

Creating An Enabling Environment  
For Inclusive Growth In Kenya

# KENYA ECONOMIC REPORT 2020

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**POPULAR VERSION**

CREATING AN ENABLING ENVIRONMENT FOR INCLUSIVE  
GROWTH IN KENYA



To create a globally competitive and prosperous nation with a high quality of life by  
2030

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Bishops Garden Towers, Bishops Road  
P.O. Box 56445-00200, Nairobi, Kenya  
Tel: +254 20 2719933/4; fax: +254 20 2719951  
Cellphone: +254 724 256078, 736 712724  
Email: [admin@kippra.or.ke](mailto:admin@kippra.or.ke)  
Website: <http://www.kippra.org>  
Twitter: @kipprakenya

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# CREATING AN ENABLING ENVIRONMENT FOR INCLUSIVE GROWTH IN KENYA

## Introduction

The theme of this Kenya Economic Report (KER) 2020 is “*Creating an Enabling Environment for Inclusive Growth in Kenya*”. The objective is to provide insights on the foundation for broad-based economic growth and development. Inclusive growth aims at advancing equal economic opportunities to all stakeholders in development processes, thus promoting pro-poor approaches anchored on participation and contributions of all stakeholders. This is echoed in the Government’s long-term blueprint, the Kenya Vision 2030, which promotes implementation of policies for broad-based inclusive growth. This is further stated in the Third Medium-Term Plan (MTP III) which includes the “Big Four” agenda. The emphasis on inclusive growth is also reflected in global and regional development commitments, namely: the Sustainable Development Goals (SDGs) - Goal 8, which promotes inclusive and sustainable economic growth and Goal 10 which targets to reduce inequality within countries and among countries; the Africa Union Agenda 2063; and the East African Community Vision 2050.

The theme of the Kenya Economic Report 2020 was motivated by the Government’s quest for shared prosperity, as envisioned in Kenya’s long-term development blueprint, the Kenya Vision 2030, the “Big Four” agenda and the Constitution of Kenya. This report assesses economic performance against the backdrop of policies and institutional frameworks that support balanced and pro-poor growth strategies.

Kenya’s economy grew by 5.4 per cent in 2019, which was a decrease by 0.9 percentage points from 2018. The Kenya Vision 2030 target is to achieve a 10.0 per cent GDP growth and reduce the number of people living in absolute poverty to the ‘tiniest proportion of the total population’. Under the first MTP, the target was to reduce the number of those living below the poverty line from 46.0 per cent to 28.0 per cent. However, according to the Kenya Integrated Household Budget Survey - KIHBS (2016), poverty levels stood at 36.1 per cent in 2016, implying that poverty reduction efforts need to be beefed up to realize the development agenda. Inequalities persist, where nationally more than half (59.4%) of total expenditure is controlled by the top-most quintile while the bottom quintile controls the least share (3.6%).

In the Second Medium-Term Plan (MTP II), the target was to achieve a 10.0 per cent growth by 2017, but the country

## KENYA ECONOMY



“ *... the target was to achieve a 10.0 per cent growth by 2017 but the country achieved an average growth of 5.5 per cent during the 2013-2017 period.*

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achieved an average growth of 5.5 per cent during the 2013-2017 period. The medium-term growth prospects under MTP III is for the economy to grow by 7.0 per cent by 2022. The critical challenge remains that of attaining high and sustainable levels of growth and development and translating the growth to be socially and economically inclusive. When growth and development policies are not inclusive, they are likely to trigger social conflict and derail the development trajectory. Therefore, creating a conducive environment that ensures productive employment, low poverty levels, reduced inequality, and environmental sustainability is paramount.

In the medium-term, under the “Big Four” agenda, the Government intends to achieve inclusive growth by ensuring food security; expanding the manufacturing sector to create jobs; providing universal health care to enhance the human capital; and providing affordable housing to increase access to the low-income earners. The Government has also put in place policies to enhance youth empowerment, gender equality and equal opportunities for persons with disabilities.

The KER 2020 assesses the status of inclusive growth in Kenya along different dimensions. It begins by a review of the macroeconomic performance of the country, discusses growth and inclusivity at county level and the medium-term prospects. The report discusses how financial inclusion can be enhanced for inclusive growth; it analyses inclusivity and trade in Kenya and in the international context; it discusses the contribution of agriculture to food and nutrition security and inclusive growth; further, the report discusses how inclusive growth can be enabled through access to affordable, reliable, sustainable and modern sources. In addition, the role of social protection in enhancing social mobility and inclusive growth is analyzed. Finally, issues of governance in inclusive growth and the role of partnerships in achieving inclusive growth are also analyzed.

## Macroeconomic Performance and Prospects



A local market in Lamu | Photo courtesy

Kenya's economy registered an average growth of 5.6 per cent in the period 2014 to 2019, depicting a stable economy on a path to achieving the objectives of the Kenya Vision 2030. A stable macroeconomic environment supports in delivering on inclusive growth. However, Kenya faces significant downside risks that could see a slowdown in economic activity. These include rising fiscal pressures with increased debt servicing costs and fiscal measures to cushion the economy from the effects of Covid-19; adverse weather conditions; desert locust invasion; and impact of Covid-19 on the economy. This is expected to have implications on economic activity.

Kenya has made remarkable progress in poverty reduction in the last two decades. However, there is need to accelerate the pace of poverty reduction in achieving inclusivity. The economy experienced a robust growth averaging 3.9 per cent between 1997 and 2016. Poverty rate dropped from 52.3 per cent in 1997/98 to 46.8 per cent in 2005/06 and eventually to 36.1 per cent in 2015/16. Thus, poverty reduction rate averaged 0.8 per cent per year compared to 3.9 per cent growth rate realized between 1997 and 2016. Rural poverty level remains high, with poverty reduction pace slower than in peri-urban and core urban areas. As of 2015/16, rural poverty was 40.0 per cent compared to the national average of 36.1 per cent, and poverty in peri-urban and core urban areas was at 27.5 per cent and 29.4 per cent, respectively.

Labour is concentrated in sectors with low productivity. For instance, the agricultural sector, which exhibited declining productivity between 2000 and 2019 employs the largest proportion. The share of agricultural labour productivity in total factor productivity decelerated from 64.0 per cent in 2000 to 41.0 per cent in 2019 while its employment share increased from 49.0 per cent in 2000 to 55.0 per cent in 2019. The industrial and services sectors, whose productivity grew from 169.0 per cent and 124.0 per cent in 2000 to 249.0 per cent and 156.0 per cent, respectively, in 2019, had a significant fall in employment levels. As such, structural economic transformation is necessary to lift workers from the less-productive agricultural sector to the more-productive industrial sector.



There was significant improvement in Government’s share of pro-poor spending between 2015/16 and 2018/19. However, high debt servicing costs could crowd-out pro-poor spending. The share of education and social protection spending in total national spending increased from 15.3 and 3.7 per cent in 2015/16 to 21.5 per cent and 6.7 per cent, respectively, in 2018/19 while debt servicing costs rose from 21.5 per cent of Government revenue in 2015/16 to 42.8 per cent in 2018/19. Additionally, debt servicing costs accounted for 24.9 per cent of Government spending in 2018/19, more than the combined spending on health, social protection and housing. More concessional borrowing and leveraging on public private partnerships is critical in reversing the debt servicing costs.

The medium-term prospects depict Kenya growing at a rate below that recorded in 2019 and may not deliver on the desired inclusive economic growth in the country. This implies that more strategic efforts are required for the country to spring back to the desired growth trajectories and retain the already acquired lower middle-income status. However, several risks factors threaten this forecast, including the desert locusts, fiscal pressures from high budgetary demands particularly implementation of the Building Bridges Initiative (BBI) and high public debt, security concerns, commodity prices, and the coronavirus pandemic. These risks, without timely and adequate interventions will reduce economic growth in 2020 to about 1.7 per cent and, on average, to less than 4.0 per cent in the medium-term.

To achieve inclusive growth in Kenya:

- Macroeconomic stability is critical for sustained economic growth to propel the pace of poverty reduction.
- Promote fiscal consolidation in the medium-term to keep a check on debt sustainability.
- A sustained period of structural transformation and economic diversification is critical in sustaining growth and creating productive jobs for the population.

- Take advantage of the AfCFTA opportunities in diversifying and growing trade at regional level.
- More investments in health and education are necessary to achieve better educational and health outcomes.
- Increased agricultural productivity can be achieved through targeted fertilizer subsidy programmes, mechanization of agriculture, and proper water management to enhance irrigation.
- Support key drivers of growth at county level by enhancing business environment with priority investment programmes.

## Growth and Inclusivity in the Counties

Counties recorded a robust growth between 2014 and 2017, with real Gross County Product (GCP) and real GCP per capita growing at an average of 5.6 per cent and 2.8 per cent, respectively. During the period, 22 counties had their real GCP per capita growing at a faster pace than the county average. As of 2017, 10 counties had their real GCP per capita above the national GDP per capita of Ksh 96,799.8. These are counties with relatively well-established industrial sectors. Counties such as Mandera, West Pokot and Turkana had the least GCP per capita of Ksh 28,602, Ksh 38,021 and Ksh 38,592, respectively. These counties are in arid and semi-arid lands with minimal economic activities.

The slow pace of structural transformation is reflected at the county level, with agriculture being the dominant economic activity. Most counties are heavily reliant on agriculture, with only 7 counties having significant manufacturing activities. It is important for the counties to deepen structural transformation by creating an enabling environment to attract investments in manufacturing.

Huge disparities exist in county Own Source Revenue (OSR) collections; counties with significant share of industry and services sector collect more revenue compared to counties that are heavily reliant on agriculture. A total of Ksh 200.5 billion was collected by counties between 2013/14 and 2018/19, with 32.2 per cent of this collected by Nairobi County. Further, the top 4 counties in OSR collections account for more than half of the total OSR collections annually. This implies that some counties have well established revenue streams than others, hence collecting more.

Overall poverty incidence varies widely among counties, from as low as 16.7 per cent in Nairobi County, to a high of 79.0 per cent in Turkana County. It is also evident that counties with the lowest GCP per capita have the highest poverty rates and are mostly in arid and semi-arid lands. Poverty is also aggravated by large household sizes among the poorest counties. For example, the largest households are in Mandera (6.9), Wajir (6.1) and Garissa (5.9), where poverty rates are 77.6, 62.6 and 65.5 per cent, respectively.

The Government has made some significant effort to address inequalities across the counties through the budget. The poorest counties have received the largest shares of equitable transfers, mainly driven by the poverty factor in the Commission on Revenue Allocation (CRA) formula, accounting for 18 per cent of the revenue allocations through equitable transfers. Turkana and Mandera received 3.9 per cent and 3.4 per cent, respectively, between 2013/14 and 2018/19. It is also notable that most of the poor counties allocated significant share of their spending on development. However, 60.0 per cent of the counties did not meet the PFM Act 2012 requirement



“ A total of Ksh 200.5 billion was collected by counties between 2013/14 and 2018/19, with 32.2 per cent of this was collected by Nairobi County.

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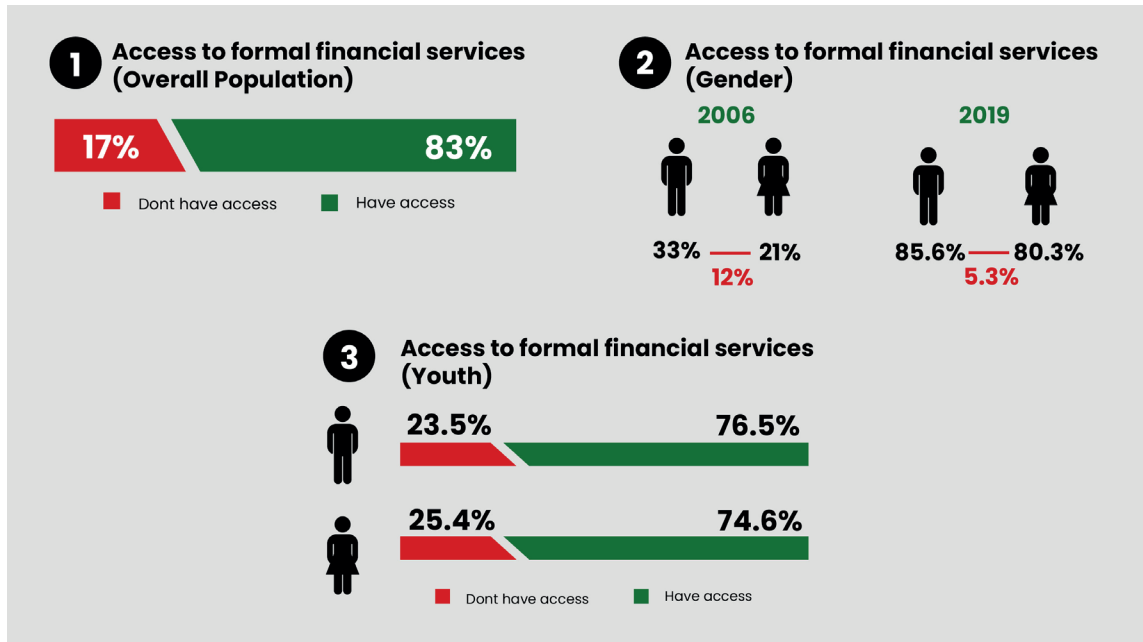
that counties should spend at least 30.0 per cent of their total budget on development. Increased spending on development is critical for accelerating growth and pace of poverty reduction.

To enhance growth and inclusivity at county level:

- Increase development spending to accelerate the pace of poverty reduction in the counties. Development spending serves to expand the capacity for economic activity. The Commission on Revenue Allocation (CRA) could impose penalties on counties that do not comply with the PFM Act 2012 requirement on development spending.
- Establish tanneries, leather and meat processing factories to empower the pastoralist communities that live in the arid and semi-arid lands to expand their production and value of their livestock, increase their incomes and ultimately lower poverty.
- Establish and revive agricultural-related cooperative societies to mobilize and aggregate financial and social capital at the county level to promote a more inclusive growth in the counties.
- Support industrialization in the rural areas to absorb excess rural labour. This can be achieved by diversifying economic activities by creating an enabling environment with, for example, infrastructure development to attract investments in manufacturing activity by the private sector including an enabling environment for MSEs.
- Monitor implementation of the Own Source Revenue Policy and Regulations to provide guidelines and standards on collection and usage to counties to enhance county revenue base to boost development and inclusive growth at county level.
- Increase spending on social protection to protect the hardcore poor. Ensure targeted groups are appropriately mapped out.

## Enhancing Financial Inclusion for Inclusive Growth

Access to financial products and services, including savings, payment for services, and loans has the potential to contribute to inclusive growth. Overall, national access to financial inclusion is at 82.9 per cent, an improvement from 26.7 per cent over the past decade. This means that about 17 per cent of the population is still excluded from access to formal financial services and



therefore cannot participate effectively in the economic activity cycle. Disaggregation of data by counties shows that counties with most access to finances, either credit, savings or insurance, are mainly counties with big urban areas. A further disaggregation of data by gender shows a gender disparity between males (85.6%) and females (80.3%). However, this gap has been reducing since 2006, when it was at 12 percentage points - (Males at 33.0%) and (females at 21.0%). This means that over time, females have been gaining more in terms of financial access compared to males. For the youth, a significant proportion of them (23.5% male) and (25.4% female) do not have formal financial access especially in insurance and credit aspects.

The main barriers to greater financial inclusion include: proximity to financial providers, level of trust of financial providers, excessive documentation, financial literacy and the cost of accessing financial services. It is noted, however, that while these barriers have persisted over the last decade, the advent of mobile-based financial services has transformed financial systems in Kenya, helping more people to access financial services.

The National Government and some County Governments have initiated interventions to deepen financial inclusion among the population. The initiatives offering financial and capacity support to women and youth could be scaled up, in addition to addressing their challenges to ensure sustainability.

Moreover, mobile money agents present a potential solution for many of the barriers to closing the financial inclusion gap and reaching the excluded. This is because they employ mobile phones and agents to deliver financial services, without the high costs of construction and bank staff that underlie traditional brick-and-mortar banking institutions, and improving accessibility to existing customers and new ones.

To deepen financial inclusion among the population for inclusive growth:

- Continue expansion of agent-based banking and other cost-effective delivery channels to reach the financially excluded, especially where traditional banking services are scarce.
- Promote financial literacy to allow individuals to know their financial circumstances.
- Streamline the operations of the Uwezo Fund, Youth Enterprise Development Fund and the Women Enterprise Fund to ensure the challenges facing these funds are adequately addressed, including considering consolidation.
- The National Treasury and Ministry of ICT could strengthen financial infrastructure, which serves as the underlying foundation to support financial inclusion.
- Formal financial institutions can use information technology-based solutions such as mobile phones for efficiency in service provision, and penetration to address the challenge of high transaction costs and outreach.

## Inclusivity and Trade

Domestic and international trade play an important role in economic growth and sustainable development. This is made possible through the linkages of production and markets, enhancing efficiency in production, increasing access to more varieties of products through the distribution process, and creating opportunities for employment. Increased participation of women, youth and PWDs in trade has potential to boost the economic growth, reduce poverty and promote inclusive development in line with the aspirations of the Kenya Vision 2030 and the “Big Four” agenda.

Kenya has made efforts to address inequalities and mainstream gender in trade-related policies and regulations. For instance, enactment of the Public Procurement and Disposal Act 2015 requires 30 per cent of government tenders to be awarded to enterprises owned by youth, women and persons with disability. However, there are gender disparities in participation in both domestic and international trade and employment in various sectors. Over the years, women hardly constitute 30 per cent of total wage employment in the wholesale and retail trade. Similarly, wage employment in agriculture and manufacturing were 37 per cent and 20 per cent, respectively, during 2018. In the manufacturing sector, women dominate in the formal workforce of important labour-intensive export sectors such as cut flowers (65-75% of workers), textiles (75% of workers) and tourism (33% of workers). However, they are often employed in low-skilled jobs such as sewing and finishing while men often act as supervisors. Therefore, it is important to eradicate barriers hindering youth, women and PWDs from participating in trade to bring about the much-needed empowerment and inclusivity.

Some obstacles hindering full participation of women include inadequate legal framework to address discriminatory practices against women; inadequate access to capital by women-owned enterprises; and lack of requisite skills, information and networking to enable engagement in productive business-related activities. The youth face inadequate technical skills for the job market, weak representation in policy making platforms, and limited access to credit by youth-run enterprises. It is important to have tailored capacity building and training programmes for youth and women and enhance their access to credit to increase their participation in trade and in the general economy.

To increase the participation women, the youth and Persons With Disabilities in trade:

- Provide support for tailored capacity building and training programmes, including on quality standards and links to input distribution networks to enhance access by youth, women and PWDs to regional markets for export.
- Empower women through awareness creation, civic education and access to information on their rights as this is critical to alleviating gender inequality.
- Reverse the trend of low participation of youth and women by enhancing access to credit to leverage on more opportunities for growth.
- Eradicate barriers preventing youth, women and PWDs from owning a business and participating in trade by leveraging technology and encouraging the use of mobile phones to report abuse at border crossings.
- Promote transparency of rules and increase awareness of all actors at the border, to reduce misunderstandings and complaints.
- Build the capacities of counties to steer the agriculture, manufacturing and trade sectors to benefit the youth, women and PWDs and strengthen the existing county regional blocs for inter-county trade.

## Contribution of Agriculture to Food and Nutrition Security and Inclusive Growth



Wheat growing in a farm | Photo courtesy

Smallholder farmers constitute a huge portion of the population, and are therefore important stakeholders in realizing the broader goals of food and nutrition security and inclusive growth. Land area in a country is finite and therefore the potential to realize increased agricultural productivity lies in the adoption of appropriate technology and innovation, which will increase output and bring down costs of food. The adoption of technology, however, should be coupled with complementary investments in training for farmers, such as in agronomic practices, soil

fertility, efficient use of fertilizer, integrated pest management, and post-harvest handling to enhance productivity and competitiveness.

Smallholders are not fully integrated into value chains, which negates their opportunities for value addition and marketing. Encouraging their participation in farmer organizations could foster economic inclusion and increase their market power, thereby raising their incomes and productivity.

It is evident that a huge proportion of Kenyan population suffer from food poverty though with varying intensities across and within counties. At household level, reduction of food losses is critical in maintaining food supply and therefore reducing food poverty. This can be achieved by investing in storage facilities at household level supported by training on the management of produce in storage.

To strengthen the contribution of agriculture sector to inclusive growth:

- Promote the adoption of better farming technologies to increase agricultural productivity and improve livelihoods.
- Enhance data management for agriculture to provide information for the different actors along the value chain to make informed decisions.
- Promote nucleated land settlements for the effective management of land resources.
- Concerted efforts are needed to reduce food losses and promote value addition to increase the shelf life of most agricultural products.
- Transform the agriculture sector from subsistence into commercial enterprises that can support livelihoods, reduce food poverty and contribute to economic growth.

## **Enabling Inclusive Growth through Access to Affordable, Reliable, Sustainable and Modern Energy Sources**

Access to affordable, reliable, sustainable and modern energy sources is recognized as a key input for economic growth, and inclusive growth. Inclusive growth is premised on the multidimensional aspects of stable energy supply systems, equity in access and affordability for all. Significant progress registered in increasing the share of renewable energy in the total energy mix and electricity connectivity across the country is a major boost towards inclusivity. However, the sector has witnessed substantial increase of transmission and distribution losses, which impact negatively on the end-user's prices. Reduction in losses by incorporating innovative measures such as grid modernization through inclusive smart metering programme for all end-users is crucial in establishing a stable and efficient energy supply system.

Despite the high number of electricity connections for domestic and small consumers, the demand is still low. Besides using electricity for lighting, households need to be sensitized on productive uses of electricity whereby energy access programmes can incorporate strategies for boosting income generating activities that are unique across counties.

**“ A high proportion of households rely on firewood, kerosene and charcoal to meet their cooking needs while use of biogas, LPG and electricity as primary energy sources for cooking is still lagging. ”**

Wide disparities are evident in access to clean energy sources for lighting and cooking at national level, rural/urban areas, and across the counties. All regions registered a high dependency on non-clean energy sources and low reliance on clean and efficient fuels for cooking purposes. A high proportion of households rely on firewood, kerosene and charcoal to meet their cooking needs while use of biogas, Liquefied Petroleum Gas (LPG) and electricity as primary energy sources for cooking is still lagging. Further, gender disparities exist in that women are disproportionately affected by lack of access to clean energy sources and bear the burden of collecting firewood, which consumes considerable time, limiting their productive activities, and exposing them to respiratory illness due to indoor pollution.

To promote access to affordable, reliable, sustainable and modern energy sources:

- The energy sector needs to focus more on enhancing electricity generation capacity from wind, solar, geothermal and hydro as they remain under-exploited. This will serve to increase access to renewable energy and bring down the cost of electricity.
- Invest in grid modernization through inclusive smart metering programmes for all end-users and grid monitoring solutions. This would reduce electricity transmission and distributive electricity losses, creating a stable electricity supply system.
- Incorporate in energy access programmes sensitization of households on productive uses of electricity in boosting their income generating activities, and awareness campaigns on the benefit of clean energy solutions for cooking and lighting.
- Engender energy projects, programmes, and policies to ensure both women and men participate and benefit from access to clean energy sources.
- Introduce a holistic dimension of planning for energy projects to ensure that energy access plans and strategies integrate the critical aspects on productive utilization.

## **Social Mobility and Inclusive Growth: The Role of Social Protection**

Upward social mobility, the movement of individuals, families, households, or other categories of people within or between social strata, is important for sustainable development and inclusive growth. Upward social mobility can enhance social cohesion, create feelings of inclusion among disadvantaged groups and diffuse extremism. In a progressive society, access to education, health, and social protection and employment should not hinge on endowments of parents – such as parental income, health, education and employment.



Children playing in a slum area | Photo courtesy

For Kenya, there are a set of findings that indicate that access to education and health by individuals hinges on the income and education of the parents. Individuals with more educated parents and those in the highest income group enjoy greater access to all levels of education. Access to health services seems to be lower for the lowest income group who are less likely to be diagnosed in a health facility relative to the higher income groups. Coverage of health insurance for the highest income quintile at 42.5 per cent is ten times greater than that of the lowest income quintile. With respect to the labour market, individuals from the high-income households aged 20 through 29 years are more likely to work for a wage or a salary (including internship opportunities). The labour market disadvantage for the lower income groups are most likely linked to their prior inferior outcomes in education and a possible lack of information and relevant networks. The disadvantage is likely to translate into lower productivity, lower incomes and suppressed social mobility.

Despite these disparities, the lowest income quintile may not be receiving larger forms of social protection/assistance in education, health and other social services. As examples, the lowest and highest income groups are equally likely to benefit from education bursaries, and the proportion who received free medical care was about equal across the groups at just about 13.0 per cent. The lack of positive discrimination implies that the lowest income groups may face greater risks of downward inter-generational mobility.

Further, despite progressive policy and institutional reforms, the role of the social protection sector in enhancing social mobility and a more inclusive growth process is curtailed by several challenges. These include weak targeting systems and outcomes, lack of adequate coordination, low programme coverage, and duplication of benefits. These have lowered the expected impact of social protection programmes. Other challenges include possibility of ghost beneficiaries, and lack of an integrated system that links all social assistance programmes across Ministries, Departments and Agencies (MDAs) in one easily accessible online portal.

To strengthen the role of social protection in achieving inclusive growth:

- Reduce the costs related to access of education especially for the poor households by enhancing the use of cash transfers that provide grants to poor families that meet set criteria and introduce vouchers for uniforms and other ancillary school inputs targeting the extremely poor households.
- Reform the bursary schemes in place to make them more equitable and pro-poor by aligning bursary schemes based on needs across geographical regions.
- The public bursary schemes should be designed to focus on the extremely poor students irrespective of school characteristics; that is, whether public versus private or day versus boarding.
- Enhance the implementation of the universal health coverage to avoid spending that may hinder social mobility of the poor.
- To address the problems associated with social protection interventions, it is important to incrementally develop a more integrated social assistance system that transfers all the dispersed social assistance programmes and processes to an electronic platform that is shared across MDAs.
- Further, develop a system that facilitates mapping out of the targeted groups and avoiding the undeserving accessing the benefits.

## Governance in Inclusive Growth

Good governance, inclusivity in government processes, and a robust institutional framework are prerequisites in promoting equitable resource allocation and distribution across regions; representation and inclusivity in the public service; and inclusivity in government decision-making processes through public participation. The Constitution introduced major reforms in governance, resource allocation and the structure of the public service with the intention of redressing the regional socio-economic inequalities and skewed resource distribution that were inherent in the centralized system that existed prior to devolution. In fostering inclusivity in governance, the objectives of devolution include: to ensure equitable sharing of national and local resources throughout Kenya; to give powers of self-governance to the people and enhance the participation of the people in the exercise of the powers of the State and in making decisions affecting them. In addition, for inclusivity to be attained, the representation of diverse groups, communities and individuals of society in the public service is key. This is to ensure the public service is a representation of individuals of various backgrounds in terms of ethnic communities, gender and Persons with Disabilities (PWDs), among other things.

The equitable revenue sharing formula is aimed at ensuring equitable resource allocation to County Governments. To facilitate effective budget implementation and delivery of public services, timely disbursement is important in addition to prudent utilization of these resources. This should be complemented by concerted efforts by counties to improve on Own Source Revenue (OSR) collection and reduce on revenue leakages. In addition, capacity building is crucial in entrenching prudent public finance management.

The ideals of ethnic diversity and inclusivity are yet to be realized both at national and county levels. For example, while the Constitution requires the State to ensure that at least 5 per cent of the members of the public in elective and appointive bodies are Persons with Disabilities, in



“ *The Constitution introduced major reforms in governance, resource allocation and the structure of the public service with the intention of redressing the regional socio-economic inequalities...* ”

2018/19, the Public Service Commission (PSC) reported that only 1.2 per cent of officers in the public service were Persons with Disabilities (PWDs). Also, the PSC reported that although the principle of not more than two-thirds of either gender had been met at the ratio of 63.2 per cent male to 36.8 per cent female, the male gender still dominates positions in the public service, with gender inequality more pronounced at higher job grade levels.

Some of the issues in achieving and realizing the statutory quotas imposed on public institutions on representation include weak oversight and enforcement mechanisms for non-compliance, weak institutional frameworks in institutions mandated to oversee matters concerning representation, cohesion, values and diversity; lack of sanctions for non-compliance; and lack of incentives to diversify.

To strengthen governance in inclusive growth:

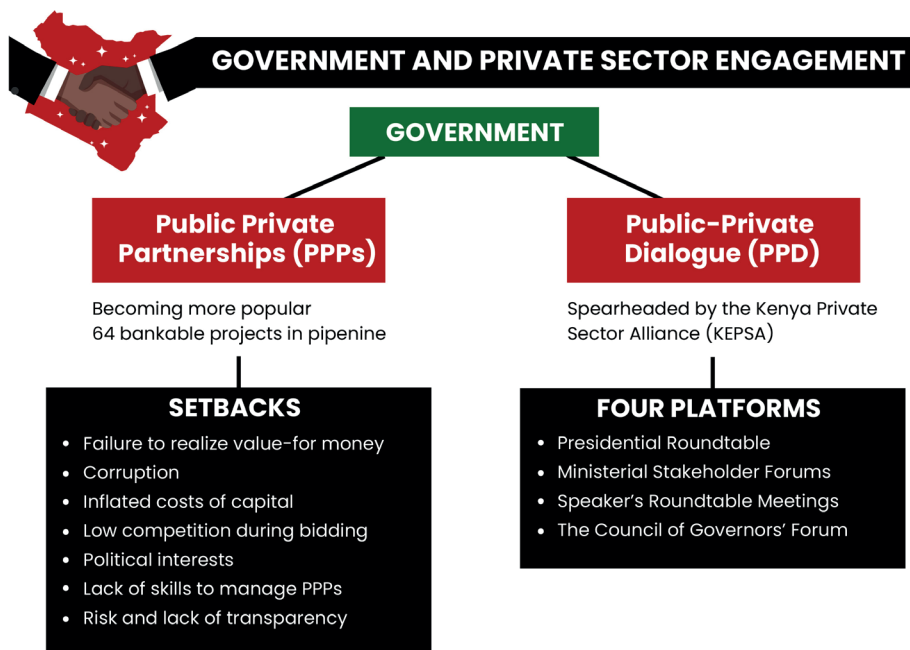
- Ensure timely disbursement of funds as prescribed by the disbursement schedule under the County Allocation of Revenue Act 2015 to counties for effective implementation of budget and delivery of public services.
- Enhance Own Source Revenue (OSR) collection by growing the private sector activity at county level and reducing on revenue leakages.
- Entrench prudent fiscal management to ensure public funds are utilized for the benefit of the public.
- Impose stricter sanctions and penalties to non-compliance in achieving diversity and representation in public service at both national and county level.
- Define clear criteria and parameters to guide in appropriately identifying individual ethnicity.
- Establish clear guidelines on public participation process through enactment of the Public Participation Bill.
- Strengthen the affirmative action for gender equality in senior positions in public service and elective positions.
- Enact the Kenyan Sign Language Bill 2019 to institutionalize the use of Kenyan Sign Language, and review the Persons with Disabilities Act 2003 to align it to the rights envisaged in the Constitution.

## Partnerships for Inclusive Growth

Partnerships are voluntary agreements between government, private sector and civil society actors. At the global level, the concept of “partnership for development” has been reinforced since the 2000 Millennium Summit of the United Nations (UN), which adopted Agenda 2015 containing the eight (8) Millennium Development Goals. This concept was also popularised by the 2002 World Summit on Sustainable Development (or the Earth Summit) and the 2002 International Conference on Financing for Development. In 2015, the UN General Assembly coalesced around the “leave-no-one-behind” principle in adopting Agenda 2030 containing 17 Sustainable Development Goals with Goal 17 stating that partnerships will be required to facilitate the achievement of the other 16 goals.

Following in the steps of the global community, Kenya has embraced partnerships at both the local, regional and global levels as one of the keys to unlocking sustainable development. Locally, the policy and legal frameworks affecting partnerships include the Sessional Paper No. 1 of 2006 on NGOs, Constitution of Kenya 2010, Public-Private Partnerships Act 2011), Kenya External Resources Policy (2015), Policy on Devolved System of Government (2016), the Kenya Vision 2030 and its Third Medium-Term Plan (2018-2022) which includes the “Big Four” agenda, Kenya Foreign Policy, Public Debt and Borrowing Policy, among others.

Governance in Kenya is exercised at various levels following the principle of consultation and cooperation. At the national level, the main intra-governmental partnerships include collaborations between the executive, the legislature and the national assembly. The main inter-governmental relations are between the National and County Governments. At the county level, there are



collaborations between the Executive and the County Assembly. This system of governance has worked well but there are gaps in terms of alternative dispute resolution, legislating the Council of Governors (CoG) Secretariat and sectoral committees, granting borrowing powers to counties, harmonizing cross-county taxation and licencing, aligning economic planning at the national and county levels, and formulating benefit sharing frameworks.

Kenya has established a dense network of bilateral and multilateral partners. While these partnerships have attracted budgetary resources, technical assistance and markets, there have been cases of interference in domestic affairs, conditionalities, asymmetric power and lack of national ownership. Some of these arrangements exclude the private sector and civil society, hence going against the “leave-no-one-behind” principle.

Engagements between the Government and the private sector in Kenya take two formats: Public Private Partnerships (PPPs) and Public-Private Dialogue (PPD). PPPs are becoming more popular in financing public investments with about sixty-four (64) bankable projects in the pipeline. However, there are several factors curtailing the smooth implementation of PPPs including failure to realize value-for money, corruption, inflated costs of capital, low competition during bidding, political interests, lack of skills to manage PPPs, and risk and lack of transparency. There are also concerns that the process does not involve local communities during the project cycle. The Public-Private Dialogue (PPD) in Kenya is spearheaded by the Kenya Private Sector Alliance (KEPSA) through four platforms, namely: Presidential Roundtable, Ministerial Stakeholder Forums, Speaker’s Roundtable Meetings and the Council of Governors’ Forum. Whereas this structure has given voice to the private sector, there are concerns that the private sector needs to broaden their scope and influence at the sub-national level.

At the local level, the weakest link in partnerships in Kenya is the relationship between civil society and the Government. This emanates from lack of self-regulation especially in the Non-Governmental Organizations (NGOs) sector. The NGO Council, which is supposed to ensure self-regulation, has been dysfunctional for a long time while the NGO Coordination Board, which is mandated to regulate the sector is ill-equipped in terms of finances and personnel to perform this function. These factors have made it difficult to put in place formal structures for engagement as is the case in the private sector.

To enhance the effectiveness of partnerships to promote inclusive growth:

- The Government needs to be more proactive in pushing for reforms in north-south cooperation towards equality, favourable conditionality and national ownership, and exploit where possible the south-south cooperation.
- Existing gaps in devolution can be dealt with by designing new policies and laws.
- Measures to strengthen Public-Private Partnerships (PPPs) include a review of the policy and law to accommodate public participation throughout the project cycle.
- Enhance Public-Private Dialogue by strengthening the finance and lobbying capacity of private sector associations at the county level.
- Strengthen the relationship between the Government and NGOs, by enhancing the regulatory capacity of the NGO Coordination Board and the self-regulation within the sector by expediting the review and gazettelement of the Public Benefit Organizations Act (2013).





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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



Bishops Garden Towers, Bishops Road  
P.O. Box 56445 00200, Nairobi, Kenya  
tel: +254 20 2719933/4; fax: +254 20 2719951  
cell: +254 724 256078, 736 712724  
email: [admin@kippra.or.ke](mailto:admin@kippra.or.ke);  
website: <http://www.kippra.org>