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Taming the Road Safety Challenge

through Effective Policy Response

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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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Welcome to the October-December 2017 edition of the KIPPRA Policy Monitor.

Market confidence is gradually holding after a prolonged electioneering period that spilled over into the fourth quarter of the calendar year 2017. The third quarter of 2017 registered slower growth in most sectors due to uncertainty arising from elections, and also due to continued effects of drought. Nevertheless, inflation declined to a lowest level in December 2017. However, cumulative revenue collection underperformed and so did expenditures. With the political dust now settling and the drivers of development agenda in the next five years identified, the economy is set to achieve strong inclusive growth.

Kenya is becoming an attractive destination for mergers and acquisitions (M&A) perhaps due to the innovativeness being experienced in the private sector. Mergers and acquisitions have progressively been noted in banking, financials, and insurance; ICT and telecommunications; manufacturing; healthcare; hospitality; and extractive industry, among others. It is therefore imperative that the country continually improves the business environment to attract more investments.

That said, the last quarter has witnessed challenges with increased road accidents that have led to loss of human lives, injuries, destruction of property and loss of livelihoods in many families. Together with attempts to improve the legal and institutional framework in the transport sector, there is need to review transport-related policies and address all the gaps in order to improve road safety even as road infrastructure expands.

In addition, the economy has faced challenges with workers' unrest in the health sector. Two broad issues at the core of persistent industrial action by health workers are the issue of remuneration, and working conditions. Moreover, it is imperative to clarify the role of the two levels of government in the management of health human resources.

This edition of the *KIPPRA Policy Monitor* looks at the growing labour export where many Kenyans are migrating to other parts of the globe in search for education, employment and business opportunities. Though the government has made efforts to improve the welfare and consular services through the Diaspora Policy and Foreign Policy documents and other migration-related laws, many Kenyan migrant workers face numerous challenges, including exploitation and abuse in some destination countries. It is important that the government establishes effective bilateral labour agreements and policies to improve the welfare of Kenyan nationals in the diaspora. This edition also captures the recent adoption of a visa-on-arrival policy for all African countries, which is expected to contribute positively in deepening regional integration.

The edition also highlights the efforts to diversify to irrigation agriculture and the need to reduce post-harvest loses to enhance food security. Finally, it also highlights new research that the Institute is undertaking in contributing towards boosting employment creation. This research includes: boosting youth employment opportunities; building economic complexity in laying a foundation for expanding economic opportunities for women and youth; and revitalizing the leather industry.

EXECUTIVE DIRECTOR KIPPRA

Economic Performance and Growth Prospects

By Benson Kiriga

> Economic growth is expected to gradually rebound to 6.0% by 2019, mainly through continued public investments, recovery in the tourism sector, and supported by macroeconomic stability and low international oil prices.

Recent Economic Developments

The political dust is now settling after a prolonged electioneering period. His Excellency President Uhuru Kenyatta was sworn in on 28th November 2017 to serve a second term of five years and, finally, Kenya's representatives to the East African Legislative Assembly (EALA) were elected in mid-December 2017. A new Cabinet is anticipated any time now and Parliament has started putting together the necessary structures to kick-start the business of legislation. It is time then to focus more efforts on growing the economy, both nationally and in the region.

The President has defined the "Big 4" to guide the economic development agenda in the next five years. These are: universal health care; affordable housing; manufacturing; and food security. All these ensure that growth continues to be inclusive by addressing pressing socio-economic needs. The preparation of the Medium Term Plan III is almost complete; this will provide the detailed development agenda. Further, the new devolved governments are working to finalize their second County Integrated Development Plans.

All indications are that market confidence is building up and therefore the private sector is ready to re-engage in productive economic activity. The Purchasing Managers Index by Stanbic Bank shows that the market confidence index has increased from 34.4 in October to 42.8 in November and 53.0 in December 2017. Further, there are positive signals coming from the domestic stock market whose overall index has gained an upward trend, and foreign investors have increased their activities, which is a signal of regained confidence.

The uncertainty from prolonged electioneering period saw the third quarter GDP growth rate slow to 4.4%, the lowest recorded compared to same the quarter in the past five years. This implies that three-quarters of 2017 have witnessed an estimated average growth rate of 4.7%. The projected growth for 2017 was revised from 5.8% to 5.0% in November. To achieve this, the fourth quarter of 2017 would need to achieve a growth rate of 5.9%. Agriculture rebounded with improved weather conditions, but most of the other sectors recorded slower growth.

The favorable weather conditions saw inflation for December 2017 decline to 4.5% compared to 4.7% in November 2017, registering the lowest inflation rate in the year. This is mainly due to reduction in year on year food inflation from 5.8% in November to 4.7% in December 2017. This indicates macroeconomic stability despite the effects of prolonged electioneering in the second half of the year. It provides the right impetus for good performance in economic growth in the second part of the financial year. Further, as a sign of the muted inflationary pressures, the Monetary Policy Committee of Central Bank of Kenya retained the policy rate during its meeting in November 2017.

The first quarter of financial 2017/2018 (July to September 2017) saw the cumulative revenue collected, including Appropriation-in-Aid, total Ksh 345.6 billion (3.9% of GDP) against a target of Ksh 388.0 billion (4.4% of GDP), mainly because of shortfalls in Income Tax, Excise Duty and Appropriation-in-Aid. In the same period, cumulative expenditure and net lending inclusive of transfers to county governments totaled Ksh 412.3 billion against a target of Ksh 455.6 billion, given the low absorption levels in operations and maintenance and wages and salaries for the National Government. As a result, cumulative overall fiscal balance, on a commitment basis (excluding grants), registered a deficit of Ksh 66.7 billion (equivalent to 0.8% of GDP).

In the same period, gross public debt increased from Ksh 3,709.3 billion at end of September 2016 to Ksh 4,486.8 billion at end of September 2017, comprising 51.5% of external debt. The overall increase is attributed to increased external debt due to exchange rate fluctuations, and disbursements from external loans debt during the period.

Growth Forecast

The electioneering period covered two consecutive quarters of 2017 and this is expected to impact on economic growth for the year. At domestic level, the wait and see attitude adopted by investors due to heightened political risk could have significant adverse effect on investments. In addition, poor performance in private sector credit is also adversely affecting investments. The drought spell and the army worm invasion also took a toll on the agriculture sector, which is the mainstay of Kenya's economy. Further, slow economic growth of the trading partners led to overall low exports performance due to low demand.

As a result, although macroeconomic stability is maintained in the better part of 2017, the projected growth for the year is revised slightly down to 5.0%. Economic growth is expected to gradually rebound to 6.0% by 2019, mainly through continued public investments, recovery in the tourism sector, and supported by macroeconomic stability and low international oil prices.

Economic performance and growth prospects, 2017-2019

	2014	2015	2016	2017	2018	2019
GDP Growth	5.4	5.7	5.8	5.0	5.8	6.0
Inflation	6.9	6.6	6.3	8.0	6.7	5.1
Private Consumption	6.5	2.5	7.2	6.1	6.0	6.0
Government Consumption	1.7	13.0	7.0	2.7	5.5	5.8
Private Investments	2.5	6.1	-11.5	-0.3	4.3	5.0
Government Investments	5.3	2.0	-9.1	4.5	6.7	6.1
Exports of Goods & Services	5.8	6.2	0.6	2.9	3.4	5.4
Imports of Goods & Services	10.4	1.2	-4.7	2.7	4.2	5.0
Current Account Balance	-9.8	-6.8	-5.1	-5.1	-5.5	-5.2
Fiscal Deficit	-5.4	-6.0	-5.1	-5.2	-5.5	-5.4
Public Expenditure	26.6	26.1	26.0	26.3	25.7	25.3
Interest Rate	8.9	10.8	8.5	8.6	8.8	8.8
Ksh per Dollar	87.9	98.2	101.5	103.4	103.1	103.1

Source: KIPPRA-Treasury Macroeconomic Model (KTMM)

The exports of goods and services are expected to improve as the country increases efforts towards upscaling value addition and taking advantage of the expanded markets particularly in the region. The East African Community is the biggest market for Kenyan exports. However, EAC partner states are also implementing local industrialization programmes similar to the "buy Kenya build Kenya" initiative. Since Kenya produces similar products, this effectively narrows its export market. There is also stiff competition from China and India for the EAC market, and since their products are more sophisticated, Kenyan exports are unable to compete. Moreover, the declining international commodity prices, and the preference erosion due to trading partners such as European Union and United States of America getting into similar agreements with Kenya's competitors, are concerns that could limit Kenya's export market.

Taming the Road Safety Challenge through Effective Policy Response

By James Gachanja and Victor Mose

Road safety is a major challenge globally and more so disproportionately in developing countries such as Kenya. Out of the approximately 1.3 million road traffic deaths worldwide, 93% occur in low- and middle-income countries which have 54% of the world's registered vehicles. According to the World Health Organization, road traffic injuries will become a major public health burden by the year 2020, with an estimated global cost of US$ 518 billion. Kenya faces a burdensome road safety challenge with an estimated economic loss associated with road crashes standing at 5.6% of GDP or US$ 50 million per annum, exclusive of the actual loss of life. This has had devastating effects on households not only in monetary terms through loss of economically productive household members, but also emotionally through the trauma and grief of those affected, and the disruption of the lives of dependants.

Over time, the government and sector stakeholders have developed policies and put in place intervention measures in response to these challenges. Among these include: the Integrated National Transport Policy 2009, which provides for increased mobility and improved accessibility to safe and secure road transport; establishment of the National Road Safety Council which formulated a five year National Road Safety Action Plan (2009–2014) targeting creation of a system that would reduce road crash fatalities by 50% by 2014 in response to the United Nations Decade of Action for Road Safety (2011-2020); and subsequently, the establishment of National Transport and Safety Authority (NTSA) in 2012, with the mandate to harmonize the operations of the key road transport departments and help in minimizing loss of lives through road crashes. NTSA has since implemented legal, regulatory and institutional reforms in the operations of Public Service Vehicles and motor cycle taxis (*boda boda*), including registration under SACCOs for collective responsibility, driver training, testing and licensing reforms, speed limit and speed governor interventions, drunk driving interventions, pedestrian safety projects, public education and

implementation of ICT solutions. However, the country continues to grapple with the challenge of road crashes, which calls for a dynamic approach in policy response including reviewing the policy and implementation gaps more regularly, as well as reviewing the overall effectiveness of road safety strategies and targets. Most recently, the President ordered withdrawal of NTSA personnel from traffic law enforcement on public roads, which could enhance their focus on coordination and planning for road safety.

The progress made in controlling road carnage and fatalities has shown mixed results over time. Between 1963 and 1980, the number of road crash fatalities averaged 1,000 per year, increasing to 2,100 between 1980 and 2000, against a backdrop of 145% growth in vehicle population. In the period 2000 to 2015, road crash fatalities averaged 2,900 per year as vehicle population grew from 591,000 to 2.2 million vehicles.

Kenya has high fatalities, with around 1 in 10 of road crash injury victims dying compared to 0.1 in 10 in developed countries. According to NTSA, road crashes involving private and commercial vehicles in 2017 form the majority of deaths on Kenyan roads, recording 849 and 707 deaths, respectively, while *matatus* were associated with 563 fatalities. The data shows that road crashes do not respect status in society – they affect all, with the most vulnerable groups being pedestrians and motorcyclists, and those in their productive age of between 20 to 44 years. Globally, road crashes have been identified as the leading cause of death for people aged 15–29 years.

Both national and global reports indicate that the key risk factors contributing to road crashes can broadly be classified into: human factors, vehicle-related factors, road conditions, and environmental factors. The human factors include road user behavior, over-speeding, drink driving, non-use of protective gears including helmet and safety belts use, and use of mobile phone while driving. The vehicle-related factors include un-road worthy vehicles and mechanical failures. Road-based factors are associated with road design and condition, while environmental factors are illumination, and rain which affect driving quality and limit visibility. In addition, enforcement of road safety laws and regulations has not been adequate, and this has been attributed to integrity queries on traffic police, limited capacity at NTSA and industrial-legal action by stakeholders against road safety interventions. Also, interventions seeking to address some of the risk factors such as road re-design have been delayed due to lengthy planning and procurement procedures. Taking these factors into account, an effective "systems approach" to road safety is paramount.

Another policy issue in road safety management is that the proportionate budget allocated to safety measures and road infrastructure development and maintenance is not adequately guided by the value of statistical life (VSL) and monetization of Disability Adjusted Life Years (DALYs). For example, in 2015, NTSA raised approximately Ksh 980 million from revenue and Ksh 382 million from government grants while Roads Maintenance Levy Fund realized approximately Ksh 32 billion for maintenance works by road agencies, with additional resources from the government and donors for construction of roads. Following "shared responsibility" principles, there is need for greater collaboration in road safety interventions since the resources realized by NTSA are inadequate to sustain the scale and scope of operations expected to meet its mandate. There is also growing concern in the policy arena on the need for effective evaluation of road sector externalities to internalize the full scale of impacts associated with road sector investments and justify associated budgetary allocations. Negative safety externalities reduce the net output of the road sector and adversely affect other sectors such as health and insurance. There is therefore need for prioritization of road safety planning and budgeting at the National and County government level.

One overriding challenge in road safety management across the various policy epochs since independence has been the weaknesses in the road crash data surveillance system. Kenya's road crash data system is characterized by inadequate data surveillance systems, data gaps and lack of effective institutional coordination, for instance between police records, public health records and insurance sector records. This has adversely affected planning and effective decision making. An accurate and objective road safety data system is important as it provides the basis for drafting road safety action plans, strategies and evaluation of road safety counter measures. It is integral to informing the five (5) pillars of road safety espoused as global good practice, namely: Road Safety Management; Safer Roads and Mobility; Safer Vehicles; Safer Road Users; and Post-Crash Response.

Achieving road safety in Kenya requires multiple approaches. It is important that the road safety challenge is escalated to a national priority for enhanced sectoral policy targeting. The policy and strategic focus for road safety management should adopt a "zero road deaths" goal and implement the "safe system" approach to radically reduce the burden of road crashes. This entails a traffic ecosystem where all elements are designed and managed together to avoid crashes and, where they do occur, avoid serious injuries or death. The reasoning is informed by the fact that it is unrealistic to expect that education and enforcement alone will bring the needed step change, and those road users, even the most skilled, make mistakes. Therefore, the "safe system" is one that takes this into account and where simple mistakes do not result in death or injury. A zero-road death policy focus would provide impetus for mobilization of resources and effort in investment towards effective road safety interventions.

To further enhance funding for the sector, revenue generated for NTSA related fees and activities including fines should be ring fenced for allocation to implementation of road safety interventions. NTSA should develop a resource mobilization strategy from its stakeholders to supplement own revenue, and government allocation. This will help in bridging the capacity constraints that limit effectiveness.

Road safety interventions should be based on good data and strategy to inform the five (5) pillars of road safety Interventions. Kenya could also leverage on its ICT strengths and create an integrated digital platform that links police, hospital, and insurance and judicial systems to the policy making arena for decision support. The use of ICT solutions for road safety enhancement has been identified as good practice globally, where it has been applied to support crash investigation, incident reconstruction and road hazard mapping. Examples abound where ICT solutions such as in-car technology and low cost smart phone sensor data recorders have been applied to identify human behavior factors attributable to road crashes, which is often difficult to measure. The use of such ICT can further complement efforts by NTSA in reforming the driver training, testing and licensing framework to respond to specific driver training needs and competency deficiencies, with linkages to smart driving licenses.

Further, policy timing and phasing for road safety interventions should be reviewed to address implementation of immediate and short-term interventions, outside conventional project implementation frameworks. This would, for example, serve to hasten implementation of road design alterations and reconstruction.

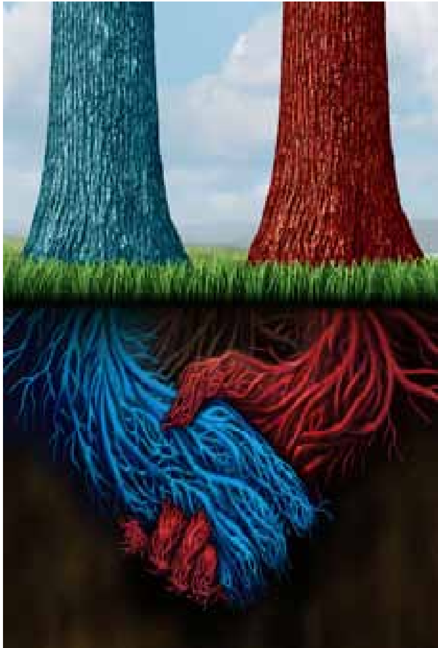
There is also need to intensify stakeholder cooperation, involvement, coordination and sensitization. The vehicle owners, management and crew should appreciate the need for road safety and play a positive role in taming the carnage. They should be supportive of the measures being put in place and enhance self-regulation. On its part, NTSA should continue adopting a consultative process in stakeholder engagement and public participation to gain support and buy-in of its policies and regulations, as well as building capacity for self-regulation.

In order to achieve the principle of shared responsibility, the National and County governments should enhance collaboration and partnership in support of road safety initiatives. For instance, the County governments can support NTSA by linking road safety records with licensing of operations for vehicles in the county towns and roads. Collaboration through road user sensitization, road infrastructure improvement and traffic management should be escalated within the framework of County Transport and Safety Committees (CTSCs).

Mergers and Acquisitions in Kenya:

An Emerging Investment Mode

By Anne Gitonga and Githinji Njenga



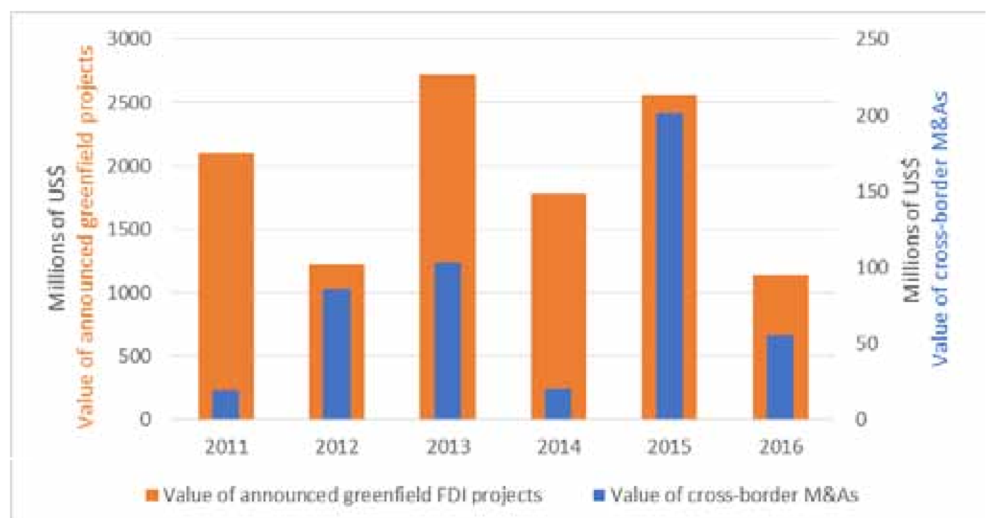
The Kenya Industrial Transformation Programme (KITP) underscores the importance of foreign direct investment (FDI) in boosting private sector investments. Foreign Direct Investment (FDI) can be undertaken in two ways: greenfield investment, where a foreign company builds its operations from scratch; or through mergers and acquisitions (M&A). M&A, however, are not limited to foreign investors; local investors can also undertake M&A activities.

In the last five years, FDI inflows have declined from US$ 1,450 million in 2011 to US$ 394 million in 2016. This is mainly due to low levels of commodity prices which have seen investments in the extractive industry decline. Foreign investment activities in Kenya are predominately in trade, automotive industry (particularly repair of motor vehicles and motorcycles), financial and insurance activities and manufacturing, which cumulatively account for 58.5% of FDI flows and 66.5% of FDI stock.

The sources of these investments include Europe (largely United Kingdom), Africa (mainly Mauritius and Egypt) and Asia (mainly India, China and Japan). As illustrated below, cross-border M&A to Kenya in 2016 was US$ 55.4 million, which was a decline from 2015 when it was US$ 201.5 million. This reduction is attributable to reduced activity in the natural resources sector. The value of greenfield projects also declined from US$ 2,563.92 in 2015 to US$ 1,135.19 in 2016.

> To continue reaping from the benefits of M&A activities, Kenya should continue building on its efforts of creating an enabling business environment, which includes effective regulatory environment, fighting corruption and enhancing access to financial and other business support services. A conducive business environment is a critical motivator for investors.

Value of cross-border M&A sales in Kenya 2011-2016



Data source: UNCTAD, World Investment Report (2017)

M&As are strategic moves by companies aimed at achieving a strategic agenda. In Kenya's financial sector, M&A are largely attributable to the need to consolidate and strengthen asset base because of increased capital requirements in the process of strengthening supervisory and regulatory requirements. The year 2017 saw the acquisitions of Fidelity Bank by SBM Bank, of Giro Commercial Bank by I&M Bank, and Diamond Trust Bank's (DTB's) intention to acquire Habib Bank (K). All acquired banks fell into the small bank category. One transaction, Giro Bank and I&M Bank was of local banks, with the medium size bank acquiring a small size bank. The key priority for SBM Holdings, which is a financial service company in Mauritius, is to expand and exploit markets by diversifying into external markets, achieved with the acquisition of Fidelity, a local bank. For Diamond Trust Bank (DTB), the aim is to reorganize its investments by acquiring the business, assets and liabilities of Habib Bank, which was previously DTB's second largest shareholder. DTB is a foreign-owned, medium size bank which is locally incorporated, and partly owned by locals.

Other non-banking financial institutions have also experienced M&A in 2017, with investors coming from the region. For example, South Africa's insurance group Sanlam Group acquired a 70% stake in an asset management company Pine Bridge Investments East Africa and Capital Works. Again, a South Africa-based asset management firm is set to acquire AON, a provider of risk management, insurance brokerage, and human capital resource in Kenya (part of AON Plc). In September 2017, Britam Insurance revealed plans to shed 14.3% of its stake to AfricInvest, a pan-African private equity fund which has other investment in sectors such as insurance, education and manufacturing. Earlier in 2017, International Finance Corporation (IFC), the investment arm of World Bank, announced its intention to acquire 10.37 stake in Britam valued at approximately Ksh 3.5 billion. These trends reveal confidence in Kenya's financial sector, and will help make Kenya a leading financial center in Eastern and Southern Africa.

In the oil sector, specialization and market expansion form a key agenda for M&A. For example, in the Vivo Energy transaction, the divesture of Shell is to focus on downstream activity while Vitol (Vivo's largest shareholder) expands into wholesale and retail marketing. Another example is Tanzania's Lake Oil which expanded its market access with the acquisition of Hashi Energy's retail petroleum

business. The same applies to Total Oil Company which strengthened its presence in the Kenyan market following the approval of the acquisition of 100% of share capital in Gulf African Petroleum Corporation (GAPCO). GAPCO is a subsidiary of a listed company in India engaged in oil exploration, distribution, refining and marketing with assets in Kenya, Uganda and Tanzania.

Companies from South Africa have also shown interest in Kenya's ICT sector. This is witnessed by the acquisition of Alldean Networks, Simbanet Com and Wananchi Telecom 2017 by Synergy Communications (owned by South Africa's Convergence Partners Communications Infrastructure Fund). In addition, South Africa's Vodacom received regulatory approvals to acquire a 35% stake in Safaricom from its parent British multinational, Vodafone. Another mobile service provider, Telkom, experienced a change in shareholding in 2016 after Jamhuri Holding Limited (a company owned by Helios Investors III, a fund of UK Private Equity firm Helios Investment) acquired 70% shareholding held by Orange S.A.

To continue reaping from the benefits of M&A activities, Kenya should continue building on its efforts of creating an enabling business environment, which includes effective regulatory environment, fighting corruption and enhancing access to financial and other business support services. A conducive business environment is a critical motivator for investors.

M&A are complicated and technical transactions. In some instances, external expertise is sought as was the case with the recent restructuring of Kenya Airways debt and equity. This may be a contributing factor limiting M&A activity amongst local companies. This continued M&A activity therefore presents an opportunity to develop local capacity to facilitate and offer services of such transactions.

Government Efforts to Improve Welfare of Kenya's Emigrant Workers

By Paul Odhiambo and Diana Lukalo

Kenya underscores the importance of labour migration in providing employment opportunities to Kenyans, and as a contribution to the economy. Today, Kenyan diaspora is estimated to be three million across the globe with top destinations being Africa, North America, Europe and Middle East. A significant number of Kenyan diaspora are also found in Asia, Oceania, Latin America and the Caribbean region. Due to globalization, regional integration and transnationalism, more Kenyans are likely to migrate to other parts of the world in search of employment and business opportunities. This is aided by the government's labour export strategy.

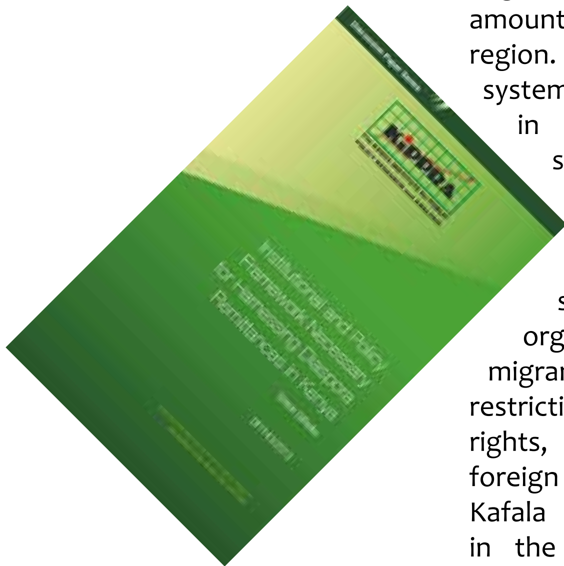
Though there have been efforts to mainstream migration and diaspora in the national development agenda through the establishment of Kenya Diaspora Policy and the Kenya Foreign Policy, protection of Kenyan migrant workers in regions prone to labour exploitation and harassment seems to be inadequate. Moreover, migration flows from the country are largely uncoordinated due to numerous public sector agencies resulting into duplications and weak coordination. It has also been a challenge to establish accurate statistics on the number of Kenyans working abroad due to irregular migration, among other factors. In many cases, Kenyans emigrating to labour markets outside the country do not have adequate information on the nature of jobs and working conditions in the destination countries. Therefore, it is important for the country to have an effective foreign labour policy and bilateral agreements not only for the country to harness socio-economic opportunities accruing from labour export, but also to protect Kenyan diaspora.

While a substantial number of Kenyan diaspora work in the East African Community (EAC), there are emerging challenges in some of the destination countries. Structural rigidities within labour markets have led to limited access to employment opportunities for Kenyans in the region. Since the revival of the EAC and particularly with the deepening of regional integration through coming into force of the Customs Union and Common Market in 2005 and 2012, respectively, many Kenyans have moved to do business, work or study in the EAC partner states. However, there are cases in which Kenyan nationals have faced harassment, exploitation, detention or expulsion from some regional states. The volatile environment due to South Sudan political crisis has, for instance, adversely affected Kenyans residing in the neighbouring country.

The number of Kenyans moving to work in the Middle East has been rising due to availability of employment opportunities especially for semi and low-skilled workers. Most of them are recruited as domestic workers, cleaners, construction labourers, hospitality servers,

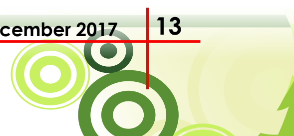
As the government takes measures to protect Kenyan migrant workers in the Middle East, it is also crucial that attention be paid to other regions of the world in order to come up with a more comprehensive migration protection system.

security officers, and taxi drivers. It is estimated that about 200,000 Kenyans work in the Middle East. Kenyan workers make a considerable contribution to the economies of their host countries by providing cheap and productive labour force. Despite job opportunities in the region, numerous challenges in respect to the terms and conditions of employment and protection of the fundamental principles and rights at work have been faced. There have been cases of labour exploitation and abuses such as torture, unpaid wages, long working hours, passport confiscation, sexual harassment, being kept in 'concentration' camps and detentions of Kenyan workers. A lack of bilateral agreements with these countries means that there are no formal structures for addressing such challenges.



There are also unscrupulous recruitment agencies that charge migrant workers exorbitant amounts of money in the Gulf region. The Kafala sponsorship system, a common practice in the Gulf countries, is seen as the root cause of exploitation faced by migrant workers. Kafala sponsorship system is a policy used to organize, govern and control migrants. It is known for its restrictive labour and mobility rights, specifically for unskilled foreign migrants. Under the Kafala system, foreign workers in the region are considered to be temporary contractual workers. The system is mostly administered and regulated by respective interior ministries. This means that courts or other government agencies in the region rarely intervene in case a dispute arises between migrant worker and employer. The system is anchored on the model of employer sponsorship of migrant labour. This means that a foreigner entering the region should have a sponsor who is responsible for the migrant's residency in the host country. In case a migrant intends to transfer their sponsorship and work for another employer, he/she is expected to get approval of the original sponsor.

Due to exploitation and harassment of Kenyan migrants in the Middle East, the government in 2014 imposed ban on all types of labour exports to the region. However, the ban on skilled labour was lifted in 2016 on condition that potential migrants apply through properly vetted recruitment agencies. The government plans to lift the ban on domestic workers and other low-skilled work once measures to protect Kenyans in the Middle East are in place. Some of the measures already effected by the Government include signing bilateral labour agreements with Qatar and Saudi Arabia; preparation of pre-departure training and orientation programme for migrant workers; creation of an inter-ministerial body tasked with vetting and registering hiring/recruitment agencies; requirement that recruitment agencies furnish the government with quarterly returns on Kenyans they have enlisted within that period, their personal details and next of kin; development of a code of conduct for recruitment agencies; a curriculum by the National Institute Training Authority (NITA) for training migrant workers; and a Memorandum of Understanding between Kenya and United Arab Emirates.



As the government takes measures to protect Kenyan migrant workers in the Middle East, it is also crucial that attention be paid to other regions of the world in order to come up with a more comprehensive migration protection systems. This may include synchronization of migration-related laws and policies with new measures for the improvement of diaspora's welfare. The government should fast-track the enactment of the Labour Migration Management Bill which will reinforce the existing legislation and provide measures for effective protection of rights of Kenyan migrants. The government should also consider establishing and operationalizing a contributory Distress Fund to facilitate provision of services to distressed migrant workers particularly in the Middle East and other volatile regions. A comprehensive national labour migration policy should also be developed and implemented to provide coordinated policy framework for implementation of programmes on labour migration.

Further, the government should fast-track negotiations and signing of bilateral labour agreements with countries (in which agreements have not been signed) that host Kenyan diaspora to address issues of recruitment, terms and conditions of employment, dispute resolution and remittances. The pre-departure training and orientation for outbound Kenyan migrants should be well coordinated and made compulsory as it prepares the migrants on the nature of jobs abroad, their rights, obligations and remedies in case of violations. To address the challenge of inadequate information necessary for informing policy and decision making, the government has developed a national labour market information system which will be linked to labour market information system for migrant workers and Kenyans in Diaspora. The Mutual Recognition Agreements negotiated should be operationalized as they are aimed at opening up trade in services for the professionals. More MRAs should be negotiated and signed to cover other occupations.

Additionally, specific measures should be taken to ensure that Kenyans exploit the labour market in the EAC partner states effectively. EAC policies on gender, persons living with disabilities, youth and children should be operationalized to ensure increased participation of the vulnerable groups in the EAC. Coordination, monitoring and evaluation of implementation of labour and migration initiatives in the EAC should be strengthened to ensure uptake of opportunities available in the EAC.

To deal with the issue of lack of recognition of foreign-obtained academic and professional qualifications and experience, several Mutual Recognition Agreements (MRAs) have been signed while some are in the negotiation stage. The EAC region has also been transformed into a common higher education area through harmonization of curricula, examinations, certification and accreditation of education and training institutions. The adoption of International EAC e-passport and use of National Identity Cards for regional travel for citizens of Uganda, Rwanda and Kenya has increased access to employment opportunities. In addition, work permit fees have been waived for East Africans by Kenya, Rwanda and Uganda. The government should, therefore, create more awareness about the strides made in the EAC so that Kenyans can benefit immensely from the EAC integration and the opportunities presented by the common market.

Managing Industrial Unrests in the Health Sector

By Boaz Munga and Eldah Onsomu

Health workers are the cornerstone of health systems and must not only be available in the right numbers but also be of the right quality if a country is to achieve her health goals. Kenya, for example, has deficiencies across various cadres of health workers, with an average of 2.5 medical officers per 1,000 people compared to the WHO norm of 30 per 1,000 people in 2013. Maintaining a sufficient number and quality of health workers is essential for improved health outcomes in general.

In addition to the numbers and distribution of human resources for health, management of labour is critical in ensuring effective provision of health services. In recent times, service delivery in the health sector has been negatively impacted by incessant industrial action (or unrests) among health workers mainly attributed to poor remuneration and poor working conditions. A cursory view indicates that strikes are quite common in African countries but less so in the more developed countries. The fewer strikes in the more developed world is due to a number of factors, including relatively more decent remuneration and a tight legal framework. In the United Kingdom, for instance, the decision to strike is credibly costly as an individual worker may face several arenas of accountability for his/her action, including disciplinary action from the employer, criminal charges, civil proceedings for negligence, and professional conduct proceedings.

A major explanation of the frequent unrest in Kenya's health sector is aptly captured in the respective collective bargaining agreements (CBAs) of different cadres of the health workers. The issues are numerous but we focus here on two broad yet prominent issues raised by health workers in their respective CBAs. The first is the issue of remuneration and its management and the second broad issue has been working conditions for health workers that are widely perceived to be adverse.

With respect to remuneration, although focus has been on sectoral wages, a more fundamental challenge has to do with weak wage determination processes in the public sector. A broader view of the public sector indicates that the compensation of public sector employees has been on a free bargaining regime that is not linked to, or informed by productivity growth and the cost of living compensation. This follows the relaxation of Wage Guidelines back in the 1990s. As a result, wage determination has not been rationally set for a long time. This has contributed to creation of wage distortions within and across sectors over time. Other pertinent challenges related to wage determination include:

(i) The existence of conflict of interest in industrial relations across sectors. In one of its forms, the increase in pay of unionized workers provides a justification for increasing management pay. This may create a spiral in wage increases and fuel wage inflation.

(ii) Political affairs and specifically, the competitive politics following the introduction of the multiparty system has introduced a strong influence of politics on wage determination processes. Most of the industrial action by workers usually occurs prior to general elections in anticipation of pay rewards. An example was the 200% salary increase award to teachers in the late 1990s. This, among other factors, may have triggered a negative precedent on agitation for higher wages more so prior to general elections.

(iii) The introduction of devolution has also complicated the wage determination process. The issue of medical officers drawing diverse perks across governments is yet to be resolved.

(iv) Wage determination is disjointed by the separate negotiation regimes. On the one hand, *Medical Practitioners, Pharmacists, and Dentists* have their own CBA while *Nurses* have another Agreement/ Union. The pay negotiation structure is complicated further by the exclusion of some cadres (such as the *Clinical Officers*) in these negotiation schemes. This has been a key issue resulting in pay differentials and balkanization across cadres and one that has fuelled recurrent pay grievances of the health workers.

The second broad issue has been unsatisfactory working conditions for health workers. Specific challenges under this domain include: unsatisfactory work environments (physical) characterized by inadequate medical equipment, lack of protective gear, lack of or inadequate basic conveniences such as call rooms, doctors' room and furniture. There are also a host of human resource development issues negatively impacting on health workers. These encompass inadequate training and capacity building opportunities, and the mismanagement of promotion/ progression. There is also minimal emphasis on medical research perhaps due to limited financial outlays. Other challenges related to employment conditions include poor staff housing, transport and security; and long working hours which in some cases results from understaffing and leads to overworked, fatigued and/or de-motivated staff.

A key question would be how to overcome or mitigate these

challenges given that universal health care has been identified by the President as one of the "Big 4" priority areas. It is noteworthy that various proposals have been floated to curb unrest within the health sector. Some of these proposals include the need for the National and County governments to honour the negotiated CBAs between the concerned parties; and delegate the management of health workers to an Authority or Commission similar to that in other professions such as that for teachers – i.e. the Teachers' Service Commission (TSC). Indeed, the envisaged Health Bill/Act 2015 proposes to create the Kenya Health Professions Oversight Authority. Irrespective of these proposals, unrests may still continue. Zambia and Ghana attempted to transfer the health workforce to autonomous health boards but these proved to be complex and lengthy processes. In Kenya, there are still pay related unrests despite the existence of the TSC. It is for this reason that health workers unrest should be tackled not only at the sector/industry level but also crucially at the national/macro level.

At the sector level, a lot of improvements can be achieved in the management of working conditions using modest resources. Most of the counties may not necessarily need more infrastructure. The National and County governments can focus attention on improving existing infrastructure; equipping existing facilities; and improving working conditions for health workers.

At the macro level, several interventions can be implemented. Some of the key interventions would be to: broaden and strengthen a consolidated public sector approach to wage bill management. There should be a focus on not only the core civil service but also other public sector employees including teachers, medical workers, state officers and state corporations. The establishment of the Salaries and Remuneration Commission was a good beginning and should be metamorphosed into an overarching approach to the management of remuneration across the public sector. Second, there is need to ensure adherence to policy guidelines on recurrent vis-à-vis development expenditure ratios.

Taking a business as usual approach may not yield any improvements in the effective management of these two issues; that is remuneration and working conditions in the near term. Although health workers and other public sector employees are agitating for better pay, there seems to be little room in raising wages/salaries of health (and other) public sector workers significantly as indications are that the wage bill and recurrent health expenditures are way too high.

A more pragmatic approach would be to use incentives to address the aforementioned challenges. Incentives may encompass more opportunities for career and educational advancement, which can be achieved by providing adequate resources for training and expanding the reach of online training; easier access to private practice; and lifestyle-related services and amenities that include better working spaces and housing.

It is also important to clarify the role of the National and County governments in health human resource management and dedicate adequate resources for functions such as training, medical research and skills development; align remuneration schemes between various categories of medical staff to curb industrial action; and improve human resource policy and practice.

Although generally a neglected area, strikes are in many occasions caused by gaps in management and leadership. There may be need to strengthen health leadership partly by training both public sector officers with the mandate of managing health (including doctors) in health management and building skilled physician leaders. Specific training areas that other jurisdictions provide and that may require urgent attention in Kenya include courses in mediation of labour disputes; negotiation skills in the world of work; building effective labour dispute prevention and resolution systems; labour relations practices in the public sector; and social dialogue and industrial relations. The trainings could allow participants to gain wider understanding of various industrial and employment relations systems and practices.

Domestic Policy

POLICY NEWS

News

Legislative Developments

The Urban Areas and Cities (Amendment) Bill 2017 was approved by the Cabinet in September 2017 and tabled in Parliament. It seeks to cut population size required for a town to be declared a city from 500,000 to 250,000 residents. The proposed law provides for creation of 64 municipalities, 66 townships and 80 market centres. Market centres are required to have a population of at least 2,000 people. Currently, only two urban centres are classified as municipalities while 130 have township status. The amendment to the existing laws also seeks to address gaps identified by stakeholders, which have affected urban development and management in Kenya.

The Remote Piloted Aircraft Systems Regulations 2017 proposed by the Kenya Civil Aviation Authority (KCAA) provide a framework for operation of non-military use of unmanned aerial vehicles (UAVs/drones). Kenyans will be allowed to acquire drones for sports, private activities and commercial purposes. The KCAA is working on training standards and testing mechanisms to ensure that integration of drones in conventional airspaces does not risk safety and security.

The Energy Bill 2017 and the **Petroleum Exploration and Production Bill 2017** were withdrawn from Parliament in November 2017 pursuant to Standing Order 140 to allow for re-publication and presentation to the house. The Bills were observed to have errors and omissions, necessitating the withdrawal. The energy bill proposes licensing of other electricity distributors and retailers outside Kenya Power in order to liberalize the sector for better service quality. The Petroleum Exploration and Production Bill deals with issues of not only exploration but also on consequent allocation of revenues from proceeds of petroleum products between National government, Counties and Local communities. Delays in finalizing the legal framework may have bearing on Kenya's plan for early exports of oil from Turkana, which has been pushed to 2018.

The Copyright Amendment Bill 2017 has a number of amendments which include amendment of the Executive Director's experience and qualifications, including provisions that relate to computer programming, Internet Service Providers, artist resale rights, clarification on broadcast rights, providing clarification on the role of the Copyright Tribunal and the Kenya Copyright Board with the dissolution of the competent authority. The Bill introduces "take down notice' which requires internet service providers (ISPs) to remove or bar the public from accessing any copyright infringing materials posted online through their platforms. The copyright owner will have a duty of informing ISPs of any material illegally posted, to which they are supposed to respond within 48 hours, failure to which they will face a jail term of up to five years or a fine of up to Ksh 500,000 This law will also affect bloggers who publish copyrighted literary works without prior permission.

Other Domestic News

Energy Prices Go Up

Energy prices witnessed a general increase during the quarter. Cooking gas prices hit a 16-month high despite removal of VAT to encourage uptake of cleaner fuel use by low income households. The cost of refilling a 13-kg gas cylinder rose to an average of Ksh 2,140 in October up from Ksh 2,094 a month earlier and Ksh 2,080 in August. This is the highest price since June 2016 price of Ksh 2,229 when Treasury scrapped VAT. Electricity prices also rose, driven by a 57% increase in forex charge in power bills from Ksh 0.64 per Kilowatt hour to Ksh 1.01. Fuel prices also increased to a three-year high on account of global crude oil prices. The increases will see motorists pay Ksh 102.70 per litre of petrol in the capital Nairobi, up from Ksh 101.67 while diesel will cost Ksh 92.41 a litre from Ksh 88.71 at the pump. This comes in the wake of plans by the Govrnment to remove price controls on petroleum. In mitigation of the rising prices of energy, power tariffs have been reduced by up to a third for large consumers and the government launched the Mwananchi Gas project in November to provide poor households with affordable cooking gas. Kenya also plans to create the region's first Hedge fund for keeping electricity prices stable, following complaints by manufacturers and businesses over sharp fluctuations in power costs.

Efforts towards affordable housing

The Government plans to enhance access to affordable and decent housing in the country. This is in line with the President Kenyatta's "Big Four" development priorities for the next five years. Part of the plans include building one million houses within the next five years with a target of building 200,000 units every year targeting the middle class. The Government will also set up 10,000 units to clear up slums in informal settlements as part of its social housing mission. The social housing project will be fully executed by the National government – with the assistance of the National Treasury – while the one million house project will include private sector players' participation. The National Housing Corporation will contribute 6,000 houses to this ambitious target across eight (8) counties over the next three years. The Government plans to introduce legislative changes to allow for local funding of the projects, including access to the pension sector which is worth over one trillion shillings with an average annual growth rate of 15.6%.

Informal sector traders

The Nairobi Governor in October 2017 introduced an initiative where hawkers in Nairobi County were permitted to hawk their wares in the Central Business District but only after 2 p.m. in certain streets, with the hawkers required to register but using their voters' card to avoid having hawkers come in from other counties. They would also be required to pay an annual license fee of Ksh 2,000. This was, however, later reversed following complaints from residents and the business community. Plans are now underway to relocate all hawkers from the CBD to a building on Haile Selassie Avenue or to Mwakario market.

Safaricom upgrades M-pesa technology

With an aim of enhancing cash less transactions, Safaricom has upgraded its M-pesa technology to embrace other methods of making payments such as 1 tap plastic cards, wrist bands and stickers. These options will be affixed to the clients' phone and then integrated to their M-pesa account. Payments will be made by simply tapping on the tags and inputting a PIN from their mobile phones following real time prompts.

Decommissioning of Mbita causeway increases fish stock

Researchers at the Kenya Marine and Fisheries Research Institute (KEMFRI) have attributed increase in fish stocks in parts of Lake Victoria to reduced pollution due to decommissioning of Mbita causeway. Decline in fish biomass over years was associated with water hyacinth, pollution and ecological changes. According to KEMFRI, stronger currents cause enhanced circulation and mixing of the water in the Gulf, which consequently reduces pollution. As a result of reduced pollution and enhanced water circulation, there is a possibility of increased fish production in the gulf. Decommissioning of the causeway is expected to reduce pollution, increase fish production and reduce the intensity of hyacinth in the stations within the gulf due to enhanced circulation and movement of water, and decreased water nutrients.

Expansion of Water Storage Capacity to Food Security

The government launched various water and irrigation projects within the quarter to address food security, flood mitigation and water shortage. The Ksh 36 billion multi-purpose Thwake Dam in Makueni County was launched in November and construction will begin in January 2018, with completion planned for 2022. The Government also signed a Ksh 10 billion contract for construction of the Lower Nzoia irrigation project and rehabilitation of Nzoia flood control dykes in Busia County. The project will mitigate floods, increase area of land under irrigation, and enhance water supply in the region. In Kirinyaga County, the Ksh 20 billion Thiba Dam was launched and is expected to double rice production from the current 80,000 to 160,000

tonnes a year. In addition, the setting up of two multi-purpose projects in Arror and Kimwarer in Elgeyo-Marakwet County at a cost of Ksh 63 billion is set to commence after invitation of bids within the quarter. These projects are part of 57 others that the government has pledged to construct in the next five years.

Post-harvest Losses could Constrain Meeting Domestic Maize Demand

Statistics from the Ministry of Agriculture, Livestock and Fisheries indicate that maize farmers lost more than Ksh 23 billion worth of grain due to post-harvest handling. This translates to 7.4 million bags of maize representing 20% of projected total harvest. The main reasons for the high post-harvest losses include poor infrastructure such as driers, lack of proper storage facilities, and high rainfall which exposing the grain to aflatoxin attack.

The country may therefore not meet her domestic maize demand and thus will be forced to continue relying on imports to maintain the maize flour price low. According to Tegemeo Institute of Policy, the country may have to import maize as early as April 2018 to bridge a four-month anticipated deficit. The National Cereals and Produce Board (NCPB) is expected to purchase 2.3 million bags of maize from farmers to replenish the strategic grain reserve (SFR), after it released nearly all its stocks to millers this year to curb the rising cost of flour that had hit a record Ksh 153 for a 2kg packet. Therefore, the government is likely to extend its subsidy of maize flour into 2018.

Innovations in Insurance Products

The insurance sector has seen product diversification with the introduction of cyber-enterprise insurance launched by AON Kenya. Mobile phone insurance covers were also launched by Orient Insurance Company in partnership with Bismart. Heritage insurance has also rolled out a new product to cushion suppliers from losses of mobile devices in future. The trade credit insurance will seek to cover goods supplied on credit from exporters to manufacturers and suppliers. In case the risk of insolvency of the buyer or the buyer falling back, they could be protected from the risk. This product was a response to current challenges facing some retailers such as Nakumatt and Uchumi. Uber as at 16th October 2017 started offering riders medical insurance against injury or death. This is in partnership with First Assurance Insurance available to all Uber users.

Kenya Airways has new Shareholding

Kenya Airways restructured its debt into equity following a Lock-up and Restructuring Agreements between the Government of Kenya, KLM Royal Dutch Airlines, KQ Lenders and some Kenyan Banks. This saw the conversion of debts amounting to Ksh 23 billion into equity. In this new arrangement, the government takes a 48.90% stake in the company (from 29.80%), commercial banks through KQ lenders' company 38.10%, KLM Royal Dutch Airline at 7.80% (decrease from 26.73%), KQ employee share ownership plan at 2.40% and other shareholders at 2.80%.

Kenyan Flower Exporters Diversifying Markets to the East

Bilateral talks between Kenya and China to have a four per cent levy on flower exports to the country scrapped. In 2016, Kenya exported flowers worth Ksh 70.83 billion, majority of it destined to the EU markets where it still enjoys a duty and quota-free export arrangement. However, this could change as Kenya's exports to the EU stand to attract additional taxes in absence of the renegotiated Economic Partnership Agreement. China, Australia and Japan are among the key markets that Kenyan exporters have been focusing on in their efforts to diversify beyond the EU market. Kenya has a duty-free flower arrangement with Japan.

Local Sugar Production under Threat

The sale of five State-owned millers to private investors and the entry of unlimited sugar from 19 COMESA countries by 2018 poses a great threat to local factories that are grappling with high costs of production. Production costs of producing a tonne of sugar in Kenya is higher than other countries. For instance, while it costs about U$ 400 to produce a tonne of sugar in Mauritius, it takes U$ 800 to produce the same in Kenya. Low price of imported sugar compared to locally produced sugar also threatens local production. This cost difference implies that Kenya's sugar will be edged out of the market with the onset of cheap imports from the Common Market for Eastern and Southern Africa (COMESA) countries, due to their competitiveness.

Kenya Adopts a Visa-on-Arrival Policy to all Africans

His Excellency President Uhuru Kenyatta declared that all Africans wishing to visit Kenya will be eligible to receive a visa on arrival at points of entry. The announcement was made shortly after he took the oath of office for his second term on 28th November 2017. This directive will be implemented without a demand for reciprocity from other African countries. He emphasized that the visa-on-arrival directive would boost trade, investment and tourism, increase appreciation for African diversity, reduce negative politics on the continent and eventually lead to deeper regional integration. The new policy is likely to make Kenya attain better ranking, competing with the likes of Uganda that was ranked second in the Africa Visa Openness Report 2017 where Kenya was ranked 15. Seychelles is still the only country on the continent to offer visa-free access for all Africans and was ranked number one in the latest Africa Visa Openness Report. The visa-on-arrival directive is in line with Kenya's resurgent Pan-Africanist-centred foreign policy and the AU's aspiration to make the continent visa-free for all Africans by 2018. Kenya will require to strengthen its immigration department and security sector to deal with security threats, such as transnational organized crime actors who could take advantage of the liberal entry policy to advance their criminal activities in the country.

Kenya Hosts the 3rd Session of the United Nations Assembly

The third session of the United Nations Environment Assembly of the United Nations Environment Agency (Environment Programme) UNEA-3 was held at the headquarters of the Environment Programme in Nairobi from 4 to 6 December 2017. The meeting attended by world environment Ministers was opened by H.E. President Uhuru Kenyatta. The theme of the meeting was *'Towards a Pollution-Free Planet'*. The main outcome was the adoption of the Ministerial Declaration which outlined measures to prevent, mitigate and manage the pollution of air, land and soil, freshwater and oceans. The measures include collaboration in scientific data to promote evidence-based decision making in the public and private sectors, effective standard setting by all stakeholders, promotion of sustainable consumption and production practices and promotion of reuse, recycle, recover and remake of any products, materials and services through awareness creation, and use of fiscal incentives to stimulate positive changes. Kenya's ban on plastic bags was hailed during the meeting, although concerns were raised on emerging black markets for the banned materials.

Maritime Dispute a Constraint to Continental Shelves

Kenya has maintained that the maritime boundary recognized by both Nairobi and Mogadishu since 1979 remains legal and that the two countries should solve any outstanding issue on the maritime border dispute out of court. Somalia has contested the current boundary, claiming the boundary should extend diagonally to the south from the border point with while Kenya argues that the maritime boundary should stretch eastwards of the border point. In 2014, Somalia took Kenya to the International Court of Justice (ICJ) to arbitrate the row. It is believed that the 100,000 square kilometer in contention is a potentially lucrative triangle of territory with large deposits of natural gas and oil. In 2009, Kenya and Somalia signed a memorandum of understanding (MoU) on the maritime boundary. However, Somalia's Parliament rejected the MoU claiming that the pact favoured Kenya. The MoU was to pave way for negotiations on the extension of the continental shelves of the two coastal states. One of the conditions for this extension was for neighbouring coastal states to agree on their maritime boundary. Due to this dispute, the two countries cannot proceed with the process of increasing their continental shelves. The ICJ will give direction on the maritime row in early 2018. It is in the interest of Kenya that the dispute is resolved so that the country can proceed with exploration in the Lamu basin and the process of extending their continental shelves.

Concerns over AMISOM's Withdrawal from Somalia

The gradual withdrawal of the African Mission in Somalia (AMISOM) troops began last week with the departure of the first 1,000 troops heading home. It is hoped that by the end of 2020, the Somali National Army (SNA) will fully take charge of security of Somalia. The phased withdrawal programme is in line with the UN Security Council Resolutions 2372. However, there have been doubts whether the SNA has the capability of deterring the threats from Al-Shabaab militants in Somalia once AMISOM troops withdraw. There are concerns in the region that the withdrawal of African peacekeepers could pose security threats to regional states as the extremist forces could re-emerge and roll back the gains made in Somalia. The troop contributing countries including Kenya, Uganda, Ethiopia, Djibouti and Burundi should assess the situation in Somalia carefully and recommend to the African Union Peace and Security Council and the UN Security Council proposals that guarantee their security interests.

Global Financial Stability

According to the October 2017 global financial stability report by the International Monetary Fund (IMF), as the world struggles to get fully out of the global financial crisis, the world's financial system is getting stronger, thanks to stable economic growth, low interest rates and resilient markets. However, policy makers are advised to keep watch of financial vulnerabilities. It has been noted that non-financial borrowers are capitalizing on cheap credit to enhance their debt portfolio. Investors are also going for more risky but illiquid assets. These are indications of impending dangers to the financial systems in case of shocks. Policy makers are therefore advised to deploy macro prudential policies that will discourage excessive riskier lending, fully implement the global regulatory reforms and to focus more on business models of banks to ensure bank profitability.

KIPPRA News and Events

Role of Transformative Leadership in Public Sector Reforms in Kenya

KIPPRA held a roundtable discussion on 14th December 2017 to discuss the role of transformative leadership in public sector reforms in Kenya. The objective was to dialogue on transformative leadership in the context of public sector reforms since independence, with a view to highlighting constraints and emerging issues.

It also sought to identify areas of mutual understanding that will result in the achievement of development goals set out in Kenya Vision 2030. Participants observed that transformative leadership requires some basic competencies such as result orientation, strategic focus, collaboration and influence and effective change management. It was noted that transformative leadership is constrained by the urge to maintain the status quo, public sector bureaucracies, and inadequate training.

In conclusion, it was noted that deliberate advocacy that emphasizes on the centrality of transformative leadership in the reform process should be embraced, and capacity building programmes and public policy appreciation for management within KSG and other institutions should be improved. KIPPRA plans to publish outputs from the research work and disseminate findings to stakeholders.

Transformative Leadership Meeting

Current KIPPRA Research Projects

Youth Employment in Kenya

As part of capacity building activities, the Young Professionals of 2017/18 are undertaking research on youth employment in Kenya. The research seeks to examine labour demand and supply, distribution of youth in various sectors, youth employment preferences and labour productivity. It will also evaluate the impact of various government initiatives that focus on empowering the youth with the aim of reducing unemployment. The research team has finalized data collection, and data analysis is ongoing. Preliminary findings will be presented during a KIPPRA seminar and validated in a stakeholder's workshop scheduled for first quarter of 2018.

Revitalizing Leather Industry in Kenya for Export

The leather industry exhibits huge potential in spurring Kenya's export earnings. Leather provides avenues for linkages between agriculture and manufacturing sector. However, the potential of the industry has remained untapped. The research is undertaken with the objective to assess the current situation of the hides and leather industry in Kenya and to understand the constraints that hinder full potential of the hides and skins and leather industry in terms of exports.

Economic Complexity

Economic Complexity is part of a broader project whose main objective is to provide policy options and channels through which Kenya can achieve structural transformation in a way that expands economic opportunities for disenfranchised youth and women. The specific objective of the project is to provide concrete policy options that enable Kenya to move from low productivity to high productivity-high growth sectors which in turn generate broad-based employment opportunities. The research entails utilizing the framework tools of economic complexity and product space analytics, with emphasis on youth employment opportunities and women's economic empowerment. The broad thrust of the research entails deriving a country-level analysis of economic complexity, and then carrying out product space analytics which would greatly contribute to a significant innovative shift in current thinking around economic growth and development analytics at the country level.

Dialogue on the Fertilizer Supply Chain

On 7th December 2017, KIPPRA in partnership with the International Food Policy Research Institute (IFPRI) and the Kenya Agricultural and Livestock Research Organization (KALRO) jointly organized a half-day workshop on the fertilizer supply chain.

Participants at the fertilizer supply chain workshop

The objective of the workshop was to deliberate and recommend options for improving the effectiveness of policies and strategic investments in the fertilizer supply chain in Kenya. Several recommendations were made during the forum, including the need to form a working group/ fertilizer council to facilitate and provide guidance on soil health management in the country. Extension services in the country need to be revamped for better uptake, and there is need to ensure use of appropriate fertilizers. The government together with relevant stakeholders need to develop soil maps for all the agro-ecological zones in the country.

Sources for Financing Infrastructure Projects

On 22nd November 2017, KIPPRA hosted a roundtable discussion on sources of financing infrastructure projects in Kenya. The objective of the workshop was to discuss the infrastructure financing gap and dialogue on policy issues that obstruct financing. The discussion explored current and emerging sources of financing infrastructure projects in energy, transport, water and sanitation, housing and ICT. Innovative approaches to bridging the financing gap were explored such as "crowding in" of investors and ring fencing of funds from infrastructure bonds. Participants also discussed how to develop and package bankable infrastructure projects. Going forward, KIPPRA will undertake further research on the topic and publish the findings for dissemination to inform policy.

Participants at the roundtable on sources for financing infrastructure projects

Effective Regulation of Kenya's Wholesale and Retail Trade Sector

Participants at the roundtable on regulating Kenya's wholesale and retail trade

On 16th November 2017, KIPPRA held a roundtable discussion with stakeholders on regulatory issues in the wholesale and retail trade sector. The roundtable provided a platform for exchange of ideas on how to strengthen institutional and regulatory frameworks for the sector. It also provided an opportunity for deliberations on how stakeholders can assess the performance of the sector. The forum further discussed various mechanisms through which the business fraternity, government agencies and the County governments can collaborate to enhance collection of benchmarking data and enrich performance indicators. The plenary session identified issues affecting the sector such as inadequate regulation, absence of a standard framework to facilitate trade in the counties, varying levies across counties and multiple licenses for various services. It was noted that there is lack of standardized and comparable data across counties as well as varying categorization and definitions of businesses. Nairobi City County was cited for good practice in developing a comprehensive database of all businesses in the county, which other counties had benchmarked against.

The roundtable concluded that in order to effectively regulate the sector, coordination of the activities of various regulators would be critical, as well development of a comprehensive database with standardized categorization of activities and performance indicators across the various counties. Going forward, KIPPRA will work closely with stakeholders in developing an appropriate framework for capturing relevant information necessary for policy decisions and assessment of the performance of the sector.

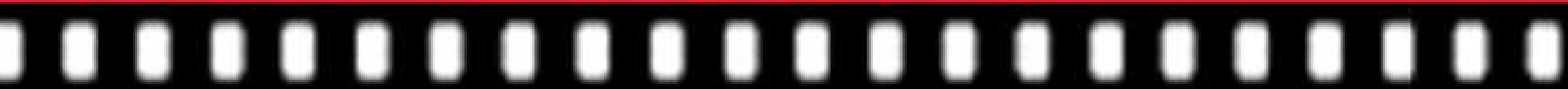
KIPPRA 2017 END OF YEAR

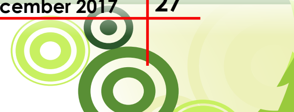
Assessment of Healthcare Delivery in Kenya under Devolved System

KIPPRA held three regional dissemination workshops between 13th and 23rd October 2017 in Nakuru, Nyeri and Mombasa to disseminate findings from the study on assessment of health care delivery in the country under a devolved system of government. The objective of the study was to assess the changes brought about by some key policy reforms aimed at improving the delivery and uptake of health care services in the country since the accession to devolution in 2013. The study identified areas in which public health care has improved under devolution, while also highlighting persisting constraints. The regional workshops brought together health sector professionals from the various counties who benefited from insights of the study and discussions.

Participants at the regional health dissemination workshop in Mombasa

Participants at the transformative leadership forum





ABOUT KIPPRA

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.

KIPPRA acknowledges generous support from the Government of Kenya and the Think Tank Initiative (TTI) of IDRC. The TTI is a collaborative initiative of Hewlett Foundation, International Development Research Centre (IDRC) and other partners.

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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