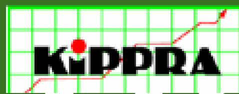

POLICY MONITOR

Improving public policy making for economic growth and poverty reduction

Issue 8, No. 2 January - June 2016

Kenya yet to exploit the full potential of being a littoral state

KIPPRA staff during an Information Security Management System (ISMS) training.

A doctor explains the importance of a healthy lifestyle to KIPPRA staff.

KIPPRA staff plant trees at St Aquinas High School.

Participants during KIPPRA's launch of a Capacity Needs Assessment of the Kenya Public Service Transformation Programme in the Tea Sector.

KIPPRA staff among participants at the 3rd APAG planning meeting in Nairobi.

Elsevier facilitators with KIPPRA staff after a training.

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Vision

An international centre of excellence in public policy research and analysis

Mission

To provide quality public policy advice to the Government of Kenya by conducting objective research and analysis and through capacity building in order to contribute to the achievement of national development goals

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Editorial

An insightful view of various sectors of Kenya's economy

In this issue of the Policy Monitor, we take a detailed look at various dynamics in a number of sectors and sub-sectors of Kenya's economy. The first article takes an overview of the macro trends of the economy, considering growth rates in recent years, while forecasting expected growth rates in the next three years.

According to the analysis, the economy has been growing steadily and is expected to register a growth rate of 6.5 per cent by 2018. This is, however, premised on a number of assumptions including smooth general elections next year, favourable climatic conditions and stability in neighbouring countries.

We also consider the effectiveness of fiscal rules – long-lasting constraints on fiscal policy through numerical limits on budgetary aggregates – in ensuring discipline in fiscal policy. Although Kenya has adhered to most of the fiscal rules, there is need to come up with a formal enforcement procedure to ensure total compliance. Most of the fiscal rules in Kenya are based on constitutional provisions, meaning they cannot easily be changed without broad consensus and also tend to be longer lasting. Read to find out some of the fiscal rules applied in Kenya.

For many years, corruption has been a big challenge, affecting both public and private institutions in Kenya. Efforts by successive governments to fight the vice that threatens to destroy the country's economic and administrative structures have borne very little fruit. Although there is an anti-corruption agency in place – the Ethics and Anti-Corruption Commission (EACC) – there is need to overhaul the legal framework to ensure there are no gaps, weaknesses and deficiencies that compromise the fight against corruption. Kenya can also borrow a lot from Singapore's anti-corruption drive, which has significantly cut down corruption in that country.

This magazine also highlights the immense economic benefits Kenya is set to gain as a result of being a littoral (coastal) state of the Indian Ocean. From marine fishing and exploration of hydrocarbons to exploitation of the transport infrastructure, the Indian Ocean presents immense socio-economic and political opportunities to Kenya and other littoral states. Read to find out what Kenya needs to do to reap these benefits.

Other areas of the economy analyzed in this issue include manufacturing, trade and infrastructure.

Apart from gaining a detailed and insightful view of the economy, you will also get a glimpse of KIPPRA's activities in the second half of the financial year through the news highlights. Have an enjoyable read.

Ongoing infrastructural investments expected to boost economic growth

By Benson Kiriga

Kenya's economic performance has been quite encouraging, registering slightly above 5 per cent growth rate from 2013 to 2015. The macroeconomic stability, favourable developments in oil prices and low inflation levels set a good base for the rise of the medium term economic growth. Growth in Kenya's extractive industry, huge infrastructural investments, and a vibrant private sector are also expected to support higher economic growth in the medium term.

During the first quarter of 2016, the economy registered a growth rate of 5.9 per cent, which is higher than the average growth for 2015. It is worth noting that all the economic sectors reported positive growth rates in the quarter. However, the expected general election in 2017 may pose challenges to the economy in the medium term.

For the economic forecast up to 2018, a number of assumptions have been considered. Given the current stable macroeconomic conditions, the medium term growth prospects are expected to be strong and positive. However, this growth is premised on the following assumptions:

(i) The momentum in economic growth set in the first two quarters of 2016 will continue in the medium term.

(ii) The public investments, particularly in infrastructure development, will continue as planned, and thereby improve the business environment.

(iii) The political climate, which includes a stable devolved system, will be supportive and growth-oriented.

(iv) The expected general elections in 2017 will be smooth and therefore cause minimal disruption to socio-economic activities.

(v) There will be favourable weather conditions to sustain improvements in agricultural output.

(vi) Some level of stability will be experienced in Kenya's neighbouring countries.

Economic projections for 2016 – 2018. Selected Economic Indicators

	2013	2014	2015	2016	2017	2018
GDP growth	5.8	5.3	5.6	5.9	6.2	6.5
Inflation	5.7	6.9	6.6	5.8	5.6	5.0
Private Consumption	6.3	5.8	3.3	4.5	6.2	6.3
Government Consumption	5.5	6.0	8.4	5.5	6.8	6.9
Private Investments	-5.3	11.8	2.5	5.3	5.3	6.5
Government Investments	18.2	10.3	4.2	5.5	6.0	7.2
Export goods & services	0.5	5.3	-0.9	3.8	5.4	6.3
Import goods & services	-0.8	10.6	-1.2	4.2	5.3	6.1
current account balance	-8.9	-9.8	-6.8	-7.6	-7.6	-7.3
Fiscal Deficit	-7.1	-6.4	-6.0	-5.6	-5.4	-5.1
Public Expenditure (%gdp)	27.0	27.2	26.6	25.3	24.6	24.0
Interest Rate	8.9	8.9	10.8	10.0	10.1	10.1

Source: KIPPRA-Treasury Macro Model (KTMM)

The projections in the above table show that economic growth in Kenya in the medium term will be gradual and is likely to reach 6.5 per cent by 2018. Private as well as government investments are expected to continue growing at higher rates, leading to improved economic growth for the country.

However, the slow adoption of public-private partnerships (PPPs) in implementing the Medium Term Plan II projects, as envisaged in Vision 2030, may slow economic expansion. In addition, weak implementation of the budget could adversely affect growth in the medium term.

The economic growth in the second quarter of 2016 was at 6.2 per cent. This robust growth is likely to continue and is attributed to several infrastructure projects, including a new container terminal at the Mombasa Port that is expected to increase its cargo capacity by 50 per cent. This is an important development given that Kenya is expecting to become an oil producer and exporter from 2017. The ongoing recovery in the tourism sector will be expected to boost exports and more importantly the foreign reserves.

Amend anti-corruption laws to effectively fight the vice

By Jacob Chege

Many government institutions have billboards that indicate they operate in a corruption-free environment. What is being communicated to individuals seeking services in those organizations is that the authorities and entire staff are accountable and transparent, and that participatory and consensus-oriented working structures and systems are in place. Therein lies the problem. Organizations might be all that but still practice corruption. Why there exists this inherent contradiction in these entities is explained by the multiple meanings people attach to the term corruption.

The United Nations Development Programme defines corruption as "the misuse of public power, office or authority for private benefit through bribery, extortion, influence peddling, nepotism, fraud, speed money or embezzlement". This is important in defining forms of corruption but falls short in specifying what constitutes corruption. The non-specific definition of corruption consequently obscures the choice of corrective interventions to address it.

No environment is corruption-free if the institution's rules and regulations allow illegal rent seeking by persons who hold some level of discretionary power in enforcing the same rules. An individual would be rent seeking if for any engagement; he/she gets more than what would be paid for the best alternative use of his/her efforts. Opportunities exist for legal rent seeking if the seeker has nature-bestowed talents that are limited, or he/she has specialized skills, which are not ordinarily available. In this case then, we understand why nobody associates Mike Tyson (with boxing talents) or Bill Gates (with exceptional computing skills) with corruption in context of acquiring their immense wealth. Thus, to embark on illegal rent seeking is to be corrupt. If an individual has no nature–bestowed talents or skills that are limited in supply and he/she creates an artificially limited supply of the same, then this can be termed as corruption.

If a country's regulatory framework entails rules that a person can discretionary enforce, but lacks in-built measures that limits his/her capacity to reduce supply of information, service or time

available, this creates opportunities for illegal rent-seeking. Therefore, corruption is creating artificial limitations for self gain at the expense of social benefit. Whatever shade of corruption one could refer to, it constitutes imposing limitations for self-gain by improper enforcement of regulations one has discretionary powers on.

Do opportunities exist for corruption in Kenya?

As alluded to above, it is the regulations, which we either legislate as Acts of Parliament or execute as executive orders that give a public official power to discretionary enforce, that create opportunities for rents and rent seeking behaviour. The examples below will illustrate:

- A country will have trade regulations that stipulate various applicable tariffs and import quotas. A public official who exercises unchecked discretion in enforcing the regulations has all opportunities to engage in corruption.
- With the recent discovery of minerals in Kenya, the development of the extractive industry is potentially an engine of structural transformation for all sectors either as source of raw materials or investment funds. However, the manner in which the extraction rights are allocated will determine whether industry benefits accrue to the society at large or end up in the pockets of a few people.
- In the course of promoting industrialization in Kenya, the government continues to offer subsidies and tax exemptions to encourage investment in key sectors. This in essence means there will be public officials who will have opportunities to choose either to engage in a particular course of action, or inaction related to corruption.

What are the implications of corruption to an economy?

Corruption imposes negative externalities to the society and reduces the overall wellbeing of the State. In a speech delivered in mid 2015 in Singapore, former British Prime Minister David Cameron indicated that corruption adds 10 per cent to business costs globally. Further, it is in those countries with oppressive and corrupt regimes that poverty thrives and human development indices are low, as weak institutions drive the nation's resources to benefit a few people.

Part of the reason why governments exist is to make appropriate inventions for an efficient and competitive economic order that maximizes a society's welfare. These interventions are defined by institutions whose effectiveness is determined by how public and state officials exercise powers in enforcing rules and regulations.

Simple and fairly enforceable rules that don't create information asymmetry underpin the economics of trust and attract high-risk, high-value investments. Thus, by its very nature, corruption destroys the fabric of economic and administrative structures in a country and this is the genesis of a failed state. Like racism, corruption can be denied, particularly during any judicial arbitration,

even when its effects are clearly slowing the development process of a country

What should the Government do?

No individual person or government agency wants to be associated with corruption. To illustrate how society negatively views corruption, an aspiring leader who can demonstrate that his/her regime will reduce corruption is likely to win an election or entrench his/her leadership for a long time. Lee Kuan Yew, Singapore's Prime Minister (1959-1990), is a good example of such leaders. Possibly, Yew understood what corruption is and how to address it. The anti-corruption model that he used to effectively tackle corruption in Singapore provides strong insights in tackling corruption in Kenya.

The Singaporean leader's anti-corruption strategy depicted a political will to have an orderly and efficiently run government. Yew demonstrated his resolve to fight corruption by spearheading comprehensive anti-corruption legislation (Prevention of Corruption Act) to prevent loopholes and ensured periodic reviews of the legislation to introduce amendments whenever it was necessary. Further, he ensured that the anti-corruption agency, Corrupt Practices Investigation Bureau (CPIB), was provided with sufficient legal powers and resources to perform its functions effectively.

Comparatively, Kenya's political leadership is yet to convincingly pursue a drive to strengthen the Ethics and Anti-Corruption Commission (EACC) Act, 2011. This legislation has gaps, weaknesses and deficiencies, which compromise it as anti-corruption legal framework. The ruling party has majority in Parliament and is yet to use its legislative power to review the existing anti-corruption legislation.

There is need to interrogate and evaluate all the systems, policies, procedures, rules and regulations that comprise a country's legal and institutional framework and isolate those that create opportunities for corruption. Requisite caveats may then be integrated in the framework to reduce opportunities for any rent seeking behaviour.

An important aspect of Prime Minister Yew's effective anti-corruption strategy was putting into place institutional structures that are thorough in reducing both the opportunities and inceptives for corruption. Singapore's CPIB has three specific functions namely:

i) To receive and investigate complaints concerning corruption in public and private sectors.

ii) To investigate malpractice and misconduct by public officers.

iii) To examine the practices and procedures in the public to minimize opportunities for corrupt practices.

The undertaking of the third function is consistent with the argument here that a country's regulatory framework should be periodically reviewed to ensure that it has inbuilt measures that limit opportunities for corruption. The first and second

functions of the CPIB are aimed at ensuring offenders are detected and punished.

Indeed, corruption thrives where activity is viewed as low risk, high reward. Reflecting on EACC's functions, there is need to re-structure it if it is to become an effective anti-corruption agency. Notably, some of functions outlined for the EACC include overseeing and enforcing the code of conduct and ethics for public officers, and raising public awareness on corruption and ethical issues. To have EACC involved in training and education on morals, ethics and code of conduct is a waste of time and public funds. The institution needs prosecutorial powers if it is to effectively fight corruption.

Beyond picking lessons from Singapore's anti-corruption strategy, it is important to note that a well functioning and corruption-free economy has effective, accountable and transparent institutions in all sectors. The lack of transparency over who owns companies in Kenya has been a major handicap in fighting against corruption. Normally, the corrupt use anonymous company structures to hide, move and access illegally acquired wealth. This is particularly prevalent in land ownership where anonymous companies are used to illegally acquire public land. There is also inadequate transparency in the ownership of foreign companies in Kenya. The registration of companies is under the jurisdiction of the Attorney General's (AG's) office. To effectively support the anti-corruption drive in Kenya, the AG's office should ensure there is a publicly accessible central registry showing who really owns and controls all Kenyan companies.

In addition, individuals holding public office have self interest to pursue but it is expected that these interests are not achieved at the expense of society. It is, therefore, important that the government makes it very punitive for public and state officers to be corrupt.

The Leadership and Integrity Act 2012, which establishes procedures and mechanisms for effective administration of Chapter Six of the Constitution, has serious flaws. For instance, Section 43 of the Act states that it is the public entity, where a public officer works, that should decide whether or not to prefer criminal charges against the employee. This raises the possibility where a corrupt state officer negotiates with the public entity for appropriate penalties for criminal offences. Indeed Part IV of the Act, which spells out the enforcement of the leadership and integrity code, does not address the possibility

of a person convicted of any offences assuming another public office upon payment of stipulated fines. Going through the Act, a corrupt person is assured that even if he/she is indicted, tried and convicted, he/she can still make it to a leadership position. It is, therefore, important for Parliament to review the Leadership and Integrity Act 2012 to align it with the Constitution. The Act should have clauses that prevent corrupt individuals from seeking leadership positions. It is only then that a country can have a leadership that promotes work as a basic virtue, propagate adherence to the laws of the land and ensure sobriety in the management of the nation's resources. These are essential ingredients for an effective anti-corruption strategy.

To effectively support the anti-corruption drive in Kenya, the AG's office should ensure there is a publicly accessible central registry showing who really owns and controls all Kenyan companies

How effective are fiscal rules in ensuring budgetary discipline in Kenya?

By Bernadette M. Wanjala

A fiscal rule is defined as a long term constraint on fiscal policy that is mainly applied through numerical limits or bounds on budgetary aggregates such as revenue, expenditure and public debt. This implies that boundaries are set for fiscal policy, which cannot be frequently changed.

In practice, fiscal rules have been adopted for a wide variety of reasons, including to:

I. Ensure macroeconomic stability, especially in relation to sustainability of public debt, prioritization of public expenditure and mobilization of domestic revenue through taxation.

II. Enhance the credibility of the government's fiscal policy, which assesses whether the expenditure and revenue estimates are realistic and whether the implementation of fiscal policy is linked to the medium term plans.

III. Limit the discretion of policymakers to make fiscal policy adjustments, such as over-spending on particular budgetary items.

One key underlying assumption of most fiscal rules is a sense that present or future governments may not be willing or able to implement optimal fiscal policy measures without external pressure.

The enactment of fiscal rules raises a number of issues concerning flexibility, credibility, and transparency. One of the main concerns about fiscal rules is that they may be overly restrictive and limit a government's ability to engage in legitimate countercyclical fiscal policy (reduce spending and increase taxes during boom or increase spending and reduce taxes during recession) when required. This implies that the legislation on fiscal rules should be written in a way that provides some flexibility but not so

much that it becomes a non-binding constraint. In addition, rules should be transparent, not overly complicated and easy to monitor. They should also be defined in terms of fiscal indicators that cannot be easily manipulated. In terms of credibility, fiscal rules should be viewed as permanent, which leads to the question of whether they should be implemented by statutory or constitutional law, with the provisions of a constitutional law being more difficult to change or revoke.

Fiscal rules applicable in Kenya

Kenya has several fiscal rules in place, largely covering revenue, debt and expenditure. Revenue and debt rules came into place in 1997, with a revenue target of 21-22 per cent of the Gross Domestic Product (GDP) and the debt-to-GDP ratio in Net Present Value terms to be below 40 per cent and/or total nominal debt to be below 45 per cent of GDP. Some of the other rules that are applicable in Kenya include:

- Rules on revenue: At least 15 per cent of sharable revenues have to be reserved for programmes in the counties as per the constitution.
- Rules on debt: The Net Present Value (NPV) of debt should not be more than 50 per cent of the Gross Domestic Product (GDP) – under the medium term national government debt management strategy submitted to Parliament.
- Rules on expenditure: At least 30 per cent of expenditure to go to the development (capital) budget – provided for in the Public Financial Management Act (2012), Article 15 (2a). It states that over the medium term, a minimum of 30 per cent of the national and county government's budget shall be allocated to the development expenditure.
- Salaries: This should not be more than 35 per cent of sharable revenues at each level of government.
- Variation of original appropriation to be not more than ten per cent unless parliament has approved a higher percentage under exceptional circumstances.
- Reallocations from one programme to another should not be more than ten per cent.

Fiscal performance and fiscal rules

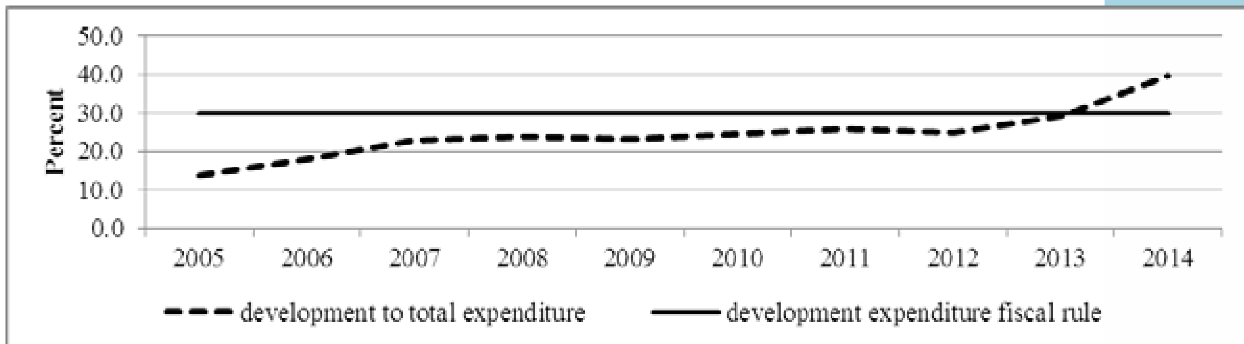
A key question is whether fiscal rules have enhanced fiscal discipline in Kenya. For instance, has the government remained within the expenditure and debt limits as provided for in the fiscal rules? To assess the performance of fiscal policy with regard to the application of fiscal rules, first consider the proportion of development expenditure in total expenditure for both national and county governments since 2005, which should be pegged at a minimum of 30 per cent, according to the expenditure fiscal rule. From *chart 1*, we see that development expenditure as a proportion of total expenditure for national government was below 30 per cent between 2005 and 2013 and eventually rose beyond 30 per cent after the passing of the Public Financial Management Act (PFM) (2012). Thus, the development expenditure fiscal rule that was provided for in the PFM Act was effective in ensuring that budgetary allocations towards development expenditure rose beyond the 30 per cent threshold.

A look at spending by county governments reveals that for the first nine months of 2015/2016, county governments spent a total of Ksh 55.32 billion on development activities, which translated to 30.1 per cent of the total county governments' expenditure (Office of the Controller of Budget, County Budget Implementation Review Report, FirstNine Months FY 2015/16). Even though this meets the 30 per cent threshold, there are huge disparities in proportions across counties. An assessment of the proportions reveals that 27 counties spent less than 30 per cent of their budget on development

expenditure, with six counties spending less than 20 per cent on development.

A comparison with 2014/15 fiscal year reveals that actual expenditure by county governments amounted to Ksh 258 billion, which was 98.4 per cent of the total funds released for operations (Office of the Controller of Budget, County Budget Implementation Review Report, FY 2014/15). This expenditure consisted of Ksh 167.56 billion for recurrent activities (64.9 per cent) and Ksh 90.44 billion (35.1 per cent) for development. The cumulative allocation to development activities conformed to the 30 per cent fiscal rule, even though several counties (such as Nakuru, Nairobi, Kisumu, Nyeri, Embu and Kajiado) did not meet the 30 per cent threshold.

Chart 1: Development expenditure fiscal rule

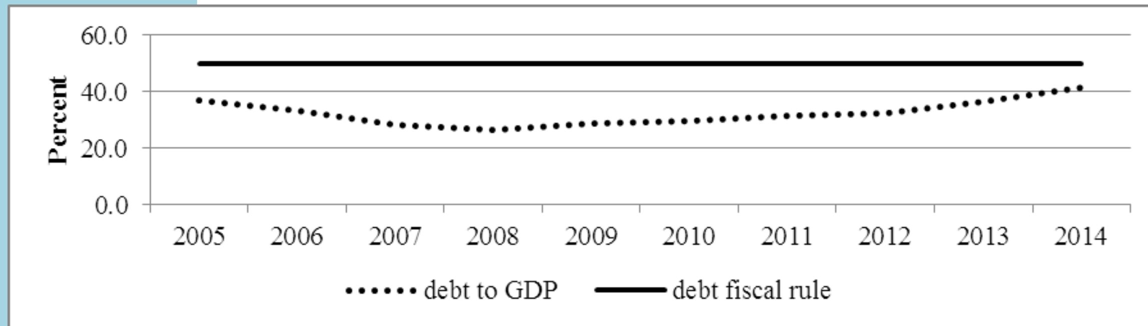


Source: Own computations from Economic Survey data

A look at the debt rule (Chart 2), with the statistics relating to the rebased Gross Domestic Product (GDP) statistics, also reveals that debt-to-GDP (even though not in net present value terms), has over time been below the 50 per cent threshold. However, before rebasing, the debt to GDP ratio was about 51 per cent in 2012 and 2013. Thus, the rebasing of GDP created an additional fiscal space through additional borrowing, which had been eroded before rebasing.

........there is need for well specified escape clauses, which can give the government room, for instance, to increase borrowing beyond the threshold in exceptional circumstances that are beyond its control

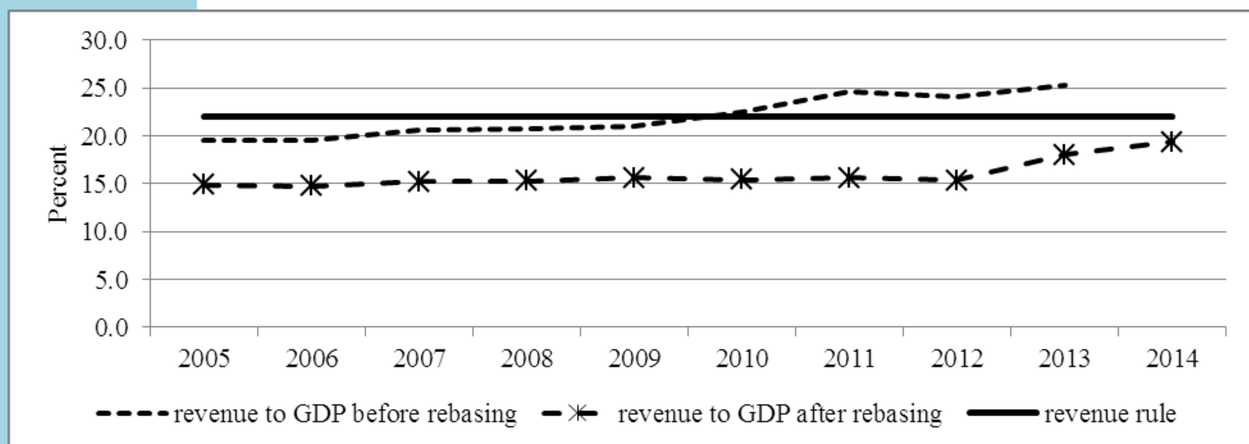
Chart 2: Debt fiscal rule



Source: Own computations from Economic Survey data

In terms of revenue to GDP rule, the revenue to GDP ratio was above the 21-22 per cent fiscal rule between 2010 and 2013 (see chart 3). However, after rebasing of GDP, the ratio fell below the threshold of the fiscal rule, to 15.4 per cent in 2010, 18.1 per cent in 2013 and 19.4 per cent in 2014. This shows that the government has additional fiscal space to enhance revenue collection, especially through taxation.

Chart 3: Revenue to GDP rule



Source: Own computations from Economic Survey data

the 30 per cent development expenditure fiscal rule. While the Office of the Controller of Budget highlights in their report the failure by counties to comply with the fiscal rule, there are no specified penalties for non-compliance. There is need for clear enforcement mechanisms to ensure effectiveness of fiscal rules, which can be included as amendments in the relevant legislations, especially the Public Financial Management Act (2012).

public domain. There is also no transparency on the discount rate that is used to calculate the Net Present Value of public debt. With the current concerns regarding debt sustainability, it is important for the National Treasury to publish statistics on Net Present Value of debt to enable the public to gauge whether the debt fiscal rule is being adhered to. The debt fiscal rule could also be simplified by pegging the current debt values

Kenya's experience, together with other countries' experiences in regard to the use of fiscal rules, reveals several facts. First, while Kenya has put in place several rules to ensure fiscal discipline, there is no formal enforcement procedure. A classic example is the failure by several counties to abide by

Second, from experience, fiscal rules should be simple and transparent. While it can be said that the revenue and expenditure rules are simple and transparent, the debt fiscal rule is not straightforward. This is because the rule is based on the Net Present Value of debt, which is not available in the

to the Gross Domestic Product (GDP) as opposed to using the net present value.

Third, effectiveness of fiscal rules depends on the role that is played by independent oversight institutions. For transparency and credibility, fiscal rules and budgetary

forecasts and assumptions should be set by an independent body, in most cases fiscal councils. An example of a fiscal council is the UK's Office of Budget Responsibility, which has a mandate of providing independent and authoritative analysis of the public finances. The office produces the UK's Budget and Autumn Statement forecasts of the economy and public finances and mainly aims at ensuring unbiased and clear fiscal forecasts.

Fourth, fiscal rules have different legal bases (mostly constitutional, statutory or political commitment). For Kenya, most of the fiscal rules are based on constitutional provisions (such as the share of revenue that is allocated to county governments) or statutory provisions (like those based on the Public Financial Management Act, such as the 30 per cent development spending threshold). Unlike political commitments, fiscal rules that are based on constitutional or statutory provisions cannot be changed without broad consensus and also tend to be longer lasting. This makes the fiscal rules credible.

Lastly, even though Kenya has not had any need of changing the fiscal rules, there is need for well specified escape clauses, which can give the government room, for instance, to increase borrowing beyond the threshold in exceptional circumstances that are beyond its control. The experience from the European Union reveals that many countries were not able to comply with the debt fiscal rule, especially following the global financial crisis. The solution has been to implement what have been termed as 'second generation' fiscal rules that provide flexibility to deal with the business cycle such as cyclically adjusted or structural budget balance rules or to come up with clear escape clauses. However, extra caution is needed to ensure that the escape clauses are not abused.

How Kenya can exploit its economic potential as a coastal state

By Paul Odhiambo and Augustus Muluvi

Kenya's location as a littoral (coastal) state of the Indian Ocean is central in unlocking the country's development potential if well exploited. This can be seen in terms of the enormous resources the ocean possesses and the opportunity it offers to the landlocked countries in the region. The Indian Ocean on one hand provides an important ground for enhancing marine fishing and exploration of hydrocarbons. On the other hand, the country's geopolitical location provides the country with an opportunity to exploit its transport infrastructure, including the Port of Mombasa, railways, highways and other facilities to generate revenue for the country.

Indian Ocean as a strategic resource

The Indian Ocean presents immense socio-economic and political opportunities to Africa's littoral states, Kenya included. As the third largest ocean in the world, Indian Ocean's strategic importance has been exploited by trading nations and major powers over the years. The ocean is a key link between Africa, Asia, Australasia and other regions, handling half of the world's container traffic. In addition, the Indian Ocean ports handle approximately 30 per cent of global trade. As a result, the ocean has been crucial for international trade. The Indian Ocean also has abundant resources, including fish, other aquatic animals, hydrocarbon resources and minerals. In post-Cold War era, world powers have increased their presence and influence in the ocean to safeguard their security and other strategic interests.

However, the coming into force of the United Nations Convention on the Law of the Sea (UNCLOS) in 1994 has been a game changer to littoral states as their sovereign territorial waters were extended from three to at most 12 nautical miles from their baselines. In addition, a coastal state's Exclusive Economic Zone (EEZ) now extends from the outer limits of territorial water to a maximum of 200 nautical miles from the country's baseline. Nonetheless, coastal countries that wish to delimit their outer continental shelf beyond 200 nautical miles have to submit their request to the Commission on the Limits of the Continental Shelf.

With the recent discovery of hydrocarbon resources in the Eastern African region, the significance of the Indian Ocean to littoral states is likely to increase in the coming years. As a coastal state, Kenya should have a grand strategy to exploit the ocean's resources, especially in its territorial sea and EEZ.

Currently, Kenya's EEZ is estimated at 142,000 square kilometers. The government submitted its preliminary application to the Commission on the Limits of the Continental Shelf in May 2009 to acquire additional 150 nautical miles for the extension of its continental shelf. If the application is successful, then Kenya will attain additional 103,000 square kilometres. This would give the country the right to explore and exploit non-living and mineral resources on the seabed and sub-soil of the extended continental shelf adjacent to the EEZ in accordance with the UNCLOS.

However, countries that share the ocean are required to reach

an agreement on their maritime border before submitting their full applications. The disagreement between Kenya and Somalia on their maritime boundary has complicated Kenya's application. Somalia took Kenya to the International Court of Justice over the maritime border dispute in August 2014. The delay in determining the maritime boundary has affected Kenya's offshore exploration in the Lamu basin, a region where gas deposits were reportedly discovered in 2014.

Kenya's coastline, territorial sea and EEZ have great potential for the country's marine fishing sub-sector. However, the country has not fully tapped marine fishing. Fish from fresh water sources is still the major contributor to the fishery sector despite the enormous potential of marine fisheries. In 2014, fish from fresh water sources accounted for 94.6 per cent of the total output. Lake Victoria and fish farming are the two main sources of fresh water fish, accounting for 76.7 and 14.4 per cent of the total fish output respectively in 2014.

The main challenge facing marine fishing is lack of adequate facilities and technology, especially for fishing in the deep waters. According to the United Nations Food and Agriculture Organization (FAO), Africa's coastal waters produce only 4.6 million tonnes of fish each year while the global marine fishing industry produces about 67 million tonnes annually. The Greenpeace Africa contends that African littoral states lose billions of shillings from marine fishing due to illegal, unreported and unregulated fishing perpetuated by foreign vessels.

Transport infrastructure and logistic hub

The Northern Corridor is the busiest and important transport infrastructure linking the port of Mombasa with regional hinterland states, including Uganda, Rwanda, Burundi, South Sudan, and Eastern Democratic Republic of Congo and parts of Northern Tanzania. The Northern Corridor transport facilities include the sea port of Mombasa, container terminals, highways, railways, inland waterways, inland ports, oil pipeline and telecommunications. In recent times, there have been efforts to modernize the transport infrastructure. The ongoing construction of the Standard Gauge Railway (SGR), expansion and upgrading of the Port of Mombasa facilities, rehabilitation of highways, trunk road networks and inland ports are some of recent developments on this crucial corridor. Since substantial sections of the Northern Corridor and some key facilities are in the country, it is critical that Kenya positions itself as a logistics and transport hub in the region.

The envisaged Lamu Port-South Sudan-Ethiopia-Transport (LAPSSET) Corridor is a regional flagship that aims at providing transport and logistics infrastructure to create connectivity between Kenya and its northern neighbours namely South Sudan and Ethiopia. In Kenya's Vision 2030, the LAPSSET Corridor is not only to link Kenya with the neighbouring states but also to open up northern Kenya for development. Moreover, LAPSSET is also part of the larger transport corridor that will link East African Coast from Lamu Port to the West Coast of Africa

at Douala Port in the Republic of Cameroon. Key components of the LAPSSET include Lamu Port, interregional SGR, interregional highways, crude oil pipeline, product oil pipeline, international airports and resort cities in Lamu, Isiolo and Lake Turkana; merchant oil refinery in Lamu, fiber optic cables and communication systems.

The emerging regional geopolitical landscape, however, limits the potential of Kenya's location as the logistics and transport hub in the region. The economic rise of some states in the region is likely to affect Kenya's economic predominance. Currently, Uganda, Ethiopia and Tanzania are experiencing considerable economic transformation and are increasingly engaging in massive infrastructure development. The plan to expand Tanzania's ports of Dar es Salaam, Mtwara and Tanga is likely to offer alternative routes to regional landlocked countries. For example, regional states such as Rwanda and Burundi have shown interest in the Central Corridor that connects them with the Port of Dar es Salaam. This is also the case with Uganda, which early this year opted for Hoima-Tanga route (Tanzania) for its oil pipeline instead of Hoima-Lokichar-Lamu route through Kenya. Furthermore, the port of Djibouti is a favourite outlet to the sea for Ethiopia. The construction of the port of Tajura in Djibouti is also seen a crucial infrastructure that will benefit Ethiopia. Similarly, the construction of an electric railway connecting Addis Ababa with the Red Sea state of Djibouti seems to be a priority for Ethiopia. On the other hand, South Sudan's engagement in interregional infrastructure development still remains in doubt due the effects of more than two years of civil strife and fragility of the government of national unity.

Way forward

The development of the maritime sector should be the government's priority if the country is to benefit from the immense potential of the sub-sector. Kenya should strategically invest in marine fishing so that the sub-sector becomes the major source of fishing resources for domestic consumption and exports. Deliberate action should be pursued to ensure marine fishery becomes a major source of food security and nutrition through investment in research and training, provision of high quality fishing equipment among other initiatives. The sub-sector should also be targeted for employment creation. On the other hand, offshore exploration should be hastened for the country to benefit from hydrocarbon resources and other minerals.

In regard to infrastructure development, Kenya should ensure that it maintains its status as the hub of logistics and transport infrastructure through establishment and maintenance of efficient and reliable sea ports, railways, container terminals, highways, inland ports oil pipelines and refineries that will enable Kenya to remain the country of choice. Overall political stability and security are also crucial for endearing the country's transport infrastructure facilities to regional states. The rethinking of Kenya's geopolitical strategy in the region should also involve the establishment of special economic zones (SEZs) along these major transport corridors. The regional states might use Kenya's SEZs for value addition before their exports are transported to international markets.

In regard to infrastructure development, Kenya should ensure that it maintains its status as the hub of logistics and transport infrastructure through establishment and maintenance of efficient and reliable sea ports, railways, container terminals, highways, inland ports oil pipelines and refineries

Revival of manufacturing key to employment creation

By Adan Guyo Shibia

Industrialization, which entails a sustained structural shift of a traditional economy to a modern one mainly driven by high productivity activities in manufacturing, is usually accompanied by employment and economic growth, especially among economies at low levels of development. The problem of deindustrialization, a situation characterized by declining performance of manufacturing with regards to such indicators as contributions to employment, Gross Domestic Product (GDP) and exports has, however, remained a persistent obstacle for Kenya and other Sub-Saharan African economies. The problem is more severe when both share of manufacturing in GDP and employment decline concurrently at lower levels of development, termed as premature deindustrialization.

When the share in employment declines but the share in GDP improves, it usually reflects improved labour productivity and is of less policy concern. In Kenya, the share of manufacturing in GDP has declined from 12.7 per cent in 2006 to 10.3 per cent in 2015 while contribution to formal sector employment has declined from 14 per cent to about 12 per cent over the same period. This contrasts with countries such as Korea, which recently experienced declining share of manufacturing in employment, but an increasing share in GDP.

Certainly, the emphasis of development policies on manufacturing as a driver for economic growth and employment has empirical basis. Moreover, countries trading in manufactured goods experience accelerated growth compared to commodity exporting countries. As economies transition to higher development status, service sectors, however, become more prominent in driving employment and economic growth.

The launch of the Kenya Vision 2030 in 2007 was aimed at transforming the economy into a newly industrialized middle income economy that provides a high quality of life to its citizens. To realize this target, the Vision envisages a 10 per cent annual manufacturing growth rate as one of the strategies. Kenya's Industrial Transformation Programme launched in 2015 and anchored in the Vision 2030 additionally targets contribution of manufacturing to GDP in excess of 15 per cent.

While the concept of industrialization is wide as per international standard industrial classification – encompassing increasing importance of manufacturing, construction, mining and utilities – manufacturing has special properties such as high linkages with other sectors of the economy, technological progress and potential for higher productivity, making it the principal focus of policy as an engine for economic growth and employment. Due to its prominence, manufacturing is often synonymously used with industrialization. The concept of industrialization adopted in this article follows this perspective.

In the global scene, Goal 9 of the Sustainable Development Goals (SDGs) aims at promoting inclusive and sustainable industrialization and by 2030 double the contribution of the manufacturing industry both to GDP and employment. The realization of both the Vision 2030 and SDG targets requires reversal of the current declining contribution of manufacturing in Kenya. Unless the trend is reversed, the economy is likely to remain overly dependent on low value exports with limited opportunities for job creation.

During the Second Medium Term Plan (MTP 2) of the Vision 2030 covering the period 2013-2017, the government committed to create one million new jobs annually and increase the proportion of modern sector employment from 12 per cent in 2012 to 40 per cent by 2017. However, during the period 2013-2015 the economy on average has been annually generating about 123,000 new jobs in the modern sector.

The figure below shows historical comparative manufacturing sector contribution to wage employment for Kenya, Republic of Korea and Malaysia. Korea and Malaysia historically peaked manufacturing contribution to employment

relatively at much higher levels – 27.8 per cent (in 1989), and 23.5 per cent (in 2000), respectively. In contrast, Kenya's contribution to employment realized an average peak of about 14 per cent in 1978-1982 and 2003-2007. In 2015, the sector accounted for an estimated 11.9 per cent of Kenya's total wage employment.

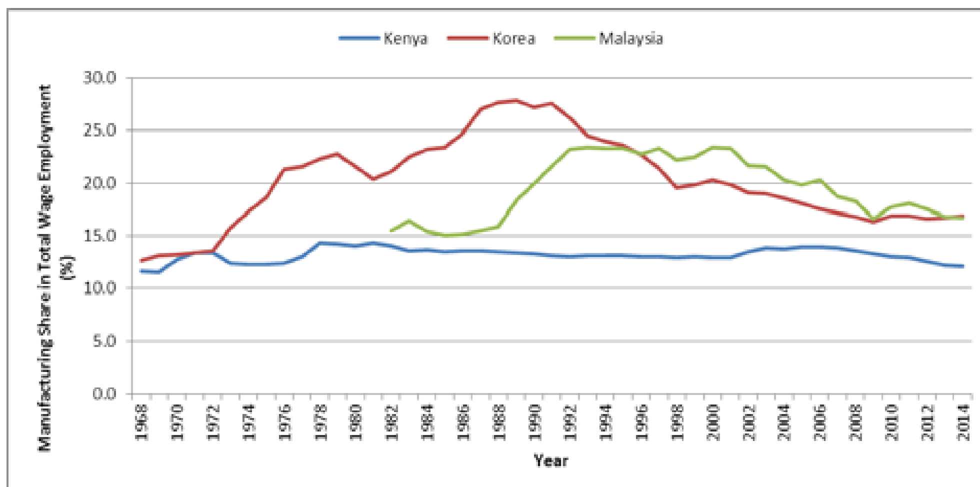
It is interesting to have a comparative view of Kenya, Korea and Malaysia because shortly after independence in 1965, the three countries were contemporaries in levels of economic development and contribution of manufacturing to the economy. Over the years, Korea and Malaysia, however, pursued export-oriented selective industrial strategies to drive employment and economic growth. The target industries gradually evolved from entry industries such as textiles to light manufacturing to advanced knowledge intensive industries such as semi-conductors, electrical and electronic equipment. In contrast, Kenya delayed in shifting from import substitution policy to export growth policy. The delay led to distorted industrial development by creating excess capacity, low efficiency and inability to penetrate the export market. Markets liberalization in the 1990s followed by exports drive initiatives after the year 2000 have yet to yield the anticipated sector growth rate and generate more employment opportunities in Kenya.

Constraints stifling sector growth and contribution to employment in Kenya relates largely to high costs of production. Key contributing factors include high costs of credit, energy (electricity and fuel), transport, labour, and intermediate imports. With regards to intermediate imports, the most recent World Bank enterprise survey (2013) shows significant reliance on inputs: Food (19 per cent); textile and garments (30 per cent); chemicals, plastics and rubber (51 per cent); and other manufacturing (34 per cent).

At macro level, the depreciation of the shilling against major trading currencies such as the US dollar affects performance of the sector as it increases costs of production. In its quest to boost the sector, the government has in recent years been investing heavily in infrastructure and energy; notably roads, the Standard Gauge Railway, and geothermal energy. The Special Economic Zones Act, 2015 is further expected to provide an enabling environment for enterprises within designated special economic zones – mainly through integrated infrastructure and incentives.

Although these interventions aim at addressing business environment constraints, corroborative interventions combining horizontal (business environment) and selective strategic policies that take into account heterogeneity within the manufacturing sub-sectors are needed to holistically address the constraints facing the sector. Horizontal policies are designed to yield benefits from an economy-wide approach while selective policies are specifically targeted at improving a particular industry. Selective strategies should, however, be cognizant of comparative advantages in sourcing intermediate inputs, and based on incentives with clearly defined targets such as exports performance.

Figure 1: Comparative manufacturing sector contribution to total wage employment



Data Source: Author's compilations from respective countries' statistical publications

Rewarding private sector and civil society for social innovations

By Anne Gitonga-Karuoro

The key role of the government is to create an enabling environment for development, which is achieved through the introduction of laws and policies aimed at either promoting or prohibiting certain actions or behaviour

The Sustainable Development Goals (SDGs), which were adopted in September 2015, build upon the just concluded Millennium Development Goals (MDGs), establishing a new round of development goals and targets through a set of 17 SDGs and 169 targets to be met by 2030. It is clear that the key aim of the SDGs, just like its predecessor, is to address key social-economic challenges with respect to health, education, equality, the environment and so on. A number of developing countries, Kenya included, face numerous social challenges, which impede the country's development.

In order to ensure effective implementation of the SDGs, given how ambitious they are, all stakeholders have to play a role. Civil society organizations can, for instance, create awareness, lobby the government, mobilize action and

support social-economic initiatives. The private sector, on the other hand, can provide technical and monetary support through sponsorships and corporate social responsibility (CSR) platforms. Research institutions can provide the necessary literature, research, analysis, progress monitoring and evaluations.

One of the key roles of the Government is to create an enabling environment for development, which is achieved through the introduction of laws and policies aimed at either promoting or prohibiting certain actions or behaviour. With the adoption of SDGs, governments have started prioritizing their implementation through relevant policies and programmes. The role of prizes and awards as a policy should, however, be considered.

This is aimed at encouraging non-public stakeholders to contribute. Prizes and awards have a role to play in incentivizing particularly the private sector and civil society organizations into action to come-up with strategies, initiatives or innovations that address societal challenges and promote social welfare. Given the private sector is profit driven, it is very unlikely that they would particulate in development of such social innovation – products that enhance social welfare without necessarily having a commercial element. The question this article postulates, therefore, is whether it would be beneficial for the government, for instance, to introduce an award that recognizes the private sector's role in providing reliable, sustainable, clean modern energy sources. Or a company that provides sustainable water management for members of the locality as part of their well structured sustainable Corporate Social Responsibility (CSR) platform.

Is recognition through awards, for instance, a sufficient motivator to promote social gains? Such recognition may introduce some benefits such as awareness. A few years ago, a Kenyan, Evans Wadongo, developed a solar powered LED lantern, which he coined *Mwanga Bora* (which means 'good light' in Swahili) for which he received a CNN Hero nomination in 2010. The LED lanterns were distributed to rural homes in Kenya through a non-profit organization. These LED lanterns ended up replacing kerosene lamps as a source of light for a number of these poor income households. Kerosene lamps are very inefficient and pose environmental and health risks. Such a move, small as it may, has an impact; a social, an environmental and economic impact, especially to the beneficiary.

The recognition by CNN had the effect of enhancing publicity and increasing exposure. It may have also had the impact of enhancing partnerships and sponsors to promote *Mwanga Bora.* In 2011, for instance, with support from SEED Initiative, additional lanterns were designed and distributed to needy households.

This award created by CNN recognizes individuals

"A few years ago, a Kenyan, Evans Wadongo, developed a solar powered LED lantern, which he coined 'Mwanga Bora' (which means 'good light' in Swahili) for which he received a CNN Hero nomination in 2010. The LED lanterns were distributed to rural homes..."

Evans Wadongo demonstrates how to use a solar-powered LED lantern.

undertaking socially beneficial activities or programmes. Governments also occasionally use prizes to individuals and/or organization for certain categories of innovations based on the country's national priorities. The Government of the State of Israel, Prime Minister's office with support of Ministry of Science, Technology and Space, for instance, offers an award to technology that introduces improvements in the transportation of fuels.

Another example is Malaysia's Prime Minister's innovation award, which recognizes innovations that have a significant impact to the country. Burkina Faso has awarded a number of prizes since 1994 through the National Forum of Scientific Research and Technological Innovations (FRSIT) to innovations that address societal needs. It is reported that over 28 prizes have been awarded over the years.

Kenya has in place Presidential awards, which are granted annually to individuals and institutions based on their contribution in different capacities and responsibilities largely in the social, political, economic or scientific fields. Kenya's Presidential awards, however, do not have a monetary component. The Science, Technology and Innovation Act no.28 of 2013 introduces, through the Kenya National Innovation Agency, a "Presidential or other award system for novel innovations." Such an award system that places emphasis on novel innovations would be a great introduction to the country.

For such awards to have an impact on the country's social development outcomes, they must be well designed to ensure they enhance social welfare. It may, therefore, be beneficial to structure government prizes or awards to first recognize social innovations separate from other commercially driven innovations. Government or presidential awards that focus on social innovations have to take into consideration the potential value and impact the innovation has on the society and the scalability of the initiative. The award should, therefore, have a conditional monetary element; one that promotes scaling up thus enhancing access to others. The award selection process should further be informed by the economy's national development goals or priorities.

A number of community-based social enterprises provide good solutions to local needs but are often not well supported. Their impact is, therefore, low, often as a result of resource constraints. Such organizations would be great potential nominees for the social innovation awards.

In conclusion, from a policy perspective, awards and prizes can play an important role in promoting 'social innovations' and enhancing effective development outcomes. A social innovation is a novel solution to a social problem that is more effective, efficient and sustainable compared to current solutions. The value created accrues primarily to society rather than to private individuals.

KIPPRA ranks number one in Sub-Saharan Africa for the second time

For the second year in a row, the Kenya Institute for Public Policy Research and Analysis (KIPPRA) has ranked as the top think tank in Sub-Saharan Africa according to the 2015 Global Go-To Think Tank Index Report. The ranking identifies think tanks that excel in research, analysis and public engagement on a wide range of policy issues with the aim of advancing debate, facilitating cooperation between relevant actors, maintaining public support and funding, and improving the overall quality of life in their countries. According to the report, which analyses and ranks 6,846 think tanks worldwide, the nature and role of think tanks has changed over the years. "By the end of World War II think tanks had become indispensable advisers to presidents, prime ministers, members of parliament and congress and as the saying goes all they had to do was 'research it, write it and policy makers would beat a path to their door'," says the report.

However, the report notes, information and technological revolution, the increased complexity of policy issues, the growth of global philanthropy, the rise of civil society, the forces of globalization, and the demands for timely and concise policy analysis continue to shape the role of think tanks.

DAILY NATION

BUSINESS DAILY

KIPPRA

RESEARCH | The annual ranking covers 143 countries around the world

Kenya's think tank Kippra tops Africa in global index report again

Other categories where KIPPRA ranked well are: Top domestic economic think tank, best think tank conference, best trans-disciplinary research think tanks, best use of social networks, think tanks with the best external relations/public engagement programme, think tanks with the best use of the internet, think tanks with the most significant impact on public policy and think tanks with outstanding research policy programmes.

"We are happy for the continued recognition of our input in public policy research both in Kenya and in the region. KIPPRA will continue gearing its efforts towards being an international centre of excellence in public policy research and analysis," says KIPPRA's Acting Executive Director, Dr Dickson Khainga. Dr. Khainga attributed KIPPRA's sterling performance to a highly experienced board of directors, a dedicated staff and management, strong partnerships, and the continued support from the Government, African Capacity Building Foundation (ACBF), and the Think Tank Initiative of IDRC. The Global Go-To Think Tank Index is compiled annually by the Think Tanks and Civil Societies Programme at the University of Pennsylvania to acknowledge the important contributions and emerging global trends of think tanks worldwide.

Nakuru ASK show presents an opportunity to stand out

Kenya Institute of Public Policy Research and Analysis (KIPPRA) was among several public and private institutions that showcased their products at the Nakuru Agricultural Society (ASK) show on 4-10 July 2016.

Themed "Enhancing Technology in Agriculture and Industry Food Security and National Growth", the show provided an opportunity for KIPPRA staff to explain the institute's role in national development to the public and other stakeholders.

Unlike the previous year, the Ministry of Devolution and Planning stand, under which KIPPRA exhibited, was smaller. This was occasioned by the creation of the new Ministry of Public Service, Youth and Gender, meaning a number of departments that were previously under the Ministry of Devolution and Planning were now under the new ministry.

Before the show kicked off, ASK judges went round to assess the exhibitors' preparedness. KIPPRA was allocated two central stands, which stood out with its unique décor and beautiful arrangement of publications and publicity materials, greatly improving the ministry's overall image.

Many of the visitors who turned up on the first day were pupils and students who were accompanied by either their teachers or parents. The students were very fascinated by the many publications KIPPRA displayed. They sought to know what subjects they needed to excel in for them to engage in economics and public policy research. KIPPRA staff members were glad to offer detailed explanations about the institute and even went further to motivate them to work hard in their studies.

Students from nearby universities such as Moi University and Egerton University as well as their lecturers visited the KIPPRA stand in large numbers. Many expressed their interest to work with KIPPRA and were happy that the institute was present at the show to sensitize the public on public policy. They were encouraged to register on the KIPPRA website to enable them access all the publications.

Many of KIPPRA's publications in education, infrastructure development, trade, agriculture and tourism were popular picks at the show. Many visitors, however, requested that KIPPRA does more research in livestock production, agricultural exports and youth empowerment among other areas affecting the economy. Other visitors also requested KIPPRA to collaborate more with counties. The Cabinet Secretary in the Ministry of Agriculture, Livestock and Fisheries, Mr. Willy Bett, officially opened the show. Prominent personalities who visited KIPPRA's stand included the Nakuru Country Governor Mr. Kinuthia Mbugua, who was excited to see the kind of research KIPPRA carries out. The Economic Planning Secretary at the Ministry of Devolution and Planning Mr Joseph Mukui spent some considerable time at the stand. Throughout the show period, 3,155 publications were disseminated to the public. The universities and research institutions were given the publications in bulk to take to their respective libraries.

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KIPPRA staff plant trees and donate books and uniforms at St Aquinas High School

St. Aquinas High school in Nairobi is this year's beneficiary of KIPPRA's corporate social responsibility initiative. A number of KIPPRA staff members visited the school on 24 June 2016 afternoon, where they gave brief motivation speeches to 300 form one students and handed over books and school uniforms. Led by the Knowledge Management and Communications Division head, Mr Felix Muriithi and the chairman of the Environment, HIV-AIDS, Health and Safety Committee Mr John Nyangena, the KIPPRA team gave books and school uniforms worth Ksh 100,000 and planted 300 trees around selected areas of the school compound, with the help of form one students. While encouraging the students to work hard, Mr Nyangena, who was once a high school teacher and now a policy analyst at KIPPRA, also took the opportunity to educate them on the effects of HIV/AIDS and the dangers of drug abuse.

Mr Muriithi was later called upon to hand over uniforms to eight students, most who were orphans and depended on well wishers to pay school fees and meet basic necessities. The school administration also supplements the needy students' fees by enabling them to do small jobs around the school during the holidays.

KIPPRA staff members later encouraged the eight students, reminding them that despite their disadvantaged background; they had a chance to better their future through education. Through the form one head teacher, Mrs Wanyonyi and the school's deputy headmaster, the KIPPRA team learnt that all the eight needy students were top performers.

KIPPRA and FARNPAN host a successful CSA policy dialogue

Participants at the FANRPAN-KIPPRA Climate Smart Agriculture workshop in Nairobi.

The Food Agriculture and Natural Resources Policy Analysis Network (FANRPAN) in partnership with the Kenya Node and Kenya Institute for Public Policy Research and Analysis (KIPPRA) held a multi-stakeholder Climate Smart Agriculture (CSA) National Policy Dialogue on 23 June 2016, at the Hilton Hotel, Nairobi. The event was attended by representatives from the Ministry of Agriculture, Livestock and Fisheries as well as researchers from universities and other stakeholder organizations. The media was also present to cover the event.

KIPPRA's acting Executive Director Dr Dickson Khainga gave opening remarks, noting that KIPPRA and FANRPAN had collaborated in many projects since 2011 when Kenya joined FANRPAN. KIPPRA is the interim node hosting institution for FANRPAN in Kenya and the two institutions have collaborated in projects related to climate change, climate smart agriculture, capacity building initiatives as well as various policy research and advocacy activities in the food, agriculture and natural resources sectors. FARNPAN Secretariat representative, Sithembile Ndema, explained FANRPAN's efforts in promoting effective food, agriculture and natural resources policies to ensure a food-secure Africa. Ms Lucy Ng'ang'a, an agriculture and climate change expert in the Ministry of Agriculture, Livestock and Fisheries, represented the Principal Secretary Dr Richard Lesiyampe and officially opened the meeting. Ms Ng'ang'a noted that the ministry was in the process of finalizing a climate smart agriculture strategy that would guide the implementation of climate smart initiatives throughout the country. The focus of the dialogue, however, was on two reports. The first one is titled *'A comprehensive scoping and assessment study of Climate Smart Agriculture (CSA) Policies for Kenya'*. The second document was by the Ministry of Environment and

Natural Resources and titled *'Kenya's Intended Nationally Determined Contribution (INDC)'*. The INDC document details Kenya's response to the decisions adopted at the 19th and 20th sessions of the Conference of Parties to the United Nations Framework Convention on Climate Change (UNFCCC) held in Paris in 2015.

The first report was presented by Dr Stephen Wambugu from Chuka University while Michael Okumu from the Climate Change Secretariat in the Ministry of Environment and Natural Resources presented the INDC report. Dr Wambugu noted that before the enactment of the Climate Change Act 2016, Kenya did not have explicit CSA policies. The study noted a number of interventions that are necessary to enhance CSA policies and activities, and made recommendations for the government and stakeholders to consider. Mr Okumu noted that 83 per cent of Kenya is arid or semi-arid, making the country vulnerable to climate change effects. He added that although the INDCS were drawn from Kenya's Vision 2030, there was need to mainstream climate mitigation strategies into the Medium Term Plans.

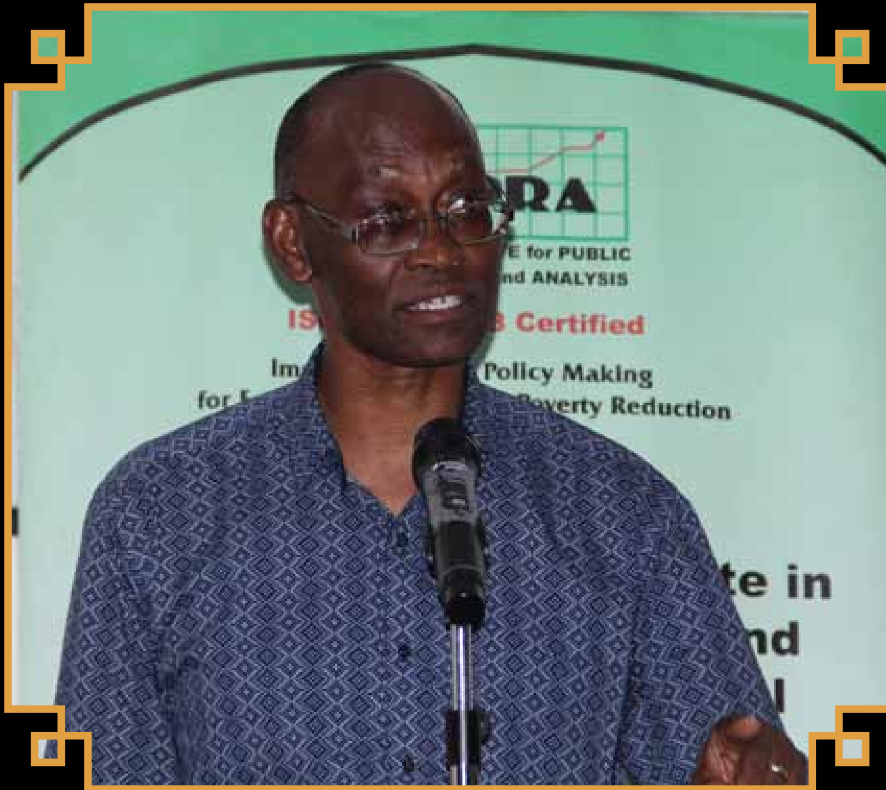
The presentations were followed by a plenary discussion where participants commented on the two presentations and gave suggestions and possible areas of improvement to ensure the successful adoption of CSA initiatives in Kenya. The lead researchers took note of the concerns and promised to relook the findings with a view of incorporating the comments into the report. KIPPRA's policy analysts Mr Joshua Laichena and John Nyangena, who also organized and moderated the event, thanked the participants for their attendance and contributions.

A fruitful culture development and celebration retreat

KIPPRA staff went through a four-day culture development programme, which entailed eye-opening expert presentations on Performance Contracting, Results Based Management, Rapid Results Initiatives as well as team building activities and a celebration of KIPPRA's notable achievement.

The staff arrived at the Flamingo Resort in Mombasa on Wednesday 27 April 2016 at 12:30pm, in time for lunch and afterwards an afternoon session facilitated by KIPPRA's Ag. Executive Director Dr Dickson Khainga. In his opening remarks, Dr Khainga explained that the retreat's main purpose was to enable every KIPPRA staff members internalize the institute's core mandate, build

KIPPRA Board Chair Ms. Emma Mwongeli at the reatreat.



Economic Planning Secretary Mr Joseph Mukui at the KIPPRA retreat.

synergy and acquire important performance knowledge to best deliver the institution's mandate. Dr Khainga then took the staff through KIPPRA's vision, mission, strategic objectives as well as core values. Afterwards, every staff member got an opportunity to state what they expected to achieve or see at the end of the four days.

The second day of the retreat involved all matters performance contracting. Florence Wahome, the Public Service Director on Performance Contracting, explained that the lackluster performance of public sector employees over the years necessitated the introduction of performance contracting (PC) in 2013. She said since then, both the image and the performance of employees have tremendously improved. PC ensures that all employees internalize their organization's vision, mission and goals and work individually and corporately towards achieving them within set timelines. The main assumption is that every individual has the knowledge, skills and desire to grow for the betterment of the organization. Once the organization's strategic objectives are defined, the management then cascades them to each individual, while clearly defining each person's scope and performance expectations. According to Ms Wahome, the PC structure should also provide for a periodic review of performance results and a reward of high performance. The importance of clear communication in performance management, teamwork, synergy, a concise performance appraisal tool and clear performance evaluation structures were also emphasized.

The day was punctuated by indoor teambuilding activities that enabled staff to interact and mingle freely.

On the third day, Dr Sylvester Odhiambo Obong'o, the Rapid Results Approach Coordinator in the Public Service Transformation Department, took KIPPRA staff through various aspects of Results-Based Management (RBM) in the Public Service. He said as opposed to traditional management, which is measured by input process and activities conducted, results-based management focuses on outputs, results obtained and impacts.

According to Dr Obong'o, RBM is a strategy by which all actors ensure that their processes, products and services contribute to the achievement of desired results (outputs, outcomes, higher level goals and impact). RBM enables service delivery in the public sector to achieve greater efficiency and produce more

The Economic Planning Secretary in the Ministry of Devolution and Planning Mr Joseph Mukui as well as KIPPRA board members joined the staff on the fourth day, which was all about motivation and celebration of KIPPRA's naming as the leading think tank in Sub-Saharan Africa for the second year in a raw

NEWS HIGHLIGHTS

responsive and flexible services. Rapid Results Approach (RRA), according to Dr. Obong'o, entails momentum-building initiatives that lead to the large-scale goals. It promotes cross-sectional/departmental team-work, innovation and takes responsibility where it belongs. Just like the previous day, staff members participated in team building activities, but this time outdoors. The activities ensured coordinated effort between teams in achieving certain tasks.

The Economic Planning Secretary in the Ministry of Devolution and Planning Mr Joseph Mukui as well as KIPPRA board members joined the staff on the fourth day, which was all about motivation and celebration of KIPPRA's naming as the leading think tank in Sub-Saharan Africa for the second year in a raw. To kick off the day's programme, Dr Khainga welcomed all the board members as well as Mr Mukui, noting that KIPPRA's excellent performance was a result of the ministry's support as well as dedicated board and staff members. He then welcomed the Acting Programmes Coordinator Dr. Augustus Muluvi to recap the activities and lessons from the previous days. KIPPRA Board Vice Chair Ms Emma Mwongeli then took the podium to deliver the Chairman's speech, noting that Prof. Mohammed Mukras was unable to attend the event due to other commitments.

In his speech, Prof. Mukras congratulated KIPPRA staff for their hard work that led to the notable achievement and recognition. Afterwards, Ms Mwongeli, together with the other board members, gave brief motivational speeches. They all were happy to be part of KIPPRA and encouraged the staff to work even harder not only to maintain the top position in Sub-Saharan Africa but also strive to be top in the world. Mr Mukui, who was the keynote speaker, said the favourable ranking was a recognition of the commendable research KIPPRA conducts and that he was proud to be associated with the institution. He, however, encouraged the staff members to learn from world-famous think tanks such as Brookings and strive to lead worldwide.

"Kenyans are used to being number one in the world. We stopped thinking about Africa a long time ago," said Mr Mukui. While assuring KIPPRA of the ministry's commitment and support, he urged researchers to do popular versions of all their researches to ensure the common mwananchi understands the findings. Mr Mukui also noted that although the institution was known for the KIPPRA-Treasury Macro Model (KTMM), it should strive to be part of important development strategies such as the 10 MTEP sectors. The day ended with a group photo, cake cutting and a toast to KIPPRA's excellent achievement.

KIPPRA Board and Staff members at a culture development and capacity building retreat.

KIPPRA hosts a successful regional SDGs conference

Devolution and Planning CS Mwangi Kiunjuri at an SDGs conference hosted by KIPPRA.

The Kenya Institute for Public Policy Research and Analysis (KIPPRA) together with Overseas Development Institute (ODI) and Southern Voice on Post-MDG International Development Goal among other partners held a successful regional Sustainable Development Goals (SDGs) conference at the Safari Park Hotel, Nairobi on 12th and 13th April, 2016.

Themed 'Starting Strong: The first 1000 days of the SDGs', the event brought together researchers, policymakers, senior government officials from Kenya and other participating countries, advisors, members of the civil society, the private sector and the media to identify and discuss SDG priority actions for effective implementation at national, regional and global scales. SDGs which, were adopted in September 2015, build on the Millennium Development Goals (MDGs), establishing a new round of development targets by way of 17 goals and 169 targets by the year 2030.

Hon. Mwangi Kiunjuri, Cabinet Secretary, Ministry of Devolution and Planning, who was the keynote speaker during the event, reiterated the importance of the dialogue in realizing

Hon. Kiunjuri noted that through the MDGs, Kenya had made significant progress in many of the targets stated in SGSs, especially in education and poverty eradication

KIPPRA's Prof. Joseph Kieyah and Anne Gitonga at the SDGs conference.

sustainable development not just in Kenya but in the region and the world at large.

Hon. Kiunjuri noted that through the MDGs, Kenya had made significant progress in many of the targets stated in SGSs, especially in education and poverty eradication. The CS added that Kenya's Constitution and the Vision 2030 had anticipated and incorporated most of the SGDs and also outlined detailed implementation frameworks.

"The Kenya Constitution, 2010 ushered the devolved system of governance with the primary goal being to take services closer to the people through devolving of functions, resources and decision making hence inclusivity in development. The county governments are thus expected to be critical partners in the implementation of SDGs at the grassroots hence more targeted interventions and strategies, to fast track the achievement of the targets as well as reduce or eliminate the existing regional disparities. The county governments will, therefore, be expected to review and mainstream the SDGs in their development plans," said Hon. Kiunjuri.

The CS said he expected the dialogue to generate a comprehensive action plan to guide the first 1,000 days of SDGs roadmap.

KIPPRA's principal policy analyst, Prof. Joseph Kieyah, welcomed all the participants and particularly thanked the CS for being part of the important dialogue. Prof. Kieyah noted the presence of Hon. Kinjuri as well as the Principal Secretary Mr. Saitoti Torome.

According to Prof. Kieyah, the SDGs are the nexus between economics and politics and that although many African populations only cared about putting food on the table and having clean water, those who run the government mattered a great deal as they determined the kind of policies adopted.

"There is, therefore, need to change the narrative to appeal to, create an incentive and match the agenda of the politicians," said Prof. Kieyah.

The Nairobi regional dialogue is the first among the three planned regional SDG dialogues with the rest taking place in Sri Lanka (Asia) in May and Colombia (Latin America) in June.

Dr. Edward Sambili, a member of the Advisory Team on 2030 Agenda on SGS, gave a brief preview of the MDGs to draw lessons from their adoption and implementation, which in turn could be used to ensure the success of the SDGs.

Dr. Sambili noted that developing countries expected developed nations to fund the MDGs, which eventually slowed their adoption and implementation. According to Dr. Sambili, the SDGs implementation, therefore, needed to focus on domestic financing if they are to be successfully implemented. He also said there was need for quality baseline date and synchronization of SDGs to determine what is of priority to each country's development agenda.

The conference also included panel sessions and group discussions where the various aspects of the SDGs implementation were discussed.

Among the speakers during one of the panel sessions was Prof. Bitange Ndemo, A former PS and current lecturer at the University of Nairobi, who gave his perspective on what it will take to successfully implement the SDGs. Prof. Ndemo said although developing nations could learn a lot from their developed counterparts, there was need to come up with homegrown solutions and make use of already available resources to develop Africa. He also said there was need for African nations to focus their resources and efforts on implementing policies that are already in place instead of spending a lot of time and money to come up with more.

Prof. Ndemo particularly took issue with Agenda 2063 saying: "We will have no one to hold accountable by 2063, as we will all be dead. I would rather work with Vision 2030 whose fruits I can enjoy."

Participants were divided into four multi-stakeholder groups to discuss factors that can create an enabling environment for the SDGs implementation in the first 1,000 days. The group discussions focused on four key areas namely: Political perspectives, financing and institutions, accountability and the role of the private sector.

Concluding and summary remarks were given by KIPPRA's Prof. Joseph Kieyah, Elizabeth Stuart, who is a Research Fellow – Team Leader, SDGs at ODI and Debapriya Bhattacharya, Chair, Southern Voice on Post-MDG International Development Goals. While handing over souvenirs to the visiting team leaders, Prof. Kieyah thanked the organizing committee of the conference, especially KIPPRA's Policy Analyst Anne Gitonga who did a great deal of the work to enable KIPPRA host the successful event.

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NEWS HIGHLIGHTS

Racing to reduce maternal and child mortality **in Kenya**

KIPPRA staff members were among thousands of Kenyans who participated in the third edition of the First Lady's Half Marathon, which took place on March 6, 2016 at the Nyayo National Stadium. The marathon was in support of the First Lady, Margaret Kenyatta's Beyond Zero campaign aimed at reducing maternal and child mortality in Kenya. The race consisted of four categories: 21km (half marathon), 10Km, 5km and wheelchair races. KIPPRA staff participated in the 10km race. Unlike the two previous races where the First Lady ran the entire 21km, this year she opted for the 10km race, saying she did not feel adequately prepared to take the half marathon.

Just like in the previous races, enthusiastic participants started streaming into the stadium by 6am. Security was beefed up with officers standing guard at all the entrances and thoroughly checking everyone who got into the stadium. A police helicopter also hovered closely over the stadium.

The wheelchair category was the first to kick off at a quarter to 7 am, followed by the 21km race a few minutes later. The 10km race attracted the biggest crowd, which had to wait about five minutes for the first lady and her entourage to lead before joining in. Apart from various government officials and leaders, the First Lady was also accompanied by Rwanda's First Lady Mrs Jeannette Kagame and the Deputy President's wife Mrs Rachel Ruto.

From the few trained athletes who competed for the ultimate prize to children, expectant women and mothers pushing their babies in prams, the track teamed with enthusiastic Kenyans and foreigners sacrificing for a worthy course.

From the few trained athletes who competed for the ultimate prize to children, expectant women and mothers pushing their babies in prams, the track teamed with enthusiastic Kenyans and foreigners sacrificing for a worthy course

KIPPRA staff participate in the First Lady's Beyond Zero Marathon.

Fiscal Decentralization in Support of Devolution

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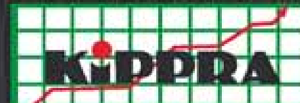

The KENYA INSTITUTE for PUBLIC POLICY RESEARCH and ANALYSIS

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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 and private sectors. 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.

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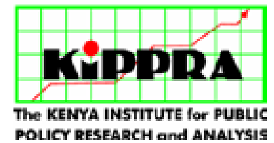
Other organizations are welcome to contribute to KIPPRA research either as core support, or support to specific projects, by contacting the Executive Director, KIPPRA.

Send to us your comments on the articles published in this newsletter and any other aspects that may help to make the KIPPRA Policy Monitor useful to you. This may include policy issues you would like KIPPRA to prioritize.



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