**Vision**
An international centre of excellence in public policy research and analysis

**Mission**
To provide quality public policy advice to the Government of Kenya and other stakeholders by conducting objective research and through capacity building in order to contribute to the achievement of national development goals
KIPPRA in Brief

The Kenya Institute for Public Policy Research and Analysis (KIPPRA) is an autonomous institute whose primary mission is to develop capacities for policy formulation, implementation and evaluation within National and County governments; undertake relevant and timely policy research and analysis; serve as a point of policy engagement and communication on public policy; and develop and maintain a reservoir of knowledge on public policy in contributing to the achievement of national development goals.

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KENYA ECONOMIC REPORT 2020
Resource Mobilization for Sustainable Development of Kenya

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

Our Vision
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Our Mission
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Government policy and public investment has focused disproportionately on formal private sector development and on education that is geared to urban wage employment as a solution to youth unemployment. A closer look at the figures, however, reveals that underemployment, especially in rural areas, is the greater challenge. A retooling of Kenya’s youth employment policies to focus on the opportunities for youth in agricultural and informal sectors could yield much greater benefits for young people – and for the country.

Background

Youth employment is recognized by the Government of Kenya and its development partners as a matter of priority, and rightly so. About two-thirds of Kenya’s unemployed are young people, and an additional 800,000 young Kenyans enter the labour market every year. Considering that the Kenyan economy added a total of 520,000 jobs in 2011 implies that until that figure doubles, Kenya is facing a labour crisis – and the youth will suffer the brunt of it. Even if job creation does double, there is a question of whether Kenya’s youth will have the skills they need to fill those positions. Despite the country’s free primary and day secondary schooling policy that greatly subsidizes education, it is estimated that nearly 1.5 million Kenyan children (aged between 5 and 14), 14% of the approximately 10.6 million children, left school or never attended school in 2009. These children are likely to graduate into youths with skills deficits over the next decade. While the seriousness of this problem is clearly recognized by all, the nature of that problem can at times be misrepresented. Indeed, there are three ways that the youth employment challenge has been misunderstood. One source of confusion is that youth employment statistics are misleading, but a closer look at the figures reveals that the problem is more severe than commonly recognized. Indeed, even in a scenario where the government were to double its efforts to create jobs for young people, there would be a deficit of 200,000 jobs. The 2009 Integrated Household Budget Survey shows that 62% of the 14 million young Kenyans (aged 15–34) are employed. This figure is responsible for the first major misunderstanding because it includes a large group of young people who are engaged in low-paying and sporadic work – often in the informal sector. Only 2 million Kenyans in this age group, or about 14%, are employed in what they consider to be a good job, formal or otherwise – and that figure is the crux of the challenge. Youth employment in Kenya is as much about quality as it is about quantity; young people certainly need more jobs, but the jobs also need to be high productivity and high income activities. A second misperception, connected to this one, is that educated youth are facing the highest levels of unemployment. While it is true that educated youth are more likely to be unemployed, the vast majority of the unemployed are uneducated. A third source of confusion is that the youth unemployment problem is not unique to Kenya. It is a global problem, and one that is experienced by many developing countries. In the case of Kenya, this is particularly true because of the country’s expanding youth population – but the right policies are needed to ensure that in the future young people will not face the same challenges.

Making Youth Employment Policies Work

Government policy and public investment has focused disproportionately on formal private sector development and on education that is geared to urban wage employment as a solution to youth unemployment. A closer look at the figures, however, reveals that underemployment, especially in rural areas, is the greater challenge. A retooling of Kenya’s youth employment policies to focus on the opportunities for youth in agricultural and informal sectors could yield much greater benefits for young people – and for the country.

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While the seriousness of this problem is clearly recognized by all, the nature of that problem can at times be misrepresented. Indeed, there are three ways that the youth employment challenge has been misunderstood. One source of confusion is that youth employment statistics are misleading, but a closer look at the figures reveals the real nature of the problems facing young people in the job market. KIPPRA researchers have put together figures from the 2006 Integrated Household Budget Survey and 2009 population census to give a more complete understanding.

According to the 2009 statistics based on the Kenya Integrated Household Budget Survey, about 62% of the 14 million young Kenyans (aged 15–34) are employed. This figure is responsible for the first major misunderstanding because it includes a large group of young people who are engaged in low-paying and sporadic work – often in the informal sector. Only 2 million Kenyans in this age group, or about 14%, are employed in what they consider to be a good job, formal or otherwise – and that figure is the crux of the challenge. Youth employment in Kenya is as much about quality as it is about quantity; young people certainly need more jobs, but the jobs also need to be high productivity and high income activities.

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Kenya aspires to transform from a lower middle income country to an upper middle income country by year 2030. This aspiration is valid and attainable because most of the economic fundamentals are largely in place to enable the country take off. The economy has remained resilient over time, with economic growth rate increasing from 5.7% in 2015 to 5.8% in 2016 largely due to a stable macroeconomic environment.

However, the difference between Kenya's total value of exports and total value of imports has been negative for some time. Due to the recent increase in government investments in infrastructure, public debt has increased to 52% of GDP, surpassing the East African Community (EAC) convergence criteria of 50% of GDP. But government borrowing plans are well anchored in the medium term debt management strategy to ensure debt sustainability.

The gap between savings and investment has remained high over time, meaning that there is need to boost the mobilization of domestic resources to enable access to adequate and appropriate financing of the required investment. Interest rates are stabilizing following the capping in 2016 and continued tight monetary policy stance adopted to maintain stability. However, the capping has partly resulted into decline in credit to the private sector as banks tighten lending requirements.

To attain the upper middle income category and sustain growth that creates employment opportunities, reduces poverty, and provides access to essential services by the poor, the economy needs to grow at an annual rate of 10%. This requires accelerated growth in private investments to reach investment/GDP ratio of 30% and over 9% growth in exports.

To achieve the upper middle income category, at the minimum, Kenya's economy needs to achieve a projected growth rate of at least 9.5% by 2020.

Besides, regional economic integration is an essential economic development channel to deliver sustainable development because it helps a country achieve economies of scale and enhance competitiveness, which are necessary for industrialization and structural transformation. In Africa, regional economic integration also enables countries to enhance domestic and foreign investments as well as promote peace and security. Furthermore, economic integration provides an opportunity to expand private investments in support of value addition and diversification of exports, thus placing the economy on a stable and sustainable growth path.

This brief is based on the Kenya Economic Report 2017 by KIPPRA. The report has been prepared at a time when the government is taking stock on implementation of Medium Term Plan (MTP) II, and kick-starting preparations for the second last medium term plan (MTP III) of Vision 2030. Worth noting is that Kenya is currently classified as a lower middle income country as per the World Bank classification and to attain the upper middle income category, significant growth of economic activity is required to move from per capita income of US$ 1,361 in 2015 to upper middle income per capita of US$ 4,000.
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Besides, regional economic integration is an essential economic development channel to deliver sustainable development because it helps a country achieve economies of scale and enhance competitiveness, which are necessary for industrialization and structural transformation. In Africa, regional economic integration also enables countries to enhance domestic and foreign investments as well as promote peace and security. Furthermore, economic integration provides an opportunity to expand private investments in support of value addition and diversification of exports, thus placing the economy on a stable and sustainable growth path.

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12. Local content in the energy sector: Prerequisite for enhancing local content (PB100, 2019-2020)
Policy Papers (PP) aim at wide dissemination of the Institute’s policy research findings. The findings are meant to stimulate discussion and also build capacity in the public policy making process in Kenya.


Special Papers (SP) deal with specific issues that are of policy concern. The reports provide in-depth survey results and/or analysis on policy issues. They are meant to help policy analysts in their research work and assist policy makers in evaluating various policy options. Deliberate effort is made to simplify the presentation so that issues discussed can be easily grasped by a wide audience.


2. Policy advocacy needs of MSE associations in Kenya: A survey of MSE associations in Nairobi, Mombasa, Kisumu and Nakuru (Moyi E, 2006) – SP No. 8


7. Enhancing productivity and competitiveness of the Kenyan economy through a cluster development strategy (2012) – SP No. 13


11. Transforming agribusiness, trade and leadership: A capacity needs assessment of the tea value chain in Kenya (2017) – SP No. 17


15. An Assessment of the Public Expenditure and Financial Accountability (PEFA) – Makueni County (2019) – SP No. 21


17. An Assessment of the Public Expenditure and Financial Accountability (PEFA) – West Pokot County (2019) – SP No. 23


19. An Assessment of the Public Expenditure and Financial Accountability (PEFA) – Baringo County (2019) – SP No. 25


These report the proceedings of conferences and workshops organized by the Institute. Whenever possible, discussions at such forums are also included. The proceedings are compiled and reviewed by KIPPRA researchers and are disseminated to inform, provoke, and solicit comments.

1. Urban and regional planning as an instrument for wealth and employment creation: Proceedings of the national conference held from 2-3 February 2005, Nairobi – CP No. 3

2. Economic impact of illicit trade in East Africa: Proceedings of the regional conference held on 6 May 2005, Nairobi – CP No. 4


6. Building resilience to mitigate the impact of droughts and floods: Proceedings of the KIPPRA regional conference held from 5th–7th June 2018, Nairobi, Kenya – CP No. 8

7. A gendered approach to unlocking the potential for sustainable development. Proceedings of the KIPPRA regional conference held from 11th–13th June 2019, Mombasa, Kenya – CP No. 9
In addition to reviewing the Institute’s activities, this newsletter carries incisive articles on current policy issues and debate in the country. It also provides an Economic Outlook of Kenya’s economy.

5. KIPPRA Policy Monitor, Issue 6, No. 1 (2013): Devolution is more than ‘equitable’ distribution of resources


9. KIPPRA Policy Monitor, Issue 8, No. 2 (2016): Positioning Kenya in order to exploit its potential as a coastal state


11. KIPPRA Policy Monitor, Issue 9, No. 2 (2018): Taming the road safety challenge through effective policy response

12. KIPPRA Policy Monitor, Issue 9, No. 3 (2018): Realizing the “Big Four” agenda through energy as an enabler

13. KIPPRA Policy Monitor, Issue 9, No. 4 April-June 2018: Building resilience to droughts and floods

KIPPRA Policy Monitor, Issue 10, No. 2 October-December 2018: Opportunities and challenges under devolved system of government

KIPPRA Policy Monitor, Issue 10, No. 3 January-March 2019: Transformation of lives since inception of devolution

KIPPRA Policy Monitor, Issue 10 No. 4 April-June 2019: A gendered approach to unlocking the potential for sustainable development

KIPPRA Policy Monitor, Issue 11 No. 1 July-September 2019: Creating jobs and transforming lives for inclusive growth

KIPPRA Policy Monitor, Issue 11 No. 2 October-December 2019: Inclusion of persons living with disability in national development for shared prosperity

KIPPRA Policy Monitor, Issue 11 No. 3 January-March 2020: Building Kenya’s resilience in navigating global turbulence and transitions

KIPPRA Policy Monitor, Issue 11 No. 4 April-June 2020: Implications on socio-economic activity of measures taken to deal with COVID-19 pandemic in Kenya

KIPPRA Policy Monitor, Issue 12 No. 1 July-September 2020: Leveraging on technology for resilience in the wake of COVID-19 and other pandemics in Kenya