate. This will ensure that they are in a position to perform their duties effectively and efficiently. Some degree of local control of staff will be allowed to ensure local level autonomy and thus benefit from decentralisation.

- **Coordinating the decentralisation process:** The government will coordinate the process for effective decentralisation of the public service across all the sectors.

### 6.2.3 Programmes and Projects for 2008 - 2012

**Development of a decentralisation policy:** Pending the introduction of the new constitution, the government will give policy direction on decentralisation by preparing an overall decentralisation policy. The policy will define more succinctly, the policy choices associated with devolution of authority for planning, budgeting and accountability. This will achieve the desired development results at the devolved level as part of the new constitution in one year.

**Development of a decentralisation strategic framework:** Following the development of a decentralisation policy, a decentralisation strategic framework that elaborates specific priorities over a given time frame will be prepared. This will be based on the Vision 2030 and the Grand Coalition Government’s development agenda, making the strategic framework an instrument for overall national strategy and programmes towards accelerated growth and poverty reduction. In this context, a more systematic dialogue between the various strategic actors is needed in order to streamline the strategic focus for decentralisation with the new constitution. All types of decentralised funds shall form part of the strategic framework.

**Reforms of local authorities:** The on-going process of reforming the Local Authorities shall be supported and aligned with a new decentralisation policy focused on devolution. This will imply a refinement of the Local Government Act (LGA) itself as well as all laws, which reinforce central management functions over those strategically suited to LAs under CAP 265 of the LGA. The reforms will also entail improvement of strategic planning processes in all local authorities and embracing of various performance management tools and instruments as outlined under the public sector reforms section.
**Capacity building in Local Authorities:** A comprehensive training needs assessment will be carried out for Local Authorities with a view to developing a national programme for the training of local authorities’ staff and re-orienting to them to the requirements and aspirations of the regional development policy and in particular the *Vision 2030*. The training programme will be executed in collaboration with the Kenya School of Government whose primary focus will be to build requisite capacity in governance and its affiliate institutions for national transformation.

**Information, Education and Communication:** While the process of developing a decentralisation policy and its strategic framework will be through a participatory and consultative process, its success will hinge on promotion of national ownership and sustainability. In view of this, an Information, Education and Communication strategy with a key objective of sensitisation and promotion of the policy and framework will be developed and implemented. The dissemination programme will be executed using the existing structures and systems at both the national and sub-national levels such as District Information and Documentation Centres.
7

THE IMPLEMENTATION FRAMEWORK

7.0 Overview

An effective Monitoring and Evaluation system is critical to the successful implementation of the Medium Term Plan 2008-2012. In light of its mandate to track the implementation of government policies, programmes, and projects, the Ministry of State for Planning, National Development and Vision 2030 under the Office of the Prime Minister, will take a lead role in monitoring the implementation of policies, reforms, programmes and projects to be implemented under the MTP 2008-2012. Towards this end, the Ministry will work closely with other line ministries, government agencies, the Private Sector and Non-Governmental Organisations (NGOs) to ensure that there is an effective monitoring and evaluation of the implementation of the MTP. In line with the policy on e-government, the National Integrated Monitoring and Evaluation System (NIMES) under the Monitoring and Evaluation Directorate of the Ministry, a state-of-the-art Information Technology (IT) system will be relied upon to collect accurate and up to date information and data on the implementation of the MTP 2008-2012.

7.1 The National Integrated Monitoring and Evaluation System

The National Integrated Monitoring and Evaluation System (NIMES) was established in 2004 with an objective to providing the government with a reliable mechanism and framework for measuring the efficiency of government programmes and the effectiveness of public policy in achieving its objectives. NIMES is not only a reporting system but an inherent part of the planning and budgeting processes both at the central and devolved levels and at district and constituency levels. Moreover, it is designed to track and provide feedback on the implementation of government policies and programmes for improved performance, results and accountability.

The government has reviewed the NIMES and a strengthened institutional framework is being put in place to ensure that all programmatic activity by the government, civil society, the private sector and donor partners, particularly for the Vision 2030’s MTP 2008-2012 are effectively monitored. In addition, the framework will ensure that timely and corrective action is initiated to monitor the successful implementation of the Vision 2030 Medium Term Plan programme and policies.

As the focal point, the Monitoring and Evaluation Directorate (MED) of the Office of the Prime Minister Ministry of Planning, National development, and Vision 2030 will receive information from line ministries, parastatals, Local Authorities, reform programmes, civil society, the private sector and development partners through an on-line system on the progress made in the implementation of the MTP 2008-2012. The MED will produce quarterly and annual reports on progress in implementing the MTP which will also be availed on the MED Website. MED will regularly review M & E indicators to fast-track the implementation of Vision 2030. Various surveys will also be undertaken over the medium-term period. These will include poverty surveys and Integrated Household Budget surveys which will be undertaken. These results will provide useful input in monitoring the progress made in implementing the MTP 2008-2012.

7.2 The Role of line Ministries and Government Departments

The Kenya National Bureau of Statistics (KNBS), through its Statistical Capacity Building Project (STATCAP/NSS) will develop technical as well as other capacities of line ministries to carry out data collection for input into the NIMES.
Subsequently, the Central Planning and Project Monitoring units (CPPMUs) in line ministries will be given the responsibility for monitoring the projects administered in their various ministries and sectors. All line ministries and government departments will then align their ministerial and departmental strategic plans to the MTP. Accordingly, performance contracts of line ministries and government agencies will be closely linked to meeting the targets of their Strategic plans which have been aligned with the MTP 2008-2012.

7.3 District/Devolved Level Reporting and Monitoring

As a measure to effectively track the implementation of programmes and projects at the district, local authority and constituency levels, a revised District Focus for Rural Development (DFRD) report has been prepared and will subsequently be institutionalised. In addition, the DFRD Monitoring and Evaluation reporting arrangements, working through the District Planning and Management Units (DPMUs) and the District Monitoring and Evaluation Committees (DMECs) will be strengthened and integrated more effectively within the NIMES. In this regard, the district, Local Authorities and constituency level capacities in ICT, project monitoring, data base management and preparation of monitoring reports will be strengthened through capacity development under NIMES. The Annual District Monitoring and Evaluation Reports will then be published. Subsequently, Constituency Monitoring and Evaluation Committees (CMECs) will be established according to the provisions of the revised DFRD Strategy.

7.4 The National Economic and Social Council

The National Economic and Social Council (NESC) under the Office of the President played a key role in the development of the Kenya Vision 2030. They will continue to play their advisory role on all development matters across sectors. The Council through its link with the private sector and civil society organisations will provide an important liaison function as well as feedback mechanism.

7.5 The Vision Delivery Secretariat

The Vision Delivery Secretariat (VDS), working under the general direction of the Minister of State for Planning, National Development and Vision 2030 shall be responsible for the overall implementation of Vision 2030 Flagship Projects. The VDS will be a Semi-Autonomous Government Agency (SAGA) with an independent Board established under a legal notice by Minister of State for Planning, National Development and Vision 2030. The VDS will have clear institutional linkages with other existing institutions, structures and organisations both in the public and private sector.

7.6 The Vision Delivery Board

The Board shall provide overall leadership, oversight, guidance and policy directives in the implementation of the Vision 2030 and sustenance of momentum and realisation of the Vision goals and targets. The Board shall be responsible for target setting and evaluation of the achievement of results. The Board Members shall be gazetted by the Minister of State for Planning, National Development and Vision 2030 and shall serve for a period of five years on an honorary basis.
## ANNEX: THE IMPLEMENTATION MATRICES

### A1 MACRO-ECONOMIC FRAMEWORK

<table>
<thead>
<tr>
<th>Strategic Thrust</th>
<th>Objectives</th>
<th>Expected Outcome</th>
<th>Implementing Agency</th>
<th>Time Frame</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monetary Policy</td>
<td>To reduce annual inflation rate to 5 per cent by 2012</td>
<td>Business certainty and low inflationary expectation</td>
<td>CBK</td>
<td>2008-2012</td>
</tr>
<tr>
<td></td>
<td>To maintain a flexible exchange rate policy</td>
<td>Increased competitiveness in line with an export led private sector driven growth strategy</td>
<td>CBK</td>
<td>2008-2012</td>
</tr>
<tr>
<td></td>
<td>To build foreign exchange reserves to 4.6 months of next year’s import cover or equivalently 6 months of previous 36 months of import cover</td>
<td>An economy cushioned from external vulnerabilities including high oil prices and drought.</td>
<td>CBK</td>
<td>2008-2012</td>
</tr>
<tr>
<td>Fiscal Policy</td>
<td>To increase revenue from 20.7% of GDP to 21.4% by 2012</td>
<td>Maintain a sustainable public debt position and allow for expansion of credit to private sector</td>
<td>MoF, KRA</td>
<td>2008-2012</td>
</tr>
<tr>
<td></td>
<td>To maintain fiscal deficit at 5% of GDP</td>
<td>Maintain a sustainable public debt position</td>
<td>MoF</td>
<td>2008-2012</td>
</tr>
<tr>
<td></td>
<td>To reduce government wage bill to 6% of GDP</td>
<td>Reforms in the civil service that would facilitate higher remuneration for a smaller and more efficient civil service</td>
<td>MoF, Ministry of State for Public Service</td>
<td>2008-2012</td>
</tr>
<tr>
<td></td>
<td>To increase government spending on poverty-related outlays</td>
<td>Improve the well-being of Kenyans by reducing poverty levels by half by 2012 and minimize inequality.</td>
<td>MoF</td>
<td>2008-2012</td>
</tr>
<tr>
<td></td>
<td>To gradually increase development expenditure to 9.8% of GDP by 2012</td>
<td>Increased total factor productivity</td>
<td>MoF</td>
<td>2008-2012</td>
</tr>
<tr>
<td></td>
<td>To improve sovereign credit rating to achieve favourable rates in the international capital market</td>
<td>Increased private investment into the economy</td>
<td>MoF, CBK</td>
<td>2008-2012</td>
</tr>
<tr>
<td>Privatization</td>
<td>To promote participation of the Private Sector through a Public Private Partnership (PPP) arrangement</td>
<td>Reduced wastage and increased FDI</td>
<td>MoF, All Government Agencies</td>
<td>2008-2012</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Enhanced accountability and efficiency</td>
<td>Office of the Prime Minister, All Government Agencies</td>
<td>2008-2012</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Increased new opportunities for private sector investment and new technology in public enterprises</td>
<td>MoF(DGIPE), Investment Promotion Authority</td>
<td>2008-2012</td>
</tr>
</tbody>
</table>
### Foundations for National Transformation

#### B1 Infrastructure

<table>
<thead>
<tr>
<th>Goals</th>
<th>Deploying world class infrastructure facilities and services</th>
</tr>
</thead>
</table>

**Strategic Objectives 2008 - 2012**
- Strengthen the institutional framework for infrastructure development and accelerating the speed of completion
- Raise efficiency and quality of infrastructure projects, and increasing timely implementation of infrastructure projects
- Develop and maintaining an integrated, safe and efficient transport network
- Benchmark infrastructure facilities and services provision with globally acceptable performance standards targeting enhanced customer satisfaction
- Enhance private sector participation in the provision of infrastructure facilities and services strategically complemented by GoK sector interventions

<table>
<thead>
<tr>
<th>Programmes/Projects</th>
<th>Objectives</th>
<th>Expected Output/Outcome</th>
<th>Implementing Agency</th>
<th>Time Frame</th>
<th>Source of Funds</th>
<th>Indicative Budget (in Kshs million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Integrated Transport Policy</td>
<td>To Formalize the Draft Sessional Paper on Integrated National Transport</td>
<td>National Integrated Transport Policy</td>
<td>MoT</td>
<td>2008</td>
<td>PPP</td>
<td>10 - - - -</td>
</tr>
<tr>
<td>First National Spatial Plan</td>
<td>To guide physical development</td>
<td>Spatial plan integrating all the necessary land uses to support the national land effort in a sustained manner</td>
<td>MoL</td>
<td>2008-2009</td>
<td>PPP</td>
<td>300 300 - - -</td>
</tr>
<tr>
<td>Kenya National Transport Master Plan (NATMAP)</td>
<td>To develop a 50 year integrated National Transport Master Plan</td>
<td>50 year Integrated National Transport Master Plan</td>
<td>MoT</td>
<td>2008-2009</td>
<td>PPP</td>
<td>500 500 - - -</td>
</tr>
<tr>
<td>Development of a new transport corridor to Southern Sudan and Ethiopia</td>
<td>To construct a New Road Network, New Railway Line, New Free Port at Lamu, Airport at Lamu, Fibre Optic Cable</td>
<td>Efficient New Transport Corridor linking Port of Lamu to Southern Sudan and Ethiopia</td>
<td>MOT Private Sector MORPW MOE</td>
<td>2008-2012</td>
<td>PPP</td>
<td>200 80,000 400,000 400,000 400,000</td>
</tr>
</tbody>
</table>

**VISION 2030**
**FIRST MEDIUM TERM PLAN 2008 - 2012**
<table>
<thead>
<tr>
<th>Programme:</th>
<th>Objectives</th>
<th>Output</th>
<th>Implementor</th>
<th>Year</th>
<th>Funding</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Road Safety Programme:</td>
<td>To enhance the road safety status on Kenyan roads</td>
<td>Reduced fatality rates Reduced crash rates</td>
<td>MoT MoR MoNMD MoLG KP</td>
<td>2008-2012</td>
<td>PPP 377</td>
</tr>
<tr>
<td></td>
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<td></td>
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<td>605</td>
<td>596</td>
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<td>539</td>
<td>537</td>
</tr>
<tr>
<td>Road &amp; Airstrip Maintenance Project</td>
<td>To maintain existing road network and airstrips</td>
<td>64000 kms of maintained roads and airstrips</td>
<td>MoR</td>
<td>2008-2012</td>
<td>GoK 25,000</td>
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<td>27,000</td>
<td>29,000</td>
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<td>31,000</td>
<td>33,000</td>
</tr>
<tr>
<td>Roads 2000 Programme</td>
<td>To rehabilitate rural access roads</td>
<td>5,000 km of rural roads rehabilitated</td>
<td>MOR</td>
<td>2008-2012</td>
<td>GoK 7,000</td>
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<td>10,000</td>
<td>12,000</td>
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<td>15,000</td>
<td>15,000</td>
</tr>
<tr>
<td>Road Network Expansion and Upgrading Programme</td>
<td>To upgrade road network</td>
<td>2000 km of classified roads upgraded</td>
<td>MoR</td>
<td>2008-2012</td>
<td>GoK 16,000</td>
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<td>17,000</td>
<td>18,000</td>
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<td></td>
<td>19,000</td>
<td>21,000</td>
</tr>
<tr>
<td>Dredging of Mombasa Port</td>
<td>To increase capacity for post panamax vessels</td>
<td>Use of channel by post panamax vessels</td>
<td>MOT KPA</td>
<td>2008-2012</td>
<td>GoK 500</td>
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<td>1,000</td>
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<tr>
<td>Ferry Services Programme</td>
<td>To improve water transport accessibility on lakes and in the Indian Ocean</td>
<td>Increase volume of cargo and passengers</td>
<td>MOT Private Sector Ministry of Fisheries</td>
<td>2008-2011</td>
<td>PPP 750</td>
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<td>750</td>
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<td></td>
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<td>500</td>
<td></td>
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<tr>
<td>Weather Modification Programme</td>
<td>Modification of weather to control rainfall amounts over parts of the country</td>
<td>Suppress hail over the Kericho-Nandi hills area to prevent damage to tea plantations</td>
<td>KMD</td>
<td>2008-2012</td>
<td>GoK 100</td>
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<td>5,000</td>
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<td>5,000</td>
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<tr>
<td>Rural Electrification Programme</td>
<td>To increase access to electricity in rural areas</td>
<td>460 trading centres and 110 secondary schools connected among other</td>
<td>MOE KENGEN</td>
<td>2008-2009</td>
<td>PPP 2,700</td>
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<td></td>
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<td>180</td>
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</tr>
</tbody>
</table>

- PPP: Public Private Partnership
<table>
<thead>
<tr>
<th><strong>Vision 2030</strong></th>
<th><strong>First Medium Term Plan 2008 - 2012</strong></th>
<th><strong>GoK facilities and 74 GoK institutions provided with solar electricity generators</strong></th>
<th><strong>MOE, KENGEN</strong></th>
<th><strong>PPP</strong></th>
<th><strong>2008-2012</strong></th>
<th><strong>10,000</strong></th>
<th><strong>20,000</strong></th>
<th><strong>20,000</strong></th>
<th><strong>15,000</strong></th>
<th><strong>15,000</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Energy Access Scale-up Programme</strong></td>
<td>To increase access to electricity to in rural areas</td>
<td>1 million households connected with electricity, 8000 tonnes common user LPG import handling facilities constructed in Nairobi and Mombasa</td>
<td>MOE, KENGEN</td>
<td><strong>PPP</strong></td>
<td><strong>2008-2012</strong></td>
<td><strong>10,000</strong></td>
<td><strong>20,000</strong></td>
<td><strong>20,000</strong></td>
<td><strong>15,000</strong></td>
<td><strong>15,000</strong></td>
</tr>
<tr>
<td><strong>Least Cost Power Development Programme Generation Projects</strong></td>
<td>To generate an additional 505 MW of electricity</td>
<td>Meet the growing demand for electricity</td>
<td><strong>MoEnergy KENGEN</strong></td>
<td><strong>GoK</strong></td>
<td><strong>2008-2012</strong></td>
<td><strong>7,896</strong></td>
<td><strong>7,896</strong></td>
<td><strong>7,896</strong></td>
<td><strong>7,896</strong></td>
<td><strong>7,896</strong></td>
</tr>
<tr>
<td><strong>Public facilities improvement programme</strong></td>
<td>To improve functionality and visual appeal of public buildings as well as securing them from man-made and other natural hazards</td>
<td>Public Facility Management Policy &amp; Plan Public Facilities Management System</td>
<td><strong>MoPW</strong></td>
<td><strong>GoK</strong></td>
<td><strong>2008</strong></td>
<td><strong>100</strong></td>
<td><strong>-</strong></td>
<td><strong>-</strong></td>
<td><strong>-</strong></td>
<td><strong>-</strong></td>
</tr>
<tr>
<td><strong>Construction Industry Development Policy</strong></td>
<td>To provide a framework for enhancing construction industry performance</td>
<td>Framework for enhanced construction industry performance</td>
<td><strong>MoPW</strong></td>
<td><strong>PPP</strong></td>
<td><strong>2008-2009</strong></td>
<td><strong>9</strong></td>
<td><strong>10</strong></td>
<td><strong>-</strong></td>
<td><strong>-</strong></td>
<td><strong>-</strong></td>
</tr>
<tr>
<td><strong>Maritime Law Project</strong></td>
<td>To Pass Maritime Laws &amp; Regulations to guide operations of the sector</td>
<td>Well regulated maritime industry</td>
<td><strong>MOT</strong></td>
<td><strong>GoK</strong></td>
<td><strong>2008</strong></td>
<td><strong>10</strong></td>
<td><strong>-</strong></td>
<td><strong>-</strong></td>
<td><strong>-</strong></td>
<td><strong>-</strong></td>
</tr>
<tr>
<td><strong>Port of Mombasa expansion and modernisation</strong></td>
<td>To increase efficiency and cargo handling capacity</td>
<td>Increase port revenue Increase port efficiency</td>
<td><strong>MOT, KPA</strong></td>
<td><strong>PPP</strong></td>
<td><strong>2008-2012</strong></td>
<td><strong>400</strong></td>
<td><strong>5,000</strong></td>
<td><strong>10,000</strong></td>
<td><strong>10,000</strong></td>
<td><strong>10,000</strong></td>
</tr>
<tr>
<td><strong>Nairobi Metropolitan Growth and Development Strategy</strong></td>
<td>To prepare a Transport Master Plan; prepare land use plan and integrate with the transport plan</td>
<td>A robust, forward looking Nairobi metropolitan growth and development strategy</td>
<td><strong>MNMD</strong></td>
<td><strong>PPP</strong></td>
<td><strong>2008</strong></td>
<td><strong>100</strong></td>
<td><strong>-</strong></td>
<td><strong>-</strong></td>
<td><strong>-</strong></td>
<td><strong>-</strong></td>
</tr>
<tr>
<td><strong>Nairobi Metropolitan Region Mass Rapid</strong></td>
<td>To improve accessibility to the city centre through</td>
<td>Efficient transport system in Nairobi</td>
<td><strong>MNMD, MOT, MOLG, MOR</strong></td>
<td><strong>PPP</strong></td>
<td><strong>2008-2012</strong></td>
<td><strong>315</strong></td>
<td><strong>10,000</strong></td>
<td><strong>15,000</strong></td>
<td><strong>10,000</strong></td>
<td><strong>10,000</strong></td>
</tr>
<tr>
<td>Transit Programme</td>
<td>designated buses and lanes.</td>
<td>Metropolis</td>
<td>KAA</td>
<td></td>
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</tr>
<tr>
<td>Institutional Reform Programme</td>
<td>To establish independent roads and Geothermal Development agencies</td>
<td>KeNHA, KURRA KERRA, Kenya Mechanical Transport Agency, Geothermal Development Agency</td>
<td>MoR, MoE</td>
<td>2008</td>
<td>GoK</td>
<td>1,250</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>To unbundle KPLC</td>
<td>Distribution Company Transmission Company</td>
<td>MoE</td>
<td>2008</td>
<td>PPP</td>
<td>200</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>To transform Meteorological Department</td>
<td>Kenya Meteorological Agency (KenyaMET)</td>
<td>MoT</td>
<td>2008</td>
<td>GoK</td>
<td>200</td>
<td></td>
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<tr>
<td><strong>SUB TOTAL</strong></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>73,917</td>
<td>185,241</td>
<td>518,992</td>
<td>514,935</td>
<td>518,433</td>
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</tr>
</tbody>
</table>

**B2 INFORMATION AND COMMUNICATION TECHNOLOGY**

<table>
<thead>
<tr>
<th>Goals</th>
<th>To facilitate provision of equitable and affordable quality information and communication services countrywide.</th>
</tr>
</thead>
</table>
| Strategic Objectives 2008 - 2012 | • Formulate and implement appropriate GoK policy and regulatory frameworks to support ICT development  
• Improve collection, storage, analysis and dissemination of information and national statistics.  
• Promote and Facilitate GoK Private Partnership to enable innovations and competition to accelerate the growth of ICT industries  
• Ensure equity and universal access to the provision of ICT services. |
| Programmes | • ICT Infrastructure  
• Information and Communication Services |
<table>
<thead>
<tr>
<th>Projects</th>
<th>Objectives</th>
<th>Expected Outputs/Outcomes</th>
<th>Implementing Agency</th>
<th>Time Frame</th>
<th>Source of Funds</th>
<th>Indicative Budget (Kshs. million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>The East Africa Marine Cable System (TEAMS)</td>
<td>To lay 5,500Km of Under-Sea Fibre Optic Cable</td>
<td>Increased international Internet bandwidth</td>
<td>MOIC, MOF, AG</td>
<td>2008-2010</td>
<td>PPP</td>
<td>2400</td>
</tr>
<tr>
<td>National Optic Fibre Network Backbone Initiative (NOFiB)</td>
<td>Better National and International connectivity</td>
<td>MOIC, MOF, AG, IPP, NSP, COMESA, AU, PP</td>
<td>2008-2012</td>
<td>PPP</td>
<td></td>
<td></td>
</tr>
<tr>
<td>To offer government services online</td>
<td>No of portals developed</td>
<td>All ICT Sub sectors, Mobile Cinema Unit</td>
<td>2008-2012</td>
<td>GPK</td>
<td></td>
<td></td>
</tr>
<tr>
<td>To facilitate the deployment of LAN/MAN</td>
<td>No of portals developed</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>To conduct staff sensitization workshops, sub-ICT services and mobile cinema shows</td>
<td>Increased HIV/AIDS awareness and behaviour change</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>To strengthen technical capacities and capabilities in manufacturing production</td>
<td></td>
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</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Goal</th>
<th>2008-2012</th>
<th>Programme</th>
<th>Technical Capacities and Capabilities</th>
<th>Expected Output</th>
<th>Source of Funds</th>
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<tbody>
<tr>
<td>To strengthen technical capacities and capabilities in manufacturing production</td>
<td>To strengthen technical capacities and capabilities</td>
<td>To strengthen technical capacities and capabilities</td>
<td>To strengthen technical capacities and capabilities</td>
<td>To strengthen technical capacities and capabilities</td>
<td>To strengthen technical capacities and capabilities</td>
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<tr>
<td>To strengthen technical capacities and capabilities in manufacturing production</td>
<td>To strengthen technical capacities and capabilities</td>
<td>To strengthen technical capacities and capabilities</td>
<td>To strengthen technical capacities and capabilities</td>
<td>To strengthen technical capacities and capabilities</td>
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<tr>
<td>To strengthen technical capacities and capabilities in manufacturing production</td>
<td>To strengthen technical capacities and capabilities</td>
<td>To strengthen technical capacities and capabilities</td>
<td>To strengthen technical capacities and capabilities</td>
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<tr>
<td>To strengthen technical capacities and capabilities in manufacturing production</td>
<td>To strengthen technical capacities and capabilities</td>
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<td>To strengthen technical capacities and capabilities</td>
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<td>To strengthen technical capacities and capabilities</td>
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<td>To strengthen technical capacities and capabilities</td>
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<td>To strengthen technical capacities and capabilities</td>
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<td>To strengthened technical capacities and capabilities</td>
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<td>To strengthen technical capacities and capabilities in manufacturing production</td>
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<td>To strengthened technical capacities and capabilities</td>
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<td>To strengthened technical capacities and capabilities</td>
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<td>To strengthen technical capacities and capabilities in manufacturing production</td>
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<td>To strengthened technical capacities and capabilities</td>
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<td>To strengthened technical capacities and capabilities</td>
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<table>
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<tr>
<th>SUB TOTAL</th>
<th>2008-2012</th>
<th>PPP</th>
<th>2012/13</th>
<th>2009/10</th>
<th>PPP</th>
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<tbody>
<tr>
<td>5,830</td>
<td></td>
<td></td>
<td>5,000</td>
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<td>2772</td>
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<tr>
<td>5,425</td>
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<td>4,000</td>
<td></td>
<td>3000</td>
</tr>
<tr>
<td>2,020</td>
<td></td>
<td></td>
<td>2,000</td>
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<td>1500</td>
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<tr>
<td>820</td>
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<td>800</td>
<td></td>
<td>5130</td>
</tr>
<tr>
<td>1,015</td>
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<td></td>
<td>1,000</td>
<td></td>
<td>6580</td>
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<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>To develop highly skilled human resources</td>
<td>5,000</td>
<td>3,000</td>
<td>2,000</td>
<td>1,000</td>
<td>800</td>
</tr>
<tr>
<td>To intensify innovation in priority areas</td>
<td>2,000</td>
<td>3,000</td>
<td>2,000</td>
<td>1,000</td>
<td>800</td>
</tr>
<tr>
<td>To enhance STI awareness</td>
<td>5,000</td>
<td>3,000</td>
<td>2,000</td>
<td>1,000</td>
<td>800</td>
</tr>
<tr>
<td>To strengthen STI &amp; performance management framework</td>
<td>5,000</td>
<td>3,000</td>
<td>2,000</td>
<td>1,000</td>
<td>800</td>
</tr>
<tr>
<td>Various STI capabilities</td>
<td>5,000</td>
<td>3,000</td>
<td>2,000</td>
<td>1,000</td>
<td>800</td>
</tr>
<tr>
<td>To strengthen the key national transformation areas</td>
<td>5,000</td>
<td>3,000</td>
<td>2,000</td>
<td>1,000</td>
<td>800</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
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<th></th>
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</thead>
<tbody>
<tr>
<td>Category</td>
<td>Goal</td>
<td>Outcome</td>
<td>Ministry</td>
<td>Year</td>
<td>Total 1</td>
</tr>
<tr>
<td>--------------------------------</td>
<td>----------------------------------------------------------------------</td>
<td>------------------------------------------------------------------------</td>
<td>-----------</td>
<td>--------</td>
<td>---------</td>
</tr>
<tr>
<td>Human Resources</td>
<td>To develop a highly skilled human resource based for appropriate application for STI</td>
<td>A pool of qualified STI personnel developed for the country</td>
<td>MoHEST</td>
<td>2008-2012</td>
<td>237</td>
</tr>
<tr>
<td>Innovation in Priority Sectors</td>
<td>To promote and support innovation in key sectors</td>
<td>Increased innovation</td>
<td>MoHEST</td>
<td>2008-2012</td>
<td>641</td>
</tr>
<tr>
<td>STI Awareness</td>
<td>To create awareness on the importance and application of STI in socio-economic development</td>
<td>Highly informed society on STI</td>
<td>MoHEST</td>
<td>2008-2012</td>
<td>112</td>
</tr>
<tr>
<td>STI Performance Management Framework</td>
<td>To develop and implement a performance framework, tools and instruments for STI management</td>
<td>A functional performance management framework</td>
<td>MoHEST</td>
<td>2008-2009</td>
<td>10</td>
</tr>
<tr>
<td><strong>SUB TOTAL</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>3,772</td>
</tr>
</tbody>
</table>
## LAND REFORMS

<table>
<thead>
<tr>
<th>Goal</th>
<th>To enhance contribution of land resources to sustainable socio-economic development</th>
</tr>
</thead>
</table>

### Strategic Objectives 2008 – 2012

- To enhance sustainable use of land
- To facilitate comprehensive land reforms
- To ensure just resolution of land and boundary disputes
- Establish a comprehensive land information system
- To boost land management

### Programmes

- Land registration
- Land use planning
- Land policy
- Replacement of land ownership programmes

<table>
<thead>
<tr>
<th>Projects</th>
<th>Objectives</th>
<th>Expected Output/Outcomes</th>
<th>Implementing Agency</th>
<th>Time Frame</th>
<th>Source of Funds</th>
<th>Indicative Budget (Kshs Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land Ownership Document Replacement</td>
<td>To replace land ownership documents to legitimate land owners affected by post election violence</td>
<td>All affected land owners receive new documents to replace lost documentation</td>
<td>MOL</td>
<td>2008</td>
<td>GOK</td>
<td>100</td>
</tr>
<tr>
<td>National Land Policy</td>
<td>To finalize, enact and implement the policy</td>
<td>Sound environment for land administration and management</td>
<td>MOL</td>
<td>2008-2012</td>
<td>GOK</td>
<td>10</td>
</tr>
<tr>
<td>Land registry</td>
<td>To ease and expedite land legislation</td>
<td>Improved land ownership</td>
<td>MOL</td>
<td>2008-2012</td>
<td>GOK</td>
<td>100</td>
</tr>
<tr>
<td>National Land Use Master Plan</td>
<td>To streamline land use</td>
<td>Sustainable land use</td>
<td>MOL, DRSRS</td>
<td>2008-2012</td>
<td>GOK</td>
<td>100</td>
</tr>
</tbody>
</table>

**SUB TOTAL**

|                | 310 | 85 | 50 | 50 | 50 |
## PUBLIC SECTOR REFORMS

**Goal**
To create excellence in GoK service delivery and a globally competitive nation

### Strategic Objectives 2008 - 2012
- To curb the excessive bureaucratic and difficult procedures in GoK services
- To enhance the quality of GoK service

### Programmes
- Transformative leadership
- Result Based Management

<table>
<thead>
<tr>
<th>Projects</th>
<th>Objectives</th>
<th>Expected Output/ Outcomes</th>
<th>Implementing Agency</th>
<th>Time Frame</th>
<th>Source of Funds</th>
<th>Indicative Budget (in Kshs Million)</th>
</tr>
</thead>
</table>
| Kenya School of Government        | To transform the KIA into a leading institution in training of GoK sector officials | Improved performance and quality service delivery  
Promote transformative leadership in the GoK service | MoSPS                 | 2012        | GoK           | 600 750 750 600 400 |
| Results Based Management          | To improve efficiency and effectiveness in GoK service delivery            | Enabling environment for rapid development                                              | MoSPS               | 2012        | GoK           | 5 6 6 8 8 |
| Support reform programmes         | To have modern, affordable and result based GoK service                     | Improved GoK service delivery that meets expectations citizens | MoSPS               | 2012        | GoK           | 5 5 6 6 8 |

**SUB TOTAL**
|                                  | 610 761 762 614 416 |
**Goals**
- To raise labour participation in the country to 85 percent

**Strategic Objectives 2008 - 2012**
- Develop Human Resource within employment
- Identify talent within the education sector
- Harness retired high cadre talent
- Strengthen linkages between industry and training/research institutions
- Reorient Human Resources

**Programmes [Strategic Thrusts]**
- National Human Resource Database
- Productivity improvement and maintenance
- Strategic Management and Coordination
- Social Protection for all Kenyans in both formal and informal sectors
- Development of the Informal sector/ MSEs
- Employment Creation

<table>
<thead>
<tr>
<th>Projects</th>
<th>Objectives</th>
<th>Expected Outputs/Outcomes</th>
<th>Implementing Agency</th>
<th>Time Frame</th>
<th>Source of Funds</th>
<th>Indicative Budget (in Kshs Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Human Resource Database</td>
<td>To strengthen management and coordination of human resources</td>
<td>Management and coordination of human resources strengthened</td>
<td>MLHRD</td>
<td>2008-2010</td>
<td>GoK</td>
<td>800</td>
</tr>
<tr>
<td>Linkages between industry, education training and research institutions</td>
<td>To promote industry-institutions linkages</td>
<td>Improved collaboration between industry and institutions</td>
<td>MLHRD, line ministries, Industries, training and research institutions</td>
<td>2008-2012</td>
<td>GoK</td>
<td>30</td>
</tr>
<tr>
<td>Tap Kenyan talent abroad</td>
<td>To establish an institutional framework to tap Kenyan expertise in the diaspora</td>
<td>Gaps in areas of shortage in the local labour marker bridged</td>
<td>MLHRD, MOFA, MSIRP, MoF, MSPS,</td>
<td>2008-2012</td>
<td>GoK</td>
<td>120</td>
</tr>
<tr>
<td>----------------------------------------------------------------------</td>
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<td>-----------</td>
</tr>
<tr>
<td>Human Resource Development within employment</td>
<td>To build critical mass of skills and competencies required by industries</td>
<td>Critical mass of required skills established</td>
<td>MLHRD, MOYS</td>
<td>2008-2012</td>
<td>GoK</td>
<td>150</td>
</tr>
<tr>
<td>Strategic management and coordination of human resource development</td>
<td>To align the development of human resources to labour market needs</td>
<td>Human Resource Development aligned to labour market needs</td>
<td>MLHRD, MPND, MoF,</td>
<td>2008-2011</td>
<td>PPP</td>
<td>25</td>
</tr>
<tr>
<td>Promotion of an entrepreneurship culture</td>
<td>To start up Entrepreneurship development Programmes</td>
<td>A competitive and efficient MSE sector</td>
<td>MLHRD, KIBT, MoTI, KIHBT, MoF, MOYS,</td>
<td>PPP</td>
<td>60</td>
<td>40</td>
</tr>
<tr>
<td>Productivity improvement, measurement and promotion</td>
<td>To facilitate adoption of productivity culture</td>
<td>Improved competitiveness of the economy</td>
<td>MLHRD, PCK, GoK sector, FKE, COTU, MoTI,</td>
<td>PPP</td>
<td>165</td>
<td>105</td>
</tr>
<tr>
<td>Establish Centres of Excellence for Micro and Small Enterprises (MSEs)</td>
<td>To build capacity and transfer technology</td>
<td>- Appropriate technology transferred and capacity of MSE enhanced - A critical pool of trained entrepreneurs developed</td>
<td>MLHRD, MoTI, MOYS, MoF, MSEs</td>
<td>2008-2010</td>
<td>PPP</td>
<td>400</td>
</tr>
<tr>
<td>Enhance employment security, flexibility and labour relations</td>
<td>- To entrench fundamental principles and rights at work - To review the employment</td>
<td>Decent work for Kenyans and productive labour force</td>
<td>MLHRD, MoF, AG, NA, COTU, FKE,</td>
<td>2008-2012</td>
<td>PPP</td>
<td>475</td>
</tr>
<tr>
<td>Through the Decent Work Agenda</td>
<td>Policy</td>
<td>Implementation Matrix</td>
<td>MOYS, MLHRD, NITC, MoF, MoE,</td>
<td>2008-2011</td>
<td>PPP</td>
<td>1000</td>
</tr>
<tr>
<td>--------------------------------</td>
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<td>------</td>
</tr>
<tr>
<td>Transform Youth Politechnics into Centres of Excellence</td>
<td>To develop institutions with outstanding capacities to produce high quality graduates</td>
<td>- High level training skills developed</td>
<td>MOYS, MLHRD, NITC, MoF, MoE,</td>
<td>2008-2011</td>
<td>PPP</td>
<td>1000</td>
</tr>
<tr>
<td>Develop national training and testing standards</td>
<td>To ensure quality and standardized training, testing and certification Upgrade existing Industrial Training Centres (ITCs) and establish three new regional Industrial training centres</td>
<td>Harmonized training, testing and certification Improved quality and efficiency of industrial training</td>
<td>MLHRD, MoST, MoE, MOYS, NITC</td>
<td>2008-2009</td>
<td>PPP</td>
<td>615</td>
</tr>
<tr>
<td>Upgrade existing NYS institutions and establish three new ones</td>
<td>To improve the quality, efficiency and capacity of NYS</td>
<td>Improved quality, efficiency and absorption capacity of NYS</td>
<td>MOYS, OP, MoF MoE, MRPW,</td>
<td>2008-2012</td>
<td>PPP</td>
<td>1000</td>
</tr>
<tr>
<td>Establish Youth Enterprise and Employment Programme</td>
<td>To promote self employment among the youth</td>
<td>Increased self employment among the youth</td>
<td>MOLHRD, MOYS, FKE,</td>
<td>2008-2012</td>
<td>PPP</td>
<td>2100</td>
</tr>
<tr>
<td>Develop MSE sector legislation and Establish National Council for Small Enterprises (NCSE)</td>
<td>-To provide appropriate legal framework for the growth of MSE sector -To coordinate policies, strategies and programmes for support MSE sector activities</td>
<td>A coordinated MSE sector for employment creation</td>
<td>MLHRD, MoTI, AG, Parliament, MoF, MSEs, MoLG, MoL, MOYS, MRPW</td>
<td>2008-2011</td>
<td>PPP</td>
<td>50</td>
</tr>
<tr>
<td>Infrastructure for MSEs</td>
<td>-To provide decent working conditions for MSEs - To enhance MSE access to markets and marketing</td>
<td>Improved MSE working conditions and increased access to markets</td>
<td>MLHRD, MRPW, MoL, MoLG, OP, MoFA, MoF, MOYS, EPC,</td>
<td>2008-2012</td>
<td>PPP</td>
<td>1200</td>
</tr>
<tr>
<td>Information</td>
<td>IF, KIE,</td>
<td>IFC, KIE,</td>
<td>2008-2012</td>
<td>PPP</td>
<td>700</td>
<td>500</td>
</tr>
<tr>
<td>----------------------------------------------------------------------------</td>
<td>--------------------------------------------------------------------------</td>
<td>--------------------------------------------------------------------------</td>
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</tr>
<tr>
<td>Operationalize the new labour laws</td>
<td>Fast track implementation of the new Labour laws to achieve tripartite</td>
<td>Harmonised industrial relations</td>
<td>MLHRD, MoF, MSPS, PSC, JSC, AG, MRPW</td>
<td>GoK</td>
<td>215</td>
<td>110</td>
</tr>
<tr>
<td>new labour laws</td>
<td>To achieve tripartite consensus process</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>A safe environment for children</td>
<td>Harmonised and coordinated child labour elimination</td>
<td>MLHRD, FKE, COTU, ILO,</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>To develop a child labour policy</td>
<td>elimination activities/programmes</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Develop a national occupational safety and health policy</td>
<td>To provide strategic directions and support systems on occupational</td>
<td>- Focused strategies for occupational safety and health</td>
<td>MLHRD, MoF, AG, COTU, FKE</td>
<td>GoK</td>
<td>15</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>safety and health</td>
<td>- Improved productivity and work environment</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Establish Occupational Safety, Health and Injury Benefits Authority</td>
<td>To develop and manage occupational safety and health and work injury</td>
<td>Effective and efficient management of OHS and compensation for work</td>
<td>MLHRD, AG, MoF, FKE, COTU and AKI</td>
<td>GoK</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>(OSHIBA)</td>
<td>benefits</td>
<td>related injuries</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Establish National Council for Occupational Safety and Health Act No.15</td>
<td>To operationalize Occupational Safety and Health Act and the Work Injury</td>
<td>- Sound and effective Occupational and Health systems</td>
<td>MLHRD, AG, COTU, FKE, AKI, MoF</td>
<td>GoK</td>
<td>300</td>
<td>100</td>
</tr>
<tr>
<td>and Health (NACOSH) and Occupational Safety Health Fund</td>
<td>and the Work Injury Benefits Act (WIBA) No. 13 of 2007</td>
<td>- Sound and effective work injury compensation system</td>
<td></td>
<td></td>
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</tr>
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<td></td>
<td></td>
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</tr>
<tr>
<td>Establish Occupational Safety and Health Institute</td>
<td>To be a centre of excellence for conducting research and training in</td>
<td>- Well informed workers on safety and health issues</td>
<td>MLHRD, MRPW, MoF, COTU, FKE</td>
<td>GoK</td>
<td>700</td>
<td>300</td>
</tr>
<tr>
<td></td>
<td>occupational safety and health</td>
<td>- Reduced work related injuries and diseases</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Implement Arid Lands Resource Management projects</td>
<td>To support livelihoods of ASAL communities</td>
<td>Improved livelihood for communities in ASALs</td>
<td>MOSSP</td>
<td>GoK</td>
<td>1000</td>
<td>1000</td>
</tr>
<tr>
<td>Implement flood plains management</td>
<td>To invest in flood mitigation structures, including the rehabilitation and strengthening the existing dikes</td>
<td>Improved livelihood for communities in flood plains</td>
<td>MOSSP</td>
<td>2008-2012</td>
<td>GoK</td>
<td>100</td>
</tr>
</tbody>
</table>

**SUB TOTAL**

### B7 SECURITY, PEACE BUILDING AND CONFLICT MANAGEMENT

**Programmes and Projects 2008-2012**

**Goal**

Security of all persons and property across the Republic is guaranteed

**Strategic Objectives 2008 – 2012**

- Enhance the effectiveness of national security and policing services and operations across Kenya
- Promote tolerance and peaceful co-existence among Kenyans, and institutionalise PBCR and Early Warning Mechanisms
- Control and manage the proliferation of small arms and light weapons across Kenya, reduce and institutionalise the Kenya National Focal Point w.r.t SALW
- Facilitate improved delivery of government services to Kenyans
- Support civil authorities in social and infrastructure development in harsh/conflict areas
- Establish and operationalise an Integrated Population Registration System (IPRS) and key supporting systems for Kenya

**Programme [Strategic Thrust]** Security, Peace Building and Conflict Resolution

<table>
<thead>
<tr>
<th>Project</th>
<th>Objectives</th>
<th>Expected Output/Outcome</th>
<th>Implementing Agency</th>
<th>Time Frame</th>
<th>Source of Funds</th>
<th>Indicative Budget ( Kshs million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Peace Building and Conflict Resolution (PBCR)</td>
<td>Establish and operationalise policy and institutional framework for PBCR and Early Warning Mechanisms</td>
<td>Tolerance and peaceful coexistence among Kenyans</td>
<td>OP-PAIS/MoSD</td>
<td>2008-2012</td>
<td>PPP</td>
<td>1,734</td>
</tr>
<tr>
<td>Small Arms and Light Weapons (SALW) Control and Management</td>
<td>Establish and operationalise policy and institutional framework for the Kenya National Focal Point w.r.t SALW</td>
<td>Reduced demand for illicit SALW</td>
<td>OP-PAIS/MoSD</td>
<td>2008-2012</td>
<td>GoK</td>
<td>1,412</td>
</tr>
<tr>
<td>Drug Demand and Supply Reduction</td>
<td>Facilitate effective treatment and rehabilitation of drug users Fully operationalise NACADA</td>
<td>Reduced drug and substance demand and supply, and related crime and conflict</td>
<td>OP-PAIS/MOSD</td>
<td>2008-2012</td>
<td>PPP</td>
<td>2,591</td>
</tr>
<tr>
<td>----------------------------------</td>
<td>--------------------------------------------------------------------------------------------</td>
<td>-----------------------------------------------------------------------------</td>
<td>-------------</td>
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<td>-----</td>
<td>------</td>
</tr>
<tr>
<td>Provincial Administration and Field Services</td>
<td>Facilitate improved delivery of government services to Kenyans</td>
<td>Improved service and rights delivery for Kenyans</td>
<td>OP/PAIS</td>
<td>2008-2012</td>
<td>GoK</td>
<td>28,142</td>
</tr>
<tr>
<td>Aid To Civil Authorities (HCA)</td>
<td>Support civil authorities in social and infrastructure development in harsh/conflict areas</td>
<td>Effective HCA to civil authorities</td>
<td>MOSD/OP-PAIS</td>
<td>2008-2012</td>
<td>GoK</td>
<td>516</td>
</tr>
<tr>
<td>Population Registration and Immigration Services</td>
<td>Establish and operationalise Integrated Population Registration System (IPRS) and supporting systems for Kenya</td>
<td>Effective and efficient population registration and immigration services for Kenyans, residents and visitors</td>
<td>OP-PAIS/MOSD/MOSIP</td>
<td>2008-2012</td>
<td>GoK</td>
<td>3,285</td>
</tr>
<tr>
<td><strong>SUB TOTAL</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>63,921</strong></td>
</tr>
<tr>
<td><strong>FOUNDATIONS TOTAL</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>169,686</strong></td>
</tr>
</tbody>
</table>

Note: Flagship Projects are captured within the broad framework of (a) National Security and Policing Programme and (b) the Population Registration and Immigration Programme.
## C1 TOURISM

### Goals
- Treble GDP contribution from KShs 65 billion in 2007 to KShs 200 billion in 2012
- Raise international visitors from 1.8 to 3 million

### Strategic Objectives 2008 - 2012
- Increase bed nights for tourists

### Programmes
- Aggressively grow coast segment to boast tourism in the region

<table>
<thead>
<tr>
<th>Projects</th>
<th>Objectives</th>
<th>Expected Output/Outcomes</th>
<th>Implementing Agency</th>
<th>Time Frame</th>
<th>Source of Funds</th>
<th>Indicative Budget (KShs million)</th>
</tr>
</thead>
</table>

### Tourism - Safari

#### Strategic Objectives 2008 - 2012
- Increase income from tourism by doubling the yield
- Increase under-utilised park bed nights by 50%

#### Programmes [Strategic Thrusts]
- Upscale premium safari parks
- Extend facilities at other under-utilised parks

#### Projects

---

¹ Includes KShs 940 million to address post election crisis recovery programmes
<table>
<thead>
<tr>
<th>/Outcomes</th>
<th>Agency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Premium Parks Initiative To raise quality of Parks</td>
<td>Increased Revenue MOTW, Local Authorities, Local Communities, KTDC MoRPW</td>
</tr>
<tr>
<td></td>
<td>2008-12 PPP</td>
</tr>
<tr>
<td></td>
<td>2008/09 1,206 2009/10 1,206 2010/11 660 2011/12 660 2012/13 610</td>
</tr>
<tr>
<td>Under-utilised parks initiative (Meru, Mt Kenya, Tsavo East, Tsavo West, Mt'Elgon and Ruma) To upgrade/ extend capacity</td>
<td>Increased revenue and utilization of parks MOTW, Local Authorities, Local Communities, KTDC, KTB, OP, MoRPW</td>
</tr>
<tr>
<td></td>
<td>2008-12 PPP</td>
</tr>
<tr>
<td></td>
<td>2008/09 900 2009/10 920 2010/11 960 2011/12 1,000 2012/13 1,020</td>
</tr>
</tbody>
</table>

**Tourism – Niche Products**

**Strategic Objectives 2008 - 2012**
- Treble bed nights to 1.2 million per year
- Raise yield to 50%

**Programmes [Strategic Thrusts]**
Nurture nascent, high value products such as cultural, eco tourism and lake tourism

<table>
<thead>
<tr>
<th>Projects</th>
<th>Objectives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Niche Products Initiative²</td>
<td>To diversify and develop new tourism products</td>
</tr>
<tr>
<td></td>
<td>Increased bed nights at the Western Kenya circuit</td>
</tr>
<tr>
<td></td>
<td>MTW, Private Sector</td>
</tr>
<tr>
<td></td>
<td>2008-12 PPP</td>
</tr>
<tr>
<td></td>
<td>2008/09 1620 2009/10 1645 2010/11 1680 2011/12 1,700 2012/13 1,800</td>
</tr>
<tr>
<td></td>
<td>1000 Home stays identified and increase in cultural homestays,</td>
</tr>
<tr>
<td></td>
<td>BoK, MTW, MNH/NMK, Ministry</td>
</tr>
<tr>
<td></td>
<td>2008-12 PPP</td>
</tr>
</tbody>
</table>

² Includes Sports, Cruise, water based tourism and other programmes.
<table>
<thead>
<tr>
<th>Tourism Business</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Strategic Objectives 2008 – 2012</strong></td>
</tr>
<tr>
<td>• Double bed nights to 1.2 million per year</td>
</tr>
<tr>
<td>• Raise yield by 50%</td>
</tr>
<tr>
<td><strong>Strategic Thrusts</strong></td>
</tr>
<tr>
<td>• Enhance business and conference tourism</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Programmes</th>
<th>Objectives</th>
<th>Expected Output/Outcomes</th>
<th>Implementing Agency</th>
<th>Time Frame</th>
<th>Source of Funds</th>
<th>Indicative Budget (in Kshs million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business and conference tourism (in Nairobi, Mombasa, and Kisumu)</td>
<td>Attract 5 additional international hotels</td>
<td>Increase in Number of Business visitors</td>
<td>KICC, MTW, MoRPW, NCC, KTDC, KIA, Local Authorities.</td>
<td>2008-12</td>
<td>PPP</td>
<td>2008/09 2009/10 2010/11 2011/12 2012/13</td>
</tr>
<tr>
<td>Human Resources Development</td>
<td>To provide adequate quality personnel in the sector</td>
<td>Standardised training and highly qualified staff.</td>
<td>KUC, MTW</td>
<td>2008-12</td>
<td>PPP</td>
<td>530 580 580 580 580</td>
</tr>
<tr>
<td>Security</td>
<td>To improve safety and security of tourists and wildlife.</td>
<td>400 rangers per annum recruited and trained</td>
<td>KWS, OP/TPU, MTW</td>
<td>2008-12</td>
<td>GoK</td>
<td>933 1,133 977 822 823</td>
</tr>
<tr>
<td>Regulation and Standardization</td>
<td>To improve hotels standards</td>
<td>Number of hotels classified</td>
<td>MTW</td>
<td>2008-2012</td>
<td>GoK</td>
<td>35 37 40 42 45</td>
</tr>
<tr>
<td><strong>SUB TOTAL</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>27,991 24,189 26,340 24,485 27,798</td>
</tr>
</tbody>
</table>
### C2 AGRICULTURE AND RURAL DEVELOPMENT

<table>
<thead>
<tr>
<th>Goal</th>
<th>Innovative, commercially-oriented, competitive and modern agricultural sector</th>
</tr>
</thead>
</table>

| Strategic Objectives | • Institutional reforms  
• Increasing Productivity  
• Increased access to markets  
• Land use transformation  
• ASAL development |

<table>
<thead>
<tr>
<th>Programme/Projects</th>
<th>Objectives</th>
<th>Expected Outputs/Outcomes</th>
<th>Implementing Agency</th>
<th>Source of Funds</th>
<th>Time Frame</th>
<th>Indicative Budget (Kshs million)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Agriculture Policy and Legal Framework consolidated</td>
<td>MOA, MOLD, ASCU, AG, MORDA, MOCD, Industry Ass.</td>
<td>GoK</td>
<td>2008-2012</td>
<td>50 50 50 50 50</td>
</tr>
</tbody>
</table>
| Development of Disease Free Zones | Reduce prevalence of livestock diseases and enhance market access | • 4 disease-free zones created  
• Quality of beef/dairy products improved  
• Jobs & incomes increased from livestock activities | DVS, MOLD, KETRI, Industry Ass. | GoK | 2008-2012 | 1,500 2,000 2,000 1,500 1,500 |
| Fertilizer cost Reduction | Facilitate access to affordable fertilizer | • Fertilizer supply streamlined  
• Feasibility study on fertilizer plant done  
• Steps taken to implement results of the feasibility study  
• Increased output/yields | MOA, MOTI, MOCD, | GoK | 2008-2012 | 4,000 2,000 2,000 2,000 2,000 |
<p>| Development of Agricultural Land Use Master Plan | Ensure land is utilized according to its classification | Use of agricultural land intensified | MOL, MOA, MOLD, Private sector | PPP | 2008-2012 | 200 200 100 100 100 |
| Tana Delta Irrigation schemes | Expand the irrigated area in the Tana River basin | More land irrigated and higher returns realised | MORDA, MoWI, TARDA, MOA, | GoK | 2008-2012 | 488 1,000 2,000 2,000 2,000 |</p>
<table>
<thead>
<tr>
<th>Program Area</th>
<th>Description</th>
<th>Goal</th>
<th>Lead Ministries</th>
<th>Plan Period</th>
<th>Resource Allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Parastatal Reform</strong></td>
<td>• Transform agricultural Parastatals Separate development, regulatory, &amp; marketing functions</td>
<td>High performing institutions facilitating private sector growth</td>
<td>MOA, MOLD, MOF, SCAC, NSE</td>
<td>PPP 2008-2010</td>
<td>100 100 50</td>
</tr>
<tr>
<td><strong>Strengthen Agricultural Extension</strong></td>
<td>• Improved access to extension services</td>
<td>Improved access to information by farmers</td>
<td>MOA, MOLD, MOCD, Prod orgs, Development Partners</td>
<td>PPP 2008-2012</td>
<td>20,000 20,000 20,000 20,000 20,000</td>
</tr>
<tr>
<td><strong>Better coordination of Agricultural Research system</strong></td>
<td>• Enhance coordination &amp; collaboration • Establish linkages with producers, processors &amp; marketing + education institutions</td>
<td>Increased uptake of technologies generated responding to needs of stakeholders</td>
<td>MOA, MOLD, ASCU, Research Universities</td>
<td>PPP 2008-2012</td>
<td>10,000 10,000 10,000 10,000 10,000</td>
</tr>
<tr>
<td><strong>Improved Genetics &amp; Planting Material</strong></td>
<td>Increase access to improved genetics for animal and plants</td>
<td>Increased development, sale and use of improved seed and animal genetics</td>
<td>MOLD, MOA, NARS, Private Sector</td>
<td>PPP 2008-2012</td>
<td>2,000 2,000 2,000 2,000 2,000</td>
</tr>
<tr>
<td><strong>Access to Agricultural Inputs Financial Services</strong></td>
<td>Increase access to other agricultural inputs and financial services</td>
<td>Increased number of players accessing modern inputs and financial services</td>
<td>MOA, MOCD, MOLD, MOFD, Private Sector, MOF</td>
<td>PPP 2008-2012</td>
<td>1,000 1,000 1,000 1,000 1,000</td>
</tr>
<tr>
<td><strong>Irrigation Development</strong></td>
<td>Promotion of low cost irrigation technologies</td>
<td>Land under irrigation expanded</td>
<td>MOA, MOWI, MORDA, Private sector</td>
<td>PPP 2008-2012</td>
<td>200 200 200 200 200</td>
</tr>
<tr>
<td><strong>Improving Access to Markets</strong></td>
<td>To develop &amp; facilitate additional investments in market infrastructure</td>
<td>• Appropriate market infrastructures developed and promoted • Better facilities in markets</td>
<td>MOLG, MONM, MOA, MOLD, MOFD, KEPSA</td>
<td>PPP 2008-2012</td>
<td>1,000 1,000 1,000 1,000 1,000</td>
</tr>
<tr>
<td><strong>Value addition in crops, livestock, fish</strong></td>
<td>To increase value-added production, raise producer income and commercial village model</td>
<td>Increased incomes and employment through value addition</td>
<td>MOA, MOLD, MOFD, MOT, MOI, MOLG, Private sector</td>
<td>PPP 2008-2012</td>
<td>2,000 2,000 2,000 2,000 2,000</td>
</tr>
<tr>
<td>Programme/Projects</td>
<td>Objectives</td>
<td>Expected Outputs/Outcomes</td>
<td>Implementing Agency</td>
<td>Source of Funds</td>
<td>Time Frame</td>
</tr>
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<td>--------------------</td>
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<td>------------------------------------------------------------------------------------------</td>
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</tr>
<tr>
<td></td>
<td><strong>Promotion of Agribusiness, Investment, Exports</strong></td>
<td>• emphasis on agribusiness, links with private sector, diversify markets</td>
<td>MOA, MOLD, MOCD, MOT, MOI, Private Sector</td>
<td>PPP</td>
<td>2008-2010</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Increased investment in agriculture, agribusiness and agricultural exports</td>
<td></td>
<td></td>
<td>2008-2012</td>
</tr>
<tr>
<td></td>
<td><strong>Promotion of Cooperatives</strong></td>
<td>Improved bargaining power and more organized marketing and value-addition</td>
<td>MOCD, MOA, MOLD, MOFD, Private Sector</td>
<td>PPP</td>
<td>2008-2012</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Enhanced collective marketing through well managed cooperatives</td>
<td></td>
<td></td>
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</tr>
<tr>
<td><strong>Programme/Projects</strong></td>
<td><strong>Objectives</strong></td>
<td><strong>Expected Outputs/Outcomes</strong></td>
<td><strong>Implementing Agency</strong></td>
<td><strong>Source of Funds</strong></td>
<td><strong>Time Frame</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Transform Land Use</strong></td>
<td>Secure rights over land and provide for its sustainable use</td>
<td>MOL, AG, MOJCA,</td>
<td>GoK</td>
<td>2008-2010</td>
</tr>
<tr>
<td></td>
<td><strong>Implementation of the National Land Policy</strong></td>
<td></td>
<td></td>
<td></td>
<td>2008-2010</td>
</tr>
<tr>
<td></td>
<td><strong>Formulation of National Land Use Plan, local, regional PDP’s, GIS</strong></td>
<td>Ensure effective &amp; efficient utilization, documentation of land resources in the country</td>
<td>MOL, MOA, MOLD, Private Sector</td>
<td>PPP</td>
<td>2008-2010</td>
</tr>
<tr>
<td></td>
<td><strong>Development, expansion and rehabilitation of irrigation infrastructure</strong></td>
<td>Increase area under irrigation by at least 30%.</td>
<td>MOWI, DID, NIB, RDA, Individual farmers</td>
<td>PPP</td>
<td>2008-2010</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Area under irrigation increased from 110,000 ha to 210,000 ha</td>
<td></td>
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</tr>
<tr>
<td></td>
<td><strong>Equitable Development</strong></td>
<td>Formulation and implementation of Regional Development Master Plans</td>
<td>MORDA, MOA, MOLD, MOFD, MOLG</td>
<td>GoK</td>
<td>2008-2010</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Faster development of less developed regions</td>
<td></td>
<td></td>
<td>2008-2010</td>
</tr>
<tr>
<td></td>
<td><strong>Coordination and investment in ASAL development</strong></td>
<td>Improved incomes and quality of life in ASALs</td>
<td>MDNA, MORDA, OP</td>
<td>GoK</td>
<td>2008-2010</td>
</tr>
<tr>
<td></td>
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<tr>
<td></td>
<td><strong>Implement National Food and Nutrition Security Policy</strong></td>
<td>Adequate food available and accessible to all Kenyans</td>
<td>MOA, MOLFD, MOH, MOE,</td>
<td>GoK</td>
<td>2008-2010</td>
</tr>
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<td></td>
<td>2008-2010</td>
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<tr>
<td><strong>SUB TOTAL</strong></td>
<td></td>
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</tr>
</tbody>
</table>

### C3 WHOLESALE AND RETAIL TRADE

<table>
<thead>
<tr>
<th>Goal</th>
<th>Move towards a formal Sector that is efficient, Multi-tiered, Diversified in Product range and Innovation</th>
</tr>
</thead>
</table>
| **Strategic Objectives 2008 - 2012** | Improve the supply chain of  
- Small Operator Retail Markets  
- Expand Formal Market Outreach |
| **Programmes [Strategic Thrusts]** | • Market access improvement.  
• Market development.  
• Efficient supply chain. |

<table>
<thead>
<tr>
<th>Projects</th>
<th>Objectives</th>
<th>Expected Output/Outcome</th>
<th>Implementing Agency</th>
<th>Time Frame</th>
<th>Source of Funds</th>
<th>Indicative Budget (Kshs million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wholesale Hubs and PBGs</td>
<td>Create at least 10 wholesale hubs and 1,000-1,500 Producer Business Groups (PBG) with a pilot project in Maragua</td>
<td>Increased wholesale business activities at Maragua and its environs</td>
<td>MoTI, MoLG, MoA, MOYS, MoCD, MoL&amp;FD, KIA, EPC, KEPSA, KAM, KNCC&amp;I Business Associations</td>
<td>2008</td>
<td>PPP</td>
<td>250</td>
</tr>
<tr>
<td>Retail Market Pilot Project</td>
<td>Build at least 10 “Tier 1” retail markets.</td>
<td>Tier 1 Retail Market built</td>
<td>MoTI, MoLG, MoA, MOYS, MoCD, MoL&amp;FD, KIA, EPC, KEPSA, KAM, KNCC&amp;I Business Associations</td>
<td>2008</td>
<td>PPP</td>
<td>400</td>
</tr>
<tr>
<td>Wholesale Markets Project</td>
<td>Develop fully serviced markets in Nairobi, Eldoret, Nakuru, Kisumu, Mombasa and Kakamega</td>
<td>10 markets built</td>
<td>MoTI, MoF, MoPND, MoA, MoCDM, KAM, KPA, KRA, KEBS, KEPSA, KNCCI</td>
<td>2008-2012</td>
<td>GoK</td>
<td>1,000</td>
</tr>
<tr>
<td>Project Type</td>
<td>Activity Description</td>
<td>Expected Impact</td>
<td>Budget Details</td>
<td>Agency</td>
<td>FY 2008-09</td>
<td>FY 2009-10</td>
</tr>
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</tr>
<tr>
<td>Small Businesses Rebuilding Project</td>
<td>Reconstruct Small Businesses or Micro and Small Enterprises in Nairobi, Eldoret, Nakuru, Kisumu, Mombasa and Naivasha.</td>
<td>Normalcy restored in MSE sector in affected towns.</td>
<td>MoTI, MoLG, Local Authorities, MoF, MoPND, MoTI, MoH, MoE, MOYS, KNCCI; KEPSA, Traders Associations.</td>
<td>GoK</td>
<td>1,000</td>
<td>1,500</td>
</tr>
<tr>
<td>PPP Project</td>
<td>Expand market outreach at least 40 markets in cities, municipalities and town councils constructed and operationalised.</td>
<td>At least 40 markets in cities, municipalities and town councils constructed and operationalised.</td>
<td>MoTI, MoLG, Local Authorities, MoF, MoPND, MoTI, MoH, MoE, MOYS, KNCCI; KEPSA, Traders Associations.</td>
<td>PPP</td>
<td>4,000</td>
<td>1,000</td>
</tr>
<tr>
<td>Free Port Project</td>
<td>Establish a Free Trade Port in Mombasa</td>
<td>Free Trade established and operationalised.</td>
<td>MOTI, MoT, MOF, MRS, KPA, KRA, MOI, Private Sector, KNCCI.</td>
<td>PPP</td>
<td>227,464</td>
<td>50,000</td>
</tr>
<tr>
<td>Export Development Fund Project</td>
<td>Undertake trade financing for export promotion</td>
<td>Export Development Fund</td>
<td>MoTI, MoF, MPND, EPC, EPZA, Trade Promotion Orgs (TPOs), KEPSA</td>
<td>PPP</td>
<td>12.5</td>
<td>1,000</td>
</tr>
<tr>
<td>Trade Policy Institute Development Project</td>
<td>Enhance participation in the Multilateral, regional and bilateral trade agreements</td>
<td>Trade Policy Institute Established</td>
<td>MoTI, MoF, KIPPRA, MoPND, KEPSA, Universities, Private Sector</td>
<td>PPP</td>
<td>2008-2012</td>
<td>12.5</td>
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<tr>
<td><strong>SUB TOTAL</strong></td>
<td></td>
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<td>235,177</td>
</tr>
</tbody>
</table>

### C4 MANUFACTURING

**Goals**
To add an additional Kshs 25 Billion to GDP

**Strategic Objectives 2008 – 2012**
- Reduce imports in key local industries by 25 per cent
- Increase market share in selected products for the regional market from 7 per cent to 15 per cent
- Attract at least 10 large strategic investors in key agro-processing industries

**Programmes [Strategic Thrusts]**
- Strengthening of Local Production
- Expansion Regional Market
- Establish a Global Market Niche

<table>
<thead>
<tr>
<th>Projects</th>
<th>Objectives</th>
<th>Expected Output/Outcome</th>
<th>Implementing Agency</th>
<th>Time Frame</th>
<th>Source of Funds</th>
<th>Indicative Budget (in Kshs million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Emergency Business Recovery Programme</td>
<td>To restore owners of medium and small businesses into productive lives</td>
<td>Improved livelihoods of business people, Improved business productivity</td>
<td>MoP, MOT, Private Sector, MOC,</td>
<td>2008</td>
<td>PPP</td>
<td>1,000</td>
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<tr>
<td>Promotion of small scale firms</td>
<td>To empower medium and small Entrepreneurs</td>
<td>A critical population of empowered entrepreneurs</td>
<td>MOI, MOT, KEPSA, Trade Associations,</td>
<td>2008</td>
<td>PPP</td>
<td>20</td>
</tr>
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</tr>
<tr>
<td>Development of Industrial and</td>
<td>Increase productivity and competitiveness in Agro-</td>
<td>Increased Agro-</td>
<td>EPZA, MoI, MoE, MoPW,</td>
<td>2008-2012</td>
<td>PPP</td>
<td>1,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Processing Activities</td>
<td></td>
<td></td>
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<td>5,000</td>
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<td>5,000</td>
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<td>5,000</td>
</tr>
<tr>
<td>Manufacturing Zones</td>
<td>Processing</td>
<td>KRA, MoLG</td>
<td>2008-2012</td>
<td>PPP</td>
<td>1,000</td>
<td>4,000</td>
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<tr>
<td>Development of SME Parks and Specialized Economic Zones</td>
<td>To promote development of High Tech Parks in Nairobi, Mombasa, Kisumu, Nakuru and Eldoret</td>
<td>Increased local production of Electrical, Electronics and ICT Products MoI, MoF, KEPSA, Universities</td>
<td></td>
<td>PPP</td>
<td>1,000</td>
<td>4,000</td>
</tr>
<tr>
<td>Research development and Commercialization Programme</td>
<td>Increase the number of local agro machinery manufacturers</td>
<td>Reduced imports of agro machinery</td>
<td></td>
<td>PPP</td>
<td>5</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Increased availability of locally manufactured agro machineries, implements and equipments</td>
<td></td>
<td>PPP</td>
<td>5</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Increased skills base for reverse engineering and prototyping KIRDI, MoI, MoF</td>
<td></td>
<td>PPP</td>
<td>5</td>
<td>3</td>
</tr>
<tr>
<td>Capacity building for reverse engineering, prototyping and commercialization</td>
<td></td>
<td>Increased local production of key basic chemical inputs such as fertilisers, petrochemical intermediates and bulk drugs. MoI, KARI, MoH, MoA, MoENR, KEPSA</td>
<td></td>
<td>PPP</td>
<td>5</td>
<td>2</td>
</tr>
<tr>
<td>Product and market diversification and development programme</td>
<td>To develop and establish key basic chemical inputs such as fertilisers, petrochemical intermediates and bulk drugs.</td>
<td>Increased Investment in the Mining and Quarrying Sub sector MoENR, KEPSA, KAM, KIA</td>
<td></td>
<td>PPP</td>
<td>5</td>
<td>25</td>
</tr>
<tr>
<td></td>
<td>To increase investments and incomes in the sector by 15 per cent per annum</td>
<td></td>
<td></td>
<td>PPP</td>
<td>5</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>To facilitate the supply of the building and construction materials</td>
<td>Vibrant building and construction industry MoRPW, KAM, KEPSA, MoI</td>
<td></td>
<td>PPP</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>One Village One Product Project (OVoP)</td>
<td>Increase the total factor productivity from an average of 2.8 for MSEs to more than 5.0</td>
<td>Increased productivity in SME sector Increased spread of industrial development. Increased utilization and value addition of resources MoI, MoA, MoLHD, MoST, MoED, KAM, Universities, BDS Providers and Research</td>
<td></td>
<td>PPP</td>
<td>30</td>
<td>30</td>
</tr>
<tr>
<td>MSME Research and Development Fund</td>
<td>Provide MSME Fund for R&amp;D</td>
<td>MSME Fund in place</td>
<td>MOI, KIRDI, KEPSA, KAM, Universities</td>
<td>PPP</td>
<td>2008-2009</td>
<td>100</td>
</tr>
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</tr>
<tr>
<td>Business and Technology Incubation Fund</td>
<td>Provide funds for incubation</td>
<td>Business and Technology Fund in place</td>
<td>MOI, KAM, KEPSA,</td>
<td>PPP</td>
<td>2008-2009</td>
<td>100</td>
</tr>
<tr>
<td>4K MSE 2030 Initiative Project</td>
<td>Revolutionize and modernize the MSE sector</td>
<td>Upgrading of 50 products in 7 sub-sectors: Electrical &amp; Electronics; Metal and metal works; Agro processing; Textile; Leather and leather products; Ceramics and building materials; Plastics and plastic products</td>
<td>MOI, KEBS, KIRDI, KIPI, KNFJKA, KNTEC</td>
<td>PPP</td>
<td>2008-2012</td>
<td>200</td>
</tr>
<tr>
<td>SUB TOTAL</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

### C5 BUSINESS PROCESS OUTSOURCING (BPO)

**Goals**
- To create an additional 20,000 direct BPO jobs
- Increase BPO contribution to GDP by Kshs. 10 Billion

**Strategic Objectives 2008 - 2012**
- Establish a modern ICT Park in Nairobi with Reputable local and international BPO suppliers
- Promote Kenya as a BPO destination to increase demand of BPO services from Kenya globally
- Increase Kenyan ICT talent pool to meet the increasing demand.
- Provide a set of BPO Specific incentives to attract investments

**Programmes**
- Focusing BPO services along geographic areas, industrial processes and different industrial segments;
<table>
<thead>
<tr>
<th>Projects</th>
<th>Objectives</th>
<th>Expected Output/Outcomes</th>
<th>Implementing Agency</th>
<th>Time Frame</th>
<th>Source of Funds</th>
<th>Indicative Budget (in Kshs million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Establishment of a BPO Park</td>
<td>To establish a state of the art BPO park</td>
<td>Creation of 5000 seats and 2500 other jobs outside the park</td>
<td>MOIC/Kenya ICT Board</td>
<td>2008-2010</td>
<td>GoK</td>
<td>4,073</td>
</tr>
<tr>
<td>Marketing Kenya as a BPO destination</td>
<td>To increase demand of BPO services from Kenya globally</td>
<td>Increased contribution to GDP of Kshs. 10 Billion</td>
<td>MOIC/Kenya ICT Board</td>
<td>2010-2012</td>
<td>GoK</td>
<td>70</td>
</tr>
<tr>
<td>Skills development</td>
<td>To increase the talent pool to meet the demands</td>
<td>Offering high quality and timely products</td>
<td>MOIC/Kenya ICT Board</td>
<td>2008-2011</td>
<td>GoK</td>
<td>20</td>
</tr>
<tr>
<td>Provision of incentives</td>
<td>To increase investments in the sector</td>
<td>Increased incomes in the sector</td>
<td>MOIC/Kenya ICT Board</td>
<td>2008-2011</td>
<td>GoK</td>
<td>50</td>
</tr>
<tr>
<td>Mainstream e-commerce in the economy</td>
<td>To Promote e-applications in trade and investment</td>
<td>Increased e-trade</td>
<td>MOIC/Kenya ICT Board</td>
<td>2008-2009</td>
<td>PPP</td>
<td>14</td>
</tr>
<tr>
<td><strong>SUB TOTAL</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>4,253</td>
</tr>
</tbody>
</table>
## Banking

### Goals
- Raise savings and investment rates from ~14% to ~25%-30% of GDP

### Strategic Objectives 2008 - 2012
- Increase bank deposits from ~44% to ~ 80% of GDP
- Significantly reduce cost of capital

### Programme
- Drive increases in efficiency and penetration through selected reforms

### Projects

<table>
<thead>
<tr>
<th>Objectives</th>
<th>Expected Output/Outcome</th>
<th>Implementing Agency</th>
<th>Time Frame</th>
<th>Source of Funds</th>
<th>Indicative Budget (Kshs million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Facilitate transformation towards stronger, larger scale banks</td>
<td>Enhanced supervisory framework and inculcate risk management culture, consolidation of Kenyan banking sector, Kenya becoming regional financial hub.</td>
<td>CBK, MoF</td>
<td>2008-2009</td>
<td>GoK</td>
<td>50 30 - - -</td>
</tr>
<tr>
<td>To increase efficiency of the banking sector</td>
<td>Reduction of the cost of banking products and services</td>
<td>CBK, KBA, MoF, MoT,</td>
<td>2008-2010</td>
<td>GoK</td>
<td>10 10 10 - -</td>
</tr>
<tr>
<td>To increase access of banking services and products</td>
<td>Increased outreach of banking products and services</td>
<td>CBK, MOF, MOE, KBA, AMFI</td>
<td>2008-2010</td>
<td>PPP</td>
<td>5 5 5 - -</td>
</tr>
</tbody>
</table>

### Informal Finance

### Goals
- Raise savings and investment rates from ~14% to ~25%-30% of GDP

### Strategic Objectives 2008 - 2012
- Increase share of population using formal finance from ~19% to ~28%
- Reduce share of population without access to finance from 73% to 60%
<table>
<thead>
<tr>
<th>Programmes [Strategic Thrusts]</th>
<th>Expected Outcomes/Output</th>
<th>Implementing Agency</th>
<th>Time Frame</th>
<th>Source of Funds</th>
<th>Indicative Budget (in Kshs million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Formalize SACCOS by passing the SACCO bill; Operationalize the MFI Act</td>
<td>To mainstream Microfinance into the formal financial system.</td>
<td>Increased savings mobilization, improved access to financial services to unbanked Kenyan, legal and regulatory framework for deposit taking MFIs</td>
<td>MoF, CBK, AMFI, KBA, MoT, MoE</td>
<td>2008-2012</td>
<td>PPP</td>
</tr>
</tbody>
</table>

**Capital Markets**

**Goals**
- Raise savings and investment rates from ~14% to ~25%-30% of GDP

**Strategic Objectives**
- Raise stock market capitalization from ~50% to ~90% of GDP
- Raise bonds as a share of GDP from ~16% and ~30%

**Programmes**
- Deepen capital markets by raising institutional capital and expanding bond and equity markets

<table>
<thead>
<tr>
<th>Projects</th>
<th>Objectives</th>
<th>Expected Output</th>
<th>Implementing Agency</th>
<th>Time Frame</th>
<th>Source of Funds</th>
<th>Indicative Budget (in Kshs million)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Amendment to Income Tax Act; National Pensions Policy Act Amendment to Retirement Benefits Act</td>
<td>MoF, RBA, DoP, and stakeholders</td>
<td>2008</td>
<td>GoK</td>
<td>15</td>
</tr>
<tr>
<td></td>
<td>To increase Pensions Coverage to 60% of labour force</td>
<td>Completion and implementation of various acts</td>
<td>DoP, MoF, RBA, Parliament, Judiciary, DoD</td>
<td>2008</td>
<td>GoK</td>
<td>200</td>
</tr>
<tr>
<td></td>
<td>To reform the Public Service superannuation arrangements</td>
<td>Expand range of products</td>
<td>CMA</td>
<td>2008-</td>
<td>GoK</td>
<td>35</td>
</tr>
<tr>
<td></td>
<td>To overhaul capital market regulation e.g.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ensure increased regulator independence</td>
<td>and services</td>
<td>2012</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase asset base to 100% of GDP</td>
<td>20-30 year bonds developed Inflation linked bonds developed</td>
<td>CBK, MoF</td>
<td>2008</td>
<td>GoK</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

**International Capital**

**Goals**

Raise savings and investment rates from ~14% to ~25%-30% of GDP

**Strategic Objectives**

- Raise ~ 5% of GDP for investment from remittances
- Raise ~ 5% of GDP from other external sources e.g. FDI, sovereign bond

**Programmes**

Tap international sources of capital

**Projects**

<table>
<thead>
<tr>
<th>Objectives</th>
<th>Expected Output</th>
<th>Implementing Agency</th>
<th>Time Frame</th>
<th>Source of Funds</th>
<th>Indicative Budget (Kshs million)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Pursue comprehensive remittances strategy</strong></td>
<td>To double remittance inflows through creation of diaspora-targeted investment products.</td>
<td>Double Remittance inflows</td>
<td>Ministry of Finance</td>
<td>2008-2012</td>
<td>GoK</td>
</tr>
<tr>
<td><strong>Consider issuing benchmark sovereign bond</strong></td>
<td>To Establish a liquid pricing Benchmark for future issuance by both the public and private sector</td>
<td>Sovereign Bond Launched</td>
<td>Ministry of Finance, CBK and AG.</td>
<td>2008-2009</td>
<td>GoK</td>
</tr>
<tr>
<td><strong>Infrastructure bonds to deepen long term bond market</strong></td>
<td>To leverage PPP’s to invest in infrastructure bonds</td>
<td>Deepened long term bond market</td>
<td>MoF, CBK</td>
<td>2008-2012</td>
<td>GoK</td>
</tr>
</tbody>
</table>
### OTHER PROGRAMMES

<table>
<thead>
<tr>
<th>Goals</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Raise savings and investment rates from ~14% to ~25%-30% of GDP</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strategic Objectives</td>
<td>• Raise ~ 5% of GDP for investment from remittances</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Raise ~ 5% of GDP from other external sources e.g. FDI, sovereign bond</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Programmes

**[Strategic Thrusts]** Tap international sources of capital

<table>
<thead>
<tr>
<th>Projects</th>
<th>Objectives</th>
<th>Expected Output/Outcome</th>
<th>Implementing Agency</th>
<th>Time Frame</th>
<th>Source of Funds</th>
<th>Indicative Budget (Kshs million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Payments Systems</td>
<td>To review all payment related laws and suggest amendments if needed for harmonisation.</td>
<td>Harmonized laws for payment systems</td>
<td>CBK/MoF/AG</td>
<td>2008-2010</td>
<td>GoK</td>
<td>100 100 70 - -</td>
</tr>
<tr>
<td>DFI’s and Kenya Post Office Savings Bank (KPOSB)</td>
<td>To Improve the institutions’ access to credit and savings (KPOSB)</td>
<td>Improved legislation on credit and savings (KPOSB)</td>
<td>Ministries/Indiual DFIs and KPOSB</td>
<td>2008-2012</td>
<td>GoK</td>
<td>200 200 200 200 200</td>
</tr>
<tr>
<td></td>
<td>To develop relevant financial products suitable for agricultural industries, manufacturing and infrastructure development</td>
<td>DFI and KPOSB Strategy developed Possible exemption from the State Corporations Act or a review of the same</td>
<td>Ministries/Individual DFIs and KPOSB</td>
<td>2008</td>
<td>GoK</td>
<td>400 - - - -</td>
</tr>
</tbody>
</table>

**SUB TOTAL**

| 1,055 | 350 | 290 | 275 | 205 |

**ECONOMIC PILLAR TOTAL**

| 324,636 | 143,492 | 140,971 | 130,429 | 133,601 |
## SOCIAL PILLAR

### D1 EDUCATION AND TRAINING

<table>
<thead>
<tr>
<th>Programme</th>
<th>Objectives</th>
<th>Expected Output /Outcomes</th>
<th>Implementing Agency</th>
<th>Time Frame</th>
<th>Source of Funds</th>
<th>Indicative Budget (Kshs million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Impact Assessment</td>
<td>To conduct an impact assessment in areas affected by post election violence</td>
<td>Establish educational needs and mitigation measures</td>
<td>MoSSP, KNBS, MLHRD</td>
<td>2008</td>
<td>PPP</td>
<td>50</td>
</tr>
<tr>
<td>Guidance and counselling</td>
<td>To undertake counselling and trauma management for education officers and teachers at all levels</td>
<td>Provision of psychological support and peace education and trauma management</td>
<td>MoSSP, MoE</td>
<td>2008</td>
<td>PPP</td>
<td>150</td>
</tr>
<tr>
<td>Build Capacity and confidence of teachers</td>
<td>To provide psychological support and peace education to the affected pupils/ students</td>
<td>Provision of psychological support and peace education provided</td>
<td>MoE, MoF, MoSSP</td>
<td>2008</td>
<td>PPP</td>
<td>40</td>
</tr>
<tr>
<td>Construction of schools and temporary shelters</td>
<td>To re-construct the destroyed schools and provide temporary shelters</td>
<td>Improved access to education in affected areas</td>
<td>MoE, MoF, MoSSP</td>
<td>2008</td>
<td>PPP</td>
<td>1520</td>
</tr>
<tr>
<td>Provision of teachers and learning materials</td>
<td>To enhance teaching particularly in areas affected by the post election violence, ASAL areas and pockets of poverty</td>
<td>Improved quality of teaching and learning in schools</td>
<td>MoE, MoF</td>
<td>2008</td>
<td>GoK</td>
<td>108</td>
</tr>
<tr>
<td>Gender sensitive interventions and voucher system</td>
<td>To support orphans and vulnerable children affected by violence through bursary and voucher system</td>
<td>Voucher system rolled out. orphans and other vulnerable children encouraged to attend school</td>
<td>MOE, MOWCA</td>
<td>2008</td>
<td>PPP</td>
<td>2940</td>
</tr>
<tr>
<td>Strategic Objective</td>
<td>Expected Outputs</td>
<td>Time Frame</td>
<td>Implementing Agency</td>
<td>Source of Funds</td>
<td>Indicative Budget (Kshs million)</td>
<td></td>
</tr>
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<td></td>
</tr>
<tr>
<td><strong>Primary Education</strong></td>
<td>Increase access and enrolment in primary schools in ASALs</td>
<td>2008-2012</td>
<td>MOE</td>
<td>PPP</td>
<td>8.340</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Increase access to primary education</td>
<td>2008-2012</td>
<td>MOE</td>
<td>PPP</td>
<td>8.340</td>
<td></td>
</tr>
<tr>
<td></td>
<td>To improve the health of ECD and primary school children</td>
<td>2008-2012</td>
<td>MOE</td>
<td>PPP</td>
<td>8.340</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Increase access and enrolment in ECDE, informal settlements and ASAL</td>
<td>2008-2012</td>
<td>MOE</td>
<td>PPP</td>
<td>8.340</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Enhanced access and equity in secondary education</td>
<td>2008-2012</td>
<td>MOE</td>
<td>PPP</td>
<td>8.340</td>
<td></td>
</tr>
<tr>
<td><strong>Secondary Education</strong></td>
<td>To construct and equip an equivalent of 650 secondary schools</td>
<td>2008-2012</td>
<td>MOE</td>
<td>PPP</td>
<td>8.340</td>
<td></td>
</tr>
<tr>
<td></td>
<td>To improve access and equity in secondary education</td>
<td>2008-2012</td>
<td>MOE</td>
<td>PPP</td>
<td>8.340</td>
<td></td>
</tr>
<tr>
<td></td>
<td>To enhance enrollment and retention for the vulnerable children</td>
<td>2008-2012</td>
<td>MOE</td>
<td>PPP</td>
<td>8.340</td>
<td></td>
</tr>
<tr>
<td><strong>University Education</strong></td>
<td>To increase access at university level</td>
<td>2008-2012</td>
<td>MOE</td>
<td>PPP</td>
<td>8.340</td>
<td></td>
</tr>
<tr>
<td></td>
<td>To enhance access and equity to university and higher education</td>
<td>2008-2012</td>
<td>MOE</td>
<td>PPP</td>
<td>8.340</td>
<td></td>
</tr>
<tr>
<td>Special Needs Education programme</td>
<td>To improve access to education for learners with special needs</td>
<td>Increased enrolment of learners with special needs</td>
<td>MOE, KISE</td>
<td>2008-2012</td>
<td>PPP</td>
<td>158</td>
</tr>
<tr>
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<td>-----------------------------------------------------------</td>
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<td>-----</td>
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</tr>
<tr>
<td>Adult and Continuing Education Programme</td>
<td>Improve and expand Adult and Continuing Education</td>
<td>Sustained quality lifelong learning and increased Adult Literacy rate by 2012</td>
<td>MoGC, DAE</td>
<td>2008-2012</td>
<td>PPP</td>
<td>1,389</td>
</tr>
</tbody>
</table>

### Strategic Objective 2008 – 2012

**Improve Quality of Education at all Levels**

### Strategic Thrust

**Raise Quality of Education**

<table>
<thead>
<tr>
<th>Programme</th>
<th>Objectives</th>
<th>Expected Output/Outcomes</th>
<th>Implementing Agency</th>
<th>Time Frame</th>
<th>Source of Funds</th>
<th>Indicative Budget (Kshs million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Curriculum Development and Review Programme</td>
<td>To improve quality and relevance of education at all levels</td>
<td>Improved quality education</td>
<td>MOE, KIE</td>
<td>2008-2012</td>
<td>PPP</td>
<td>890</td>
</tr>
<tr>
<td>Centres of Excellence Programme</td>
<td>To create centres of Excellence for improved Quality and relevance of training</td>
<td>Increased skilled manpower to support strategic economic sectors and improve the quality of learning</td>
<td>MOE, CHE, Universities</td>
<td>2008-2012</td>
<td>PPP</td>
<td>1,892</td>
</tr>
<tr>
<td>Research and Development Programme</td>
<td>To improve the quality, relevance and quantity of research</td>
<td>Enhanced capacity and relevance of research</td>
<td>MOE, CHE, Universities, Research organizations</td>
<td>2008-2012</td>
<td>PPP</td>
<td>103</td>
</tr>
<tr>
<td>Capacity building and Teacher Management programme</td>
<td>To improve education and teacher management</td>
<td>Improved supply of adequate teachers and quality of management of education programmes</td>
<td>MoE, KESI, TSC</td>
<td>2008-2012</td>
<td>PPP</td>
<td>1,735</td>
</tr>
</tbody>
</table>

### Strategic Objectives 2008 – 2012

**Promoting Science, Technology and Innovation**

### Strategic Thrust

**Inculcate the use of Knowledge of Science, Technology and Innovation**

<table>
<thead>
<tr>
<th>Programme</th>
<th>Objectives</th>
<th>Expected Output/Outcomes/</th>
<th>Implementing Agency</th>
<th>Time Frame</th>
<th>Sources of Funds</th>
<th>Indicative Budget (Kshs million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Incorporate ST&amp;I in education Curriculum</td>
<td>To create, Adapt, and Adopt usage of STI</td>
<td>Enhanced use of knowledge in science and technology</td>
<td>MOE, KIE</td>
<td>2008-2012</td>
<td>PPP</td>
<td>-</td>
</tr>
<tr>
<td>Information Communication and Technology (ICT) Development</td>
<td>To promote e-learning and use of ICT in education</td>
<td>Improved teaching and learning process and networked Campuses</td>
<td>MOE, KIE, MHEST</td>
<td>2008-2012</td>
<td>PPP</td>
<td>304</td>
</tr>
<tr>
<td>----------------------------------------------------------</td>
<td>-------------------------------------------------</td>
<td>-------------------------------------------------------------</td>
<td>-----------------</td>
<td>---------</td>
<td>-----</td>
<td>-----</td>
</tr>
<tr>
<td>Construction of science laboratory Programmes</td>
<td>To strengthen science and practical oriented subjects at secondary education</td>
<td>Improved quality of secondary education</td>
<td>MOE</td>
<td>2008-2012</td>
<td>PPP</td>
<td>300</td>
</tr>
</tbody>
</table>

**SUB TOTAL**

| | | | | | | 58,410 | 57,625 | 68,473 | 74,185 | 78,878 |

**D2 HEALTH**

**Goals**

To improve access to health care and mitigate the impact of post election crisis on the sector

**Strategic Objectives 2008 – 2012**

To address the post election impact on the health sector

**Strategic Thrust**

Restoration and improvement of health facilities and services

<table>
<thead>
<tr>
<th>Programmes</th>
<th>Objectives</th>
<th>Expected Output/Outcomes</th>
<th>Implementing Agency</th>
<th>Time Frame</th>
<th>Source of Funds</th>
<th>Indicative Budget (Kshs million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buffer stocks</td>
<td>To replenish the buffer stocks diverted from medical supplies during the crisis</td>
<td>Buffer stock replenished</td>
<td>MOH, MOF</td>
<td>2008</td>
<td>GoK</td>
<td>667</td>
</tr>
<tr>
<td>Increased expenditure on operation and maintenance</td>
<td>To increase the Indicative Budgetary allocation to health facilities to cover lost revenue due to crisis</td>
<td>Improve access to health care. Health institutions compensated for waiver user fee</td>
<td>MOH, MOF</td>
<td>2008</td>
<td>GoK</td>
<td>2,000</td>
</tr>
<tr>
<td>Waiver System</td>
<td>To review the waiver system to address the needs of the poor and vulnerable</td>
<td>Reforms on the waiver system to address the bureaucratic bottle necks</td>
<td>MOH, MOWCA</td>
<td>2008</td>
<td>GoK</td>
<td>5</td>
</tr>
<tr>
<td>Recruitment of nurses</td>
<td>To recruit and distribute more personnel to address the existing constrains worsened by the crisis</td>
<td>Extra nurses recruited. Deployment of displaced personnel</td>
<td>MOH, MOF</td>
<td>2008</td>
<td>GoK</td>
<td>792</td>
</tr>
<tr>
<td>Rehabilitate health</td>
<td>To rehabilitate health</td>
<td>Restoration of health care</td>
<td>MOH,</td>
<td>2008</td>
<td>PPP</td>
<td>556</td>
</tr>
<tr>
<td>Programs</td>
<td>Objectives</td>
<td>Expected Outcomes/Output</td>
<td>Implementing Agency</td>
<td>Time Frame</td>
<td>Source of Funds</td>
<td>Indicative Budget (in Kshs million)</td>
</tr>
<tr>
<td>----------------------------------</td>
<td>-----------------------------------------------------------------------------</td>
<td>------------------------------------------------------------------------------------------</td>
<td>---------------------</td>
<td>--------------</td>
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<td>------------------------------------</td>
</tr>
<tr>
<td>Rehabilitation of Rural health facilities</td>
<td>To rehabilitate health centres and dispensaries for integrated and comprehensive Healthcare</td>
<td>Functional rural health facilities providing integrated &amp; comprehensive health services</td>
<td>MoH</td>
<td>2008 - 2012</td>
<td>PPP</td>
<td>834 1,112 278 0</td>
</tr>
<tr>
<td>Restructuring of MoH</td>
<td>To review the GoK Health Act to facilitate the delinking of MOH from service delivery</td>
<td>Revised GoK health act MOH restructured</td>
<td>MoH</td>
<td>2008 - 2010</td>
<td>GoK</td>
<td>321 606 592 592 888</td>
</tr>
<tr>
<td>Strengthen KEMSA</td>
<td>To strengthen KEMSA to be a strategic procurement and supply agency</td>
<td>Effective supply of drugs through improved KEMSA</td>
<td>MoH</td>
<td>2008 - 2012</td>
<td>PPP</td>
<td>164 164 109 55 55</td>
</tr>
<tr>
<td>Manufacture of quality medical commodities</td>
<td>Create an enabling environment for manufacturers to produce fortified food and other medical and non medical goods</td>
<td>Increased no. of Industries Fortifying Foods; Increased no. of Industries Manufacturing quality health commodities locally</td>
<td>MoH</td>
<td>2008 - 2012</td>
<td>PPP</td>
<td>50 30 20 10 10</td>
</tr>
<tr>
<td>Community strategy and community information systems</td>
<td>To implement community strategy and establish community based information System</td>
<td>Community strategy and community based information systems put in place</td>
<td>MoH</td>
<td>2008 - 2011</td>
<td>PPP</td>
<td>913 1,417 1,862 90 33</td>
</tr>
</tbody>
</table>
### Strategic Objectives 2008 – 2012
Develop Equitable Financing Mechanism

### Strategic Thrusts
Equitable Health Care Financing

<table>
<thead>
<tr>
<th>Programmes</th>
<th>Objectives</th>
<th>Expected Outcomes/Output</th>
<th>Implementing Agency</th>
<th>Time Frame</th>
<th>Sources of Funds</th>
<th>Indicative Budget (in Kshs million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health Care Financing Programme</td>
<td>Develop an equitable financing strategy and channel funds directly to health facilities</td>
<td>Efficient utilization of funds Operational Health Sector Service Fund National Social Health Insurance Scheme put in place</td>
<td>MoH</td>
<td>2008 - 2010</td>
<td>PPP</td>
<td>22 15 22 0 0</td>
</tr>
</tbody>
</table>

**SUB TOTAL**

<p>| | | | | | | |</p>
<table>
<thead>
<tr>
<th></th>
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</tbody>
</table>

|                      |                                                            |                                                        |                     |          |                 |                                    |

### D3 ENVIRONMENT, WATER AND SANITATION

#### Environment

**Goals**
Promote and Safeguard the state of environment for economic growth

**Strategic Objectives 2008 – 2012**
To conserve strategic natural resources in a sustainable manner without compromising economic growth

### Strategic Thrusts
Conservation of natural resources

<table>
<thead>
<tr>
<th>Programmes</th>
<th>Objectives</th>
<th>Expected Output/Outcomes</th>
<th>Implementing Agency</th>
<th>Time Frame</th>
<th>Source of Funds</th>
<th>Indicative Budget (in Kshs million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rehabilitation of water towers and Management of catchment areas</td>
<td>To rehabilitate and protect 5 water catchment areas and increase total volume of water To Establish industrial forest plantation</td>
<td>Increased forest cover and increased volume of water from the catchment areas</td>
<td>Kenya Forest Service, ADB, MWI, WRMAs</td>
<td>2008-2012</td>
<td>PPP</td>
<td>52 52 40 30 30</td>
</tr>
<tr>
<td>Environmental Education and awareness</td>
<td>To raise awareness of education awareness at all levels</td>
<td>ESD policy formulated and curricula at all levels reviewed to address ESD concerns</td>
<td>MOEnv, NEMA</td>
<td>2008-2012</td>
<td>PPP</td>
<td>10 10 10 10 10</td>
</tr>
<tr>
<td>Bamboo Development for</td>
<td>To develop technologies and skills to promote</td>
<td>Technologies and skills developed</td>
<td>KFS, MEMR, KEFRI</td>
<td>2008-2012</td>
<td>GoK</td>
<td>26 26 26 26 26</td>
</tr>
<tr>
<td>Poverty alleviation and Environmental Conservation</td>
<td>bamboo products</td>
<td>Environmental Conservation enhanced</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
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<td>---</td>
<td>---</td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Forest plantation development and Tree out-grower schemes</td>
<td>To Establish industrial forest plantation</td>
<td>Increased area of farmland under plantations</td>
<td>KFS</td>
<td>2008-2012</td>
<td>PPP</td>
<td>1300</td>
</tr>
<tr>
<td>Commercialization of Non wood forest products (NWFP)</td>
<td>To promote sustainable utilization of NWFP for poverty alleviation</td>
<td>Increased number of SME established</td>
<td>KFS</td>
<td>2008-2012</td>
<td>PPP</td>
<td>30</td>
</tr>
<tr>
<td>Management and Control of alien and Invasive species (e.g. Prosopis Juliflora and water hyacinth).</td>
<td>To develop techniques for the management and control of alien and invasive species</td>
<td>Management and control strategy developed</td>
<td>GoK</td>
<td>2008-2012</td>
<td>PPP</td>
<td>45</td>
</tr>
<tr>
<td>Disused Mines and Quarries</td>
<td>To protect and sustainably manage the environment through rehabilitation of disused mines and quarries</td>
<td>A friendly and sustainably managed environment</td>
<td>MEMR</td>
<td>2008-2012</td>
<td>PPP</td>
<td>20</td>
</tr>
<tr>
<td>Secure wildlife corridors and migratory routes</td>
<td>To prepare physical development plans to map and secure the wildlife corridors and migratory routes to minimize human wildlife conflict</td>
<td>Reduced human and wildlife conflict</td>
<td>MOL, MEMR, KWS, MOLG</td>
<td>2008-2012</td>
<td>PPP</td>
<td>22</td>
</tr>
</tbody>
</table>

**Strategic Objectives 2008 – 2012**

Enhance Pollution and Waste Management

**Strategic Thrusts**

To reduce health related environmental problems

<table>
<thead>
<tr>
<th>Programmes</th>
<th>Objectives</th>
<th>Expected Output/ Outcomes</th>
<th>Implementing Agency</th>
<th>Time Frame</th>
<th>Source of Funds</th>
<th>Indicative Budget (in Kshs Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Waste management Programme</td>
<td>To commercialize waste management and implement National Health Care Waste Management Strategy</td>
<td>Reduced effects of solid waste in the city</td>
<td>MOPHS, NCC, NEMA, KEPSA, UoN, MW&amp;I, KWENCH,</td>
<td>2008-2012</td>
<td>PPP</td>
<td>39</td>
</tr>
<tr>
<td>National mapping of pollution sources</td>
<td>To conduct a GIS mapping to develop a pollution source inventory</td>
<td>Pollution Inventory developed Improved knowledge on pollution sources</td>
<td>NEMA, MEMR, MOLG, Min. of GoK Health &amp; Sanitation</td>
<td>PPP</td>
<td>70</td>
<td>70</td>
</tr>
<tr>
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</tr>
<tr>
<td>Nairobi Rivers’ Basin Programme</td>
<td>To create a clean and secure environment</td>
<td>Nairobi river cleaned and waterfront businesses and recreation activities established Nairobi River Basin replicated in Kisumu, Mombasa and Nakuru</td>
<td>NEMA, MEMR, MOLG, NCC</td>
<td>PPP</td>
<td>40</td>
<td>40</td>
</tr>
</tbody>
</table>

**Strategic Objectives 2008 – 2012**

Map ASAL and high risk disaster Zones

**Strategic Thrusts**

Reduce losses due to floods and droughts
Climate change and desertification

<table>
<thead>
<tr>
<th>Programmes</th>
<th>Objectives</th>
<th>Expected Output/Outcomes</th>
<th>Implementing Agency</th>
<th>Time Frame</th>
<th>Source of Funds</th>
<th>Indicative Budget (in Kshs million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>National and regional geo-hazard zone maps</td>
<td>To prepare national and regional geo-hazard zone maps to Mitigate and monitor geo-hazard occurrences</td>
<td>National Geo-hazard and Seismological Network in place</td>
<td>MEMR, Meteorological department, UoN</td>
<td>2008-2012</td>
<td>GoK</td>
<td>40</td>
</tr>
</tbody>
</table>

**Strategic Objectives 2008 – 2012**

Environmental planning and governance

**Strategic Thrusts**

Improve governance of the environment through integrated planning approach

<table>
<thead>
<tr>
<th>Programmes</th>
<th>Objectives</th>
<th>Expected Outcomes/Output</th>
<th>Implementing Agency</th>
<th>Time Frame</th>
<th>Source of Funds</th>
<th>Indicative Budget (in Kshs million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clean Development Mechanism (CDM) Scheme</td>
<td>To build relevant capacity to address environmental issues</td>
<td>Capacity on environmental information management developed and CDM Schemes</td>
<td>NEMA, MEMR, KIRD, KFS</td>
<td>2008-2012</td>
<td>GoK</td>
<td>1019</td>
</tr>
<tr>
<td>Enforcement of environmental</td>
<td>To build capacity for enforcing various</td>
<td>Levels of enforcements enhanced.</td>
<td>MEMR, NEMA</td>
<td>2008-2012</td>
<td>PPP</td>
<td>20</td>
</tr>
</tbody>
</table>
Water and Sanitation

<table>
<thead>
<tr>
<th>Goals</th>
<th>To Improve Access to water and sanitation and mitigate post election crisis impact on the Sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic Objectives 2008 – 2012</td>
<td>To address the post election impact in all affected areas and enhance access to water and sanitation</td>
</tr>
<tr>
<td>Strategic Thrusts</td>
<td>Restore and improve water facilities and access</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Programmes</th>
<th>Objectives</th>
<th>Expected Outcomes/Output</th>
<th>Implementing Agency</th>
<th>Time Frame</th>
<th>Source of Funds</th>
<th>Indicative Budget (in Kshs million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rehabilitation of facilities</td>
<td>To build and repair infrastructure destroyed during the violence</td>
<td>Destroyed infrastructure rebuild</td>
<td>MOWI</td>
<td>2008-2009</td>
<td>PPP</td>
<td>100</td>
</tr>
<tr>
<td>Water supply to displaced persons</td>
<td>To supply water to the displaced persons in and out of camps</td>
<td>Water provision for displaced persons</td>
<td>MOWI, MOASALD</td>
<td>2008-2009</td>
<td>PPP</td>
<td>45</td>
</tr>
</tbody>
</table>

Goals

<table>
<thead>
<tr>
<th>Strategic Objectives 2008 – 2012</th>
<th>Increase water access in urban and rural areas</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic Thrusts</td>
<td>Upgrade water supply and sanitation systems</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Programmes</th>
<th>Objectives</th>
<th>Expected Output/ Outcomes</th>
<th>Implementing Agency</th>
<th>Time Frame</th>
<th>Source of Funds</th>
<th>Indicative Budget (in Kshs million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water storage and supply programme</td>
<td>To expand and upgrade water supply systems in urban, rural and ASAL areas</td>
<td>Increased supply of water for domestic and livestock use</td>
<td>NWCPC, MWI, WRUAs, WSBs</td>
<td>2008-2012</td>
<td>GoK</td>
<td>6,000 8,000 10,650 11,800 13,000</td>
</tr>
<tr>
<td>Construction of multi-purpose water</td>
<td>To construct 2 multi-purpose water</td>
<td>Water availability increased</td>
<td>MWI, WRMAs, NWCPC,</td>
<td>2008-2012</td>
<td>GoK</td>
<td>2,000 3,000 3,000 4,000 4,000</td>
</tr>
<tr>
<td>Project Description</td>
<td>Expected Output/Outcomes</td>
<td>Implementing Agency</td>
<td>Time Frame</td>
<td>Source of Funds</td>
<td>Indicative Budget (in Kshs million)</td>
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</tr>
<tr>
<td>Construction of High Grand Rapids Falls Multipurpose Reservoir</td>
<td>To provide water backup for irrigation</td>
<td>Sustainable food supply</td>
<td>MWI, MoRDA</td>
<td>2008-2011</td>
<td>GoK</td>
<td>60</td>
</tr>
<tr>
<td>Irrigation and Drainage</td>
<td>To promote agricultural productivity in ASALs</td>
<td>Yatta Canal extended by 100km and two uptake dams constructed</td>
<td>MWI, WSBs, NWCPC, MORDA</td>
<td>2008-2011</td>
<td>GoK</td>
<td>300</td>
</tr>
<tr>
<td>Urban sewerage</td>
<td>To construct and expand urban sewerage</td>
<td>Improved sanitation and hygiene; Reduced environmental pollution</td>
<td>MWI, WRMAs, MOPHS</td>
<td>2008-2012</td>
<td>GoK</td>
<td>1,800</td>
</tr>
<tr>
<td>Water resources information management</td>
<td>To establish and upgrade data recording and information management systems</td>
<td>Operational water resources information management systems</td>
<td>MWI, WRMAs</td>
<td>2008-2012</td>
<td>GoK</td>
<td>50</td>
</tr>
</tbody>
</table>

**SUB TOTAL**

| | | | | | |
| | 12,788 | 44,368 | 40,186 | 33,541 | 23,836 |

### D4 POPULATION, URBANISATION AND HOUSING

#### Population

**Goals**

To manage population growth and trends for well-being of all Kenyans

**Strategic Objectives 2008 – 2012**

To reduce population growth rate from 2.9 per cent in 1999 to 2.4 per cent by 2012

**Strategic Thrust**

Update data on population and awareness creation

<table>
<thead>
<tr>
<th>Programmes</th>
<th>Objectives</th>
<th>Expected Output/Outcomes</th>
<th>Implementing Agency</th>
<th>Time Frame</th>
<th>Source of Funds</th>
<th>Indicative Budget (in Kshs million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population Policy Review</td>
<td>To develop consistent Population programmes and strategies</td>
<td>Enhanced integration of population issues in public policies, plans and expenditure framework</td>
<td>NCAPD, KNBS, MPND, MOH</td>
<td>2008-2009</td>
<td>GoK</td>
<td>50</td>
</tr>
<tr>
<td>Programme</td>
<td>Objectives</td>
<td>Expected Output/ Outcomes</td>
<td>Implementing Agency</td>
<td>Time Frame</td>
<td>Source of Funds</td>
<td>Indicative Budget (in Kshs million)</td>
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</tr>
<tr>
<td>Metropolitan Development</td>
<td>To prepare 6 metropolitan development and for special local authorities and border towns and municipalities;</td>
<td>Increased GDP growth, expanded urban economy and improved Urban governance</td>
<td>MoL, MOF, MOHousing, MOLG, Nairobi Metropolitan, MPND, MENR, NEMA, NESCO, KARA, KLDA</td>
<td>2008-2012</td>
<td>PPP</td>
<td>1,090  760  300  275  275</td>
</tr>
<tr>
<td>Physical Development Plans</td>
<td>To provide a framework for the development of three Resort Cities</td>
<td>Well planned Resort Cities, increased tourist facilities and overall contribution to tourism industry</td>
<td>Ministries (Lands, Local Govt, Tourism, State for National Heritage)</td>
<td>2008-2011</td>
<td>GoK</td>
<td>20  20  10  10  10</td>
</tr>
</tbody>
</table>
### Strategic Objectives 2008 – 2012

Improve the livelihoods of 200,000 slum dwellers under the KENUP; service 100,000 plots through PPP’s; Produce 55,000 units under employer incentives programme, 100,000 under urban renewal development programme and improvement of 1 million rural houses.

**Strategic Thrust**
Facilitate the development and access to affordable and adequate housing

<table>
<thead>
<tr>
<th>Programme</th>
<th>Objectives</th>
<th>Expected Output/ Outcomes</th>
<th>Implementing Agency</th>
<th>Time Frame</th>
<th>Source of Funds</th>
<th>Indicative Budget (in Kshs million)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Physical and social infrastructure development in informal settlements</strong></td>
<td>To improve the lives of at least 2.5 million people living and working in slums and informal settlements by 2012</td>
<td>Better living conditions in terms of decent housing and access to social and physical infrastructure</td>
<td>KENSUP, Local Authorities</td>
<td>2008-2012</td>
<td>PPP</td>
<td>10,000 20,000 10,000 6,000 6,075</td>
</tr>
<tr>
<td><strong>Housing stock Development</strong></td>
<td>Produce 200,000 housing units under various initiatives;</td>
<td>Increased housing stock</td>
<td>The Private Sector, NHC, Local Authorities</td>
<td>2008-2012</td>
<td>PPP</td>
<td>350 400 400 400 400</td>
</tr>
<tr>
<td><strong>Low-cost building materials initiative and Housing Technology Centres</strong></td>
<td>To reduce housing construction costs through promotion and use of appropriate building materials and technology</td>
<td>Enhanced building capacity.</td>
<td>MOHSE, NHC</td>
<td>2008-2012</td>
<td>PPP</td>
<td>360 400 440 440 480</td>
</tr>
</tbody>
</table>

### Strategic Objectives 2008 – 2012

Increase access to finance for low income households by 30 per cent; Increase access to finance for developers by 30 per cent

**Strategic Thrust**
Enhance access to adequate finance for both developers and buyers

<table>
<thead>
<tr>
<th>Programmes</th>
<th>Objectives</th>
<th>Expected Output/ Outcomes</th>
<th>Implementing Agency</th>
<th>Time Frame</th>
<th>Source of Funds</th>
<th>Indicative Budget (in Kshs million)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Secondary Mortgage Finance Corporation</strong></td>
<td>To mobilize resources for housing</td>
<td>Accessible and affordable long term housing finance.</td>
<td>MOF, MOHSE, KEPSA, NHC</td>
<td>2008 – 2012</td>
<td>PPP</td>
<td>40 80 100 60 40</td>
</tr>
<tr>
<td><strong>National Housing Fund</strong></td>
<td>To avail funds for low cost housing development</td>
<td>An operational Housing Fund</td>
<td>MOHSE, MoF, AG,</td>
<td>2008 – 2012</td>
<td>PPP</td>
<td>- 17,000* 17,000* 17,000* 17,000*</td>
</tr>
<tr>
<td><strong>Housing and Infrastructure Bonds.</strong></td>
<td>To mobilize more funds for housing development</td>
<td>Increased funding for housing sector</td>
<td>CMA, NHC, MOF, MOPND</td>
<td>2008 – 2012</td>
<td>PPP</td>
<td>** ** ** ** **</td>
</tr>
<tr>
<td>Strategic Objectives 2008 – 2012</td>
<td>Reduce Housing Plans approval Period from more than 180 days to no more than 90 days; Increase by 50 per cent every year the number of contractors in various categories</td>
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<tr>
<td>Strategic Thrust</td>
<td>Reform the Legislative institutional and regulatory framework</td>
<td></td>
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</tr>
<tr>
<td>Programmes</td>
<td></td>
<td></td>
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</tr>
<tr>
<td><strong>Enactment of Housing Bill (2006)</strong></td>
<td>To enact the Housing Bill 2206</td>
<td></td>
<td></td>
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</tr>
<tr>
<td><strong>Expected Output/ Outcomes</strong></td>
<td>An enabling legislative framework for housing development and coordination.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Implementing Agency</strong></td>
<td>Parliament AG, MoPH, KLRC, Cabinet</td>
<td></td>
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</tr>
<tr>
<td><strong>Time Frame</strong></td>
<td>2008-2010</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Sources of Funds</strong></td>
<td>PPP</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td><strong>Waste Management Systems in selected Local Authorities</strong></td>
<td>To provide waste management systems in Local Authorities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Expected Output/ Outcomes</strong></td>
<td>Cleaner and improved living environment for urban residents</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Implementing Agency</strong></td>
<td>MOLG, MOW, MOH, MOEnv</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td><strong>Time Frame</strong></td>
<td>2008-2012</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Sources of Funds</strong></td>
<td>PPP</td>
<td></td>
<td></td>
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</tr>
<tr>
<td><strong>SUB TOTAL</strong></td>
<td>13,080, 43,350, 29,430, 24,885, 24,870</td>
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</tr>
</tbody>
</table>

*This was estimated as 5% of Government Revenue. Actual amount will be arrived at in consultation with Ministry of Finance after finalization of the Housing Bill is being finalized

**The amount of funds to be raised through Housing Bond will be determined by the performance of the economy and the specific institutions that intend to raise money for housing through bonds

**D5 GENDER, VULNERABLE GROUPS AND THE YOUTH

**Gender

<table>
<thead>
<tr>
<th>Goals</th>
<th>To deal with gender concerns arising from the post election crisis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic Objectives 2008 – 2012</td>
<td>To Address the effect of post election crisis on women</td>
</tr>
<tr>
<td>Strategic Thrust</td>
<td>Women Participation in peace building and reconciliation efforts</td>
</tr>
<tr>
<td>Programmes</td>
<td></td>
</tr>
<tr>
<td><strong>Sexual and Gender Based Violence (SGBV) Programme</strong></td>
<td>To strengthen women participation in peace and reconciliation committees. Sensitize communities in SGBV</td>
</tr>
<tr>
<td><strong>Expected Output/ Outcomes</strong></td>
<td>Community sensitized on peace and reconciliation SGBV cases reduced</td>
</tr>
<tr>
<td><strong>Implementing Agency</strong></td>
<td>MOSP, MOG and MOJ</td>
</tr>
<tr>
<td><strong>Time Frame</strong></td>
<td>2008</td>
</tr>
<tr>
<td><strong>Source of Funds</strong></td>
<td>PPP</td>
</tr>
<tr>
<td><strong>Gender</strong></td>
<td>To conduct a survey on IDP</td>
</tr>
<tr>
<td><strong>Expected Output/ Outcomes</strong></td>
<td>Gender disaggregated profiles of</td>
</tr>
<tr>
<td><strong>Implementing Agency</strong></td>
<td>MOSP, MOG</td>
</tr>
<tr>
<td><strong>Time Frame</strong></td>
<td>2008</td>
</tr>
<tr>
<td><strong>Source of Funds</strong></td>
<td>PPP</td>
</tr>
<tr>
<td>Goals</td>
<td>Gender equity in participation, power, resource distribution and socio-economic opportunities</td>
</tr>
<tr>
<td>---------------------------------------------------------------------</td>
<td>-----------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Strategic Objectives 2008 – 2012</td>
<td>Promote gender equity</td>
</tr>
<tr>
<td>Strategic Thrust</td>
<td>Gender mainstreaming in policies and programmes</td>
</tr>
<tr>
<td></td>
<td>Increase participation of women in all socio-economic and political processes</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Programmes</th>
<th>Objectives</th>
<th>Expected Output/ Outcomes</th>
<th>Implementing Agency</th>
<th>Time Frame</th>
<th>Source of Funds</th>
<th>Indicative Budget (in Kshs million)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>To mainstream gender issues in policies, programmes and M&amp;E framework</td>
<td>Gender sensitive plans, policies, programmes and laws</td>
<td>MoG&amp;CA, NCGD, All government agencies</td>
<td>2008-2012</td>
<td>GoK</td>
<td>59</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Gender Responsive Budgeting</td>
<td></td>
<td></td>
<td>59</td>
<td>59.5</td>
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<td>59.5</td>
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</tr>
<tr>
<td></td>
<td>To institute policy changes and legislation to increase women representation at all levels in</td>
<td>Affirmative action in place</td>
<td>MoG&amp;CA, All government agencies, UNIFEM</td>
<td>2008-2012</td>
<td>GoK</td>
<td>17</td>
</tr>
<tr>
<td></td>
<td>Government and private sector</td>
<td>Gender sensitive policies and laws in place</td>
<td></td>
<td></td>
<td>17</td>
<td>17</td>
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<td></td>
<td>To implement the regional and international instruments on gender</td>
<td>Regional and international instruments domesticated</td>
<td>MoG&amp;CA, All government agencies, UNFPA</td>
<td>2008-2012</td>
<td>GoK</td>
<td>10</td>
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</tbody>
</table>
### Strategic Objectives 2008 – 2012

To institute economic empowerment programme

### Strategic Thrust

The Women Enterprise Fund to provide Kenyan women with alternative financial services

<table>
<thead>
<tr>
<th>Programmes</th>
<th>Objectives</th>
<th>Expected Output/ Outcomes</th>
<th>Implementing Agency</th>
<th>Time Frame</th>
<th>Source of Funds</th>
<th>Indicative Budget (in Kshs million)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>MoG&amp;CA, Women Enterprise Fund Advisory Board, MFIs</td>
<td>2008-2012</td>
<td>GoK</td>
<td>1,000 1,000 1,000 1,000 1,000</td>
</tr>
<tr>
<td>Women Enterprise Fund</td>
<td>To improve access for women to alternative financial services</td>
<td>Women empowered economically</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Vulnerable Groups

**Goals**

Improve livelihoods of all vulnerable groups

**Strategic Objectives 2008 – 2012**

To institute Socio-Economic empowerment programmes for all vulnerable groups

**Strategic Thrust**

Resettle of Internally Displaced Persons

Establish of a consolidated Social Protection Fund

Fully implement the Disability Fund

<table>
<thead>
<tr>
<th>Programmes</th>
<th>Objectives</th>
<th>Expected Output/ Outcomes</th>
<th>Implementing Agency</th>
<th>Time Frame</th>
<th>Source of Funds</th>
<th>Indicative Budget (in Kshs million)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>MOSP, OOP</td>
<td>2008-2009</td>
<td>PPP</td>
<td>150 100 - - -</td>
</tr>
<tr>
<td>Resettlement of Internally Displaced Persons</td>
<td>To resettle IDPs through establishment of district peace and reconciliation committees</td>
<td>Peaceful co-existence among communities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consolidated Social Protection Fund</td>
<td>To provide financial support to all Vulnerable groups</td>
<td>Increased beneficiaries of cash transfer and economic empowerment of all vulnerable groups</td>
<td>MoG&amp;CA, development partners</td>
<td>2008-2012</td>
<td>GoK</td>
<td>230 230 230 230 230</td>
</tr>
<tr>
<td>Disability Fund</td>
<td>To provide financial support to persons with disabilities</td>
<td>Full Implementation of the disability fund</td>
<td>MoG&amp;CA</td>
<td>2008-2012</td>
<td>GoK</td>
<td>15 15 15 15 15</td>
</tr>
<tr>
<td>Programmes</td>
<td>Objectives</td>
<td>Expected Output/ Outcomes</td>
<td>Implementing Agency</td>
<td>Time Frame</td>
<td>Source of Funds</td>
<td>Indicative Budget (in Kshs million)</td>
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</tr>
<tr>
<td>Child protection Programme</td>
<td>To strengthen child protection services</td>
<td>Number of children under adoption, foster care and guardianship services increased</td>
<td>MoG&amp;CA</td>
<td>2008-2012</td>
<td>GoK</td>
<td>1,220</td>
</tr>
<tr>
<td>Care and treatment of vulnerable groups in prisons</td>
<td>To increase care for offenders with special needs</td>
<td>Increased care for offenders</td>
<td>MoHA,</td>
<td>2008-2012</td>
<td>GoK</td>
<td>2180</td>
</tr>
<tr>
<td>HIV and AIDS programme</td>
<td>To Develop programmes aimed at reducing the infection rate of HIV and AIDS</td>
<td>Reduced HIV and AIDS infection rate</td>
<td>DGSS, NACC, MOH</td>
<td>2008-2012</td>
<td>PPP</td>
<td>110</td>
</tr>
<tr>
<td>Strategic Grain Reserve Programme</td>
<td>To Maintain strategic grain reserve</td>
<td>Enhanced food security</td>
<td>MOSP, NCPB</td>
<td>2008-2012</td>
<td>GoK</td>
<td>3,700</td>
</tr>
<tr>
<td>Famine Relief Programme</td>
<td>To purchase and distribute famine relief items</td>
<td>Reduced impact of famine on the vulnerable</td>
<td>MOSP, NCPB</td>
<td>2008-2012</td>
<td>GoK</td>
<td>4,000</td>
</tr>
<tr>
<td>National Drought Contingency Fund</td>
<td>To establish and operationalize the National Drought Contingency Fund</td>
<td>A sustainable National Drought Contingency Fund</td>
<td>MOSP</td>
<td>2008-2012</td>
<td>GoK</td>
<td>500</td>
</tr>
<tr>
<td>Infrastructure for ASAL projects</td>
<td>To facilitate and create infrastructure for ASAL projects</td>
<td>Enhanced ASAL Development</td>
<td>MOSP, World Bank</td>
<td>2008-2012</td>
<td>PPP</td>
<td>1,700</td>
</tr>
<tr>
<td>Western Kenya Community Development and Flood Mitigation Project</td>
<td>To construct dykes and put measures to mitigate against floods</td>
<td>Dykes and flood mitigation measures put in place</td>
<td>MOSP, IDA</td>
<td>2008-2012</td>
<td>PPP</td>
<td>20</td>
</tr>
</tbody>
</table>
### Strategic Objectives 2008 – 2012
To institutionalize a Monitoring and Evaluation Programme for Vulnerable groups

#### Programme
Monitoring and Evaluation Framework

<table>
<thead>
<tr>
<th>Projects</th>
<th>Objectives</th>
<th>Expected Output/ Outcomes</th>
<th>Implementing Agency</th>
<th>Time Frame</th>
<th>Source of Funds</th>
<th>Indicative Budget (in Kshs million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Integrated Management Information System</td>
<td>To establish an integrated management information system for vulnerable groups</td>
<td>Database developed</td>
<td>MOHA, MOSP, MoG&amp;CA</td>
<td>2008-2012</td>
<td>PPP</td>
<td>500 2012 2011/12 2012/13 10</td>
</tr>
<tr>
<td>Early Warning System</td>
<td>Expand the National Early Warning System</td>
<td>Early Warning System expanded</td>
<td>MOSP</td>
<td>2008-2012</td>
<td>PPP</td>
<td>500 500 500 500 500</td>
</tr>
</tbody>
</table>

#### Youth
To deal with youth concerns arising from post election crisis

#### Strategic Objectives 2008 – 2012
Campaign against violence and crime, attitudinal change, character building and nationhood targeting the youth

#### Strategic Thrust
Youth participation in peace building and reconciliation efforts

<table>
<thead>
<tr>
<th>Programmes</th>
<th>Objectives</th>
<th>Expected Output/ Outcomes</th>
<th>Implementing Agency</th>
<th>Time Frame</th>
<th>Source of Funds</th>
<th>Indicative Budget (in Kshs million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reconstruction of burnt houses</td>
<td>To facilitate the youth in reconstruction of burnt houses</td>
<td>Youth engaged in reconstruction</td>
<td>MOYS, MOSP</td>
<td>2008-2009</td>
<td>PPP</td>
<td>50 2012/12 2012/13 2012/13 2012/13</td>
</tr>
<tr>
<td>Programme</td>
<td>Objectives</td>
<td>Expected Output/ Outcomes</td>
<td>Implementing Agency</td>
<td>Time Frame</td>
<td>Source of Funds</td>
<td>Indicative Budget (in Kshs million)</td>
</tr>
<tr>
<td>-----------------------------------------------------</td>
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<td>-------------------------------------------------------</td>
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<td>-------------------------------------</td>
</tr>
<tr>
<td><strong>Youth Empowerment Centres</strong></td>
<td>To establish and rehabilitate youth empowerment centres</td>
<td>Increased access to services and information for the youth</td>
<td>MOYS</td>
<td>2008-2012</td>
<td>PPP</td>
<td>15  1,350  4,000  3,000  2,000</td>
</tr>
<tr>
<td><strong>Youth Enterprise Fund</strong></td>
<td>To provide financial support to young entrepreneurs</td>
<td>Youth empowered through job creation</td>
<td>MOYS</td>
<td>2008-2012</td>
<td>GoK</td>
<td>700  700  700  700  700</td>
</tr>
<tr>
<td><strong>Technical and Vocational Training Programme</strong></td>
<td>To enhance Technical and Vocational Training</td>
<td>Improved Technical and Vocational Training</td>
<td>MOYS, MOPW, KIE/KNCD/MOST/KE</td>
<td>2008-2012</td>
<td>PPP</td>
<td>5,000  10,000  15,000  10,000  10,000</td>
</tr>
<tr>
<td><strong>National Youth Council</strong></td>
<td>To establish and operationalize a National Youth Council</td>
<td>Youth Policy and Action Plans implemented</td>
<td>MOYS</td>
<td>2008-2012</td>
<td>GoK</td>
<td>1,100  4,500  6,200  7,600  6,600</td>
</tr>
<tr>
<td><strong>Youth Employment Bureau</strong></td>
<td>To establish youth employment bureau for domestic and foreign job</td>
<td>Youth employment bureau operational</td>
<td>MOYS</td>
<td>2008-2012</td>
<td>GoK</td>
<td>1  50  1,000  1,000  4,500</td>
</tr>
<tr>
<td><strong>Library Services</strong></td>
<td>To increase the access to library services</td>
<td>Increased access to information materials</td>
<td>KNLS</td>
<td>2008-2012</td>
<td>GoK</td>
<td>30  30  30  30  30</td>
</tr>
<tr>
<td><strong>Tree Planting Campaign</strong></td>
<td>To establish 1 billion tree planting campaign to create jobs for the youth</td>
<td>Jobs created for the youth</td>
<td>MOYS,</td>
<td>2008-2012</td>
<td>PPP</td>
<td>-  -  -  -  -</td>
</tr>
<tr>
<td>Programme</td>
<td>Objectives</td>
<td>Expected Output/ Outcomes</td>
<td>Implementing Agency</td>
<td>Time Frame</td>
<td>Source of Funds</td>
<td>Indicative Budget (in Kshs million)</td>
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</tr>
<tr>
<td>Development of regional sports facilities (e.g Stadiums)</td>
<td>To rehabilitate and develop all sports facilities in all provinces</td>
<td>Improved sporting facilities and 30 stadiums developed, Improved youth participation</td>
<td>MOYS</td>
<td>2008-2012</td>
<td>GoK</td>
<td>2300</td>
</tr>
<tr>
<td>International Academy of Sports</td>
<td>To construct an international Academy of Sports</td>
<td>Sports academy established</td>
<td>MOYS</td>
<td>2008-2012</td>
<td>PPP</td>
<td>300</td>
</tr>
<tr>
<td>Sports Tourism programme</td>
<td>To identify and develop various sites for sports tourism</td>
<td>Sports tourism developed</td>
<td>KTB/SSMB/ MOYS</td>
<td>2008-2012</td>
<td>PPP</td>
<td>200</td>
</tr>
<tr>
<td>Sports Lottery</td>
<td>To establish a sports lottery fund</td>
<td>Sports teams and persons awarded for achievement</td>
<td>MOYS</td>
<td>2008-2012</td>
<td>PPP</td>
<td>100</td>
</tr>
<tr>
<td>International Centre for Arts and Culture</td>
<td>To establish an international centre for Arts and Culture</td>
<td>Centre for Arts and Culture established</td>
<td>MoCNH, SSMB</td>
<td>2008-2012</td>
<td>PPP</td>
<td>1,200</td>
</tr>
<tr>
<td>National Hall of Fame</td>
<td>To establish a National Hall of Fame</td>
<td>Hall of Fame established to honour special talents in the society</td>
<td>Music commission of Kenya, MOYS, MOE</td>
<td>2008-2012</td>
<td>PPP</td>
<td>640</td>
</tr>
<tr>
<td>Music and Performing Arts</td>
<td>To identify and develop music and performing Arts Talent</td>
<td>Role of music and performing arts recognized</td>
<td>Music commission of Kenya, MOYS</td>
<td>2008-2012</td>
<td>GoK</td>
<td>53</td>
</tr>
<tr>
<td>Music and Heritage Archive</td>
<td>To document, Conserve and preserve the music of Kenya for reference and national posterity</td>
<td>National reference point for posterity and pride</td>
<td>Music Commission of Kenya</td>
<td>2008-2012</td>
<td>GoK</td>
<td>57</td>
</tr>
<tr>
<td>Strategic Objectives 2008 – 2012</td>
<td>To mainstream Youth issues in Policy and Programmes</td>
<td></td>
<td></td>
<td></td>
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<td>----------------------------------</td>
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<td></td>
</tr>
<tr>
<td>Strategic Thrust</td>
<td>To integrate and harmonize Youth Issues in Policies and Programmes</td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Programme</td>
<td>Objectives</td>
<td>Expected Output/ Outcomes</td>
<td>Implementing Agency</td>
<td>Time Frame</td>
<td>Source of Funds</td>
<td>Indicative Budget (Kshs million)</td>
</tr>
<tr>
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<td></td>
<td></td>
<td></td>
<td>100</td>
</tr>
<tr>
<td>SUB TOTAL</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>28,122</td>
</tr>
</tbody>
</table>
## EQUITY AND WEALTH CREATION OPPORTUNITIES

<table>
<thead>
<tr>
<th>Goals</th>
<th>Equal Socio-Economic Opportunities and Poverty Reduction</th>
</tr>
</thead>
</table>

### Strategic Objectives 2008 – 2012
- To reduce poverty incidence
- To reduce regional, income and gender disparities

### Strategic Thrust
To ensure equity and poverty reduction through creation of opportunities

<table>
<thead>
<tr>
<th>Programme</th>
<th>Objectives</th>
<th>Expected Output/ Outcomes</th>
<th>Implementing Agency</th>
<th>Time Frame</th>
<th>Source of Funds</th>
<th>Indicative Budget (Kshs million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Strategy for Good Governance and Effectiveness of Devolved Funds</td>
<td>To develop an integrated National Strategy to promote Good Governance and Effectiveness of Devolved Funds</td>
<td>Improved Governance and effective service delivery at devolved level</td>
<td>MPND, CDF Board</td>
<td>2008-2012</td>
<td>PPP</td>
<td>10  60  60  60  60</td>
</tr>
<tr>
<td>Poverty Profiling</td>
<td>To identify and locate the poor, create their Profiles and determine their needs</td>
<td>Improved targeting and design of poverty interventions</td>
<td>MPND, KNBS</td>
<td>2008-2012</td>
<td>PPP</td>
<td>113  15  10  10  10</td>
</tr>
<tr>
<td>Poverty Targeted Programmes</td>
<td>To develop targeted pro-poor policies, programmes and projects</td>
<td>Improved targeting of the poor</td>
<td>MPND</td>
<td>2008-2012</td>
<td>PPP</td>
<td>270  280  320  370  420</td>
</tr>
</tbody>
</table>

| SUB TOTAL | 393  355  390  440  490 |
| SOCIAL PILLAR TOTAL | 118,283  189,060  193,178  182,148  178,747 |
## GOVERNANCE AND THE RULE OF LAW

<table>
<thead>
<tr>
<th>Goal</th>
<th>Sustainable peace, justice and human rights through the rule of law and respect for human rights across Kenya</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Strategic Objective 2008 – 2012</strong></td>
<td>Flagship projects identified under the National Accord to be successfully implemented</td>
</tr>
<tr>
<td><strong>Strategic Thrust</strong></td>
<td>National Initiatives based on the National Accord</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Programme/Project</th>
<th>Specific Objectives</th>
<th>Expected Output/Outcomes</th>
<th>Implementing Agency</th>
<th>Time Frame</th>
<th>Source of Funds</th>
<th>Indicative Budget (Kshs Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>New Constitution</strong></td>
<td>To finalise a new constitution for Kenyans</td>
<td>New constitution in place</td>
<td>Statutory Body/MoJCA/SLO</td>
<td>2008-2009</td>
<td>GoK</td>
<td>6,000</td>
</tr>
<tr>
<td><strong>TJRC</strong></td>
<td>To inquire into human rights violations, including those committed by the state, groups or individuals between 12th December 1963 and 28th February 2008</td>
<td>TJRC process successfully completed, and subsequent processes rolled out</td>
<td>TJRC/MoJCA</td>
<td>2008-2010</td>
<td>GoK</td>
<td>500</td>
</tr>
<tr>
<td><strong>IREC</strong></td>
<td>To investigate all aspects of the 2007 Presidential election</td>
<td>Report on findings and recommendations to improve the electoral process completed and disseminated</td>
<td>IREC/MoJCA</td>
<td>2008</td>
<td>GoK</td>
<td>150</td>
</tr>
<tr>
<td><strong>CIPEV</strong></td>
<td>To investigate the facts, circumstances related to acts of violence that followed the 2007 Presidential Election, between 28 December 2007 and 28 February 2008 &amp; to investigate actions or omissions of state security agencies during the course of the violence</td>
<td>Report recommending measures of a legal, political or administrative nature, including measures to bring to justice those people responsible for criminal acts, successfully completed and forwarded for action (incl. To the TJRC)</td>
<td>CIPEV/MoJNCCA</td>
<td>2008-2009</td>
<td>GoK</td>
<td>250</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
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<tbody>
<tr>
<td>New Constitution</td>
<td>6,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>TJRC</td>
<td>500</td>
<td>500</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>IREC</td>
<td>150</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>CIPEV</td>
<td>250</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Goal</td>
<td>Genuinely competitive and issue-based politics, buttressed by credible electoral processes</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strategic Objective 2008 – 2012</td>
<td>To enact and put into operation the necessary legal and institutional framework to support credible electoral, and issue-based political, processes</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strategic Thrust</td>
<td>Electoral and Political Processes</td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Programme</th>
<th>Specific Objectives</th>
<th>Expected Output/Outcomes</th>
<th>Implementing Agency</th>
<th>Time Frame</th>
<th>Source of Funds</th>
<th>Indicative Budget (Kshs Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal, Ethics and Constitutional Reform Programme</td>
<td>To promote ethics, integrity, justice, democracy, human rights, national cohesion and constitutionalism</td>
<td>Relevant electoral reform initiatives successfully implemented</td>
<td>MoJNCCA</td>
<td>2008-2012</td>
<td>GoK</td>
<td>8</td>
</tr>
<tr>
<td>Legislation and Oversight</td>
<td>To make law, provide oversight and promote transparency and accountability</td>
<td>Political parties legal framework successfully operationalised</td>
<td>National Assembly</td>
<td>2008-2012</td>
<td>GoK</td>
<td>24 25 16 17 19</td>
</tr>
<tr>
<td>Electoral Processes</td>
<td>To provide voter education</td>
<td>Voter education initiatives successfully carried out</td>
<td>Electoral Commission of Kenya</td>
<td>2008-2012</td>
<td>GoK</td>
<td>5 5  -  -  -</td>
</tr>
</tbody>
</table>

| Goal | To develop a people-centred and politically-engaged open society |
| Strategic Objective 2008 – 2012 | To enact and operationalise the policy, legal and institutional framework needed to enhance democratic participation |
| Strategic Thrust | To enhance democracy and public participation |

<table>
<thead>
<tr>
<th>Programme</th>
<th>Specific Objectives</th>
<th>Expected Output/Outcomes</th>
<th>Implementing Agency</th>
<th>Time Frame</th>
<th>Source of Funds</th>
<th>Indicative Budget (Kshs. Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal, Ethics and Constitutional Reform Programme</td>
<td>To promote ethics, integrity, justice, democracy, human rights, national cohesion and constitutionalism</td>
<td>Relevant political reform initiatives successfully implemented</td>
<td>MoJNCCA</td>
<td>2008-2012</td>
<td>GoK</td>
<td>15 14 15 14 15</td>
</tr>
<tr>
<td>Electoral/Civic Processes</td>
<td>To provide civic education</td>
<td>Voter education initiatives successfully carried out</td>
<td>Electoral Commission of Kenya</td>
<td>2008-2012</td>
<td>GoK</td>
<td>20</td>
</tr>
<tr>
<td>--------------------------</td>
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</tr>
</tbody>
</table>

**Goal**

Transparent, accountable, ethical and results-oriented Government institutions

**Strategic Objective 2008 – 2012**

To enact and operationalise the policy, legal and institutional framework needed to strengthen public accountability, transparency and integrity

**Strategic Thrust**

Transparency and Accountability

<table>
<thead>
<tr>
<th>Programme</th>
<th>Specific Objectives</th>
<th>Expected Output/Outcomes</th>
<th>Implementing Agency</th>
<th>Time Frame</th>
<th>Source of Funds</th>
<th>Indicative Budget (Kshs Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal, Ethics and Constitutional Reform Programme</td>
<td>To promote ethics, integrity, justice, democracy, human rights, national cohesion and constitutionalism</td>
<td>Relevant ethics, accountability, transparency and integrity reform initiatives successfully implemented</td>
<td>MoJNCCA</td>
<td>2008-2012</td>
<td>GoK</td>
<td>143</td>
</tr>
<tr>
<td>Legal Services</td>
<td>To protect human rights and democracy, and facilitate and promote the rule of law</td>
<td>Effective prosecution and management of corruption-related cases</td>
<td>SLO</td>
<td>2008-2012</td>
<td>GoK</td>
<td>3</td>
</tr>
<tr>
<td>Dispensation of Justice</td>
<td>To efficiently dispense independent &amp; accessible justice to all</td>
<td>Effective and efficient case management with respect to corruption-related cases</td>
<td>Judiciary</td>
<td>2008-2012</td>
<td>GoK</td>
<td>5</td>
</tr>
<tr>
<td>Audit Services</td>
<td>To provide assurance that national resources are optimally utilised and managed in the public good</td>
<td>Audit services capacity and performance successfully enhanced</td>
<td>Kenya National Audit Office</td>
<td>2008-2012</td>
<td>GoK</td>
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<tr>
<td>Legislation and Oversight</td>
<td>To make law, provide oversight and promote transparency and accountability</td>
<td>Effective and efficient oversight of the Executive in policy execution and accountability matters</td>
<td>National Assembly</td>
<td>2008-2012</td>
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<td>Anti-Corruption</td>
<td>To promote good governance and a corruption free and</td>
<td>Anti-Corruption capacity and performance successfully enhanced</td>
<td>Kenya Anti-Corruption Commission</td>
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<td>GoK</td>
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<td>Programme</td>
<td>Specific Objectives</td>
<td>Expected Output/Outcomes</td>
<td>Implementing Agency</td>
<td>Time Frame</td>
<td>Source of Funds</td>
<td>Indicative Budget (Kshs Million)</td>
</tr>
<tr>
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<tr>
<td>GJLOS Sector Policy Framework</td>
<td>To operationalise GJLOS policy framework</td>
<td>GJLOS policy framework launched and operationalised</td>
<td>MoJNCCA, GJLOS Sector Institutions</td>
<td>2008-2012</td>
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<td>GJLOS Sector Systems Reform</td>
<td>To strengthen sector-wide GJLOS systems</td>
<td>Successful implementation of ICT systems according to plan</td>
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<tr>
<td>GJLOS Sector Capacity Development</td>
<td>To build capacity across the sector</td>
<td>Sector-wide capacity development programme successfully implemented</td>
<td>MoJNCCA, GJLOS Sector Institutions</td>
<td>2008-2012</td>
<td>GoK</td>
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<td>GJLOS Sector Working Infrastructure</td>
<td>To build and strengthen GJLOS working infrastructure</td>
<td>Infrastructure development successfully carried out according to plan</td>
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<td>2008-2012</td>
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<td>Objectives</td>
<td>Expected Outcomes/Output</td>
<td>Implementing Agency</td>
<td>Time Frame</td>
<td>Source of Funds</td>
<td>Indicative Budget (Kshs Million)</td>
</tr>
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<tr>
<td>Develop a Decentralization policy</td>
<td>To improve service delivery at the sub-national levels</td>
<td>More empowered citizens</td>
<td>MoLG</td>
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<td>GoK</td>
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<td>All relevant MDAs</td>
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<td>Other stakeholders</td>
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<td>Development of a Decentralization strategic framework</td>
<td>To enhance efficiency and effectiveness of devolved units</td>
<td>Delivery of quality services to all Kenyans</td>
<td>MoLGI</td>
<td>2009-2010</td>
<td>GoK</td>
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<td>Other stakeholders</td>
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<tr>
<td>Performance improvement and reform programme</td>
<td>To improve management of devolved activities</td>
<td>Improved public service delivery that meets citizen’s expectations</td>
<td>MoLGI</td>
<td>2008-2012</td>
<td>GoK</td>
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<td>ALGAK</td>
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<td>Relevant stakeholders</td>
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<td>Capacity building in local authorities</td>
<td>To develop a pool of highly skilled personnel</td>
<td>Improved service delivery</td>
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<td>2008-2012</td>
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<td>ALGAK</td>
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<td>All MDAs</td>
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<td>Relevant stakeholders</td>
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**Goal:** To put in place a democratic process of decentralisation of decision-making and resources management.
<table>
<thead>
<tr>
<th>Information Education and Communication</th>
<th>To enhance publicity and awareness and publicity by various publics</th>
<th>Public awareness on decentralisation raised</th>
<th>MoLG ALGAK MoIC</th>
<th>2009 - 2012/13</th>
<th>GoK</th>
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<th>200</th>
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<td>2,220</td>
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<td>POLITICAL PILLAR TOTAL</td>
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<td>602,103</td>
<td>924,928</td>
<td>880,282</td>
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</tbody>
</table>
Contact Information:
All enquiries relating to *Kenya Vision 2030* should be directed to:

The Permanent Secretary  
Office of the Prime Minister  
Ministry of State for Planning, National Development and *Vision 2030*  
Treasury Building, P.O. Box 30005 - 00100, Nairobi, Kenya  
Tel: +254-020-252299, Ext. 33101/33238  
e-mail: psplanning@planning.go.ke  
website: www.planning.go.ke