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Third Annual Progress Report 2010-2011

on the Implementation of the *First Medium Term Plan (2008-2012)*


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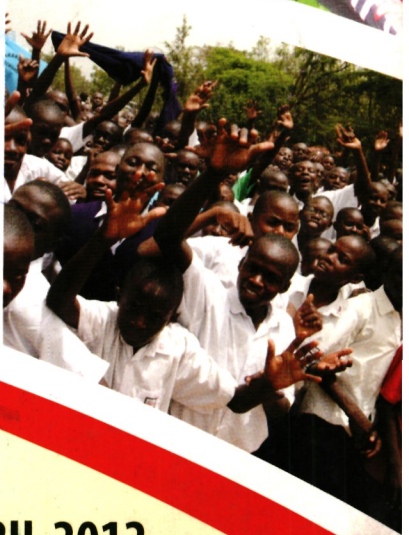

KENYA VISION 2030

APRIL 2012



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REPUBLIC OF KENYA

THIRD ANNUAL PROGRESS REPORT 2010-2011

KENYA 2030

On the Implementation of the First Medium Term Plan (2008-2012) of Kenya Vision 2030

MINISTRY OF STATE FOR PLANNING, NATIONAL DEVELOPMENT AND VISION 2030

MONITORING AND EVALUATION DIRECTORATE

APRIL 2012

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Ministry of State for Planning, National Development and Vision 2030



KENYA VISION 2030

Kenya Vision 2030 is the country's long term national development blueprint.

FOREWORD

Kenya Vision 2030 aims to create a cohesive, equitable and just society based on democratic principles grounded in the existing rich and diverse cultures in Kenya. The Vision 2030 is based on three "pillars" namely; the Economic, Social and the Political Pillars. All the pillars are anchored on ten key foundations: Macroeconomic Stability, Governance Reforms, Equity, Sound Infrastructure, Energy, Science and Technology, Land Reforms, Human Resource Development, Security and Public Service Reforms.

The Economic pillar seeks to ensure prosperity of all Kenyans through economic development programmes in key sectors aimed at achieving an average Gross Domestic Product (GDP) growth rate of 10 per cent per annum per year up to 2030. The Social Pillar aims at building "a just and cohesive society with social equity in a clean and secure environment." The Political Pillar aims at the realisation of a "democratic political system founded on issue-based politics that respects the rule of law, and protects the rights and freedoms of every individual in the Kenyan society."

Kenya envisages the achievement of Vision 2030 through a series of successive five year Medium Term Plans (MTP) covering the span of the Kenya Vision 2030 the first having been implemented from 2008 up to this year, 2012. Before the end of this year another five year MTP will be produced covering the period 2013-2017 while subsequent MTPs will cover the periods 2018-2022, 2023-2027 up to 2030. The MTPs are designed to fast track the Flagship Projects identified under Vision 2030, various programmes and key policies. The MTP calls for increased levels of savings and investment to facilitate the economic growth and development envisaged of 10 per cent per year up to the year 2030. In addition to high growth, the MTP places a premium on faster job creation, poverty reduction, improved income distribution and gender equity while ensuring that balance is attained in development across all regions of the country.

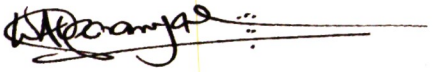
The main focus of the current MTP (2008–2012) was to raise the economic growth to 10 per cent and initiate the transformation envisaged in the foundations and the economic, social and political pillars of Kenya Vision 2030. Towards that end, Kenya achieved one of its biggest successes after holding a national referendum on the new Constitution on the 4th August 2010 which was approved by 67 per cent of those who voted. This led to the promulgation of the new constitution on 27th August 2010. The Kenya Constitution 2010 contains many governance aspects that Kenya desires: devolution, transparency, fairer representation in

parliament, separation of powers and an independent Judiciary.

This report provides the evaluation of the third year of implementation of the first Medium Term Plan (MTP) 2008-2012 of the Kenya Vision 2030. As with the previous editions, the third Annual Progress Report tracks the progress of implementation of flagship projects, key national policies and programmes that are identified under the Vision 2030. This report provides an assessment of the government's achievements and challenges experienced during the third year of implementation, July 2010 to June 2011. In addition the Annual Progress Report makes reference to other developments during the period July 2011 to December 2011.

Over the past three years, project implementation has been geared towards national healing and reconciliation following the post election violence of 2008, and economic growth after the global financial crisis of 2008 and droughts experienced in 2009 and 2011. Arising from these efforts the economy grew from a low of 1.5 per cent in 2008 to 5.6 per cent in 2010 registering a 4.1 per cent rise. This growth was the result of macroeconomic stability, increased credit to the private sector and low inflationary pressure. In addition the country benefited from improved prices of the main exports and increased remittances from abroad. It must also be noted that the 2010 constitutional reforms increased business and consumer confidence which contributed to the rise in overall economic growth. However, in 2011 the economy registered a slow growth of 4.5 per cent due to drought, inflation and global economic adversities.

Growth was however well distributed across the economy's main sectors. Electricity and water supply registered the most significant growth at 9.9 per cent in 2010 while mining and quarrying, and financial intermediaries were ranked second and third with growths of 9.8 per cent and 8.8 per cent, respectively. Other key sectors of the economy also performed well with agriculture and forestry posting a significant growth of 6.3 per cent in 2010.



HON. WYCLIFFE AMBETSA OPARANYA, EGH, MP
MINISTER OF STATE FOR PLANNING, NATIONAL DEVELOPMENT AND VISION 2030

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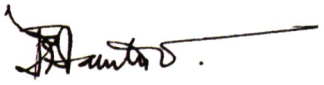
During the last three years, the Government of Kenya through the Ministry of State for Planning, National Development and Vision 2030 has honoured its pledge in keeping Kenyans informed on the progress of the implementation of the Kenya Vision 2030. Considerable effort goes into ensuring that information provided to Kenyans is as accurate and as up-to-date as possible. In this regard, I would like to take this opportunity to thank the public and private sectors, development partners and civil society who participated and worked tirelessly in the compilation of the Third Annual Progress Report.

In particular, I would like to express my sincere gratitude to the officers from the Central Planning and Project Monitoring Units (CPPMUs) and counties for providing Ministerial Annual Monitoring and Evaluation Reports (MAMERs) and District Annual Monitoring and Evaluation Reports (DAMERs) respectively. I would also like to thank the third Annual Progress Report Technical Committee that worked tirelessly in the collection, collation and compilation of the data that went into this Report. Comments from many stakeholders have been incorporated in this report and I wish to thank them all for their fruitful engagement.

I would like to recognize the contributions of the Economic Planning Secretary, Mr. Stephen Wainaina, and the Director of Monitoring and Evaluation Directorate, Mr. Samson Machuka, whose able leadership and supervision made the successful completion of this assignment possible. Special thanks go to Prof. Michael Chege, Prof. Wafula Masai, Mr. Maurice Kanga, Dr. Moses Sichei, Mr. Hezbourne Mackobongo, Mr James Wagala, Ms. Miriam Rahedi and Ms. Sophie Muluka who sacrificed their time to edit and ensure that the report is successfully completed.

I hope this document will serve as a crucial source of reference for our many stakeholders in the public and private sector, academia, civil society and the public at large.

The Third Annual Progress Report can be found on both the Ministry of State for Planning, National Development and Vision 2030 website (**www.planning.go.ke**) and the website of the Monitoring and Evaluation Directorate (**www.monitoring.go.ke**).



EDWARD SAMBILI, CBS
PERMANENT SECRETARY
MINISTRY OF STATE FOR PLANNING, NATIONAL DEVELOPMENT AND VISION 2030

ACRONYMS AND ABBREVIATIONS

ACE	Adult and Continuing Education
ACT	Artemisinin Combination Therapy
ADB	African Development Bank
ADR	Alternate Dispute Resolution
AG	Attorney General
AIDS	Acquired Immune Deficiency Syndrome
AMS	Agricultural Mechanization Services
APR	Annual Progress Report
ASAL	Arid and Semi-Arid Land
ASCU	Agriculture Sector Coordination Unit
ATC	Agricultural Training Centres
AUSDGEA	African Union Solemn Declaration of Gender Equality in Africa
BMUs	Beach Management Unit
BOP	Balance of Payment
BPO	Business Process Outsourcing
BSPS	Business Sector Program Support
CBD	Central Business District
CCTV	Closed Circuit Television
CDF	Constituency Development Fund
CEDAW	Convention on Elimination of all forms of Discrimination Against Women
CIDC	Constituency Industrial Development Centre
CIPEV	Commission of Inquiry into Post Election Violence
CMEC	Constituency Monitoring and Evaluation Committees
COE	Committee of Experts
COMESA	Common Market for Eastern and Southern Africa
CPI	Consumer Price Index
CPPMUs	Central Project Planning and Monitoring Units
CRC	Convention of the Rights of the Child
CSDRMS	Commonwealth Secretariat Debt Recording and Management System
CSO	Civil Society Organizations
DDP	District Development Plan
DFZ	Disease Free Zone
DIT	Directorate of Industrial Training

DMECs	District Monitoring & Evaluation Committees
DRSRS	Department of Resource Survey and Remote Sensing
EAC	East Africa Community
EASSy	East African Submarine Systems
ECDE	Early Childhood Development Education
EEZ	Economic Exclusive Zones
EFA	Education for All
EMCA	Environmental Management and Coordination Act
EPC	Export Promotion Council
EPZ	Export Processing Zones
ERC	Energy Regulation Commission
ERSWEC	Economic Recovery Strategy for Wealth and Employment Creation
ESP	Economic Stimulus Programme
EU	European Union
FDI	Foreign Direct Investment
FDSE	Free Day Secondary Education
FGM	Female Genital Mutilation
FOSA	Front Office Savings Account
FPE	Free Primary Education
GDC	Government Data Centre
GDP	Gross Domestic Product
GER	Gross Enrolment Rate
GIS	Geographical Information System
GJLOS	Governance, Justice, Law and Order Sector
GoK	Government of Kenya
GPS	Global Positioning system
GRB	Gender Responsive Budgeting
HESTI	Higher Education, Science, Technology and Innovation
HIV	Human Immunodeficiency Virus
HMIS	Health Management Information Systems
HRD	Human Resource Development
HSSF	Health Sector Service Fund
ICC	International Criminal Court
ICT	Information and Communication Technology
IDP	Internally Displaced Persons
IEC	Information, Education and Communication
IFMIS	Integrated Financial Management Information Systems

KENYA 2030

ILO	International Labour Organization
IMF	International Monetary Fund
IMIS	Integrated Meteorological Information System
JICA	Japan International Collaboration Agency
JKIA	Jomo Kenyatta International Airport
JKUAT	Jomo Kenyatta University of Agriculture and Technology
KAA	Kenya Airports Authority
KCPE	Kenya Certificate of Primary Education
KCSE	Kenya Certificate of Secondary Education
KDHS	Kenya Demographic and Health Survey
KEBS	Kenya Bureau of Standards
KEMSA	Kenya Medical Supplies Agency
KENAO	Kenya National Audit Office
KEPSA	Kenya Private Sector Alliance
KETRACO	Kenya Electricity Transmission Company
KFA	Kenya Farmers Association
KIE	Kenya Institute of Education
KIPI	Kenya Industrial Property Institute
KIRDI	Kenya Industrial Research and Development Institute
KISE	Kenya Institute of Special Education
KLRC	Kenya Law Reform Commission
KMD	Kenya Meteorological Department
KMIS	Knowledge Management Information System
KNALS	Kenya National Adult Literacy Survey
KNBS	Kenya National Bureau of Statistics
KNEC	Kenya National Examination Council
KNFJKA	Kenya National Federation of Jua Kali Associations
KPA	Kenya Ports Authority
KPC	Kenya Pipeline Corporation
KPLC	Kenya Power and Lighting Company
KPRL	Kenya Petroleum Refineries Limited
KRA	Kenya Revenue Authority
LSK	Law Society of Kenya
M&E	Monitoring and Evaluation
M&ED	Monitoring and Evaluation Directorate
MER	Monitoring, Evaluation and Reporting
MAMER	Ministerial Annual Monitoring and Evaluation Report
MAPSKID	Master Plan for Kenya Industrial Development

MDG	Millennium Development Goals
MFI	Micro Finance Institutions
MMECs	Ministerial Monitoring and Evaluation Committees
MoE	Ministry of Education
MoHEST	Ministry of Higher Education, Science and Technology
MoMS	Ministry of Medical Services
MoNMED	Ministry of Nairobi Metropolitan
MoPHS	Ministry of Public Health and Sanitation
MoT	Ministry of Trade
MoU	Memorandum of Understanding
MPND&V2030	Ministry of State for Planning, National Development and Vision 2030
MRA	Master Repurchase Agreement
MSE	Micro and Small Enterprises
MSMEs	Micro, Small and Medium Enterprises
MTP	Medium Term Plan
NACADA	National Campaign Against Drug Abuse
NALEAP	National Legal Aid Programme
NCPD	National Coordination for Population and Development
NCIC	National Cohesion and Integration Commission
NCPB	National Cereals and Produce Board
NCPWD	National Council for Persons With Disability
NCTIP	Northern Corridor Transport Improvement Project
NIMES	National Integrated Monitoring and Evaluation System
NEMA	National Environment Management Authority
NEPAD	New Partnership for Africa's Development
NESC	National Economic and Social Council
NHIF	National Hospital Insurance Fund
NLB	National Labour Board
NMS	National Manpower Survey
NMT	Non-Motorized Transport
NSE	Nairobi Stock Exchange
NSSF	National Social Security Fund
OSHIBA	Occupational Safety and Health Injury Benefits Authority
OVC	Orphans and Vulnerable Children
OVOP	One Village One Product
PBG	Producer Business Groups
PCBS	Port Community Based System

PCK	Productivity Centre of Kenya
PER	Public Expenditure Review
PEV	Post Election Violence
PLWHAS	People Living With HIV and AIDS
PMIS	Pensions Management Information Systems
PPOA	Public Procurement Oversight Authority
PPP	Public Private Partnership
PPSCs	Pilot Project Steering Committees
PSC	Parliamentary Select Committee
PWDs	Persons With Disabilities
R&D	Research and Development
RBM	Result Based Management
RFPs	Request for Proposals
RRT	Rent Restriction Tribunal
RSIP	Road Sector Investment Plan
RTGSS	Real Time Gross Settlement System
SACCO	Savings and Credit Cooperatives Organization
SAGA	Semi-Autonomous Government Agency
SDCP	Small Holder Dairy Commercialization Program
SEZ	Special Economic Zones
SPINAP	Support Project for the Integrated National Action Plan
STI	Science Technology and Innovations
TB	Tuberculosis
TIVET	Technical, Industrial, Vocational and Entrepreneurship Training
TJRC	Truth, Justice and Reconciliation Commission
TORs	Terms of References
TSC	Teachers Service Commission
TTI	Technical Training Institute
UMR	Under-five Mortality Rate
UN	United Nations
USA	United States of America
VDB	Vision Delivery Board
VDS	Vision Delivery Secretariat
WEF	Women Enterprise Fund
YEF	Youth Enterprise Fund

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EXECUTIVE SUMMARY

This Third Annual Progress Report (APR) of the first Medium Term Plan (2008-2012) of **the Kenya Vision 2030** incorporates inputs from detailed reviews of Ministerial Annual Monitoring and Evaluation Reports (MAMERs) submitted by line ministries, progress reports from various government agencies, Handbook of National Reporting Indicators, first Medium Term Plan (2008-2012) and the Kenya Vision 2030 document. The report has benefited from the contributions of Civil Society, the Private Sector and Development Partners.

Like the second APR, this Report has been prepared against key MTP indicators spelt out in the Handbook of National Reporting Indicators within the framework of the National Integrated Monitoring and Evaluation System (NIMES). Tracking these indicators will help the country to respond to challenges in order to accelerate economic development in Kenya. The Third Annual Progress Report therefore assesses the progress of the Medium Term Plan (2008-2012) of the Kenya Vision 2030 during 2010/2011 financial year, while making reference to other progress and developments during the period July to December 2011 so as to provide as accurate a picture as possible.

The Report covers: the achievements made in the implementation of the MTP 2008-2012 of Kenya Vision 2030 flagship projects as well as other key national policies and programmes; the challenges encountered during their implementation; and the progress made in implementation of the National Integrated Monitoring and Evaluation System (NIMES) in 2010/2011.

This APR is structured in eight chapters. Chapter One provides the background information on the Vision 2030 and the MTP (2008-2012) and also highlights the rationale for undertaking this review and preparing the APR. Chapter Two examines the Macroeconomic framework upon which the MTP (2008-2012) is anchored. Chapter Three provides an exposition of the foundations for national transformation. Chapters Four to Six sequentially present the progress of implementation of the specific interventions contained in the three pillars of Vision 2030, namely Economic, Social and Political pillars. Chapter Seven focuses on achievements made in national monitoring and evaluation. The last

Chapter (Eight) highlights lessons learnt during the implementation process of the various flagship projects and programmes. It also contains key policy and sector-specific recommendations that are critical to the attainment of the sector targets. The following are the highlights of the findings contained in the Report.

MACRO ECONOMIC FRAMEWORK

The Macroeconomic Framework is one of the foundations of the MTP, which is based on attainment of a target of 10 per cent real GDP growth by 2012. It presumed a high growth in investment and savings over the medium term period with the investment to GDP ratio targeted to increase from 21.9 per cent in 2008/2009 to 32.6 per cent in 2012/2013. Savings to GDP ratio was targeted to rise from 15.1 per cent to 27.5 per cent. The framework also assumed sustained macroeconomic stability with inflation easing from 7.5 per cent in the initial year to stabilize at around the 5 per cent target over the rest of the MTP period. An increase in overall investment to GDP of 12 percentage points was targeted, of which 5 percentage points was expected from public infrastructure investments and the rest from the private sector.

In 2010, the Gross Domestic Product (GDP) expanded by 5.6 per cent against the MTP target of 9.1 per cent from the 2.6 per cent growth rate witnessed in 2009. The growth in 2010 was subdued by the poor rains which depressed agricultural production and increased energy prices. Real GDP growth is expected to remain at around 5 per cent in 2011/2012 before picking up to about 6 per cent in the succeeding years on account of expansion in agriculture, tourism, and exports coupled with a favourable exchange rate.

Gross national savings improved marginally from 13.4 per cent in 2009/2010 to 14.2 per cent in 2010/2011. This was, however, way below the MTP target of 21.4 per cent. This may be attributed to multiple shocks including post-election violence, drought, global financial and economic crisis, rising commodity prices, weakening Kenya shilling, and the political crisis in the Middle East and North Africa (MENA) countries which affected the economy between 2008 and 2011. In the interim, gross national savings necessary to finance the envisaged investment levels was expected to rise steadily with reforms in the financial sector to improve intermediation.

Total investments as a percentage of GDP also slowed to 19.6 per cent in 2010/2011 from 20.7 per cent in 2009/2010. While public investment was stepped up with increased infrastructure spending and Economic Stimulus Programme, private

investment has not picked to levels envisaged in the MTP 2008-2012. This follows slower implementation of structural reforms and privatization programmes, inadequate framework for PPP arrangements, and weak investor confidence emanating from high inflation and the weakening shilling.

Overall, inflation almost doubled to 6.85 per cent in 2010/2011 compared with 3.8 per cent the previous year. The recorded figure was above the MTP target of 5 per cent and was in double digits in the second half of the MTP 2008-2012 period. The upward trend in inflation was aggravated by the weakening shilling, drought in the region, multiple economic shocks and political crisis in MENA countries, and Somalia.

Revenue collection was above the MTP target during the period under review. The total revenue collected as a proportion of GDP was 24.86 per cent in 2010/2011, rising from 22.6 per cent the previous year. This is against targets of 21.5 per cent and 21.3 per cent respectively. The increase was attributed to improved tax administration and broadening of the tax base. The total expenditure and net spending increased by 0.1 of a percentage point to 29.4 in the period under review. This was 3.6 percentage points above the MTP target for the year due to increased Government expenditure on infrastructure projects in roads, energy and CDF projects. This is evidenced by a development spending of 7.95 per cent of the GDP in 2010/2011, although this was marginally lower than the previous year's, which was 8.7 per cent.

The overall fiscal balance improved with the budget deficit as a ratio of the GDP falling from a deficit of 6.3 per cent in 2009/2010 to a deficit of 4.3 per cent in 2010/2011. On the contrary, domestic debt as a percentage of GDP increased to 30.48 per cent from 26.6 per cent the previous year. The recorded levels were above the MTP targets of 19.4 per cent and 20.1 per cent, respectively.

Broad money supply increased by 13 per cent in 2008/2009 to 23.7 per cent in 2009/2010, then to 18.9 per cent in 2010/2011. This was against MTP targets of 16.5 per cent in 2008/2009, 16 per cent in 2009/2010and 16.8 per cent in 2010/2011. Similarly, credit to the private sector increased by 19.7 per cent in 2008/2009, by 19.8 per cent in 2009/2010 and by 27.7 per cent in 2010/2011 against MTP targets of 16.5 per cent, 16 per cent and 16.9 per cent, respectively. The growth in credit levels was in lending to mining and quarrying mainly for exploration of crude oil and natural gas. Other sectors which benefitted from the substantial increases in private credit included wholesale and

trade, manufacturing, agriculture, and building and construction.

The performance of the external sector was satisfactory with all the key indicators falling within the MTP 2008-2012 targets. Although the current account (including official transfers) worsened from a deficit of 5.0 per cent in 2009/2010 to 5.4 per cent in 2010/2011. The performance was however within the MTP deficit targets of 6.1 and 5.6 per cent in 2009/2010 and 2010/2011, respectively. The improvement in the current account within the targets is partly attributed to the increased merchandise exports especially to COMESA countries.

The foreign exchange reserves in months of import cover improved to 3.93 months in 2010/2011 from 3.5 months in 2009/2010. This was however below an MTP target of 4.1 months for 2010/2011. The improved performance was due to increased earnings in key exports and tourism sector.

The external debt to GDP ratio was not sustained within set targets in the first three years of the MTP 2008-2012. The targets were envisioned to stand at 22.5, 20.8 and 21.7 per cent in 2008/2009, 2009/2010 and 2010/2011, respectively. The actual debt ratios stood at 24.0, 22.8, and 25.5 per cent in 2008/2009, 2009/2010 and 2010/2011, respectively. The failure of the total external debt as a percentage of GDP to be within target was partly attributed to the holding of external debt in foreign currencies and the fluctuations in exchange rate.

The debt service ratio, as a percentage of exports, performed below the MTP targets since 2008/2009 before worsening to 4.2 per cent in 2010/2011, up from 3.8 per cent in 2009/2010 against MTP targets of 10.9 in 2009/2010 and 12.4 per cent in 2010/2011. The positive performance in debt service ratio was attributed to the improvement in the country's economy in general and to the export receipts in particular.

The MTP 2008-2012 projected an employment growth of 8.4, 8.7 and 9.1 per cent in 2008/2009, 2009/2010 and 2010/2011, respectively. This translates into creating an average of 740,000 new jobs every year over the plan period so as to combat poverty and inequality. However, during the period under review, 503,500 new jobs were generated both in the formal and informal sectors compared with a total of 502,900 jobs created in 2009. The formal sector generated 62,600 new jobs in 2010 compared to 56,300 jobs created in 2009 representing 12.4 per cent of the total jobs generated. The informal sector, which represented 80.6 per cent of the total employment, generated an additional 440,900 jobs. The increase

in the generation of jobs in 2010 was attributed to the improved economic performance, coupled with increased access to affordable credit from banks, the Women Enterprise Fund, and the Youth Development Fund. In the formal sector, the main generators of employment included building and construction, transport and communications, and wholesale and retail trade, restaurants and hotels.

The MTP targets were above actual financing requirements in 2008/2009 and 2009/2010, by 40.6 and 8.2 per cent, respectively. The actual external financing requirement however exceeded the MTP target in the 2010/2011 following a worsening current account and a need to build-up official reserves. The resources to finance the requirements were drawn mainly from concessional financing arrangements namely; the International Monetary Fund (IMF), Official External Support, and private financing.

The promulgation of the Constitution in August 2010 was expected to bring about improvements in the social and political spheres of the nation, thereby enabling the country to achieve its growth potential. Institutional reform, especially in the judiciary and State Law Office, and the rush to establish other constitutional offices are some of the changes brought about by the Constitution. Other structural reforms include: rule of law and judicial reforms; electoral and political process; anti-Corruption, transparency and accountability; security and peace building; land reforms, and public sector reforms. These structural reforms have culminated in an improved business environment, development of the financial sector, infrastructure development, and improved adoption of Information and Communication Technology (ICTs).

FOUNDATIONS FOR NATIONAL TRANSFORMATION

The government recognizes the need for anchoring the Kenya Vision 2030 on solid enablers if it is to effectively drive, influence and achieve the economic, social and political transformation of the country. These are: physical infrastructure; Information and Communication Technology (ICT); Science, Technology and Innovations (ST&I); energy; land reforms; human resources development; security, peace building and conflict resolution; governance and public sector reforms; and Nairobi Metropolitan Development. Highlights of some achievements within these foundations are discussed below:

Infrastructure

The MTP (2008-2012) seeks to accelerate the development of effective and reliable infrastructure to promote Kenya's competitiveness at the national, regional and global

levels through improved connectivity. The focus has been on upgrading and rehabilitation of the main road corridors; development of a National Spatial Plan; development and implementation of a National Integrated Transport Master Plan; construction of a new transport corridor to Southern Sudan and Ethiopia; fast-tracking the implementation of the National Road Safety Action Plan; development of a roads maintenance and management system; construction of a light rail for Nairobi and its suburbs; dredging, expansion and modernization of Mombasa port; and formulation of a mass-rapid-transit programme for Nairobi Metropolitan region. During the period under review, modernization of Jomo Kenyatta International Airport (JKIA) was continued; a terminal building and runway was completed at Kisumu International Airport; renovation and upgrading of Wilson Airport is ongoing; six airstrips were rehabilitated in 2010/2011 and six others are earmarked for rehabilitation in 2011/2012; work on dredging of the port of Mombasa is on-going and is expected to be completed in 18 months; a contract for the development of a second container terminal at the port of Mombasa has been awarded; and the construction is expected to be completed by the year 2015; a feasibility study of Nairobi Metropolitan Rapid Transit System (NMRTS) has been completed; rehabilitation of the road from Jomo Kenyatta International Airport (JKIA) to the Nairobi CBD is complete; development of Lamu-Sudan-Ethiopia Transport Corridor is ongoing; 25.8 km of the Nairobi-Thika Superhighway has been completed; the Northern and Eastern bypass is 52 per cent complete; an MOU was signed with Uganda on development of a standard gauge railway; 1097 km of road were covered under routine maintenance against MTP target of 1,369 km.

Other achievements include: establishment of National Single Window System; finalization of the Integrated National Transport Policy; reconstitution of the National Road Safety Programme; operationalization of the Merchant Shipping Act No.4. of 2009; establishment of Kenya National Highways Authority (KeNHA), Kenya Rural Roads Authority (KeRRA), and Kenya Urban Roads Authority (KURA) to improve governance in road transport.

Energy

Energy provides the stimulus, drive and momentum for socio-economic development due to its hidden multiplier effects. Kenya seeks to provide adequate, quality, reliable and affordable energy to stimulate high and sustained economic growth. Structural, policy and institutional reforms in the energy sector are

geared towards increasing installed power generation, enhancing access to electricity, putting in place a strong energy sector regulatory framework, improving the operational efficiency of power utilities, encouraging private investment in generation of power, delinking generation of power from its distribution, connecting Kenya to energy-surplus countries in the region, exploration and development of new sources of energy and the tapping of geothermal power, coal, and other renewable energy sources.

In 2010/2011 a total of 250,185 new customers were connected to electricity supply against the MTP 2008-2012 target of 200,000 for the same period. Cumulatively, approximately 800,000 new connections have been made since 2008. Two geothermal power plants which include 36 MW by Orpower 4 and 35MW Olkaria II were completed. Fifty one geothermal steam production wells were drilled. Construction of 21 MW Sangoro and 20MW Kindaruma plants is on-going. The fuel pipeline was improved to a pumping capacity of 810,000 litres per hour against a target of 880,000 litres per hour.

Science, Technology and Innovation

To achieve Vision 2030, Kenya seeks to entrench a culture of using scientific and technological knowledge in all sectors of the economy to promote innovative solution to problems affecting the population. Key MTP targets under Science Technology and Innovation (STI) include establishment and implementation of a Knowledge Management Information System (KMIS); establishment of programmes of excellence, establishment of Open University and Pan African University; provision of physical infrastructure and capital equipment in HESTI institutions; and implementation of a knowledge transfer programme.

In 2010/2011, the ST&I survey was finalized. Higher education curricula were reviewed to include SET courses and frameworks and activities geared towards increasing gross enrolment in Universities and TIVET institutions were developed. The government awarded research grants amounting to KSh. 150 million to selected research institutions to promote intensification of innovations in priority sectors. Strategic research collaboration was established with the Republic of South Africa and 6 Intellectual Property Rights (IPR) offices/desks established in TIVET institutions. Additionally, a national scientific conference/exhibition and regional TIVET fairs were held. The government embarked on the expansion of university facilities and technical training to admit more students in 2010/2011. Bursaries and scholarships for higher education were increased. During the period under review, the STI Bill, University

Education Bill and TIVET Bill were submitted to Cabinet for approval.

Information and Communications Technology

Information, Communication and Technology (ICT) forms the foundation for a knowledge economy. Through the Vision 2030, Kenya seeks to develop along an innovative industrial path based on IT enabled services (ITES) and Business Process Outsourcing (BPO). Key targets include improvement of ICT infrastructure; formulation of appropriate public policy and regulations guidelines; development of the necessary skills for a modern knowledge economy; improvement of collection, storage, analysis and dissemination of information and national statistics; acceleration of ICT industries through Public Private Partnership (PPP); and ensure equity and universal access to the provision of ICT services.

During the period under review, the cost per Megabyte of data transmitted declined drastically to KSh. 5 against an MTP target of KSh. 1000 due to increased high speed bandwidth due to the landing of four 5,500 km undersea cables at Mombasa and laying of the 5,000 km fibre optic cable in most parts of the country. At the same time, 98 per cent of households have access to radios against the MTP target of 100 per cent while 98 per cent of households had access to TVs against a Medium Term Plan target of 95 per cent. Mobile phone connectivity was 74 per cent against the MTP target of 65 per cent owing to zero-rating of ICT equipment and accessories including the mobile phones. In 2010/2011, feasibility study and architectural designs for BPO Park were completed and an Expression of Interest for a Master Developer was advertised while 37 digital villages were established against the MTP target of 210 digital villages. In 2010/2011, 4,100 BPO jobs were created against the MTP target of 2,200 BPO jobs. This was attributed to the increased marketing of the country and the significant reduction of telecommunication costs in addition to provision of incentives to local BPO Operators in terms of subsidized bandwidth. In 2010/2011, a total of 81 Government institutions were provided with broadband connectivity against the MTP target of 400. Other ICT achievements include digitization of the State Law Office and 37 substations of the Judiciary, and the establishment of 30 Rural Information Centres to complement the digital villages' e-government service centres. The Kenya Communications (Amendment) Act 2009 was also enacted to mainstream e-commerce in the economy.

Land Reforms

Land reforms in Kenya aim at improving fair access to land and ensuring better

utilization of natural resources. The transformation envisaged under the *Kenya Vision 2030* is dependent on the formulation and implementation of a National Land Use Policy. The flagship projects to be implemented in the Medium Term Plan 2008-2012 include: development of a National Land Information Management System, preparation of a National Spatial Plan, development of a National Land Use Master Plan, development of resort cities land use plans, and implementation of a land ownership documents replacement programme

In 2010/2011, the following achievements were made:

i) Geographical Information System (GIS) was re-engineered and redesigned;
ii) Over 129,388 Government Land Act (GLA) and Registration of Titles Act (RTA) titles and 8,998 parcel files were digitized and an electronic Records Management System installed
iii) Twenty three (23) zero order passive KENREF stations were established;
iv) Integrated Land Rent Information System was implemented and details of 135,000 Government Leased plots were captured into the system
v) Two land registries (Isiolo and Trans Nzoia) were established against MTP 2008-2012 target of 4 land registries. However, five land registries (Kajiado, Kisumu, Kiambu, and Nakuru and Nairobi) were rehabilitated and refurbished against MTP target of four.
vi) An institutional framework for the preparation of the National Spatial Plan was established; thematic groups were identified and their Terms of Reference and work plans were prepared. Areas of outsourcing were identified and standards for data collection were developed. However, this only accounts for 40 per cent of the MTP target.
vii) A database of 126 topographical maps sheets was created against MTP 2008-2012 target of 100 topographical map sheets. Eighteen (18) maps were updated against the MTP target of 10 maps.
viii) Draft National Land Commission Bill was prepared to operationalise the National Land Commission. Other draft bills prepared includes: Land Bill, Land Registration Bill, Community Land Bill and Environment and Land Court Bill.

Public Sector Reforms and Transformation

An efficient, motivated and well-trained public service is one of the major foundations of the *Kenya Vision 2030*. Indeed, Kenya seeks to build a public service that is efficient, citizen-focused and results-oriented. This draws from the recognition that an efficient public sector is pivotal for enhanced national competitiveness, economic growth and development. Efforts include engendering a results culture and attitudinal change in the public service. Such change stresses transparency and accountability to the citizens of Kenya. Results-Based Management (RBM) and performance contracting have also been prioritized and emphasized. Reforms in the public service are expected to further enhance strategic planning in government, continuous improvement, and stakeholder engagement. A Kenyan School of Government is to be established to provide research and training on transformative leadership.

In 2010/2011:

i) A high flier's scheme for public servants was established to guide career progression of the hardworking government officers. This is expected to enhance service delivery and boost results oriented public service.

ii) Transforming Kenya programme launched to support implementation of the Constitution, fast tracking of Vision 2030 targets, improvement of public service delivery and promotion of public-private dialogue in service delivery.

iii) Performance Appraisal System (PAS) was implemented and made compulsory for all public servants. This will lead to improved work performance thus resulting in quality service delivery in the public service.

iv) A total of 147 RBM champions comprising senior leadership in Ministries, Local Authorities, Parastatals and regional development authorities were developed. An additional 8,200 public servants were trained in RBM, project management, facilitation skills and performance contracting.

v) 470 institutions which comprise of, 46 ministries /departments, 178 state corporations, 175 local authorities and 71 tertiary institutions were placed on performance contracts. Performance contracting has also been cascaded to the provincial and district levels including CDF managers.

Labour, Human Resource and Manpower Development

The goal of the labour, human resource and man power development in the Vision 2030 is to create a globally competitive and adaptive human resource base that will contribute to national economic-building. Consequently, the appropriate skills in sufficient numbers have to be produced on a timely basis to create competitiveness in our economy. Further, capacity is to be developed in a conducive environment in a bid to enhance the well being of the Kenyan workforce. To meet the above aspirations of the Kenya vision 2030, the MTP identified the following targets: creation of 823,000 jobs in 2010/2011; settlement of 80 per cent of the industrial disputes reported; and upgrading of additional 100 MSE worksites. In addition, the sector was to place 10,000 trainees on industrial attachment, training of 5,800 students in relevant industrial skills, administering of trade tests to all registered students, improving productivity in 15 companies and training 120 productivity technical service providers. Others were to prepare a national skills inventory, prepare and submit an MSE Bill to Cabinet, and to seek approval of National Occupational Safety and Health policy from the Cabinet.

During the period under review, the following milestones were realized:

i) The actual number of jobs created in 2010/2011 was 503,500 compared to the MTP target of 823,000 jobs. This was an improvement compared to the number of jobs created in 2009/2010. This improvement was attributed to increased access to affordable credit mainly from banks, and the Women Enterprise and Youth Development Funds.

ii) 10,170 trainees were placed on industrial attachment against the MTP target of 10,000 trainees, while 5,432 students were trained on relevant industrial skills against the MTP target of 5,800 students and 45,078 registered students sat for Government trade test examinations. In addition, refurbishment and rehabilitation works continued in the five industrial training centres.

iii) Productivity improvement was carried out in 15 firms against the MTP target of 20 firms. Cumulatively, 32 firms have implemented productivity improvement programmes since 2008. Similarly 150 Productivity Technical Service Providers (PSTPs) from both the public and private sectors of the economy were trained against the MTP target of 120 PSTPs.

iv) A National Manpower Survey (NMS) was conducted and data

analysis initiated.

v) 21 MSE sites were developed and upgraded against the MTP target of 16 sites. Cumulatively, 113 MSE worksites have been developed and rehabilitated since 2008.

vi) 18,104 disputes were to be resolved, of which 3,104 disputes were new. A total of 11,767 disputes were resolved. This represents 65 per cent of the total number of disputes. The Ministry further arbitrated and gave awards in 811 trade disputes out of the MTP target of 350 disputes.

Security, Peace Building and Conflict Management

Kenya vision 2030 envisages "A nation of peace and stability; a society free from danger and fear". The role of security, peace building and conflict management in promoting global competitiveness and improvement in the standards of living of the population cannot be overemphasized. MTP (2008-2012) aims to improve security in the country to facilitate investments, national competitiveness and to provide Kenyans with a more secure living and working environment. Specific flagship projects prioritized by the MTP (2008-2012) for implementation in this area are establishment and equipping of a forensic laboratory; installation of surveillance cameras in Nairobi; Mombasa, Nakuru and Kisumu; police staff housing; and security and policing reforms. Other reforms to be implemented will target the prison service, starting with reduction of the number of suspects in remand homes, improved training and working conditions for prison staff, and the re-orientation of the Kenya prisons service to focus on correctional activities.

During 2010/2011, the following were achieved:

I. 32 CCTV cameras were installed at major road junctions (Westlands Roundabout, Tom Mboya Street, GPO Round about, Mombasa Road, and Railways Roundabout among others). The cameras are being monitored to ease traffic congestion.

II. 50 Computers were distributed to provincial and formation operation centres to improve data capture

III. 1,091 housing units were constructed for the Police Force, 120 units rehabilitated and 153 units leased for the AP.

IV. Independent Police Oversight and Private Security bills were prepared

V. A new police curriculum was launched and operationalised

VI. 288 district peace committees were established and operationalised

VII. 253 houses were constructed and completed.

Nairobi Metropolitan Development

The strategic location of Nairobi Metropolitan region as the central gateway to Eastern and Central Africa as well as it's positioning on the Northern Corridor and the Cape to Cairo highway presents significant strengths. Nairobi Metropolitan serves as a critical link between the urban and rural production and as a value-adding service provider. To develop Nairobi into a modern metropolis, the MTP (2008-2012) identifies implementation of five flagship projects: construction of Nairobi Metropolitan Bus Transit System; construction of light rail for Nairobi and its suburbs; conversion of Nairobi into a 24-hour economy; implementation of a Metropolitan Road Safety Programme; and construction of 100,000 housing units annually.

A number of developments took place during the period under review. These were:

i) Dunga, Mukenia, Mariakani, Balozi, Kararaponi, Kapiti and Dar-Es-Salaam Roads were upgraded, rehabilitated and expanded; 8.5 km of Ruaka, Baobab, Kararapon and Mwitu Roads were rehabilitated and street lighting partly done.

ii) Improvement of Non-Motorized Transport (NMT) facilities at Muthurwa and Kararapon were completed.

iii) CCTV cameras were installed at eight road junctions; installation of 826 streetlights and 555 lights of which 47 were 30 metre high masts while 22 were of 20 metre high masts.

iv) 2 multipurpose ambulances with fire section were purchased and distributed to Kiambu and Mavoko Municipal councils, 4 land rovers equipped with modern fire-fighting equipment's were also purchased and distributed to Machakos, Kiambu, Kajiado and Karuri County Councils and 4 fire engines (2 No. 10,000 litre fire engines, 1 No. 5000 litre fire engine and 1 No. 56 metre Turn table Aerial ladder) were procured and distributed as follows: 1 No. 10000 litre-Mavoko Municipal Council, 1 No 5000 litre - Thika Municipal Council and 1 No. 10000 litre and 56 metre Ladder to Nairobi County Council.

v) In 2010/2011, a draft spatial plan was prepared and is awaiting validation by stakeholders. The plan will enhance optimal and coordinated land use. GIS software was procured in 2009/2010 and mapping is ongoing.

vi) A Cabinet Memorandum for

transforming Nairobi into a 24-hour economy was prepared and submitted to the Cabinet for consideration and approval. A Sessional Paper on the same is being developed.

vii) Metropolitan Areas Bill, 2011 was finalized and forwarded to State Law Office, Kenya Law Reform Commission (KLRC) and the Commission for the Implementation of the Constitution (CIC).

ECONOMIC PILLAR

The Economic Pillar of the Kenya Vision 2030 and MTP 2008-2012 aimed at moving the Kenyan Economy up the value chain. This was intended to ensure ample opportunities for the citizenry to enjoy a high quality of life while reducing poverty levels. The pillar targeted six priority sectors to raise the national GDP growth to 10 per cent by 2012, namely Tourism, Agriculture and Livestock, Wholesale and Retail Trade, Manufacturing, Business Process Outsourcing (BPO) and Financial Services.

Achieving the envisaged 10 per cent growth by 2012 has been constrained by multiple shocks experienced in 2008-2009 where real GDP weakened to 1.5 per cent in 2008 from 7.0 per cent in 2007. Nevertheless, some recovery was realized with real GDP growing by 5.6 per cent in 2010, and by about 5 per cent in 2011 with an optimistic growth trajectory towards 2012 that will rise towards the Vision 2030 target. To meet this growth target there is need to promote higher investment levels and financing.

Tourism Sector

The tourism sector has been recognized for its contribution to the economy, with about 10 per cent of the gross national output, 14.7 per cent of foreign exchange earnings, and 11.0 per cent revenue to the exchequer over the last decade. By focusing on the tourism sector, Kenya aspires to be in the top ten of long haul tourist destinations offering high end, diverse, and distinctive visitor experience. Specific goals for the tourism sector include trebling annual national earnings, doubling international arrivals and increasing the average spending per visitor by 2012. To achieve this, the Government has been spearheading different policy initiatives to reverse the impact of the 2007 post election violence, the global financial crisis experienced in 2008, and insecurity associated with political instability in the Horn of Africa, terrorist threats, income inequalities, unemployment and poverty. Other key interventions pursued by the Government included: provision of adequate infrastructure support leading to key resorts and national parks, adequate hotels and bed capacity, and tapping of domestic tourism. The MTP (2008-2012) also

prioritized implementation of four key flagship projects as part of the long term intervention to improve the competitiveness of the tourism sector. The flagship projects included: development of three resort cities in Isiolo, Kilifi and Diani/Ukunda; the premier parks initiatives which seek to brand the country's most popular parks; the underutilized parks initiative, which aims at revamping the capacity utilization of some of the country's parks; and development of niche tourism products.

During the period under review, a policy on new products development and diversification was formulated. This policy focused on the development of eco-tourism, conference tourism, sports and cultural tourism. Four products in line with this policy were developed in 2010/11 among them being; youth and tourism strategy, cultural tourism strategy, agro-tourism strategy and criteria for licensing home stays. A second policy on marketing and promotion of tourism was also finalized. This was aimed at countering the negative image and perception of the country as a tourist destination, and developing domestic tourism. Other interventions included: safety, security and tourism resources conflict; wildlife conservation and management including protection of endangered species, wildlife cropping and wildlife hunting; land ownership and land-use to contain human-wildlife conflict; improving the investment climate so as to attract both local and foreign investments into the tourism sector. The Wildlife and Tourism Act was translated and a heritage policy for effective and efficient utilization and management of existing heritage facilities was developed.

During the period under review, the sector has not achieved the projected growth targets except in the provision of bed nights' occupancy which was attained in 2009. The total international tourist arrivals were 1,609,110 against a target of 2,550,000. This compares with an arrival of 1,490,448 tourists in 2009/2010 against the MTP target of 2,250,000 and 1,203,220 tourists in 2008/2009 against the MTP target of 2,000,000. Bed nights available reached 17,161,764, marginally surpassing the MTP target of 17,000,000. This was a marginal increase from the previous year's 17,125,300. Earnings from tourism also increased to KSh. 73.7 billion in 2010/2011 from KSh. 62.5 billion and KSh. 52.7 billion in 2009/2010 and 2008/2009 respectively. The MTP targets are however far from being realized with the actual performance in 2010/2011 falling below 50 per cent of target.

Kenya's long term goal as contained in the Vision 2030 is to transform the tourism sector into a major

contributor to economic growth and development. Apart from the initiatives aimed at reversing the effects of the post election violence, the following achievements were made in respect of MTP flagship projects:

i) The procurement process for development of three resort cities in Isiolo, Kilifi and Diani was completed, but the award of the consultancy has been delayed due to inadequate funding.

ii) Amboseli and Lake Nakuru National Parks were segmented as premium parks and their entry fees raised in 2009 to USD60 as envisaged in the MTP (2008-2012).

iii) Investors were identified to develop underutilized parks, namely, Meru Conservancy, Mwea, Hells Gate, Kisumu Impala, and Ndere Islands. The projects are at different stages of implementation.

Agriculture, Livestock and Fisheries Sector

The sector envisions a food secure and prosperous nation through an innovative, commercially oriented and competitive agriculture. This will be achieved by enhancing food production, creating and maintaining an enabling environment for development of agriculture, livestock and fisheries, formulating and implementing appropriate agricultural policies and strategies and employment creation. To this end, the Medium Term Plan (2008-2012) identifies four flagship projects for revitalization of the sector. These are: enactment of the Consolidated Agricultural Reform Bill, investment in fertilizer-cost reduction, establishment of disease-free zones and completion of Arid and semi-Arid Lands (ASAL) development projects. In addition, several one year recovery programs aimed at reversing the decline in the sector's growth occasioned by post election crisis in 2008 have been initiated.

The agricultural sector recorded an impressive performance in 2010/2011 by recording a 6.5 per cent growth in output from KSh. 288 billion in 2009 to KSh. 307.1 billion in 2010. Agriculture production was bolstered by the favourable weather conditions experienced in the country, provision of low priced certified seeds and fertilizer as well as the Economic Stimulus Programme. The livestock sector also witnessed increased growth in volumes of marketed products but a glut led to subsequent decline in the value of the products. Towards the end of 2010/2011, the country experienced severe drought in most parts, this caused a slow growth of the sub sectors, coupled with rising fuel prices and high exchange rates.

Towards a Consolidated Agricultural Reform Bill, Agriculture bill 2011, Crops Bill 2011, Livestock Bill 2011 and a comprehensive consolidation report were prepared, discussed and presented to the Cabinet. A comparative study and cost-benefit analysis of proposed were also undertaken. In the 2010/2011 financial year, some 105,863 metric tonnes of fertilizer were distributed to farmers in the year 2010/2011 at subsidised prices. For example DAP was sold at KSh. 2,500 and CAN at KSh. 1,600 against a market price of KSh. 3,700 and KSh. 2,100 respectively.

During the year under review, 3 draft contingency plans (for Rinderpest, Rift Valley Fever and Mad Cow Disease) in Arid and Semi Arid lands were finalized for forwarding to the Cabinet for approval. ESIA was successfully completed. This was guided by four sensitization meetings held in Coast Province to brief 98 frontline stakeholders on their participation in the consultancies on ESIA, zonal boundary survey and range resource baseline survey.

At the same time, the Ministry of Agriculture worked on eight draft policy documents against the five targeted. These included the National Food and Nutrition Policy (NFNP), National Agriculture Sector Extension Policy (NASEP), National Seed Policy, the Urban and Peri-Urban Agriculture and Livestock (UPAL) Policy, the Emerging Crops Policy, the Root and Tuber Crops Policy, the Pyrethrum Sessional Paper and the Sugar Industry Sessional Paper.

The Ministry of Livestock Development continued implementing the National Livestock Policy while the national dairy policy, poultry policy and beekeeping policy were approved by the Cabinet. Animal Disease Act CAP 364 and Veterinary Surgeon Act CAP 366 were reviewed, while the Veterinary Medicines and Poison Act was drafted. Veterinary Surgeon and Veterinary Paraprofessionals' Bill awaits presidential assent after Parliament approval.

Some 40,800 fish ponds in 160 constituencies were built and stocked with fingerlings and the fish farmers were supplied with fish feeds as part of the economic stimulus package. Also, 160 shallow dams were constructed in 160 constituencies to harvest water for fish farming.

Six cold storage facilities were put up to reduce post harvest losses. Tenders for the construction of four mini processing plants at Rongo, Kakamega, Meru and Nyeri were awarded and will soon be under construction.

The Draft Fisheries Management Bill 2011 has been finalized through wide stakeholder consultation and is awaiting presentation to

the Parliamentary Committee on Agriculture. The National Aquaculture Policy, aquaculture extension manual and Aquaculture Communication Strategy have also been developed.

In 2010/2011, the Ministry of Cooperative Development and Marketing finalized the Cooperative Development Policy and drafted a Sessional Paper for presentation to Parliament. Registration of an umbrella Kenya Farmers Co-operative Union is underway and is expected to be finalized in 2011/2012.

Mariakani Dairy and Kenya Coffee Co-operative Exporters (KCCE) were operationalised during the year under review. In addition the New KCC was re-designated to a state corporation. Overall, the contribution of SACCOs to national savings exceeded the target savings rate of 10 per cent to reach 25 per cent per annum.

In 2010/2011, the Co-operative Subsector Final Draft Bill was adopted by the Cabinet, the draft Sessional Paper finalized and the SACCO Act 2008 enacted. The Co-operative Alliance of Kenya (CAK) was also launched and Cooperative investment policy and guidelines developed. The ECCOS was established as planned and about 20 of the 126 SACCOs with FOSAs have now complied with the SACCO Act.

Manufacturing Sector

The long term goal of Kenya Vision 2030 is to transform the country into a newly industrialized nation through a structural change in the economy. In the medium term the sector is expected to contribute to Gross Domestic Product (GDP) by at least 10 per cent per annum. The manufacturing sector is crucial in supporting Kenya's socio-economic development agenda by creating jobs, generating wealth, attracting both local and foreign direct investments, generating foreign exchange, developing international trade and stabilizing balance of payments. Kenya aspires to have a robust, diversified and competitive manufacturing sector. The MTP prioritized the development of five SME industrial parks and Specialized Economic Zones in Nairobi, Eldoret, Mombasa, Kisumu and Nakuru, and development of an Integrated Steel Plant in Kenya.

During the period under review, the manufacturing sector recorded a 4.4 per cent growth rate against an MTP target of 10 per cent. This compares with 1.3 per cent and 3.5 per cent recorded in 2009 and 2008, respectively. The drivers in this sector included meat and dairy products, miscellaneous manufactures, grain mill products and miscellaneous foods, while the major losers were clay and other products, sugar and confectionery, electrical machinery,

paper and paper products, printing and publishing, and rubber products.

Direct formal employment in the sector increased from 266,400 persons in 2009 to 268,000 persons in 2010. The number of Kenyans employed under the EPZ program increased by 566 persons to stand at 30,681 persons in 2010, representing an increase of 1.9 per cent while, the total turnover for Export Processing Zones (EPZ) rose by 21.3 per cent to stand at KSh. 31.7 billion in 2010. The sector has not been able to achieve its MTP targets of 10 per cent growth rate per annum in the last three years due to overreliance on agricultural production, poor infrastructure, high production costs, cheap imports and the influx of counterfeit goods. Amidst the myriad challenges, the sector was boosted by a substantial increase in lending amounting to KSh. 189.1 million above the amount advanced in 2009 to reach KSh. 300 million in 2010.

Under the Economic Stimulus Programme, 47 Industrial Development Centres (IDCs) were targeted for upgrading to SME parks. The draft Master Plan for SME Parks was developed in 2010 in line with the MTP targets. Three OVOP exhibitions were held, 7 project proposals were vetted and selected while 7 model OVOP groups were identified, where specialized technical assistance was provided. The MSE 2030 Initiative brought on board Kenya Industrial Estate (KIE) and Kenya National Trading Company (KNTC) in promotion and sub-contracting. Surveys on regional resource endowments in agro-processing sector were carried out and information disseminated in investment forums. Capacity building activities of women and youth entrepreneurs were carried out in three districts.

A total of KSh. 163.8 million was distributed to various MSMEs to enhance their capacity to do business, training facilitation and consultation services. 33 Constituency Industrial Development Centres (CIDCs) were completed. Under the Business Sector Support programme, KSh. 101 million was used to support the formation of Garissa and Kisumu clusters and training of technical staff. A Memorandum of Understanding (MoU) was signed with South Korea for the development of an Integrated Steel Plant in Kenya.

Wholesale and Retail Trade Sector

The MTP 2008-2012 envisages a formal wholesale and retail trade sector that is efficient, multi-tiered, diversified in product range and innovative. The key areas of intervention in this sector include deepening of regulatory reforms to ease the cost of investment in the country, reduction of constraints to market access and, expensive and limited access to finance and credit. The sector is expected to create at least

10 hubs and 1000 – 1500 producer business groups with a pilot project in Maragua. Additionally, at least 10 tier one markets are expected to be built with a pilot project in Athi-River, and a wholesale and retail hawkers market are expected to be built in selected urban areas.

The sector accounted for 9.8 and 10.3 per cent of the country's GDP in 2009 and 2010, respectively. In terms of GDP growth rates, the wholesale and retail sector grew by 7.8 per cent in 2010 after plummeting in 2009. Africa remained the leading destination of Kenyan exports with Common Market for Eastern and Southern Africa (COMESA) accounting for 71.9 per cent of the total exports. Overall, during the year, the value of exports from Export Processing Zones (EPZs) increased by 21.1 per cent to KSh. 32,348 million in 2010/2011. In addition, direct local employment in the EPZs increased from 30,115 persons in 2009/2010 to 31, 026 persons in 2010/2011.

Surveying of land earmarked for Mombasa SEZs has been completed and 2,000 km^2 of land confirmed available while surveying and profiling of Lamu and Kisumu SEZs has commenced. A detailed concept paper for the design of a wholesale hub that incorporates best international practices was developed in 2010/2011. Out of an MTP target of 1000-1500 producer business groups, 400 were created and facilitated through training and capacity building. A total of KSh. 130.5 million was disbursed to 1,328 Small Scale Traders under the Joint Loan Scheme.

Business Process Outsourcing and Off-shoring Sector

The Kenya Vision 2030 and the MTP (2008-2012) envisages Kenya to be the top off-shoring destination for Africa. The MTP recognized Business Process Outsourcing (BPO) as an emerging and growing sector with a potential of creating over 7,500 job opportunities and contributing over 7.5 per cent to the country's GDP. Five flag ship projects were prioritized: establishment of a BPO park at the Athi-River Export Processing Zones (EPZs), undertaking marketing campaigns, conducting targeted training programmes, development of a BPO incentive framework and the formulation of BPO and Contract Centre (CC) policy.

In 2010/2011, the sector created 4,100 direct BPO jobs against an MTP target of 2,200 BPO jobs. Cumulatively 7,000 jobs were realized against the MTP target of 7,500 jobs by 2012. This was attributed to the increased marketing of the country, reduction in telecommunication costs, and subsidized broad bandwidth for local BPO operators.

The development of Konza Technology City is ongoing. Specifically, Feasibility and Demand Assessment studies were completed; Strategic Environmental Impact Assessment Study and the Physical Development Plan (Master Plan) were approved; Architectural Design model developed; Construction of Perimeter Fence and sourcing of a developer are ongoing. Over 2000 Kenyan youths were trained in BPO entrepreneurship and skills. A curriculum to improve ICT skills was developed and will be rolled out to schools. 81 BPO operators received broad bandwidth subsidies against the MTP target of 400 BPO operators. Broadband capacity increased from 27Mb to 80 MB. The government provided financial incentives to some 10,512 students to acquire laptops. Kenya Communication Amendment Bill was enacted and the application of e-commerce will expand once Parliament enacts the Cyber Security and Data Protection Bill.

Financial Services Sector

The MTP (2008-2012) envisions a vibrant and globally competitive financial sector that drives high levels of savings and investment. Realization of this goal is anchored in four flagship projects, namely, consolidation of the banking sector through enhanced capital base, increased financial access, deepening capital markets, and leveraging remittances and long term capital inflows.

The sector recorded an impressive growth in 2010 after the dismal performance in 2008 and 2009 occasioned by the international financial crisis. The number of deposit accounts increased from 2.55 million in 2005 to about 12 million in 2010, while micro accounts increased by 425 per cent from 2.14 million in 2005 to 11.25 million in 2010. During the same period, the first credit reference bureau was licensed and by the end of September 2011, banks had requested for 103,332 credit reports.

During the period under review, CBK approved 5,892 banking agents of which 4,392 were telecommunication related. 66 per cent of these agents are located in rural areas. A total of 214,704 new customers were netted through these agents. Gross loans and advances by Deposit-Taking Microfinance Institutions (DMIs) grew to KSh. 14.9 billion in December 2010, up from KSh. 14.1 billion recorded in June 2010. The number of deposit accounts also grew by 40.5 per cent from 610,552 in June 2010 to 858,000 in September 2010. Deposits also increased by 5.9 per cent to KSh. 7.2 billion over the same period. As of August 2010, person to person mobile money transfer stood at KSh. 33.33 billion (USD 414 million) representing 54.54 per cent of total transfers.

SOCIAL PILLAR

The Government seeks to build a just and cohesive society that enjoys equitable social development in a clean and secure environment by delivering the Government's commitments on Millennium Development Goals (MDGs) and Education for All (EFA). The focus under the Social Pillar is in eight key social sectors namely: Education and Training, Health, Water and Sanitation, Environment, Population, Housing and Urbanization, Gender, Sports, Youth and Culture and Forestry and Wildlife. The Pillar also makes provision for Persons with Disabilities and communities that were previously marginalized.

Education and Training Sector

The Government is committed to the provision of quality education, training and research as a fundamental right of all Kenyans in accordance with Kenya's Constitution and International Conventions. Some of the initiatives under this sector include continued implementation of the Free Primary Education (FPE); continued implementation of Free Day Secondary Education(FDSE); implementation of policies outlined in the Sessional Paper of 2005 on Policy Framework for Education, Training and Research and *Kenya Education Sector Support Programme (KESSP); r*eview of strategies especially KESSP to embrace emerging issues and address lessons learnt; operationalisation of second generation strategic plans, and implementation of targeted poverty intervention programmes such as school feeding and secondary school bursary programme

Enrolment in the ECDE increased from 1.914 million out of which 946,678 were girls in 2009 to 2.13 million (1,100,890 boys and 1,092,181 girls) in 2010. The Gross Enrolment Rate (GER) increased from 60.2 per cent (61.6 for boys and 58.7 for girls) in 2009 to 60.9 per cent (60.3 for boys and 61.4 for girls) in 2010. The Net Employment Ratio (NER) increased from 40.4 per cent[1] (40.8 per cent for boys and 40.0 per cent for girls) in 2009 to 41.8 per cent (42.3 per cent for boys and 41.2 per cent for girls) in 2010 against a target of 76.6 per cent (76.9 per cent for boys and 76.2 per cent for girls). The low NER is attributable to low participation across the country and poor academic performance.

The number of pupils in formal primary schools increased from 5.9 million in 2002 to 8.8 million (4.5 million boys and 4.3 million girls) in 2010, an increase of 60 per cent. In 2010, the enrolment was 9.38 million (4.75 million boys and 4.63

1 Revised NER and GER based on the 2009 Kenya Population and Housing Census age cohort data

million girls), an increase of 6.6 per cent as compared to 2009. Primary school Gross Enrolment Ratio (GER) increased from 108.9 per cent (118 and 106 per cent for boys and girls, respectively) in 2007 to 110.0 per cent (112.8 per cent and 107.2 for boys and girls, respectively) in 2009 and dropped slightly to 109.8 per cent (109.8 per cent and 109.9 per cent for boys and girls, respectively) in 2010. Net Enrolment Rate (NER) increased from 91.6 per cent (94.1 per cent and 89.0 per cent for boys and girls, respectively) in 2007 to 92.9 per cent (93.6 and 92.1 per cent for boys and girls, respectively) in 2009 and then dropped marginally to 91.4 (90.6 and 92.3 per cent for boys and girls, respectively) in 2010 against MTP target of 90 per cent. North Eastern Province recorded low NER of 40.3 per cent (41.5 per cent male, 38.9 per cent female) against an MTP target of 38.6 per cent for 2010. The MTP targets were surpassed due to continued implementation of FPE and sensitization of parents/communities. Gender parity is also impressive at 0.97 in 2007, 0.98 in 2009 and 1.02 in 2010.

Transition rate from primary to secondary increased from 59.6 per cent (56.5 per cent for male and 63.2 per cent for female) in 2007 to 66.9 per cent (64.1 per cent for male and 69.1 per cent for female) in 2009 and 72.5 per cent (68.9 per cent for male and 75.3 per cent for female) in 2010 against an MTP target of 84.7 per cent (84.7 per cent for boys and 88.8 per cent for girls). This is attributed to the inability of children to afford other schooling expenses under secondary education, early marriages, child labour, and retrogressive cultural practices and beliefs.

The Class 8 pupil completion rate was 81.0 per cent (86.5 and 75.7 per cent for boys and girls, respectively) in 2007, 79.8 per cent in 2008, 83.2 per cent in 2009 and 76.8 per cent (79.2 and 74.4 per cent for boys and girls, respectively) in 2010. Many schools have a pupil-teacher ratio above 40:1, with urban and high potential areas with as high as 85:1 ratio. On average, the pupil teacher ratio at primary level increased from 44:1 in 2007 to 45:1 in 2010 against an MTP target of 42:1.

The Textbook to Pupil ratio for lower primary has improved from 1:10 before 2003 to 1:3 in 2007, 1:2 in 2008 and 2009, and 1:1 in 2010/2011. For upper primary TPR has improved from 1:2 in 2007 to 1:1 in 2010 against the MTP target of 1:1.

The number of secondary schools increased from 6,485 schools in 2007 to 6, 971 schools in 2009 and 7,308 schools in 2010. Enrolment grew from 1.18 million students in 2007 (639,393 boys and 540,874 girls) to 1.5 million (804,119 boys and 695,896

girls) students in 2009 and further to 1.7 million (916,302 boys and 792,818 girls) students in 2010. The GER for secondary increased from 38.0 per cent (41.4 per cent for boys and 34.6 per cent for girls) in 2007 to 45.3 per cent (49.0 for boys and 41.8 for girls) in 2009 and 47.8 per cent (50.9 per cent for boys and 46.3 per cent for girls) in 2010. The NER was 28.9 per cent (29.8 per cent for male and 27.9 per cent for female) in 2007, 35.8 per cent (36.5 per cent for boys and 35.1 per cent for girls) in 2009 and 32.0 per cent (32.4 per cent for boys and 32.9 per cent for girls) in 2010. The drop in secondary NER was attributed to the revision of population data based on the Kenya Population and Housing Census report.

During the period under review, 880 teachers were recruited and 382 Adult Basic Education centres were rehabilitated and equipped. Adult enrolment increased from 126,700 centres in 2007 to 215,900 centres in 2008 and to 320,000 in 2010. The school feeding programme reached all the 1.2 million targeted pre-primary and primary school children in 64 ASAL districts and slums of Nairobi. In 2010/11, a total of KSh. 500 million was disbursed for secondary school bursaries.

A total of KSh. 926 million was used to rehabilitate all the 18 national secondary schools. An additional 100 schools have been identified for upgrading into national status over 2011/12 period. During the period under review, a total of KSh. 63 million was disbursed to 474 non formal schools against an MTP target of 700 NFSs. Teacher training curriculum at both primary and secondary level was reviewed to integrate ICT in education.

KCPE examination candidature increased from 704,700 (372,100 boys and 332,700 girls) in 2007 to 727,100 (381,600 boys and 345,500 girls) in 2009 and to 741,507 (386,832 boys and 354,675 girls) in 2010. KCSE candidature increased from 305,015 (165,591 boys and 139,424 girls) in 2007 to 333,816 (182,475 boys and 151,341 girls) in 2009 and 336,015 (197,333 boys and 158,682 girls) in 2010.

Other achievements under this sector include:

i) Under the economic stimulus initiative, KSh. 6 billion was disbursed to 200 secondary schools for construction/ rehabilitation works aimed at transforming the schools into centres of excellence. A further 420 schools were rehabilitated and expanded.

ii) Overall, 18,020 teachers were recruited.

iii) A program to supply computers to 20,229 public primary schools,

4,000 public secondary schools, 20 PTTCs, 2 diploma colleges, 10 Model e-learning centres for Adult Continuing Education (ACE) and the 7 public universities is ongoing.

iv) A total of 1021 secondary schools received computers against a target of 1050 secondary schools.

v) KSh. 544,122,000 was disbursed to 37 ASAL districts for construction/rehabilitation of primary schools.

Health Sector

The health sector aims to provide equitable and affordable health care at the highest affordable standard to all citizens. In addition, the right to the highest standard of health is recognized in the Constitution. There are also three directly-related Millennium Development Goals (MDGs): Reducing infant and child mortality (Goal 4), Reducing maternal mortality rate (Goal 5), and Combating HIV and AIDS, TB, malaria and other diseases (Goal 6). The key focus areas include improving access and quality, strengthening requisite capacities, and devolution of health service provision. This involves progressively increasing allocation of funds and responsibility to health facilities, and empowering households and social groups to take charge.

In 2010/2011 the under-five mortality registered 74 deaths per every 1,000 live births against the MTP target of 45 per every 1000 live births. There was a marginal decline in neonatal mortality rate which contributed to 42 per cent of the under-five mortality. The MTP target for skilled birth attendance for 2010/2011 was 66 per cent. According to the most recent data, only 43 per cent of deliveries are performed by qualified health professionals. Immunization coverage for children under 1 year for the period under review increased from 73 per cent to 83 per cent. The proportion of in patients with malaria fell from 19 per cent in 2007/08 to 14 per cent in 2010/11 against an MTP target of 13 per cent. Between 2007 and 2010/11, the HIV prevalence rate declined from 7.4 per cent to 6.3 per cent in 2010/11 against a target of 6.4 per cent. Although the target was achieved, regional and gender disparities still remain a challenge. For instance, Nyanza has the highest overall prevalence of 13.9 per cent (male – 16 per cent and female – 11.4 per cent) while North Eastern has the lowest prevalence of 0.9 per cent (male – 0.9 per cent and female-0.9 per cent). Out of these, 56.2 per cent accessed ARVs against an MTP target of 70 per cent. During the reporting period, 47 hospitals and 130 health centres were constructed while 92 Hospitals and 130 health centres were rehabilitated.

Environment and Natural Resources Sector

Prospects for Kenya's long-term growth are contigent upon the effective management of its natural resources. The sustainable management of resources in this sector is therefore, of priority in the achievements of the Kenya Vision 2030 aspirations of development in a clean and secure environment and the attainment of MDG 7 on ensuring environmental sustainability.

Green Schools Initiative was rolled out in 150 schools with the aim of inculcating good environmental conservation practices in school going children who shall later be champions of conservation. Forest cover was increased from 3.47 in 2009/2010 per cent to 3.82 per cent in 2010/2011 against MTP target of 3.5 per cent. A total of 128,747,253 seedlings were produced. In addition, 5,441ha of industrial forest plantation and 314,427ha of natural forest were rehabilitated. Over 2 million indigenous tree seedlings were planted in tree cover enrichment programmes under the Lake Naivasha catchment. Through Lake Victoria Environment Management Programme II (LVEMP-II), catchment areas around the Lake Victoria Basin and the lakes catchment were rehabilitated. Linkages with Institutions of higher learning and other State and Non-State Stakeholders were strengthened.

During the period under review, 63 dumpsites were identified and 16 removed. National Mapping of Pollution Sources was done along Sosiani River near Eldoret Town, and along Tana River. Some 747,949 ha were surveyed and mapped in Nakuru County against MTP target of 763,040 ha and another 15,546 ha in Kajiado County were surveyed against MTP target 15,546 ha. 200 technical staff were trained on Table Driven Code Forms (TDCF), IMIS was also installed at KMD headquarters. 30 out discharge points along Nairobi River were stopped against a target of 23.

In 2010/2011, the DNA website was redesigned, updated and integrated in to the NEMA website. However during the period two CDM projects were registered while the Authority reviewed seven projects and issued four letters of no objection. The Coastal Zone Pollution Prevention Guidelines, Shore Line Management Strategy and Guidelines, and the ICZM plans were finalized. Management plans were made for two wetlands.

During the period under review, Lamu corridor was identified and a draft map developed. Lake Elementaita National Wildlife Reserve was identified, mapped and gazetted. In addition a nine kilometre wildlife corridor linking Mt. Kenya Forest Reserve and Lewa Wildlife Conservancy (LWC) to the North East of Mt. Kenya was finalized.

In order to reduce human wildlife conflict 480 units were sampled against a target of 6,500 sample units.

On the policy front, a draft Wildlife Policy, 2010 and draft Wildlife Bill 2010 were finalized and forwarded to the Cabinet for approval; the Forest Act was aligned to the Constitution and two public consultations held; Eucalyptus guidelines were published; institutional framework to guide the operations of KFS was operationalised; and three subsidiary legislations (Sustainable Forest management, Harvesting and Charcoal) Rules 2009 were gazetted.

Water and Irrigation

The Water and Irrigation sector seeks to 'ensure water resources availability and accessibility by all'. The sector contributes to national development by promoting and supporting integrated water resource management to enhance water availability and accessibility so that by 2030, no Kenyan should be without access to improved water sources and sanitation.

The policy priorities of the sub-sector are centred on the following areas: expansion of water coverage to move towards achieving Vision 2030, MTP and MDGs, expansion of sewerage facilities for both safe and good living environment; scaling up water storage to improve water security for the country in the midst of climate variability; scaling up irrigation in order to reduce dependence on rain-fed agriculture and address food security; catchment conservation targeting the main water sources/ towers

During the reporting period, 70.5 per cent urban households were provided with piped water against an MTP target of 68 per cent while 49.2 per cent of rural households had access to water from a protected source against MTP target of 52 per cent. Water storage per capita reported was 4.6 m^3 against the MTP target of 8 m^3. This was attributed to limited water harvesting and storage capacity, low investment in water storage infrastructure and the periodic/cyclic water shortages due to drought. Access to sewerage facilities was 35.5 per cent against MTP target of 45 per cent for urban Households. The Hectares under irrigation for food production registered 5,671 ha against MTP target of 5,000 ha.

A total of 133 hydro-metrological stations were rehabilitated against MTP target of 180 hydro metrological stations. 42 catchment management plans were prepared and implemented against the MTP target of 6 water Catchment Management Strategies (CMS). Sasumua dam was completed to improve water

harvesting and storage. In support for drought mitigation interventions, the Government released KSh. 586 million to 19 most affected counties to mitigate the effect of drought. 996 water trucking centres were served using 53 GoK and 37 hired water tankers, 186 boreholes previously broken-down were repaired/rehabilitated, 242 community water schemes given fuel subsidy, 426 plastic/collapsible water tanks distributed and 100,000 aqua tabs distributed to disinfect water at household level. A population of about 2,200,000 people and 9,000,000 livestock have benefitted from the interventions.

An additional 569,720 people were provided with sanitation and sewerage services. In the same period 572 VIP latrines/facilities, 804 Ecosan toilets and 18 ablution blocks were constructed benefiting over 160,000 people. Access to sewerage and sanitation was 32 per cent for urban areas and 8 per cent for rural areas.

To expand existing irrigation schemes the government installed 3 pumps in West Kano and constructed 6 water reservoirs against MTP target of 3 pumps and 3 reservoirs. Eight irrigation projects out of 12 were completed. Over 2,880 ha of land were reclaimed in the period under review and this land is currently in use to mitigate food and fodder insecurities.

Gender, Vulnerable Groups and Youth

The sector contributes to the aspirations of the Kenya Vision 2030 by promoting gender equity in power, resource distribution, providing quality services to the youth and the disadvantaged groups in the country. The disadvantaged groups cut across all categories of the population including women and children, Persons with Disabilities (PWDs) and the elderly. Under the MTP and the Vision 2030, the key areas of focus include specific programmes and projects, policies, and legal and institutional reforms to address the concerns of the group.

A total of 118,068 women were provided with financial support countrywide against the MTP target of 75,000. Grants were also provided for 1,955 Self Help Groups. Some 13,520 women entrepreneurs were trained in entrepreneurial skills against the MTP target of 2,400 women. Two public forums for Anti-FGM campaign were organized in Baringo and Pokot Counties against the MTP target of holding one public Anti-FGM forum. The proportion of women employed in the public sector increased from 28 per cent to 30 per cent.

During the period under review, financial support was provided to 124,752 households representing 15.6 per cent households hosting

Orphans and Vulnerable Children against MTP target of 100,000, and 33,000 households with elderly persons against MTP target of 35,000 households. Financial support was also provided to 2,100 persons with severe disabilities. A total of 496 Persons with Disabilities were trained on self reliance in Vocational Rehabilitation Centres.

A total of 8 Youth Empowerment *Centres* were established and operationalised. Treasury allocated KSh. 145 million to kick start development of the International Sports Academy. Every constituency was allocated KSh. 4.5 million and KSh. 4 million to support Constituency Youth Enterprise Scheme (C-YES) and Easy Youth Enterprise Scheme (E-YES) respectively.

Population, Urbanization and Housing

Population management in Kenya is fundamental to sustainable development. It aims at improving the wellbeing of the people of Kenya particularly by reducing poverty, improving the health status, human resource capacity, increasing gender equality and facilitating sustainable use of natural resources.

During the period under review, the population growth rate reduced to 3.0 per cent against a target of 2.5 per cent. Total fertility rate also declined from 5.0 in 2003 to 4.6 in 2008/2009 as a result of advocacy campaigns carried out by the NCPD in collaboration with other stakeholders.

The sectors targeted to construct 200,000 housing units annually by 2012 through a mixture of initiatives in order to fill the huge housing gap in the country. During the period under review, publication and dissemination of a simplified version of the existing incentives to various housing developers was carried out. Under the Housing Infrastructure Development, through partnership with stakeholders including Local Authorities, housing infrastructure in Thika, Eldoret, Mavoko and other areas were installed.

Construction of 288 (three bedroom) and 238 (two bedroom) housing units for sale to Civil Servants, a nursery school and a commercial centre in **Ngara Phase II** project were completed in 2011. A total of 280 (one bedroom units) housing units were completed and occupied in **Shauri Moyo**. Additional 22 (four bedroom apartments) in Kileleshwa, 130 housing units in **Ngara Phase I** and 40 housing units on Nyeri Road were completed and occupied. 22 constituency Appropriate Building and Technologies (ABTs) centres were established against MTP target of 15 ABTs.

POLITICAL PILLAR

The political pillar as envisaged in Kenya Vision 2030 aims to transform the political platform into a democratic political system that is issue-based, people-centred, result-oriented and accountable to the public. The government is therefore, committed to a wide range of governance reforms under the first Medium Term Plan (2008-2012). The reforms are to ensure respect of rights of the citizens as stipulated in Kenya Constitution 2010.

Governance reforms are crucial in creating a good foundation for the achievement and realisation of Vision 2030. The governance reforms entail critical constitutional, institutional and legal reforms that were identified under Agenda 4 of the National Accord.

During the period under review, the pillar realized the following achievements:

i) The Constitution was approved through a referendum and promulgated on the 27th August 2010. The Commission for the Implementation of the Constitution (CIC) was established.

ii) 23 pieces of legislation were enacted in the areas of judicial reform; electoral reform; internal security reform; public service reforms; promotion and protection of human rights; public finance; and aspects of the devolved system in an effort to operationalise the Constitution.

iii) 13 constitutional offices were established and operationalised.

iv) The Truth, Justice and Reconciliation Commission (TJRC) was operationalised.

v) The Independent Electoral Commission was established and has embarked on an ambitious programme of organising the general elections.

vi) The National Cohesion and Integration Commission (NCIC) was formed and initiated, with support from various stakeholders and development partners, the **Uwiano** Initiative.

vii) Nine legal aid programmes were conducted to enhance access to justice for the poor, marginalized and vulnerable.

viii) A comprehensive and effective framework for respecting and reporting on Human Rights in Kenya was established. The Government also adopted a Human Right-Based Approach (HRBA) to public service delivery to enhance the realization of economic, social and cultural rights espoused in Article 43 of the Constitution.

ix) The Taskforce on Devolution conducted countrywide consultation on operationalisation of devolved government and developed a Draft Devolved Government Bill, Urban Areas and Cities Bill, and Transition to County Governments Bill, 2011.

x) The public complaints standing committee was operationalised.

xi) The anti-corruption, transparency and accountability campaign was revitalized.

NATIONAL MONITORING AND EVALUATION SYSTEMS

Successful implementation of the MTP requires an efficient and effective Monitoring, Evaluation and Reporting (MER) system. The MER system should emphasise on equality, partnership, full and complete participation of all stakeholders in all aspects of national development, and an all-inclusive feedback mechanism.

In order to provide leadership and coordination in implementation of the first MTP (2008 – 2012), the Government emphasized monitoring and evaluation of various policies, programmes and projects as vital in spearheading national development. This was informed by successful reporting on the progress of implementation of the Economic Recovery Strategy for Wealth and Employment Creation (ERS) from 2003-2007. Implementation of the ERS and effective monitoring, evaluation and reporting of its implementation progress ensured that the economy remained on the projected growth path during the five year period of its implementation.

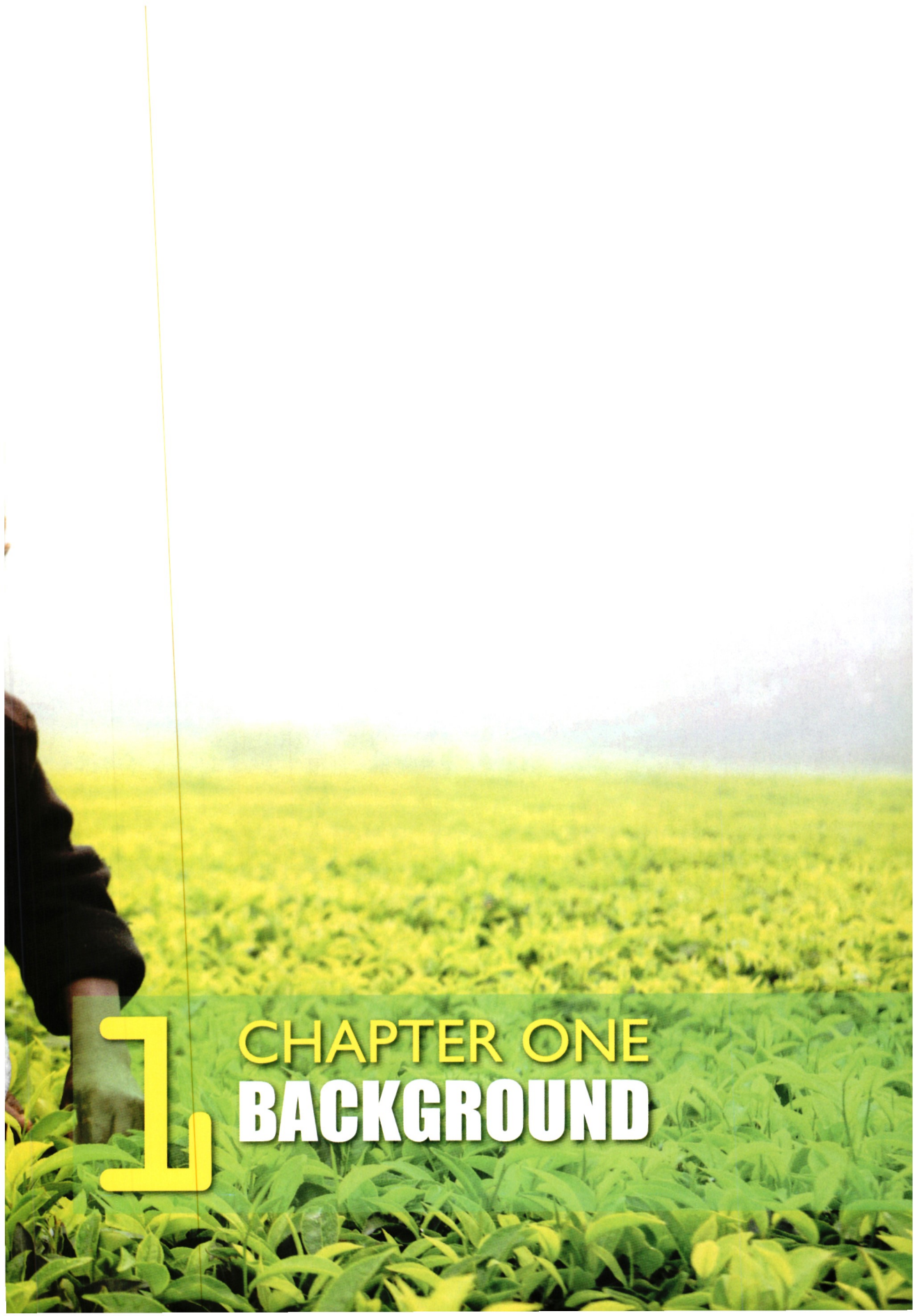
During the period under review the following achievements were realized:

- A 3-year capacity development programme was designed and financial support sourced from development partners. The programme is currently under implementation
- NIMES continued to be operationalised through both the national reporting framework and the sub-national (District) level reporting framework.
- The draft M&E policy was finalized and is awaiting submission to the Cabinet for approval.
- Ministries, Departments and other government Agencies (MDAs) continued using the handbook of national reporting indicators in their M & E work.
- Popular versions of the PER for the year 2010 were developed, launched and disseminated.
- Backstopping missions for the National Integrated Monitoring

and Evaluation System (NIMES) at the national and sub-national (District) levels were effectively conducted and led to improved reporting and enhanced utilisation of M & E reports.

- The Second Annual Progress Report on the progress of implementation of the MTP 2008-2012 was published, launched, and disseminated.
- All Ministerial Monitoring and Evaluation Committees were capacitated to coordinate issues related to M&E in their Ministries;
- All ministries submitted to the Ministry of State for Planning, National Development and Vision 2030 the quarterly M&E reports which highlighted progress in the achievements of flagship projects and other programmes.
- All District Monitoring and Evaluation Committees (DMECs) were revived and strengthened. The committees are chaired by the District Commissioners and are responsible for coordinating M&E activities in the districts, including preparation of M&E reports;
- Eighty per cent of the districts finalized and submitted their quarterly M&E reports to MED.
- The Vision Delivery Secretariat formed nine Sector Delivery Secretariats (SDS) out of which four are already operational with Vision Sector Directors appointed while five (5) are in the process of being operationalised.





1 CHAPTER ONE BACKGROUND

In 2008, the Kenya Government launched the Kenya Vision 2030 which is the country's long-term development blueprint covering the period 2008-2030. The Vision is intended to make Kenya a newly industrializing, "middle income country providing high quality life for all its citizens by the year 2030". Vision 2030 is based on three "pillars" which are the Economic Pillar, the Social Pillar and the Political Pillar. All the pillars are anchored on ten key foundations: Macroeconomic stability, Governance Reforms, Equity, Infrastructure, Energy, Science and Technology, Land Reforms, Human Resource Development, Security and Public Service Reforms.

Where as the Economic Pillar seeks to ensure the prosperity of all Kenyans through economic development programmes in key sectors aimed at achieving an average Gross Domestic Product (GDP) growth rate of 10 per cent per annum up to 2030, the Social Pillar aims at building "a just and cohesive society with social equity in a clean and secure environment." While the Political Pillar aims at the realisation of a "democratic political system founded on issue-based politics that respects the rule of law, and protects the rights and freedoms of every individual in the Kenyan society."

Kenya envisages realising Vision 2030 through a series of successive five year plans called Medium Term Plans (MTP) of which the first was to be implemented in the years 2008-2012. At the completion of this period another five year MTP will be produced covering the period 2013-2017, 2018-2022 and 2023-2027 up to 2030. Over succesive five year terms, the MTPs will implement the Flagship Projects identified under Vision 2030, various programmes and key policies. The plan calls for increased levels of savings and investment to facilitate the growth and development envisaged of 10 per cent per year up to 2030. In addition to high growth, the MTP places a premium on faster job creation, poverty reduction, improved income distribution and gender equity while ensuring that balance is attained in development across all regions of the country. The strategy identifies policy, legal and institutional reforms that are required to be implemented in each sector so as to facilitate the implementation of the programmes and projects during the set period. Furthermore, in line with global trends, Kenya has taken on board issues relating to global warming and consequently environmental sustainability has been factored into all the MTP Sectors. The financing of the projects is largely expected to come from the private sector in partnership with National

and County governments through the Public Private Partnerships (PPPs).

The government monitors all the developments outlined in the MTPs through Annual Progress Reports (APRs). The reports review benchmarks, targets, outputs / outcomes and assesses the progress achieved in the implementation of projects and programmes at both national and sub-national levels. All these projects are at first documented in the District Annual Monitoring and Evaluation Reports (DAMERs) generated by District officials which are then condensed into Ministerial Annual Monitoring and Evaluation Reports (MAMERs), which are then submitted by the Ministries to the Ministry of State for Planning, National Development and Vision 2030 and used to compile the Annual Progress Reports. This APR therefore indicates the government's performance in 2010/2011 and the implementation of projects and programmes focusing on the macroeconomic framework, economic, social and political pillars whilst reviewing the implementation framework.

The Third Annual Progress report makes reference to progress made within the period covering July 2010 to December 2011. In so doing, it provides a current account of performance in relation to set goals. It must be noted however, that the report not only provides an account of the achievements made, but also the challenges faced in achieving or failing to achieve the set targets.



2 CHAPTER TWO
MACROECONOMIC FRAMEWORK



2.1 Overview

The Macroeconomic Framework underpinning the MTP 2008-2012 was based on the attainment of a target of 10 per cent real GDP growth by 2012. It assumed high growth in investment and savings over the medium term period with the investment to GDP ratio targeted to increase from 21.9 per cent in 2008/2009 to 32.6 per cent in 2012/2013 and savings to GDP ratio rising from 15.1 per cent to 27.5 per cent. The framework also presumed sustained macroeconomic stability with inflation easing from 7.5 percent in the initial year to stabilize at around the 5 per cent target over the rest of the MTP period.

Out of the 12 percentage points increase in overall investment to GDP envisaged in the MTP period, 5 percentage points were expected to emanate from the public sector in the form of infrastructure developments (roads, transport, energy, ICT, science, technology and innovation and water and sanitation). The balance was expected to be investment by the private sector, including direct foreign investments. The increase in private sector investments was expected to benefit from a conducive macroeconomic environment, deepened structural reforms, and to further increase economic efficiency and effectiveness in public service delivery, and crowding-in through increased public infrastructure development.

At the same time, gross national savings necessary to finance the envisaged investment levels was expected to rise steadily with reforms in the financial sector to improve intermediation. It was assumed that the financing of many investment projects would be undertaken through Public Private Partnership (PPP) arrangements. However, before the implementation of the MTP took off, the country was affected by multiple shocks including the post-election violence, drought, global financial and economic crisis, and rising commodity prices.

These shocks impacted the economy negatively by reducing the inflow of remittances, lowering demand for horticultural exports, and reduced earnings from tourism. The global crisis also caused a slowdown in the growth of the sub region that constitutes the main market for Kenya's exports. At the same time, drought adversely affected agriculture and resulted in reduced production as well as increased use of expensive generation of electricity from thermal sources. Indeed, following these events, growth weakened from about 7 per cent in 2007 to average about 3 per cent in 2008/2009-2009/2010.

As the economy recovered in 2010, the country was again hit by drought

towards the end of that year. This coincided with the period when the international oil and food prices were rising due to external factors including the political crisis in Middle East and North Africa (MENA). In addition, the global economy was recovering at a slower-than-expected pace at that time. On the domestic scene, rising inflation and the weakening of the shilling in 2011 posed macroeconomic challenges. As a result, the Kenyan economy registered lower than targeted growth during the period under review.

While public investment was stepped up with increased infrastructure spending and the Economic Stimulus Programme, private investment has not picked up to levels envisaged in the MTP (2008-2012). This follows slower implementation of structural reforms and privatization programme, inadequate framework for PPP arrangements, and weak investor confidence. More recently, the macroeconomic environment has faced a number of challenges with high inflation and a weakening shilling. Improved weather conditions and completion of key infrastructure projects in roads and energy brightens the economic prospects, albeit with risks.

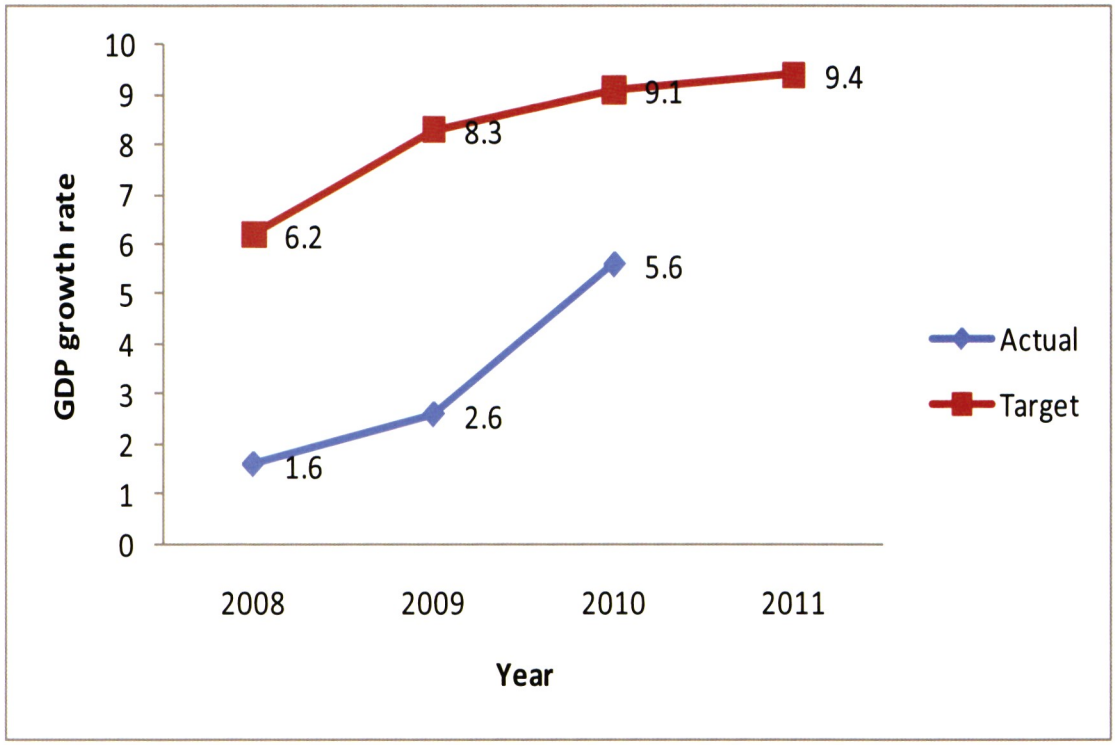
2.2 Overall and Sectoral Real GDP Growth Targets

The 2008-2012 MTP aims to achieve a GDP growth rate of 10 per cent by 2012 and sustaining that growth rate onwards. In 2010, the economy expanded by 5.6 per cent against the MTP target of 9.1 per cent from the 2.6 per cent growth rate witnessed in 2009 as shown in Figure 2.1. The growth was further subdued by poor rains and high energy prices. Agricultural output, particularly coffee and tea had their production substantially depressed as a result of poor weather conditions. Based on the growth registered in 2010, the economy is projected to perform better in 2011/2012 due to expected growths in transport and communications, financial intermediation and construction industries.

Real GDP growth is expected to remain at around 5 per cent in 2011/2012 before picking to about 6 per cent in the following years as shown in Table 2.1. Growth will be bolstered by continued implementation of interventions in agriculture (barring adverse weather), tourism, and exports with continued growth in the sub-region and a favourable exchange rate. This is expected to compensate for weakened public and private demand resulting from a tighter macroeconomic environment. These measures will be complemented by further structural reforms, particularly those targeted at improving competitiveness of the private sector and promoting overall productivity in the economy. It is also expected that successful general

elections and implementation of the devolved system of governance will boost investor confidence and increase private investment.

Figure 2.1: Targeted and Real GDP 2008-2011



Source: Economic Survey, 2011

The overall GDP growth realized in 2010/2011 came mainly in the third and fourth quarters of 2010 that had growth rates of 6.1 and 6.9 per cent respectively. In 2011, the quarterly GDP expanded by 4.9 per cent in the first quarter compared to 4.3 per cent during the same quarter of 2010. This growth was however, not sustained in the second quarter as the economy expanded by 4.1 per cent compared to 4.6 per cent in the same quarter of 2010. The decline could be attributed to the turbulent macroeconomic environment mainly driven by rising inflation and exchange rate depreciation in addition to the country experiencing less than usual rainfall in most parts of the country. Table 2.1 shows a summary of the targeted and actual growth rates realized over the period 2009-2011.

Table 2.1: Real and Sectoral GDP - Targeted and Actual Growth Rates

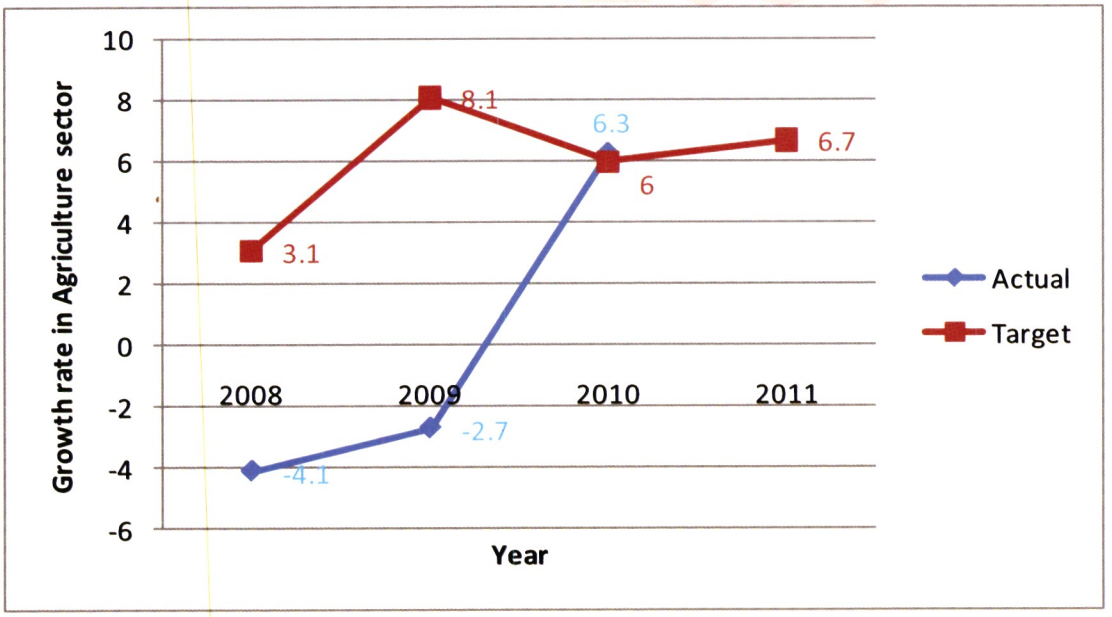
	2009 (Target)	2009 (Actual)	2010 (Target)	2010 (Actual)	2011 (Target)
Overall GDP	8.3	2.6	9.1	5.6	9.7
Agriculture	8.1	-2.6	6.0	6.3	6.7
Industry	9.3	1.3	10.2	4.4	11.2
Services	8.0	3.9	9.6	7.8	10.9

Source: Economic Survey, 2011and MTP 2008 - 2012

2.2.1 Agriculture

The post election violence and adverse weather conditions negatively impacted the growth of the agricultural sector in the first two years of the MTP. The sector recorded negative growth rates of 4.1 and 2.6 per cent in 2008 and 2009, respectively. However, the sector recovered and recorded positive growth of 6.3 per cent above the MTP target of 6.0 per cent, as shown in Figure 2.2. The performance was due to favourable weather conditions, provision of low priced certified seeds and fertilizers by the Government, and stable producer prices. The implementation of the Economic Stimulus Programme also bolstered the agricultural sector. Improved global demand during the year under review resulted in increased prices of major agricultural exports.

Figure 2.2: Targeted and real Agricultural GDP growth rates 2008-2011



Source: Economic Survey, 2011

In 2010/2011, the Government's key strategic objective was the creation of an enabling environment for the development of agriculture. Some of the policies initiated to spur growth in the sector included; national seed policy, pyrethrum sessional paper, sugar sessional paper, soil fertility policy, seeds policy, nuts crops development policy, national agribusiness policy, national cotton policy and roots and tuber crops.

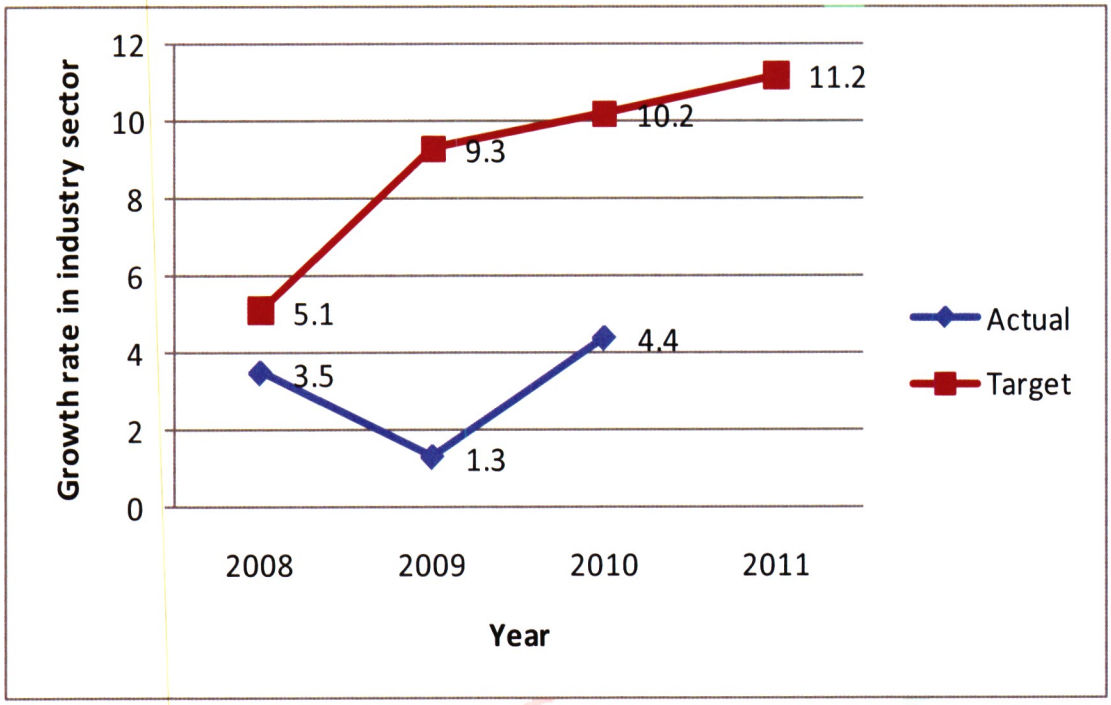
Government intervention in facilitating affordable factors of production will however be required, for the sector to sustain its growth momentum. These factors include; incentives such as temporary input subsidies, availability of inputs (such as seeds, fertilizers, agro-chemicals and credit), progressive innovations from research institutions, information through various channels such as extension services and producer/business associations, supportive infrastructure (such as transport, water/irrigation, telecommunications), functional and efficient institutions and a predictable macroeconomic environment.

The smooth implementation of the new Constitution is expected to positively influence the way farmers and investors make their decisions thereby positively impacting on production levels in the subsequent periods. Assuming favourable weather and barring any negative political outcomes, prospects for the agricultural sector in 2011/2012 remain favourable.

2.2.2 Industry

The 2008-2012 MTP targeted the industry sector to grow by 9.3 and 10.2 per cent in 2009 and 2010, respectively. However, the sector's production grew by 1.3 and 4.4 per cent in 2009 and 2010 as shown in Figure 2.3. The slow growth in the sector was partly explained by the weak performance in manufacturing of food, beverages and tobacco. Sub-sectors of industry such as mining and quarrying however performed reasonably well with 9.8 per cent growth recorded from negative 4.5 percent. The electricity and water supply sub-sectors registered an impressive growth of 9.9 per cent up from a negative 3.0 per cent in 2009.

Figure 2.3: Actual and targeted growth rates in industry sector



Source: Economic Survey 2011

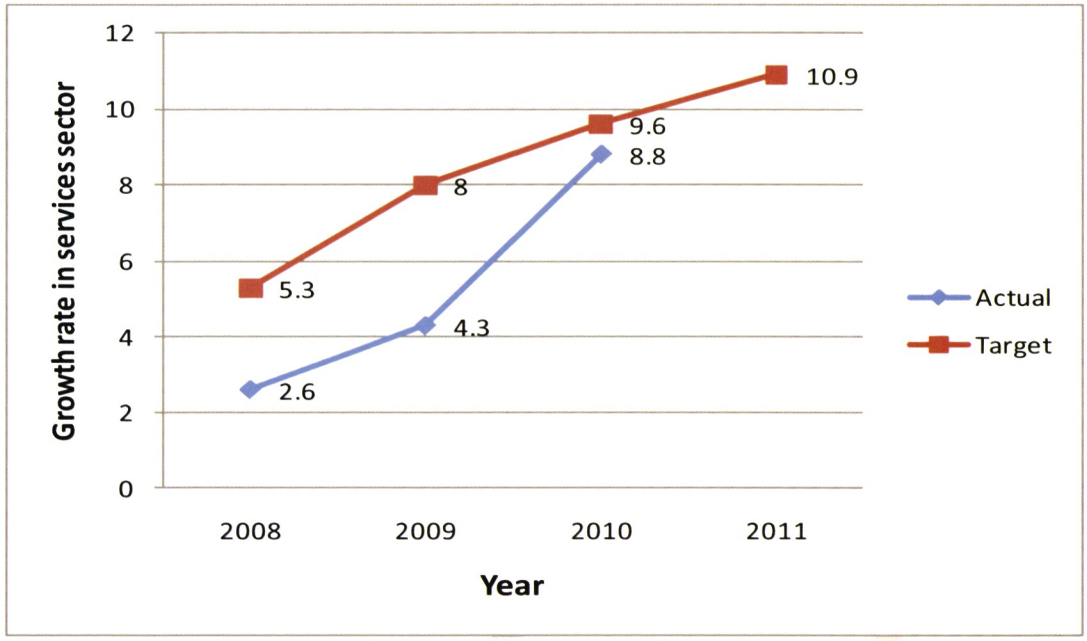
The recovery and sustainability of the sector in 2011/2012 will depend on strengthened collaborative efforts and synergies across other sectors, efficiency of other enablers and expedited changes in policy, legal and institutional framework that affect the factors of production.

2.2.3 Services

The services sector remains one of the key sources of foreign exchange earnings in the country. In 2010, the sector recorded an impressive performance of 8.8 per cent compared to 4.3 per cent in 2009 as shown in Figure 2.4. However, the growth was below the MTP target of 9.6 and 8.0 per cent for 2010 and 2009, respectively. The impressive growth in the services sector was supported by the recovery of the hotels and restaurants sub-sector, which grew by 4.2 per cent in 2010. Transport and communication also registered improved growth of 5.9 per cent in 2010, largely due to the contribution from the mobile telephone sub-sector.

Overall, Kenya will need to quicken the pace of GVA growth of the key sectors in the near future in order to meet the Vision 2030 GDP growth target of 10 per cent by 2012.

Figure 2.4: Actual and targeted growth rates in services sector



Source: Economic Survey 2011

2.3 Performance of Key Macroeconomic Indicators

Table 2.2 presents target and actual performance figures of real GDP and other macroeconomic variables for the period 2008/2009 to 2010/2011. In 2010/2011, the economy registered a growth of 5.6 per cent against the MTP target of 9.1 per cent which was a slight improvement over the 2.6 per cent growth recorded in 2009/2010. The improved performance during the period under review was supported by positive contributions from all sectors of the economy as a result of the expansionary macroeconomic policy measures including: increased credit to the private sector, government expenditure, favourable weather conditions and momentarily low inflationary pressure. In addition, the country benefited from improved prices of the main exports and increased remittances from abroad. The positive outcome of the Constitution also contributed to investor and consumer confidence, thereby boosting the economic growth.

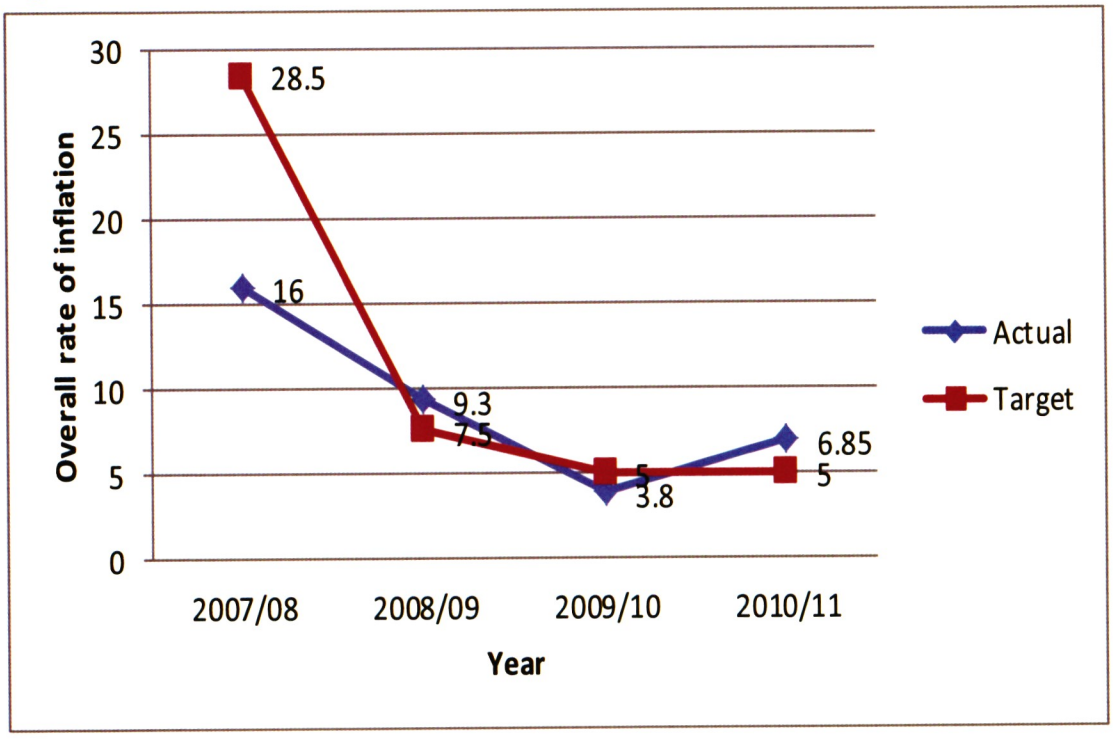
Table 2.2: Key Macroeconomic Indicators – 2008/2009 to 2010/2011 – Targets and Actuals

	FY 2008/2009		FY 2009/2010		FY 2010/2011	
	Target	Actual	Target	Actual	Target	Actual
National Accounts and Prices (% change)						
Real GDP	6.2	1.5	8.3	2.6	9.1	5.6
Overall Inflation	7.5	9.3	5.0	3.8	5.0	6.85
GDP Deflator	11.0	12.0	5.8	6.0	4.2	6.14
Gross national savings (% of GDP)	16.2	14.2	18.5	13.4	21.4	14.2
Investment (% of GDP)	23.2	20.3	24.6	20.7	27.0	19.6
Central Government Budget						
Total revenue collection (% of GDP)	20.9	21.8	21.3	22.6	21.5	24.86
Total expenditure and net lending (% of GDP)	26.2	26.6	25.7	29.3	25.8	29.40
Development spending (% of GDP)	7.1	7.2	7.1	8.7	7.3	7.95
Overall balance (incl. grants) (% of GDP)	-3.9	-4.0	-2.9	-6.3	-2.7	-4.30
Gross domestic debt (% of GDP)	20.8	23.2	20.1	26.6	19.4	30.48
Monetary Sector (% change)						
Broad money (M3)	16.5	13.0	16.0	23.7	16.8	18.9
Credit to private sector	16.5	19.7	16.0	19.8	16.9	27.7
External Sector						
Current account incl. official transfers (% of GDP)	-7.0	-6.6	-6.1	-5.0	-5.6	-5.4
Reserves (months of import cover)	3.7	3.0	3.9	3.5	4.1	3.93
Total external debt (% of GDP)	22.5	24.0	20.8	22.8	21.7	25.52
Debt service ratio (% of Exports)	9.1	4.2	10.9	3.8	12.4	4.2

Source: Economic Survey 2011, QE&BR August 2011, and MER-CBK

The expansionary measures undertaken in pursuit of both fiscal and monetary policies in the earlier part of the MTP (2008-2012) period however generated inflationary pressures in the latter part of the period and threatened a breakdown in the macroeconomic stability particularly in the last half of 2010/2011 and in 2011/2012. Inflation worsened to 6.85 per cent in 2010/2011 from 3.8 per cent recorded in 2009/2010 against an MTP target of 5.0 per cent (Figure 2.5) and worsened to over 19.8 percent in the first half of 2011/2012 fiscal year.

Figure 2.5: Overall inflation, actual and targets 2007/2008-2010/11



Source: Economic Survey, 2011

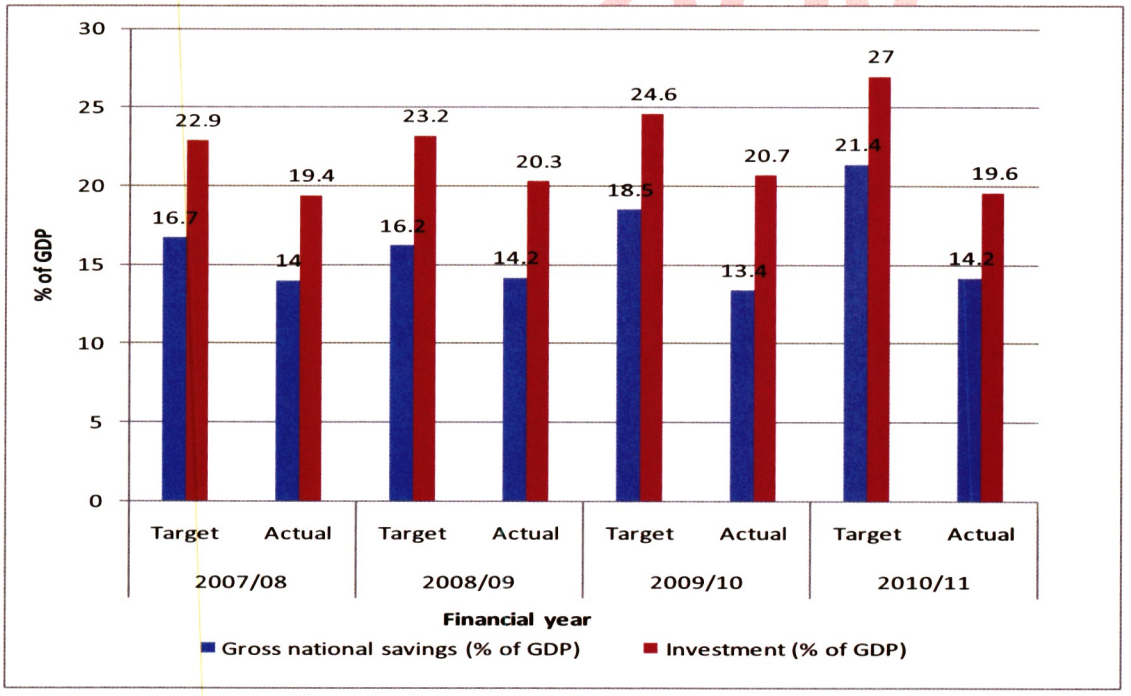
It is however anticipated that the current supply-side driven upward pressures on prices of food items and the weak exchange rate will subside in line with the onset of normal weather conditions, the fall in oil prices and ample supply of food given normal weather conditions. This should reduce demand pressure on imports and the current account. Meanwhile, appropriate macroeconomic policies should bring down inflation to single digit levels in 2011/2012 to stabilize at the 5 percent target over the medium term. Stability in both interest rates and exchange rates is expected to be restored and thereafter sustained over the medium-term.

In the first MTP, the country envisaged the achievement of an average gross national savings as a percentage of

GDP of 21.64 per cent. The gross national savings as a percentage of GDP recorded in the first three years of the MTP was however below the targeted values as shown in Figure 2.6. The gross national savings as a percentage of GDP rose marginally from 13.4 per cent in 2009/2010 to 14.2 per cent in 2010/2011 and is projected to expand in 2011/2012 provided an appropriate macroeconomic environment is in place. However, the MTP target is likely to be missed due to the depressed state of the economy associated with inflationary pressures and the ongoing global crisis in the Euro Zone.

The poor performance of gross national savings as a percentage of GDP stifled the investment levels during the period under review. Investment as a percentage of GDP plummeted from 20.7 per cent in 2009/2010 to 19.6 per cent in 2010/2011. MTP investment targets have also not been met in the first three years since 2008. The below target performance is attributed to the economic shocks the country experienced in 2008 and 2009. However, it should be appreciated that a great proportion of investment during 2010 and 2011 took place in the public sector especially in infrastructure development relative to the private sector including foreign direct investments. Overall, the MTP envisaged target will not be met by 2012.

Figure 2.6: Percentage change in Gross National Savings (% of the GDP) and Investment (% of the GDP), 2008/2009-2010/2011



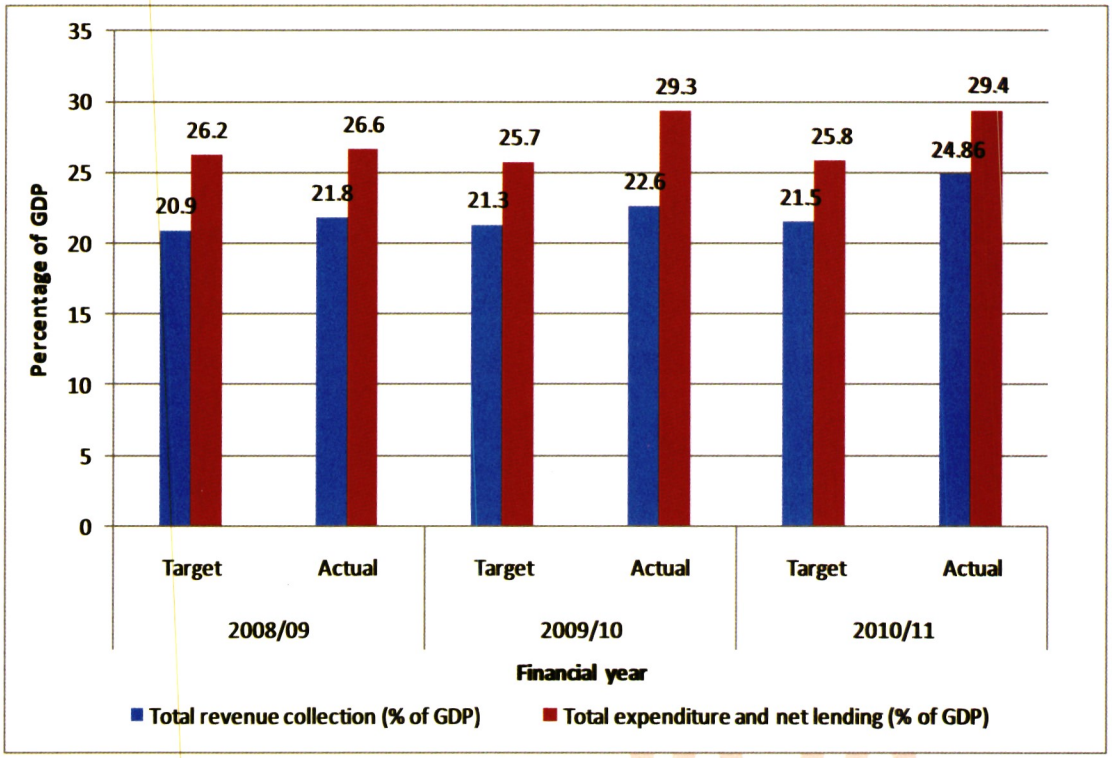
Source: Economic Survey 2011, QE&BR August 2011, and MER-CBK

In the MTP period, government fiscal policy was geared towards consolidating economic recovery and putting the economy back on track as envisaged in the Kenya Vision 2030 and the first MTP. Against this backdrop, the Government continued to maintain consistency in its fiscal policy framework as stated in the Budget Policy Statement and reflected in the actual budget outturn as detailed in Figure 2.7.

Revenue collection was slightly above the target with total revenue collection in 2010/2011 reaching 24.9 per cent of GDP against an MTP target of 21.5 per cent. In 2009/2010 the total revenue collection stood at 22.6 per cent of GDP thereby surpassing the MTP target by 1.3 percentage points. The revenue collection is expected to surpass the MTP target of 21.7 percent of GDP in 2011/2012. The increase in revenue collection is due to improved tax administration and broadening of the tax base.

Total expenditure and net lending as a percentage of GDP hardly changed, rising by only 0.1 of a percentage point in 2010/2011 from 29.3 per cent in 2009/2010. This, however, was above the target of 25.8 per cent for 2010/2011. In 2011/2012, it is projected that the country will experience a higher level of total expenditure and net lending due to increased government expenditure on the implementation of the Constitution, infrastructure projects especially in the roads and energy sub-sectors and on various programmes such as the Constituency Development Fund and the Economic Stimulus Package.

Figure 2.7: Percentage change in total revenue collection and total expenditure and lending (% of GDP)



Source: Economic Survey 2011, QE&BR August 2011, and MER-CBK

The first MTP envisaged the overall balance including grants to stand at a deficit of 3.9 and 2.9 per cent for 2008/2009 and 2009/2010 respectively. However, the overall balance (including grants) worsened from a deficit of 4.0 per cent of GDP in 2008/2009 to 6.3 per cent in 2009/2010. The overall balance (including grants) improved in 2010/2011 to a deficit of 4.3 per cent of GDP against an MTP deficit target of 2.7 per cent. The MTP target was however not met as a result of increased government expenditure on public projects especially in the infrastructure sector and the financing of the implementation of the Constitution and the Economic Stimulus package programmes.

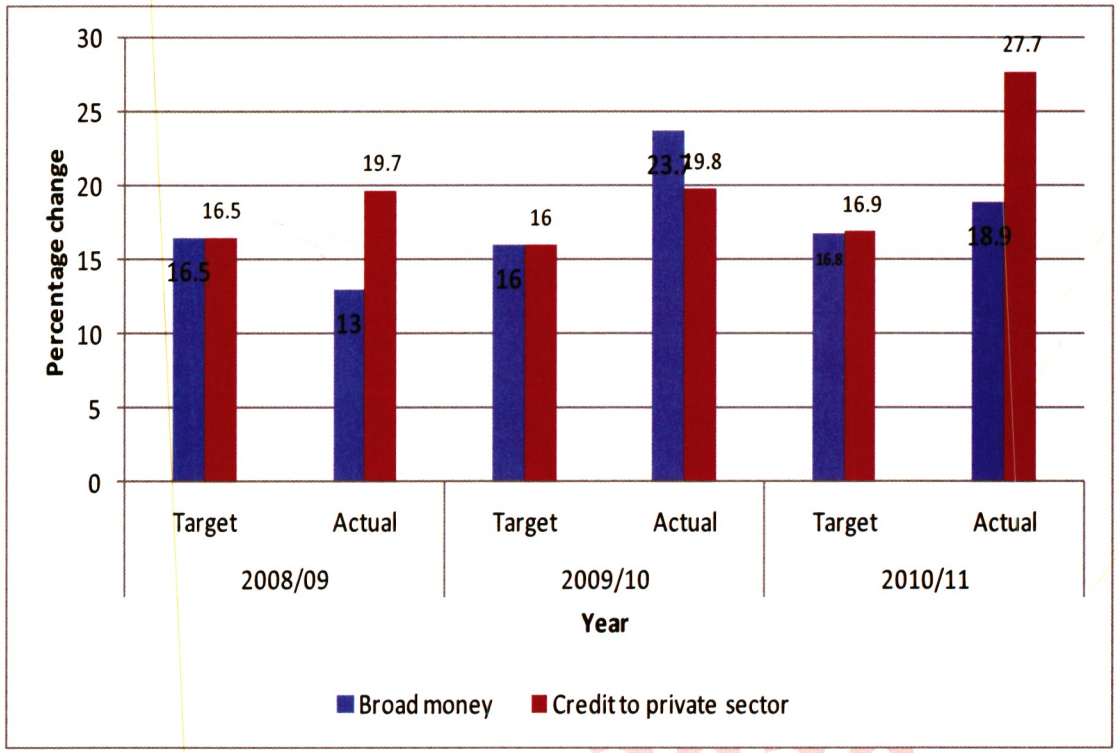
The easing of public and private demand should exert less pressure on the current account, which is expected to decline gradually from about 10 per cent of GDP in 2011/2012 to 6.8 per cent of GDP in 2013/2014, and thereafter to about 5 per cent of GDP in subsequent years. The decline in the current account is not

expected to accelerate given tighter macroeconomic policies occasioned by the protracted worsening of the terms of trade. The relatively higher interest rates and increased investor confidence with expected successful elections should influence a surplus in the capital and financial account. This will allow the Central Bank of Kenya to gradually build up foreign exchange reserves.

The gross domestic debt as a percentage of GDP was targeted in the MTP (2008-2012) as 20.8, 20.1 and 19.4 per cent in 2008/2009, 2009/2010 and 2010/2011, respectively. However, this target has not been achieved in the first three years of the MTP. The gross domestic debt rose from 23.2 per cent in 2008/2009 to 26.6 per cent in 2009/2010 and deteriorated to 30.5 per cent in 2010/2011. This was due to heavy government borrowing to finance the budget deficit. There is need to slowdown government domestic borrowing as a policy measure to forestall the crowding out effect on the private sector which is a key driver of economic growth.

The Government through the CBK maintained tools of liquidity management, which was sufficient to ensure that monetary expansion moved in tandem with economic growth, by taming the volatility of the interbank market interest rate. The stability in the monetary sector has resulted in slow growth in monetary aggregates. The expansion of broad money supply (M3) decelerated from 23.7 per cent in 2009/2010 to 18.9 per cent in 2010/2011 as shown in Figure 2.8. This was against MTP targets of 16.0 and 16.8 per cent in 2009/2010 and 2010/2011, respectively. The slowdown in the expansion of money supply was in line with the Government's commitment to tame inflation within the MTP targets.

Figure 2.8: Percentage change in Broad Money supply and credit to private sector, 2008/2009-2010/2011

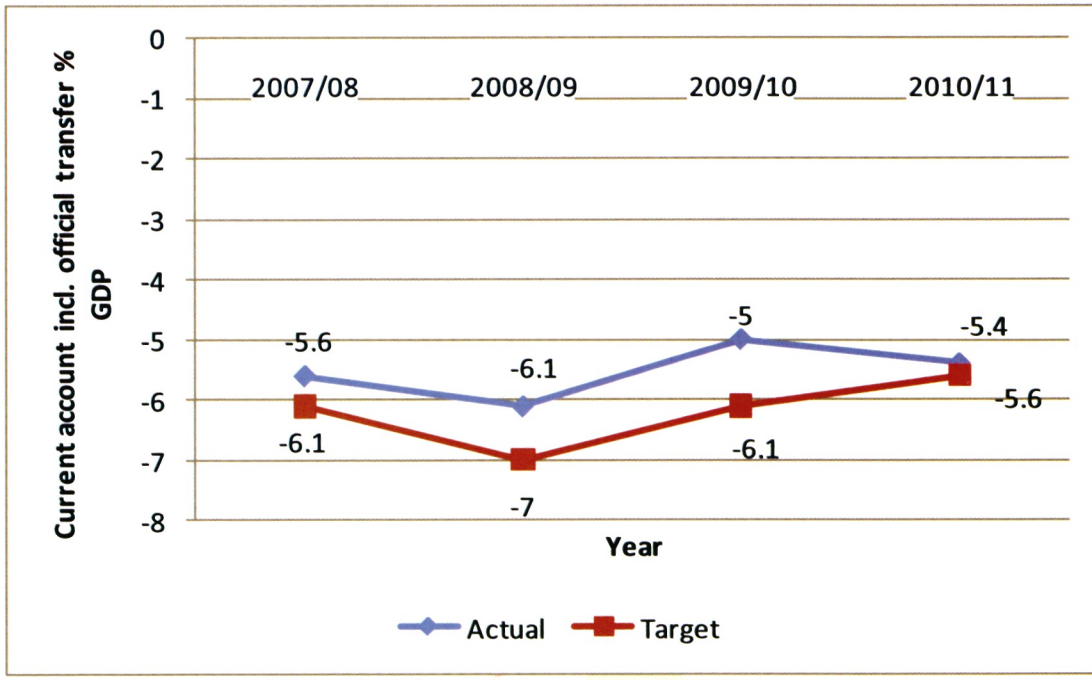


Source: Economic Survey 2011, QE&BR August 2011, and MER-CBK

Credit to the private sector has surpassed the MTP targets in the first three years since the launch of MTP 2008-2012. Credit to the private sector expanded from 19.8 per cent in 2009/2010 to 27.7 per cent in 2010/2011 (Figure 2.8). The growth in credit to the private sector is attributed to the investment in the mining and quarrying especially in exploration of crude oil and natural gas. Other sectors which benefited from substantial increases in private credit included wholesale and trade, manufacturing, agriculture, and building and construction.

As shown in Figure 2.9, the performance of the external sector was generally satisfactory with all the key indicators falling within the MTP targets. Although the current account position (including official transfers) worsened from a deficit of 5.0 per cent in 2009/2010 to 5.4 per cent in 2010/2011, it remained within the MTP deficit targets of 6.1 and 5.6 per cent in 2009/2010 and 2010/2011, respectively. The satisfactory performance in the current account within the targets was partly attributed to increased merchandise exports, especially to COMESA countries.

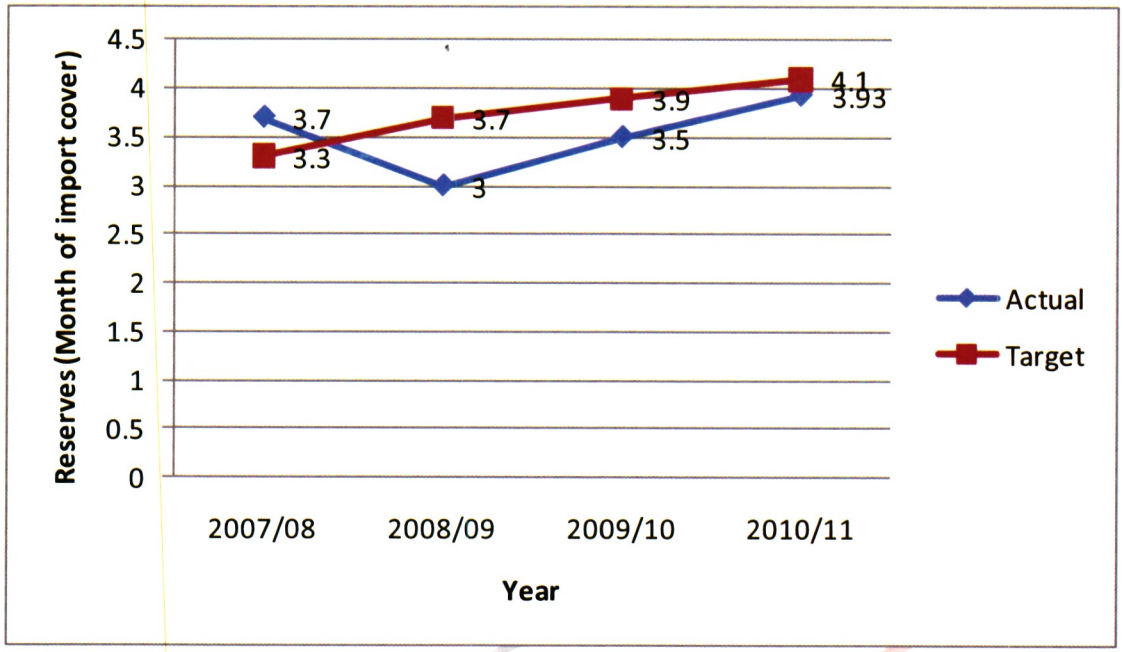
Figure 2.9: Percentage change in current account incl. official transfers % of GDP



Source: Economic Survey 2011, QE&BR August 2011, and MER-CBK

The foreign exchange reserves in months of import cover improved to 3.93 months in 2010/2011 from 3.5 months in 2009/10. This was however below the MTP target of 4.1 months for 2010/2011. The improved performance was due to increased earnings from key exports and the tourism sector. The foreign exchange reserve to import cover is expected to improve towards the targets, following measures being undertaken in the macroeconomic environment. The exchange rate is expected to strengthen as inflation in the domestic economy is brought down to equality in general, with inflation in the economies of the country's major trading partners.

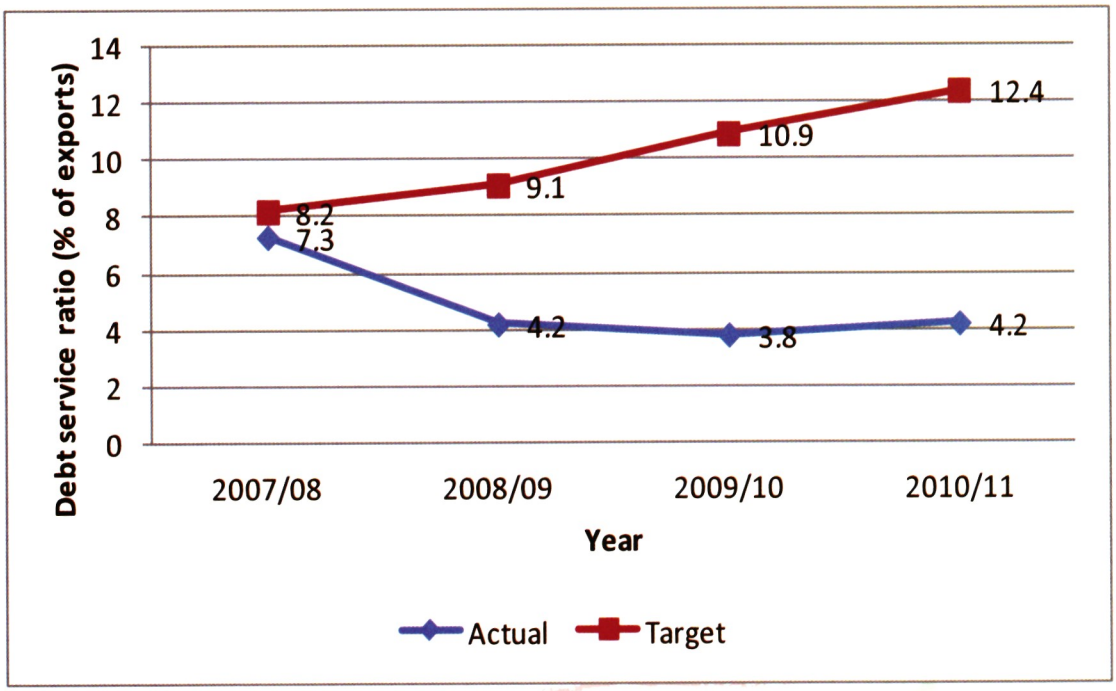
Figure 2.10: Growth in official Reserves (months of import cover)



Source: Economic Survey 2011, QE&BR August 2011, and MER-CBK

The external debt ratio has not been sustained within targets in the three years of implementation of the MTP 2008-2012. The target was envisioned as 22.5, 20.8 and 21.7 per cent in 2008/2009, 2009/2010 and 2010/2011, respectively. The actual debt ratios stood at 24.0, 22.8, and 25.5 per cent in 2008/2009, 2009/2010 and 2010/2011, respectively. The failure of the total external debt as a percentage of GDP to reach target was mainly attributed to the fluctuations in exchange rate as there was hardly any new external borrowing during the year under review.

Figure 2.11: Debt Service ratios (% of exports)



Source: Economic Survey 2011, QE&BR August 2011, and MER-CBK

Since 2008/2009, the debt service ratio, as a percentage of exports, was within the MTP targets despite increasing to 4.2 per cent in 2010/2011, from 3.8 per cent in 2009/2010 against MTP targets of 10.9 per cent in 2009/2010 and 12.4 per cent in 2010/2011. The satisfactory performance in the debt service ratio was attributed to the improvement in the country's export receipts.

2.4 Employment

Employment opportunities were projected in the MTP 2008-2012 to grow by 8.4, 8.7 and 9.1 per cent in 2008/2009, 2009/2010 and 2010/2011, respectively. This translates into creating an average of 740,000 new jobs every year over the plan period so as to combat poverty and inequality. However, the country was unable to meet the MTP 2008-2012 targets in the past three years as shown in Table 2.3.

Table 2.3: Targeted and Actual Employment levels 2008/2009-2011/2012

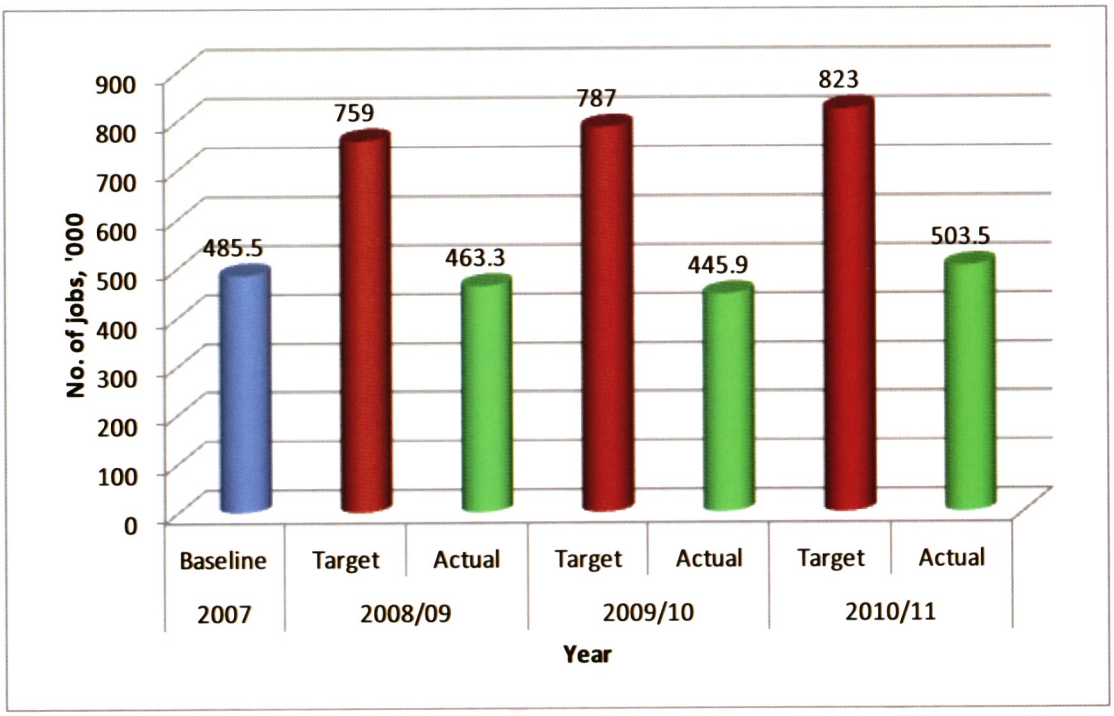
	FY 2008/2009		FY 2009/2010		FY 2010/2011		FY 2011/ 2012
	Target	Actual	Target	Actual	Target	Actual	Target
Employment growth (%)	8.4	-2.2	8.7	5.9	9.1	0.12	10
Total Employment (000)	759	474.7	787	502.9	823	503.5	904

Source: Economic Survey, 2011

During the period under review, 503,500 new jobs were generated both in the formal and informal sectors as shown in figure 2.12 below, compared with a total of 502,900 jobs created in 2009. The formal sector generated 62,600 new jobs in 2010 compared to 56,300 jobs created in 2009 representing a 12.4 per cent of the total jobs generated. The informal sector, which represented 80.6 per cent of the total employment, generated an additional 440,900 jobs.

The increase in the generation of jobs in 2010 was attributed to the improved economic performance coupled with increased access to cheap credit from banks, the Women Enterprise and the Youth Development Funds. In the formal sector, the main generators of employment include building and construction, transport and communications, wholesale and retail trade, and restaurants and hotels. Employment growth during the year was 3.0 percent in the formal sector and 5.3 percent in the informal sector.

Figure 2.12: Number of jobs created, 2007/2008-2010/2011



Source: Economic Survey, 2011

2.5 External Financing

The medium-term fiscal stance envisaged continued borrowing from domestic and external sources with the latter being largely on concessional terms. In this regard, the Government was expected to continue to maintain its intentions to float a sovereign bond in the international capital markets if and when the global financial conditions permitted. This was expected to ease further domestic pressure on interest rates with tight monetary policy conditions. Table 2.4 below gives a summary of the MTP targeted and actual external financing requirements and resources for the period 2007/2008 to 2010/2011.

Table 2.4: External financing requirements and resources - 2007/2008 to 2010/2011 - Targets and Actuals (Millions US $)

	2007/08		2008/09		2009/10		2010/11	
	Target	Actual	Target	Actual	Target	Actual	Target	Actual
External Financing Requirements	**-2,981**	**-2,768**	**-3,633**	**-2,159**	**-3,524**	**-3,236**	**-3,772**	**-3,841**
Current account (excl. official transfers)	-1,940	-1,783	-2,443	-2,100	-2,369	-2381	-2,430	-3,229
Scheduled amortization (official)	-252	-252	-249	-250	-310	-244	-329	-248
IMF payment	-11	-11	-14	-15	-22	-22	-25	-21
Reduction in arrears	0	0	-89	-21	0	-8	0	0
Build-up of gross official reserves	-777	-722	-837	226	-823	-580	-988	-343
Resources	**2,981**	**2,768**	**3,633**	**2,159**	**3,524**	**3,236**	**3,772**	**3,841**
Official external support	1,270	976	1,430	1,128	1,356	1,387	1,440	1,110
IMF	59	58	0	209	0	326	0	101
Program loans	20	20	0	0	0	0	0	0
Program grants	57	58	0	0	0	0	0	0
Project Support	1,134	840	1,430	919	1,356	1061	1,440	1009
Commercial financing/ Sovereign bond	0	0	300	0	152	0	143	0
Private financing, net	1,171	1,791	2,279	1,031	2,168	1,849	2,331	2,731
Accumulation of arrears		0	-89	0	0	0	0	0
Rescheduling of debt	0	0	0	0	0	0	0	0
Financing Gap	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

Source: Ministry of Finance

During the period under review, the economy experienced a marked deviation from the actual and the targeted external financing requirements. Between 2007/2008 and 2009/2010, the MTP targets for external financing were higher than the actual external resource requirements. The MTP targets on external resource requirements were above actual requirements in the second and third years of the period by 40.6 and 8.2 per cent in 2008/2009 and 2009/2010, respectively. In the fourth year however, the actual external financing requirement exceeded the MTP target by 1.8 percent following a worsening position of the current account in the balance of payments. The worsening of the current account position also exerted considerable pressure on the official reserves, compelling the Central Bank to build-up reserves in the fourth year of the MTP. The resources to finance the requirements were mainly private resource inflows, concessional project support and official external support.

2.6 Structural Reforms

The promulgation of the Constitution in August 2010 heralded a new beginning for the country and the successful implementation of the Constitution was expected to bring about improvements in the social and political spheres of the nation thereby enabling the country to realize its growth potential. A number of new institutions and legislations have been established to improve governance and management of the country's resources. Indeed, the period under review has seen substantial reforms in the Judiciary and the State Law Office. Other offices have already been set up and management recruited through transparent and competitive vetting processes. The offices of the Commission on Revenue Allocation, the Controller of Budget and the Auditor General have been set up in line with the provisions of the Constitution. Specifically, the Government implemented the following structural reforms:

a) **Rule of Law and Judicial Reforms** – With the new legal and institutional framework, the Government has continued to promote and sustain fair, affordable and equitable access to justice as well as undertaking legislative reforms that support market-based economy and human and gender rights.

b) **Electoral and political process** – The new Electoral and Boundaries Commission has been created to spearhead reforms covering the electoral process, and to hold transparent and credible elections. In addition, operationalisation of the Political Parties Act is expected to enhance accountability by

political parties, and promote civil education programmes to widen the knowledge and participation among citizens as well as strengthen the laws on non-discrimination to promote inclusion of women and the disadvantaged in the electoral and political process. This has helped to build investors' confidence.

c) **Transparency and accountability** – The Government continued to implement the new legal and institutional framework for anti-corruption, ethics and integrity, as well as promote results-based management within the public service. In addition, it also continued to encourage public access to information, introduce civilian oversight around the key legal, justice and security institutions in line with the new Constitution, and strengthen Parliament's legislative oversight capacity in the budget process.

d) **Security and peace building** – Building on the work of the National Cohesion and Integration Commission, the Government has continued to promote community involvement in security, promotion of harmony among ethnic communities and other interest groups, as well as promoting peace building and reconciliation within the country.

Other structural reforms have been achieved in other areas as follows:

e) **Land Reforms** – With the new Land Bill following the Constitution of Kenya 2010, the Government has continued to undertake supportive land reforms to address issues concerning land ownership and administration, security of tenure, land use and development, and environmental conservation.

f) **Public Sector Reforms** – With the new public financial management legislation and revamped PFMR strategy, the Government continued to deepen the public service reforms guided by principles of values and ethics entrenched in the new Constitution, as well as strengthening expenditure control in both national and county government under the devolved system. The Government also continued to implement reforms in the parastatal sector including organizational and financial restructuring and privatization. In order to untie mature investments and mobilize resources for priority government investment areas and inject efficient and professional management systems for effective service delivery, the commercialization and modernization programmes for the identified public entities were in the process of being concluded.

g) **Improving Business Environment** As a measure of improving the business environment, the Government continued to streamline regulations and licensing, with a view to improving the World Bank's Ease of Doing Business Survey ratings. In particular, the Government undertook to continue to deepen and broaden the scope of business regulatory reforms, undertaking additional measures in the private sector development strategy to improve the investment climate and completing the remaining licensing reforms including enacting the Business Regulatory law, making operational the e-Registry, simplifying taxation for SMEs, and enactment of the new Companies Bill to streamline business registration. In addition, the government took initiatives to develop and make operational a single window Port Community Based System (PCBS) to facilitate faster, efficient and competitive clearance of cargo at the Port of Mombasa. The Government also continued to work closely with the private sector and development partners in all these efforts.

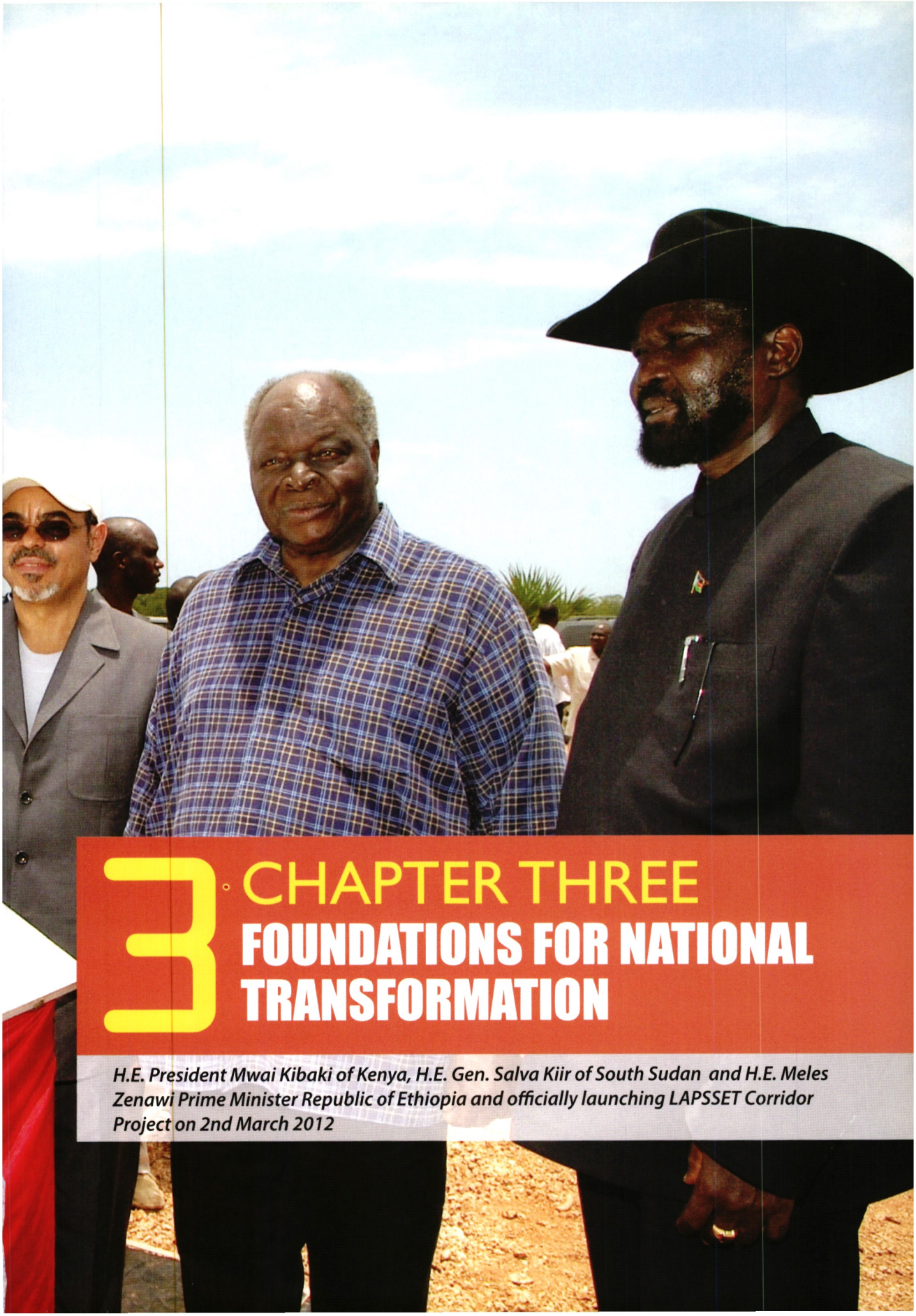
h) **Developments in the Financial Sector** - Kenya's banking sector has recorded significant growth in assets driven by growth in the deposits, injection of capital and retention of profits. The performance has been largely due to support by the credit referencing system, and agent banking among other initiatives that were pursued by CBK during the review period. At another level, the integration of the mobile money transfer platform within the traditional banking platform resulted in Equity Bank partnering with Safaricom to launch the M-Kesho account which offers micro-savings, micro-credit and micro-insurance products. To date, new mobile phone transfer platforms have been launched by Family Bank (Pesa pap), KCB connect, Airtel (ZAP), Essar (Yu Cash) and Orange (Orange Money).

i) **Infrastructure Development** - The Government continued to increase investments in road network (both rural and urban), water, sanitation services, rail, and air transport, and energy supply services in order to improve services and reduce the cost of doing business. Increased funding to infrastructure was further facilitated by the implementation of a new Public Private Partnership (PPP) framework and access to new sources of funding such as issuance of sovereign bonds and continued floating of domestic

long-term infrastructure bonds.

j) **Information and Communication Technology** – The Government continued to implement policies aimed at attracting investors in the ICT sector in recognition of its importance in accelerating productivity of all sectors of the national economy and empowerment of people to meet the challenges of the 21st Century. In particular, the development of ICT Parks and Digital Villages that are expected to lower the cost of ICT goods and services, and facilitate growth and establishment of BPOs was initiated. In addition, development of scientific and technological infrastructure, enhanced research and development as well as technical and entrepreneurial skills continued to be pursued.


AKING CEREMONY
THIOPIA TRANSPORT (LAPSSET)
OR PROJECT
N. MWAI KIBAKI, C.G.H., M.P.
GEN. SALVA KIIR MAYARDIT
ELLENCY MELES ZENAWI
FRIDAY 2ND MARCH, 2012



3 CHAPTER THREE
FOUNDATIONS FOR NATIONAL TRANSFORMATION

H.E. President Mwai Kibaki of Kenya, H.E. Gen. Salva Kiir of South Sudan and H.E. Meles Zenawi Prime Minister Republic of Ethiopia and officially launching LAPSSET Corridor Project on 2nd March 2012

3.1 Overview

The Government recognizes the need for anchoring Kenya Vision 2030 on solid foundations if it has to effectively drive, influence and achieve the economic, social and political transformation of the country. These foundations are popularly known as enablers. The foundations for national transformation as identified in the Medium Term Plan (2008-2012) are: physical infrastructure; Information and Communication Technology (ICT); Science, Technology and Innovations (STI); energy; land reforms; human resources development; security, peace building and conflict resolution; governance and public sector reforms; and Nairobi Metropolitan Development.

This chapter therefore highlights the key achievements towards the realization of the MTP (2008-2012) targets, policy reforms and challenges under each of the foundations for the 2010/2011 financial year. The assessment starts with the policy review of the foundations and the MTP targets for the period under review. This is subsequently followed by a detailed discussion of the progress made in the implementation of the flagship projects and other key interventions. A summary of key challenges encountered during the implementation period is also presented.

3.2 Infrastructure

3.2.1 Overview

The MTP (2008-2012) seeks to accelerate infrastructure development in the country with the aim of improving quality and efficiency of the infrastructural goods and services on which the productive sectors depend. Investments in this area are also based on the realization that effective and reliable infrastructure is critical in promoting the country's competitiveness at the national, regional and global levels through improved connectivity. The Government has embarked on the provision and expansion of transport infrastructure in parts of Kenya. Investments in the road sector have focused on upgrading and rehabilitation of the main road corridors with the aim of facilitating regional trade and transportation. Rural accessibility is to be improved through the Roads 2000 programme that is financed by various International development partners and the Government.

3.2.2 Policy Review and MTP Targets

The goal of the *Kenya Vision 2030* is to ensure that the country is firmly interconnected through an efficient network of roads, railways, ports, airports, water ways, and telecommunications. Towards this end, the MTP (2008-2012) has identified and prioritized a number of physical infrastructure improvement

programmes for implementation. These include development of a National Spatial Plan, development and implementation of a National Integrated Transport Master Plan and construction of a new transport corridor to Southern Sudan and Ethiopia. At the same time, there is resolve to initiate and fast track the implementation of the National Road Safety Action Plan and development of a roads maintenance and management system. A light rail for Nairobi and its suburbs is expected to be constructed during the MTP period. These programmes also include road network expansion and upgrading, dredging of the port of Mombasa, expansion and modernization of the port of Mombasa and formulation of a mass-rapid-transit programme for the Nairobi Metropolitan region.

3.2.3 Achievements

In the 2010/2011 financial year, the Government continued to implement the flagship projects identified under the 2008-2012 MTP. The following milestones were realized.

(i) Modernization of Jomo Kenyatta International Airport

In the MTP (2008-2012) the Government envisaged to undertake the following: construction of an apron at terminal unit 4, taxiways and associated facilities; construction of terminal unit 4 building and a multi-storey car park; and renovation and remodelling of units 1, 2, 3 and the arrivals building.

Construction of the apron at terminal unit 4, taxiways and associated facilities was completed in 2009/2010 and the facilities are already in use. In the 2010/2011 financial year, a contract was awarded for package three which includes construction of terminal unit 4 building and a multi-storey car park. Approximately, 20 per cent of the works comprising excavation, foundations and partial casting of columns has been completed.

(ii) Improvement of Kisumu International Airport

The 2008-2012 MTP targets were construction of the terminal building and extension of the runway. The construction work commenced in October 2008 and was estimated to last 22 months. The works were completed in the 2010/2011 financial year and the facility is in use. Further, a Cabinet paper requesting for additional funds to extend the runway by 300 meters to accommodate Code E planes (B767) was prepared and approved by the Cabinet in 2009/2010 and construction work completed during the period under review.

(iii) Improvement of Wilson Airport

The improvement intended here was renovation and upgrading of a security system at the Airport. In this respect, detailed designs for the renovation

were finalized and key security equipment installed at the airport in 2009/2010. Additionally, KAA has initiated dialogue with stakeholders on the design of the new terminal building. The project is being funded jointly by the World Bank and the KAA.

(iv) Rehabilitation of Airstrips

Six airstrips were rehabilitated in 2010/2011 and six others are earmarked for rehabilitation in 2011/2012.

(v) Dredging of Mombasa Port

A contract for the first phase of the project was awarded to M/s Van Oord Dredging and Marine Contractors bv, Netherlands and the dredging launched on 5th July 2011. Work on dredging of the port of Mombasa is on-going and is expected to be completed in 18 months.

(vi) Development of Second Container Terminal

A contract for the development of a second container terminal at the port of Mombasa has been awarded to M/S Toyo Construction Company Ltd. and construction has begun. The construction is expected to be completed by the year 2015.

(vii) Mass Rapid Transit System for Nairobi Metropolitan Region

The system aims at improving accessibility to the city centre through improvement of transport infrastructure of roads and rail system. This includes: the development of bypasses, development of Missing Links, radial road improvement, development of Bus Rapid Transport (BRT) System, development of Commuter Rail System and development of Light Rail Transit System. A feasibility study on Nairobi Metropolitan Rapid Transit System (NMRTS) has been completed. Rehabilitation of the road from Jomo Kenyatta International Airport (JKIA) to the Nairobi CBD is complete.

(viii) Development of Lamu-Sudan-Ethiopia Transport Corridor

A feasibility study and preparation of preliminary designs, master plan for Lamu port, and detailed designs for the first three berths and associated infrastructure in the port was commissioned in June 2010. Japan Ports Consultants (JPC), submitted the report including Aerial Survey Mapping Report (Port and Corridor); LAPSSET Transport Corridor Master Plan; Master Plan for Development of the Proposed Lamu Port at Manda Bay and Detailed Design of the First Three Berths and Associated Infrastructure in July 2011.

Bids for consultancy services for undertaking a feasibility study and detailed design of the Leseru-Kitale-Marich via Lodwar-Nadapal road (600 km) have been completed and are

awaiting approval by the World Bank. The 35 kilometre stretch of road between Miritini and Maji ya Chumvi, and the 96 kilometre stretch between Maai Mahiu and Naivasha-Lanet was completed in 2009/2010.

The Isiolo-Merille road is complete, advertisement for the civil works for Merille-Marsabit road have been made, preliminary designs and tendering process for Marsabit-Turbi and Turbi Moyale road are complete.

(ix) Proposed Free Port at Dongo Kundu

In 2009/2010, the MTP targeted undertaking of a feasibility study to facilitate the development of a free port at Dongo Kundu. In this regard, a task force was constituted to coordinate the development of a Free Trade Zone at the port of Mombasa. The team developed Terms of Reference and forwarded them to the government of Singapore which expressed interest in implementing the project on government to government basis.

(x) Nairobi-Thika Road

The MTP aimed at awarding of the contract for the construction of the Nairobi-Thika road and completion of 12km of the road in 2009/2010, and a further 18km in 2010/2011. The contract for rehabilitation and upgrading of the 50km stretch between Nairobi, Ruiru and Thika was awarded and work commenced in 2009. The project involves construction of eight lanes and six interchanges to replace the existing roundabouts. So far 25.8 km of the road have been constructed and construction is ongoing. This is aimed at easing the current traffic congestions and improvement of major arterial connectors such as Outer-Ring Road, Ngara, Muranga and Forest Roads linking Pangani to Uhuru Highway.

(xi) Nairobi Bypasses and Missing Links

The MTP target is construction of Nairobi bypasses and missing links. The bypasses are Northern, Eastern and Southern. The Northern bypass starts at Ruaka Trading Centre on Limuru Road, passes through Runda and joins the Eastern bypass ending at Ruiru. The Eastern bypass starts at City Cabanas, passes through Ruai and ends at Ruiru (With loop at Ruai) while the Southern the bypass (30 Km) starts on Mombasa Road at St. James Hospital and ends on Naivasha Road after Kikuyu Town. The Northern and Eastern bypass is 52% complete. Construction of the Southern bypass is yet to start as negotiations with Exim bank of China are incomplete.

(xii) Development of a Standard Gauge Railway Line between Kenya and Uganda

The MTP envisaged the construction of a standard gauge railway line to link Kenya and Uganda. In this

respect, a joint Steering Committee composed of members from the two countries was formed to spearhead the commencement of this project. An MOU was signed with Uganda and a feasibility study completed.

(xiii) Rehabilitation and Maintenance of Roads

Rehabilitation and maintenance of existing roads is one of the key activities envisaged in the MTP. To facilitate this, the Road Sector Investment Plan (RSIP) was developed to guide the prioritization of projects for the next 20 years. Over 40 road rehabilitation/reconstruction projects are ongoing across the country at a cost of over KSh. 63 billion. These projects have been identified in terms of their catalytic role in enhancing growth and the performance of key sectors of the economy. Rehabilitation and upgrading of other major roads connecting Kenya with other countries within the region are also in progress. The roads being upgraded are Merille River-Marsabit (122 Km), and Marsabit-Turbi (121 Km). In 2010/2011, 547.3Km of roads were reconstructed and rehabilitated against an MTP target of 315Km.

(xiv) Developing computerized pavement and bridge management systems

Procurement of a consultant to design and establish the computerized pavement and bridge management system is in progress.

(xv) Effectiveness of the Roads 2000 Strategy

The expected results within the current Roads 2000 commitments include: routine maintenance of 886.2km of roads; creation of 60,000 jobs; and training of 1,250 labour based contractors. The actual coverage of Roads 2000 Strategy has been increased from 37 to over 150 districts. This is expected to facilitate achievement of the set MTP targets. During the period under review, 1097km of road were covered under routine maintenance against MTP target of 1,369km.

(xvi) Axle Load Control

The axle load control aims at modernisation of weighbridges to enable monitoring of operations from a central control room. In this respect, two existing weighbridges, namely Mariakani and Athi-River are being upgraded to improve their efficiency. The axle-weighing system is also being installed with structures constructed in six weighbridges located in various parts of the country. These are Mtwapa, Isinya, Juja, Busia, Mai Mahiu and Eldoret. In addition, ten mobile weighbridges are in the process of being procured.

3.2.4 Other achievements include: establishment of a National Single Window System, which is meant

to simplify and streamline trade documentation and clearance processes to facilitate national competitiveness. The setting up of an entity for running the system has been approved by the Cabinet.

3.2.5 Policy, Legal and Institutional Reforms

A number of policies, legal and institutional reforms were initiated in the sector in 2010/2011 to facilitate achievement of MTP goals, namely;

(i) Finalisation of the Integrated National Transport Policy

An integrated national transport policy was approved by the Cabinet in 2009. The policy has been aligned to the new constitution and has also received comments from various stakeholders. A Sessional Paper has been finalized and submitted to the Parliamentary Committee on Transport, Housing and Communication for discussion.

(ii) National Road Safety Programme

The National Road Safety Council was reconstituted to spearhead the implementation of the Roads Safety Action Plan and other reforms in the road transport. Three committees of the Council have been formed. They will deal with infrastructure and engineering; enforcement; and information and education. In addition, a consultancy service to implement the second generation driving licenses is awaiting finalization.

A task force constituted to develop regulations governing the re-introduction of the passive Alco-sensors to control drunken driving finalized its report and submitted it to the Ministry of Transport. The report is awaiting stakeholder validation for possible adoption. A consultancy service to develop the national curriculum for training, testing and licensing of drivers was awarded in 2010. The consultancy firm will also review Traffic Act, CAP 403, for possible amendments. A concept paper has been developed to make provisions for adopting the on-spot fines. This will reduce unnecessary delays by taking drivers to courts because of minor offences.

To improve governance in road transport, three roads authorities were established and are now operational to oversee the maintenance and development of roads in Kenya by streamlining ownership, management, accountability and financing of all road network activities in the country. They include;

a. The Kenya National Highways Authority (KeNHA), responsible for the development and maintenance of class A, B, and C roads. KeNHA has created regions of operations countrywide.

b. The Kenya Rural Roads Authority

(KeRRA) , responsible for all rural and small town roads of Class D and below including Forest Roads, Special Purpose Roads and Unclassified Roads which were under county councils and town councils. KeRRA is also managing funds allocated for constituency roads.

c. Kenya Urban Roads Authority (KURA), responsible for managing and maintaining all road works on urban roads in cities and major municipalities.

d. The Kenya Roads Board (KRB) which concentrates on funding maintenance of all roads including the approval of maintenance work programmes, technical and financial audits of works funded by the Board.

(iii) Operationalisation of the Merchant Shipping Act No.4. of 2009

16 rules and regulations have been developed to assist in the operationalisation of the Act. Two bills have been finalized, namely: the Marine Insurance Bill and Carriage of Goods by Sea Bill.

3.2.6 Challenges

The major constraints that inhibited effective and efficient implementation of policies, programmes and projects during the review period were: slow procurement procedures, low investment in transport infrastructure as the sector is mainly funded by the Government, slow disbursement of funds by development partners and encroachment of road reserves.

3.3 ENERGY

3.3.1 Overview

Energy is an important factor in a country's development process because it provides the stimulus, drive and momentum for socio-economic development due to its hidden multiplier effect. The supply of adequate and affordable energy for growth and development is the central theme of the Government's Energy Policy encapsulated in Sessional Paper No.4 of 2004 on Energy and Kenya Vision 2030.

Access to affordable energy is recognized by Kenya Vision 2030 as one of the foundations on which the productive sectors and social development are based. It is therefore a significant determinant of how the economy grows overall and the extent to which household earnings, education and health indicators improve in order to meet both Vision 2030 goals and the MDGs. Meeting the Millennium Development Goals requires access to at least three types of energy services: Energy for cooking; Electricity for illuminating, ICT and appliances to support household and commercial activities and the provision of social services; and Mechanical power to support enterprises and

other productive use. Yet, only about 20 per cent of households in Kenya have access to grid electricity and over 60 per cent of people in Kenya still rely on traditional biomass for cooking and heating. Although, the connection rate is around 12% in the rural areas, the rate of rural connectivity has been rising steadily since 2003.

Kenya aims at becoming a middle-income country by 2030 which means that by that time, most industries and households should be connected to modern energy sources that are preferably renewable and environment friendly.

A reliable power supply is critical for development. Kenya's energy supply is prone to price volatility, instability in distribution and rationing during the dry periods bringing with it physical hardships and significant economic burdens. Drought faced by Kenya has had negative impacts on the power supply between 2006 and 2011, leading to load shedding in August and September 2009 and the import of expensive emergency power since 2006. The crisis has demonstrated the vulnerability of the hydro-power system and highlighted the need for the diversification of other sources of power supply.

3.3.2 Policy Review and MTP Targets

Kenya's energy policy is designed to provide adequate, quality, reliable and affordable energy to stimulate high and sustained economic growth. The policy is, in the medium term, intended to facilitate development, tapping and access of modern energy sources to all sectors of the country's economy. The Government is committed to pursuing structural, policy and institutional reforms in the energy sector. These include increasing installed power generation, enhancing access to electricity, putting in place a strong energy sector regulatory framework, and improving the operational efficiency of power utilities. Others are encouraging private investment in generation of power, delinking generation of power from its distribution, and connecting Kenya to energy-surplus countries in the region. Other crucial interventions include exploration and development of new sources of energy and the tapping of geothermal power, coal, and other renewable energy sources.

3.3.3 Achievements

The following were the achievements by the sector during the period under review.

(i) Transmission Lines

This intervention involved the construction of a 400kv transmission line in the 450 km stretch between Nairobi and Mombasa; and installation of an interconnector 300 megawatts of electricity between Kenya and Ethiopia. Tender for the construction

of the high capacity transmission line consisting of 450 km double circuit 400 kV between Nairobi and Mombasa has been awarded as set out in the MTP. The project will be implemented on a turn-key basis. At the same time, a feasibility study for the construction of a 1,047 km of 400 kV line between Kenya and Ethiopia is underway.

(ii) Customers with Electricity Connection

In 2010/2011 a total of 250,185 new customers were connected with electricity against the MTP (2008-2012) target of 200,000 for the same period. Cumulatively, approximately 800,000 new connections have been made since 2008. In view of this progress, the one million energy scaling benchmark provided for in Vision 2030 is likely to be met in 2012.

(iii) Wind power plants

The MTP (2008-2012) target for wind power was the construction of a 300 MW wind power station at Lake Turkana and generation of 15 MW. The contract for the construction of the Lake Turkana 300MW wind power plant was developed and approved by the Energy Regulatory Commission (ERC) during the year under review. The investor and Kenya Power and Lighting Company (KPLC) signed the tariffs agreement in 2010. The plant is expected to be commissioned in 2012.

(iv) Coal Energy

Production of coal energy is one of the flagship projects under the energy sector. The MTP (2008-2012) targeted production of 1 MW of coal energy by 2009/2010 and an additional 7 MW in 2010/2011. These were to be drawn from the Athi River Mining Coal Power Station. On this front, negotiations with the successful bidder commenced in February 2010 for plants 1 and 2 at Athi River Mining Coal power station. The Plant is expected to be commissioned in 2012.

(v) Geothermal power plants

During the period under review, two geothermal power plants which include 36 MW by Orpower 4 and 35MW Olkaria II were completed. In total, fifty one geothermal steam production wells have been drilled since 2008 against the MTP target of 30 geothermal production wells.

(vi) Hydro power plants

The MTP (2008-2012) targeted construction of 21MW capacity hydro plant at Sondu-Miriu spillway (Sangoro) and generation of 2 MW from the station in the 2009/2010 period, and achievement of its full capacity in 2010/2011. However, construction of the plant is on-going and it is expected to be completed in 2012. This implies that the construction and generation of hydro-power from

the Sangoro power station is behind schedule. The construction of the 20MW Kindaruma unit 3 is scheduled for completion in 2012.

(vii) Feed in tariff Projects

The 2009/2010 MTP target was to generate an additional 3.9MW through Genpro Power Ltd at Teremi falls in Mt. Elgon (3MW) and Imenti Tea Factory (900KW). These were to be accomplished through the Power Purchase Agreement (PPA) arrangements. The PPA for the 3MW mini-hydro project by Genpro Power Ltd was approved in 2009/2010 while the PPA for the 900kW plant by Imenti Tea Factory Ltd, of which 284kV will be fed into the national grid was signed in 2010.

(viii) LPG Infrastructure

The MTP (2008-2012) target was to have the tender and construction work start in 2009/2010 with 10 per cent of the construction work completed within the financial year. The project is being implemented by Kenya Pipeline Corporation (KPC), Kenya Petroleum Refineries Limited (KPRL) and private sector investors. The facility will have a storage capacity of 6,000 MT. 20 per cent of the construction work was completed in 2009/2010. Another LPG storage and distribution facility in Nairobi with a storage capacity of 2,000 MT is being implemented by KPC and Bharat Petroleum Corporation Limited (BPCL) of India. This is a joint public/private sector venture that will be operated on a "common-user" principle.

(ix) Capacity Enhancement of Oil Pipeline

The Mombasa-Nairobi Pipeline (Line-1) capacity enhancement project was commissioned in November 2008. An upgrade was done at Kipevu oil storage facility to improve the suction pressure to enable the pipeline operate at 880,000 litres per hour. However, a pumping capacity of 810,000 litres per hour was realized during the period under review. A parallel 14-inch diameter pipeline (Line-4) from Nairobi to Eldoret was completed but it is yet to be commissioned. The construction of the Kenya-Uganda Oil Pipeline Extension Project is yet to commence. However, construction of a reversible pipeline is being considered following the discovery of oil in Uganda.

3.3.3 Policy, Legal and Institutional Reforms

In the Medium Term Plan 2008-2012 of the Kenya Vision 2030, the country's energy policies are geared towards providing the energy required by the flagship and other projects that are expected to accelerate economic growth to an average of 10 per cent per year by 2012. The policies are also intended

to bring affordable quality energy to all Kenyans. The reforms in the energy sector are meant to facilitate high level performance within the sector by encouraging private participation in the development of the sector and focused management of energy services delivery. This will ensure the sector will achieve its mandate of provision of clean, sustainable, affordable, reliable and secure energy services at least cost while protecting the environment.

During the period under review, the Feed-in Tariffs Policy was developed to mobilise private sector capital for generation of electricity from renewable energy sources. The policy enables Independent Power Producers (IPPs) to generate and sell to the grid operators' electricity from renewable energy sources including wind, small hydro power and biomass (municipal solid waste and cane bagasse are readily available resources).

3.3.4 Challenges

The major challenges facing the energy sector include low investment by the private sector occasioned by high initial capital outlay, long lead times required in the development and operationalisation of energy infrastructure and unfavourable fiscal and legal regimes. In addition, the high cost of network extension, low consumer densities in rural areas, over-reliance on the hydro-electric power and escalating cost of petroleum products in the international markets continue to undermine the growth and development of the sector.

3.4. SCIENCE, TECHNOLOGY AND INNOVATIONS

3.4.1 Overview

Kenya intends to become a knowledge-led economy wherein the creation, adaptation and use of knowledge will be among the most critical factors for rapid economic growth. Experience from countries such as South Korea, Malaysia, Finland, China and Chile illustrates that rapid progress can be made over relatively short periods of time by pursuing coherent strategies that build the capabilities to create, access and use knowledge. Vision 2030 recognises that the process of the emergence of the knowledge economy is always associated with an increase in science and technology-related activities. As such, the sector seeks to entrench a culture of using scientific and technological knowledge in all sectors of the economy and to promote innovative solutions to problems affecting the population.

Science, Technology and Innovation are characterized as part of the "foundations" or "enablers" of Kenya Vision 2030. The potential to achieve both the Vision 2030 and the Millennium Development Goals (MDGs) lies with development of Science, Technology and Innovation.

This will in turn produce both knowledge and products that will lower the costs of production and social services to Kenyans. Sustainable development in Kenya calls for mainstreaming of STI in all aspects of our economy, subsequently ensuring that we optimally utilize the resources we have to create a successful economy and a society with a high quality of life.

The first step towards this achievement lies in creating an environment where Higher Education, Science, Technology and Innovation (HESTI) are utilized towards more efficient building of infrastructure and in raising productivity in agriculture, manufacturing and other key sectors of the Vision 2030.

3.4.2 Policy Review and MTP Targets

The STI sector strategic objectives stipulated in the MTP (2008-2012) include: strengthening technical capacities and capabilities, developing a pool of highly skilled human resources in STI, intensifying innovation in priority areas, enhancing STI awareness, strengthening STI performance management framework and expanding access and equity to quality and relevant higher education and TIVET. The MTP targets for the sector were establishment and implementation of a Knowledge Management Information System (KMIS), establishment of programmes of excellence, establishment of Open University and Pan African University, provision of physical infrastructure and capital equipment in HESTI institutions, and implementation of a knowledge transfer programme.

3.4.3 Achievements

The STI sector continues to make progress towards achieving the Kenya Vision 2030 and the MDGs. The following were accomplished during the period under review.

(i) Strengthening STI Capacities and Capabilities

The MTP (2008-2012) target was strengthening of STI capacities and capabilities to support the key national transformation areas. In 2009/2010, a national ST&I Indicators survey was conducted. In 2010/2011, the process of finalizing the report was initiated. At the same time, mechanisms for the establishment of one Science and Technology Park and three industrial incubators were initiated during the period under review.

(ii) Developing a pool of qualified STI personnel

The MTP target is to develop a pool of qualified STI personnel. In 2010/2011, a national study was initiated on the existing Science, Engineering and Technology (SET) skills with a view to establishing the status of the same and informing policy decisions on national

skills requirements and development. Further, frameworks and activities geared towards increasing gross enrolment in Universities and TIVET institutions were developed. Curriculum review was also initiated in SET courses.

(iii) Intensification of innovations in priority sectors

In 2010/2011, the Government awarded and disbursed research grants amounting to KSh.150 million to selected research institutions to promote the intensification of innovations in priority sectors. Further, strategic research collaboration was established with the Republic of South Africa and support for improvement of the system of protecting and utilizing the intellectual property rights (IPR) was initiated with an initial establishment of 6 IPR offices/ desks in TIVET institutions.

(iv) Enhancing awareness on Higher Education, Science and Technology Innovations

During the period under review, a national scientific conference with an exhibition was held. Regional robot contests were held for Universities and Technical Institutions where winners participated in a national robot contest. Regional TIVET Fairs were also held where technological innovations were displayed to the public and public lectures delivered on the application of technology in their daily lives.

(v) Expanding access to equitable, quality and relevant Higher Education and TIVET

The Government embarked on the expansion of university facilities and technical training to admit more students in 2010/2011. The construction of new technical institutions and expansion of existing ones will ensure more access and equity in TIVET. The establishment of a National Open University will admit more university students without the limitation of facilities. Provision of bursaries and scholarships has increased access to university and TIVET students who were hitherto unable to afford the relevant fees.

3.4.3 Policy, Legal and Institutional Reforms

During the period under review, the STI Bill, University Education Bill and TIVET Bill were submitted to the Cabinet for approval. Once enacted, the instruments will provide the requisite enabling environment and institutional reforms necessary for achieving sector objectives.

3.4.4 Challenges

The sector faces a number of challenges. Most facilities in STI institutions lack both basic infrastructure and the appropriate state-of-the-art equipment to

undertake training and Research and Development (R&D) programmes. Other challenges are inadequate human resource capacity; limited linkages and weak collaboration between the supply and demand sides of the labour market; skills mismatch; out-dated Kenya National Occupational Classification Standards (KNOCS); and logistics for rolling out STI services in all the 47 counties, in keeping with the new constitutional dispensation.

3.5 Information and Communications Technology

3.5.1 Overview

Information and Communication Technology (ICT) plays a critical role in economic development as it forms the foundation for a knowledge economy. Kenya's industrial development path as outlined in the Kenya Vision 2030 includes the growth of an innovative industrial path based on IT enabled services (ITES) and Business Process Outsourcing (BPO). Thus the Kenya Vision 2030 underscores the need to improve the ICT infrastructure; formulation of the appropriate public policy and regulations guidelines; and the development of the necessary skills for a modern knowledge economy.

3.5.2 Policy Review and MTP Targets

Kenya recognizes the prevailing critical role of ICT in socio-economic development. To develop the sector, the MTP (2008-2012) outlines major policy priorities and strategic objectives which include formulation and implementation of appropriate policy and regulatory frameworks to support ICT development; improvement of collection, storage, analysis and dissemination of information and national statistics; promotion and facilitation of Public Private Partnership (PPP) to enable innovations and competition to accelerate the growth of ICT industries; and ensuring equity and universal access to the provision of ICT services. The MTP targets for the ICT sector were to: create over 7,500 BPO jobs, construct a total of 5,500 km of undersea cable and 5,000 km of terrestrial fibre optic cable and establish one ICT park in Nairobi's neighbourhood.

3.5.3 Achievements

a) Sector performance

The performance of selected ICT indicators: Cost per Megabyte of data transmission; Population using internet; Households with access to radio, Households with access to TV and population with mobile phones are shown in Table 3.1.

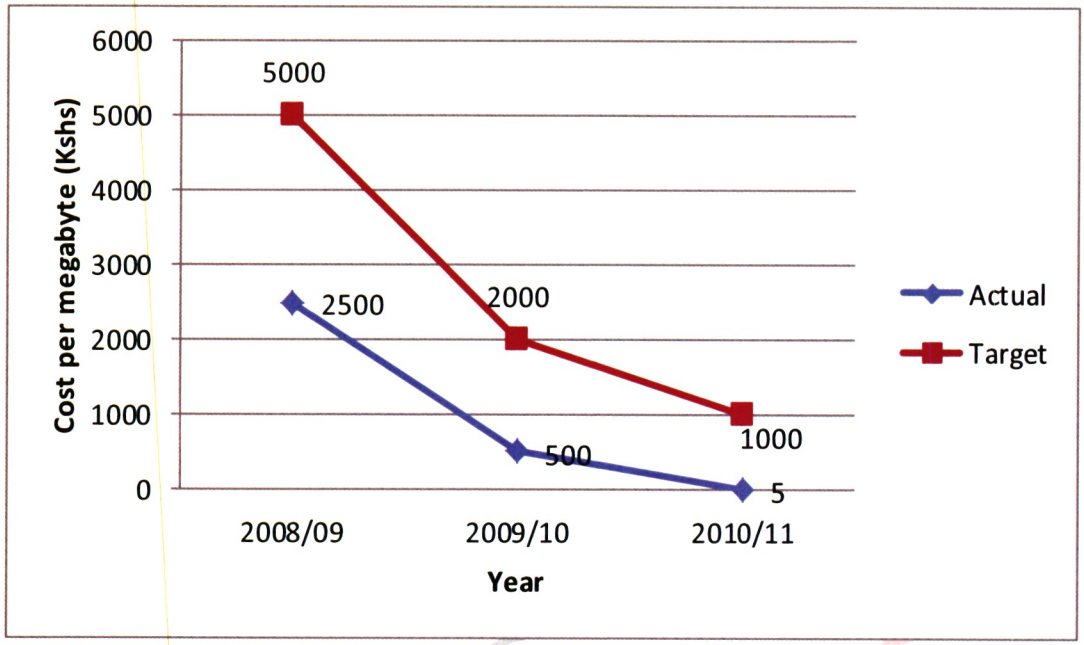
Table 3.1: Performance of selected ICT indicators

Indicator	2007	FY 2008/2009		FY 2009/2010		FY 2010/2011	
	Baseline	Target	Actual	Target	Actual	Target	Actual
Cost per Megabyte (KSh.)	6,000	5,000	2,500	2,000	500	1000	5
Population using the Internet (%)	7.7	8	10	13	10	17	10
Households with access to radio (%)	90	95	95	97	95	100	98
Households with access to TV (%)	80	85	80	90	86	95	98
Population with mobile phones (%)	39	40	45.7	50	63.5	65	74

Source: Ministry of Information and Communication, KNBS

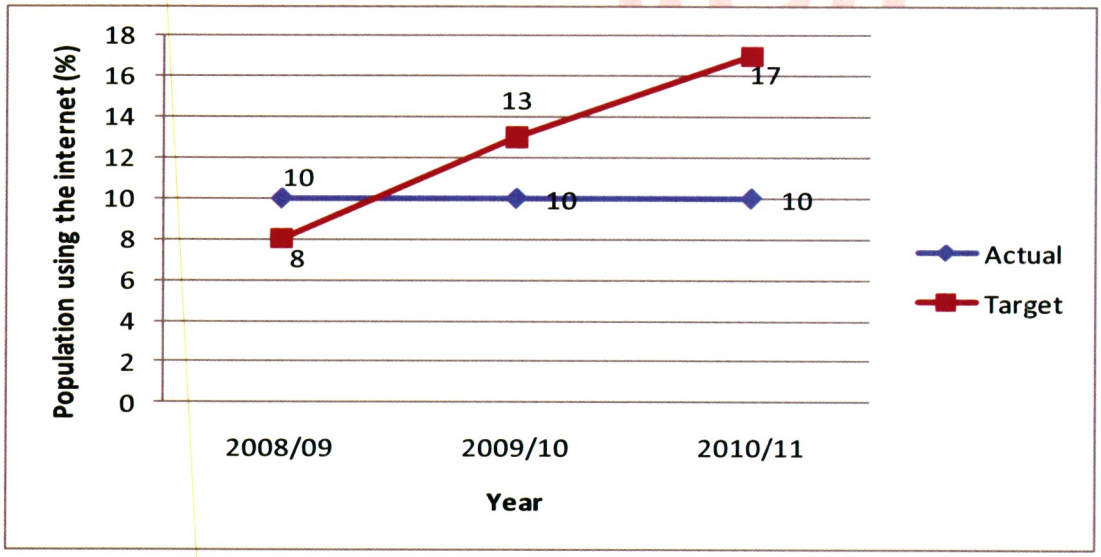
During the period under review, the cost per Megabyte of data transmitted declined drastically to KSh.5 against an MTP target of KSh.1000 as shown in Figure 3.1. This was as a result of increased high speed bandwidth due to the landing of four 5,500km undersea cables at Mombasa and laying of the 5,000km fibre optic cable in most parts of the country. However, the percentage of the population using internet remained static at 10 per cent against the MTP target of 17 per cent that was envisaged in 2010/2011 as illustrated in Figure 3.2. This could be attributed to the population's lack of awareness and slow pace of embracing technology to conduct business. In terms of access to radios, 98 per cent of households were reported to have access against the MTP target of 100 percent while 98 percent of households had access to TVs against an MTP target of 95 percent. Additionally, 74 percent of the population were reported to have mobile phones against the MTP target of 65 percent. This was attributed to the government zero-rating of ICT equipment and accessories including the mobile phones.

Figure 3.1: Cost per megabyte of data transmission, 2008/2009-2010/2011



Source: Ministry of Information and Communication, KNBS

Figure 3.2: Percentage of population using internet, 2008/2009-2010/2011



Source: Ministry of Information and Communication, KNBS

b) Flagship projects

(i) Construction of the BPO Park

The establishment of an ICT Park is intended to spur the growth of Business Process Outsourcing as a major economic growth area with high potential to create over 7,500 job opportunities by 2012. In 2009, the Government acquired 5,000 acres of land for the establishment of Konza Technology City under the Information Technology (IT) Enabled Services. In 2010/2011, a feasibility study and architectural designs were completed and the Expression of Interest for a Master developer was advertised.

(ii) Establishment of 210 Digital Villages

During the period under review, 37 digital villages were established against the MTP target of 210 digital villages. This was as a result of delay in the release of funds by the Development Partners.

(iii) Construction of 5,500km of undersea cable and 5,000km of terrestrial fibre optic cables

The 5,500km undersea cable and 5,000km terrestrial fibre optic cable were laid in 2009/2010 and are fully operational. However, their level of utilization is still very low but is expected to increase once commercialization of The East African Marine Systems (TEAMS) and National Fibre Optic Backbone Infrastructure (NOFBI) is finalized.

(iv) Creation of 7,500 BPO jobs

During the period under review, 4,100 BPO jobs were created against the MTP target of creating 2,200 BPO jobs for the same period. This was attributed to the increased marketing of the country and the significant reduction of telecommunication costs in addition to the provision of incentives to local BPO operators in terms of subsidized bandwidth.

(v) Broadband Connectivity of Government Institutions

In 2010/2011, a total of 81 Government institutions were provided with broadband connectivity against the MTP target of 400. However, initiatives are being put in place to ensure as many institutions as possible are connected.

Other ICT achievements include digitization of the State Law Office and 37 substations of the Judiciary, establishment of 30 Rural Information Centres to complement the digital villages as government e-service centres.

3.5.3 Policy, Legal and Institutional Reforms

In 2010/2011, the Kenya Communications (Amendment) Act 2009 was enacted to mainstream e-commerce in the economy. The Act will among other things address: legal recognition of electronic records and signatures; creation of new offences

with respect to electronic records and transactions including cyber crime; destruction of electronic records and reprogramming of mobile telephones; definitions in relation to certification and electronic transactions; functions and powers of e-transactions regulator; licensing of e-certification services and formation and validity of e-contracts. The Government also reviewed the Information and Communications Regulations Guidelines (2010) to cater for the changing needs of the sector.

3.5.4 Challenges

In 2010/2011, the ICT sector faced a number of challenges. Among them were: the lengthy procurement process, cable vandalism and systems incompatibility. Other challenges that continued to hinder growth in the sector included the issue of cyber security, lack of a data protection policy and the prevalence of both electronic and computer hardware and software counterfeits.

3.6 Land Reforms

3.6.1 Overview

Land reform is one of the foundations upon which the economic, social and political pillars of Vision 2030 are based. The reforms aim at improving fair access to land and ensuring better utilization of the natural resource. The livelihoods of about 80 per cent of Kenyans directly depend on agriculture. Land also plays a significant role in industrial and commercial developments while its use impacts heavily on environmental sustainability. The land resource therefore calls for efficient administration and management through appropriate land use, legal and institutional policies.

The transformation envisaged under the *Kenya Vision 2030* is dependent on the formulation and implementation of a National Land Use Policy. This policy is expected to facilitate the process of land administration, computerisation of land registries, and establishment of a National Spatial Data Infrastructure. The infrastructure is expected to facilitate the tracking of land use patterns, and introduction of an enhanced legal framework for faster resolution of land disputes.

3.6.1 Policy Review and MTP Targets

Over the years the country has faced serious challenges in the land sector. These challenges can be traced back to pre-independence and post-independence periods when the land issues were not addressed adequately. This has therefore necessitated relooking at the land sector in a broad and well thought out manner to ensure that the country benefits maximally from the land resource. Moreover, the land resource is the second most important resource in the country after human capital. It

is due to this crucial role that the Land Sector is the only sector that is contained in the New Constitution and MTP 2008-2012.

The flagship projects to be implemented in the Medium Term Plan 2008-2012 include: development of a National Land Information Management System, preparation of a National Spatial Plan, development of a National Land Use Master Plan, development of resort cities land use plans, and implementation of a land ownership documents replacement programme

3.6.2 Achievements

The following is a summary of the key milestones realized with respect to land reforms during the period under review.

(i) The Land Information Management System

In 2010/2011, the following achievements were made: processes and procedures in preparation for the development of a Geographical Information System (GIS) were re-engineered and redesigned; a Land Records Conversion Centre (LRCC) was established; 129,388 Government Land Act (GLA) and Registration of Titles Act (RTA) titles and 8,998 parcel files were safeguarded and scanned; Safeguarding of land records in the department of Land Adjudication and Settlement in Mombasa, Thika and Nakuru Registries was initiated. In addition an electronic Records Management System was acquired and installed; a model GIS-Based Cadastral Information System was developed and 23 zero order passive KENREF stations were established; the Integrated Land Rent Information System was implemented and details of 135,000 Government Leased plots were captured into the system; and the installation of LAN in Thika, Nakuru and Kisumu Ardhi houses was initiated to ease communication and sharing of information.

(ii) Modernization of Land Registries

During the period under review, two land registries (Isiolo and Trans Nzoia) were constructed against the MTP 2008-2012 target of four land registries. However, five land registries (Kajiado, Kisumu, Kiambu, and Nakuru and Nairobi) were rehabilitated and refurbished against the MTP target of four. Open plan offices on 1st, 3rd and 4th floors were created at the headquarters.

(iii) The National Spatial Plan

In 2010/2011 an institutional framework for the preparation of the National Spatial Plan was established; thematic groups were identified and their Terms of Reference and work plans were prepared. Areas of outsourcing were identified and standards for data collection were developed. However, this only accounts for 40 per cent of the MTP target.

(iv) Land cover and land use mapping

During the period under review, 126 topographical maps sheets database were created against an MTP 2008-2012 target of 100, while 18 maps were updated against the MTP target of 10. The updated maps were 6 topographical maps at 1:50,000 and 12 urban areas maps for Mombasa and other priority areas. These include Mombasa Island (201/1/9 SW 2), Mombasa Island (201/1/9 NE 3), Mombasa Island (201/1/9 NW 4), Mombasa Island (201/1/9 NW 3), Mombasa Island (201/1/9 NW 2), Mombasa Island (201/1/9 NW 1), Mombasa Island (201/1/3 SE 4), Mombasa Island (201/1/4 SW 4), Mombasa Island 201/1/4 SW 3), Mombasa Island (201/1/8 NE 2), Mombasa Island (201/1/3 SW 2), Mombasa Island (201/1/4 SW 1), Mombasa Island (201/1/3 SE 2), Ugenya (101/4), Siakago (136/1), Kakamega (134/2), Chuka (122/3) and Samia (101/3).

(v) Development of resort cities land use plans

Concept papers for the three resort cities at Diani/Ukunda, Kilifi and Isiolo were finalized in 2009/2010. Since then, the base maps have been updated and data collected. However, the project is behind schedule as the land use plan should have been prepared in 2010/2011.

3.6.3 Policy, Legal and Institutional Reforms

The Kenya Vision 2030 identifies land reforms as one of the foundations of the Vision. The Constitution of Kenya (2010) provides a framework for implementation of policy, legal and institutional reforms in the Land Sector. During the period under review, a draft National Land Commission Bill was prepared to operationalise the National Land Commission. Other draft bills prepared includes: the Land Bill, Land Registration Bill, Community Land Bill and Environment and the Land Court Bill.

3.6.4 Challenges

The implementation of land reforms envisaged in the MTP (2008-2012) faced a number of challenges during the period under review. Among these challenges were: Funding – the financial resources available to the Ministry of Lands, though rising, still fall short of what it requires for its overall needs to achieve the goals set under the first MTP of Kenya Vision 2030; and existence of multiple conflicting land administration and management laws – although the Kenya Constitution and harmonization of land laws into one statute 2010 will in future reduce multiple allocations of title deeds. Other challenges include: the manual land information system, population and cultural practices related to land issues, disparities in

terms of land ownership and limited land adjudication and registration.

3.7. Public Sector Reforms and Transformation

An efficient, motivated and well-trained public service is one of the major foundations of the *Kenya Vision 2030*. Indeed, Kenya seeks to build a public service that is citizen-focused and results-oriented; a process whose achievements have received international recognition. Public sector reform is also geared towards improving Kenya's overall fiscal performance in the medium and long term. This draws from the recognition that an efficient public sector is pivotal for enhanced national competitiveness, economic growth and development.

3.7.1 Policy Review and MTP Targets

Some of the interventions to achieve this include intensifying efforts to bring about attitudinal change in the public service. Such change would entrench the value of transparency and accountability to the citizens of Kenya. Results-Based Management (RBM) and performance contracting have also been prioritized and emphasized. The RBM is expected to make it easier to reward public servants on merit and performance. Reforms in the public service are expected to further enhance strategic planning in government, continuous improvement, and stakeholder engagement. A Kenya School of Government is to be established to provide research and training on transformative leadership.

3.7.2 Achievements

During the period under review, the following were the achievements made under the public sector reforms.

(i) Promotion of Results Based Management System

In 2010/2011, a new programme was developed and rolled out to Ministries, Departments and Agencies (MDAs) consequently contributing significantly to the transformation of delivery of public service and institutionalizing Results Based Management (RBM). In order to reward, attract and retain high performers in the Public Service, the government developed a high flier's scheme that will guide career progression of the hardworking government officers. This is expected to enhance service delivery and boost results oriented public service.

Further, to measure and evaluate the performance of the public servants in terms of quality, quantity, cost and time the government reviewed the Performance Appraisal System to include targets, standards, training, monitoring and evaluation. This has led to the revision of the Performance

Appraisal Tools and System; Revised GP 247 A (2010) and GP 247 B (2010), PAS policy and PAS User Manual. Towards this cause, rewards and sanctions at individual employee level have been incorporated in the Performance Appraisal System. Additionally, the government developed guidelines on the operations of Ministerial Performance Appraisal Management Committees. This is expected to lead to improved work performance thus resulting in quality service delivery in the public service.

(ii) Performance Contracting

Performance contracting as an accountability framework has improved since 2004. In 2010/2011, 470 institutions which comprise of, 46 ministries /departments, 178 state corporations, 175 local authorities and 71 tertiary institutions were placed on performance contracts. Performance contracting has also been cascaded to the provincial and the districts levels including CDF managers. Cumulatively, a total of 8,200 participants have been trained since 2004. The identification of targets has moved from inputs, activities and processes to outputs, outcomes and impacts based on international best practices and that are linked to the Kenya's Vision 2030 Flagship projects.

(iii) The Kenya School of Government

This is one of the flagship projects under Kenya Vision 2030. The Kenya School of Government is to be established with the objective of improving the institutional performance of the Government of Kenya at all levels. The Kenya School of Government aims at providing world-class instruction, research and publications that will enable the Kenya government to meet the human resource needs in policy-making and implementation required by the Vision 2030.

The school is expected to inculcate public service values and ethics as well as enhance public service leadership. Upgrading of the facilities including infrastructure and acquisition of furniture at the Kenya Institute of Administration (KIA) and Government Training Institutes (GTIs) is underway. For instance, a modern tuition block with a capacity of 600 participants which was completed and handed over in May 2011 at the Kenya Institute of Administration is already in use. Other ongoing development projects at the various institutes include: construction of hostels at the KIA, construction of administration block at GTI – Embu, construction of Auditorium and lecture rooms at GTI – Baringo, construction of conference facilities at GTI – Matuga, construction of Conference and Retreat Centre at GTI – Mombasa and refurbishment of residential facilities at all the GTIs.

In addition, KIA has already developed curricula for induction of ministers/

senior policy level officers while at the same time pursuing initiatives to address the administrative, managerial and leadership needs of the devolved governments and the new-look national government. The Institute has also developed a new Leadership and Integrity Curriculum in partnership with the National Security Intelligence Service (NSIS), Kenya Anti-Corruption Commission (KACC), and Kenya National Audit Office (KENAO). In collaboration with the University of Nairobi, KIA developed a curriculum for Masters in Public Administration (MPA) with the first intake in 2011/2012 scheduled for September 2011.

3.7.3 Challenges

Implementation of the public sector reforms faced various challenges in 2010/2011. These included: inadequate coordination and sequencing of key public sector management reform initiatives, lack of integration between various performance management systems, lack of performance management legislation and resistance to change. Further, public sector reforms are implemented by many organizations, with little coordination and limited cross-fertilization with the other reforms. The weak culture and capacity for Monitoring, Evaluation and Reporting (MER) in the public service has also led to much focus being laid on process and inputs with insufficient emphasis on results.

3.8 Labour, Human Resource and Man Power Development

3.8.1 Overview

The achievement of Kenya Vision 2030 depends on the availability of sufficient capacity of qualified workforce, in order to boost the country's productive efficiency and competitiveness. Consequently, effective planning for human resource development must be undertaken to provide human resource capacity for the three pillars of the Vision 2030. The world is constantly changing with the emergence of new skills which are necessary for rapid development. Attention should therefore be focused on acquiring adequate human capacity in these fields. The Kenyan economy is not able to generate sufficient formal employment for school leavers and the current unemployed. The human resource challenges facing Kenya can therefore be summarized as improved quality of the labour force through better training and creation of more formal employment "quality" jobs for a fast growing young population.

Under the Vision 2030, the Government envisages to create a globally competitive and adaptive human resource base that will contribute to national economic-building. Consequently, the appropriate skills and in their sufficient numbers have to be produced on a timely basis to create competitiveness

in our economy. Further, capacity is to be developed in a conducive environment in a bid to enhance the well being of the Kenyan workforce.

3.8.2 Policy Review and MTP Targets

The country's global competitiveness will depend on the ability to create a human resource base with the right numbers, types and levels of skills and which is constantly subjected to re-training and access to new technology. In addition, achievement of the aspirations of the Vision requires a highly productive workforce that can meet the demands of a rapidly industrializing economy, fortified with industrial harmony and a strong occupational safety and health culture. Further, to achieve sustained prosperity, Kenya's Micro and Small Enterprises sector requires to be developed for employment creation and poverty reduction.

To meet the above aspirations of the Kenya vision 2030, the MTP identified the following targets: creation of 823,000 jobs in 2010/2011; settlement of 80 per cent of the industrial disputes reported; and the upgrading of 100 additional MSE worksites. Further, the sector was to place 10,000 trainees on industrial attachment, training of 5,800 students in relevant industrial skills, administering of trade tests to all registered students, improving productivity in 15 companies and training 120 productivity technical service providers. Others were to prepare a national skills inventory, prepare and submit an MSE Bill to Cabinet, and to seek approval of National Occupational Safety and Health policy from the Cabinet.

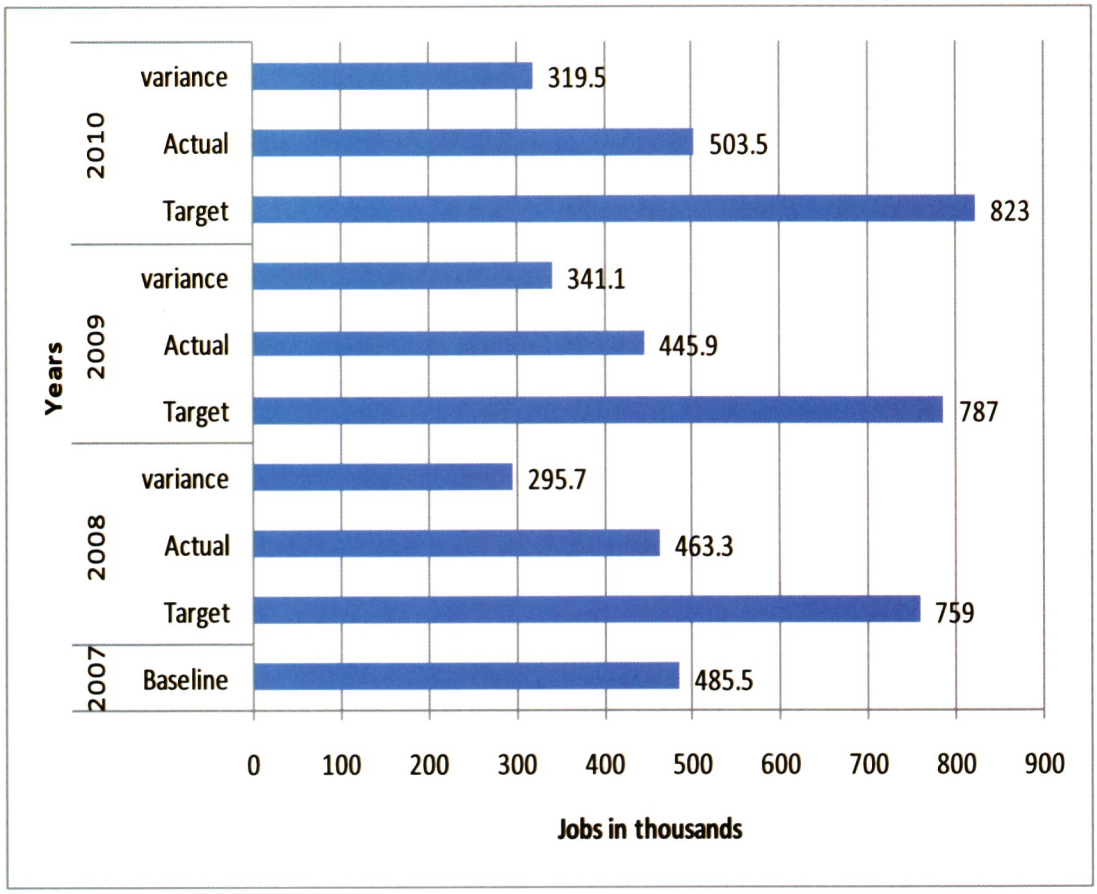
3.8.3 Achievements

The following milestones were realized by the sector:-

(i) Employment Creation

Available data indicates that the actual number of jobs created in 2010/2011 was 503,500 compared to the MTP target of 823,000 jobs as shown in Figure 3.3. Despite not meeting the target, this was an improvement compared to the number of jobs created in 2009/2010. This improvement was attributed to increased access to affordable credit mainly from banks, the Women Enterprise and Youth Development Funds.

Figure 3.3: Jobs Created, Targets and Variance



Source: Economic Survey, 2011

Figure 3.3 shows the trend in targeted number of jobs in the MTP (2008-2012), the actual jobs created and the variance. It is evident from Figure 3.3 that the economy has not been able to create the desired number of jobs. While the target for employment creation was missed by 38.4 per cent in 2008, this gap increased by about five percentage points to 43.3 per cent in 2009. The increase in the variance between the target and the actual jobs created is attributed to slow job growth. This may be explained by the weak economic performance, especially in 2008 and 2009, negative effects of the internal and external shocks, and structural and institutional rigidities within the Kenyan labour market.

(ii) Strengthen linkages between industry and training institutions

In 2010/2011, 10,170 trainees were placed on industrial attachment against the MTP target of 10,000 trainees, 5,432 students were trained on relevant industrial skills against the MTP target of 5,800 students and

45,078 registered students sat for Government trade tests examinations. In addition, refurbishment and rehabilitation works continued in the five industrial training centres.

(iii) Productivity improvement, measurement and promotion

During the period under review, productivity improvement was carried out in 15 firms against the MTP target of 20 firms. Cumulatively, 32 firms have implemented productivity improvement programmes since 2008. Similarly 150 Productivity Technical Service Providers (PSTPs) from both the public and private sectors of the economy were trained against the MTP target of 120 PSTPs.

(iv) Development of a National Human Resources Database

In 2010/2011, the National Manpower Survey (NMS) was conducted and data analysis initiated. The findings will be used to develop a National Human Resource Database.

(vi) Development of the MSE Sector

21 MSE sites were developed and upgraded during the period under review against the MTP target of 16 sites. Cumulatively, 113 MSE worksites have been developed and rehabilitated since 2008. Establishment of MSE Centres of Excellence has not commenced due to a delay in documentation for the project.

(vii) Improved Industrial Peace and Harmony

During the period under review, the Ministry of Labour had 18,104 disputes to be resolved, of which 3,104 disputes were new. A total of 11,767 disputes were resolved. This represents 65 per cent of the total disputes. The Ministry further arbitrated and gave awards in 811 trade disputes out of the MTP target of 350 disputes. This is attributed to the new Labour Laws which allow for individuals to file cases directly with the Court as opposed to the previous laws which restricted such action only through trade unions.

3.8.4 Policy, legal and institutional reforms

A number of policies, legal and institutional reforms were undertaken during the period under review. These were:

(i) Employment Policy

A draft employment policy and strategy for Kenya was prepared in 2009/2010. In 2010/2011, the Government continued with stakeholders' consultations and refining of the document to reflect the aspirations of the people.

(ii) Labour Export Policy

A draft labour export policy has been developed. The policy awaits stakeholder validation, and executive

and legislative processes. The policy will seek to ease unemployment through promotion of foreign employment and safeguard the interest of workers in foreign countries. It will also facilitate the additional establishment of labour and employment offices in identified foreign missions.

(iii) Diaspora Policy

The policy will seek to ease unemployment through promotion of foreign employment and safeguard the interests of workers in foreign countries. It will also facilitate the additional establishment of labour and employment offices in identified foreign missions. During the period under review, the inter-ministerial Technical Working Committee on the Diaspora Policy reviewed the document and prepared a revised draft which is due for stakeholder consultations and validation.

(iv) National Occupational Safety and Health Policy

In 2010/2011, the Ministry submitted the draft National Occupational Safety and Health Policy to the Cabinet. However, the Cabinet made recommendations to be addressed before the document is re-submitted for approval. So far the recommendations have been addressed and the document is due for re-submission.

(v) Industrial Training Policy

In the 2010/2011, a draft Industrial Training Policy was prepared and submitted by the National Industrial Training Council. In addition, the Council constituted a taskforce for the development of the Industrial Attachment Policy. The taskforce developed the draft Policy and submitted it to the Council. The Ministry of Labour plans to integrate the two draft policies into one document for ease of implementation.

(vi) Productivity Policy

A draft productivity policy has been developed through a participatory and consultative approach. The draft policy has gone through stakeholder validation and is awaiting submission to the Cabinet for consideration and approval.

(vii) Implementation of the Revised Labour Laws

Implementation of the revised labour laws is in progress. The laws are geared towards transforming the Kenyan labour market to be dynamic and responsive to contemporary economic and social challenges in the labour sector.

(viii) Micro and Small Enterprises Bill

During the period under review, the Ministry of Labour submitted the draft Micro and Small Enterprises (MSE) Bill to the Cabinet sub-committee on

the services sector as part of efforts to enhance its legal framework. The sub-committee discussed the Bill and proposed several amendments. Key amongst these were: the need to align the document to the new Constitution, harmonizing the proposed MSE Fund with other existing funds and addressing issues of curriculum development in the MSE sector. In addition, the Ministry of Labour was required to address issues of productivity and intellectual rights within the sector. The Ministry of Labour addressed the amendments and issues raised and the draft Bill is due for re-submission to the Cabinet sub-committee.

(viii) Strengthening of Labour and Social Dialogue Institutions

During the period under review, the following achievements were made: the National Labour Board made recommendations to the Minister of Labour on the appointment of members of the Industrial Court whose names were duly gazetted; the Building and Construction Wages Council was established; the General and Agricultural Wages Councils carried out a review of the General Wages Orders; the draft Employment and Labour Relations Court Bill was approved by the Cabinet and thereafter submitted to Parliament for enactment.

In 2010/2011, construction of the Occupational Safety and Health Institute was commenced and Occupational Safety Health training programmes were developed and implemented.

Further, the Ministry of Labour gazetted the rules for the operation of the Occupational Safety and Health (OSH) Fund and received approval from the Treasury to open a bank account for the institution. In addition, the Ministry prepared a draft Concept Paper on the establishment of the Occupational Safety and Health Injuries Benefit Authority (OSHIBA). The institution is provided for under the Occupational Safety and Health Act, 2007 and the Work Injury Benefits Act, 2007.

3.8.5 Challenges

The labour, human resource development sector experienced several challenges in implementing the MTP targets. Key among them is weak capacity for implementation of the revised labour laws. Effective implementation of the laws requires the setting up of new institutions that will play key roles in the maintenance of industrial harmony in the country, arbitration of trade disputes as well as mainstreaming of occupational safety and health issues at workplaces. In addition, the implementation of various MSE projects by several

ministries has weakened the efforts to create the synergies required in developing the sector.

3.9 Security, Peace Building and Conflict Management

3.9.1 Overview

Kenya has enjoyed relatively long periods of political stability since independence. However, it is faced with numerous regional and domestic security challenges that require sustained redress under the security, peace building and conflict management sector.

Kenya Vision 2030 envisages "A nation of peace and stability; a society free from danger and fear". The role of security, peace building and conflict management in promoting global competitiveness and improvement in the standards of living of the population cannot be overemphasized. The MTP (2008-2012) recognizes security as the foundation of good governance, individual social welfare and economic development. Security, peace building and conflict management form the bedrock of the political pillar of the Vision 2030.

3.9.2 Policy Review and MTP Targets

The MTP (2008-2012) aims to improve security in the country to facilitate investments, national competitiveness and to provide Kenyans with a more secure living and working environment. Specific flagship projects prioritized by the MTP for implementation in this area are establishment and equipping of a forensic laboratory, installation of surveillance cameras in Nairobi, Mombasa, Nakuru and Kisumu, police staff housing and security and policing reforms. Other reforms to be implemented will target the prison service, starting with reduction of the number of suspects in remand homes, improved training and working conditions for prison staff; and the re-orientation of the Kenya Prisons Service to focus on correctional activities.

3.9.3 Achievement

Table 3.2 gives a summary of the milestones realized in the security, peace building and conflict management during the period under review. Additionally, to guarantee security of men and women and their property, the police to population ratio was marginally improved to 1:550 in 2010/2011 from 1:560 in 2009/2012. However, this was below the MTP of 1:480 in 2010/2011.

Table 3.2: Progress in implementation of security and police reforms MTP (2008-2012) Flagship Projects

Flagship Projects	Implementation Status 2010/2011
Establishment and equipping of a forensic laboratory	The DNA,PCR Machines and DNA Data Bank,GC-Mass Spectrophotometer, HPLC, Electronic microscope, SEM/ ED, DCS4 Latent Print Enhancers, specialised crime scene vehicles, Crime site Imagers, Fuming chambers and digital cameras as targeted in MTP were procured.
Installation of surveillance cameras in Nairobi, Mombasa, Nakuru and Kisumu	32 CCTV cameras have been installed at major road junctions. The cameras were installed by Kenya Data Network and Access Kenya and are being monitored by police to ease congestion at Westlands Roundabout, Tom Mboya Street, GPO Roundabout, Mombasa Road, and Railways Roundabout, among others.
Establishment of a National Security Database	50 Computers were distributed to provincial and formation operation centres to improve data capture
Security and policing reforms initiative	Construction of 1,091 housing units for the Police Force commenced, 120 units rehabilitated and 153 units leased for the AP. Development of Coroner's police service initiated *Independent Police Oversight and Private Security bills prepared* New police curriculum launched and operationalised 288 district peace committees established and operationalised AFIS system acquired and installed
Construction of six new prisons in Mwingi, Nyamira, Kwae, Rachuony, Vihiga and Kaloleni	*A total of twelve wards have been constructed in Vihiga, Nyamira, Kwale, Rachuonyo, Mwingi, Kaloleni, Kilgoris, Sotik , Yatta and Kuria.*
Construction of 16,000 staff houses	*400 houses have been constructed since 2010. However, only 253 have been completed.*

Source: Ministry of State for Provincial Administration and Internal Security, Office of the Vice President and Ministry of Home Affairs

3.9.4 Policy, Legal and Institutional Reforms

Police reforms have been given high priority by the Government, particularly after the 2007-2008 Post Election Violence (PEV). The Government adopted and implemented the recommendations of the task force on police reforms. This saw the establishment of the Police Reforms Implementation Committee. Additionally, the GJLOS reform programme with a security agenda that focuses on crime management and broader police and penal reforms continued to be rolled out in 2010/2011.

3.9.5 Challenges

Despite the progress made in 2010/2011, the sector is still faced with various challenges and constraints which have hampered the efforts to eradicate crime and general insecurity in the country. Some of the major challenges include: inadequate and ageing facilities and equipment including patrol vehicles; inadequate housing and office space particularly for the disciplined forces and administration officers; inadequate human resource capacity; youth unemployment and high poverty levels; mushrooming of organized criminal gangs; drug and substance abuse and trafficking; changing trends in crimes leading to more complex and sophisticated crimes e.g. cyber crime and transnational crimes; and inadequate capacity to patrol the porous borders, territorial waters and Economic Exclusive Zone (EEZ).

3.10 Nairobi Metropolitan Development

The strategic location of the Nairobi Metropolitan Region as the central gateway to Eastern and Central Africa as well as it's positioning on the Northern Corridor and the Cape to Cairo highway presents significant strengths. Nairobi Metropolitan serves as a critical link between the urban and rural production and as a value-adding service provider.

The Nairobi Metropolitan area is in a strategic position to effectively serve the surging economies of Asia as they trade and invest in West, East and Central Africa. Nairobi Metropolitan is also a host to a large number of regional and international bodies that serve the global economy, and the region. These include the United Nations, regional headquarters for leading transnational corporations as well as leading research and non-governmental organizations.

The Nairobi Metropolitan Region (NMR) extends to about 32,000 km^2, whose residents substantially depend on the city for employment and social facilities. The region comprises of 15 independent local authorities which fall within a 40 km radius delineated

by the functional criteria. These include City Council of Nairobi, Thika Municipal Council, Thika County Council, Machakos County Council, Machakos Municipal Council, Mavoko Municipal Council, Kiambu County Council, Kiambu Municipal Council, Karuri Municipal Council, Limuru Municipal Council, Kangundo Town Council, Kikuyu Town Council, Kajiado Town Council, Ole Kejuado County Council and Ruiru Municipal Council.

3.10.1 Policy Review and MTP Targets

To achieve the objectives of the Nairobi Metropolitan Region, the MTP (2008-2012) identifies implementation of five flagship projects. These are construction of Nairobi Metropolitan Bus Transit System; construction of light rail for Nairobi and its suburbs; conversion of Nairobi into a 24-hour economy; implementation of a Metropolitan Road Safety Programme; and construction of 100,000 housing units annually.

3.10.2 Achievements

A number of developments took place with regard to the implementation of the MTP flagship projects, namely;

(i) Metropolitan Road Safety Programme

During the period under review, the following roads were upgraded, rehabilitated and expanded: Dunga, Mukenia, Mariakani, Balozi, Kararaponi, Kapiti and Dar-Es-Salaam roads. In addition, rehabilitation of Ruaka, Baobab, Kararapon and Mwitu Roads, whose scope of work includes a total of 8.5km road rehabilitation and street lighting, has been partly done. Finally, improvement of Non-Motorized Transport (NMT) facilities at Muthurwa and Kararapon were completed. These interventions were geared towards addressing traffic decongestion in the City.

In 2010/2011, the following safety and security interventions were undertaken: installation of CCTV cameras at the road junctions; and installation of 826 streetlights and 555 lights of which 47 were 30-Metre and 22 were 20-Metre high masts.

Further, on disaster preparedness and mitigation, 2 multipurpose Ambulances with fire sections were purchased and distributed to Kiambu and Mavoko Municipal councils, 4 Land Rovers equipped with modern fire-fighting equipments were also purchased and distributed to Machakos, Kiambu, Kajiado and Karuri County Councils and 4 fire engines comprising two 10,000 litre fire engines, one 5,000 litre fire engine and one 56 metre Turn table Aerial ladder were procured and distributed as follows: one 10,000 litre to the Mavoko Municipal Council, one 5,000

litre to Thika Municipal Council and one 10,000 litre and one 56 metre Ladder to the Nairobi County Council.

(ii) Preparation of Metro wide spatial planning framework

In 2010/2011, a draft spatial plan was prepared and is awaiting validation by stakeholders. The plan will enhance optimal and coordinated land use. GIS software was procured in 2009/2010, and mapping is ongoing.

(iii) A 24-hour economy

A Cabinet Memorandum seeking to transform Nairobi into a 24-hour economy was prepared and submitted to the Cabinet for consideration and approval. A Sessional Paper on the subject is also being developed.

3.10.3 Policy, Legal and Institutional Reforms

Requisite policy, legal and institutional reforms are imperative for the effective implementation of the Nairobi Metropolitan Region's strategies and achievement of its goals. In 2010/2011, Metropolitan Areas Bill, 2011 was finalized and forwarded to the State Law Office, Kenya Law Reform Commission (KLRC) and CIC.

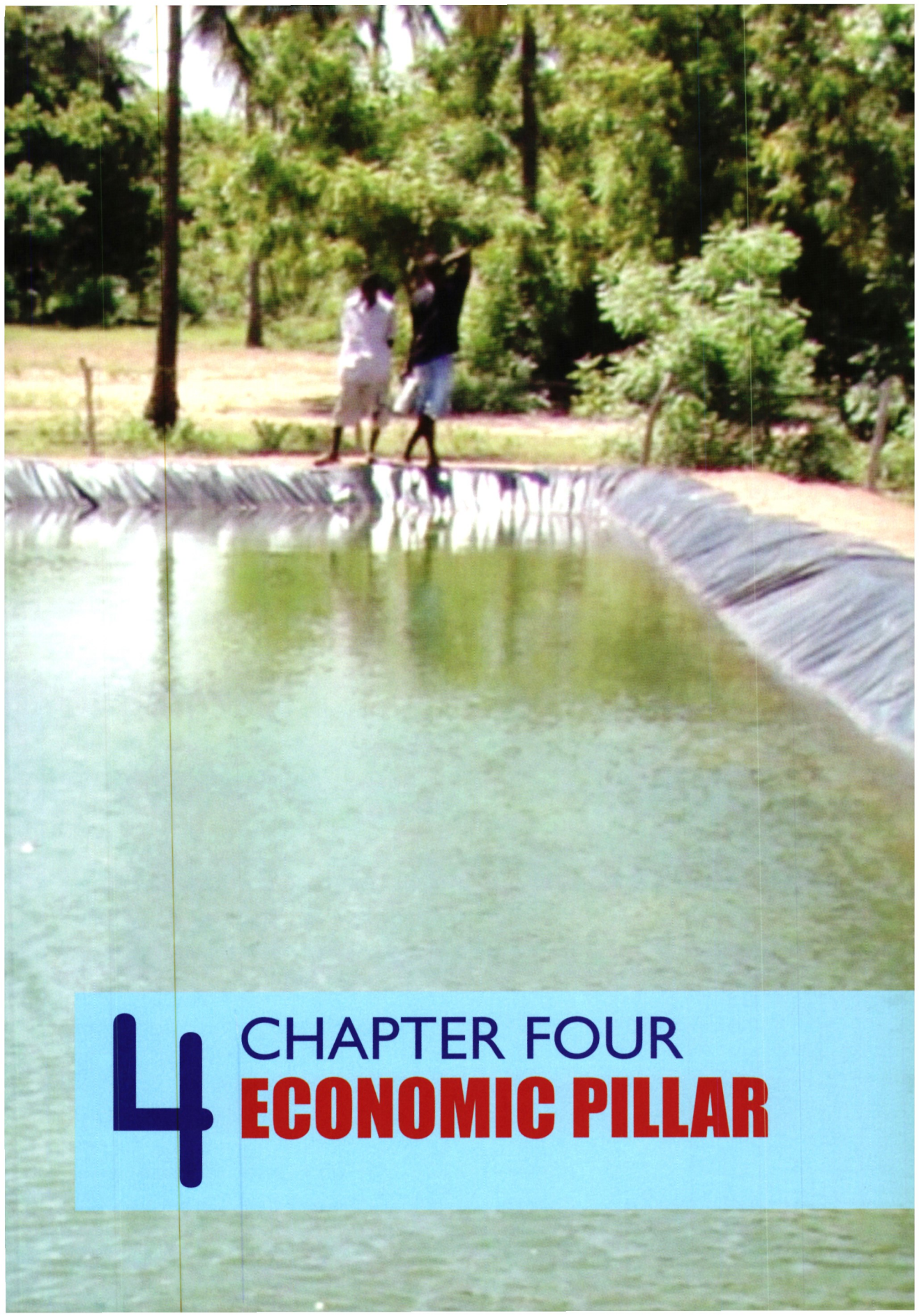
3.10.4 Challenges

The Nairobi Metropolitan Region is faced with many challenges. This is reflected in lack of a comprehensive, up-to-date land use plan and development control guidelines. These often lead to land conflicts, unreliable infrastructure services, poor logistics and weak supply chain management, urban poverty, poor governance, and encroachment of conservation areas including heavy pollution of the Athi and Tana River catchments.

KENYA
2030



Fish farming in the country



4 CHAPTER FOUR
ECONOMIC PILLAR

4.1 Overview

The Economic Pillar of the Kenya Vision 2030 and MTP 2008-2012 aimed at moving the Kenyan Economy up the value chain. This was intended to ensure ample opportunities for the citizenry to enjoy a high quality of life while reducing poverty levels. The pillar targeted six priority sectors with the potential of raising the national GDP growth rate to the desired 10 per cent by 2012. These sectors are: Tourism, Agriculture and Livestock, Wholesale and Retail Trade, Manufacturing, Business Process Outsourcing (BPO) and Financial Services. The MTP further prioritized these sectors to sustain the economic growth by 10 per cent and create more employment opportunities. These sectors are supported by enablers that include energy, infrastructure, human resource development, security, information and communication technology, and science, technology and innovation.

However, achieving the 10 percent growth by 2012 has been constrained by the multiple shocks experienced in 2008-2009 where real GDP weakened to 1.5 per cent in 2008 from 7.0 percent in 2007. Nevertheless, some recovery was realized with real GDP growing by 5.6 per cent in 2010, and about 5.0 per cent in 2011 with an optimistic growth trajectory towards 2012 that will rise towards the Vision 2030 target. To meet this growth target, there is need to promote higher investment levels and financing.

In this background, this Chapter evaluates progress on the implementation of the various policy interventions in the priority sectors of the economic pillar in terms of outputs, outcomes and achievements of set targets. The Chapter further tracks progress of implementation of the key flagship and other projects in the sectors and propose further interventions to hasten the implementation process and completion of ongoing projects including new strategies to meet the set MTP targets.

4.2 Tourism Sector

The tourism sector was instrumental in the realization of the economic growth goals set out in the Economic Recovery Strategy for Wealth and Employment Creation (ERS 2003-2007). In the Vision 2030 and MTP (2008-2012), the Sector has been identified as one of the six key sectors in the economic pillar that is expected to drive the economy to achieve and sustain a 10 per cent economic growth rate and create employment by 2012. The sector has been recognized for its contribution to the economy, with about 10 per cent of the Gross Domestic Product, 14.7 per cent of foreign exchange earnings, and 11 per cent of revenue to the exchequer over the last decade.

The MTP envisions Kenya's tourism sector to be the top 10 long haul tourism destination offering a high-end, diverse and distinctive visitor experience and sets out specific goals for the sector which include trebling annual national earnings, doubling international arrivals and the average spending per visitor by 2012. By focusing on the tourism sector, Kenya aspires to be in the top ten of long haul tourist destinations offering high end, diverse, and distinctive visitor experience. To achieve this, the Government spearheaded various policy initiatives to reverse the impact of the 2007 post election violence, the global financial crisis experienced in 2008, and insecurity associated with political instability in the horn of Africa, terrorist threats, income inequalities, unemployment and poverty. Other key interventions pursued by the Government have included provision of adequate infrastructure support leading to key resorts and national parks, adequate hotels and bed capacity, and tapping of domestic tourism.

4.2.1 Policy Review and MTP Targets

During the period under review, the Government prioritized a number of policy interventions that aimed at boosting the tourism sector. A policy on new products development and diversification was formulated. This policy focused on the development of eco-tourism, conference tourism, and sports and cultural tourism. Four products in line with this policy were developed in 2010/2011 among them: youth and tourism strategy, cultural tourism strategy, agro-tourism strategy and criteria for licensing home stays.

The second policy was on marketing and promotion of tourism. This was expected to counter the negative image and perception resulting from negative publicity by the western media and thirdly, domestic tourism development. Strategically, the domestic market is to be developed to form an enduring foundation of the demand for tourism facilities and services.

Other interventions pursued by the Government include: safety, security and tourism resources conflict. Policies and laws relating to wildlife conservation and management, protection of endangered species, wildlife cropping, wildlife hunting, land ownership and land-use in order to minimize areas of conflict and contention, were reviewed. Investment and financing in the tourism sector were also reviewed with an aim of improving the investment climate so as to attract both local and foreign investments. Incentives were offered to encourage investment in the sector, especially to long term investors.

The MTP (2008-2012) also prioritized the implementation of four key flagship projects as part of the long term intervention to improve the competitiveness of the tourism sector. The flagship projects include: development of three resort cities in Isiolo, Kilifi and Diani/Ukunda; the premier parks initiatives which seek to brand the country's most popular parks; the underutilized parks initiative, which aims at revamping the capacity utilization of some of the country's parks; and development of niche tourism products.

During the period under review, two other key legal and policy reforms were to be undertaken. These were: Wildlife and Tourism Act, and development of the Heritage Policy for effective and efficient utilization and management of existing heritage facilities.

4.2.2 Achievements

a) Sector Performance

Tourism remains a major source of foreign exchange earnings thus placing itself at the centre of the economic growth and development episodes witnessed in the country. Table 4.1 presents the performance of the sector for the period 2008-2010 against the MTP 2008-2012 targets. During the current MTP, the sector has not attained the projected growth targets except in the provision of bed nights' occupancy which was achieved in 2009. However, the sector continued on a recovery path in 2010 as evidenced by the increased tourism earnings and visitors' arrivals. The increased activity in the sector may be attributed to the aggressive marketing of Kenya as a top tourism destination.

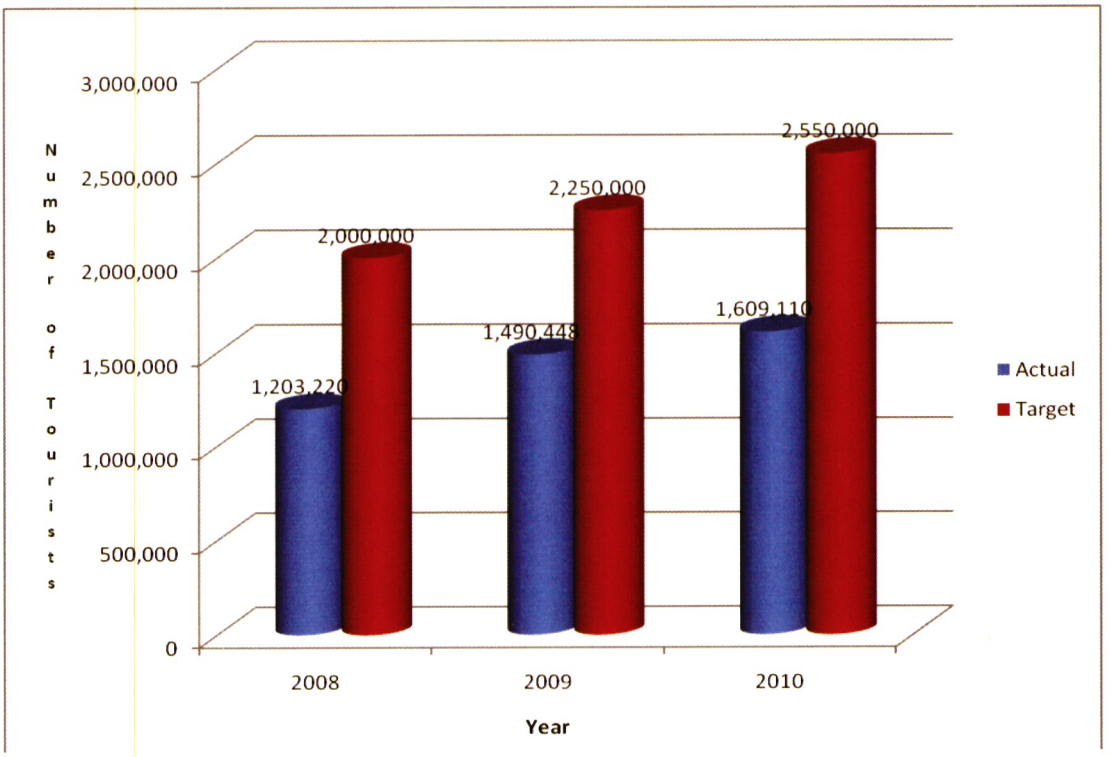
Table 4.1: Tourism Arrivals, Bed Nights and Earnings

Year		Total International (Tourist Arrivals)	Bed nights available	Earnings (KSh. billions)
2008	Actual	1,203,220	14,233,586	52.7
	Target	2,000,000	15,000,000	90.0
2009	Actual	1,490,448	17,125,300	62.5
	Target	2,250,000	16,000,000	120
2010	Actual	1,609,110	17,161,764	73.7
	Target	2,550,000	17,000,000	160

Source: Economic Survey, 2011

As shown in Figure 4.1, international tourism arrivals increased by 6.7 per cent from 1.5 million in 2009 to 1.6 million in 2010 against an MTP target of 2.0 and 2.25 million in 2009 and 2010, respectively. The visitors on holiday and business increased by 6.7 percent while those on transit increased by 41.9 percent. International tourist arrivals stood at 69.6 per cent of the MTP target of 2.3 million. However, this target was slowed down in 2008 due to the negative publicity the country received from international media and travel advisories issued by the US and UK following the 2007/2008 post election violence and threats from terrorist groups in the Horn of Africa.

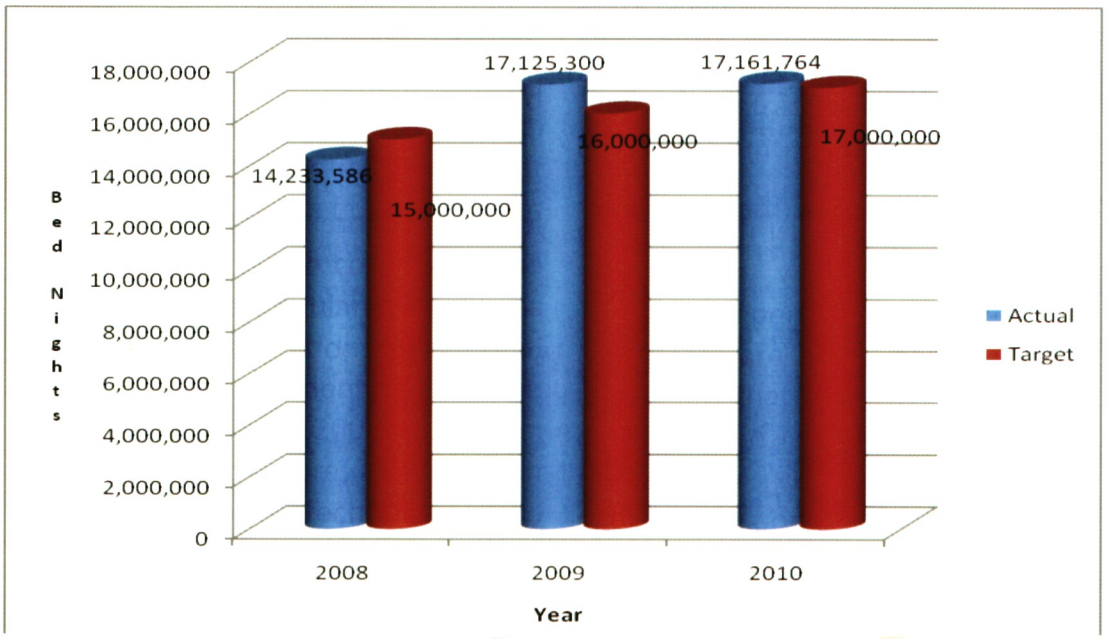
Figure 4.1: Number of International Tourist Arrivals, 2008-2010



Source: Economic Survey, 2011

The MTP envisaged hotel bed capacity to increase to 17.0 million bed night's occupancy by 2010. However, the MTP target was achieved in 2009 when the available bed nights hit 17.1 million against the MTP target of 16.0 million due to the good marketing strategy employed by the Government as shown in Figure 4.2. In 2010, the number of available bed nights increased to 17.2 million thereby surpassing the MTP target 200,000 bed night's available.

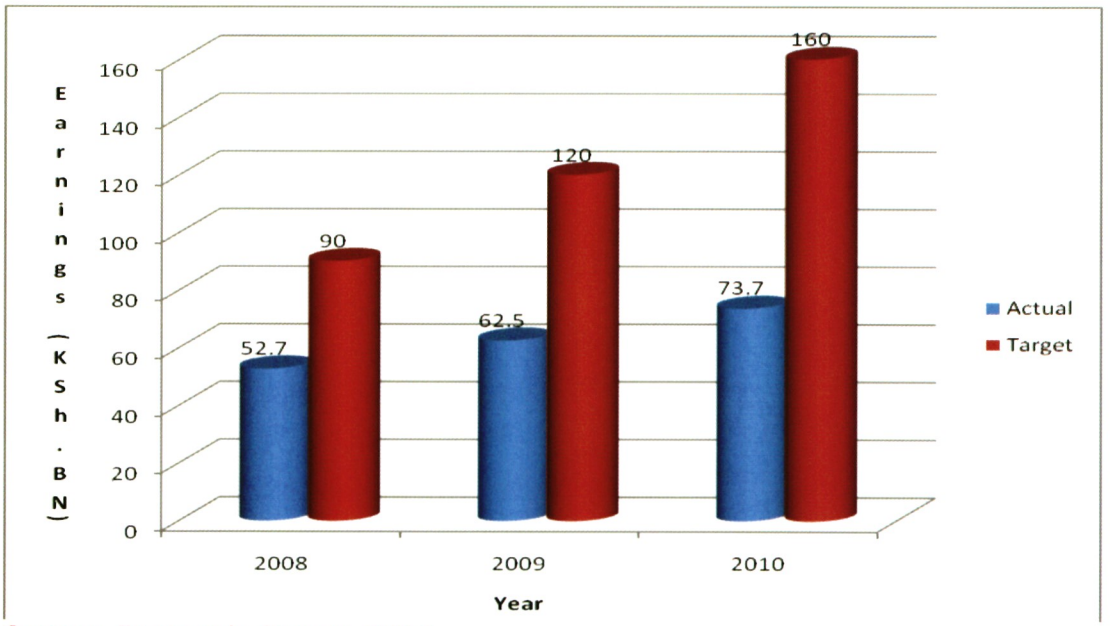
Figure 4.2: Bed nights' availability, 2008-2010



Source: Economic Survey, 2011

The growth in tourism earnings recorded a 17.4 percent increase from KSh. 62.5 billion in 2009 to KSh. 73.7 billion in 2010 as shown in Figure 4.3. This was against ambitious MTP targets of KSh. 120 and KSh. 160 billion in 2009 and 2010, respectively.

Figure 4.3: Tourism Earnings, 2008-2010



Source: Economic Survey, 2011

b) Flagship Projects

Kenya's long term goal as detailed in the Vision 2030 is to transform the tourism sector into a major contributor to economic growth and development. Apart from the initiatives aimed at reversing the effects of the post election violence, the following four flagship projects were identified by the MTP (2008-2012) for implementation in the sector:

i) **Development of three resort cities in Isiolo, Kilifi and Diani:** Expression of Interest for development of Isiolo Resort was advertised, and a concept paper outlining the situation analysis of Kilifi and Ukunda were done in 2009. Against the year's target to have the consultancy study completed, the Terms of Reference for consultancy services for the proposed Isiolo resort were developed. The pre-qualified firms were issued with the tender documents and quotations for the study were returned. It is important to note that award of the consultancy has been delayed due to inadequate funding for the flagship project.

ii) **Premium parks: Two premium parks:** Amboseli and Lake Nakuru National Parks were segmented and their entry fees raised in 2009 to US$60 as targeted in the MTP (2008-2012). This initiative's goal was to control the number of visitors due to the fragility of the environment and high demand for the sites.

iii) **Underutilized parks initiative:** investors were identified for the Meru conservancy area, Mwea, Hells gate, Kisumu Impala and Ndere Islands. The projects are at different stages of implementation.

4.2.3 Challenges

The tourism sector is faced with inadequate hotel bed capacity in the new tourist circuit of Western and North Eastern Kenya. The road network in some of the tourist circuit areas are dilapidated and communication services unavailable. This together with high costs of electricity and energy make the operational costs high thus making the destinations too expensive compared to other competing tourist destinations in Africa.

The perception of insecurity as evidenced by incidents of insecurity in some tourist attraction areas, political instability and terrorist threats has resulted in travel advisory warnings and cancellations that have adversely affected the sector. For the sector to thrive, the destinations must be perceived as safe.

The country has however been successfully marketed as a beach and safari destination. Other products of choice need to be marketed to make the country a destination of

choice. However, the sector has been confronted with inadequate financial resources for marketing activities that would enable the country to be globally competitive.

4.3 Agriculture, Livestock and Fisheries Sector

During the period under review, the Ministries in the agricultural sector continued to implement various agricultural development activities guided by their strategic plans, the first Medium Term Plan (2008-12), and the Agriculture Sector Development Strategy (2010-2020), which are all geared towards the realization of the Kenya Vision 2030. The activities under implementation were consistent with the overall goal of the sector which is to attain food security and increased household incomes. The vision of the sector is for Kenya to be food secure and prosperous through innovative, commercially oriented and competitive agriculture.

Specifically, the goal of the sector is to be achieved through enhanced food production, creation and maintenance of an enabling environment for development of agriculture, livestock and fisheries, formulation and implementation of appropriate agricultural policies and strategies and employment creation.

4.3.1 Policy Review and Medium Term Plan (2008-2012) Targets

In the medium term the government seeks to facilitate processes that would transform agriculture sector into a modern and commercial oriented venture. In order to realize this transformation, various policies, legal and institutional reforms were earmarked for implementation during the MTP (2008-2012) period. In addition, four flagship projects were planned for implementation in the medium term besides one year recovery programs aimed at reversing the decline in the sector's growth occasioned by the events of 2008. The flagship projects included the enactment of the Consolidated Agricultural Reform Bill, Investment in fertilizer-cost reduction, establishment of disease-free zones and completion of Arid and semi-Arid (ASAL) development projects.

4.3.2 Achievements

(a) Sector Performance

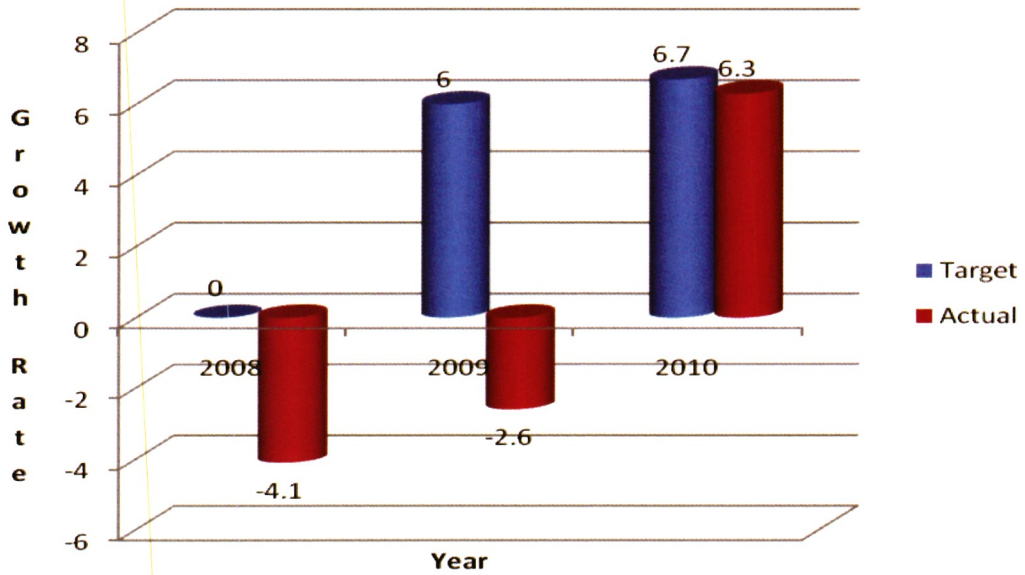
As reflected in Table 4.2, the agricultural sector recorded an impressive performance in 2010/2011 with value added at constant prices increasing by 6.5 per cent from KSh. 288 billion in 2009 to KSh. 307.1 billion in 2010. After two years of poor performance as shown in Figure 4.4, agricultural production was bolstered by the favourable weather conditions experienced in the country, provision of low priced certified seeds and fertilizer as well as the Economic Stimulus Programme to record a 6.3 per cent in 2010 against the MTP target of 6.7.

Table 4.2: Agricultural Sector Actual and Targeted GVA growth rates

MTP Outcome	Outcome indicators	2008		2009		2010	
		Target	Actual	Target	Actual	Target	Actual
Increased agriculture production	Agriculture Sector GVA	0	-4.1	6	-2.6	6.7	6.3
Value addition in agriculture	Agro-processing technologies developed	4	-4.3	4	-2.7	4	6.5

Source: Economic Survey, 2011

Figure 4.4: Agricultural Sector GVA growth rates, 2008-2010



Source: Economic Survey, 2011

In the livestock sub-sector, there was increased growth in volumes of marketed products while value of the products declined due to a glut in the World Market. Towards the end of 2010/2011, the country however experienced extreme weather conditions that resulted into severe drought in most parts of the country. This slowed down the growth of the sub-sectors coupled with rising fuel prices and depreciation of the Kenya Shilling against major currencies.

(b) Flagship projects

In the medium term, the following three agriculture-specific flagship projects were identified for implementation:

(I) Enactment of the Consolidated Agricultural Reform Bill Flagship Project

This flagship project is cross-cutting among the agriculture sector ministries and is therefore being coordinated by the Agriculture Sector Coordinating Unit (ASCU). So far, three Bills and a comprehensive consolidation report have been prepared. The three bills include the Agriculture Bill 2011, Crops Bill 2011 and Livestock Bill 2011. The draft report and draft bills were finalized for discussion with relevant Ministers and subsequent submission to the Cabinet.

In an attempt to understand and benchmark the process of consolidation of the agriculture bills, a comparative survey of three other countries that have undertaken consolidation was done to learn lessons and best practices on the process. Finally, a cost-benefit analysis of proposed reforms was carried out to establish that consolidation is highly cost effective.

(II) Fertilizer Cost Reduction Initiative Flagship Project

In 2010/2011, KSh. 3.84 billion was allocated for fertilizer importation by the Ministry of Agriculture and line State Corporations. Out of this allocation, KSh 2.0 billion was used by the Ministry of Agriculture to procure fertilizer and KSh 752 million as subsidy to farmers. Further, the State Corporations used KSh 1.088 billion to support farmers' subsidy. In total, 105,863 metric tonnes of fertilizers were procured in 2010/2011 and distributed through the NCPB network at subsidized prices. For example DAP was sold at KSh 2,500 and CAN at KSh 1,600 against a market price of KSh 3,700 and KSh 2,100 respectively.

Bulk procurement of fertilizer and distribution by the Government through the National Cereals and Produce Board (NCPB) was done to stabilize prices. Consequently, fertilizer prices dropped and stabilized (e.g. DAP 50kg bag price reduced from KSh 6,400 to KSh 2,200). In addition to this, the Treasury allocated KSh 71 Million in 2010/2011 for a feasibility study on the establishment of a fertilizer processing plant. The Ministry has completed the tendering process and a consulting firm is now engaged in undertaking the feasibility study that was expected to be ready by 2011/2012.

(III) Establishment of Disease Free Zone in ASAL region

The flagship project targeted the establishment of four livestock Disease Free Zones (DFZ) in the Coast, Laikipia, Isiolo and North Rift. In 2010/2011, the Ministry of Livestock Development was to develop a Contingency Plan for 11 trade sensitive diseases, contract professional services for the Coastal

zone and undertake an Environmental and Social Impact Assessment (ESIA) for the two zones. During the year under review, 3 draft contingency plans (for Rinderpest, Rift Valley Fever and Mad Cow Disease) were finalized for forwarding to the Cabinet for approval.

The TORs for recruitment of a consultant to undertake the professional services for the coastal region was also developed. A study tour of South Africa on zoning was made during the same period. Further, the Ministry advertised for bids which were within the same period. Finally, the ESIA was successfully completed guided by the four sensitization meetings held in the Coast to brief 98 frontline stakeholders on their participation in the consultancies on the ESIA, zonal boundary survey and range resource baseline survey.

(c) Policy Reforms

During the period under review, the Ministry of Agriculture worked on eight draft policy documents against the five targeted. This included the National Food and Nutrition Policy (NFNP), National Agriculture Sector Extension Policy (NASEP), National Seed Policy, the Urban and Peri-Urban Agriculture and Livestock (UPAL) Policy, the Emerging Crops Policy, the Root and Tuber Crops Policy, the Pyrethrum Sessional Paper and the Sugar Industry Sessional Paper.

The National Seed Policy was officially launched in June 2011; the National Agriculture Sector Extension Policy is to be tabled in Parliament while the National Food and Nutrition Policy were approved by the Cabinet. The remaining policies are at various stages of adoption.

In the case of the Ministry of Livestock Development, implementation of the National Livestock Policy continued. In addition, National Dairy Policy, Poultry Policy and the Beekeeping Policy were approved by the Cabinet for forwarding to Parliament while the Livestock Feedstuff Policy is in the draft stage. Review of the Animal Disease Act CAP 364, Veterinary Surgeon Act CAP 366 and legal drafting of the Veterinary Medicines and Poison act was done. Finally, Veterinary Surgeon and Veterinary Paraprofessionals' Bill awaits presidential assent after Parliament approval.

(d) Fisheries sub-sector

The major achievements made in the Fisheries Sub-sector in 2010/2011 include the construction of 40,800 fish ponds in 160 constituencies. The ponds were stocked with fingerlings and farmers were supplied with fish feeds by the Ministry of Fisheries Development as part of the economic stimulus package to boost agricultural productivity. Also, 160 shallow dams were constructed in 160 constituencies to harvest water for fish farming.

Equally, six cold storage facilities were built to reduce post harvest losses. Tenders for the construction of four mini processing plants at Rongo, Kakamega, Meru and Nyeri were awarded and construction work started.

During the period under review, the Draft Fisheries Management Bill 2011 was presented to national stakeholders and later forwarded to the Cabinet for approval before being presented to the Parliamentary Select Committee on Agriculture. The National Aquaculture Policy has also been developed and presented to stakeholders. The Ministry further developed the Aquaculture Extension Manual and Aquaculture Communication Strategy (2010-2015) to ensure that the extension products are standardized and provide clear direction on fish promotion and marketing.

The Fisheries Act (Cap 378) of 1989, the Fisheries Regulations (1991) and the Maritimes Zones Act (CAP 371) of 1989 are the principal statutes that have regulated and governed the fisheries sector for a long time. Several other regulations were developed to cater for the rapid changes in the fisheries sector. With the establishment of the Ministry of Fisheries Development in 2008, the need arose to have a comprehensive policy and legal framework to guide the fisheries management, research and development in a coordinated and rational manner. In this regard, the Cabinet approved the National Oceans and Fisheries Policy in December 2008.

(d) Co-operative sub-sector

The main focus of the Cooperative Sub-sector activities is to facilitate cooperatives to play an important role in addressing the challenges of low productivity, inappropriate land use systems, poor marketing systems, limited access to credit by farmers and small businesses, and low value-addition to agricultural commodities and other services. Therefore, projects under the sub-sector cuts across national flagship projects in agriculture, financial services and trade sectors, besides specific priority cooperative development programmes that are essential for the optimal performance of agriculture and other productive sectors.

In 2010/2011, the Cooperative Development Policy and its Sessional Paper were presented to Parliament. In an attempt to tackle the high cost of fertilizer and create stability in the inputs market, the Ministry embarked on registering a cooperative (Kenya farmers Co-operative Union). Sponsored by the District Co-operative Unions, this process is expected to be finalized in 2011/2012.

Further, in an attempt to address

value chain development, Mariakani Dairy and Kenya Coffee Co-operative Exporters (KCCE) were operationalised during the year under review. Additionally, the New KCC was re-designated to a state corporation. Overall, during the review period, the contribution of SACCOs to national savings exceeded the target savings rate of 10 percent to reach 25 percent per annum.

In 2010/2011, the Co-operative Sub-sector targeted to finalize a Cabinet Memo and Sessional Paper on the Co-operative Development Policy, SACCOs Regulatory Act and Legal Framework and build SASRA Capacity and establish the Ethics Commission for Co-operatives (ECCOS). During this period, the sub-sector's final draft bill was adopted by Cabinet, draft sessional paper was finalized and the SACCO Act 2008 enacted. The Co-operative Alliance of Kenya (CAK) was also launched and the Cooperative Investment Policy and guidelines were developed. The ECCOS was established as planned and about 20 of the 126 SACCOs with FOSAs have now complied with the SACCO Act.

4.3.3 Challenges

Agriculture continued to face several challenges that constrained its productivity and competitiveness. Some of the main challenges that were experienced over the review period included unavailability of accurate information and weak information management systems, weak research-extension-farmer linkages, high cost and low application of key inputs, inadequate financial resources to the sector, and the slow disbursement of donor funds.

In the co-operative sub-sector, the challenges experienced included low capital base due to small size and low business, which limits their expansion and investments into new ventures, involvement in non-core investments especially real estate, and low and falling world commodity prices relative to escalating production costs. The fisheries sub-sector on its part faced challenges with limited domestic capacity for deep sea fishing, climate change which led to a decline in water quality and quantity, poor road network linking Lake Turkana to major fish markets, inadequate marketing infrastructure, weak institutional policy and legal framework, and declining fish stocks.

Finally, the livestock sub-sector was faced with low capacity to process milk into long life products especially during the glut period, insecurity in livestock producing areas that hampers livestock disease control and access to markets, recurrent droughts, and inadequate human capacity which affected service delivery in extension, among others.

4.4 Manufacturing Sector

The long term goal of the Kenya Vision 2030 is to transform the country into a newly industrializing country through a process of structural change in the economy. In the medium term, the sector is expected to contribute to Gross Domestic Product (GDP) by at least 10 per cent per annum. The manufacturing sector is crucial in supporting Kenya's socio-economic development agenda by creating jobs, generating wealth, attracting both local and foreign direct investment and generating foreign exchange. The sector also contributes to the development of international trade and stabilizes the balance of payments. This is especially the case as most locally manufactured products constitute a large proportion of international trade particularly in the Common Market for Eastern and Southern Africa (COMESA) region.

To achieve the desired MTP growth targets, the following objectives were pursued: strengthening of production capacity and local content of domestically manufactured goods; generation and utilization of Research and Development findings; increasing the share of products in the regional market from 7 to 15 per cent; and developing niche products for existing and new markets.

The long term goal of Kenya Vision 2030 is to transform the country into a newly industrializing country through a process of structural change in the economy. In the medium term, the sector is expected to contribute to contribute to Gross Domestic Product (GDP) by at least 10 percent per annum.

4.4.1 Policy Review and MTP Targets

Kenya's aspiration as contained in the MTP (2008-2012) is to have a robust, diversified and competitive manufacturing sector. To achieve this, the MTP identifies a number of short and medium term programmes that include: capacity building for industrial development and quality service delivery; establishment of policy, legal and institutional framework for industrialization; promotion of local and foreign industrial investments; promotion of the development of micro, small and medium industries (MSMIs); and promotion of Research and Development (R&D), innovation and technology adoption.

Additionally, the MTP prioritized two flagship projects that could be used to spur growth in the manufacturing sector. The projects include: development of at least five SME industrial parks and specialized economic zones in key urban centres, Nairobi, Eldoret, Mombasa, Kisumu and Nakuru, and development of an Integrated Steel Plant in Kenya. However, these projects have been

facing several challenges since 2009/2010.

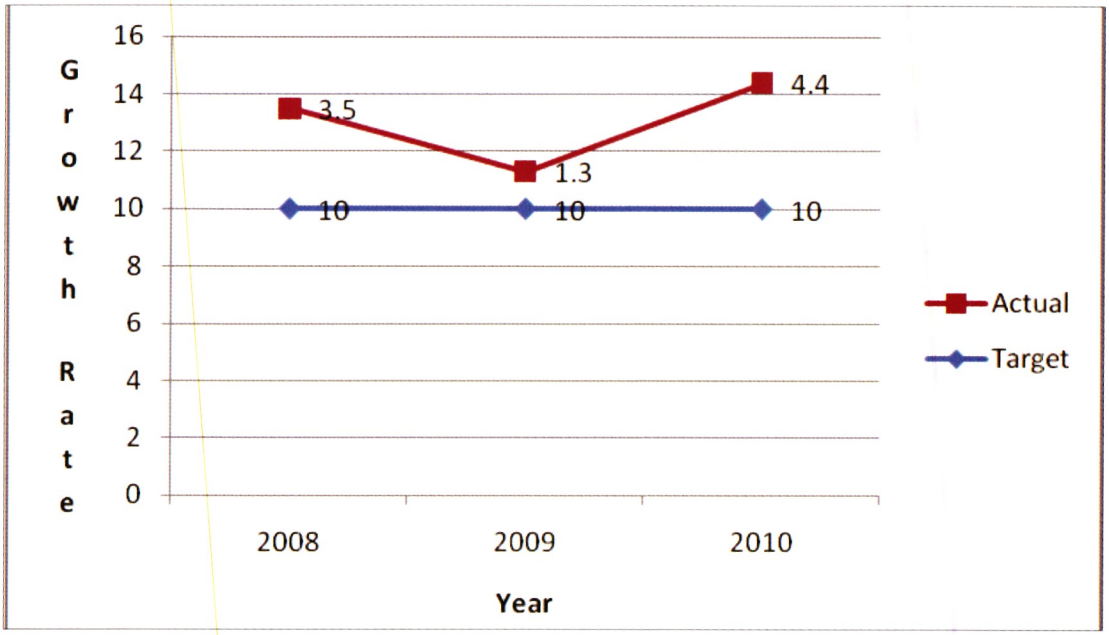
4.4.2 Achievements

(a) Sector Performance

The manufacturing sector contributes substantially to growth in output, exports and employment. The MTP targets for the sector aim to increase its growth to at least 10 per cent per annum through improved value-addition of the manufactured goods and expansion of access to markets.

The sector's GVA growth rates plummeted to 1.3 per cent in 2009 from 3.5 per cent in 2008 as a result of internal and external shocks following the post election violence, the global financial crisis and unpredictable oil prices. However, the sector bounced back in 2010 with a GVA growth rate of 4.4 per cent against MTP target of 10 per cent as depicted in Figure 4.5.

Figure 4.5: Manufacturing Sector GVA growth rates.



Source: Economic Survey, 2011

Notably, the value of manufactured output increased was mainly driven by production of meat and dairy products, miscellaneous manufactures, grain mill products and miscellaneous foods. Consequently, the sub-sectors that registered declines in output include production of clay and other products, sugar and confectionery, electrical machinery, paper and paper products, printing and publishing and rubber products.

Direct formal employment in the sector increased from 266, 400 persons in 2009 to 268,000 persons in 2010. The number of Kenyans employed under the EPZ program increased by 566 persons to stand at 30,681 persons in 2010, representing an increase of 1.9 per cent while the total turnover for Export Processing Zones (EPZ) rose by 21.3 per cent to stand at KSh 31.7 billion in 2010.

The sector has not been able to achieve its MTP targets of 10 per cent growth rate per annum in the last three years. This has been due to the sector's reliance on agricultural production that is often affected by unfavourable weather conditions. Other factors that hindered the sector's performance include; poor infrastructure, high production costs, cheap imports and the influx of counterfeit goods. Amidst the myriad of challenges, the sector was boosted by a substantial increase in lending amounting to KSh 189.1 million above the amount advanced in 2009 to stand at KSh 300 million in 2010. There is therefore need to re-evaluate policies and strategies pursued in the sector so as to enhance the potential to realize the objectives of the Kenya Vision 2030, MTP (2008-2012) and the Millennium Development Goals (MDGs).

(b) Flagship Projects

Key flagship projects identified for the sector to achieve the Vision 2030 and MTP targets include:

i) Development of SME Parks and Special Economic Zones

At least five small- and medium-enterprise industrial (SMI) parks in key urban centres were planned to be developed in Nairobi, Nakuru, Mombasa, Eldoret and Kisumu during the MTP plan period. However, not much progress has been made on this flagship project. During the period under review, discussions were held between the Vision 2030 Manufacturing Sector Delivery Secretariat and the Vision 2030 Delivery Board where it was resolved that 47 Industrial Development Centres (IDCs) through the Economic Stimulus Programme be upgraded to SMI parks.

The draft Master Plan for SME Parks was developed in 2010 in line with the MTP targets and the proposal for funding was forwarded to the Treasury for support. The process of identifying the 47 IDCs was initiated with the support of local authorities who have a key role to play in IDCs development. The local authorities are expected to provide relevant infrastructure and support services to make them viable and attractive.

(ii) One Village One Product Project (OVOP)

During the period under review, three OVOP exhibitions were held in Matuu, Ukunda and Bomet, districts. At the

same time, leaders from Western and Eastern Kenya were trained on OVOP initiative in Nakuru and Embu respectively. Project proposals were vetted and selected in Vihiga, Kwale, Bomet, Kisii, Laikipia, Nyeri, and Nandi East districts and model OVOP groups were identified. Specialized technical assistance in the form of training on value addition, financial management, branding and packaging, was carried out.

(iii) 4K (KEBS, KIRDI, KIPI, KNFKA) – Micro and Small Enterprises 2030 Initiatives Project

The initiative to bring the 4K institutions in the MSE sector into a joint venture resulted in the development of a prototype of air cooled arc welding machine in 2009/2010. The institutions involved in this initiative are; the Kenya Bureau of Standards (KEBS), Kenya Industrial Research and Development Institute (KIRDI), Kenya Industrial Property Institute (KIPI) and the Kenya Federation of Jua Kali Associations (KNFJKA).

During the period under review, a follow-up on the performance of the machines was undertaken and data on performance parameters collected for performance review and improvements of the machines before mass production and commercialization. Kenya Industrial Estate (KIE) and Kenya National Trading Company (KNTC) were also incorporated as stakeholders involved in promotion and sub-contracting through this programme.

(iv) Promotion of Investment in Regions Outside Nairobi

In 2010/2011, surveys on regional resource endowments in agro-processing sector in cotton, textile, leather and footwear and edible oils were carried out. Investment fora were held in Nyahururu, Kirinyaga, Machakos, Nanyuki and Western Region where information on local resources and opportunities were disseminated to participants.

(v) Facilitate Subcontracting between large enterprises and Micro, Small and Medium Enterprises (MSMEs)

During the period under review, the sector identified suitable materials for subcontracting between large industries and medium scale firms and an awareness workshop was held.

(vi) Promotion and Development of Youth and Women

The objective is to encourage the growth of youth and women MSMEs and support of regional resources through value addition. During the period under review, the sector carried out capacity building for women and youth entrepreneurs in Yatta, Laikipia and Nyeri Districts.

(vii) Micro, Small and Medium Enterprises Competitiveness Project

The project aims to increase productivity and employment in participating MSMEs through: strengthening financial and non financial markets to meet the demand of MSMEs; strengthening institutional support for employable skills and business management; and reducing critical investment climate constraints on MSMEs. During the period under review, a total of KSh. 163,769,104 was distributed to various MSMEs in form of grants to enhance their capacity to do business, training facilitation and consultation services.

(viii) Establishment of Constituency Industrial Development Centres (CIDCs)

Through the Economic Stimulus Programme, the sector aimed at constructing 210 CIDCs that would encourage the exploitation of economic opportunities in rural areas by creating employment and regional development. A total of 188 constituencies identified land for the construction of CIDCs and construction works are at various stages. During the period under review, 33 CIDCs were completed, 31 CIDCs were almost complete, 79 CIDCs were half-way complete, while the remaining 34 DIDCs were far from being complete (less than 50 per cent).

(ix) Business Sector Program Support(BSPS)

The BSPS which is a DANIDA supported programme disbursed a total of KSh. 101 million to DANIDA supported projects throughout the country which facilitated the formation of Garissa and Kisumu clusters and training of technical staff.

(x) Development of Integrated Steel Plant in Kenya

Development of an Integrated Steel Plant in Kenya was identified as one of the key flagship projects in the manufacturing sector. This was emphasized by Presidential Directive OP/CAB.27/1/2 dated 3rd November, 2010, on exploitation of the substantive coal and iron-ore deposits in Kenya. A concept paper on iron and steel mill was approved by the Cabinet paving way for a Memorandum of Understanding (MoU) between the Government of Kenya and a South Korean Investor. In the MoU, the investor was to partner with the Government of Kenya to develop an integrated steel mill industry in Kenya.

(xi) Improve productivity and competitiveness of Enterprises

A survey of the local inventory of technology in the country was carried out. The survey recommended development of the cluster approach. Two clusters were formed in Kisumu (fish cluster) and Garissa (beef

cluster). Further diagnostic study on improving productivity was carried out and indicators were developed.

4.4.3 Policy, legal and institutional reforms

The widening of the gap between the MTP targets and actual performance experienced in the sector requires re-examination and a paradigm shift in interventions to realize the expected improvements. Towards this end, a number of policies, legal and institutional reforms were initiated in the sector during the period under review. Among the key initiatives were:

a) Incorporation of comments from the Cabinet sub-committee to the National Industrialization Policy and re-submission to the Cabinet for discussions and approval.

b) Development of a draft Incentive Package Policy for Manufacturing Sector in Kenya that is awaiting submission to the Cabinet.

c) On the legal framework, a Memorandum of Understanding was signed between the Government of Kenya and the South Korean Investor on 30th June 2011. The investor will partner with the Government to develop an integrated steel mill industry in Kenya

4.4.4 Challenges

The sector is faced with numerous challenges that include: inadequate funding, weak collaboration between implementing agencies, increased counterfeit products in the local industry captive markets, contra-band and substandard goods, inadequate skilled manpower, low capacity of contractors, delays in procurement, and undervaluation in the bills of quantities. Other challenges in 2010/2011 were: poor, inadequate and costly infrastructure; the global financial crisis; and the weakening of the Kenyan currency.

4.5 Wholesale and retail trade sector

The wholesale and retail trade sector plays a critical role towards the attainment of the national development objectives as envisaged in the Vision 2030 and MTP (2008-2012) and in the realization of the Millennium Development Goals (MDGs). This is made possible through its linkages with other sectors of the national economy such as agriculture, manufacturing and the services industry, where it creates markets through which goods and services get to the consumers. The MTP foresees a formal wholesale and retail trade sector that is efficient, multi-tiered, diversified in product range and innovations. The sector is expected, in the medium term, to expand substantially as the economy moves towards the 10 per cent GDP growth rate target.

The wholesale and retail trade sector is therefore crucial in the provision of

employment opportunities to many Kenyans. The key areas of intervention in this sector include deepening of regulatory reforms to ease the cost of investment in the country and the reduction of constraints to market access.

4.5.1 Policy Review and MTP Targets

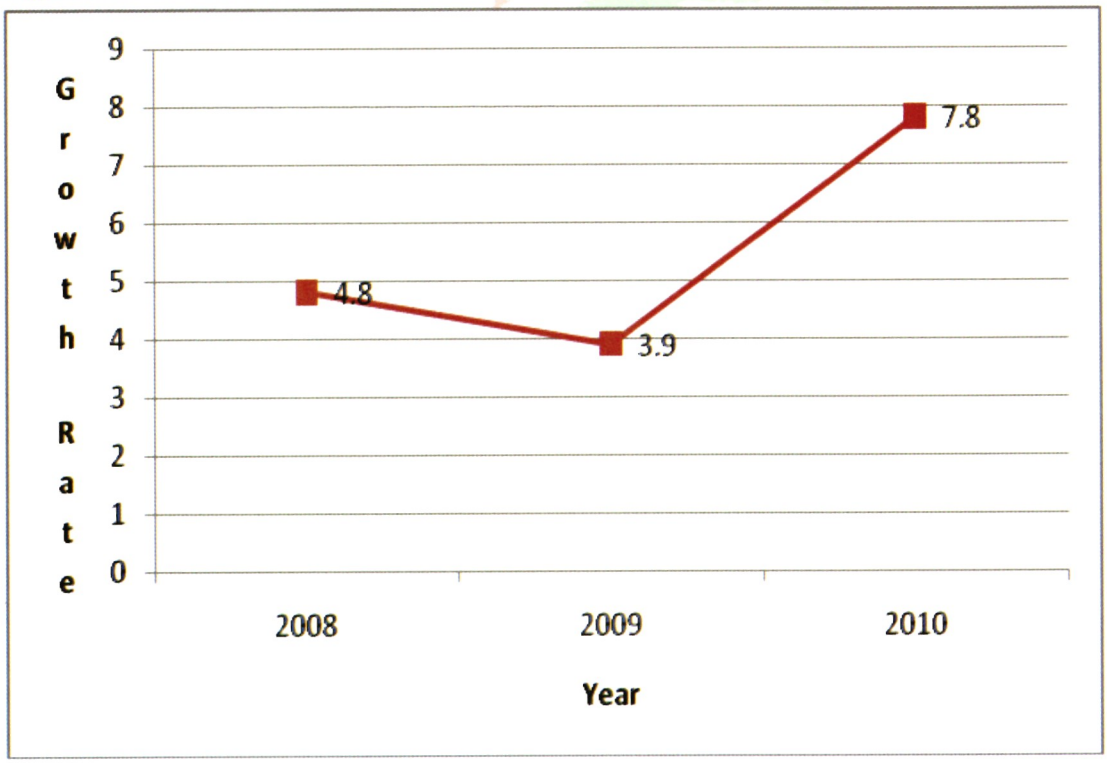
The sector is expected to undertake a number of programmes as envisaged in the MTP (2008-2012) for the economy to achieve the 10 per cent growth target. They include: creation of at least 10 hubs and 1000 – 1500 producer business groups with a pilot project in Maragua, building of at least 10 tier one market with a pilot project in Athi-River and construction of wholesale and retail hawkers market in selected urban areas.

4.5.2 Achievements

a) Sector performance

The sector's performance has been remarkable in the short and medium term. The sector accounted for 9.8 per cent and 10.3 per cent of the country's GDP in 2009 and 2010, respectively. In terms of GDP growth rates, the whole sale and retail sector grew by 7.8 per cent in 2010 after plummeting in 2009 as shown in Figure 4.6.

Figure 4.6: Wholesale and Retail trade GDP growth rates



Source: Economic Survey, 2011

The volume of international trade between Kenya and the rest of the world has improved over the years. While exports and imports exhibit an increasing trend, imports have been increasing more rapidly than exports leading to a widening trade balance deficit. Kenya's international trade improved in 2010 compared to previous years. Africa remained the leading destination of Kenyan exports with the Common Market for Eastern and Southern Africa (COMESA) accounting for 71.9 percent of the total exports.

Overall, during the period under review, the value of exports from Export Processing Zones (EPZs) increased by 21.1 per cent to KSh. 32.3 billion in 2010/2011. In addition, direct local employment in the EPZs increased from 30,115 persons in 2009/2010 to 31,026 persons in 2010/2011.

b) Flagship Projects

(i) Development of Special Economic Zones (SEZs)

Creation of Special Economic Zones requires a radical re-ordering of the structure and composition of the national economy through attraction of new investments, expansion of infrastructure, reform of the regulatory environment, adoption of innovative and more efficient technologies, and liberation of the entrepreneurial energies of the private sector, to exploit business opportunities in regional and other external markets.

The Special Economic Zones Policy and Bill whose objective is to transform the country's economic base in order to realize higher and sustained growth as envisaged in the MTP were finalized. The policy was submitted for endorsement by the Minister for Finance and the Special Economic Zones Bill was submitted to the State Law Office for final drafting. In addition, surveying of land earmarked for Mombasa SEZs has been completed and the availability of 2,000km^2 of land confirmed, while surveying and profiling of Lamu and Kisumu SEZs are on-going.

(ii) Creation of Hubs and Producer Business Groups

A detailed concept paper for the design of a wholesale hub that incorporates best international practices was developed in 2010/2011. In 2011/2012, the Ministry intends to acquire land in Maragua where the establishment of the first hub is envisaged. During the period under review, 400 producer business groups were created and facilitated through training and capacity building throughout the country against the MTP target of the 1000-1500 producer business groups.

(iii) Build at least 10 Tier one Retail Markets with a pilot project in Athi-river

During the period under review, a comprehensive concept paper incorporating best practices was commissioned and completed. Land was identified at Athi-River and purchased.

(iv) Establishment of Export Development Fund

A Cabinet Memorandum on enhancement of Export Trade which includes the establishment of an Export Development Fund that will provide a dependable and predictable source of funding to take care of critical export development activities was prepared and submitted to the Treasury for counter signing.

(v) Joint Loans Board (JLB) Scheme Programme

The main objective of the Joint Loans Board (JLB) scheme is to provide affordable credit to Small and Medium Scale Enterprises (SMEs) with a view to facilitating their business development. During the period under review, KSh 130.5 million was disbursed to 1,328 Small Scale Traders.

4.5.3 Policy, legal and institutional reforms

The sector put in place various policy measures with the objective of stimulating trade expansion and industrial growth. These policies include the development of the Special Economic Zones (SEZs) policy and Bill that will provide a vehicle for additional goods and services to be produced to exploit both regional and international markets. The SEZ Policy paper has been submitted to the Ministry of Finance while the draft SEZ Bill has been submitted to the State Law office for final drafting.

The National Trade Policy whose objective is to enhance a vibrant domestic and international trade was aligned to the Constitution. Currently, the Ministry of Trade is preparing the National Trade Policy legal and institutional frameworks that will facilitate coordination and implementation of the trade policy. Further, a Private Sector Development Department to catalyze the private sector development through the provision of an enabling environment was created.

4.5.4 Challenges

During the period under review, various challenges were faced in the implementation of the MTP programmes and projects. The challenges include: inadequate funding which slowed achievement of the sector programmes especially the flagship projects, lack of a Trade Development Act to provide an institutional framework for monitoring of the trade sector, depreciation of the

Kenya shilling, limited market access, inadequate trade representation in strategic markets abroad and an unfavourable business environment.

To overcome the challenges faced and improve domestic and international trade market access, a number of measures ought to be put in place. These include: development of a Trade Development Act to provide an institutional framework for monitoring of the trade sector, establishment of an Export Development Fund to provide a dependable and predictable source of funding to take care of critical export development activities and initiatives, revamping and restructuring Kenya's overseas trade representation to enable Kenya reap maximum benefits accruing from exports and increasing Kenya's export trade through enlargement and diversification of markets and products.

4.6 Business Process Outsourcing and Off-Shoring (BPO) Sector

The Kenya Vision 2030 and the MTP (2008-2012) envisages Kenya to be the top off-shoring destination for Africa. The MTP recognized BPO as an emerging and growing sector that is expected to become the sector of choice for employment among the youth and young professional by creating over 7,500 job opportunities and contributing approximately over 7.5 per cent to the country's GDP. The 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.

The MTP identified five flagship projects which aim at achieving this goal. The flagship projects are: establishment of a BPO park at the Athi-River Export Processing Zones (EPZs), undertaking marketing campaigns, conducting targeted training programmes, development of a BPO incentive framework and the formulation of BPO and Contract Centre (CC) policy.

4.6.1 Policy Review and MTP Targets

Business Processing Outsourcing (BPO) is a new export industry in Kenya with both backward and forward linkages with firms across different sectors. Kenya has recognized that future socio-economic development will depend more on the ability of citizens to use ICTs as tools and enablers in their production process and has set out major policy priorities and strategic objectives to develop the sector.

The sector is expected to create at least 20,000 direct BPO jobs and increase its contribution to GDP by KSh. 10 billion. This is to be achieved through the provision of both international and national broadband connectivity to increase access to information and knowledge. The

sector aimed to construct a total of 5,500km of undersea fibre-optic cable and 5000km of terrestrial fibre-optic cable. This was to enable the establishment of one ICT park in Nairobi's neighbourhood.

To mainstream e-commerce in the economy and stimulate growth for the BPO industry, the sector planned to develop and review various ICT policies legal and institutional framework to allow the sector to thrive. Development and review of a total of four ICT policies were targeted in the medium term.

4.6.2 Achievements

(a) Sector Performance

The ICT led industries contribute approximately 6 per cent of the GDP which is lower compared to the average contribution of knowledge based industries at 40 per cent in developed countries. However, the sector contribution to GDP and employment levels has continued to grow. In 2010/2011, the sector created 4,100 direct BPO jobs against the MTP target of 2,200 jobs. Cumulatively 7,000 jobs were realized against the MTP target of 7,500 by 2012. This is attributed to the increased marketing of the country and the significant reduction of telecommunication costs in addition to the provision of incentives to local BPO operators in terms of subsidized broad bandwidth.

(b) Flagship projects

During the period under review, the following were achieved:

i) Establishment of BPO Park

The Government acquired 5,000 Acres of land for the establishment of the Konza Technology City under the Information Technology (IT) Enabled Services sector in 2009. The following major milestones were achieved in relation to the establishment of the BPO Park: the Feasibility and Demand Assessment study was completed; a Strategic Environmental Impact Assessment Study and the physical development plan (Master plan) are on-going; the architectural design model has been developed; construction of the perimeter fence is on-going; and advertisement for Expression of Interest for a Master Developer in both local and international media has been done.

ii) Marketing Kenya as a BPO destination (Marketing campaigns)

The Brand Kenya Board was established and has been operational since 1st July 2010. The Board has developed a brand mark of Kenya and consultations are ongoing for adoption. Marketing of the BPO Park is also ongoing.

iii) Training programmes

Over 2,000 Kenyan youths were

trained on BPO entrepreneurship and skills. A curriculum to improve ICT skills was developed and will be rolled out to schools.

iv) Development of BPO incentive framework

The BPO incentive policy was developed and is now being implemented. 81 BPO operators have received broad bandwidth subsidies against the MTP target of 400 BPO operators. The achievement is below target; however the sector has increased the broadband capacity from 27 to 80 Mb. The Government has also provided financial incentives to students to acquire laptops and 10,512 laptops were procured.

v) Mainstreaming ICT in the Economy

Kenya Communication Amendment Bill was enacted and the application of e-commerce will expand once Parliament enacts the Cyber Security and Data Protection Bill currently with the Cabinet.

4.6.3 Policy, Legal and Institutional Reforms

The sector successfully enacted the Kenya Communications (Amendment) Act 2009 to mainstream e-commerce in the economy which continues to be implemented. The act will among other things address: legal recognition of electronic records and signatures, creation of new offences with respect to electronic records and transactions including cyber crime, destruction of electronic records and reprogramming of mobile telephones, definitions in relation to certification and electronic transactions, functions and powers of e-transactions regulator, licensing of e-certification services and formation and validity of e-contracts. The Government further reviewed the Information and Communications Regulation Guidelines (2010) to cater for the changing needs of the sector.

4.6.4 Challenges

The BPO sector continues to face a number of challenges that have affected its growth and development. Among the key challenges experienced are: length of procurement process delays for project implementation, cyber insecurity and lack of data protection policy, systems incompatibility leading to duplication by different government agencies, user resistance and cultural mind sets, cable vandalism posing danger to infrastructure development, and counterfeit in both electronic and or computer hardware and software.

4.7 Financial Services Sector

The financial services sector continues to play a pivotal role in economic growth and development of the country by providing financial intermediation. The MTP (2008-2012) envisions a vibrant and globally competitive financial sector that drives high levels

of savings and caters for Kenya's investment needs. Accordingly, the MTP anchors the realization of this goal on four key flagship projects namely: consolidation of the banking sector through enhanced capital base, increased financial access, deepening of capital markets and leveraging remittances and long term capital inflows.

In the Government's endeavours to implement the MTP objectives, the following outputs were expected to be realized:

a) Maintaining sound fiscal and monetary policies to ensure macroeconomic stability, which is critical to a vibrant financial sector;

b) Reviewing of the banking sector legal and regulatory framework to align it to international best supervisory practices as set out by the Basel Committee on Banking Supervision. A revised Banking Act will be enacted in this regard;

c) Enactment of the proceeds of Crime and Money Laundering (Prevention) Bill to safeguard the integrity of the financial sector;

d) Operationalising of the regulations for credit reference bureaus to facilitate credit information sharing;

e) Promotion of competitive sound and efficient banking system, including strong micro financial institutions that are well regulated and supervised to effectively mobilize savings to provide financing to support the growth of the private sector;

f) Establishment and development of non banking financial institutions that will increase the depth of the financial sector as well as access to financial services by a majority of Kenyans by providing a broad array of diversified services such as leasing and finance to MSMEs;

g) Development of an insurance sector that is well regulated and supervised so as to effectively protect businesses and individuals from risks;

h) Promotion of strong pension systems that afford a secure retirement to a wider population and one that provides capital for long term investment in the real sector;

i) Development of a safe and reliable payments system that will ensure smooth transfer of funds between customers and banks as well as between banks;

j) Strengthening of money/interbank market that provides bank enterprises and individuals with the means for effective liquidity managements;

k) Development of a comprehensive consumer protection framework

l) Promotion of financial literacy/ education;

m) Investment in human capital and information technology;

n) Improvement in the functioning of the financial system to enable it mobilize domestic savings and to promote investments;

o) Expansion of the coverage and outreach of financial services to all parts of the country - especially the rural areas;

p) Encouragement of commercial banks to finance industrialization;

q) Development of efficient and transparent capital markets with a critical mass of " issues" that mobilize funds for long term investment;

r) 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,

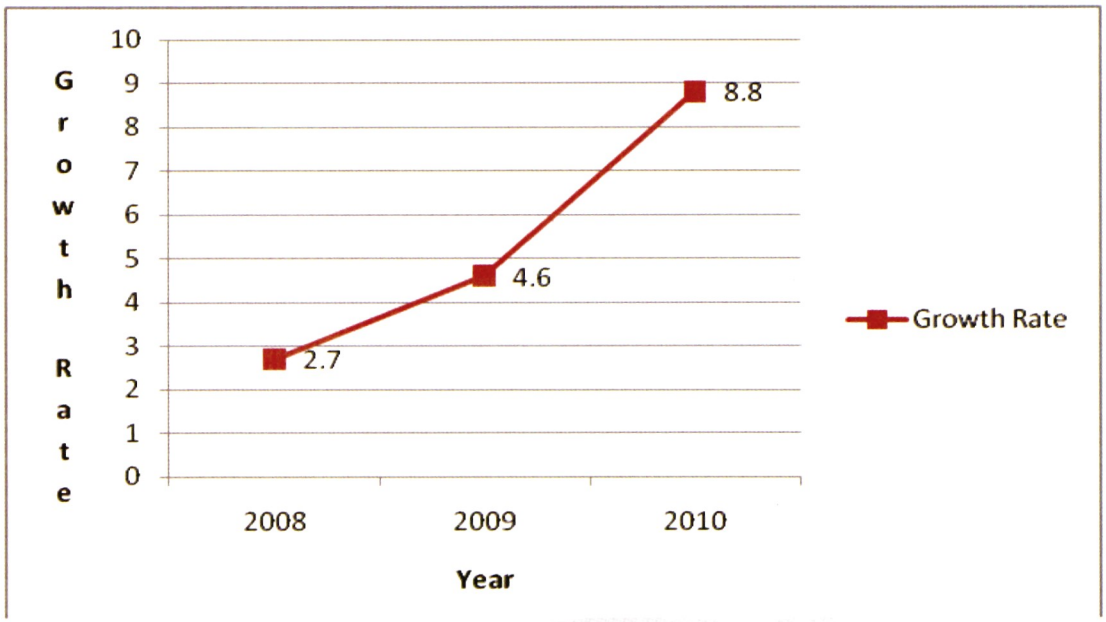
s) Establishment of a single unified notification system (register) of all security documents (charges, pledges, debentures, etc) of all movable assets given by all legal and natural persons so as to encourage registration of non-traditional securities such as chattels and guarantees to improve collateral security and access to credit from the formal sector.

4.7.2 Achievements

(a) Sector performance

As shown in Figure 4.7, the financial sector GVA growth rate has been on an upward trend since 2008. The sector recorded an impressive growth in 2010 after the dismal performance in 2008 and 2009 occasioned by the international financial crisis. Riding on its performance in 2010, the sector's resources are expected to be channelled to the economy to boost the growth of other sectors especially through savings and investments.

Figure 4.7: Actual GVA growth rate in financial intermediation



Source: Economic Survey, 2011

The notable performance in the sector is clearly evidenced in the number of deposit accounts that have substantially risen from 2.55 million savings accounts in 2005 to about 12 million savings accounts by the end of September 2010, and the phenomenal increase of 425 per cent in the number of micro accounts from 2.14 million in 2005 to nearly 11.25 million accounts as at end of September 2010.

Other key financial sector performances included:

(i) Credit referencing

In 2010, the first credit reference bureau was licensed and by the end of September 2011, banks had requested for 103,332 credit reports.

(ii) Agent Banking

As at 30th September, 2010, CBK had approved 5,892 banking agents of which 4,392 were telecommunication related and 1,500 comprised other types of enterprises. Agent banking netted a total of 214,704 new customers into the industry. In addition, 66 per cent of the approved agents are in the rural areas while the rest are in urban areas. This is testimony that the agency banking model allows the use of low-cost delivery channels, reducing both the fixed costs of setting up and maintaining branches and the high variable costs of small transactions as well as enabling financial institutions to reach the unbanked and underserved segments of the population, especially in the rural areas. The introduction of agent banking is intended to enable

institutions to provide banking services in a more cost effective way.

(iii) Microfinance

Since the operationalisation of the Microfinance Act, five Deposit Taking Microfinance Institutions (DTMIs) were licensed. Gross loans and advances by the first 2 DTMIs grew to KSh. 14.9 billion in December 2010, up from KSh 14.1 billion recorded in June, 2010. The number of deposit accounts also grew from 610,552 in June 2010 to 858,000 in September 2010 - an increase of 247,448 new accounts or 40.5 per cent growth. The DTMIs deposits held also increased significantly to KSh. 7.2 billion over the same period recording a growth of 5.9 per cent. However, the branch network remained unchanged at 31 branches by the end of September 2010. These developments have enhanced financial inclusion for the previously excluded population.

(iv) Mobile banking

In May 2010, commercial banks and mobile phone service providers partnered to launch mobile phone money accounts that go beyond money transfers to offer micro-savings, micro-credit and micro-insurance products. Thus, money transfers are used to achieve a number of the purposes, which include, among others, loan repayments, utility bills payments, salary payment, and deposit mobilization. As of August 2010, person to person transfers were KSh33.33 billion (US dollar 414 million) representing 54.54 percent of total transfers.

Other categories of transfers including person to business, business to person, and ATM withdrawals have increased since the last quarter of 2010. Kenyans can, therefore, perform remotely several financial functions including utility bills payments, loan repayment, savings, airtime purchase, and money transfer services from anywhere. This indicates a high level of financial services leverage on innovations and technology.

The flexibility of mobile phone money transfer services to facilitate a wide range of financial payment services conveniently and at a cheaper cost presented the Kenyan financial sector with an opportunity to reach business segments that hitherto were difficult to access. Thus, the integration of the mobile money transfer platform with the Automated Teller Machines (ATMs) and Point of Sale (POS) networks was a major milestone in so far as using technology effectively and efficiently was concerned. This helped to lower the cost of financial services and consequently, to expand their access by the majority of the unbanked poor.

(b) Flagship projects

Table 4.3 summarizes the implementation status of key financial services reforms that were undertaken in 2010/2011 in line with the MTP objectives.

Table 4.3: Financial Services Sector Reforms

MTP Objectives	Current Status
Maintenance of sound fiscal and monetary policies to ensure macroeconomic stability that is key to a vibrant financial sector	**Fiscal** Central Government budgetary operations in the seven months of fiscal year 2009/2010 resulted in a fiscal deficit of KSh 60.1 billion or 2.4 per cent of GDP on commitment basis compared to a KSh 24.1 billion or 1.1 per cent of GDP in a similar period in 2008/2009 fiscal year. In 2008/2009 fiscal year, the share of development expenditure to total expenditure stood at 23.1 per cent, however this was expected to improve to 28.5 per cent in 2009/2010 fiscal year. Kenya's public and publicly guaranteed debt which stood at KSh 1,053.7 billion in June 2009 rose to KSh 1,105.4 billion in January 2010, as the external debt to GDP ratio that stood at 22.4 per cent in June 2009 dropped to 21.1 per cent in January 2010. **Monetary:** 12 months CPI was 9.2 per cent in December 2009 compared to 16.2 per cent in 2008. The Official foreign exchange reserves stood at 3.4 months of import cover on the basis of the 36 month average of imports of goods and non factor services, declined to 3.2 month in the first quarter of 2009 but improved in the June–August quarter of 2009 at 4.0 months of import cover. Broad money supply M3 grew by 26.2 per cent in June 2010 compared to 13.0 per cent recorded in June 2009 to stand at KSh. 1,198.9 billion. The rapid growth can be explained by a 4.2 per cent increase in Net Foreign Assets and 28.7 per cent growth in overall domestic credit. While expansion in credit to private sector slowed down, there was a significant increase in credit to Central Government that grew by 52.5 per cent comparing March 2010 and March 2009, and further growing by 75.5 per cent in June 2010 compared to 31.7 per cent growth in June, 2009.
Review of the banking sector legal and regulatory framework to align it to international best supervisory practices.	Amendment to the Banking Act was done and its implementation is on-going

MTP Objectives	Current Status
Enactment of the proceeds of crime and money laundering (Prevention) bill to safe guard the integrity of the financial sector	The Anti-money Laundering Act 2009 (AML-2009) provides Kenya with the requisite legal and institutional framework to tackle the problem of money laundering. The Act established a Financial Reporting Centre, an Assets Recovery Agency, and also established the Criminal Assets Recovery Fund.
Implementation of the regulations for credit reference bureaus to facilitate credit information sharing	The Banking (Credit Reference Bureau) Regulations were operationalised on 2nd February 2009. The credit sharing mechanism for institutions licensed under the Banking Act was rolled out on 31st July 2010.
Promotion of competitive, sound and efficient banking system, including strong micro financial institutions that are well regulated and supervised, that effectively mobilize savings to provide financing to support the growth of the private sector	Agency banking was introduced in line with guidelines issued in 2010 by the Central Bank. Six banks that applied to roll out agency banking were approved by September 2010 thereby enhancing financial inclusiveness in Kenya and increasing the penetration rate.
Establishment and development of non banking financial institutions that will increase the depth of the financial sector as well as access financial services to majority of Kenyans by providing a broad array of diversified services such as leasing and finance to MSMEs	Licensing of deposit taking microfinance institutions was undertaken under the Microfinance Act 2008. The SACCO Societies Act was enacted in 2008. In line with this, SASSRA was created in 2009/2010 to enhance regulation and supervision of Sacco societies in a similar manner to that of banks and deposit-taking microfinance institutions.

MTP Objectives	Current Status
Development of an insurance sector that is well regulated and supervised so as to effectively protect businesses and individuals from risks	Besides the reforms reported in the second APR, the Insurance Regulatory Authority developed a new regulatory framework that will lay more emphasis on the risk burden by an insurer as against the previous rule based framework that was a one fits all requirements. The IRA sought to enhance penetration encouraged development of new products such as bank assurance, agricultural and micro insurance, as well as new business models such as Islamic Insurance.
Promotion of strong pension systems that affords a secure retirement to a wider population and which provides capital for long term investment in the real sector	Reforms in the pensions sector included amendment of the Retirement Benefits Act to require that new investments by pension schemes that receive statutory contributions be put in Government Securities and Infrastructure Bonds issued by public institutions only. To ensure that schemes are able to meet their liabilities as and when they fall due, an amendment to the Retirement Benefits Act to increase the minimum funding level from 80 percent to 100 percent for all defined benefits schemes - both on ongoing basis and discontinuance basis, was done.
Development of a safe and reliable payments system that will ensure smooth transfer of funds between customers and banks as well as between banks	The Central Bank continued with its initiatives to modernize the national payments system. Accordingly, from 1st October 2009, value capping was effected with all payments above KSh1 million being made through the Real Time Gross Settlement System (RTGS). Integration of mobile money transfer platform with traditional banking platform was achieved. In 2009, mobile phone platforms began being integrated with banking platforms.

4.7.3 Policy, Legal and Institutional Reforms

Other policies, legal and institutional reforms were undertaken in the sector that focused on the following:

a) Widening of the scope of monetary policy instruments for regulating liquidity in the money markets by introducing new monetary policy instruments such as horizontal repo.

b) Raising core capital requirements for commercial banks (from KSh. 250 million to KSh. 1 billion) in order to encourage the small banks to merge and for bigger banks to become more competitive. Restricting banks from paying out

dividends not only until provisions are made for bad and doubtful debts, but also adequate provisions are made for loans advances and other assets.

c) Giving more authority and power to the Central Bank Governor to penalize errant participants in the banking sector.

d) Amending the Insurance Act to raise the level of investment in shares, debentures or loans of any one company from 5 per cent to 10 per cent for both long term and general insurance companies. Giving more powers to the Commissioner of Insurance to levy penalties on non compliant companies in paying claims within 90 days on judgment by a court of law.

e) Providing for pension schemes to have an income draw down as an alternative to annuities subject to a minimum draw down period of 10 years. Requiring that annuity providers publish their basis information on annuity products and rates in the print media.

f) Reviewing the requirements on share capital for private pension schemes to make them flexible so that they are able to operate even in lower end markets.

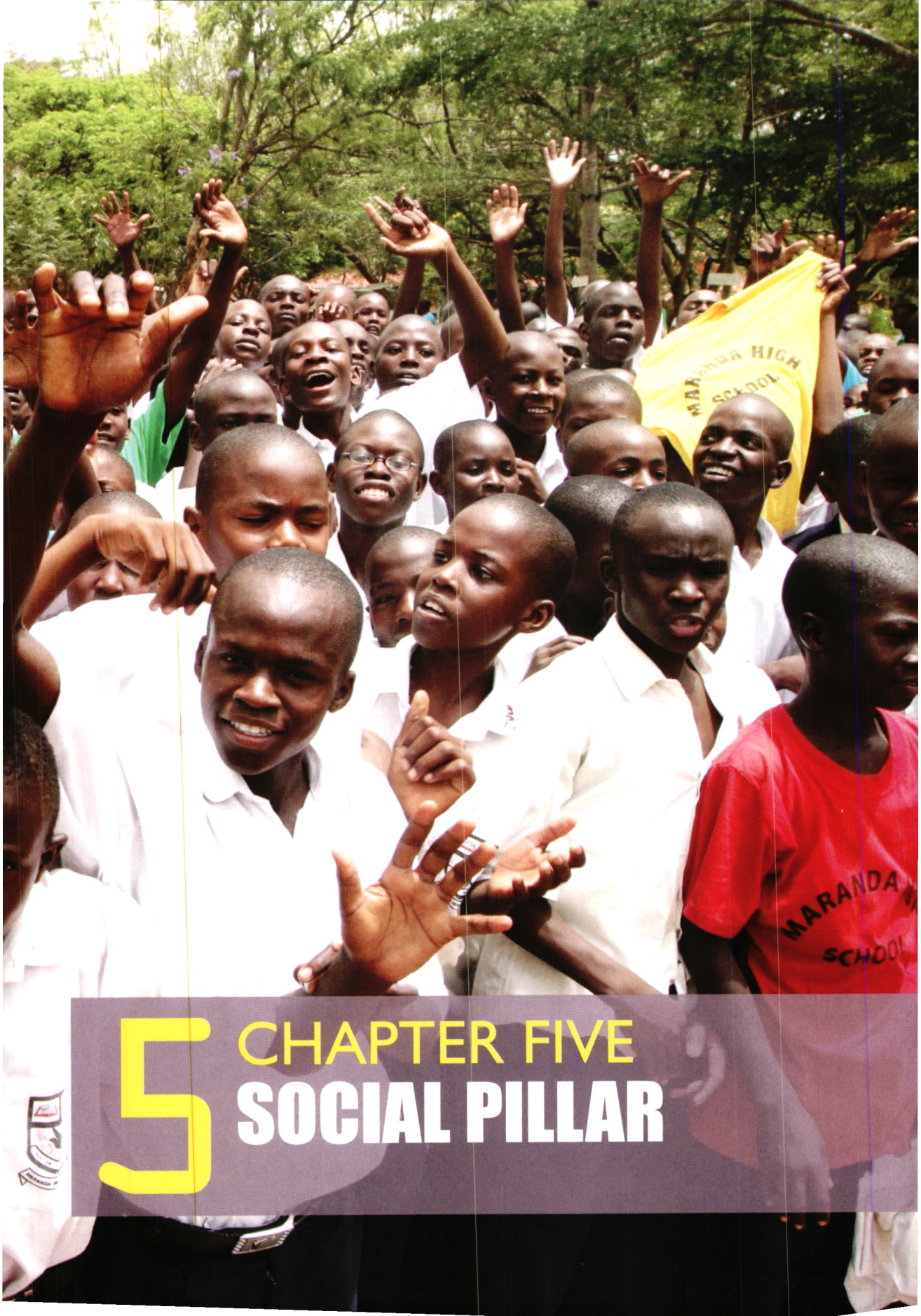
g) Reviewing the Capital Markets Act with a view to deepening the sector.

4.7.4 Challenges

The penetration rate of the banking services especially in the rural areas and its linkage to productive sectors such as agriculture and small industries and business investment continues to be a challenge to both policy makers and implementers. Though the Government rolled out the agency banking, the low ICT infrastructure in rural areas slowed down its uptake. Also, weak enforcement of the existing legal and regulatory framework to support growth of activities in the insurance and capital markets was seen as a challenge in the sector. Other challenges experienced are capacity related constraints such as lack of adequate IT capacity, slow payment process and lack of an Information, Education and Communication (IEC) framework.



Maranda High School students celebrating being the Top School in KCSE 2011 results.



5 CHAPTER FIVE
SOCIAL PILLAR

5.1 Overview

The Vision 2030 overall goal in the Social Pillar is "investing in the people of Kenya". The efforts are aimed at building a just and cohesive society that enjoys equitable social development in a clean and secure environment. The focus under the Social Pillar is concentrated on eight key social sectors namely: Education and Training, Health, Water and Sanitation, Environment, Population, Housing and Urbanization, Gender, Sports, Youth and Culture, and Forestry and Wildlife. The Pillar also makes provision for Persons with Disabilities and communities that were previously marginalized. Furthermore, the Government is committed to the achievement of international development commitments that address issues in the social sector including the Millennium Development Goals (MDGs) and Education for All (EFA). The Social Pillar chapter presents the progress and achievements for the period 2010/2011.

5.2 Education and Training Sector

5.2.1 Overview

One of the the three pillars of the country's development blue print, the Kenya Vision 2030, is the Social Pillar which aims at creating a comprehensive, equitable and just society based on democratic principles. The Government is committed to the provision of quality education, training and research as a human right for all Kenyans in accordance with Kenya's Constitution and International Conventions. Education is one of the critical sectors that are contributing to the Social Pillar through development of skills and knowledge to all Kenyans geared towards the achievement of the aspirations of Vision 2030. The education sector has continuously undergone reforms in order to address its overall goals as articulated in Sessional Paper No. 1 of 2005 on *"a Policy Framework for Education, Training and Research"* as well as meeting the international development commitments, including the Millennium Development Goals (MDGs) and Education for All (EFA). Achievements realised in implementation of these commitments' are expected to enable the country to have *"A Globally Competitive Quality Education and Training for Sustainable Development"* .

5.2.2 Policy Review

In order to deepen the gains realized by the sector, the following objectives are being pursued during the Medium Term Plan (2008-2012): provision of the Free Primary Education (FPE); provision of Free Day Secondary Education (FDSE); implementation of policies outlined in the Sessional Paper No. of 2005 on Policy Framework for Education, Training and Research and *Kenya Education Sector Support Programme (KESSP);* review of strategies especially KESSP to embrace

emerging issues and address lessons learnt and implementation of targeted poverty intervention programmes such as school feeding and the secondary school bursary programme.

5.2.3 Achievements

(a) Sector Performance

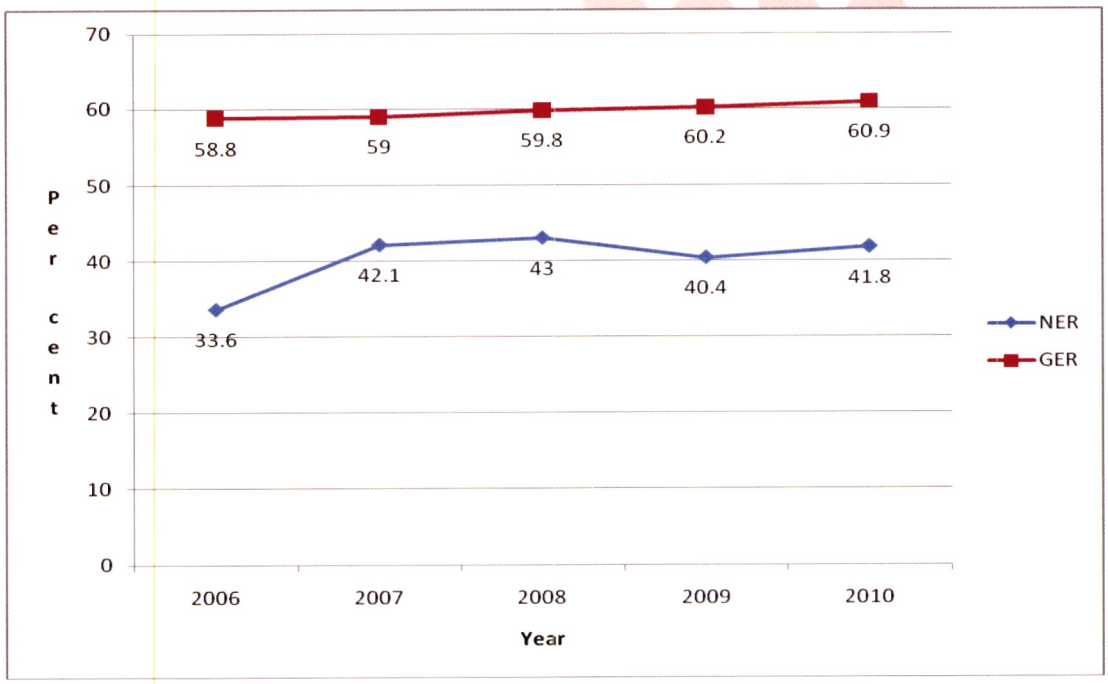
The following section presents the achievements of the Education Sector.

(i) Early Childhood Development and Education (ECDE)

The enrolment in the ECDE increased from 1.914 million (967,544 boys and 946,678 girls) in 2009 to 2.13 million (1,100,890 boys and 1,092,181girls) in 2010. The Gross Enrolment Rate (GER) increased from 60.2 percent (61.6 for boys and 58.7 for girls) in 2009 to 60.9 percent (60.3 for boys and 61.4 for girls) in 2010.

The NER increased from 40.4 percent[1] (40.8 percent for boys and 40.0 percent for girls) in 2009 to 41.8 percent (42.3 percent for boys and 41.2 percent for girls) in 2010 against the MTP target of 76.6 per cent (76.9 per cent for boys and 76.2 per cent for girls). Figure 5.1 presents the GER and NER trends from 2006 to 2010 for ECDE.

Figure 5.1: ECDE Gross Enrolment Rate (GER) and Net Enrolment Rate (NER) 2006-2010



Source: Economic survey, 2011 and MOE

1 Revised NER and GER based on the 2009 Kenya Population and Housing Census age cohort data

Overall, the MTP target for the period was not achieved. The low levels of NER are attributable to low participation level across the country, and in some of the regions children directly join primary schools without the relevant background and this tends to increase repetition and drop-out levels as a result of poor academic performance.

The mainstreaming of ECDE into basic education did not take place during the period due to lack of funds. However, the Ministry is still pursuing the matter with the Treasury to ensure that the target is achieved. Currently, households and private sector players continue to shoulder the cost of provision of ECDE education.

(ii) Primary Education

The continued implementation of Free Primary Education (FPE) since 2003 has led to tremendous progress in access to primary education. The number of pupils in formal primary schools has increase from 5.9 million in 2002 to 8.8 million (4.5 million boys and 4. 3 million girls) in 2009, an increase of 60 per cent. In 2010, the enrolment was 9.38 million (4.75 million boys and 4.63 million girls), an increase of 6.6 per cent as compared to 2009.

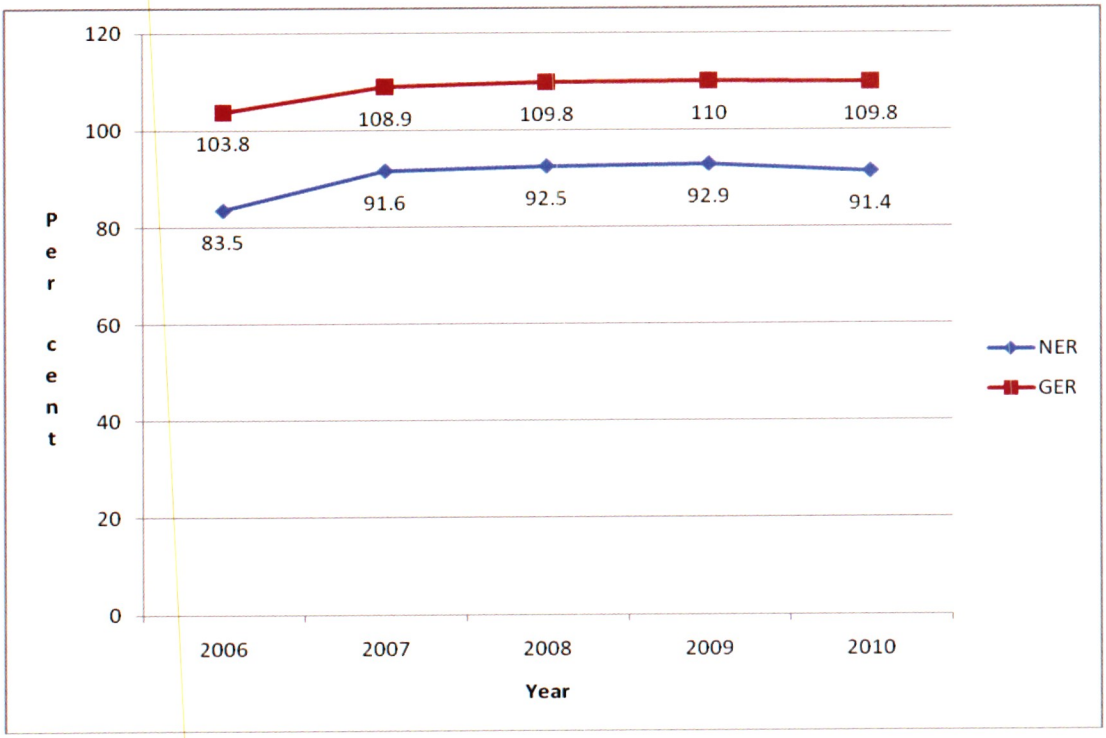
The Gross Enrolment Rate (GER) increased from 108.9 per cent (118 and 106 per cent for boys and girls respectively) in 2007 to 110.0 per cent (112.8 per cent and 107.2 per cent for boys and girls, respectively) in 2009, and dropped slightly to 109.8 per cent (109.8 per cent and 109.9 per cent for boys and girls, respectively) in 2010. Despite the slight drop which was attributed to the fact that the backlog of over-age children who have been enrolling at primary level due to FPE is decreasing, overall, the MTP target was met.

The Net Enrolment Rate (NER) increased from 91.6 per cent (94.1 per cent and 89.0 per cent for boys and girls, respectively) in 2007 to 92.9 per cent (93.6 per cent and 92.1 per cent for boys and girls, respectively) in 2009 and then dropped marginally to 91.4 per cent (90.6 and 92.3 per cent for boys and girls, respectively) in 2010. This implies that despite the slight drop the target of 90 per cent in 2010 was still surpassed. A comparison between the NER national average and regional achievements indicates that the country still faces regional disparities with very low enrolments. The NER for North Eastern Province was 40.3 per cent (41.5 per cent male, 38.9 per cent female) against an MTP NER target of 38.6 per cent for 2010. This shows that the target was achieved and this was attributed to continued implementation of FPE as well as sensitization of parents/communities.

Based on Net Enrolment Rate, the gender disparity in enrolment has been

improving in favour of girls. The gender parity index at primary level was 0.97 in 2007, then 0.98 in 2009 while in 2010 it was 1.02, implying that the target was met. Figure 5.2 shows the Primary Schools GER and NER 2006-2010.

Figure 5.2: Primary Schools GER and NER 2006-2010



Source: Economic survey, 2011 and MOE

During the period under review, the sector realised primary school NER of 91.4 per cent (90.6 per cent for males and 92.3 per cent for females) against the MTP target of 92.7 per cent (95.0 per cent for males and 90.5 per cent for females). This implied that the target was not met. This was attributed to the fact that the target set was based on the 1999 population census while the achievement realised was based on 2009[2] population census.

a) Transition and Completion Rates

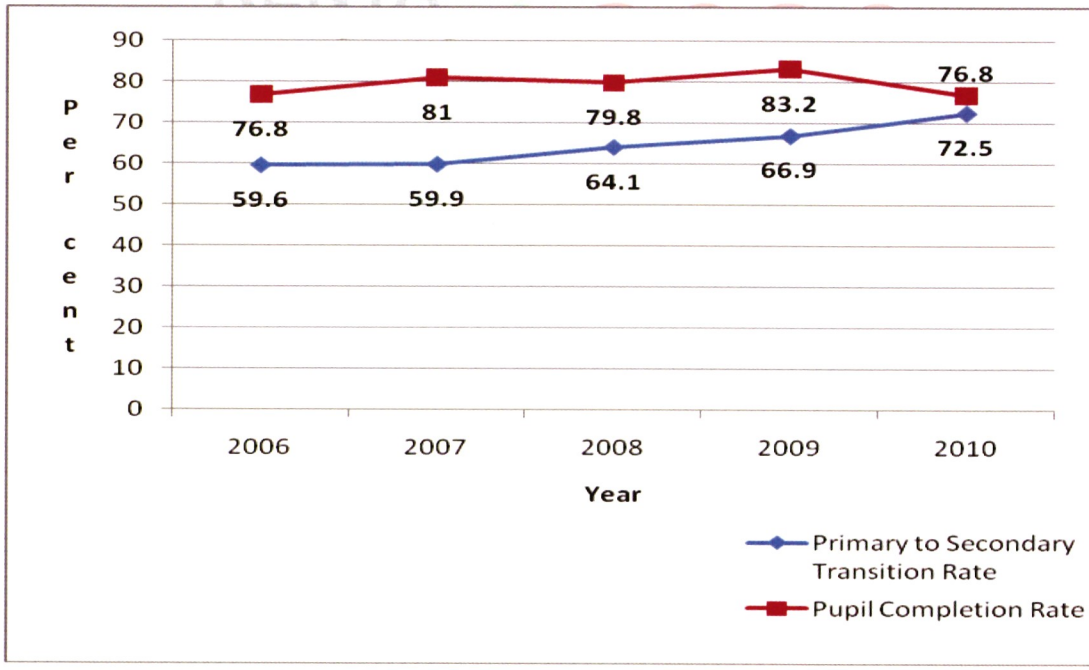
Transition rate from primary to secondary has been increasing over the years, from 59.6 per cent (56.5 per cent for male and 63.2 per cent for female) in 2007 to 66.9 per cent (64.1 per cent for male and 69.1 per cent for female) in 2009, further increasing to 72.5 per cent (68.9 per cent for male and 75.3 per cent for female) in 2010 against the MTP target of 84.7 per cent (84.7 per cent for boys and 88.8

2 The 2009 Kenya Population and Housing Census data provides a lower figure of primary age population.

per cent for girls). Statistics indicate that the achieved transition rate for 2010/2011 was 72.5 per cent (69.9 per cent for boys and 75.3 per cent for girls) indicating that the target was not met. This was attributed to the fact that despite all the initiatives such as Free Day Secondary Education and the secondary bursary scheme, there are children who still cannot afford other schooling expenses under secondary education. Additionally, there exist other hindrances such as early marriages, child labour, cultural practices and beliefs.

The pupil completion rate is the proportion of standard 8 pupils who complete as a proportion of the 13-year olds. The pupil completion rate stood at 81.0 per cent (86.5 per cent and 75.7 per cent for boys and girls, respectively) in 2007, dropped to 79.8 per cent in 2008, and then registered an increase to 83.2 per cent in 2009. In 2010, the pupil completion rate dropped to 76.8 per cent (79.2 per cent and 74.4 per cent for boys and girls, respectively). Figure 5.3 presents the trend in transition and completion rates.

Figure 5.3: Primary to Secondary Transition Rate and Pupil Completion Rate (PCR), 2006-2010



Source: Economic survey, 2011 and MOE

b) Pupil to Teacher Ratio

To ensure efficient teacher utilisation, the TSC ensures there is teacher balancing in the country to maintain the staffing norms. However, the shortage of teachers means that many schools have a pupil to teacher ratio above 40:1, with as high as 85:1 ratio in the high potential and urban areas. On the average, the pupil to teacher ratio at primary level moved from 44:1 in 2007 to 45:1 in 2008, 2009 and 2010. The MTP target of 42:1 is a minimum average implying that with Staffing Norms implementation, the Ministry aimed at optimal teacher utilization by raising this ratio. Achievement of 45:1 in the year 2010/2011 therefore implied a better performance as the optimal target set was achieved.

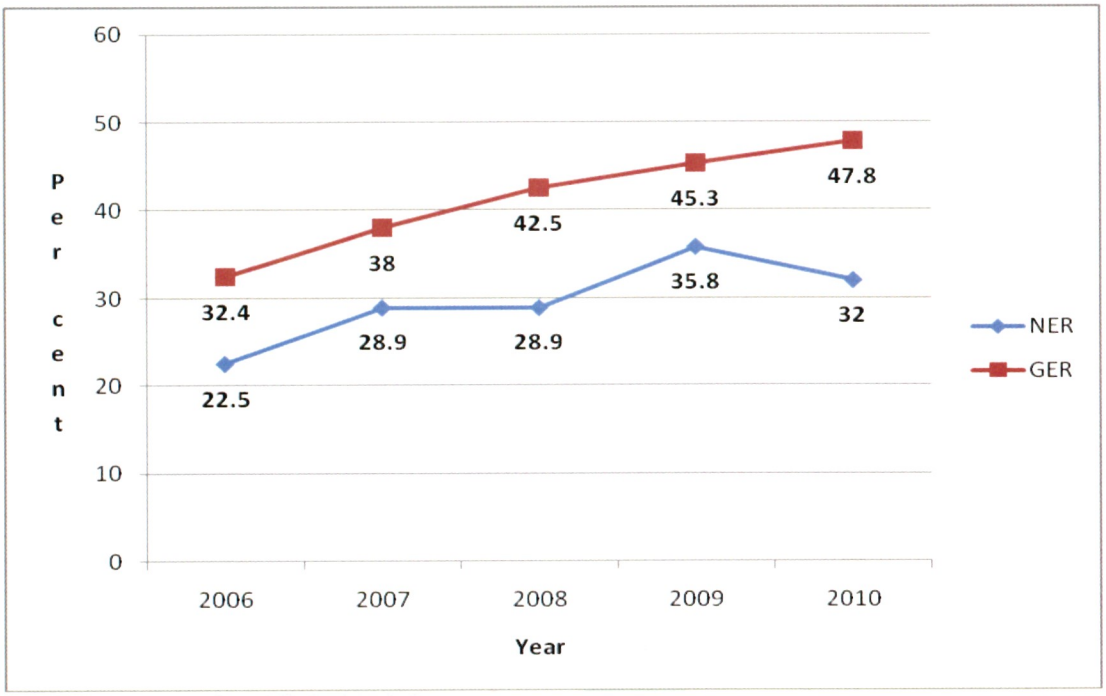
c) Textbook to Pupil Ratio

The Textbook-Pupil ratio for lower primary has improved from one textbook for more than 10 pupils before 2003 to 1:3 in 2007, 1:2 in 2008, remaining at 1:2 in 2009 and 1:1 in 2010/2011. For upper primary TPR has improved from 1:2 in 2007 to 1:1 in 2008 and 1:1 in 2009 and 2010 against the MTP target of 1:1 for both lower primary and upper primary. This shows that the MTP target for the review period was met. However, there are challenges in book storage and maintenance facing the primary schools.

(iii) Secondary education

Secondary education is recognized as part of basic education with the aim of enhancing the citizens' access to quality and equitable education so as to achieve the Vision 2030 goals. In line with the above objective, the number of secondary schools has increased from a total of 6,485 secondary schools in 2007 to 6, 971 in 2009 and 7,308 in 2010. Enrolment grew from 1.18 million students in 2007 (639,393boys and 540,874 girls) to 1.5 million (804,119 boys and 695,896 girls) students in 2009 and, further, to 1.7 million (916,302 boys and 792,818 girls) students in 2010. Figure 5.4 shows Secondary Schools Gross Enrolment Rate (GER) and Net Enrolment Rate (NER) for the period 2006-2010.

Figure 5.4: Secondary Schools Gross Enrolment Rate (GER) and Net Enrolment Rate (NER) 2006-2010



Source: Economic survey, 2011 and MOE

The GER for secondary increased from 38.0 per cent (41.4 per cent for boys and 34.6 percent for girls) in 2007 to 45.3 per cent (49.0 for boys and 41.8 for girls) in 2009. In 2010, the GER increased to 47.8 per cent (50.9 percent for boys and 46.3 per cent for girls). The NER recorded an increase from 28.9 percent (29.8 percent for male and 27.9 per cent for female) in 2007 to 35.8 percent (36.5 per cent for boys and 35.1 per cent for girls) in 2009. In 2010, the NER dropped to 32.0 per cent (32.4 per cent for boys and 32.9 per cent for girls). The slight drop in NER was attributed to the introduction of free day secondary education, which resulted in more over-age students enrolling for secondary education.

(iv) Adult Literacy

The Medium Term Plan for Kenya's Vision 2030 recognizes the need to have literate citizens and sets a target of increasing the adult literacy rate from the current 61.5 per cent to 80 per cent by 2012. During the period under review, 880 teachers were recruited, grants provided for renovation and equipping of 382 Adult Basic Education centres to enable them create and sustain a literate environment. The enrolment increased from 126,700 adult learners in 2007 to 215,900 adult learners in 2008 and further to 320,000 adult learners in 2010. The literacy levels for the period under review could not be established due to lack of data[3].

(v) Other Programmes

a) School Feeding, Nutrition and Health Programme

The programme aims at promoting health and hygiene education and improving access to basic education by reducing morbidity among school children. During the period under review, the programme continued to provide mid-day meals to approximately 1.2 million pre-primary and primary school children in 64 ASAL districts and slums of Nairobi. The MTP target of 1.2 million children was therefore met and will be expanded to cover approximately 2.4 million children.

b) Secondary School Bursaries

The secondary bursary scheme is meant for the vulnerable groups including orphans, girls and children from poor families in slum areas, the poverty-stricken families in high potential areas, and families in ASAL districts. Although the Government has introduced FDSE, the programme went on to assist the poor to meet other secondary education expenses not catered for by the Government during the period under review and a total of KSh. 500 million was disbursed.

c) National Secondary Schools Rehabilitation Initiative

During the period under review, the Ministry of Education continued with its efforts of improving the status of National Secondary Schools through the National Schools' Rehabilitation Fund. All the 18 National Secondary Schools received money amounting to KSh. 926 million for rehabilitation. The schools are currently undertaking rehabilitation works. An additional 100 schools have been identified for upgrading into national status over the 2011/12 period.

d) Non Formal Education Programme

Over the MTP period, provision of grants to NFSs for teaching and learning materials continued. During the period under review, 474 non formal schools registered and trained on financial management and received grants totalling to KSh. 63 million. This was below the MTP target of 700 NFSs. There are still more NFSs not receiving grants because they have not registered, which is a pre- requisite for qualification for the grant. The validation and verification of new NFE schools is on- going.

e) Curriculum Review and Quality

During the period under review, the teacher training curriculum at both primary and secondary level was reviewed to reflect changing technological and delivery methods

[3] The adult literacy survey will be conducted in 2012. This will provide data on achievements realized under the current MTP period

especially in the integration of ICT in education. The private sector and higher education institutions actively participated in curriculum review and implementation to ensure its relevance to the labour market needs.

f) Examination and Certification

During the period under review, KNEC continued to implement an online registration system for candidates to enhance efficiency and timeliness in its service delivery. It also established national assessment system for monitoring learner achievements at grade 3, 6 and 10. The KCPE examination candidates increased from 704,700 pupils (372,100 boys and 332,700 girls) in 2007 to 727,100 pupils (381,600 boys and 345,500 girls) in 2009. In 2010, the number of KCPE candidates increased by 2.0 per cent to stand at 741,507 pupils (386,832 boys and 354,675 girls). The KCSE candidates increased from 305,015 students (165,591 boys and 139,424 girls) in 2007 to 333,816 students (182,475 boys and 151341 girls) in 2009. In 2010, the KCSE candidates increased by 0.7 per cent to stand at 336,015 students (197,333 boys and 158,682 girls).

(c) Flagship Projects

The following section illustrates the targets and achievements of the Education Sector Flagship Projects in 2010/2011.

(i) Construction and fully equipping 560 secondary schools and expansion and rehabilitation of existing ones

During the period under review, the education sector MTP target was to build/rehabilitate/expand 140 schools. Under the economic stimulus initiative, the Ministry of Education disbursed a total of KSh. 6 billion to 200 secondary schools (KSh. 30 million for each). Construction/Rehabilitation works aimed at transforming the 200 schools into centres of excellence is still ongoing. Additionally, under the infrastructure programme, funds were also disbursed to 371 schools for rehabilitation/expansion and work is ongoing. The MTP target of 140 schools was met and surpassed.

(ii) Recruitment of 28,000 additional teachers

The MTP target for the sector is to recruit 28,000 additional teachers during the period 2008 to 2012, out of which 21,400 are for primary schools and 6,600 for post primary institutions. The MTP target for 2010/2011 was to recruit 6,000 teachers. Overall, the Ministry recruited 18,020 teachers on contract terms thus achieving the target for the period. The terms of employment for the 18,020 teachers have been changed from contractual basis to permanent and pensionable.

(iii) Establishment of a Computer Supply Programme

In order to achieve the Vision 2030 goal of "establishing a computer supply programme that will equip students with modern ICT skills", the sector continued pursuing a programme targeting 20,229 public primary schools, 4,000 public secondary schools, 20 PTTCs, 2 diploma colleges, 10 Model e-learning centres for Adult Continuing Education (ACE) and the 7 public universities.

In 2010/2011, strengthening of the coordination office to help coordinate and harmonize ICT in education issues particularly integration of ICT in teaching and learning was successfully undertaken. In regard to ICT champions, a total of 150 ICT champions were trained against an MTP target of 30 champions.

To improve ICT and data usage under education, UNESCO Institute of Statistics provided software which was customized towards strengthening data management at the headquarters and districts.

Under the ESP initiative a total of 1,021 secondary schools received computers against a target of 1,050 secondary schools. The MTP target of equipping 360 secondary schools with a computer laboratory each was achieved. In addition, under the Multimedia project (Televic) establishment of the National ICT Innovation and Integration Centre (NIC) was undertaken during the period under review.

(iv) Construction and rehabilitation of at least one Boarding Primary School in each Constituency in ASAL Districts

During the period under review, there was continued implementation and monitoring of the construction/ rehabilitation of low cost boarding (LCB) primary schools in each constituency in the ASAL districts. This was undertaken through the normal primary school infrastructure programme where primary schools in ASAL areas are given grants on an annual basis to rehabilitate existing infrastructure. A total of KSh. 544,122,000 was disbursed to 37 ASAL districts for construction/ rehabilitation of primary schools. Under the economic stimulus initiative, construction/rehabilitation works continued in the 420 primary schools (two in each Constituency).

(v) Establishment of a Voucher System Programme in five poorest districts

In order to ensure equity in access to education, the Government is enhancing financial assistance targeting vulnerable groups to supplement the already existing initiatives including the school feeding and nutrition programme, bursary, free primary education and free secondary

education. This will be done 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 systems being implemented by the Ministries of Health and Home Affairs. During the period under review, the MTP target was to pilot the programme in Turkana Central district. This was not achieved due to lack of funds. However, preparatory work was carried out including the preparation of a concept paper and a tool to be used for identification of beneficiaries.

5.2.4 Challenges

The Government has made great progress towards increasing access to ECDE, primary and secondary education. The interventions implemented in the sector are to realize objectives on access, gender parity, retention, and increased completion and transition rates. Despite the progress made, there still exists significant variation between the MTP targets and achievements made so far. The challenges which have slowed the achievements of MTP targets include:

(a) **Out of school children:** Although the GER participation level indicates a high enrolment, the NER indicates a lower achievement at the national level. The proportion of out of school children is still high, thus making the attainment of the EFA targets difficult. The low achievement of NER can be explained in terms of high rates of repetition and the presence of a large proportion of over- age children at ECDEs, primary and secondary levels.

(b) **Existence of regional and gender disparity**: The information on GER and NER indicates the existence of large regional disparities. North Eastern, Upper Eastern, Upper Rift and parts of the Coast have recorded low GER hence low NER compared to the other regions.

(c) **Limited Budget:** The education sector proposed to take over the payment of salaries for ECDE managers since 2008/2009 but the funds were not allocated. As a result, full integration of ECDE to basic education is yet to be achieved.

(d) **Poor quality and inadequate infrastructure**: The quality of the facilities in most of the learning institutions still requires improvement. The growing enrolment in both primary and secondary schools due to FPE and FSE respectively, has meant that the existing facilities are overstretched. This has negatively impacted on the sector's efforts to achieve high transition rates to secondary education.

(e) Weak coordination: There has been an increase in the number of new schools started through CDF. This effort, though positive, has had a negative effect as it has been prone to a general lack of effective coordination between the constituency committees and the sector agencies such as TSC that has left them without an adequate number of teachers.

(f) School feeding: The School Feeding, Health and Nutrition programme which targets children in ASALs, pockets of poverty and urban slums is still limited in scope. This has been worsened by the prolonged drought which has affected the households across the country. This made it necessary to extend the programme to many other areas.

(g) High illiteracy levels: Existence of high levels of illiteracy was revealed by the KNALS of 2007 (7.8 million people were illiterate). The adult education sub-sector still has: inadequate teachers to implement the ACE programmes; lack of appropriate learning facilities both for the regular learners and those with special needs; inadequate equipment/machinery for monitoring and evaluation of ACE programmes; HIV&AIDS has in addition claimed the lives of a number of teaching personnel.

(h) Non Formal Education: There are a number of challenges that currently affect NFE including: lack of an adequate database to guide the support of NFE; weak management of NFE institutions for proper transparency and accountability; and the majority of teachers in NFE institutions are untrained hence raising the issue of quality.

(i) High costs of Special Needs Education: The SNE requires costly equipment, well trained teachers and other enabling facilities. So far, less than 10 per cent of children with special needs have been assessed with only less than 3 per cent of these being enrolled in educational programmes. Community support in achieving the set targets is still very low. Special needs are constrained with inadequate numbers of specialized expertise, teachers and other support staff in related fields. Thus more trained teachers and support staff is required in all learning institutions.

(j) Inadequate Staff: The outstanding deficit in terms of teacher deployment has caused a high PTR in most of the public schools. This affects the quality of learning and performance of the pupils. The staffing levels are low and worsened by high staff turnovers

since the sub-sector does not employ and pay ECDE teachers. The increase in the number of new districts without a corresponding growth in the number of quality assurance officers has made it difficult for the sector to carry out quality assurance activities effectively, thereby affecting the quality of learning.

(k) Reaching the un-reached: One of the challenges facing the delivery of educational services is the inability to reach "the hard to reach children" This is due to weak implementation structures of the programmes targeting such children and inadequate funding for the same.

(l) HIV and AIDS: The achievement of EFA target is seriously threatened by the HIV/AIDS pandemic which has devastating and far reaching impacts on education. HIV/AIDS is eroding the quality of education, weakening demand and access, drying up the country's pool of skilled workers and increasing cost which is already high in relation to available public resources. It is estimated that about 1.8 per cent of the country's 245,000 teaching force are dying annually. The Ministry's effort to mitigate the impact of the HIV and AIDS scourge is hampered by: high prevalence of HIV/AIDS, which has led to increased number of orphans in schools; absenteeism – many children who cannot regularly attend school because they have to offer care and support for the infected leading to poor performance in school; teacher absenteeism and high mortality and morbidity rates on the part of infected teachers; stigmatization of the infected; and limited access to ARVs for the infected.

5.2.5 Lessons Learnt and Way forward

Progress towards the human development goals of Vision 2030 is a central priority for the country. In addition, the sector needs to respond to the intensifying pressure of the social demand for post primary education and training as the number of primary school completers continues to increase rapidly. Similarly the rapid increase in the number of secondary education graduates creates demand pressure for the expansion of places at the tertiary level.

Despite progress in access to education and implementation of FPE and FDSE, a number of challenges have emerged. These include:

(a) Existence of about a million children of primary school age and very low access in ASAL areas. This requires intensified efforts targeting these children;

(b) The Learning achievement of students especially those disadvantaged because of gender, poverty or residential location, remains unacceptably low hence the need to explore of ways to improve the learning achievements for this group;

(c) Every year close to 400,000 primary school leavers do not enter secondary education and are looking for jobs and opportunities for skill training and further education hence the need to expand the Adult and Continuing Education initiative.

The achievements, but especially the shortfalls, of the sector underscore the importance of identifying the lessons of experience and devising strategies to address them. It will be particularly important to improve the way flagship programmes/projects are managed and implemented. Most important is the need to:

(a) Improve strategies targeting the most vulnerable children, especially those of primary school age who are out-of-school and those primary school leavers who do not enter secondary school.

(b) Examine ambitious targets such as NER for ECDE[4] and primary to secondary school transition rates[5] and revise them downwards

(c) Develop mechanisms to ensure coherence and coordinate activities, in particular infrastructure (establishing of schools).

(d) Explore strategies for primary education especially as regards quality improvement and access for the children that are currently out of school.

(e) Vision 2030 recognizes that reaching the targets will require first a major effort to enhance the efficiency of resource application; and secondly the mobilization of private sector resources to complement the government's efforts.

The priority areas of expenditure will continue to be dominated by financing of Free Primary and Secondary Education Programmes, other core poverty programmes, and the key flagship projects.

5.3 Health Sector

5.3.1 Overview

The health sector is one of the key sectors under the social pillar, which is envisaged to contribute to the realization of the Kenya's Vision 2030. In this regard, the health sector aims

[4] Despite the efforts, enrolment is still very far from reaching the target. More effort will be required more specifically integration of ECDE into primary education and improvement of infrastructure at this level

[5] Despite FSDE, the expansion of facilities at secondary school level does not match the increase in number of students requiring to transit

to provide equitable and affordable health care at the highest affordable standard to all citizens. This involves the restructuring of health care delivery systems in order to shift emphasis to preventive and promotive health care. Key focus areas include access, quality, capacity and institutional framework will be achieved through a devolution approach. In addition it involves allocation of funds and responsibility to health facilities for delivery of health care, thereby empowering Kenyan households and social groups to take charge.

5.3.2 Policy Review

The health sector provides one of the most important components for addressing equity and the socio-economic agenda of the Social Pillar of Kenya's Vision 2030. The Vision is to provide 'equitable and affordable health care at the highest affordable standard' to all citizens of Kenya. In addition, there are three directly-related Millennium Development Goals (MDGs): Reducing infant and child mortality (Goal 4), Reducing maternal mortality rate (Goal 5), and Combating HIV and AIDS, TB, malaria and other diseases (Goal 6). The Ministry of Health is expected to contribute to achieving the goals by working towards providing an efficient and high quality health care system that meets the highest standards.

The health sector focuses on preventive health care with emphasis on the control of communicable and non-communicable diseases, reproductive and child health services, environmental health and rural health services. The Kenya Essential Package for Health (KEPH) contained in the National Health Sector Strategic Plan (NHSSP) II and the Ministry of Health's Strategic Plan 2008-2012 will guide in health delivery efforts. Other policy documents include the Kenya Health Policy Framework, 1994; and the National Health Sector Strategic Plan I (1999-2004).

During the Medium Term Plan (2008-2012), the following objectives were pursued: improvement of equitable access to public health and sanitation services; improvement of quality and responsiveness of public health and sanitation services; improvement of efficiency and effectiveness of providing public health and sanitation services; the fostering of partnerships between the public and private sector; and improvement of the financing of public health and sanitation services.

5.3.3 Achievements

(a) Sector Performance

During the period under review, the following achievements were realised under the health sector.

(i) Under-five Mortality

In 2010/2011, the under-five mortality registered 74 deaths per every 1,000 live births against the envisaged MTP target of 45 deaths per 1,000 live births. This MTP target was therefore not achieved. However, a number of interventions were put in place to contain the under-five mortality. One of the major challenges is the marginal decline recorded in the neo-natal mortality rate which contributes to 42 per cent of the under five mortality[6]. The contributors to the neo-natal mortality include gaps in skills and competencies in maternal and newborn care and low utilization of health facilities by women.

(ii) Maternal Mortality

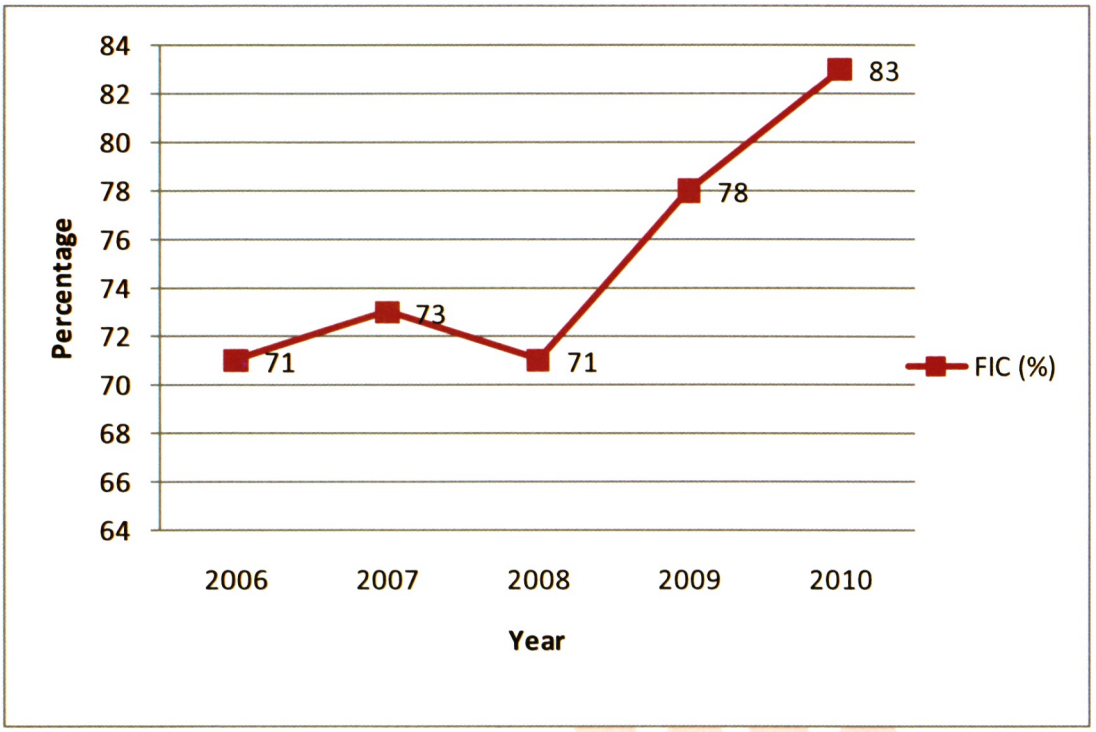
During the period under review, the MTP target was to reduce the maternal mortality rate to 200 deaths per 100,000 live births. The maternal mortality rate is still estimated at 414 per 100,000 births as was reported in 2007. Similarly, with the aim of improving maternal health, the MTP target for skilled birth attendance, was set at 66 per cent in 2010/2011. However, according to the most recent data, only 43 per cent of deliveries were performed by a health professional. Factors associated with the low proportions of birth at health facilities include poverty, limited physical access to health facilities, limited skills at delivery and poor client management. During the period under review, the sector continued to upscale interventions.

(v) Immunization

Immunization against vaccine-preventable diseases is vital in the reduction of child morbidity and mortality rates. Significant improvement in the immunization coverage has been made since 2007 as depicted in Figure 5.5. The MTP target for the period under review was to fully immunize 90 per cent of all children aged below one year. The immunization coverage for children under one year during the period under review increased from 73 per cent to 83 per cent. Although the MTP target was not met, significant progress was made and intensive immunization campaigns were carried out through National Immunization days.

[6] MDG Status Report for Kenya 2009.

Figure 5.5: Full Immunization Coverage (FIC) rate for children under one year, 2006-2010



Source: Economic survey, 2011

(vi) Malaria

Malaria is responsible for 30 per cent of outpatient morbidity. It is a leading cause of child morbidity and mortality and has devastating effects on pregnant women. The MTP target during the period under review was to reduce the proportion of in-patient malaria to 13 per cent. Although the MTP target of 13 per cent was not achieved, significant progress was realised with the proportion of in-patients with malaria falling from 19 per cent in 2007/2008 to 14 per cent in 2010/2011.The significant progress was attributed to intensive malaria control activities initiated by the Government.

(vii) HIV and Access to Anti-Retrovirals (ARVs)

The HIV prevalence in the country has shown a declining trend over the last decade. The MTP targeted to reduce the prevalence to 6.4 per cent in 2010/2011. Between 2007/2008 and 2010/2011, the HIV prevalence rate declined from 7.4 per cent to 6.3 per cent. Although the MTP target was achieved, regional and gender disparities still remain a challenge. For instance, Nyanza has the highest overall prevalence of 13.9 per cent (16 per cent for male and 11.4 per cent

for female) while North Eastern has the lowest prevalence of 0.9 per cent for both male and female.

During the period under review, 80 per cent of people living with HIV accessed ARVs against the MTP target of 70 per cent implying achievement of the target. This was due to increased awareness and up-scaling of VCT services countrywide.

(b) Flagship Projects

The following is a summary of achievements and progress realised under implementation of flagship projects in 2010/2011.

(i) Rehabilitation of health infrastructure

The Government continued to invest in construction and rehabilitation of health facilities at all levels in an effort to improve health infrastructure. During the reporting period, 38 health facilities were fully rehabilitated, 45 health facilities were above 50 per cent completion while 47 health facilities were below 50 per cent completion.

(ii) Strengthening KEMSA to become a strategic procurement and supply agency

During the reporting period, a draft bill to legalize KEMSA was developed. Further, 80 per cent of rural health facilities in Eastern and 51 per cent in Central province were put on the pool-system of Essential Medicines and Medical Supplies.

(iii) Developing financing strategy for the entire health sector

The MTP (2008-2012) aims at implementing the National Social Health Insurance Scheme to finance curative and rehabilitative services; implementing the Reproductive Health-Output Based Approach (RH-OBA); and channelling funds directly to health facilities. During the reporting period, the following were achieved: the OBA program was launched in Kilifi on 17th June, 2011 and implementation is ongoing including the other four sites (Nairobi, Kiambu, Kisumu and Kiambu); the gazettement of health facilities and Health Facilities Management Committees (HFC) was completed; financial management guidelines developed and printed; and training/re-orientation of HQ's staff, Provincial Health Management Teams (PHMTs), DHMTs and District treasuries was done.

(c) Other Programmes/Projects

Developing Human Resources Strategy

The health sector continues to be encumbered by inadequate health staff among other challenges. The human resource strategy strives to balance the supply and demand for human resources in the entire public health sector throughout the country.

During the review period, the Human Resources Strategic Plan was finalized and launched. Implementation of the strategy is currently ongoing.

5.3.4 Policy, legal and Institutional reforms

The following key legal and institutional frameworks were finalized during the reporting period while some are still in progress:

(a) A draft report on the Health Policy Framework 2010-2030 with data analyses and a roadmap was compiled;

(b) The Health Sector Human Resource Strategy that will link supply and demand for all existing health cadres was finalized and implementation is ongoing including decentralization of recruitment to provinces and districts;

(c) The channelling of funds directly to all health facilities is ongoing;

(d) Gazettement of national and sub-national Health Sector Services Fund (HSSF& HMSF) management committees and the development of guidelines on management of the Fund was completed; and

(e) Dissemination of the health sector position paper on implementation of the new constitution was completed

5.3.5 Challenges

The following were the main challenges during the period under review:

(a) Underfunding of the sub-sector which constrains provision of health care services – the 15 per cent budgetary allocation envisaged by the Abuja Declaration has not been attained.

(b) Inadequate infrastructure and equipment that affects institutional performance at national and sub-national levels.

(c) Low health facility deliveries despite high antenatal care (ANC) coverage.

5.3.6 Lessons Learned and Way Forward

In order to achieve the planned targets, the health sector requires more funding as called for by the Abuja Declaration. This will lead to improvement on the quality of services, which includes physical infrastructure, and preventive and curative programs. There is need to review the ambitious target set for mortality and skilled birth attendants. The target set in future should be based on evidence and the trends of the targets.

5.4 Environment and Natural Resources

5.4.1 Overview

The country's natural resources play a vital role in economic growth and poverty reduction. Prospects for the country's long-term growth are

therefore dependent on effective management of these resources. This sector also contributes towards employment creation and generation of income. In addition, the sector provides a foundation for human survival and livelihood through provision of food, water, air, soil and other life support materials including early warning information for disaster risk reduction. The sustainable management of resources in this sector is, therefore, of priority in the achievements of the Kenya Vision 2030 aspirations of development in a clean and secure environment and the attainment of MDG Goal 7 on ensuring environmental sustainability.

5.4.2 Policy Review

The sector is guided by various national policies, strategic objectives and interventions pursued and implemented by relevant line ministries within the context of Kenya Vision 2030 and its first Medium Term Plan (2008 - 2012) and Strategic Plans. These include: Sessional Paper No. 6 of 1999 on Environment and Development; the Environment Management and Coordination Act (1999); and Mining Act Cap (306) of 1940. In the mining sector, the department of Mines and Geology continued to use the Mining Act of 1940 in its programmes although it is out dated. A revised draft Mining Act and Mining Policy has been prepared and the finalisation of the Act and policy will attract more investments in the mining sector and ensure benefit sharing between miners and the local communities. Other policies and legislations include: the Ministry of Forestry and Wildlife Strategic Plan, The Forest Act (2005), Sessional Paper No. 1 of 2007 on Forest Policy, and the draft Wildlife Act and Policy.

5.4.3 Achievements

(a) Sector Performance

The Ministry developed and rolled out a Green Schools Initiative in conjunction with the Ministry of Education that aims at inculcating good environmental conservation practices to school going children who shall later become champions of conservation. A total of 150 schools were distributed with a 10,000 litres water tank with appropriate gutters and seed money for establishment of a tree nursery. The sector managed to increase forest cover by the 3.82 per cent against a target of 3.5 per cent therfore, the target was achieved.

Linkages with Institutions of Higher Learning were strengthened during the period. Consultations were held with stakeholders (Ministry of Education, Kenya Institute of Education and tertiary institutions) on review of their curricula to address ESD concerns. In consultations with other stakeholders, the sector has drafted an ESD policy and three (3)

Regional Centres of Expertise have been established at Kenya Methodist University in Eastern Region, Narok and Mau in Rift Valley and Pwani University College in Coast Province. The Jomo Kenyatta University of Agriculture and Technology developed and launched its institutional ESD policy in September 2010.

(b) Flagship Projects

(i) Rehabilitation and Protection of Indigenous Forests in the Five Water Towers

During the period under review, a 20-year National Forestry Plan aimed at increasing the current forest cover to 10 per cent and securing all the major water towers was developed. The proportion of land under forest cover increased marginally from 3.47 per cent in 2009/2010, to 3.82 per cent in 2010/2011. This represented an increase of 0.35 per cent. A total 0f 128,747,253 seedlings were produced. In addition, 5,441 ha of industrial forest plantation and 195,396 ha of natural forest were rehabilitated.

Out of the 314,427 hectare of forest land that has been rehabilitated, 313,422 hectare is under protection for natural regeneration while 1,005 hectare was rehabilitated through enrichment planting.

During the period under review over 3,000 ha was rehabilitated through planting of over 2 million indigenous tree seedlings in tree cover enrichment programmes under the Lake Naivasha catchment. Land cover maps of Mt Elgon and Cherenganyi hills were developed during the review period.

Through the Lake Victoria Environment Management Programme II (LVEMP-II) catchment areas around the Lake Victoria Basin and the lakes catchment were rehabilitated. Point Sources pollution control and prevention component were identified and Terms of Reference (TORs) were prepared for the consultancy to assess, classify and update data on point sources of pollution in Winam Gulf, and for the feasibility study, design and supervision of construction for Homa Bay and Bomet sewerage treatment facilities and eco-sanitary toilets. On the watershed management component, draft wetlands management plans and constitution were prepared. Preparations for a consultancy on ecosystem management plan for the Mau Forest Complex were also completed.

Parts of the Mau Forest Complex were rehabilitated through a tripartite collaboration between the Ministry of Environment and Mineral Resources, Ministry of Forestry and Wildlife and Department of Defence by planting indigenous tree seedlings in Amara /Marinas Mau blocks. Further, the Ministry increased allocation to key environmental programmes such as

the Nairobi River Programme which involved rehabilitation and restoration of Nairobi rivers basin using the Nairobi river model.

(ii) Waste management system

During the period under review, 63 dumpsites were identified and 16 removed. Areas where the dumpsites were removed include Mukuru Kaiyaba, Nairobi Dam, Outering along Ngong River and Kayole. This target is gradually expected to rid Nairobi of illegal dumpsites thus ensuring a clean and healthy Environment for Nairobi residents. A task force has been constituted to spearhead development of a waste management strategy for five municipalities during the 2011/2012 financial year.

Under the Nairobi River programme, documentation on the status of Kijabe Street, Gikomba and Kipande sections of the Nairobi River were undertaken. EIA proposals for the waste disposal sites were processed particularly on relocation of the current sites which are poorly located in relation to human settlements.

National Mapping of Pollution Sources was done along Sosian River near Eldoret Town and along Tana River.

(iii) Land use and cover mapping

During the period under review, 747,949 ha were surveyed and mapped in Nakuru County against the MTP target of 763,040 hectares and another 15,546 ha in Kajiado County. This was a against the MTP target 15,546 ha, which demonstrates that the target for Kajiado was achieved while the target for Nakuru was not achieved.

(iv) Modernization of Meteorological systems

In 2010/2011, 200 technical staff were trained on Table Driven Code Forms (TDCF), IMIS was also delivered and installations are on-going at KMD headquarters. In addition, the tender for CLISYS was advertised.

(v) Rehabilitation, regeneration and restoration of Nairobi River

During the period under review, NEMA stopped 30 points out of the MTP target of 23 discharge points.

(vi) Capacity on environmental information management developed and CDM scheme

The MTP targets under this outcome include: the establishment of a DNA website and database, the development of adaptation programmes at community level which are fundable, and approval of clean development mechanisms. In 2010/2011, the DNA website was redesigned, updated and integrated in to the NEMA website. Awareness was created among communities

and District environment committees and four community proposals on adaptation programmes were developed. During the period under review, the authority reviewed and approved projects from organizations and the private sector that met all environmental requirements. Two CDM projects were registered while the Authority reviewed seven projects and issued four no objection letters.

(vii) Management of Coastal Zone

During the period under review, the planned targets were achieved. The Coastal Zone Pollution Prevention Guidelines, Shore line management Strategy and Guidelines, and the ICZM plans were finalized. The Guidelines and ICZM are expected to provide resource owners and users practical ways on sustainable utilization of the marine resources and also to enhance protection of the fragile ecosystems and species therein.

(viii) Management of Wetlands

During the period under review, management plans were made for two wetlands in Nandi and Kericho. Terms of Reference for a consultancy were developed for the Yala Swamp. Further, an inter-ministerial taskforce was formed to look into fragile wetlands and deltas under threat from human activities, on a priority basis. The wet lands include the Tana and the Nyando delta and the task involves preparation of general management plans.

(ix) Secure Wildlife Corridors and Migratory Routes

During the period under review, the Lamu corridor was identified and a draft map developed. Lake Elementaita National Wildlife Reserve has been identified, mapped and gazetted. In addition, the establishment of a nine kilometre wildlife corridor linking Mt. Kenya Forest Reserve and Lewa Wildlife Conservancy (LWC) to the North East of Mt. Kenya has been finalized and is now operational.

In order to reduce human wildlife conflict, 480 units were sampled against a target of 6,500 sample units. The MTP target was therefore not met.

(x) Human and Wildlife Conflict

Human wildlife conflict cases were recorded in occurrence books and captured in the database and analysis done and actions taken. An increase of 28.4 per cent response was recorded against the target of 20 per cent. The sector also worked with youth forums in human wildlife mitigation and conservation awareness programmes in the wildlife hot spots (Samburu, Laikipia, Narok, Kwale).

Two military tents were also provided for training community scouts to assist in animal control.

(xi) Review of the Wildlife Bill (2007) and Draft Wildlife Policy (2007)

During the period under review, the Draft Wildlife Policy, (2010) and the Draft Wildlife Bill (2010) were finalized and forwarded to the Cabinet for approval.

(xii) Review of the Forest Act and Policy

The process of reviewing the Forest Act in line with the new constitution was completed and two public consultations held. The process of reviewing the forest policy is on-going and three public consultations have been held.

(xiii) Review of the Timber Act and Grass Fire Act

During the period under review, a consultant was hired to undertake the review of the Timber Act and Grass Fire Act, which is currently underway.

Other achievements realized include the publishing of Eucalyptus Tree Guidelines; creation of an institutional framework to guide the operations of KFS; and the gazettement of three subsidiary legislations (on Sustainable Forest Management, Harvesting, and Charcoal Rules of 2009).

5.4.4 Challenges

The main challenges and constraints which inhibited effective and efficient implementation of the planned projects' activities during the period under review included:

(a) Financial constraints especially to map the unmapped areas of the country;

(b) Inadequate policy and legal framework to guide on data quality, information sharing, partnerships, intellectual property rights and early warning systems for food security and inadequate specialized equipment;

(c) Financial constraints arising from delays in the release of funds and low budgetary allocations, causing delays in the implementation of various projects.

(d) Heavy rains during the year under review also hampered fieldwork especially in mineral exploration and mapping;

(e) Inadequate capacity to undertake departmental operations efficiently and effectively and high rate of technical staff turnover due to attractive opportunities for highly skilled scientific professionals from the technical departments of KMD, DRSRS, Mines and Geology;

(f) Limited awareness by the public and policy makers on the various environmental products and services of the Ministry; and

(g) Inadequate resources for maintenance of the highly

specialised equipments in the technical departments.

5.4.5 Lessons Learned and Way Forward

The lessons learned included: the importance of networking; collaboration; and team work by the relevant organizations and stakeholders at all levels of planning and implementation of flagship projects. In view of the above, the way forward towards the implementation of the Ministry's flagship projects and achievement of its objectives will include but not be limited to the following:

(a) Continued structural reforms especially transforming KMD into a Semi – Autonomous Government Agency (SAGA). If KMD is delinked it will be able to offer services more efficiently and effectively, and will have the requisite legal and institutional framework on which to generate more revenue through cost recovery and to source for resources within and outside the country;

(b) Enhanced networking where we have inadequate capacity to undertake its operations efficiently and effectively;

(c) Enhanced strategic planning and prudent management of available resources;

(d) Continued review and development of the necessary institutional and legal framework;

(e) Continued enforcement of environmental standards, guidelines and regulations; and

(f) Enhancement of institutional capacity. Following the acquisition of raw data from the field, database is currently being updated. It is expected that the data update will be completed soon to enable final realization of land cover and land cover changes. The end product will be a report consisting of temporal spatial trends and statistics of land cover and land cover changes

5.5 Water and Irrigation

5.5.1 Overview

The Water and Irrigation sub sector has the focus of "assured water resources availability and accessibility by all". The performance of key sectors in the economy especially agriculture, livestock, energy, manufacturing and tourism depend on the availability and reliability of water services and resources. The sector contributes to national development by promoting and supporting integrated water resource management to enhance water availability and accessibility so that by 2030, no Kenyan should be without access to an improved water source and sanitation.

5.5.2 Policy Review

The policy priorities of the sub sector are centred on the following areas: expansion of water coverage to move towards achieving Vision 2030, its MTP and MDGs; expansion of sewerage facilities for both safe and good living environment; scaling up of water storage to improve water security for the country in the midst of climate variability; scaling up of irrigation in order to reduce dependence on rain-fed agriculture and to address food security; and Catchment conservation targeting the main water sources/ towers

In recognition of the fact that deterioration of water resources, supply and sanitation services coverage needed to be reversed, the water sub-sector reforms were initiated with the enactment of the Water Act (2002). The reforms concentrated on a framework for separation of the policy functions of water supplies, resources development and management.

The sector is implementing the Water Sector Strategic Plan (WSSP) 2010-2015 which brings together the water sector players to manage, protect and develop water resources countrywide in a joint, cooperative and coordinated framework. It informs the general public as well as guides stakeholders in the sector to better address the current water situation and upcoming challenges within the context of the Kenya Vision 2030, the first MTP and the Ministry's Strategic Plan. Emphasis is also placed on implementation of 'the Pro Poor Implementation Plan' through the Water Services Trust Fund (WSTF) in order to reach the areas not previously served with water and sewerage services.

5.5.3 Achievements

(a) Sector Performance

In a bid to improve access to safe water, water storage, and access to sewerage facilities and irrigation, the sector realised the following achievements:

Improved Access to Safe Water: The water coverage has improved due to more targeting of small and medium towns. 70.5 per cent out of a target of 68 per cent of urban households were provided with access to piped water. The MTP target was hence achieved.

Under rural households with access to water from a protected source 49.2 per cent out of a target of 52 per cent households accessed water. This implied that the target was not met a fact attributed to low funding, old infrastructure, high population growth, reducing water resources availability and inadequate operating expenses. Additionally, existence of unplanned centralized villages led to high capital costs in the provision of water services.

Increased Water Storage and Harvesting Capacity: Water Storage Per Capita realised was 4.6m^3 against the MTP target of 8m^3. This MTP target was not met because of limited water harvesting and storage capacity, low investment in water storage infrastructure and the periodic/cyclic water shortages due to drought.

Increased Access to Sewerage Facilities: Under this initiative, 35.5 per cent of urban household had individual or shared access to sewerage facility against the MTP target of 45 per cent. The MTP target was not realised due to the large number of urban poor. However, the WASH program and UPC projects continued to provide sewerage coverage to the urban poor.

Increased area under irrigation: The hectares under irrigation for food production registered 5,671 ha against the MTP target of 5,000 ha. This target was therefore achieved.

(b) Flagship projects

This section outlines the achievements realized under the various flagship projects in the sub sector.

(i) Water Resources Information Management

During the period under review, a total of 133 hydro metrological stations were rehabilitated against a target of 180 hydro metrological stations. This therefore means that the target was not met; the main reason being that the stations are frequently washed away or destroyed in floods hence the need for continued rehabilitation.

For groundwater hydro-geological mapping in Turkana and Marsabit, a preliminary study has been done and background report prepared, with the study expected to commence in financial year 2011/2012. The sub-sector also prepared and implemented 42 catchment management plans/ strategies against a target of six water Catchment Management Strategies (CMS).

(ii) Water harvesting and storage programme

A major dam building program was initiated in the 2008/2009 FY to increase the country's storage capacity by 30 million cubic metres. The initiative had begun with construction of five medium sized dams namely Maruba in Machakos, Kiserian in Kajiado, Chemususu in Baringo, Umaa in Kitui, Sasumua in Nairobi and Badasa in Marsabit of which Sasumua Dam and Maruba Dam were completed in 2010. The status of the other dams during the period under review is as follows: Kiserian Dam was to be completed by January 2011 but was only 84 per cent complete; Badasa Dam is expected to be complete by December 2011, its status is 60.4 per cent complete; Chemususu Dam is expected to be

completed in July 2012, but is only 54.77 per cent complete, Umaa Dam costed at KSh. 824 million was initially expected to have been completed in January 2011 but has been the subject of a dispute and a restraining order issued by the Courts.

The construction of a 54 km inter-basin water transfer (Rahole canal) covering Tana River to Garissa realised minimal progress with only bush clearing, a preliminary survey of 10km and draft design done. The delay is attributed to communities' conflicts in the area.

The sub-sector also targeted to construct two large multi-purpose dams along Rivers Nzoia and Nyando. Under this project, performance was dismal having only finalized the Design Report for Nzoia Dam. The poor performance is attributed to slow procurement of geotechnical services from limited available contractors.

(iii) National Water Supply and Sanitation

Under the rehabilitation and augmentation of the second Mzima pipeline, the target for 2010/2011 was to seek financing for the projects. Under the reporting period an MOU was signed with potential Chinese financiers but the funding has not been available. Similarly negotiations for financing are ongoing with other development partners.

The sub-sector was also to expand water and sanitation coverage for Nairobi, Mombasa, Kisumu, Nakuru and Kisii and satellite towns around them. For Nairobi, the MTP target was to have a Water Master Plan, Sewerage Investment Plan, three dams (Sasumua, Theta and Maragua). The achievements in 2010/2011 were: one water sources options report has been prepared; ground water sources study report has also been prepared. The construction of Theba dam has also commenced and Sasumua has been rehabilitated. In addition, aerial mapping and a feasibility study for Maragua dam was conducted.

In Mombasa, only new water pumps and bulk meters were installed in 2010/2011. This was against the MTP target of increasing bulk water production by 1.6 billion m3; rehabilitating pumping stations for Mombasa; constructing sewerage ponds in Malindi; and developing a sewerage investment plan for the Coast Region. This shows that most of the targets were not achieved. The sewerage ponds and sludge beds could not be constructed in Malindi since the designated land became unavailable.

In Kisumu the target was to implement the Long Term Action Plan (LTAP) II. Phase II of expansion works were pursued with a progress of 40 per cent implementation in the year under

review. Similarly in Nakuru, expansion works started in 2008/2009 and are still ongoing under ADB funding. However, there is no progress reported for 2010/2011. In Kisii, the target was to complete implementation of Kisii (Kegati) Water Supply and, so far, the implementation was carried out to attain 80 per cent completion.

During the period under review, the sub-sector planned to rehabilitate/ augment 15 towns but only ten towns were augmented and rehabilitated. Hence, the target was not met. The under-performance is attributed to low and inadequate budgetary allocations which led to slow implementation.

In support of drought mitigation interventions between January to June 2011, the Government released KSh 586 million to 19 most affected counties (Garissa, Isiolo, Wajir, Samburu, Marsabit, Mandera, Laikipia, Tharaka, Kitui, Makueni, Kajiado, West Pokot, Turkana, Baringo, Kilifi, Kwale, Tana River, Lamu, and Taita Taveta) to undertake mitigation activities. 996 water trucking centres were served using 53 GoK and 37 hired water tankers, 186 boreholes previously broken-down were repaired/ rehabilitated, 242 community water schemes granted fuel subsidy, 426 plastic/collapsible water tanks distributed and 100,000 aqua tabs distributed to disinfect water at the household level. A population of about 2,200,000 people and 9,000,000 livestock benefitted from the interventions.

During the period under review, an additional 569,720 people were provided with access to sanitation and sewerage services. In the same period 572 VIP latrines/facilities, 804 Ecosan toilets and 18 ablution blocks were constructed benefiting over 160,000 people.

Since 2008/2009, sewerage intervention measures resulted in an additional 1.7 million people being covered. The access to sewerage and sanitation as at the end of 2010/2011 was as follows: - urban sewerage coverage –32 per cent, and rural sewerage coverage – 8 per cent.

(iv) Irrigation and Drainage infrastructure development

To expand the existing irrigation schemes, the Government managed to install three pumps in West Kano and to construct six water reservoirs. Five were in Bura and one in Perkerra. Rehabilitation was done in Perkerra, Katilu, Lokubae, Elelea and 2km dykes in Bura. This was against the MTP target of: installing three pumps in West Kano and constructing three night storage reservoirs in Bura and rehabilitation of one km dyke in Bura. In opening up irrigation projects in potential areas, the sector managed to undertake studies for 17 projects

where eight were complete with detailed designs. This was against the MTP target of undertaking 12 irrigation development studies. This, therefore demonstrates, that the target was achieved.

From 2007 to 2010, the NIB prepared plans to bring various areas in the country under irrigated agriculture. These include: lower Kuja in Migori; lower Sio in Busia; Ugenya, Alego and Usonga in lower Nzoia; Muringa/ Banana in Maara District; and Kagari-Gaturi in Embu. In addition, to make irrigation more sustainable and cost effective, plans to transform the pumped schemes to gravity systems have been designed for:- West Kano, Ahero, Bunyala, Bura and Hola. These schemes will as a result be rehabilitated and expanded to increase the irrigated area.

(v) Land Reclamation

One of the other challenges facing this nation is the continued degradation of land and resultant decline of water conservation and land productivity following poor land use practices, increasing population and climatic changes. Eroded soils from bare and degraded lands are deposited into dams, pans, lakes, and other reservoirs thus destroying expensive infrastructure, reducing water storage volume and causing loss of expensive national investments in addition to leading to the increasing decline of land productivity.

In response to this challenge of continued degradation of land and resultant decline of water conservation and land productivity following poor land use practices, increasing population and climatic changes, a National Land Reclamation Policy to guide land reclamation initiatives has been formulated. This policy has been finalised through stakeholder consultations and is awaiting presentation to the Cabinet. In addition, the Government has embarked on an intensive integrated ASAL development program targeting the increase of water conservation, environmental rehabilitation and restoration, promotion of research in ASAL resources management and the adoption of alternative livelihoods in order to facilitate sustainable economic and social development of communities.

The Ministry is implementing land reclamation activities in seven ASAL counties of Turkana, Garissa, Baringo, West Pokot, Laikipia, Isiolo and Mwingi. Over 2,880 ha of land was reclaimed in the period under review and this land is currently in use to mitigate food and fodder insecurities.

(vi) Trans-Boundary Waters

The Trans-Boundary Waters in Kenya include: Lakes Victoria, Turkana, Chala, Jipe; Rivers Umba, Mara, Sio, Malaba,

Malakisi, Daua, Ewaso Nyiro; and aquifers Merti, Kilimanjaro, among others. Presently draft cooperative agreements for negotiation with riparian states have been prepared for Lake Turkana-Omo Basin, River Mara Basin, Rivers Sio-Malaba-Malakisi and a draft MOU for the sustainable management of Lakes Jipe-Challa Basin.

In addition, the following initiatives have been undertaken: the Government through the Ministry of Water and Irrigation is seeking a negotiated agreement between Kenya and Ethiopia on the sustainable management and development of River Omo and Lake Turkana Basin and River Daua Basin; a draft MOU for sustainable management of Lakes Jipe-Chala Basin has been prepared and is awaiting the negotiation process between Kenya and Tanzania; sensitization of Counties sharing trans-boundary waters with riparian states was undertaken and the Nile Basin Cooperative Framework of Agreement (CFA) has been signed and is awaiting ratification by Parliament. A trans-boundary Water Policy was prepared and is awaiting Cabinet approval. Finally, a Cooperative Framework Agreements for River Mara between Kenya and Tanzania and Rivers Sio-Malaba-Malakisi (SMM) between Kenya and Uganda are in their final stages.

5.5.4 Policy, Legal and Institutional Reforms

During the period under review, the sub-sector was able to: develop the National Water Resources Management Strategy; develop Sub Catchment Management plans for the entire Mount Kenya region; initiate the preparation of a Cabinet Memorandum on water storage whose objective is to increase water storage from the current per capita of 8 m^3 to 16 m^3 by 2012 (under preparation).

5.5.5 Challenges

The challenges faced by the sector are as follows:

(a) Governance and institutional weaknesses. The institutional framework is weak and this hampers coordination and cooperation in project implementation. This is attributed to the Transfer Plan not being fully implemented since the water sector reforms were instituted, lack of sufficient technical capacity to execute water projects expeditiously and the poor linkages in collaborating institutions during project implementation.

(b) Water scarcity and water security. Renewable fresh water per capita was 647 m^3 in 1992 and is projected to fall to 235m^3 by

2025 if supply is not matched with population increase. There are also great regional imbalances in water availability requiring varied approaches for their utilization. Inadequate water harvesting and limited storage infrastructure lead to water insecurity especially in the ASAL and flood prone areas.

(c) **Poor sector information.** The sector lacks baseline data for water and sanitation coverage, storage per capita, water used in irrigation, and abstraction of ground and surface water, amongst many other data sets required for adequate planning. Where data exists, it is inconsistent and old. There is also no sound method of updating this information when required for planning and projections purposes.

(d) **High operation and maintenance (O&M) costs.** The operations and maintenance of water sector infrastructure requires high levels of subsidization due to high costs especially for energy (electricity and fuel). This is mostly due to the nature of projects where pumping of water is done and the users cannot pay high tariffs to meet the projects' running costs.

(e) **Inadequate funding for development of water infrastructure.** The current budgetary allocation to the Ministry is low. The sector infrastructure requires rehabilitating, expanding and developing to meet increasing demand due to population growth and urbanisation and to contain the high levels of unaccounted for water.

(f) **Lack of legal regulatory frameworks for the sector.** The Irrigation and Drainage and Land Reclamation sub- sectors do not have a legal policy framework. Similarly, the trans-boundary water management frameworks are still being drafted.

(g) **Alignment to the new constitution.** The constitution has placed the use of water resources as a national government function while the provision of water and sanitation services as a county government responsibility. This will force the Water Act 2002 to be realigned under the new constitutional dispensation.

5.5.6 Lessons Learned and Way Forward

a) **The Transfer Plan needs to be finalised** so that institutions in the water sector can start operating with clear mandates, adequate resources (human, capital assets, etc) and therefore have accountability for implementation or lack thereof.

b) **To combat water scarcity,** the Ministry needs to build the capacity of the Water Resources Management Authority (WRMA) to be able to cope with the challenges of water resources management and protection including water quality surveillance, monitoring and the enforcement of standards.

c) **Construction of water harvesting and storage infrastructure** needs to be prioritised and fast tracked to improve water security for multipurpose uses.

d) The Ministry needs to fully align itself with the SWAP for performance assessment, budgeting and policy guidance in order to harmonise the sector information base. This will allow a broad spectrum of stakeholders to gain insight into, discuss and influence sector developments through the Water Sector Working Group (WSWG) and the Annual Water Sector Conference reports.

e) To reduce the high O&M overheads for water projects, the Ministry should invest in more gravity systems for water supply and irrigation schemes.

f) The sector requires increased funding to improve infrastructure rehabilitation and development to meet current and future water demand. Other innovative funding mechanisms beyond the Government and development partners need to be sourced to meet the ever growing demands in the water sector.

g) The policies for Land Reclamation and Irrigation and Drainage sub-sectors need to be finalised to guide the effective implementation of their core functions.

h) The Trans-boundary Cooperative Frameworks for Agreement (CFAs) especially the one for the Nile region require to be finalised to enable more effective utilisation of shared water resources which constitute about 50 per cent of the water sources for Kenya.

5.6 Gender, Vulnerable Groups and Youth

5.6.1 Overview

The sector contributes to the aspirations of the Kenya Vision 2030 by promoting gender equity in power, resource distribution, providing quality services to the youth and social services to the disadvantaged groups in the country. The disadvantaged groups cut across all categories of the population including women and children, Persons with Disabilities (PWDs) and the elderly. Under the MTP and the Vision 2030, the key areas of focus include specific programmes and projects, policies, legal and

institutional reforms to address the concerns of the group.

5.6.2 Gender

(a) Policy Review

The Kenya Vision 2030 strives to mainstream equity in all aspects of the society. In this regard, gender equity is being addressed by making fundamental changes in aspects concerning opportunities, empowerment, capabilities and vulnerabilities. Gender issues are to be mainstreamed in government policies, plans, budgets and programmes as an approach geared towards achieving gender equity. In particular, the Government will strive to increase women participation through the affirmative action policy which provides for 30 per cent representation in all economic, social and political decision making processes and platforms as well as economic empowerment.

Other deliberate efforts include reducing poverty across the board, prohibiting retrogressive cultural practices and social ills as well as improving access to essential services. Additionally, the Government will strive to uphold basic children's rights in line with international agreements and ensure that the country produces a globally competitive labour force inclusive of young people at all levels.

(b) Achievements

The Government aims at mainstreaming gender equity in all aspects of the society. In this respect, gender equity issues are addressed by making fundamental changes in four key areas namely; opportunity, empowerment, capabilities and vulnerabilities. In order to address the inequities the following were pursued during the period under review:

(i) **Funding and training**: There was increased funding to women entrepreneurs. A total of 118,068 women were supported countrywide against the MTP target of 75,000 women. In an effort to alleviate poverty, a total of 1,955 Self Help Groups received grants. To further empower women and improve entrepreneurial skills a total of 13,520 women entrepreneurs were trained against the target of 2,400 women. This means therefore that the target was surpassed.

(ii) **Gender Disaggregated Data:** In the period under review, the Ministry produced the 2011 Gender Datasheet by updating information in the existing 2008 Gender data. The collection and analysis of gender disaggregated data to form the basis of developing gender sensitive policies, plans and programmes is on-going.

(iii) **Affirmative Action Policy.** The draft Policy was approved and its aim is to increase women representation by ensuring that women have at least 30 per cent representation in recruitment, promotion and appointment at all decision making levels. In conforming to the Affirmative Action Policy, an analysis of data from line Ministries and Parastatals on compliance levels of the 30 per cent presidential directive on affirmative action was conducted and two reports produced as targeted.

(iv) **Retrogressive Cultural practises:** In regard to public forum, two public fora for Anti-FGM campaign were organized in Baringo and Pokot Counties against a target of one.

(v) **Increased gender equity:** In regard to the proportion of women recruited in the public sector, the sub-sector realised 30 per cent against the target of 28 per cent.

(c) Challenges

The main challenges which inhibited effective and efficient implementation of programmes, projects and activities planned during the review period include:

(i) Insufficient funding to support the achievements of MTP targets

(ii) Limited gender expertise constraining the implementation of gender mainstreaming activities especially in training and development of gender related policies;

(iii) Delays in exchequer releases which hinder implementations of various activities within the Ministry

(iv) Some Gender Divisions in Line Ministries and Parastatals are ineffective or non-functional due to lack of adequate capacity and resources.

(v) Retrogressive cultures and traditional beliefs such as early marriages and FGM that mainly affect women and Children negatively continue to be rooted in some communities. Increased cases of child neglect and abuse, disparities in gender ratio in various sectors of the economy, and unpredictable weather patterns have adversely affected women and children

(vi) Gender-based violence that mainly affects women and girls and limits their participation in economic, political and social activities is prevalent

(vii) Public Awareness on the Women Enterprise Fund is still low; and

(viii) Inadequate human resources compounded by the creation of new districts.

(d) Lessons Learned and Way Forward

The following are some of the lessons learned during the review period including proposals for the way forward.

(i) There is need for a well coordination mechanism with all key stakeholders involved in gender mainstreaming, social development and child services issues to avoid duplications and ensure maximum benefits.

(ii) There is need to enhance the capacities of UGIs and provide them with sufficient resources to enable them facilitate effective mainstreaming of gender issues in their respective Ministries/Agencies especially implementation of Gender Mainstreaming Indicator activities which is now a mandatory indicator for all the Ministries and Parastatals in the Performance Contract guidelines.

(iii) Capacity building for women entrepreneurs in business skills and management competencies is critical for the effective utilisation of the funds. The Ministry will continue training more women entrepreneurs in the current financial year (2010/2011).

(iv) Awareness creation on the child rights, effects of retrogressive cultural practices and Women Enterprise Fund, need to be enhanced

(v) There is need for the Government funds for the Programme/Projects to be deposited in project accounts which is not tied to the financial year as some of the programmes/ projects are continuous.

5.6.3 Vulnerable Groups

(a) Overview

In an effort to promote support and empowerment towards vulnerable groups and as part of its contribution to the attainment of aspirations contained in Vision 2030 and the Medium Term Plan (2008-2012) the Ministry during the review period, through the National Council for Persons with Disabilities received KSh.200 million to support: Persons with Disabilities, Persons with Disabilities Institutions, Groups of Persons with Disabilities, and for the purchase of assistive devices which were provided to Persons with Disabilities. Households' hosting Orphans and Vulnerable Children received financial support.

(b) Policy Review

During the period under review the following MTP targets were pursued: provision of cash transfers to Orphans and Vulnerable Children, elderly, ageing and other persons facing

vulnerability through establishment of a Consolidated Social Protection Fund; enhancing of the capacity of vocational rehabilitation centres to offer innovative and competitive training programmes for Persons with Disabilities and special needs; promoting and coordinating volunteer services as well as provision of social welfare to Vulnerable Groups; co-ordinating and implementing the Orphans and Vulnerable Children's (OVCs) programme; providing adoption, foster care and guardianship services and safeguarding the rights and welfare of the child.

(c) Achievements

During the period under review, a National Children database was developed. This is aimed at gathering the crucial information required for putting in place policies that are necessary for addressing children and vulnerable groups related issues. Additionally, the following were achieved:

(i) Establishment of Consolidated Social Protection Fund: Under this, the sector has been providing cash transfers to Orphaned and Vulnerable Children (OVCs), the elderly, and persons with severe disabilities. During the period under review, financial Support was provided to 124,752 households hosting Orphans and Vulnerable Children representing 15.6 per cent against the MTP target of 100,000 households representing 12.5 per cent households with OVCs. The MTP target was surpassed by 24,752 households with OVCs that received financial support. In regard to supporting eligible households with vulnerable persons, financial support was provided to 33,000 households with elderly Persons against the MTP target of 35,000 households.

(ii) Representation of Persons with Disabilities in decision making processes: Performance Contracting guidelines have incorporated the MTP target on Disability Mainstreaming with one of the activities under the PC thus ensuring five per cent of all recruited personnel are persons with disabilities, in instances where persons with disabilities apply and without sacrificing merit.

(iii) Disability Fund: During the period under review, financial support was provided to 2,100 persons with severe disabilities and 496 Persons with Disabilities were trained at Vocational Rehabilitation Centres for self-employment.

(d) Challenges

The following challenges hindered the achievement of the set targets:

(i) Insufficient disaggregated data

on different categories of the vulnerable groups in the Country.

(ii) Low public awareness on Child Rights.

(iii) Inadequate transport facilities especially for monitoring the implementation of programmes and projects in the Ministry

(iv) Slow implementation of the provisions of the Disability Act 2003

(e) Lessons Learned and Way Forward

The following were some of the lessons learned during the period under review and the proposed way forward.

(i) More funds need to be provided to the Ministry to implement the existing laws within the Ministry's docket and to upscale the cash transfer programmes falling under the Ministry to widen its coverage.

(ii) There is need to carry out a census to establish the exact number of PWDs providing the sex and category for proper planning.

5.6.4 Youth

(a) Overview

Youth are a priority group in the Kenya Vision 2030. They are a key group that can be tapped for the benefit of the whole country. In order to address the issues affecting youth, there have been deliberate efforts, through formulation of broad-based strategies, aimed at providing the youth with meaningful opportunities to maximize their potential.

(b) Policy Review

The sector has proposed priority measures for enhancing youth development. These priority measures include: lobbying for funds to facilitate operationalisation of the National Youth Council Bill; facilitating transformation of the Youth Enterprise Development Fund into a Youth Credit Guarantee Fund; lobbying for enactment of the Sports Bill; developing Kenya National Sports Stadia Authority Bill; developing a national policy on Youth Polytechnics and vocational training; and review of the National Youth Service Act to keep it in tune with new developments since its inception.

(c) Achievements

(i) Youth Empowerment Centres

Under this project the establishment of the Youth Empowerment Centres was to be promoted with one in every constituency in the country. During the period under review, a total of eight Youth empowerment Centres were established and operationalised.

(ii) International Academy of Sports

The target was to set up an International Academy of Sports at

the Moi International Sports Centre Kasarani where land has already been earmarked for development. During the review period, little progress was made with the Ministry of Finance granting a total of KSh. 145 million for the International Sports Academy in the last financial year. This amount was meant for start up activities of this project, mainly design works which were undertaken.

(iii) Regional Sports Stadia

The sector targeted to establish eight new stadia during the period under review. However, no progress was realised due to lack of resources.

(iv) Youth Enterprise Development Fund (YEDF)

During the period under review, the Fund entered into partnership arrangements with 33 financial intermediaries. Under the Constituency Youth Enterprise Scheme (C-YES) which funds enterprises of youth groups in all constituencies, every constituency was allocated a total of KSh. 4.5 million which totals to 945 million against a target of 700 million showing that the target was achieved. In addition, under the Easy Youth Enterprise Scheme (E-YES) every constituency was allocated a total of KSh. 4,128,000.

(v) Sports Lottery Fund

During the period under review the sector targeted to establish a sports lottery fund. This was dependent on the enactment of the Sports Bill which is yet to be done.

(vi) Policy, Legal and Institutional Reforms

It is incumbent upon the Ministry to initiate the review of the Kenya National Youth Policy in line with the current constitutional dispensation. This will substantially inform subsequent policy documents such as the MOYAS Strategic Plan 2013-2017, and align it with the Second Medium Term Plan 2013-2017.

(d) Challenges

The following challenges were encountered during the period under review:

(i) Inadequate funds to implement most of the flagship projects of the Ministry such as construction and equipment of youth empowerment centres, International Sports Academy, and Regional Sports Stadia among others.

(ii) Youth are discouraged from enrolling into Youth Polytechnics for fear of being regarded as school failures.

(iii) Delays in issuance of certificates by the Ministry of Public Works.

(iv) Rehabilitation works of Mombasa and Kipchoge Keino stadia did not take place due to bureaucracies

especially in the acquisition of Bills of Quantities.

(v) Lack of or inadequate qualified instructors in Youth Polytechnics leading to high trainee-instructor ratio. During the year MOYAS advertised for 2,000 instructors jobs but only about 1,500 qualified and were employed on contractual basis.

(vi) Inadequate physical facilities as well as high cost of tools and equipment for Youth Empowerment Centres and Youth Polytechnics.

(vii) The majority of students of Youth Polytechnics graduate before attaining the maturity age of 18 years and cannot secure employment under the current International Labour Organization (ILO) laws.

(f) Lessons Learned and Way Forward

(i) Demand for Youth Polytechnics training has been steadily increasing and there is need to increase budgetary allocations to finance their infrastructural improvements.

(ii) An additional 1,500 youth polytechnics instructors need to be recruited urgently to address the current shortage.

(iii) There is need to establish more youth polytechnics in rural areas to absorb primary/secondary school levels of education dropouts.

(iv) The management of youth polytechnic subsidized tuition and bursary scheme needs to be enhanced.

(v) There is need to upscale partnership with development partners, private sector, local communities, non-governmental organizations in equipping and management of the youth empowerment centres. This will complement the Government's effort in providing youth with opportunities to maximize their potential.

(vi) There is need for the enhancement of the absorption capacity of the Youth Enterprise Development Fund in addition to up scaling through dynamic YEDF board structure from national to county and constituency levels.

(vii) The obtaining challenges bedeviling the YEDF Board including review of engagement between the YEDF Board and the financial intermediaries need to be addressed, with a view to enhancing accessibility of the funds by the youth. A proposal to establish a Youth Bank is also under consideration.

(viii) Revitalization of the Youth Empowerment Centres is also necessary through completion of the three winged complexes as initially envisaged for realization

of intended the benefits. The ministry has planned to hold consultative meetings with the members of parliament to address their support as initially agreed on the YECs.

(ix) More partnerships should be explored between the Ministry and other players to synergize employment creation.

(x) Unless the fight against drug and substance abuse is enhanced, the gains made in addressing youth unemployment may be significantly reduced. There is thus urgent need for the facilitation of effective treatment and rehabilitation for drug users. To this end the Government will 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 user, within a holistic context that also includes post-rehabilitation counselling.

(xi) It is incumbent upon the Ministry to initiate the review of the Kenya National Youth Policy in line with current constitutional dispensation. This should substantially inform subsequent policy documents such as MOYAS strategic plan 2013-2017, and align with the Second Medium Term Plan (2013-2017).

5.7 Population, Urbanization and Housing

5.7.1 Population Matters under Kenya Vision 2030

(a) Overview

Population management in Kenya is fundamental to sustainable development. It aims at improving the wellbeing of the people of Kenya by reducing poverty, improving the health status, enhancing human resource capacity, increasing gender equality, and facilitating sustainable use of natural resources. For all these to be realized, population should grow at a rate lower than that of the GDP.

Kenya's population has been increasing rapidly at a rate of 3.0 per cent per year since 1999. The 2009 Population and Housing Census recorded a total of 38,610,097 people having increased from a total of 28,686,607 people recorded during the 1999 Population and Housing Census. The Kenyan population is predominantly young as depicted in the 2009 Census that shows that 45 per cent of the population is between 0 and 15 years, while 51 per cent is between 16 and 64 years. The population is projected to reach 42 million in 2012 and 65 million in 2030, with the majority of the people living in urban areas.

(b) Policy Review

The MTP target for the period under review was to reduce population

growth rate to 2.5 per cent. The National Coordinating Agency for Population and Development (NCAPD) initiated strategies geared towards addressing the population concerns. These include: Development of Draft National Population Policy (2011-2030); working towards decline of total fertility rate and carrying out Kenya Service Provision Assessment (KSPA) 2010.

(c) Achievements

During the period under review, the sector realised a population growth rate of 3.0 per cent against the MTP target of 2.5 per cent therefore failing to achieve the set target. This was attributed to limited funding and cultural values and beliefs which limit uptake of family planning initiatives.

The National Coordinating Agency for Population and Development (NCAPD) initiated strategies geared towards addressing the population issues. These include: development of Draft National Population Policy (2011-2030) that was presented to Members of Parliament during a Parliamentary retreat held in Mombasa. The Draft Policy is being finalised for presentation to the Cabinet for approval and, subsequently, forwarding to Parliament for debate.

The total fertility rate has declined from 5.0 in 2003 to 4.6 in 2008-2009 as a result of advocacy campaigns on the adoption of small family norms carried out by NCAPD in collaboration with other stakeholders.

(d) Challenges

Achievement of population policy goals have been constrained by:

(i) Rapid population growth as demonstrated by a high annual population growth rate of 3.0 per cent. This has led to a further strain on the already constrained resources. Moreover, inadequate resources to implement population policies and programmes have hampered Government efforts in addressing population issues.

(ii) Opposition to the use of modern methods of family planning due to beliefs and health concerns associated with the use of these methods and low uptake of long term and permanent methods of family planning. The low involvement of males in family planning practices has also negatively affected realization of the set goals.

(e) Lessons Learned and Way Forward

Kenya's population growth rate is unacceptably high for the MDGs and the Vision 2030 goals to be met therefore the Government needs to redouble its efforts in the management of population in the country. This is necessary in order for the country to lower population growth rate from 3.0

to projected 2.3 per cent per annum by 2012/2013. There is therefore need to allocate more resources to enhance population management in order for the country to meet the MDGs and Kenya' Vision 2030 goals and targets. Other key areas include:

(i) Finalization and implementation of a new population policy that incorporates emerging issues affecting the population in Kenya;

(ii) Improving information, education and communication around population issues including family planning at both the National and County levels;

(iii) Expanding access to Family Planning through community based distribution and involvement of the private sector;

(iv) Working with other stakeholders in the population and reproductive health programme to enhance provision of Reproductive Health services including family planning which respond to programme needs in line with the new constitutional dispensation.

5.7.2 The Housing Sector

(a) Overview

The Kenya Vision 2030, the Kenya Constitution 2010 and other international conventions and treaties recognize that access to adequate affordable and decent housing is a basic human right. Kenya is one of the most rapidly urbanizing countries in the region with an annual urban population growth rate of 3.9 percent between 2005 and 2010. According to the 1999 and 2009 Population Censuses, urban population grew from 5.4 million to about 12.5 million in 1999 and 2009, respectively. The rapid growth in urbanization has resulted to shortage of housing which is manifested by overcrowding, and proliferation of informal settlements. This poses a challenge to the socio-economic development of the country as the long term goals of the country cannot be achieved if a large section of the population is inadequately housed. The current demand for new housing units in urban areas stands at 150,000 units annually and only an estimated 35,000 units (23 per cent) are produced annually. This implies that there is an acute shortage of housing.

(b) Policy Review

The **Kenya Slum Upgrading Programme (KENSUP)** which aims at improving the lives of people living and working in slums and informal settlements in urban areas of Kenya was pursued. The programme is on-going in major urban areas in the country like Nairobi, Mombasa, Kisumu, and Kakamega among others.

(c) Achievements

The government approved a number of incentives to boost housing

development by private sector. A simplified version of approved housing sector incentives was updated in conjunction with Kenya Revenue Authority (KRA). The incentives were published and disseminated to educate housing sector stakeholders - especially developers.

Under housing sector legislation, fast-tracking of legal and policy reviews in light of the current constitution was conducted. The achievements were as follows: Draft Housing Bill 2006 was completed and forwarded to cabinet; on the draft Building Laws and Regulations a Draft Cabinet memorandum was submitted to Cabinet Office. In addition, a draft user manual was prepared.

Under the KENSUP, a Project Appraisal Document (PAD) was developed. This has given rise to the Kenya Informal Settlements Improvement Programme (KISIP) which is a donor funded project. A Multi-Stakeholder Support Group Workshop was held as an avenue to engage KENSUP stakeholders on feedback for the upgrading of projects.

Enactment of the Housing Bill, 2006: This is aimed at legislating a one-stop housing development approvals mechanism to fast-track the approval of housing plans and reduce the time cost of construction. In this respect, discussions were held with the Treasury on the counter signing of a 2010 Cabinet Memo on the Housing Bill, 2006. The preliminary stages for the bill's enactment were therefore undertaken.

Installation of physical and social infrastructure in slums in 20 urban areas: This flagship project is meant to achieve the objective of improving the lives and livelihoods of people living and working in slums, thereby contributing to the creation of a better urban environment with higher productivity, better safety conditions, reduction in health problems and better living conditions. So far 45 per cent of the works under construction of 400 housing units at Kibera Soweto East village Zone A have been undertaken. However, the project stalled due to a court injunction. The Construction of 400 housing units, one primary school, one nursery school, one social hall, one market centre and one health centre in Mavoko, Athi River, realised a completion rate of 73.75 per cent against an MTP target of 80 per cent. Failure to realize the target is attributed to contractual challenges which slowed the construction works.

Construction of housing units: The sectors targeted to construct 200,000 housing units annually by 2012 through a mixture of initiatives in order to fill the huge housing gap in the country. During the period under review, publication and

dissemination of a simplified version of the existing incentives to various housing developers was carried out. Under the Housing Infrastructure Development, through partnership with stakeholders including Local Authorities housing infrastructure in Thika, Eldoret, Mavoko and other areas were installed.

Under Housing Development for Civil Servants, the following were achieved: continuation of the construction of housing units in **Ngara Phase II** whereby a total of 288 No. three bedroom units, 238 No. two bedroom units for sale to Civil Servants, a nursery school and a commercial centre commenced in April 2008 and is expected to be complete in December 2011. The progress of the project is at 90 per cent completion level. In addition, a total of 280 one bedroom units in **Shauri Moyo**, a project developed on Public Private Partnership basis is complete and the houses are occupied.

On **Makueni Road, Kileleshwa,** the construction of 22 four-bedroom apartments which are at 95 per cent completion level was undertaken. The project progressed well but faced some delays which have since been addressed. In **Ngara Phase I,** 130 units are at 88 per cent completion level. Along **Nyeri Road,** 40 units were completed and occupied.

Housing Loans: Under the Civil Servants Housing Scheme loans worth KSh. 554 million were granted. This was done in partnership with Savings and Loans and Housing Finance which aims at facilitating Civil Servants to own houses through disbursement of mortgage to either purchase developed houses or construction.

Establish housing technology centres: During the period under review the sector targeted to establish housing technology centres in each constituency to increase access to decent housing by promoting location-specific building materials and low-cost housing: Under this flagship project, 22 constituency Appropriate Building and Technologies (ABTs) centres were established and operationalised in various constituencies[1]. This is against a target of 15 implying that the target was met.

(d) Policy, Legal and Institutional Reforms

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 ultimate goal of Vision 2030 – cannot

[1] Nyeri; Githunguri; Ndaragwa; Othaya; Yatta; Mwingi; Siakago; Lamu West; Taveta; Wajir West; Mandera East; Fafi; Lugari; Kimilili; Funyula; Rangwe; Alego Usonga; Kendu Bay; Samburu West; Laikipia West; Aldai; and Saboti.

be achieved if large sections of the rural and urban population are inadequately housed. In the urban areas, overcrowding, lack of adequate sanitation and pollution characterize urban slums posing serious health risks to the population. Unplanned informal settlements, on the other hand, pose a serious challenge to the socio-economic development of the country. It is for this reason that the six flagship projects in the First Medium Term Plan 2008 – 2012 on the metropolitan regions of Nairobi, Mombasa, Kisumu-Kakamega, Kitui-Mwingi-Meru, Wajir-Garissa-Mandera and Nakuru-Eldoret are necessary as a corrective measure that will spread the benefits of urbanization across the country. The Ministry of Housing continues with the implementation of the **Kenya Slum Upgrading Programme (KENSUP) programme** with the aim of improving the lives of people residing and working in slums and informal settlements in urban areas of Kenya. The programme is ongoing in major urban areas in the country among them Nairobi, Mombasa, Kisumu, and Kakamega and others.

(e) Challenges

During the implementation of programmes and projects the sector faced various challenges which include:

(i) Inadequate human resource capacity;

(ii) Lack of a legal framework;

(iii) High cost and escalating prices of building materials;

(iv) Low level of Government funding and slow implementation of the housing incentives;

(v) Lack of guidelines to harmonize leasing of Government offices and residential accommodation;

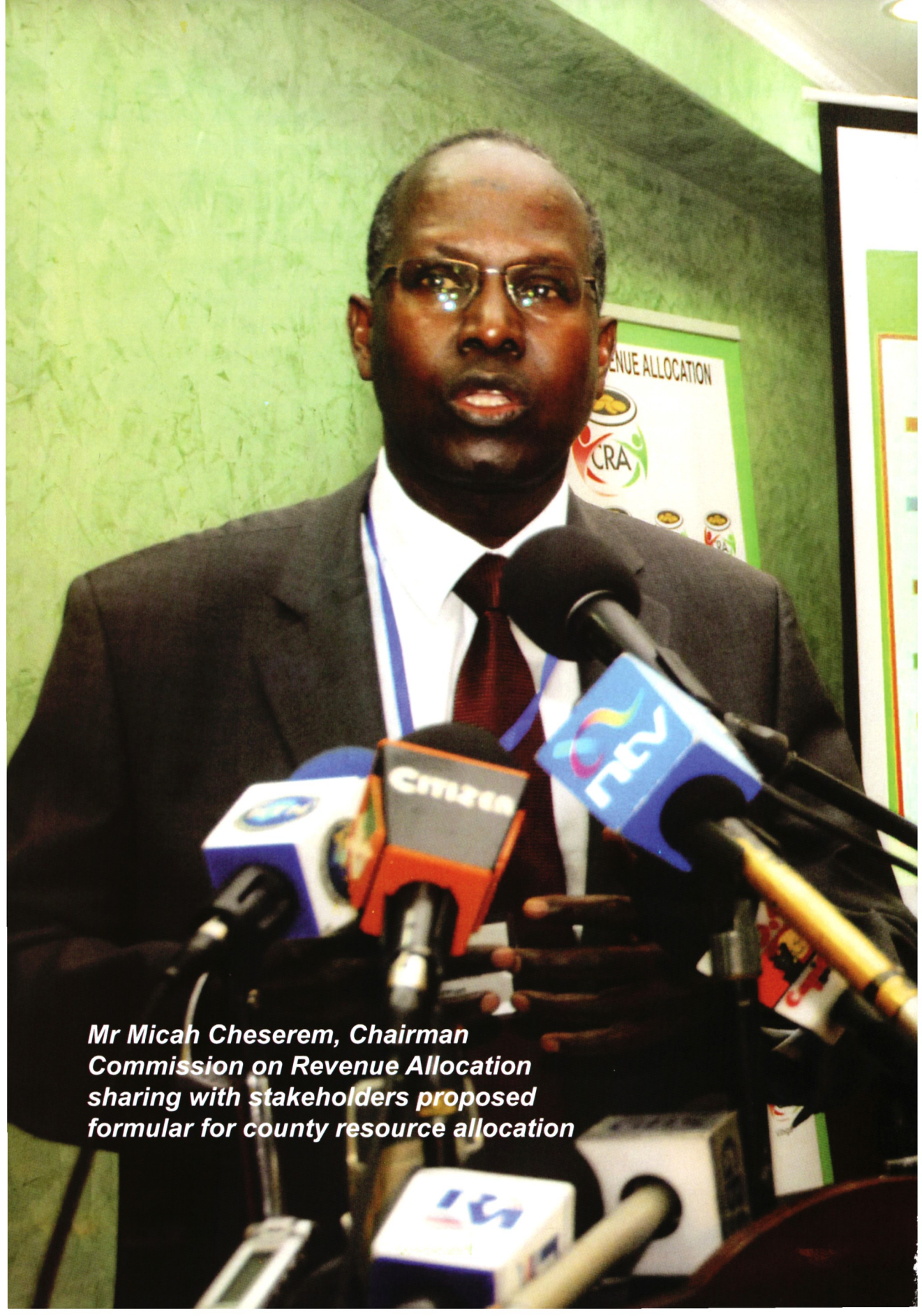
(vi) Court injunctions leading to stalled projects.

(f) Lessons Learned and Way Forward

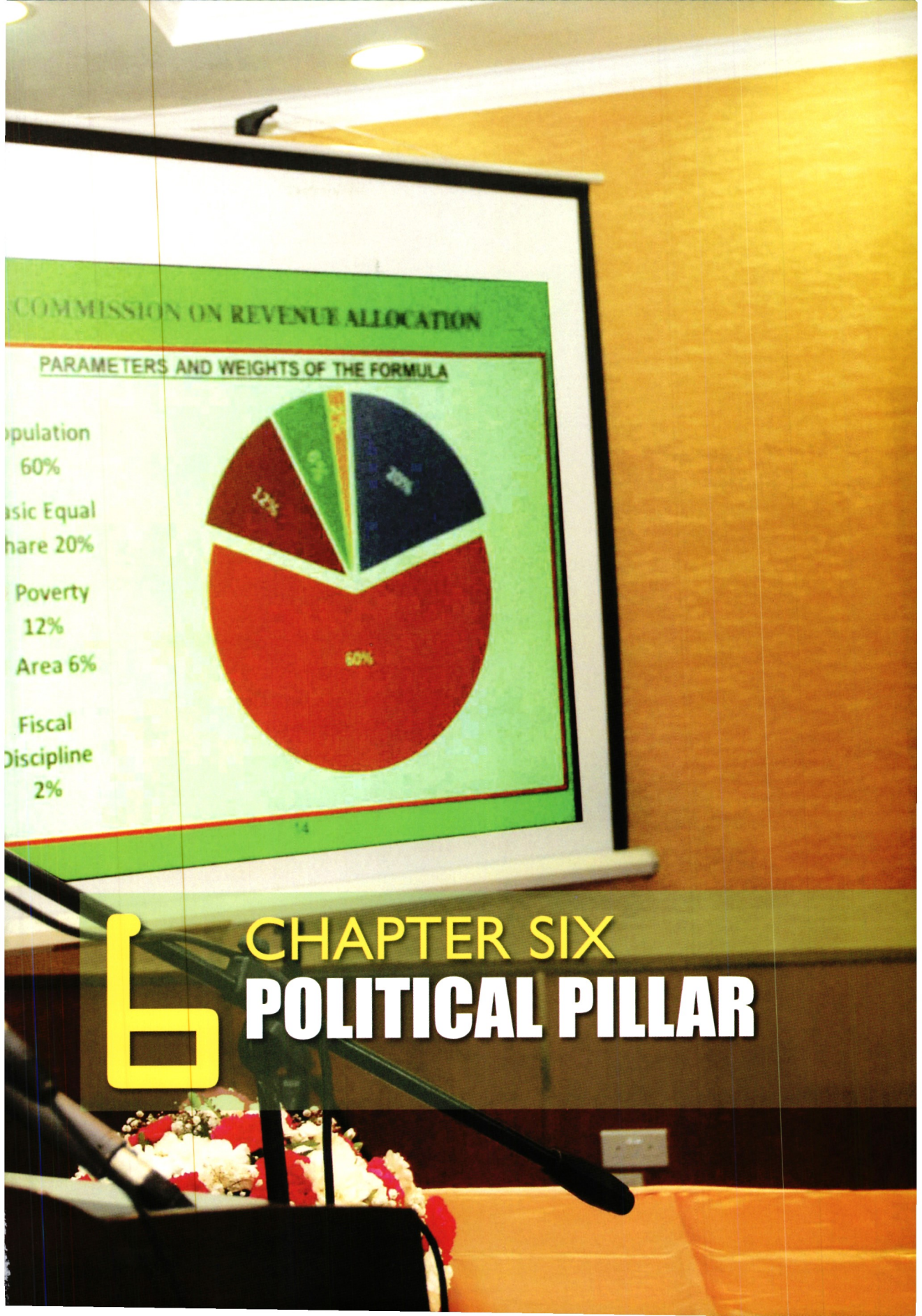
(i) Implement proposed housing incentives to attract private sector participation in housing development;

(ii) Identify additional land for development of houses across the country and at the same time encourage PPPs to upscale their investments in the housing sector so as to close the demand-supply gap; and

(iii) Need to involve all key actors in slum upgrading initiatives and spell out clear responsibilities to avoid conflicts and duplication of services.



Mr Micah Cheserem, Chairman Commission on Revenue Allocation sharing with stakeholders proposed formular for county resource allocation



CHAPTER SIX
POLITICAL PILLAR

6.1 Overview

The political pillar as envisaged in the Kenya Vision 2030 aims to transform the political platform into a democratic political system that is issues-based, people-centred, results-oriented and accountable to the public. The Government is therefore, committed to a wide range of governance reforms under the first Medium Term Plan (2008-2012). These reforms are to ensure respect of the rights of the citizens as stipulated in the Kenya Constitution 2010.

Governance reforms are considered crucial in creating a good foundation for the achievement and realisation of Vision 2030. The governance reforms entail critical constitutional, institutional and legal reforms, which were identified under Agenda 4 of the National Accord of the coalition government. Therefore, this chapter seeks to provide the progress made as well as the challenges faced during the implementation of the set flagship programs inclusive of, on-going and new programmes across the four strategic priority areas and initiatives covered under the GJLOS reform programme.

6.2 Policy Review and MTP Targets

The Political Pillar envisions a country with a "democratic political system reflecting the aspirations and expectations of its people". To successfully achieve the plans envisioned under the Political Pillar of the Kenya Vision 2030, there is need to ensure that they are performed in a framework of an accountable, open, transparent system that permits the free flow of information and most importantly, one in which citizens can hold its leaders accountable.

As part of the efforts leading to the achievement of the Vision 2030, the 2010/2011 MTP targets for the sector were: the implementation of the new Constitution; operationalising of the Truth, Justice and Reconciliation Commission (TJRC); implementation of the Electoral and Political Reforms according to the Constitution; facilitating the establishment and operationalisation of the National Cohesion and Integration Commission; and continuing with the implementation of the pilot Legal Aid and Awareness Programme.

Other projects to be implemented include: the sector wide initiatives within the scope of the Governance, Justice, Law and Order Sector (GJLOS) Reform Programme that include: the rule of law, human right, transparency and accountability.

6.3 Achievements

6.3.1 Constitutional Reforms

The Constitution of Kenya was promulgated on 27th August 2010, after a national referendum that was held on

4th August 2010 that passed with a 67 per cent majority. In October 2010, the Cabinet approved the budget for the implementation of the Constitution. This led to the establishment of the Commission for the implementation of the Constitution (CIC) vide a Gazette Notice published on 31st December 2010. Its functions are to: facilitate, coordinate, monitor, and oversee the development of legislation and administrative procedure and to work with each Constitutional Commission to ensure that the letter and the spirit of the Constitution is respected.

During the period under review, 23 pieces of legislations were enacted in the areas of judicial reforms; electoral reforms; internal security reform; public service reforms; promotion and protection of human rights; public finance; and aspects of the devolved system in an effort to operationalise the Constitution. The specific legislations enacted are discussed below.

a) Commission for the Implementation of the Constitution Act, 2011

This legislation was established by Section Five of the Sixth Schedule. The CIC was established by the Constitution to facilitate, coordinate, monitor and oversee the implementation of the Constitution. A chairperson and members of the commission have been appointed.

b) Vetting of Judges and Magistrates Act, 2011

The Act facilitates the mechanism for vetting of sitting judicial officers under Section 23 of Schedule 6. The chairperson and members were appointed vide gazette notice dated 2nd September 2011.

c) Judicial Service Act, 2011

This Act is intended to operationalise Articles 171, 172 and 173 of the Constitution of Kenya 2010.

d) Independent Electoral and Boundaries Commission Act, 2011

A chair and members of the committee have already been appointed vide Gazette Notice dated 9th November 2011. The Act is intended to operationalise Articles 88 and 89 of the Constitution of Kenya 2010.

e) Supreme Court Act, 2011

The legislation is intended to operationalise Article 163(9) Judges of the Supreme Court have already been appointed vide Gazette notice 16th June 2011.

f) Salaries and Remuneration Commission Act, 2011

The objective of this legislation is to provide for the functions and powers of the Salaries and Remuneration Commission, and the qualifications and procedures for the appointment

of the chairperson and members of the commission. The legislation will also determine salaries of the President, Cabinet, MPs, Governors, Senators, Judges and Magistrates and cater for any other related purposes under Article 230 and Chapter 15 of the Constitution of Kenya 2010.

g) Independent Offices Act, 2011

The objective of this legislation is to provide a frame work for the appointment of independent officers under chapter 15 of the Constitution of Kenya 2010.

h) Elections Act, 2011

The legislation is supposed to revise and consolidate election laws in Kenya. It is expected to provide for the conduct and procedures of elections to the Office of the President, the National Assembly, the Senate, Governors and County Assemblies and to provide for the conduct of referenda and prevent election malpractices.

i) Political Parties Act, 2011

This legislative framework is for the regulation of Political Parties in accordance with Articles 91 and 92 of the Constitution of Kenya 2010.

j) Kenya National Human Rights Commission

The legislation is intended to promote and protect human rights in accordance with Article 59(4) of the Constitution of Kenya 2010.

k) National Gender and Equality Commission Act

This legislation establishes the Gender Commission under Article 59(4) of the Constitution of Kenya 2010.

l) Commission on Administrative Justice Act, 2011

A chair and members have already been appointed vide gazette notice of 9th September 2011. The Act establishes the Commission on Administration of Justice under Article 59(4) of the Constitution of Kenya 2011.

m) Ethics and Anti-Corruption Commission Act, 2011

This legislation establishes the Ethics and Anti-Corruption Commission under Article 79.

n) Kenya Citizens and Immigration Act, 2011

The Act provides the legal framework for the regulation of immigration in Kenya.

o) Kenya Citizens and Foreign Nationals Management Act, 2011

The Act establishes Citizens and Foreign Nationals Management.

p) Power of Mercy Act, 2011

The Act provides for the tenure, procedure and criteria of the Advisory

Committee on Power of Mercy in accordance with Article 133(3). Members of the Advisory Committee on Power of Mercy were appointed through a gazette notice dated 26th October, 2011.

q) Employment and Labour Relations Court Act, 2011

The Act establishes a court at the level of the High Court in accordance with Article 162(2b) of the Kenya Constitution 2010.

r) Environment and Land Court Act

The legislation establishes a Court at the level of the High Court in accordance with article 162(2b) of the Kenya Constitution 2010.

s) Urban Areas and Cities Act, 2011

The legislation provides for the governance and management of urban cities in accordance with Article 184 of the Kenya Constitution 2010.

t) Commission on Revenue Allocation Act

The legislation provides for the governance and operations of the Commission on Revenue Allocation established in accordance with Article 215.

u) The Contingencies Fund and County Emergencies Act, 2011

The Act provides for the management and operations of the Contingencies Fund established in accordance with Article 208.

v) National Government Loans Guarantee Act, 2011

The Act provides for terms and conditions under which the national government may guarantee loans in accordance with Article 213.

w) The National Police Service Act, 2011

The Act provides for the operations of the Police Service in accordance with Article 245(8).

Apart from the legislations enacted, the following independent offices were established in line with the provisions of the new Constitution.

a) Commission for the Implementation of the Constitution

The Commission is to facilitate, coordinate and oversee the implementation of the Constitution in accordance with Schedule 6. One year after the promulgation of the Constitution, the Commission (CIC) in consultation with implementation partners including the Attorney General (AG); the Kenya Law Reform Commission (KLRC); the Ministry of Justice, National Cohesion and Constitutional Affairs (Ministry

of Justice) and the Constitutional Implementation Oversight Committee (CIOC), have successfully undertaken numerous activities towards constitutional implementation. These include the review of various legislations with input from stakeholders and forwarding the bills to the AG for publication and onward transmission to Parliament for debate and enactment.

The CIC is continuously monitoring the implementation of the Kenya Constitution 2010 to ensure that relevant institutions take appropriate steps to amend any unconstitutional provisions within any Acts of Parliament. Further, the CIC is monitoring the appointment process of Constitutional Office Holders and holders of other public offices including the appointment bodies or selection panels, to ensure that all public appointments comply with the national values and principles of gender, regional and ethnic balance as outlined in the Constitution.

The CIC also facilitated enactment of the Industrial Court Act, 2011 and the Environment and Land Court Act, 2011 to deal with specialized cases with respect to employment and labour relations and the environment and the use and occupation of, and title to, land respectively. Further, CIC held consultations with stakeholders including civil society organisations, line departments and ministries, international development partners and the people of Kenya, with the aim of ensuring continued cooperation and support in the implementation process.

b) Judicial Service Commission

The Commission is to promote and facilitate the independence and accountability of the judiciary and efficient and transparent administration of justice in accordance with the Kenya Constitution 2010. The Chief Justice appointed a Chief Registrar of the Judiciary through gazette notice dated 21st October 2011.

c) The Chief Justice: Head of the Judiciary and President of the Supreme Court.

d) Deputy Chief Justice: Deputy to Chief Justice and Vice President of the Supreme Court.

e) The Supreme Court

The Supreme Court is to exercise original and final jurisdiction respecting presidential elections and final appellate court on other matters in accordance with Article 163 and the Supreme Court Act. The Supreme Court Judges were appointed through gazette notice dated 16th June, 2011.

f) Judges of the High Court

Judges of the High Court were appointed through gazette notice dated 23rd August, 2011, in line with Article165 of the Constitution of Kenya 2011.

g) Vetting of Judges and Magistrates Board

The Board is established to vet sitting judges and magistrates in accordance with Section 23 of the Sixth Schedule of the Kenya Constitution 2010.

h) Commission on Revenue Allocation

The Commission is to advice on allocation of revenue to the devolved systems in accordance with articles 215 and 216.

i) Controller of Budget

The Controller is to oversee the implementation of the budgets of the national and county governments by authorizing withdrawals from public funds under Articles 204, 206 and 207.

j) Auditor General

The Auditor General is to audit and report in respect to each financial year in accordance with Articles 229.

k) Attorney General

The office of the Attorney General is established in accordance with the provisions of Article156.

l) Director of Public Prosecution

The office of the Director of Public Prosecution is established in accordance with the provisions of Article 157.

m) Independent Electoral and Boundaries Commission

Commissioners have already been appointed along with a chairperson. The Commission will administer elections, delimit boundaries and oversee the regulation of political parties in accordance with Articles 88 and 89 of the Constitution of Kenya 2010.

Key appointments included the Chief Justice, the Director of Public Prosecution; Attorney General; Auditor General, Controller of Budget, and Judges. These legislative and institutional reforms coincided with reforms in policy and administrative procedures including the transformation of the public service.

6.3.2 Truth, Justice and Reconciliation Commission (TJRC)[1]

Since its establishment in July 2009, the TJRC Commissioners were sworn into office in August 2009. The work of the Commission is structured into four key deliverables - statement taking,

[1] Source: TJRC Progress Report, June 2011

holding hearings, third community dialogue and, finally, writing of the final report.

9th September 2010 marked the first day of the statement taking exercise which ran for 5 months between January 2011 and May 2011. The Commission has collected more than 30,000 individual statements. The statements include victims and witness accounts of various forms of violations including ethnic based and politically motivated violence, displacement, sexual violence, assault and torture.

In March 2011, the commission held a three day stakeholders' consultative meeting. The meeting drew about 40 participants representing various organisations, including participants from the civil society and faith based organisations amongst others. The participants benefited from presentations delivered by experts and resource persons on various aspects of reconciliation with case studies from around the world. The topics covered included: global principles on reconciliation and traditional justice; Christianity and reconciliation; Islam and reconciliation; African philosophy on peace and symbols of reconciliation; media and reconciliation; and the experience of ongoing initiatives including under the auspices of the National Steering Committee on Peace Building and Conflict Management (NSC) and the National Cohesion and Integration Commission (NCIC).

6.3.3 Independent Electoral Review Commission (IERC)

The Independent Electoral Review Commission (IERC) also known as the "Kriegler Commission" handed its report to the President in September 2008. Amongst its recommendations was the establishment of the Interim Independent Electoral Commission (IIEC), the Interim Independent Boundaries Review Commission (IIBRC) and the Interim Independent Constitutional Dispute Resolution Court (IICDRC).

In May 2009, the IIEC was gazetted and the commission tasked with: overseeing electoral reforms and in particular fresh voter registration; development of a modern system for collection, collation, transmission and tallying of electoral data, promotion of voter education, and efficient conduct of elections and referendum.

The Interim Independent Boundaries Review Commission (IIBRC) was successfully disbanded on the enactment of the new Constitution as was recommended by the Independent Electoral Review Commission (IERC). In addition, during the year under review the Independent Electoral and Boundaries Commission Bill was enacted. Furthermore, the Police Oversight Bill and the Police Reforms Bill

were prepared and forwarded to the Commission for the Implementation of the Constitution (CIC).

As part of the targets under the Political Pillar of the MTP (2008-2012), the IERC was to give recommendations to improve the electoral process. The establishment of an independent Electoral and Boundaries Commission is a result of one of the recommendations. The Commission has been tasked with administering elections, delimiting of boundaries and overseeing regulations of political parties and a chair and members of the committee have already been gazetted in accordance with Article 88 and Article 89 of the Constitution of Kenya 2010.

The IEBC mounted an extensive voter education campaign to sensitize Kenyans on the need to exercise their democratic right to vote. Despite the challenges, the Commission managed to surpass its target of 10 million to register 12.6 million voters within 50 days. Furthermore, the Commission piloted the Electronic Voter Registration (EVR) exercise in 18 constituencies selected to represent diverse settings and geographical spread countrywide so as to enhance ICT in the electoral process. ICT was also used to electronically transmit election results in parliamentary by-elections and during the national Constitutional referendum held on the 4th August, 2010.

6.3.4 Commission of Inquiry into Post Election Violence (CIPEV)

In line with the CIPEV target set in the MTP, the Special Tribunal for Kenya Bill 2009 was published by the Government, but was later rejected by parliament after debate on the Bill. Consequently, the post election violence suspects were handed over to the ICC at The Hague, Netherlands in July 2009.

The ICC prosecutor filed a request to the pre-trial judges for authorization to begin investigations into the post election violence in November 2009. Following approval of the request, the ICC conducted extensive and independent investigations that identified six key suspects in December 2010.

As a result, summonses for the six suspects to appear before the ICC for the initial appearance hearings were issued in March 2011 and the suspects appeared before the ICC in April 2011. Following the initial appearance hearings, the suspects appeared before the ICC again between September and October, 2011, for the confirmation of charges hearings. The outcome of the confirmation of charges hearings has been done and cases will go to full trial.

6.3.5 National Cohesion and Integration Commission (NCIC)

Members of the NCIC were appointed by H.E. the President through a gazette

notice published on 31st December 2010. The NCIC members were sworn in by the Chief Justice on 4th January 2011, and the Commission is now fully operational.

During the period under review, the Commission carried out an extensive ethnic audit and baseline survey in all the government institutions in order to ascertain the extent of ethnic bias in order to make remedial recommendations to the relevant authorities. So far, the Commission has audited a total of 160 public institutions including Ministries, Parastatals and State Corporations. In addition, the Commission undertook sensitization programmes on national cohesion and integration.

The Commission has been receiving complaints from various persons and groups of people on matters within the purview of the mandate of the Commission. The Commission through the Department of Complaints and Legal Section has so far received and acted upon more than 74 cases. In addition, the Commission, in partnership with the National Steering Committee (NSC), United Nations Development Programme (UNDP) and PeaceNet initiated a platform dubbed **Uwiano** to monitor the peace situation around the country during the period of the referendum held in August 2010.

6.4 Access to Justice

6.4.1 Legal Aid and Awareness Programme (NALEAP)

The purpose of the National Legal Aid (and awareness) Programme (NALEAP) is to enhance access to justice for the poor, marginalized and vulnerable. The Programme seeks to achieve its objectives through facilitating the provision of legal advice, assistance and representation, creating legal awareness, training and supporting paralegal work and promoting the use of Alternative Dispute Resolution (ADR) mechanisms.

During the period under review:

i) 35 cases were referred to pro bono lawyers for settlement mainly through mediation and litigation;

ii) A capacity building workshop on Alternative Dispute Resolution skills for pro bono lawyers was held in June 2011;

iii) The Programme, in collaboration with the Law Society of Kenya (LSK), GiZ and the Judiciary held a Mediators' consultative forum on the implementation structure for Court mandated mediations. An implementation structure for Court mandated mediations was developed;

iv) The programme continued to collaborate with Nairobi, Kabarak and Moi universities

law students under the Public Interest Internship Programme in order to enhance professional development in the legal aid field among the law students and promote volunteerism amongst the legal fraternity;

v) The programme also facilitated an LSK-Continuing Legal Education workshop under the auspices of the Law Society of Kenya in conjunction with the Council of Legal Education on Legal Aid in Kenya on the role of a pro bono lawyer;

vi) The programme participated in the Public Interest Litigation (PIL) and Legal Aid Committees of the Law Society of Kenya, where committees developed a database of all litigated PIL cases in Kenya and the rules for PIL to guide litigators who are members of the Law Society of Kenya;

vii) 30 community paralegals were trained on basic skills on paralegalism, the new Constitution of Kenya as it relates to and on specific issues handled by the Kisumu Legal Aid Pilot Project: Succession, Family and Land law;

viii) A baseline survey on traditional justice systems was conducted; and

ix) Simplified English and Kiswahili versions of the Children's Act were developed and published.

6.5 Rule of Law

The strategy for governance and the rule of law places a lot of focus on ensuring that access to justice is guaranteed and therefore rebuilds confidence among Kenyans.

6.5.1 Establishment of a Comprehensive and Effective Legal Framework for Human Rights in Kenya

In June 2011, the Government conducted a sensitization forum for Government Departments and Agencies on the National Policy on Human rights. A total of 40 government officials were sensitized on the contents of the National policy. In addition, both the National Policy on Human Rights and its Action Plan were translated into Kiswahili and disseminated.

6.5.2 Establishment of an effective system for reporting on all international human rights instruments that Kenya is party to

Kenya's Universal Periodic Review (UPR) outcome document was adopted in September 2010 by the Human Rights Council. Follow-up reports and responses to Kenya's UPR were then prepared and submitted to relevant bodies. Further, Kenya's Core Document to support reporting on all the International and Regional Human rights instruments was prepared and validated.

6.5.3 Electoral and Political Processes

During the period under review, the Government developed legislation for free and fair elections. In this regard, three Bills were enacted into law namely:

- Independent Electoral and Boundaries Bill;
- Elections Bill; and,
- The Political Parties Bill.

6.5.4 Democracy and Public Participation

Under this thrust, the Government intends to enact and operationalise the necessary policy, legal and institutional framework to enhance democratic participation. In this regard, the Government, through the Kenya Law Reform Commission prepared the draft Devolved Government Bill which lays the operational framework for the County governments. The draft Bill 2011 was also shared with the Task Force on Devolved Government. Apart from the Devolved Government Bill, the Government also prepared the Urban Areas and Cities Bill, 2011 and Transition to County Governments Bill, 2011. Of these, the Urban Areas and Cities Bill, 2011 has since been enacted into law.

6.5.5 Transparency and Accountability

The governance systems are envisioned to promote integrity, the free flow of information and enhance accountability of leaders to the citizenry. During the period under review, both the Anti-Corruption and Economic Crimes Act (ACECA) and Public Officer Ethics Act were reviewed during the development of the Ethics and Anti Corruption Bill, 2011, and consequential amendments were proposed. Regulations on Public Access and Verification of Wealth Declaration Information and a revised Financial (wealth) Declaration form were finalized and submitted to the Attorney General for gazettement.

A forum for Government agencies and departments was held in March 2011. The forum was meant to document the successes, best practices and challenges faced in the fight against corruption. The 2010/2011 National Anti-Corruption Plan (NACP) work plans were developed and are under implementation. The progress report was prepared in June 2011 in line with NACP calendar of activities. The NACP implementation progress report for the Executive Sector for 2010/2011 was also prepared and disseminated to Stakeholders.

In December 2010, the 5th Annual Integrity Review Conference was held to receive and consider reports on the implementation of the National Anti Corruption Plan (NACP). Over 13 sectors presented their reports after which resolutions were passed for implementation.

The Witness Protection Act was amended to establish an autonomous Witness Protection Agency and a Witness Protection Board to oversee the implementation of the Witness Protection Programme. The Whistleblower protection provisions have been introduced to the Ethics and Anti-Corruption Commission Act, 2011. Further, the new Constitution of Kenya provides for Parliamentary approval in appointments to key state offices.

6.5.6 Operationalisation of the Public Complaints Standing Committee

Through the Public Complaints Standing Committee (PCSC), the following were achieved:

i) The draft Commission on Administrative Justice (CAJ) Bill 2011 was prepared and enacted. The CAJ Act seeks to restructure the Kenya National Human Rights and Equality Commission pursuant to Article 59(4) of the Constitution to establish the Commission on Administrative Justice (CAJ). The Commission is the successor to the Public Complaints Standing Committee.

ii) The Public Complaints Information Management System (PMIS) was developed and installed. The objective of the PMIS is to ease the process of receipt, processing and resolution of public complaints.

iii) The draft PCSC Information, Education and Communication Strategy was developed. The Strategy aims to create awareness of the PCSC's role as well as build support among partners for establishment of the office of the Ombudsman.

6.5.7 Sector Wide Initiatives under the Governance, Justice, Law and Order (GJLOS) Reform Programme

Following the end of the first phase of the GJLOS Reform Programme in September 2009, an evaluation took place between October 2009 and December 2009. The overall aim of the evaluation was to ensure independent and objective reflection on the programme in terms of its achievements, constraints and lessons learned as well as possibilities of designing a new programme aligned to the Kenya Vision 2030 and the new Constitution.

During the review period, and in line with the recommendations of the evaluation report, the Programme:

i) Prepared and finalized the GJLOS Policy Framework Paper;

ii) Conducted the GJLOS

Integrated National Wide House Hold Baseline Survey and the Administrative Data Baseline Survey; and

iii) Conducted the GJLOS Policy, Laws and Regulations Baseline Survey and report produced.

Both the GJLOS Human Resource Capacity Assessment and the Infrastructure Assessment Surveys are ongoing

6.6 Challenges

Despite the notable progress made under the Political Pillar, the sector is still faced with a myriad of challenges that need to be addressed in order for the Vision 2030 and the MTP targets to be realized effectively. The challenges include:

i) **Capacity challenges**: Following the expanded mandate of the sector as a result of the additional areas of focus due to the post election violence crisis, it was vital for the sector to enhance its capacity: Unfortunately, this has not been possible. In addition to the promulgation of the new Constitution, the sector was expected to spearhead its implementation within the constitutionally allowed timelines. Consequently, this strained the sector resources at the expense of other programmed activities.

ii) **Inadequate and outdated laws, policies and regulations with regard to governance and rule of law:** The sector will endeavour to continue enacting new laws and amending the existing ones to conform to the new Constitution.

iii) Public expectations: Public expectations towards the sector have been exceedingly high, especially towards the delivery of the new Constitution, the eradication of corruption, and delivery of justice to all. The sector however played a facilitative role in policy coordination.

iv) There exists low public confidence in the governance structures.

However, it is envisaged that these challenges will be addressed after the full implementation of the Constitution.

6.7 Lessons Learned and Way Forward

During the review period, the sector ascertained that:

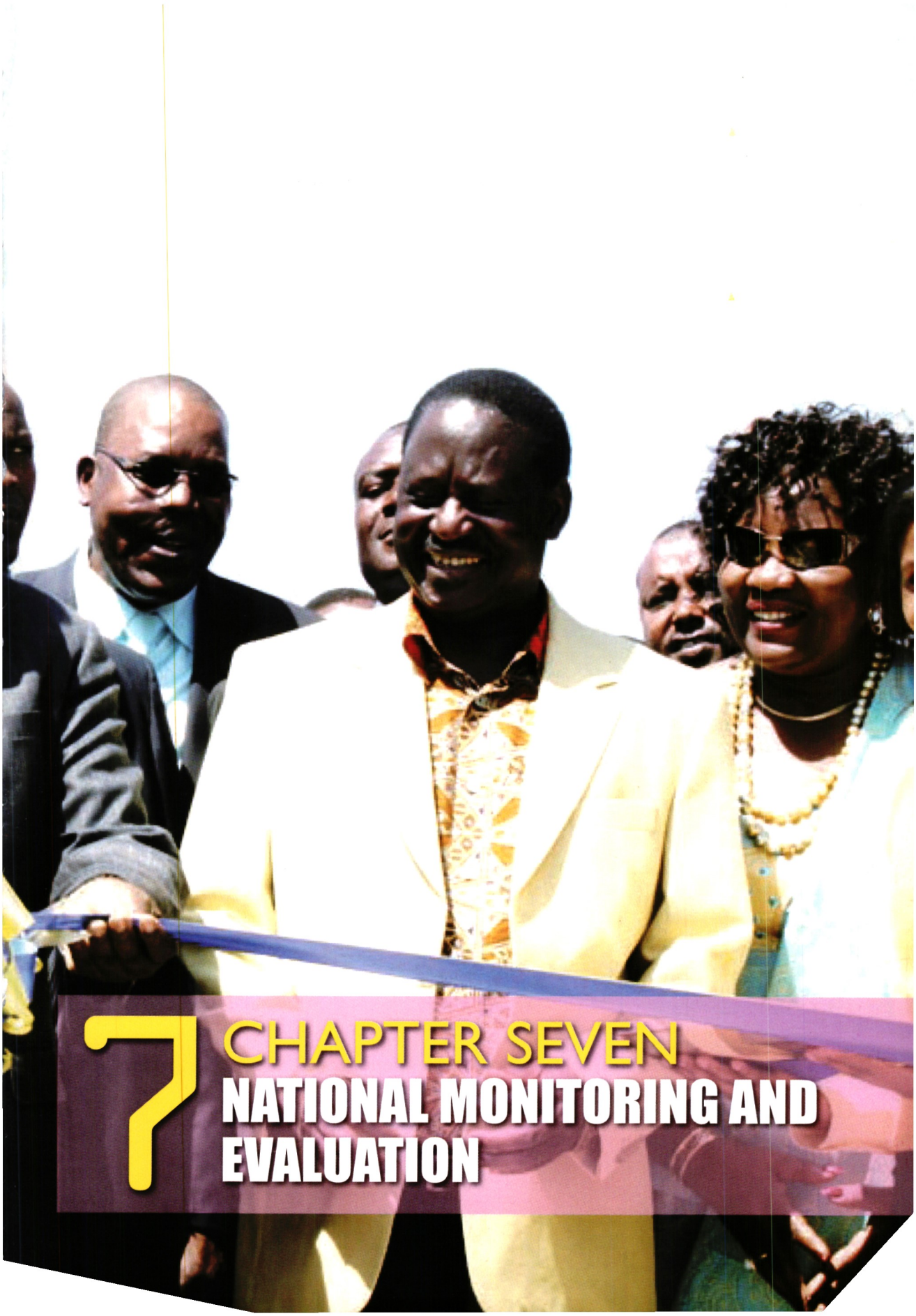
i) Consensus building and stakeholder participation and involvement is key in effective implementation of its programs and projects, especially during the Constitutional review process. This process creates a sense of ownership among the

stakeholders. In this regard, this strategy was used in solving the contentious issues in the new Constitution.

ii) For effective and successful implementation of the sector programmes, the sector should analyze its operating environment in order to mitigate possible risks. A good example is the Constitutional Amendment Act 2008 in preparation of which the Sector had anticipated potential risks in the development and passage of the new Constitution, and incorporated relevant mitigation measures.

KENYA 2030





7 CHAPTER SEVEN
NATIONAL MONITORING AND EVALUATION

7.1 Overview

The overarching objective of the M&E system is to facilitate the use of data and information, to inform public policy, measure efficiency in the utilisation of available resources and achievements in poverty reduction, and to provide feedback for policy making, including the MTEF process. Successful implementation of the MTP 2008-2012 requires an efficient and effective Monitoring, Evaluation and Reporting (MER) system which entails full and complete participation of all stakeholders.

To strengthen the M&E system, the Government established the Monitoring and Evaluation Directorate (MED) within the Ministry of State for Planning, National Development and Vision 2030 (MPND&V2030) to coordinate the National Integrated Monitoring and Evaluation System (NIMES), Vision Delivery Secretariat (VDS) and a National Steering Committee (NSC) to provide policy direction in matters of M&E, in consultation with other existing bodies such as the National Economic and Social Council (NESC).

7.2 The National Integrated Monitoring and Evaluation System

The Ministry of State for Planning, National Development and Vision 2030 through the Monitoring and Evaluation Directorate established the National Integrated Monitoring and Evaluation System (NIMES) in 2004 to track implementation of policies, programmes and projects during the ERS and, later on, the Medium Term Plan of the Kenya Vision, 2030.

The main objective of this system was to provide the Government with a reliable mechanism and framework for measuring the efficiency of Government programmes and/or projects and the effectiveness of public policy in achieving government objectives. In the current MTP, the Government committed to:

- Strengthening the institutional framework to ensure that all projects, programmes and policies by the Government, civil society, the private sector and donor partners especially those in the Vision 2030's MTP (2008-2012) are effectively monitored; Train officers in online reporting as well as ensure that information from line Ministries, parastatals, local authorities, reform programmes, civil society, private sector and development partners is uploaded and accessible from the online systems
- Produce quarterly and Annual Progress Reports on the implementation of the MTP and to ensure that the reports are available on the MED

website.

- Regularly review M&E indicators to fast track implementation of the Kenya Vision 2030 and its MTPs.
- Undertake various surveys including impact surveys on various development concerns including poverty eradication and wealth creation.

7.2.1 Targets

To enhance the culture of M&E, the Government of Kenya through the Monitoring and Evaluation Directorate focused on the following key areas:

- Finalize M&E policy for the country.
- Develop capacity needs strategy for M&E at both the devolved and national levels.
- Conduct M&E Capacity Needs Study and implement the findings.
- Continue to strengthen capacities in the Ministries, Departments and Agencies by conducting trainings on M&E and creating an M&E enabling environment.
- Finalise and operationalise development of a year Capacity Development Programme (CDP).
- Building capacity for indicator development for the Medium Term Plan of Kenya Vision 2030 with the target being government ministries and departments at headquarter levels with CPPMUs being given the highest priority, given that they coordinate M&E activities in the line ministries.
- Commence preparation of an M&E Masterplan for the next MTP (2013-2017).
- Disseminate key findings of the M&E to users and Stakeholders and refine the M&E IEC strategy.
- Development of research agenda, proposals and research commissioning.
- Prepare Policy Briefs and share them with policy makers for informing policy and decision making.
- Monitor use of the Project M&E Standards to ensure efficiency and effectiveness in project implementation.
- Produce a PER report for the year 2011, and
- Disseminate key NIMES messages at both National and Devolved levels.

7.2.2 Achievements

During the period under review, ministries further embraced the reporting on projects through the

Electronic Monitoring and Evaluation System (e-promis). This is an online system that allows for the capture of project monitoring and evaluation information online, hence allowing for real time reporting on project implementation and thus accelerating the process of monitoring the implementation of projects across the country.

Although the e-promis was fully adopted by the Monitoring and Evaluation Directorate towards the end of 2009/2010 and ministries were asked to upload the information on the projects status to the system, only a few projects were uploaded to the system and by the end of 2011, only 1,300 projects had been captured in the system against a target of over 200,000 projects.

During the period under review, the following achievements were realized:

- A 3-year Capacity Development Programme was developed and MED with the support of development partners is currently implementing the programme.
- NIMES continued to be operationalised through the National reporting framework and the sub-national level reporting framework.
- Draft M&E policy was finalized; a Cabinet Memo prepared and is awaiting presentation to the Cabinet for approval.
- Ministries, Departments and other government Agencies (MDAs) continued to use M&E tools for their M&E reporting work.
- Popular versions of the PER, 2010 were prepared, launched and disseminated.
- Backstopping missions for the National Integrated Monitoring and Evaluation System (NIMES) at the national and devolved (provincial/ District) levels were conducted and led to improvements in reporting and utilisation of M & E as a management tool.
- The Second Annual Progress Report, 2011 of the MTP (2008-2012) was finalized, launched, and disseminated.

7.3 The Role of Line Ministries and Government Departments in M&E

The various MDAs continued to embrace M & E as an important management tool and through their Ministerial M & E Committees prepared relevant M & E reports. The Central Planning and Projects Monitoring Units (CPPMUs) continued to provide leadership in operationalisation and utilisation of NIMES tools at that level.

7.3.1 Targets

During the period under review, the MDAs were expected to:

- Strengthen Ministerial Monitoring and Evaluation Committees (MMECs) to assist in guiding the overall M&E reporting for ministries while the CPPMUs were to continue to provide secretariat services;
- Continue to apply established indicators for reporting on the MTP of the Vision 2030;
- Continue with their responsibility of monitoring projects;
- Report on quarterly basis on the progress / achievements made in the implementation of flagship projects and government programmes; and
- Prepare Ministerial Annual Monitoring and Evaluation Reports (MAMERs) for submission to the Ministry of State for Planning, National Development and Vision 2030.

7.3.2 Achievements

The following were accomplished in the financial year under review:

- All Ministerial Monitoring and Evaluation Committees were strengthened in order to coordinate all issues related to M&E in their Ministries;
- Ministries prepared MAMERs using the Handbook of National Reporting Indicators and the MAMER Reporting format;
- Most of the ministries prepared and submitted to MED quarterly reports which highlighted progress in the achievement of flagship projects and other programmes.

7.4 District/Devolved Level Monitoring and Reporting

The sub-national monitoring, evaluation and reporting is meant to strengthen the linkage between national policies, programmes and projects with the devolved structures while progress reports that are generated from devolved levels for tracking the implementation of MTP and their outcomes ensure effective implementation of the plan.

The following were planned sub-national targets for the period under review:

- Preparation of District M&E quarterly reports highlighting achievements and progress made in the realisation of the MTP targets;
- Strengthening of DMECs to be more effective and integrated with NIMES;
- Preparation of District Annual Monitoring and Evaluation Reports (DAMERs).

7.4.1 Achievements

The following achievements were realized in 2010/2011:

- District Monitoring and Evaluation Committees (DMECs) were revived and strengthened in all districts, both old and new. The committees are chaired by the District Commissioners and are responsible for coordinating M&E activities in the Districts, including preparation of M&E reports;
- The District Monitoring and Evaluation Committees (DMECs) were strengthened through training and provision of computers.
- District Development Plans (DDPs) implementation continued to be tracked through the NIMES tracking mechanisms.
- The districts finalized and submitted their Quarterly Monitoring and Evaluation Reports to the MED.

7.4.2 Challenges

- The delay in submission of Ministerial Annual M&E Reports has continued to contribute to the overall delay in timely preparation of annual progress reports.
- The slow uptake of e-promis by Ministries has occasioned delays in the preparation of reports detailing the progress of implementation of projects.

7.5 The National Economic and Social Council (NESC)

The National Economic and Social Council (NESC) was established in 2004 to provide high level advice to the Government of Kenya on new policies aimed at promoting economic growth and socio-economic development. The policy recommendations are aimed at accelerating economic growth, social equity, employment creation and poverty reduction. The Council has 49 members, half of whom are Cabinet Ministers. The rest are local and international experts. The Council arrives at its recommendations through a consultative process that is evidence-based.

7.5.1 Policy Recommendations

To organize the calendar for NESC, the areas for policy consideration are usually discussed and agreed in advance, and this facilitates research and other activities. The selection of policy agenda for discussion and consideration by NESC during the 2010-2011 financial year, was guided by the following key areas:

i. Vision 2030 Flagship Projects
ii. Progress Report by all NESC Committees
iii. NESC Operations Report
iv. Review of Score Card
v. Approval of NESC Minutes

The policy recommendations made by NESC during the period under review were as follows:

- The agenda of competitiveness

and productivity was taken up in earnest by the Government and the Private Sector. Further, relevant public institutions were to ensure that data used on both indices were authenticated.

- The Government was to urgently address the energy constraints in the country which could otherwise hinder the industrialisation process. The growth of clusters in the country was to be allowed to develop naturally by enhancing the environment as experience elsewhere had proved their sustainability. There was need to harmonize all existing policies and legal frameworks of various government institutions and agencies including local authorities to promote coherence and reduce duplication.

- The Government was to strengthen the capacity of KenInvest as a One-Stop-Investment-Shop in the country to facilitate FDI inflows. The Government was to nurture and protect local industries from unfair competition from cheaper imports, substandard goods and counterfeits. The Anti-Counterfeit Bill was to be fast-tracked in order to curb the influx of substandard goods in the market.

- The Government was to embed competitiveness in priority sectors' strategies for the implementation of Vision 2030. The existing clusters and in particular the horticulture cluster was to be preserved as a matter of urgency while new clusters were to be developed within the framework of the Kenya Vision 2030. Cluster analysis is planned in 20 areas including tea, coffee sugar, livestock, ICT, dairy, tourism, horticulture, transport and logistics at the port.

- All laws and regulations that are an impediment to 24-hour operations were to be reviewed and amended appropriately to enable the country to embrace 24-hour operations nationally.

- The Government was to come up with a comprehensive communication strategy to effectively engage the media in publicizing and marketing of its development agenda.

- Research institutions in the country including universities should be facilitated and their capacities enhanced to undertake industrial

researches. The curricula of these institutions should be linked with industrial demands. The institutions should be encouraged to expand their resource base through innovation in order to reduce reliance on the exchequer.

- There is need to domesticate and localize the Vision at all levels; from the national to the grassroots in order to create awareness about its contents.

- The Government is to undertake the aggressive promotion of Public Private Partnership while also providing necessary incentives (land, energy subsidies) to attract more investors and support full implementation of Vision 2030.

- Review of procurement processes that have in the past slowed down implementation of the Vision projects would be given priority.

- Development of a national value proposition that leverage's Kenya's strength together with Vision 2030 to position Kenya as the transhipment, transit, logistics, financial, ICT, industrial, R&D, educational and trading hub for East Africa and the whole of Africa.

- On the population front, the Government was to improve preventative healthcare by investing more in community health workers, and reduces road carnage to assure citizens of longer lives, so that those with small families are assured of long life and will therefore not see the need to get many children due to fear of early death. The Government should expand education opportunities across all age groups by keeping children in the school system to delay the childbearing age.

7.6 Vision Delivery Board (VDB) and Vision Delivery Secretariat (VDS)

In an effort to realize the Vision 2030 goals, the Vision Delivery Board (VDB) and the Vision Delivery Secretariat (VDS) were established to operate under the guidance of the Ministry of State for Planning, National Development and Vision 2030. The Secretariat is a Semi-Autonomous Government Agency (SAGA) guided by an independent board established by way of a legal notice by the Minister of State for Planning, National Development and Vision 2030. The VDS has clear institutional linkages

with other existing institutions, structures and organizations both in public and private sectors.

7.6.1 Achievements

During the period under review, the VDS achieved the following:

(i) Established nine Sector Delivery Secretariats out of which four are already operational with Vision Sector Directors appointed while five are in the process of being operationalised.

(ii) Vision 2030 flagship projects were entrenched in the Performance Contracts of all government ministries and agencies.

(iii) Partnered with Kenya Embassy (USA) - Diaspora Conference, Washington DC - deepening Vision 2030 awareness and encouraging active participation.

(iv) Organised an engagement session with CSO's on Vision 2030 implementation. The activity was aimed at lobbying Civil Society Organisations (CSOs) to constructively engage with the Vision 2030 Delivery Secretariat (VDS) towards the realisation of Vision 2030.

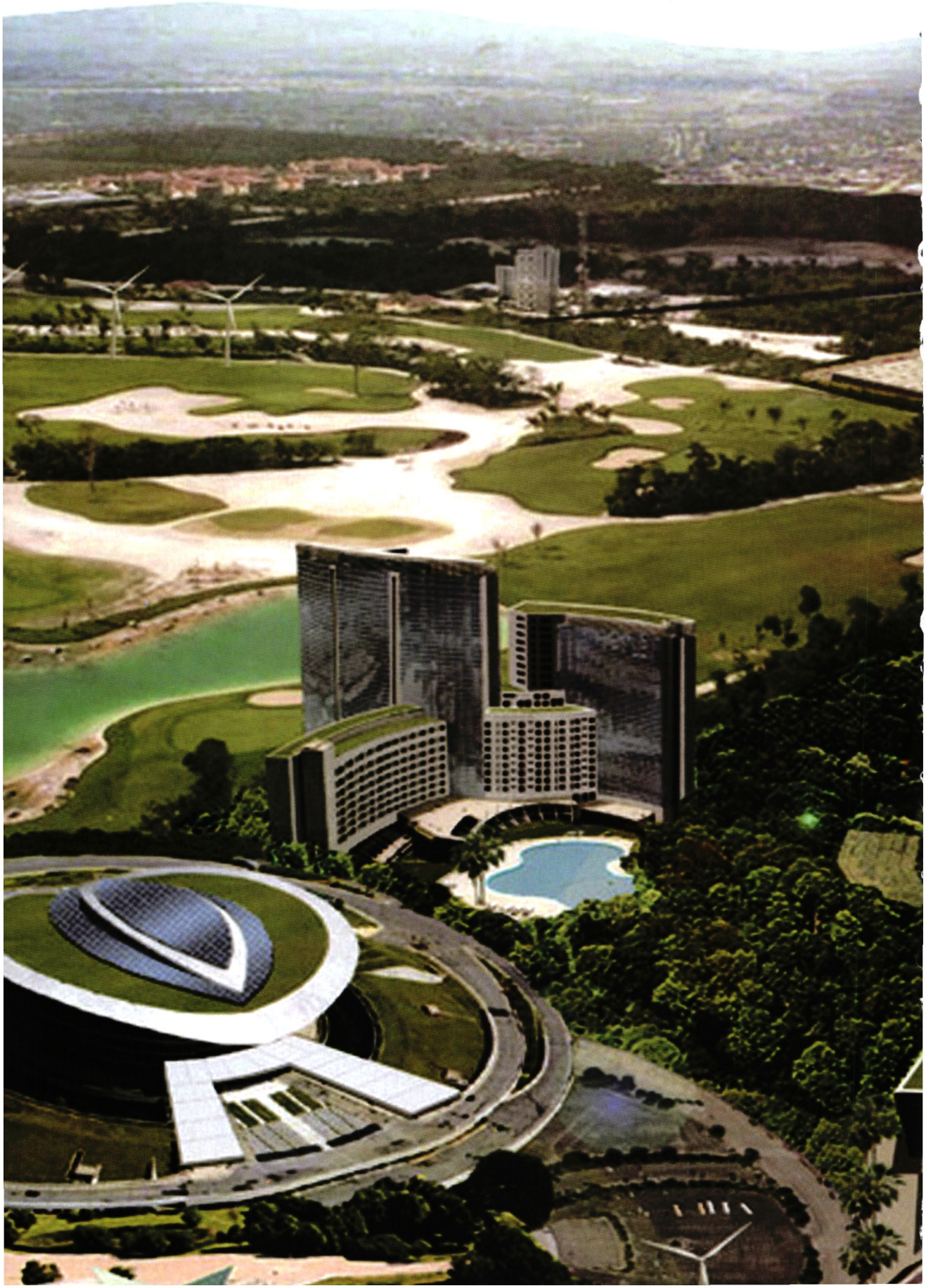
(v) Developed and launched an Intergrated Communication campaign dubbed *Wakilisha. Wakilisha* which means to represent. It is also a rallying call to Kenyans to know that Vision 2030 represents them and it communicates that working towards achieving it, they are representing themselves.

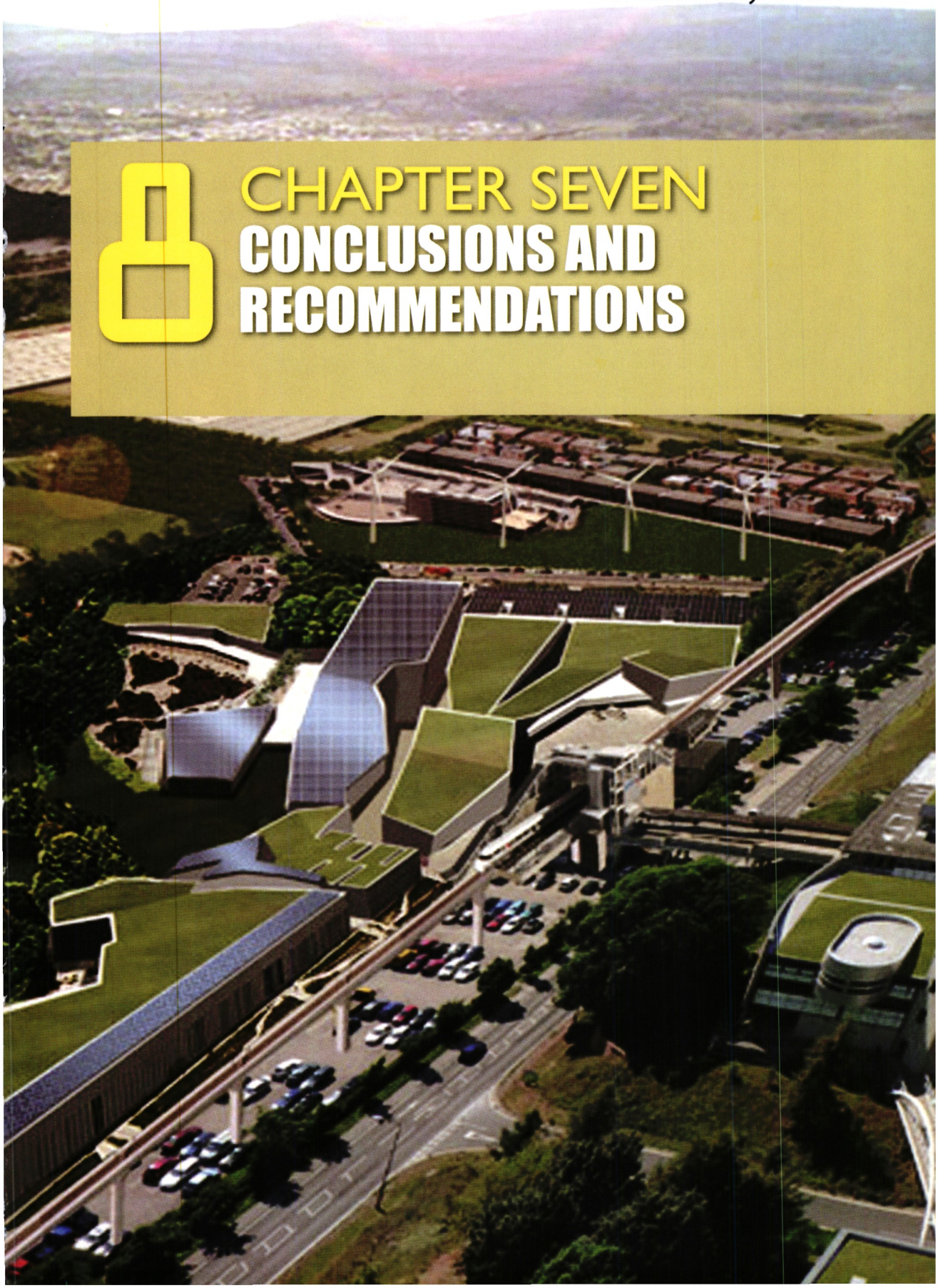
(vi) Participated in the development of Vision 2030 on-line course organised into several modules with in-built quality control and assurance mechanisms.

(vii) Undertook sensitisation of county leaders on their role in Vision 2030 this was during the County Investment forum.

(viii) Participated in developing links with international partners in areas of common interest in the realisation of Vision 2030 like Singapore, Botswana, Morocco and China.

(ix) Organised a sector working group retreat which came up with a report on challenges facing implementation of flagship projects and wayforward.





CHAPTER SEVEN
CONCLUSIONS AND RECOMMENDATIONS

8.1 Conclusions

This Third Annual Progress Report covers the achievements during the implementation of the MTP (2008-2012) of the Kenya Vision 2030 flagship projects, key national policies and programmes, challenges encountered during the implementation process, and the progress made in implementation of the National Integrated Monitoring and Evaluation System (NIMES) in 2010/2011.

Macro Economic Framework

During the period under review, the economy expanded by 5.6 per cent against the MTP target of 9.1 per cent. This is an improvement on the 2.6 per cent growth rate witnessed in 2009. This growth demonstrates that the economy is making rapid recovery from the shocks caused by poor rains, increased energy prices and the post-election crisis of 2008. Real GDP is expected to remain at around 5 per cent in 2011/2012 before picking to about 6 per cent in the following years due to expansion in agriculture, tourism, exports and a favourable exchange rate.

Gross national savings improved marginally from 13.4 per cent in 2009/2010 to 14.2 per cent in 2010/2011, but remained below the MTP target of 21.4 per cent. This may be attributed to multiple shocks including the post-election violence, drought, global financial and economic crisis, rising commodity prices, the weakening Kenya shilling, and the political crisis in the Middle East and North Africa (MENA) countries which affected the economy between 2008 and 2011. Total investment as a percentage of GDP also slowed to 19.6 per cent in 2010/2011 from 20.7 per cent in 2009/2010, while public investment increased following high spending on Infrastructure and The Economic Stimulus Programme. Private investment has not picked to levels envisaged in the 2008-2012 MTP. Overall, inflation almost doubled to 6.85 per cent in 2010/2011 compared with 3.8 per cent registered the previous year. The recorded figure was above the MTP target of 5 per cent. This has been aggravated by the weakening shilling, drought in the region, multiple economic shocks and political crisis in MENA countries and in Somalia.

Owing to improved tax administration and a broadening tax base, total revenue collected as a proportion of GDP was 24.86 per cent in 2010/2011, rising from 22.6 per cent the previous year. This was against MTP targets of 21.5 per cent and 21.3 per cent, respectively. During the period under review, total expenditure and net spending as a percentage of the GDP increased marginally to 29.4 per cent. This was due to increased spending on infrastructure projects relating to roads, energy, transport, and CDF projects.

During the period under review, the government expenditure stabilized, leading to an improvement in the fiscal balance from a deficit of 6.3 per cent in 2009/2010 to a deficit of 4.3 per cent in 2010/2011. On the contrary, domestic debt as a percentage of GDP increased to 30.48 per cent from 26.6 per cent the previous year. The recorded levels were above the MTP targets of 19.4 per cent and 20.1 per cent, respectively.

Broad money supply increased from 13 per cent in 2008/2009 to 23.7 per cent in 2009/2010 and therefore to 18.9 per cent in 2010/2011 against MTP targets of 16.5 per cent, 16 per cent and 16.8 per cent, respectively. Similarly, credit to the private sector increased from 19.7 per cent to 19.8 per cent then to 27.7 per cent against MTP targets of 16.5 per cent, 16 per cent and 16.9 per cent in 2008/2009, 2009/2010 and 2010/2011, respectively. The growth in credit to the private sector was attributed to development in the private sector investment especially mining and quarrying, wholesale and retail, manufacturing, agriculture, and building and construction. The current account worsened from a deficit of 5.0 per cent in 2009/2010 to 5.4 per cent in 2010/11. However, the performance was within the MTP deficit targets of 6.1 and 5.6 per cent in 2009/2010 and 2010/2011, respectively. Months of import cover improved to 3.93 months in 2010/2011 from 3.5 months in 2009/10 against a target of 4.1 months for 2010/2011. The total external debt as a percentage of GDP increased from 22.8 per cent in 2009/2010 to 25.5 per cent in 2010/2011 against the MTP target of 21.7 per cent. The debt service ratio increased to 4.2 per cent in 2010/2011 up from 3.8 per cent in 2009/2010 against MTP targets of 10.9 and 12.4 per cent in 2009/2010 and 2010/2011, respectively.

Employment creation still fell below target. Out of the 740,000 jobs projected, only 503,500 were created in 2010/2011. Out of these, 62,600 were created in the formal sector while the rest were generated in the informal sector. This performance was higher than the previous year's performance of 445,900 jobs due to improved economic performance, increased access to affordable credit from banks, the Women Enterprise Fund and the Youth Development Fund (YDF). In the formal sector, the main generators of employment included building and construction, transport and communications, wholesale and retail trade, and restaurants and hotels.

Foundations for National Transformation

The realization of long-term goals in the Kenya Vision 2030 must be anchored on solid enablers including physical infrastructure; Information and Communication Technology (ICT); Science, Technology and Innovations

(STI); energy; land reforms; human resources development; security, peace building and conflict resolution; governance and public sector reforms; and Nairobi Metropolitan Development.

Infrastructure development has been on the increase during the period under review. Modernization of Jomo Kenyatta International Airport (JKIA) was continued; a terminal building and runway was completed at Kisumu International Airport; renovation and upgrading of Wilson Airport is ongoing; six airstrips were rehabilitated in 2010/2011 and six others are earmarked for rehabilitation in 2011/2012; work on dredging of port of Mombasa is on-going and is expected to be completed in 18 months; a contract for the development of a second container terminal at the port of Mombasa has been awarded and construction is expected to be completed by the year 2015; a feasibility study on Nairobi Metropolitan Rapid Transit System (NMRTS) has been completed; rehabilitation of the road from Jomo Kenyatta International Airport (JKIA) to the Nairobi CBD is complete; development of Lamu-Sudan-Ethiopia Transport Corridor is ongoing; 25.8 km of the Nairobi-Thika Superhighway has been completed; Northern and Eastern bypass is 52 per cent complete; an MOU was signed with Uganda on development of a standard gauge railway; and 1,097 km of road were covered under routine maintenance against an MTP target of 1,369 km.

In the energy sector, a total of 250,185 new customers were connected with electricity in 2010/2011 against the MTP target of 200,000 new customers. Cumulatively, approximately 800,000 new connections have been made since 2008. Two geothermal power plants which include 36 MW by Orpower 4 and 35MW Olkaria II were completed, while 51 geothermal steam production wells were drilled. Construction of 21 MW Sangoro and 20MW Kindaruma plants is on-going. The fuel pipeline was improved to a pumping capacity of 810,000 litres per hour against a target of 880,000 litres per hour.

Science, Technology and Innovation remains the key driver towards achievement of the Vision 2030. In 2010/2011, the ST&I survey was finalized. Higher education curricula were reviewed to include SET courses and frameworks and activities geared towards increasing gross enrolment in Universities and TIVET institutions were developed. The Government awarded research grants amounting to KSh. 150 million to selected research institutions to promote intensification of innovations in the priority sectors. Strategic research collaboration was established with the Republic

of South Africa and 6 Intellectual Property Rights (IPR) offices/ desks were established in TIVET institutions. Additionally, a national scientific conference/exhibition and regional TIVET fairs were held. The Government embarked on the expansion of university facilities and technical training to admit more students in 2010/2011. Bursaries and scholarships for higher education were increased. During the period under review, the STI Bill, University Education Bill and TIVET Bill were submitted to the Cabinet for approval.

Information and Communication Technology (ICT) forms the foundation for a knowledge economy. During the period under review, the cost per Megabyte of data transmitted declined to KSh. 5 against an MTP target of KSh. 1000 due to increased high speed bandwidth resulting from the landing of four 5,500 km undersea cables at Mombasa and laying of the 5,000 km fibre optic cables in most parts of the country. 98 per cent of households have access to radios while 98 per cent of households had access to TVs. Mobile phone connectivity reached 74 per cent owing to zero-rating of ICT equipment and accessories including mobile phones. In 2010/2011, feasibility study and architectural designs for BPO Park were completed and the Expression of Interest for a Master Developer was advertised while 37 digital villages were established. In 2010/2011, 4,100 BPO jobs were created due to increased marketing of the country, a reduction in the cost of telecommunication, and subsidized bandwidth. In 2010/2011, a total of 81 Government institutions were provided with broadband connectivity. Other ICT achievements include digitization of the State Law Office and 37 substations of the Judiciary, and the establishment of 30 Rural Information Centres to complement the digital villages as government e-service centres. The Kenya Communications (Amendment) Act 2009 was also enacted to mainstream e-commerce in the economy.

Land reforms aim at improving fair access and ensuring better utilization of land. In 2010/2011, the following achievements were made: Geographical Information System (GIS) was re-engineered and redesigned; 126 topographical maps sheets database was created; more than 129,388 Government Land Act (GLA) and Registration of Titles Act (RTA) titles and 8,998 parcel files were digitized and an electronic Records Management System installed; 23 zero order passive KENREF stations were established; Integrated Land Rent Information System was implemented and details of 135,000 Government Leased plots were captured into the system; two land registries (Isiolo and Trans Nzoia) were established;

and five land registries (Kajiado, Kisumu, Kiambu, Nakuru and Nairobi) were rehabilitated and refurbished. An institutional framework for the preparation of the National Spatial Plan was established and a Draft National Land Commission Bill was established to operationalise the National Land Commission. The Land Bill, Land Registration Bill, Community Land Bill and Environment and Land Court Bill, were finalized.

Kenya seeks to build a public service that is efficient, citizen-focused and results-oriented. This is the thrust of **Public Sector Reforms and Transformation**. In 2010/2011, a high flier's scheme for public servants was established to guide career progression of the diligent government officers; the transforming Kenya programme was launched to support implementation of the Constitution, fast track Vision 2030 targets, improve public service delivery, and promote public-private dialogue in service delivery; The Performance Appraisal System (PAS) was implemented and made compulsory for all public servants; 147 RBM champions comprising senior leadership in Ministries, Local Authorities, Parastatals and regional development authorities, were developed; 8,200 public servants were trained in RBM, project management, facilitation skills, and performance contracting; and 470 institutions were placed on performance contracts. These good initiatives remain uncoordinated thus stifling cross-pollination.

Under Labour, Human Resource and Man Power Development, 503,500 jobs were created, 10,170 trainees were placed on industrial attachment, 5,432 students were trained on relevant industrial skills, productivity improvement was carried out in 15 firms, a National Manpower Survey (NMS) was conducted, 21 MSE sites were developed and upgraded, and out of 18,104 disputes to be resolved, of which 3,104 disputes were new, a total of 11,767 disputes were resolved.

Security, Peace and effective **Conflict Management** mechanisms facilitate investments, national competitiveness, and ensure a secure living and working environment. In 2010/2011: 32 CCTV cameras have been installed at major road junctions; 50 Computers were distributed to provincial and formation operation centres to improve data capture; 1,091 housing units were constructed for the Police Force, 120 units rehabilitated and 153 units leased for the AP; the Independent Police Oversight and Private Security Bills were prepared; a new police training curriculum was launched and operationalised; 288 district peace committees were established and operationalised, and 253 houses were constructed and completed.

The **Nairobi Metropolitan** is the central gateway to Eastern and Central Africa. It is also strategically positioned on the Northern Corridor and the Cape to Cairo highway. To develop Nairobi into a modern metropolis: Dunga, Mukenia, Mariakani, Balozi, Kararapon, Kapiti and Dar-Es-Salaam Roads were upgraded, rehabilitated and expanded; 8.5 km of Ruaka, Baobab, Kararapon and Mwitu Roads were rehabilitated and street lighting partly done; Non-Motorized Transport (NMT) facilities at Muthurwa and Kararapon were completed; CCTV cameras were installed at eight road junctions; installation of 826 streetlights and 555 lights, of which 47 were 30 metre and 22 were 20 metre high masts was done; fire-fighting equipment was improved in Nairobi, Kiambu, Mavoko and Ngong; a draft spatial plan on optimal and coordinated land use was developed; a Cabinet Memorandum for transforming Nairobi into a 24-hour economy was prepared and submitted to the Cabinet for consideration and approval, and a Metropolitan Areas Bill, 2011 was finalized and forwarded to the State Law Office, Kenya Law Reform Commission (KLRC) and CIC.

Economic Pillar

The Economic Pillar targeted six priority sectors: Tourism, Agriculture and Livestock, Wholesale and Retail Trade, Manufacturing, Business Process Outsourcing (BPO) and Financial Services, to raise the national GDP growth to 10 per cent by 2012. Achieving the envisaged 10 per cent growth by 2012 has been constrained by many shocks experienced in 2008-2009. Real GDP slowed down to 1.5 per cent in 2008 from 7.0 per cent in 2007. Nevertheless, some recovery was realized with real GDP growing by 5.6 per cent in 2010, and about 5 per cent in 2011. An optimistic growth trajectory is projected towards 2012.

The **Tourism Sector** continued its upward trend in 2010/2011. Total international tourist arrivals were 1,609,110 up from 1,490,448 in 2009/2010. Bed nights available reached 17,161,764 from the previous year's 17,125,300. Earnings from tourism also increased to KSh. 73.7 billion from KSh. 62.5 billion in 2009/2010. Despite achieving the bed-nights target, arrivals and revenue targets are still a challenge. During the period under review, three policies were finalized on new products development and diversification; marketing and promotion of tourism, and on effective and efficient utilization and management of existing heritage facilities. The Wildlife and Tourism Act was translated. Other interventions included safety, security and tourism resources conflict; wildlife conservation and management including protection

of endangered species, wildlife cropping and wildlife hunting; land ownership and land-use in order to contain human-wildlife conflict; and improving the investment climate so as to attract both local and foreign investments into the tourism sector. In addition: the procurement process for development of three resort cities in Isiolo, Kilifi and Diani has been completed; Amboseli and Lake Nakuru National Parks were segmented into premium parks and their entry fees raised; and investors were identified to develop underutilized parks, namely: Meru Conservancy, Mwea, Hells gate, Kisumu Impala and Ndere Islands.

The **Agricultural Sector** recorded an impressive performance in 2010/2011 with value added at constant prices increasing by 6.5 per cent from KSh. 288 billion in 2009 to KSh. 307.1 billion in 2010. Some 105,863 metric tonnes of fertilizer were distributed to farmers in the year 2010/2011 at subsidised prices. Some 40,800 fish ponds and 160 shallow dams in 160 constituencies were constructed and stocked with fingerlings. Six cold storage facilities were put up to reduce post harvest losses. Tenders for the construction of four mini processing plants at Rongo, Kakamega, Meru and Nyeri were awarded and construction is expected to start. The contribution of SACCOs to national savings reached 25 per cent per annum. Three draft contingency plans for Rinderpest, Rift Valley Fever and Mad Cow Disease, in Arid and Semi Arid Lands were finalized, while ESIA was completed. During 2010/2011, the National Food and Nutrition Policy (NFNP), National Agriculture Sector Extension Policy (NASEP), National Seed Policy, the Urban and Peri-Urban Agriculture and Livestock (UPAL) Policy, the Emerging Crops Policy, the Root and Tuber Crops Policy, the Pyrethrum Sessional Paper and the Sugar Industry Sessional Paper were finalized. Dairy, poultry, aquaculture, cooperative development and beekeeping policies were finalized while Animal Disease Act Cap, 364 and Veterinary Surgeon Act Cap 366, were reviewed.

The **Manufacturing Sector** recorded a 4.4 per cent growth rate in 2010/2011. The value of manufactured output increased by 11.9 per cent while direct formal employment in the sector increased from 266,400 persons in 2009 to 268,000 persons in 2010. The total turnover for Export Processing Zones (EPZ) rose by 21.3 per cent to stand at KSh. 31.7 billion in 2010. A total of KSh. 163,769,104 was distributed to various MSMEs to enhance their capacity to do business, and as fees for training facilitation and consultation services. 33 Constituency Industrial Development Centres (CIDCs) were completed. Under the Business Sector Support programme, KSh. 101 million was used to support formation of Garissa and Kisumu

clusters and training of technical staff. A MoU was signed with South Korea on the development of an Integrated Steel Plant in Kenya. Under the Economic Stimulus Programme, 47 Industrial Development Centres (IDCs) were targeted for upgrading to SME parks. The MSE 2030 Initiative brought on board Kenya Industrial Estates (KIE) and Kenya National Trading Company (KNTC) in promotion and sub-contracting. Capacity building for women and youth entrepreneurs was carried out in three districts. Lending increased by KSh. 189.1 million to stand at KSh. 300 million in 2010. The sector still suffers from overreliance on agricultural production, poor infrastructure, high production costs, cheap imports and the influx of counterfeit goods.

The **Wholesale and Retail Trade Sector** accounted for 9.8 and 10.3 per cent of the country's GDP in 2009 and 2010, respectively. It grew by 7.8 per cent in 2010 after plummeting in 2009. The value of exports from Export Processing Zones (EPZs) increased by 21.1 per cent to KSh. 32, 348 million in 2010/2011. In addition, direct local employment in the EPZs increased from 30,115 persons in 2009/2010 to 31, 026 persons in 2010/11. Africa remained the leading destination of Kenyan exports with COMESA accounting for 71.9 per cent of the total exports. Surveying of land earmarked for Mombasa SEZs was completed while surveying and profiling of Lamu and Kisumu SEZs commenced. Out of an MTP target of 1000-1500 producer business groups, 400 were created and facilitated through training and capacity building. A total of KSh. 130.5 million was disbursed to 1,328 Small Scale Traders under the Joint Loan Scheme.

In 2010/2011, the **Business Process Outsourcing and Off-shoring Sector** created 4,100 direct BPO jobs. Cumulatively 7,000 jobs were generated against the MTP target of 7,500 jobs by 2012. This is attributed to the increased marketing of the country, reduction in telecommunication costs, and subsidized broad bandwidth for local BPO operators. The development of Konza Technology City is in high gear. Specifically: the Feasibility and Demand Assessment study has been completed; Strategic Environmental Impact Assessment Study and the Physical Development Plan (Master Plan) are being approved; an Architectural Design model has been developed; construction of a perimeter fence is on-going, and sourcing of a Master Developer is on-going. Over 2000 Kenyan youths were trained on BPO entrepreneurship and skills. A curriculum to improve ICT skills was developed and will be rolled out to schools. 81 BPO operators have received broad bandwidth subsidies against a target of 400 BPO operators and broadband capacity has increased

from 27 to 80 MB. The Government has also provided financial incentives to some 10,512 students to acquire laptops. Kenya Communication Amendment Bill was enacted and the application of e-commerce will expand once Parliament enacts the Cyber Security and Data Protection Bill.

The **Financial Services Sector** recorded an impressive growth in 2010 after the dismal performance in 2008 and 2009 occasioned by the international financial crisis. The number of deposit accounts increased from 2.55 million to about 12 million while that of micro accounts increased from 2.14 million to 11.25 million in 2005 and 2010, respectively. The first credit reference bureau was licensed in 2010 and by the end of September 2011, banks had requested for 103,332 credit reports. CBK approved 5,892 banking agents out of whom 4,392 were telecommunication related, adnd 64 per cent were located in rural areas. The agents attracted a total of 214,704 new customers. Gross loans and advances by Deposit-Taking Microfinance Institutions (DMIs) grew to KSh. 14.9 billion in December 2010, up from KSh. 14.1 billion recorded in June 2010. The number of deposit accounts also grew by 40.5 per cent from 610,552 in June 2010 to 858,000 in September 2010. Deposits also increased by 5.9 per cent to KSh. 7.2 billion over the same period. As of August 2010, person to person mobile money transfer stood at KSh. 33.33 billion (US Dollar 414 million) representing 54.54 per cent of total transfers.

Social Pillar

Under the Social Pillar, the Government seeks to build a just and cohesive society that enjoys equitable social development in a clean and secure environment.

Basic education has been identified as a human right for all Kenyans in the Constitution of Kenya, 2010. Under **Education and Training Sector**, the Gross Enrolment Rate (GER) increased from 60.2 per cent (61.6 for boys and 58.7 for girls) in 2009 to 60.9 per cent (60.3 for boys and 61.4 for girls) in 2010. The Net Enrolment Ratio (NER) increased from 40.4 per cent[1] (40.8 per cent for boys and 40.0 per cent for girls) in 2009 to 41.8 per cent (42.3 per cent for boys and 41.2 per cent for girls) in 2010. Transition rate from primary to secondary increased from 66.9 per cent (64.1 per cent for male and 69.1 per cent for female) in 2009 and 72.5 per cent (68.9 per cent for male and 75.3 per cent for female) in 2010. Primary school completion rate was 83.2 per cent in 2009 and 76.8 per cent (79.2 and 74.4 per cent for boys and girls respectively) in 2010. Pupil-teacher ratio has improved marginally from 44:1 to 40:1, with urban and high

[1] Revised NER and GER based on the 2009 Kenya Population and Housing Census age cohort data

potential areas registering a figure as high as 85:1. The Textbook-Pupil ratio for lower primary has improved from 1:2 in 2008 and 2009, to 1:1 in 2010 for both primary and secondary schools. During the year 2010/11, 880 teachers were recruited and 382 Adult Basic Education centres were rehabilitated and equipped. Adult enrolment increased from 126,700 in 2007, to 215,900 in 2008, and 320,000 in 2010. The School Feeding Programme reached all the 1.2 million targeted pre-primary and primary school children in 64 ASAL districts and slums of Nairobi. In 2010/2011, KSh. 500 million was disbursed for secondary school bursaries. KSh. 926 million was used to rehabilitate all the 18 national secondary schools. An additional 100 schools have been identified for upgrading into national status over 2011/2012. KSh. 63 million was disbursed to 474 non formal schools. Teacher training curriculum at both primary and secondary level was reviewed to integrate ICT in education. Under the economic stimulus initiative, KSh. 6 billion was disbursed to 200 secondary schools for construction / rehabilitation works aimed at transforming them into centres of excellence. A further 420 schools were rehabilitated and expanded, 18,020 teachers recruited, and computers supplied to 20,229 public primary schools, 1,021 public secondary schools, 20 PTTCs, 2 diploma colleges, 10 Model e-learning centres and 7 public universities. KSh. 544,122,000 was also disbursed to 37 ASAL districts for construction/ rehabilitation of primary schools.

The **Health Sector** aims to provide equitable and affordable health care at the highest affordable standard as a basic right of all citizens. In 2010/2011 the under-five mortality stood at 74 deaths per every 1,000 live births, and neonatal mortality declined marginally to 42 per cent. Immunization coverage for children under one year increased over the period under review from 73 per cent to 83 per cent. The proportion of in patients with malaria fell from 19 per cent in 2007/2008 to 14 per cent in 2010/2011. 47 Hospitals and 130 Health Centres were constructed while 92 Hospitals and 130 Health Centres were rehabilitated. HIV prevalence rates declined from 7.4 per cent to 6.3 per cent in 2010/2011. Out of these, 56.2 per cent accessed ARVs. However, regional and gender disparities remain a challenge.

The sustainable management of resources in the **Environment and Natural Resources Sector** is a priority for development in a clean and secure environment. During the period under review, the Green Schools Initiative was rolled out in 150 schools with the motto **one Child one Tree**. Forest cover was increased to 3.82 per cent by planting 128,747,253 seedlings, rehabilitating 5,441 ha of industrial

forest plantation and 314,427 ha of natural forest. National Mapping of Pollution Sources was done along Sosian and Tana River; Lamu corridor was identified; Lake Elementaita National Wildlife Reserve gazetted; and a 9 km wildlife corridor linking Mt. Kenya Forest Reserve and Lewa Wildlife Conservancy was finalized.

The **Water and Irrigation Sector** seeks to 'assure water resources availability and accessibility by all'. During the reporting period, 70.5 per cent of urban households were connected to piped water, 35.5 per cent of urban households accessed sewerage facilities while 49.2 per cent of rural households accessed water from protected sources. Access to sewerage facilities was 35.5 per cent against a target of 45 per cent for urban households. 5,671 Ha were brought under irrigation for food production, while water Storage Per Capita stood at 4.6 cubic metres. A total of 133 hydro meteorological stations were rehabilitated, 42 catchment management plans/ strategies were implemented, and Sasumua dam was completed to improve water harvesting and storage. The Government released KSh. 586 million to help 19 counties mitigate the effects of drought. 996 water trucking centres were served using 53 GoK and 37 hired water tankers; 186 boreholes previously broken-down were rehabilitated; 242 community water schemes received fuel subsidy; 426 plastic water tanks were distributed, and 100,000 aqua tabs availed to disinfect water at household level. A population of about 2,200,000 people and 9,000,000 livestock benefitted from these interventions. An additional 569,720 people were provided with sanitation and sewerage services.

The **Gender, Vulnerable Groups and Youth Sector** seeks to promote gender equity in power and resource distribution, provision of services to the youth and social services to the disadvantaged groups in the country. In 2010/11, 118,068 women were supported; grants were provided for 1,955 Self Help Groups; 13,520 women entrepreneurs were trained in entrepreneurial skills and two Anti-FGM campaigns were organized in Baringo and Pokot County. The proportion of women employed in the public sector increased from 28 per cent to 30 per cent. The sector provided financial support to 124,752 households hosting Orphans and Vulnerable Children, 33,000 households with elderly persons and 2,100 persons with severe disabilities. 496 Persons with Disabilities were trained in Vocational Rehabilitation Centres for self reliance.

Treasury allocated KSh. 145 million to kick start development of an International Sports Academy,

8 Youth Empowerment Centres were operationalised, and every constituency was allocated KSh. 4.5 million and KSh. 4 million to support Constituency Youth Enterprise Scheme (C-YES) and Easy Youth Enterprise Scheme (E-YES), respectively.

Population, Urbanization and Housing Sector is fundamental to sustainable development. During the period under review, the population growth rate reduced to 3.0 per cent while the total fertility rate also declined from 5.0 in 2003 to 4.6 in 2008-2009. Under Housing Infrastructure Development, through partnership with stakeholders including Local Authorities, housing infrastructure in Thika, Eldoret, Mavoko and other areas were installed. Construction of Ngara Phase II with 288 three bedroom units, 238 two bedroom units, a nursery school and a commercial centre was to be completed by December 2011. 280 one bedroom units in ***Shauri Moyo,*** 22 four bedroom apartments in Kileleshwa, 130 units in Ngara Phase 1 and 40 units on Nyeri Road, were completed and occupied. Finally 22 constituency Appropriate Building and Technologies (ABTs) centres were established.

Political Pillar

The Political Pillar aims to transform Kenya into a democratic society with an issues-based, people-centred, results-oriented and accountable, political system. Governance reforms remain crucial in creating a good foundation for the achievement and realisation of the Vision 2030. The governance reforms entail constitutional, institutional and legal reforms identified under the Agenda 4 of the National Accord. In the period under review: the Constitution of Kenya was approved through a referendum and promulgated on the 27th August 2010; the Commission for the Implementation of the Constitution was established; 23 pieces of legislation on judicial reform, electoral reform, internal security reform, public service reforms, promotion and protection of human rights, public finance, and aspects of the devolved system, were enacted; 13 constitutional offices were established; the Truth, Justice and Reconciliation Commission was operationalised; the Independent Electoral and Boundaries Commission was established; the National Cohesion and Integration Commission initiated the *Uwiano* Initiative; the Legal Aid Awareness Programme undertook nine legal aid programmes to enhance access to justice for the poor, marginalized and vulnerable; a comprehensive and effective framework for respecting and reporting on Human Rights in Kenya was established; Human Rights-Based Approach (HRBA) to public service delivery to enhance the realization of economic, social and cultural rights as espoused in Article 43 of the Constitution was developed; the Taskforce

on Devolution undertook countrywide consultations on the operationalisation of devolved government and developed a draft Devolved Government Bill, Urban Areas and Cities Bill, and Transition to County Governments Bill, 2011; the Commission on Administration of Justice was operationalised; and the anti-corruption, transparency and accountability campaign was revitalized.

8.2 Recommendations

This report has established that Vision 2030 is behind schedule, especially in the implementation of flagship projects. The advent of devolution as espoused in the Constitution of Kenya 2010 heralds a fundamental transformation of the Government to support public service delivery at the lowest possible level. A stable macroeconomic framework supported by robust enablers will support the realization of commitments under the three pillars. Effective monitoring and evaluation with enough clout to bring government offices to account and working reporting structures must be put in place to avert a plethora of litigations from citizens claiming violation oftheir economic, social and cultural rights. This is the time to define clear mechanisms for M&E and reporting and the linkages between county and national M&E functions.

Macroeconomic Framework: While public investment was stepped up with increased infrastructure spending and the Economic Stimulus Programme, private investment has not picked to levels envisaged in the MTP (2008-2012). There is therefore need to restore investor confidence in the face of inflation and the weakening shilling. The Central Bank of Kenya needs to put in place measures to stabilize the shilling at an exchange rate able to attract foreign direct investment and spur exports.

Foundations of National Transformation

Infrastructure: Infrastructure is inevitable in the journey towards Vision 2030. Public Private Partnerships should be encouraged in the development of infrastructure, particularly now that every county will need excellent transport networks to attract investment. There is need to operationalise a framework through which counties can get into direct funding arrangements with international development partners for infrastructure development. Robust spatial and physical planning will be key to ensuring equitable development.

Energy: The cost of energy has been a big impediment to investment in Kenya. The country should fast track the operationalisation of wind power, geo thermal power and coal energy so as to introduce lasting cuts in energy costs. There is need to establish an

incentive plan for use of renewable energy, and implement mechanisms for tapping of benefits of carbon trading.

Science, Technology and Innovation: There is need to equip our universities and other institutions of higher learning to develop and incubate innovative ideas which can transform Kenya. This means allocating more resources to STI. A Young Innovators Programme should also be developed to identify and grow young innovators and provide a forum through which they can market their ideas.

Information and Communication Technologies: Kenya should exploit the gains presented by the fibre optic cable to network all its 47 counties with the national government. This will provide a ready platform on which to realize efficiency improvements in public service delivery while at the same time documenting and sharing best practices in development and public sector management.

Public sector reforms: A comprehensive National Capacity Development Programme is required to provide a road map for capacitating national and county governments to deliver efficient, effective and equitable services to their publics. In an effort to get it right from the start, different management reforms should be converged so as to consolidate their benefits. A solid M&E framework aligned to NIMES should be put in place to track the progress and results of the various reform initiatives.

Labour and human resources development: It will be helpful to increase the allocation and lending thresholds for the youth and women development funds. Disbursement procedures should also be streamlined to release economically viable chunks to youth and women entrepreneurs. The findings of the manpower survey should also be implemented in line with the manpower requirements of the devolved system.

Nairobi Metropolitan: There is need to enact and operationalise the Metropolitan Areas Act. Regulations on land use and spatial planning should be put in place to ensure optimal and coordinated land use within the metropolis.

Economic Pillar

Tourism: There is need for increased resource allocation towards marketing Kenya as a tourist destination of choice, internationally and locally. Promoting local and eco-tourism will also help to boost tourism revenues. Since 2012 could be an elections year, it is important to encourage positive politicking that does not injure tourism.

Agriculture: Various actors need to be constantly engaged towards ensuring

food safety. The Prime Minister's Round Table on food security with the private sector, civil society, youth and women, should be transformed into a Presidential Initiative on Food Security and should be institutionalized. The co-operative movement should also be strengthened to promote agricultural production, marketing and value addition.

Manufacturing: Deliberate efforts should be made towards reducing the cost of energy to support manufacturing. Special incentives need to be provided to encourage value-added exports and imports of unprocessed materials as opposed to exporting unprocessed goods and importing finished products.

Financial services: Controls on the financial services sector need to be strengthened to ensure that investors do not lose their money. This will restore investor confidence and promote investment into the sector.

Business Process Outsourcing: Challenges faced such as lengthy procurement processes, cable vandalism, systems incompatibility, computer hardware and software counterfeits and cyber security need to be addressed. In addition, there should be increased marketing of the country's capabilities, reduction of telecommunication costs and provision of incentives to local BPO operators in terms of subsidized bandwidth.

Social Sector

Education: There is an urgent need to include Early Childhood Development and Education (ECDE) under basic education so that it can benefit from Free Primary Education (FPE) funding. Due to the rapidly growing enrolment at all levels of education, it will be helpful to provide more development resources to expand facilities at the primary, secondary and tertiary levels of education. The resource allocation for FPE and FDSE should be increased to ensure optimal access.

Health: The sector should be allocated more funding to meet the thresholds set by the Abuja Declaration. This will lead to an improvement in the quality of services, which include physical infrastructure, and preventive and curative programmes. The Government needs to prohibit retrogressive cultural practices which inhibit access to healthcare or negate the gains made including operationalising the FGM Act 2011.

Environment and Natural Resources: The Government should establish a policy on utilization of green energy and exploitation of carbon credit trading to fund greening and reforestation initiatives. It is important to monitor the 10 per cent forest cover regulation for agricultural land. The

One Child One Tree campaign needs to be stepped up to secondary schools and extend to universities.

Gender, Vulnerable Groups, Youth: There is need for improved coordination amongst all key stakeholders involved in gender mainstreaming, social development and children services to avoid duplication and ensure maximum benefits. Capacity building for women and youth entrepreneurs in business skills and management competencies is critical for the effective utilisation of the WEDF and YEDF funds. Awareness creation on child rights, effects of retrogressive cultural practices and Women Enterprise Fund need to be enhanced. A database for vulnerable people, People with Disabilities (PWDs) and marginalized groups should be established. This will provide ready data for planning and tracking the development of these groups.

Water: There is urgent need to finalize the Water Transfer Plan so that institutions in the water sector can start operating with clear mandates. The capacity of the Water Resources Management Authority (WRMA) needs to be built so that it can adequately address water resource management and protection including water quality surveillance, and monitoring and enforcement of standards. A policy for utilization of water resources shared between counties needs to be put in place to avert possible conflicts once county governments are put in place.

Population: There is need to improve information, education and communication around population issues including family planning at both the national and county levels, and to expand access to Family Planning through community based distribution and involvement of the private sector. It will also be important to work with other stakeholders in population and reproductive health programmes to enhance provision of Reproductive Health services including family planning which respond to programme needs in line with the new constitutional dispensation.

Housing: There is need to attract and sustain private sector participation in housing development, identify additional land for development of houses across the country, and encourage PPPs to upscale investments in the housing sector.

Political Pillar

The implementation of the Constitution needs to be fast tracked. There is need to establish a framework for operationalising the Human Rights-Based Approach in public service delivery. The cluster approach should be adopted for progressive implementation of the Economic, Social and Cultural Rights espoused in Article 43 of the Constitution.

WHAT GETS MEASURED, GETS DONE.



H.E. President Mwai Kibaki and Rt. Hon. Prime Minister Raila Odinga giving the Best Performance Contracting Award for the second year running to Hon. Wycliffe Oparanya, Minister of State for Planning, National Development and Vision 2030 and Dr. Edward Sambili the Permanent Secretary of the ministry in the presence of Hon. Dalmas Otieno, Minister of State for Public Service.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Mr. Stephen Wainaina, Economic Planning Secretary and Mr Samson Machuka, Director MED officially launching editing of the 3rd APR



MED Staff updating NIMES M&E Policy

NOTES

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REPUBLIC OF KENYA

KENYA VISION 2030

UNDP



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ALL ENQUIRIES:

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