

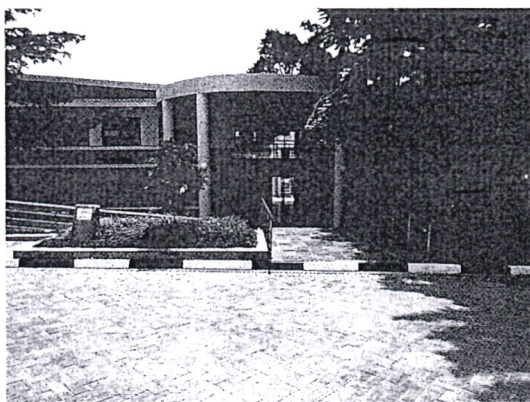
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NATIONAL INTELLIGENCE SERVICE

ANNUAL REPORT FOR THE YEAR 2013



Usalama wa Taifa Letu

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NATIONAL INTELLIGENCE SERVICE



Annual
Report | **2013**

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VISION

To be a professional Security Intelligence Service comparable to none that shall ensure a prosperous and secure Kenya

MISSION STATEMENT

To safeguard the Republic of Kenya against any threat emanating from within and without

MOTTO

Usalama Wa Taifa Letu (For the Security of Our Nation)



PREFACE

For the future of the country to remain prosperous, threats emanating from within and without have to be effectively neutralized and emerging opportunities exhaustively exploited. In line with the requirement under Section 77 of the NIS Act, 2012, this Annual Report examines how specific threats impacted on the national security of the country in 2013 and highlights the activities that the Service undertook to ensure the country and its citizens remained secure and safe.

The report specifically highlights how the Service engaged various stakeholders in the security sector including the National Police Service, the Directorate of Military Intelligence, the National Security Advisory Committee (NSAC) and regional and international partners.

In recognition of the vital role played by the human resource and financial factors, the report provides an account of the measures that the Service put in place to effectively manage its personnel and resources. It further provides strategies that have been initiated to effectively manage the security challenges in 2014.



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ACRONYMS AND ABBREVIATIONS

AU	African Union
ANC	African National Congress
APC	All Progressive Congress
ATPU	Anti-Terrorist Police Unit
AQIM	Al Qaeda in the Islamic Maghreb
BOT	Board of Trustees
CBAs	Collective Bargaining Agreements
CCM	Chama Cha Mapinduzi
CDPG	Career Development & Progression Guidelines
CISSA	Committee of Intelligence and Security Services of Africa
COMESA	Common Market for East and Southern Africa
CPA	Comprehensive Peace Agreement (Sudan)
DA	Democratic Alliance
DB	Defined Benefit Scheme
DC	Defined Contribution Scheme
DDPD	Doha Document for Peace in Darfu
DRC	Democratic Republic of Congo
DRR	Disciplinary Rules and Regulations
EAC	East African Community
EACC	Ethics and Anti-Corruption Commission
EFF	Economic Freedom Fighters
EPRDF	Ethiopian People's Revolutionary Democratic Front
FDI	Foreign Direct Investments
FDLR	Democratic Forces for the Liberation of Rwanda



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FRELIMO	Liberation Front of Mozambique
GDP	Gross Domestic Product
GPSO	Government Protective Security Office
HRMIS	Integrated Human Resource Management Information System
IAEA	International Atomic Energy Agency
ICT	Information Communication and Technology
IFMIS	Integrated Financial Management Information System
IFP	Inkatha Freedom Party
IGAD	Inter-Governmental Authority on Development
IOBC	Intelligence Officers Basic Course
KDF	Kenya Defence Forces
KPRL	Kenya Petroleum Refinery Ltd
KSIM	Kenya Security Intelligence Mechanism
LAPSSET	Lamu Port Southern Sudan-Ethiopia Transport Project
MCA	Members of County Assembly
MDC-T	Movement for Democratic Change-Tsvangirai
MRC	Mombasa Republican Council
MNLA	Movement for the Liberation of Azawad
MUJAO	Movement for Oneness and Jihad in West Africa
NACADA	National Authority for the Campaign Against Drug Abuse
NATO	North Atlantic Treaty Organization
NCTC	National Counter Terrorism Center
NCP	National Congress Party
NGOs	Non-governmental Organizations
NIS	National Intelligence Service or Service
NPR	National Police Service
NSAC	National Security Advisory Committee



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OLF	Oromo Liberation Front
ONLF	Ogaden National Liberation Front
OPDO	Oromo Peoples' Democratic Organization
PDP	Peoples' Democratic Party
RENAMO	Mozambican National Resistance
RCTC	Regional Counter-Terrorism Centre
SPLM	Sudan Peoples' Liberation Movement
TPLF	Tigrayan Peoples' Liberation Front
UN	United Nations
US	United States of America
ZANU-PF	Zimbabwe African National Union-Patriotic Front



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FOREWARD

I am pleased to present the Annual Report for the National Intelligence Service (NIS) which is prepared and submitted in accordance with the requirements of Section 77 of the NIS Act, 2012. The report assesses the threats that the country faced over the period January 2013 to December 2013. It also provides a summary of the many activities that the Service carried out to neutralize the threats and maintain national security.

The year marked a very important turning point in the country's history as it witnessed the holding of the first general elections under the new Constitution and the implementation of the county governance system. This however came with its own security and economic challenges which had to be surmounted to sustain overall national security. For instance, there were several attempts by terrorists to disrupt the elections through assassinations of key political leaders. Some teething problems were also experienced in the transition process to the county governance.



Other challenges that pre-occupied the Service included; ethnic tensions occasioned by competition over political supremacy and resources, livestock raids and counter-raids, increased activities of criminal gangs such as the Mombasa Republican Council (MRC), and Mungiki, food insecurity, persistent corruption and industrial unrests.

Transnational crimes such as terrorism, radicalization, drug trafficking and human smuggling also posed serious challenges to the country's national stability in 2013. These threats were largely attributed to instability in Somalia, that continues to provide a haven to Al-Shabaab leadership, widespread poverty among the youth, continued and unabated activities by extremist preachers, porosity of the country's expansive borders, the presence of drug and human smuggling cartels within the country and unmet socio-economic aspirations by a large number in the society. The country's major security challenge for the year was the Westgate terror attack which was planned in Somalia and claimed 67 lives and led to destruction of a significant amount of wealth and property.

To enhance the physical security for government vital installations and institutions as well as vulnerable public places such as malls and entertainment



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places, the Service conducted numerous security surveys and recommended protective measures to be put in place. The Service also intensified its procedures for vetting and carried out a number of measures, while it enhanced its collaboration with other security agencies and stakeholders in the security sector.

I believe that through continued goodwill and personal commitment of all members of the Service as well as the other stakeholders in the security sector, we will be able to effectively contain or minimize the numerous national security threats we are facing and deliver on the aspirations of our nation. I hope that all the stakeholders will find the information contained in the report beneficial.

(MAJ. GEN. MICHAEL GICHANGI, EGH, DCO)

DIRECTOR GENERAL

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NIS ROLES AND FUNCTIONS

The National Intelligence Service (NIS) is a national security organ established under Article 242 of the Constitution of Kenya (CoK) 2010 to be responsible for security intelligence and counter-intelligence. Under the overall coordination of the National Security Council (NSC), Article 240 of the CoK bestows the responsibility of protecting the country against internal and external threats to its territorial integrity and sovereignty, its people, their rights, freedoms, property, peace, stability and prosperity as well as other interests on the Service and other stakeholders in the security sector.

In addition to Article 242 of the CoK, the Service also derives its functions from Section 5 of the NIS Act 2012 which authorizes it to carry out the following:

- a) Gather, collect, analyse and transmit or share with relevant State agencies, security intelligence and counter intelligence;
- b) Detect and identify threats or potential threats to national security;
- c) Advise the President and Government on any threat or potential threat to national security;
- d) Safeguard and promote national security and national interests within and outside Kenya;
- e) Gather, evaluate and transmit departmental intelligence at the request of any State department or organ, agency or public entity;
- f) Regulate, in cooperation with any state department or agency, the flow of security intelligence between the Service and that state department or agency;
- g) Undertake to provide a confidential security report for:
 - i. Persons seeking to hold a vettable position,
 - ii. Persons seeking to be registered as citizens of Kenya, and
 - iii. Foreign institutions seeking documents or seeking to undertake any activity in the Republic which may have a bearing on national security.
- h) Carry out protective and preventive security functions within State Departments, agencies, facilities and diplomatic missions;
- i) Safeguard information systems and processes within state departments or agencies;



- j) Support and aid law enforcement agencies in detecting and preventing serious crimes and other threats to national security;
- k) Commission research relevant to the protection and promotion of national security;
- l) Make recommendations to the National Security Council on policies concerning security intelligence;
- m) Make recommendations to the President, NSC and Cabinet Secretary on policies concerning security measures which need to be taken by a state department or agency;
- n) Obtain intelligence about the activities of foreign interference and capabilities, intentions or activities of people or organisations outside Kenya;
- o) Liaise with intelligence or security services, agencies or other authorities in other countries;
- p) Cooperate with and assist other national security organs or agencies in discharge of their functions;
- q) Provide material support, advice and assistance to state offices, departments and public entities on matters relating to the security and integrity of information that is processed, stored or communicated by electronic or similar means; and
- r) Advise county governments on appropriate security and intelligence matters.

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EXECUTIVE SUMMARY

The country experienced several threats from the domestic as well as the international scene which together posed significant challenges to its national security. Threats from the domestic environment emanated largely from inter-ethnic tensions, cattle rustling, politicization of the devolution process and activities of criminal gangs such as the Mombasa Republican Council (MRC) and Mungiki.

In particular, competition over political supremacy, resources and boundary demarcations as well as livestock raids and counter-raids persisted in various parts of the country while the Mombasa Republican Council (MRC) and Mungiki intensified their criminal activities in some parts of the country. Corruption, food insecurity and labour unrests also continued to undermine the performance of the country's economic well-being.

Adverse spillover effects were also witnessed from the external environment, especially from the continued instability in the Horn of Africa and the Great Lakes region. These threats included heightened acts of terrorism, increased radicalization and a rise in drug trafficking and human smuggling.

In its efforts to ensure that the citizenry, their property and the state remained secure and safe, the National Intelligence Service (NIS) implemented a number of measures. These included; carrying out security surveys on key installations to assess their vulnerability to terror attacks and recommending measures to be put in place, vetting of personnel, companies, citizenship, societies and NGOs to ascertain that they do not pose a security threat; strengthening of the counter-intelligence operations; providing requisite intelligence to the National Security Advisory Committee (NSAC); cooperating closely with other security agencies such as the National Police Service, the National Counter Terrorism Center (NCTC), and the Directorate of Military Intelligence (DMI); collaborating with other stakeholders in the security sectors such as the Immigration Service, Kenya Revenue Authority, Kenya Ports Authority, Kenya Civil Aviation Authority, Ministry of Foreign Affairs, Directorate of Public Prosecution, National Disaster Operation Centre and the Kenya Wildlife Service; enhancing intelligence sharing with regional as well as international partners, and recruiting, training and deploying additional staff. The Service will continue to enhance these measures in 2014 in order to neutralize threats to the country's national security.



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PART I: POLITICAL AND SECURITY ENVIRONMENT

1.0 OVERVIEW OF THE POLITICAL AND SECURITY ENVIRONMENT

The Service was preoccupied with challenges associated with devolution, inter-ethnic tension, cattle rustling and activities of criminal gangs such as the Mombasa Republican Council (MRC) and Mungiki. Of concern to the Service was the increase in terrorism activities, radicalization, drug trafficking and human smuggling. These threats are still likely to continue to attract the attention of the Service as some of the underlying factors behind them are yet to be addressed.

1.1 THE POLITICAL SITUATION

The 2013 general elections were a key pre-occupation of the Service owing to challenges posed by Al Shabaab terrorist group, which was determined to assassinate key political leaders and disrupt the elections. The Service, through prompt and appropriate advice, ensured that the period of campaigns and voting were conducted peacefully despite the threat and other technical hitches. A Court petition challenging the Presidential election was also handled competently by the Judiciary, dispelling fears of eruption of violence.

The landmark elections witnessed a new political dispensation in terms of separation of powers between the three arms of government, with parliament trying to re-assert itself. Devolution also took off, with very high expectations from the citizens. The county governments, however, have been facing a number of challenges, like exclusion of some communities in the county leadership especially in Marsabit, Mandera, Tana River and Garissa counties, leading to ethnic related conflicts, supremacy battles between senators and governors, agitation for salary increment by Members of County Assembly (MCAs), agitation of increment of resources to county governments and, opposition to redeployment of some sectors of the civil service to the county governments, thus affecting service delivery. The Service, nonetheless, continued to provide both strategic and operational intelligence which helped in resolving some of the challenges and minimize the constraints associated with the transition to devolved governance.

Devolution politics is expected to remain active in 2014 particularly with regard to demands for additional allocation of resources to the counties. The Service shall remain seized with this matter noting the need to effectively manage the implementation of devolution through involvement of all stakeholders to minimize tension and possible derailment of the process.



1.2 THE SECURITY SITUATION

1.2.1 DOMESTIC SECURITY THREATS

a. Inter-Ethnic Tension

Inter-ethnic hostilities attributable to competition over political supremacy, pasture, water, land and boundary disputes persisted in various parts of the country leading to loss of lives, destruction of property and displacement of persons. Consequently, attacks and counter attacks among warring communities were witnessed in Marsabit, Wajir, Garissa, Mandera, Tana River, Narok, Nakuru and Kisumu, which the Service warned on and gave possible intervention measures, leading to reduction of hostilities. The situation was further compounded by heightened scramble for resources which emerged as a result of the implementation of the devolved system of governance. The inter-ethnic tension is expected to persist as the root causes, among them boundary disputes, competition for political supremacy, and scramble for scarce grazing resources remain largely unresolved.

b. Cattle Rustling

Livestock raids and counter raids intensified among Turkana, Pokot, Tugen, and Samburu pastoral communities leading to deaths and loss of property. The raids were fueled by continued proliferation of illegal firearms, over-reliance on pastoralism, outdated traditional cultural practices, management of the National Police Reservists and ill-equipped status of policing agencies. The situation was further compounded by cross border raids involving the Merille from Ethiopia and Toposa from South Sudan, which the Service continuously advised on. Besides the strategic and operational intelligence to relevant government agencies, the Service also collaborated with the Ministry of Interior and Coordination of National Government, in the formulation of the National Police Reserve (NPR) Policy and Small Arms and Light Weapons Management Bill, all aimed at strengthening NPR's management and enhancing its capacity to combat cattle rustling. The threat is likely to persist in 2014 unless the root causes are comprehensively addressed.

c. Criminal Gangs

i. Mombasa Republican Council

The Mombasa Republican Council (MRC) continued with agitation for secession through violent means due to widespread unemployment, the land issue and perceived marginalization within the Coast region. Specifically, the group's continued attacks against security personnel, government institutions and up



country people and their property, have been the key focus of the Service. Strategic and operational warnings were issued on the group's intensified recruitment, oathing and training of youth in Kilifi and Kwale counties as well as their cooperation with Al Shabaab in training in weapon handling. In addition, the Service formulated a comprehensive strategy on dealing with the group. However, in 2014, the group is likely to continue capitalizing on the widespread unemployment in Coast region to pursue its secessionist goals.

ii. Mungiki

The group continued with its extortion activities in Nairobi, Central and parts of Rift valley, which were monitored closely by the Service. The activities were manifested in increased recruitment, oathing and attacks on businesses which failed to comply, increased levies on sect members through the administration of oaths by Mungiki leadership and violent confrontation with vigilante groups in parts of Nairobi and Central regions. These prompted the Service to issue warnings, leading to arrests of various criminals and formulation of long term strategies to counter the activities of the sect. The group is expected to continue with its extortionist activities in 2014 fuelled by the widespread unemployment among its members and the determination of its leadership to remain relevant to its followers. The Service continuously advised on the need to initiate gainful employment opportunities for the vulnerable youth in addition to intensifying security vigilance to effectively contain the group.

1.2.2 TRANSNATIONAL THREATS

a. Terrorism

The activities of the Al Shabaab were closely monitored by the Service through warnings issued on their continued targeting of key installations including government facilities, offices, security personnel, public transport, churches, malls and social places to force the withdrawal of the Kenya Defence Forces (KDF) from Somalia. The Service advised on the group's sustained attacks in North Eastern, Nairobi and Coast region as well as on their continued recruitment, indoctrination and radicalization of Kenyan youth to fight for them. In addition, the intelligence wing of Al Shabaab, the Amniyat, continued to infiltrate the country while establishing a number of cells for recruitment, indoctrination and radicalization. Consequently, as jihadist preaching in Mosques and *Madarassas* intensified, the Service increased focus on radicalization as an emerging serious threat, besides engaging in exchange programmes with liaison partners for purposes of information sharing in dealing with the increasing threat of terrorism.

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Table 1 Provides the Details of Terrorism casualties in the Country in 2013.

County	Deaths	Injured	Security Personnel Injured/Killed
Garissa	29	9	15
Mandera	1	3	3
Wajir	5	8	8
Mombasa		12	
Nairobi	71	224	8
Total	106	256	34

The Al Shabaab terrorists are most likely to continue with their activities in 2014 due to continued instability in Somalia and their determination to influence the withdrawal of the Kenya Defence Force (KDF) from Somalia, hence the need to address our vulnerabilities.

b. Radicalization

The year witnessed intensified radicalization of Kenyan youth through jihadist preaching by Muslim extremists in some mosques and *Madrassas* in Nairobi, Mombasa and North Eastern and Upper Eastern regions, which the Service continuously warned on. This was also manifested in the violent takeover of mosques from moderate Sheikhs in Coast region and intensified Jihadist teachings in mosques and schools. Consequently, the Service formulated the counter-radicalization strategy. Radicalization of youth in the country is likely to continue in 2014 due to the determination of extremist muslims to sustain jihadist ideology and due to persisting social challenges, particularly unemployment.

c. Human Smuggling and Trafficking

There was a significant increase in trafficking and smuggling of foreign nationals, while the country remained a source, transit and destination point for the vice. The Service provided both strategic and operational intelligence which led to the arrest of many of the traffickers who were from Ethiopia, Somalia, Bangladesh, Sri Lanka, India and Pakistan. These developments were accompanied by increased arrest of aliens with fake Kenyan travelling documents. Further warning from the Service highlighted other key factors that



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provide an enabling environment for the vices to thrive such as corruption, presence of refugee camps, which act as recruitment centres for human traffickers and long and porous borders, which are difficult to effectively police.

This led to the disruption of some human trafficking networks in collaboration with liaison partners. In addition, persistent instability and attendant humanitarian crisis in some neighbouring countries, especially Somalia, South Sudan and Eritrea as well as weak enforcement mechanisms and deterrent measures also contributed to the spread of the vice. It is envisaged that the vice will persist in 2014 due to the determination of various cartels and widespread corruption within the immigration department.

d. Drug Trafficking

Drug trafficking in Kenya remained a serious threat to the country in 2013 with consumption of narcotics especially among the youth rising. The Service assessed this situation as largely attributed to availability of drugs like cocaine, heroin, cannabis sativa and synthetic drugs like Mandrax, whose availability in excess was steadily transforming Kenya into a consumer state. The Service also warned on corruption and the weak legislation on organized crimes, as key facilitators of the vice.

Further intensified fight against drug trafficking by the Service led to deportation of several drug barons especially from West Africa and Asia, an issue which led to a slow down in drug trafficking within the country. Nevertheless, local drug trafficking which involved importing heroin from Pakistan through Tanzania intensified after the deportation. The year also witnessed a new shift in drug trafficking from conventional hard drugs like cocaine and heroin to Methamphetamine and mandrax (synthetic drugs). A trend emerged where precursor chemicals were being stolen from Kenya and exported to South Africa for processing into methamphetamine and mandrax. To this end, the Service issued warnings which led to the arrest of fifty six (56) suspected drug traffickers, both local and foreign, and recovery of local and foreign currencies. The advice also facilitated disruption of two methamphetamine manufacturing laboratories and deportation of thirty (30) foreigners who were associated with them.



Table 2 provides details of drugs that were seized in 2013.

Heroin ???	Cocaine	Amphetaminee	Stimulants
Weight (Kgs)	550	19.3	30.7
Value (US Dollars)	8.8 Million	694,800	89,244

However, despite measures to dismantle the drug cartels, the problem is likely to persist owing to various challenges, which include corruption and lack of adequate capacity by the Pharmacy and Poisons Board to monitor the use of precursor chemicals by licensed pharmaceutical companies.

PART II: THE ECONOMY

2.0 OVERVIEW

The Kenyan economy posted a marginal growth of 0.1% to attain 4.7% GDP growth rate in 2013 largely due to slight improvement in the agricultural sector owing to moderate rains in the first half of the year. However, the economy slackened owing to uncertainties related to the 2013 general election, transition to the devolved government system and high cost of production. The growth rate is projected to improve in 2014 driven by the ongoing investments in infrastructure, energy, mining and tourism sectors.

2.1 DOMESTIC ECONOMY

2.1.1 AGRICULTURE

Some improvement was registered in the agriculture sector in 2013 but food insecurity remained a major challenge. Specifically, the sugar, coffee and tea sub-sectors remained constrained during the year.

a. Maize

The Service closely monitored the food situation because of the ramification it has on national security. It noted that challenges in the maize supply and distribution chains, especially those related to fertilizers and certified seeds, are created by various cartels in the sector. Maize output was also affected by other factors which included; post-harvest losses, dependence on rain-fed agriculture



and late preparation of farms due to uncertainties associated with the 2013 general elections. The food security situation is expected to deteriorate in 2014 due to dependence on rain fed farming and unresolved challenges in the sector, which calls for enhancement of supply and distribution of inputs and elimination of wastages in the short run, and also implementing long term measures like irrigation and manufacturing of inputs locally.

b. Sugar

The volatility/instability in the sugar sub-sector drew the attention of the Service largely because of the continued decline/underperformance of the sector owing to high production cost and unhealthy competition from cheaper smuggled sugar that flooded the domestic market in 2013. The sub-sector's survival is also under great threat with the expiry of Common Market for East and Southern Africa (COMESA) safeguards. Even if the safeguards are extended. There is need for holistic approach is pursued in addressing the challenges bedevilling the sector including modernization.

c. Coffee and Tea

The coffee and tea sub-sectors performance were also restrained in 2013 due to stiff competition and glut from other producing countries, weather vagaries, dwindling land under farming, marketing and value addition challenges, and the rampant coffee thefts. Mitigating some of these challenges may help turn around these sub-sectors which are major foreign earners to the economy. To this end, the Service focused on how some of the challenged may be mitigated to enhance the growth of the sector.

2.1.2 FINANCE AND INVESTMENT

The public wage bill escalated due to increased salaries in the public sector and county government's infrastructure leaving inadequate resources for development. This challenge may endure in 2014, hence the need to explore ways of managing the public wage bill besides expanding revenue collection.

Banking fraud and fake currency circulation heightened with heavy loss implication to the banking sub-sector. Additionally, money laundering activities associated with terrorism financing continued in the year under review. Despite a fairly well developed regulatory framework, the institutions charged with tackling the vices lack capacity to fully address the challenges hence the likelihood of continued persistence of the vices. Therefore, there is need to enhance the institutions' capacity in a bid to contain these threats.

Foreign Direct Investments (FDI) was subdued and lagged behind those in Tanzania and Uganda, primarily due to political and security factors that made



domestic investment environment unpredictable and hence deflecting investors from the country. This may persist in 2014, thereby the need to explore ways of improving the country's investment climate. The Service remained alive to these threats and as a result collaborated with relevant government agencies in managing these challenges.

2.1.3 GOVERNANCE

Corruption remains prevalent in most sectors of our society thus impacting negatively on the criminal justice system as well as compromising our security by increasing our vulnerabilities to major threats such as terrorism, drugs/narcotics and human trafficking. On the economic front, it is posing a major threat to the survival of our agricultural sector and hence food security. This is expected to persist in 2014, hence the need to enhance the fight against the vice in private and public sectors to protect the country from inherent risks. The Service has remained steadfast in combating the vice by holding regular meetings with Ethics and Anti-Corruption Commission (EACC), government offices and institutions for action.

2.1.4 ENERGY AND MINING

Energy costs remained high in 2013 with its large multiplier effects (higher cost of production, inflationary pressure and high cost of living) impacting negatively on the competitiveness of the economy besides triggering demands for salary increments, especially by public servants. The major challenges were the instability and high prices of electricity and fuel. These became more pronounced in the petroleum sector with the shutdown of the Kenya Petroleum Refinery Ltd. (KPRL) in September 2013. Despite more government investment on renewable energy and the initiation of a nuclear program to establish a plant by the year 2022, the electricity cost is unlikely to drop immediately in 2014 owing to the long term nature of these projects, inefficiencies in supply and distribution chain, the ever growing demand and speculative and monopolistic tendencies of cartels in the sector.

In the mining sector, huge investments were made in the natural resource exploration and exploitation by multinational companies in 2013. Prospects for the mining sector remains high given discovery of commercially viable quantity of oil in Turkana County which elevated the level of optimism for similar findings in other parts of the country. Besides the oil, the country is endowed with reasonable quantities of coal, titanium, fluorspar, soda ash (Trona), gold, manganese, vermiculite, gypsum, natural carbon dioxide and gemstones, while prospecting for gas, iron ore, diatomite is ongoing. Of the interest for the



Service was the need to formulate a legal framework for managing this strategic sector to avert potential future conflicts over revenue sharing as there are indicators already, hence the need to have them managed.

2.1.5 LABOUR UNREST

Labour unrests escalated in 2013 over demands for improved terms and conditions of service, especially by doctors, nurses, teachers and Members of the County Assembly. These strikes which were precipitated by the pending Collective Bargaining Agreements (CBAs), huge salary discrepancies, and the rising cost of living impacted negatively on public service delivery, public wage bill and the government's image. It is the estimation of the Service that industrial actions may persist in 2014 over pending CBAs, the freeze on salary increment in public service and resistance to rationalization. These strikes can be averted by initiating timely negotiations with workers besides developing a comprehensive wage policy.

2.1.6 INFRASTRUCTURE

a. Railway

The sector was boosted by the launching of the Standard Gauge Railway from Mombasa to Malaba and the revamping of urban commuter rail services in 2013. This network and service expansion is expected to continue in 2014 and assist in realizing the cargo haul target in the long term by revamping the rundown infrastructure through the increased investment in the sector. The sector portends great benefits to the economy such as reducing the transport cost and costs incurred in repairing the roads and ultimately enhance the competitiveness of the Northern Corridor.

b. Roads

The expansion and maintenance of road infrastructure remained on course in 2013 and this is projected to improve in 2014 due to investments by National and County governments. However, developments in the sector were hampered by challenges in tendering and procurement which manifested in poor workmanship and delays in completion of projects in time. These challenges can be mitigated by enhancing transparency and accountability in the sector.

c. The Lamu Port Southern Sudan-Ethiopia Transport (LAPSSET) project

LAPSSET project is of great economic interest to the country as it taps the bigger Ethiopian market as well as the strategic South Sudan market. Of concern to the Service include; the eruption of insecurity in South Sudan and the



disaffection of some local communities over the project largely on issues of land and unemployment.

2.1.7 TOURISM SECTOR

The sector remained depressed in 2013 due to political uncertainties associated with 2013 general elections, security and terrorism threats and subsequent travel advisories. Other factors included, poaching and stiff competition posed by other destinations such as South Africa, Tanzania, Mauritius and Seychelles which resulted in some tourist hotels scaling down their operations. The sector is projected to grow from 1.5 million tourist arrivals attained in 2013 to 2.5 million arrivals in 2014 owing to sustained marketing efforts, growing conference tourism, collective marketing of EAC destinations and the adoption of Single Tourist Visa as well as the political uncertainty. Of continuous focus by the Service are the threats of terrorism and that of MRC, which has negative impact on the sector.

2.2 INTERNATIONAL ECONOMY

2.2.1 THE EAST AFRICAN COMMUNITY (EAC)

The EAC registered a milestone with the signing of the Monetary Union Protocol and the adoption of the Single Customs Territory in 2013. Significant progress was also made in the reduction of Non-Tariff Barriers (NTBs) especially along the Northern Corridor following the implementation of various initiatives by Kenya, Uganda and Rwanda in a bid to deepen integration, improve efficiency at the port of Mombasa and trade flow to landlocked countries. However, the tripartite initiatives caused a rift within the bloc with Tanzania and Burundi complaining of isolation and exclusion in integration matters. Their concerns are being addressed through extension of relevant projects/programmes to cover the entire Community and they have both affirmed their commitment to EAC integration.

The Service has been and will continue to monitor Tanzania's reluctance and overly cautious approach to fast-tracking of Political Federation and full implementation of Common Market Protocol, specifically on free movement of labour and capital as this is likely to continue undermining deeper integration within EAC. Similarly, of concern to the Service are resolution of conflicts in DRC, South Sudan and Somali as they will have a bearing on EAC integration process. Going forward, management of inter-state differences, cultivation of mutually beneficial relationship and inclusion of all Partners in cross-cutting



projects would contribute to strengthening of EAC, even as admission of South Sudan and Somalia is considered. Intra-regional trade will also continue to be on an upward trend with Uganda remaining a leading trading partner for Kenya followed by Tanzania, especially given that various infrastructural and trade facilitating projects are set to be implemented in 2014.

2.2.2 EAC-EU ECONOMIC PARTNERSHIP AGREEMENTS

The EAC-EU Economic Partnership Agreements (EPAs) negotiations are 98% complete. It is unlikely that other EAC partners will be enthusiastic as Kenya in the need to complete the negotiations as it is clear that their trade would not be affected negatively since they are classified Least Developed Countries (LDC) and will continue to access the EU Market.

2.2.3 MIDDLE EAST

Lack of bilateral labour agreements between Kenya and Middle East countries has continued to expose Kenyan immigrant workers to mistreatment. This was despite the ban by the government in June 2012 aimed at ensuring the signing of bilateral labour agreements with the recipient countries to ensure strict adherence to Employment Act 2007 on foreign contract of service. Kenya has already concluded a bilateral labour agreement with Qatar and is reviewing proposed draft agreements forwarded by Saudi Arabia and Jordan. However, the problem is likely to persist in 2014 due to the high unemployment rate locally unless more job opportunities are created in the country.

2.2.4 ASIA

Kenya's trade balance remained largely in favour of China in 2013 with country benefitting significantly from infrastructural projects implemented by the Chinese firms. This raised concern with Japan and USA who are now trying to re-assert their influence, especially in resources exploitation. However, improved ties with China led to the influx of migrants which may compound unemployment problem in the country as some of them flout their immigration status to engage in jobs that should be preserved for Kenyans, such as; hawking, legal and illegal hospitality businesses. They also engage in clinically unapproved alternative medicine businesses, importation and sale of counterfeit goods, and smuggling of game trophies which exacerbated poaching of wildlife.



Additionally, Kenya is facing stiff competition from India and Nepal in maintaining its market share of tea export to Pakistan. However, high cost of production and value addition constraints may continue to compromise Kenya's market share in 2014, unless the above challenges are addressed.

PART III: EXTERNAL ENVIRONMENT

3.0 OVERVIEW

The Service was preoccupied with monitoring the threats emanating from persisting instability in Somalia, particularly terrorism, the emerging instability in South Sudan and the incessant instability in the Great Lakes Region which continued to challenge Kenya's interests in the region during the period under review. The Service also closely monitored the conflict situation in the Middle East and North Africa, and the after effects of the Arab Uprising which radical terrorist groups have been attempting to exploit to further their agenda. On the global scene, the Service focused its attention on the tussle between the West and China in their scramble for African resources in an effort to ensure Kenya's interests are secured.

3.1 HORN OF AFRICA

3.1.1 Somalia

The Service devoted most of its resources to addressing the threat posed by Somalia as it remains the major source of the terrorism threat that Kenya faces beside other threats like piracy, arms trafficking, human trafficking and smuggling. The Al-Shabaab militia still retains control of most of Southern and Central Somalia from where it carries out recruitment, training and planning of terror attacks against Kenya and other countries in the region. This state of affairs is largely a factor of the continued instability in Somalia despite ongoing efforts by IGAD, AU and the UN to stabilize the country.

The establishment of the Interim Juba Administration in which the Service played a major role despite misgivings from the Somalia Federal Government was a significant development in efforts towards pacifying Southern and Central Somalia which remain the epicenter of the Somalia conflict. Addressing the present political conflict in Somalia and targeting the operational



bases of Al-Shabaab are key in dealing with the threat of terrorism in Kenya and the region, and the stabilization efforts in Somalia.

3.1.2 Ethiopia

Succession politics within the ruling Ethiopian People's Revolutionary Democratic Front (EPRDF), radicalization of Ethiopian muslims, on-going insurgencies by the Oromo Liberation Front (OLF) and Ogaden National Liberation Front (ONLF) in Oromia and Ethiopia Somali regions encroachment on Elemi Triangle by Ethiopians and the unilateral developments on the South Omo Basin were the major issues that the Service was pre-occupied with. The succession politics within the EPRDF manifested itself in renewed rivalry among the constituent parties: Oromo People's Democratic Organization (OPDO), Tigrayan People's Liberation Front (TPLF), the Southern Ethiopian Peoples' Democratic Movement and the Amhara National Democratic Movement. There is a direct correlation between leadership succession within EPRDF and the May 2015 elections. The above challenges are likely to continue characterizing Ethiopia's political and security landscape in 2014. Of particular interest in 2014 will be how politics within the EPRDF and its constituent parties influences the May 2015 elections.

3.1.3 Eritrea

The Service focused on the threat dynamics linked to the weakening hold on power by President Isaias Aferworki and the ruling People's Front for Democracy and Justice due to international isolation and sanctions. The Service also monitored Eritrea's support and links with negative forces in the Horn of Africa including Somalia's Al-Shabaab. Given the threat posed by Eritrea's hostile activities in the region and weakening internal situation, the Service provided intelligence on the same. Eritrea is likely to continue with its destabilizing activities in Somalia in its proxy war with Ethiopia hence the Service will continue to scale up its focus and monitoring.

3.1.4 South Sudan

In South Sudan, the Service was initially pre-occupied with the simmering conflict with Sudan over Abyei. This shifted later to the widening differences within Sudan People's Liberation Movement (SPLM) pitting President Salva Kiir against former Vice President, Riek Machar. The internal power struggle was largely over pressure to democratize the SPLM in readiness for the 2015 General Elections. These differences degenerated into an ethnic war pitting the Dinka and the Nuer. While the Cessation of Hostilities Agreement has been signed, possibilities of stability will only be possible if the political problems



within SPLM over opening up the democratic space are addressed. If the Cessation of Hostilities Agreement fails to hold, it will impact negatively on the LAPSSET project and other Kenya's economic interests in South Sudan.

3.1.5 Sudan

In Sudan, there were disagreements within the ruling National Congress Party (NCP), which led to the formation of a splinter group of NCP and reshuffling of cabinet by President Omar Al-Bashir with the aim of consolidating power. In the reshuffle, NCP hardliners including former First Vice President Ali Osman Mohamed Taha and Nafie Ali Nafie, formerly an influential Presidential Assistant, were purged. Another pointer to Bashir's consolidation of power was manifested in his willingness to negotiate with the opposition and rebel groups opposed to the government with a view of forming an all-inclusive government. President Bashir appears to wield more power to enable him run for another term as president in the 2015 election. Economic hardships continued to influence the country's politics and sparked street protests reminiscent of the Arab Spring which even led to deaths and arrests. The security situation remained fluid in various parts as government forces continued to fight with rebels in Darfur, South Kordofan and Blue Nile states. In Darfur, the government failed to honour its pledge under the Doha Document for Peace in Darfur (DDPD), to advance two million dollars to Darfuri authorities meant for economic stabilization and repatriation of refugees. This was mainly due to economic constraints faced by Sudan after the secession of South Sudan. Similarly, the government of Sudan failed to implement the popular consultation for Blue Nile and South Kordofan states as per the 2005 CPA due to its unwillingness to cede some autonomy to the region. The situation is projected to persist unless the government negotiates with the opposition and the rebels based on the DDPD and the popular consultation.

On the Sudan-South Sudan relations, the two countries made progress in the implementation of Cooperation Agreements which led to improved relations. However, critical areas of the 2005 CPA which include the popular consultation in the states of Blue Nile and South Kordofan and the issue of Abyei remain unresolved. These two issues will continue to shape the relations between the two countries.



3.2 EAST AFRICA

3.2.1 Uganda

There were increased calls by the opposition and civil society for reforms in the electoral process, reduction of presidential powers and re-introduction of the presidential term limit. In a bid to form a formidable force against President Museveni, the opposition has been strategizing on how to front one candidate against him. Given the division within the opposition, the chances of fielding a single presidential candidate remains a big challenge.

On the economic front, Uganda is set to commence drilling oil from the Lake Albert basin in 2016, and therefore needs stability in eastern DRC to ensure the oil facilities are safe. It is therefore expected that Uganda will continue following closely the developments in Eastern DRC where some Ugandan rebel groups like ADF-Nalu operate and where necessary, it may intervene to protect its interests. The Service will place special focus on the run up to the 2016 elections because of its implications on the stability of the region.

3.2.3 Tanzania

In Tanzania, the Service remained seized with the problems between Zanzibar and the Mainland over the proposed system of governance in the constitution review process. These were manifested by the continued threat to boycott the referendum on the constitution by the opposition and the emerging rift within the ruling party, Chama cha Mapinduzi (CCM) between those who support the three tier system of governance as proposed in the Draft Constitution and those against. The majority of Tanzanians support the three tier (Zanzibar, Tanganyika and Tanzania) as a mode of governance, which is seen by CCM hardliners as a move by Zanzibaris to quit the Union. Given that some senior CCM members are not supportive of the three tier system of governance, it is likely that the process could be protracted if consensus will not be achieved. The Service will also continue to monitor persisting calls for secession of Zanzibar and the possible linkage and influence with the Mombasa Republican Council's (MRC) call for secession of the coast region. The Service has also been closely monitoring Tanzania's infrastructural development which may pose a threat to our Northern corridor.

3.3 THE GREAT LAKES REGION

The Great Lakes region has been experiencing cyclical conflicts that have destabilized the region for a long time largely over the presence of negative



forces, key among them the Democratic Forces for the Liberation of Rwanda (FDLR) and M23, in eastern Democratic Republic of Congo (DRC). While M23 rebels have been contained by the UN Intervention Brigade, peace and stability is unlikely to be realized in the region unless FDLR, which is opposed to the Rwandan regime, is also defeated.

The political situation in Burundi is still delicate and could further worsen if some opposition leaders, notably Agathon Rwasa, who returned after a period in exile, are blocked from participating in the 2015 general elections. There is need for the international community, including regional states, to keep on monitoring the developments in the country so that prompt and appropriate response could be made. Considering the region's high economic potential, the Service will closely monitor the unfolding developments.

3.4 SOUTHERN AFRICA

3.4.1 South Africa

South Africa remained politically stable with key parties namely the ruling African National Congress (ANC), the Democratic Alliance (DA), the Inkatha Freedom Party (IFP) and the Economic Freedom Fighters (EFF) gearing up for elections scheduled for April 2014. However, President Jacob Zuma's administration faced persistent criticism from the opposition for failing to address rampant corruption, high unemployment and poverty levels, as well as an ailing mining sector. The failure by the Zuma administration to address the above-mentioned issues is likely to see the popularity of the ANC decline in the 2014 General elections, although the party is expected to recapture the presidency, but with a lower margin as compared to 2009, when it garnered 65% of the votes cast. South Africa remains Kenya's biggest economic competitor in the region, hence the continued close monitoring of its activities by the Service.

3.4.2 Mozambique

A political impasse developed between the ruling Liberation Front of Mozambique (FRELIMO) and the main opposition party, the Mozambican National Resistance (RENAMO) over electoral reforms before October 2014 General Elections, which led to RENAMO pulling out of the 1992 peace agreement with FRELIMO. The political development saw resumption of hostilities with RENAMO withdrawing to its rebel bases in Sofala and Inhambane and resorting to guerilla attacks targeting infrastructure. The political impasse is likely to continue playing out between the rival parties, a situation that is likely to destabilize the country if the two entities fail to embrace dialogue.



3.4.3 Zimbabwe

The country held its General Elections which saw Robert Mugabe re-elected as the President, garnering 61% of votes cast. Succession politics emerged within the ruling Zimbabwe African National Union-Patriotic Front (ZANU-PF) resulting to formation of two factions: one led by the Vice-President Joyce Mujuru and the other by Emmerson Mnangagwa, Minister for Justice. The main opposition party, Movement for Democratic Change-Tsvangirai (MDC-T), which came second in the elections, remained dormant in the post-election period, opting to re-strategize on how to counter ZANU-PF's dominance in the country's political realm. It is projected that ZANU-PF succession politics will continue to play out, a situation that risks splitting the party hence boosting the main opposition party, Movement for Democratic Change-Tsvangirai (MDC-T).

3.5 WEST AFRICA

3.5.1 Nigeria

The political and security environment remained turbulent throughout the year. The ruling People's Democratic Party (PDP) experienced defections to the opposition coalition, the All Progressive Congress (APC). The defections were largely attributed to disagreements amongst members over the likelihood of President Goodluck Jonathan contesting for the presidency in 2015. The defections within PDP, coupled with the persistent Boko Haram insurgency is likely to further erode President Jonathan's popularity and impact negatively on his presidential bid, should he decide to contest.

With regard to security, the Islamist militant group, Boko Haram continued to stage attacks against civilians and government institutions in the North-Eastern part of the country, despite the declaration of a state of emergency and military deployment in the area. It is postulated that should the Boko Haram insurgency continue, sectarian violence could break out between the largely Christian South and the mostly Muslim North along religious lines. It is also anticipated that in the run-up to the 2015 elections, political leaders from the North may capitalize on the Boko Haram insurgency, to amplify sectarian violence, in a bid to garner votes, a situation that could instigate poll violence.

3.5.2 Mali

Mali remained relatively stable in 2013 after French troops wrestled back the Northern part of the country from Al Qaeda in the Islamic Maghreb (AQIM), Ansar Dine, and Movement for Oneness and Jihad in West Africa (MUJAO) who had set base in the area. In a bid to restore stability, the government entered



into an agreement with the Tuareg rebel group, Movement for the Liberation of Azawad (MNLA). However, MNLA reneged on the peace agreement accusing the government of attacking its bases. It is anticipated that Mali will continue to face instability unless the government and Tuareg rebels pursue a political process to resolve their differences.

3.6 NORTH AFRICA

The region remained unstable as the 2011 'Arab Uprising' that brought down regimes in Egypt, Libya and Tunisia continued to reverberate in the region, undermining efforts to regain stability. This has been largely attributed to the emergence of radicalized groups and sectarian fighting coupled with the proliferation of arms and weapons, and a weak institutional basis which continued to aggravate the situation in those countries. Efforts to regain stability in the region are likely to be elusive in the absence of strong democratic institutions.

3.7 MIDDLE EAST

The situation in Syria and Iraq has continued to deteriorate due to protracted fighting between the government and insurgent groups with remote chances of peaceful negotiations in sight despite concerns from the international community. With no signs of any agreement between the respective governments and the rebels, extremist terror groups are likely to continue exploiting the volatility of the situation in an effort to entrench bases in these countries.

In Iran, apprehension remained high following the stand-off between the country and the International Atomic Energy Agency (IAEA) over the Iranian nuclear programme with the USA, Israel and the international community accusing Tehran of insincerity despite promises from the new Iranian President, Hassan Rouhani, to cooperate with the UN.

3.8 ASIA

China, being the second largest economy globally, and which views Africa as a strategic partner in the race for natural resources and a ground for new markets, remained Africa's largest trading partner surpassing the USA and traditional European partners. The growing Chinese influence in Africa continued to attract concerns from Western powers, mainly the USA and Europe, that China-Africa cooperation is skewed in favour of China and would eventually undermine their interests. China's ties with Africa are likely to further expand as majority of African countries continue to offer more investment opportunities to the country.



3.9 EUROPE AND AMERICAS

The USA and major European powers; Germany, France, Britain and Russia, in pursuit of their strategic interests, engaged in addressing conflicts and security issues in the Middle East, particularly the Syrian crisis, where Russia continued to support the Syrian government while the Western powers called for condemnation and isolation of the Syrian government. The Western powers also effectively pursued a deal on the controversial Iran nuclear programme, resumption of the Israel-Palestine peace process, and stabilization of Afghanistan. The USA tried to give drive to the dwindling Israel-Palestine peace process but the prospects of reaching an agreement remain elusive while the planned USA NATO military withdrawal from Afghanistan could leave the country still unstable. The Western powers further engaged in addressing security challenges in Africa where France, in particular, played a key role through providing diplomatic and military support in the conflicts in Mali and the Central Africa Republic.

The Service also monitored the Western powers' relations with China as an emerging global power which were characterized with uneasiness due to competition to secure interests in developing countries. Competition between the Western powers and China would persist as they seek to outsmart each other in accessing natural resources as well as markets in developing nations in what is emerging as a new scramble for African resources.

PART IV: PROTECTIVE SECURITY MEASURES

The Service conducted several security awareness lectures to various Government departments on document security, personal security and physical security in 2013. The lectures underscored the importance of keeping documents safe in line with government guidelines. The Government Protective Security Office (GPSO), a department within the Service which is charged with the responsibility of enforcing Government Protective Security measures, carried out twenty-eight (28) security surveys on key points which included State Houses/State lodges, Kenya Ferry Services, Port facilities, Kenya Teleposta building and other institutions. The surveys observed that most key points in the Country were vulnerable to attacks largely due to the weak access control measures and recommended measures necessary to be put in place to boost their security. GPSO also vetted personnel, companies, citizenship, societies and NGOs as per its mandate to safeguard government secrets.



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The Service through its Government Information Security Office (GISO) further conducted security audits and vulnerability assessment within its premises and for government ministries and departments, and County Offices focusing on the critical systems and networks. The audits identified various weaknesses in systems and networks and necessary recommendations were made.

PART V: COUNTER-INTELLIGENCE

In 2013, the Service strengthened its counter-intelligence capabilities in order to deal with this threat as mandated by the constitution and the NIS Act. It carried out a number of investigations which identified various personnel involved in such activities and took appropriate measures to safeguard the country's interests. It also identified sectors, institutions and personnel with significant vulnerabilities to hostile intelligence operations and advised accordingly. The activities are likely to increase in 2014 owing to the expanded democratic space and freedom of expression in the country, as well as the opportunities being created by county governments in an attempt to attract foreign actors.

The Service will therefore remain versatile and proactive in dealing with the threat.

PART VI: LIAISON

The Service maintained strong alliances with other stakeholders in the security sector with the aim of enhancing information sharing and realization of a secure nation. NIS particularly worked closely with the National Police Service (particularly the Anti-Terrorist police Unit (ATPU), General Service Unit and the Criminal Intelligence Unit), the National Counter Terrorism Center (NCTC) and the Kenya Defence Forces through the Directorate of Military Intelligence in the fight against terror. The Service also collaborated with the Immigration Service, Kenya Revenue Authority, Kenya Ports Authority, Kenya Civil Aviation Authority, Ministry of Foreign Affairs, Directorate of Public Prosecution, National Disaster Operation Centre and the Kenya Wildlife Service among others.

The Service further provided requisite intelligence to the National Security Advisory Council (NSAC) as well as to the National Security Council (NSC) in



addition to participating in the implementation of the new security structures in line with the NSC Act.

NIS maintained robust liaison relationships with regional and international partners which speeded up gathering and sharing of crucial intelligence and facilitated timely responses to a number of threats. Among the partners that the Service liaised with include the Committee of Intelligence and Security services of Africa (CISSA), Regional Counter-Terrorism Centre (RCTC), the East African Security and Intelligence Chiefs Meetings and other friendly Services.

The Service coordinated 40 analytical exchange meetings with friendly Services with 21 being held locally and 19 taking place in various countries. In general, 3271 Liaison meetings were held. A total of 126 intelligence reports were disseminated to external customers while 1077 information reports were consumed internally. 518 Liaison memos were received from friendly Services while the Service sent 2661 in response. The Service hosted 18 Heads of Foreign Services/foreign dignitaries while the DG made two working trips to two countries.

PART VII: THE CONSTITUTIONAL IMPLEMENTATION PROCESS

The Service participated in the development of regulations and administrative procedures necessary to implement the following key legislations:

1. The National Intelligence Act, 2012: The Regulations and administrative procedures developed include; Regulation on the protection of classified information and records; Regulation on the Intelligence Service Complaints Board; NIS Code of Ethics and Conduct; and the NIS Disciplinary Rules and Regulations.
2. The National Security Council Act, 2012: The Regulations developed are the National Security Council Regulations intended to operationalize the National Security Council and its structures at the National and County level.
3. The Prevention of Terrorism Act, 2012: The Regulations developed and gazetted are the Prevention of Terrorism (United Nations Security Council)



Regulations intended to provide a framework for the implementation of Security Council resolution on and financing of terrorism.

4. The proceeds of Crime and Anti Money laundering Act: The Regulations developed and gazetted are the Proceeds of Crime and Anti- Money Laundering Regulations, 2013 which expound on the functions of the Financial Reporting Center, obligations of reporting institutions and customer diligence requirements to implement the Proceeds of Crime and Anti-Money Laundering Act.

5. The Service additionally reviewed and advised on numerous Bills and Legislations with National Security implications. These included:
 - * The Public Benefits Organization Act , 2013
 - * The National Police Service (Amendment) Bill
 - * The National Police Service Commission (Amendment) Bill
 - * Access to Information Bill
 - * The Data Protection Bill
 - * The Kenya Information Communication (Amendment) Bill
 - * The Media Council Bill

PART VIII: ADMINISTRATION

8.1 FINANCE

In fulfilling the financial provision of the NIS Act 2012 Part VII, 71 on Accounts and Audits, which requires the Service to keep all books and records of accounts of its revenue and expenditure in accordance with the Public Financial Management Act, 2012, the Service, Implemented the Integrated Financial Management Information System (IFMIS), which aims at enhancing efficiency, effectiveness, transparency and accountability in the management and utilization of financial resources. The Service also ensured that proper and accurate accounting records of all Service financial transactions were maintained.



The Service further enhanced its liaison with Government Ministries/ Departments / Agencies (MDAs) especially the National Treasury, Ministry of Foreign Affairs and International Trade, Kenya Revenue Authority and Central Bank of Kenya to ensure a timely cooperation whenever required.

8.2 HUMAN RESOURCE

The Service continued to automate its operations through the Integrated Human Resource Management Information System (HRMIS). Similarly, automation of the terms and the Career Development & Progression Guidelines (CDPG) was undertaken. The Service also automated the skills/training requirements for each job as provided in the Scheme of Service (Terms) and the CDPG. This when completed will assist in talent-spotting officers for specific deployment based on the Job requirements and the skills possessed. The Service had an exit of 3.8. % of the staff against new entrance of 15.2%.

The Recruitment and Selection Policy, Mentorship Policy, Affirmative Action Policy and a Funeral Policy were formulated while the Training and Development Policy and the Disciplinary rules and regulations (DRR) were reviewed to conform to the Constitution and the NIS Act.

8.3 WELFARE

In accordance with Terms and Condition of Service, the Service continued to procure a Service Medical Scheme for its officers as well as a Personal Accident and Group Life Cover. The Service also undertook numerous counseling sessions within the confines of the Service Regulations to serving officers approaching retirement and also to the next of kin of deceased officers.

8.4 PROJECTS

The service continued with various projects which included the Embu ICT Project, the Kitsuru campus project, the Ex- Kenya Pipeline Estate, Ruaraka, Muthangari Campus rehabilitation Phase 2 and the installation of new lifts in Nyati house.

8.5 NIS STAFF SUPERANNUATION SCHEME

The Board of Trustees (BOT) for the Superannuation Scheme ensured compliance with all the legal and deed requirements. The scheme was able to continue making monthly pensions payments for retirees and dependents at the beginning of every month while disbursements from the Benefits Trust Fund, to cater for school fees and upkeep, were also made for the respective cases.

XVII: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)

Guidance Notes:

- (i) Use the same reference numbers as contained in the external audit report;
- (ii) Obtain the “Issue/Observation” and “management comments”, required above, from final external audit report that is signed by Management;
- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;
- (iv) Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report to National Treasury.

Director General



Date.....

29/12/2014

Director Corporate Services 

Date..... 29/12/14



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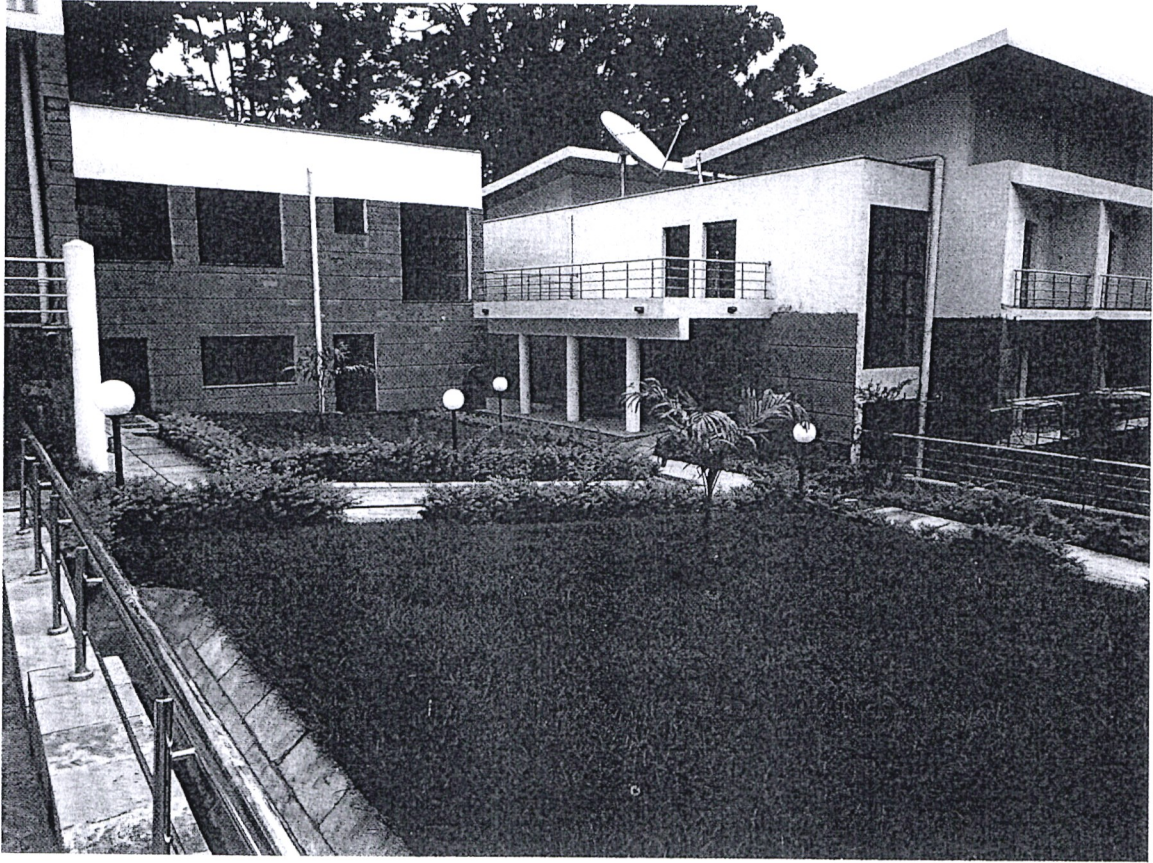
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