

# **AFRICAN PEER REVIEW MECHANISM - KENYA**

## **KENYA PROGRESS REPORT ON THE IMPLEMENTATION OF THE AFRICAN PEER REVIEW MECHANISM (APRM) NATIONAL PROGRAMME OF ACTION**

**JUNE 2006 - JUNE 2008**

**LIST OF ABBREVIATIONS AND ACRONYMS**

|        |   |   |
|--------|---|---|
| AALCO  | - | Asian African Legal Consultative Organisation             |
| ACP    | - | Anti-Corruption Plan                                      |
| ACU    | - | Aids Control Units  |
| ADB    | - | Africa Development Bank                                   |
| AG     | - | Attorney General  |
| APR    | - | African Peer Review                                       |
| APRM   | - | African Peer Review Mechanism                             |
| ASAL   | - | Arid and Semi Arid Land                                   |
| AU     | - | African Union   |
| BPO    | - | Business Processing Outsourcing                           |
| CBA    | - | Cost Benefit Analysis                                     |
| CBK    | - | Central Bank of Kenya                                     |
| CBOs   | - | Community Based Organisations                             |
| CBP    | - | Community Based Policing                                  |
| CBR    | - | Central Bank Rate   |
| CBS    | - | Central Bureau of Statistics                              |
| CCG    | - | Centre of Corporate Governance                            |
| CCK    | - | Communication Commission of Kenya                         |
| CDC    | - | Constituency Development Committee                        |
| CDF    | - | Community Development Fund                                |
| CDF    | - | Constituency Development Fund                             |
| CDMA   | - | Code Division Multiplexing Access                         |
| CDTF   | - | Community Development Trust Fund                          |
| CEDAW  | - | Convention on Elimination of Discrimination Against Women |
| CET    | - | Common Economic Tariff                                    |
| CJ     | - | Chief Justice   |
| CLRC   | - | Community Learning and Resource Centre                    |
| CMA    | - | Capital Markets Authority                                 |
| COMESA | - | Common Market of Eastern and Southern Africa              |
| COTU   | - | Central Organisation of Trade Union                       |
| COYA   | - | Company of the Year                                       |
| CRF    | - | Constituency Roads Fund                                   |
| CRT    | - | Country Review Team                                       |
| CSO    | - | Community Service Order                                   |
| CSR    | - | Corporate Social Responsibility                           |
| CT     | - | Cash Transfer   |
| DAMERS | - | District Annual Monitoring & Evaluation Reports           |
| DCIOs  | - | District Criminal Investigation Officers                  |
| DDC    | - | District Development Committee                            |
| DDO    | - | District Development Officer                              |
| DFRD   | - | District Focus for Rural Development                      |
| DMD    | - | Debt Management Department                                |
| DMEC   | - | District Monitoring & Evaluation Committees               |
| DOs    | - | District Officers   |
| DPM    | - | Directorate of Personnel Management                       |
| DPMU   | - | District Planning and Monitoring Units                    |
| DPP    | - | Director of Public Prosecutions                           |

|          |   |   |
|----------|---|---|
| DRC      | - | Democratic Republic of Congo                            |
| EAC      | - | East African Community                                  |
| ECK      | - | Electoral Commission of Kenya                           |
| Educ     | - | Education   |
| EPZ      | - | Export Processing Zone                                  |
| ERB      | - | Electricity Regulatory Board                            |
| ERC      | - | Economic Regulatory Commission                          |
| ERS      | - | Economic Recovery Strategy                              |
| ERWEC    | - | Economic Recovery for Wealth and Employment Creation    |
| FATF     | - | Financial Action Task Force                             |
| FGM      | - | Female Genital Mutilation                               |
| FiRe     | - | Financial Reporting Award                               |
| FLSTAP   | - | Financial and Legal Sector Technical Assistance Project |
| FPB      | - | Family Protection Bill                                  |
| FPE      | - | Free Primary Education                                  |
| FSAP     | - | Financial Sector Assessment Programme                   |
| FY       | - | Financial Year  |
| GDP      | - | Growth Domestic Product                                 |
| GER      | - | Gross Enrollment Rates                                  |
| GES      | - | General Economic Services                               |
| GJLOS    | - | Governance, Justice, Law and Order Sector               |
| GoK      | - | Government of Kenya                                     |
| GoK      | - | Government of Kenya                                     |
| GRB      | - | Gender-Responsive Budgeting                             |
| GTZ      | - | German Technical Cooperation                            |
| HIV/AIDS | - | Human Immuno Deficiency Virus                           |
| HRBAD    | - | Human Rights Based Approach to Development              |
| HRMS     | - | Human Resource Management Reform Strategy               |
| ICPAK    | - | Institute of Certified Public Accountants Kenya         |
| ICT      | - | Information Computer Technology                         |
| IEC      | - | Information, Education and Communication Initiatives    |
| IFMIS    | - | Integrated Financial Management and Information System  |
| ILO      | - | International Labour Organisation                       |
| IMF      | - | International Monetary Fund                             |
| IOD(K)   | - | Institute of Directors (Kenya)                          |
| IP-ERS   | - | Investment Programme for the Economic Recovery Strategy |
| IPPC     | - | Inter-Parties Consultative Committees                   |
| IRCPB    | - | Institutional Reform and Capacity Building Project      |
| JCA      | - | Justice and Constitutional Bill                         |
| JKIA     | - | Jomo Kenyatta International Airport                     |
| JSB      | - | Judicial Service Bill                                   |
| JSC      | - | Judicial Service Commission                             |
| KACC     | - | Kenya Anti-Corruption Commission                        |
| KAM      | - | Kenya Association of Manufacturers                      |
| KAPU     | - | Kenya Airports Police Unit                              |
| KBS      | - | Kenya Bureau of Standards                               |
| KCPE     | - | Kenya Certificate of Primary Education                  |
| KEFRI    | - | Kenya Forest & Research Institute                       |
| KENGEN   | - | Kenya Electricity Generating Company                    |

|        |   |   |
|--------|---|---|
| KEPSA  | - | Kenya Private Sector Alliance                           |
| KESSP  | - | Kenya Education Sector Support Programme                |
| KFE    | - | Kenya Federation of Employers                           |
| KIA    | - | Kenya Institute of Administration                       |
| KIBS   | - | Kenya Integrated Household Budget Survey                |
| KIPPRA | - | Kenya Institute of Public Policy Research and Analysis  |
| KMA    | - | Kenya Maritime Authority                                |
| KMC    | - | Kenya Meat Commission                                   |
| KNAO   | - | Kenya National Audit Office                             |
| KNBS   | - | Kenya National Bureau of Statistics                     |
| KNCHR  | - | Kenya National Commission on Human Rights               |
| KPA    | - | Kenya Ports Authority                                   |
| KPLC   | - | Kenya Power and Lighting Company                        |
| KRA    | - | Kenya Revenue Authority                                 |
| KTMM   | - | Kenya Treasury Macro Model                              |
| KIPPRA | - | Kenya Institute of Public Policy Research & Analysis    |
| LAB    | - | Labour Advisory Board                                   |
| LATF   | - | Local Authority Trust Fund                              |
| LASDAP | - | Local Authority Service Delivery Action Plan            |
| LRTU   | - | Land Reform Transformation Unit                         |
| LVBC   | - | Lake Victoria Basin Commission                          |
| M&E    | - | Monitoring and Evaluation                               |
| MAF    | - | Management Accountability Framework                     |
| MAMERS | - | Ministerial Annual Monitoring and Evaluation Report     |
| MDGs   | - | Millennium Development Goals                            |
| MFB    | - | Micro Finance Bill                                      |
| MGCSSS | - | Ministry of Gender, Culture, Sports and Social Services |
| MOE    | - | Ministry of Education                                   |
| MOH    | - | Ministry of Health                                      |
| MOIC   | - | Ministry Of Information and Communication               |
| MOLG   | - | Ministry Of Local Government                            |
| MOR&PW | - | Ministry of Roads and Public Works                      |
| MPs    | - | Members of Parliament                                   |
| MRSC   | - | Multi-Sectoral Review Committee                         |
| MSMES  | - | Medium, small and Micro Enterprises                     |
| MTEF   | - | Medium Term Expenditure Framework                       |
| MTN    | - | Mobile Telephone Network                                |
| MWG    | - | Macroeconomic Working Group                             |
| MYA    | - | Ministry of Youth Affairs                               |
| NACCSC | - | National Anti-Corruption Campaign Steering Committee    |
| NDS    | - | National Debt Strategy                                  |
| NEMA   | - | National Environment and Management Authority           |
| NEPAD  | - | New Partnership for Africa Development                  |
| NER    | - | Net Enrollment Rate                                     |
| NESC   | - | National Economic and Social Council                    |
| NGC    | - | National Governing Council                              |
| NGOs   | - | Non Governmental Organisations                          |
| NLAS   | - | National Legal Aid Scheme                               |
| NPOA   | - | National Programme of Action                            |

|           |   |  |
|-----------|---|--|
| NRBPT     | - | National Registration Bureau and Public Trustee    |
| NS        | - | National Security                                  |
| NSC       | - | National Steering Committee                        |
| NSE       | - | Nairobi Stock Exchange                             |
| NTB       | - | Non-Tariff Barriers                                |
| NYP       | - | National Youth Policy                              |
| NYS       | - | National Youth Service                             |
| OCPDs     | - | Officers Commanding Police Divisions               |
| OPEC      | - | Organization of the Petroleum Exporting Countries  |
| PA        | - | Public Administration                              |
| PAS       | - | Performance Appraisal System                       |
| PC        | - | Performance Contract                               |
| PCK       | - | Productivity Centre of Kenya                       |
| PEC       | - | Poverty Eradication Commission                     |
| PETS      | - | Public Expenditure Tracking Surveys                |
| PI        | - | Physical Infrastructure                            |
| PMCT      | - | Post Maternal Care and Treatment                   |
| PMS       | - | Performance Management System                      |
| POEA      | - | Public Officers Ethics Act                         |
| POEA      | - | Public Officers Ethics Act                         |
| PPP       | - | Public Private Partnership                         |
| PSDS      | - | Private Sector Development Strategy                |
| PSLO      | - | Public Safety Law and Order                        |
| PSR&DS    | - | Public Service Reform and Development Secretariat  |
| PSSP      | - | Public Sector Stakeholders Partnership             |
| PWD       | - | People with Disability                             |
| RBM       | - | Result Base Management                             |
| REA       | - | Rural Electrification Authority                    |
| REP       | - | Rural Electrification Programme                    |
| RESCA     | - | Regional Centre for Small Arms                     |
| RRI       | - | Rapid Results Initiative                           |
| SADC      | - | Southern Africa Development Community              |
| SCAC      | - | State Corporations Advisory Committee              |
| SLO       | - | State Law Office                                   |
| SOB       | - | Sexual Offences Bill                               |
| SOE       | - | State Owned Enterprises                            |
| SRA       | - | Strategy for Revitalization of Agriculture         |
| TOTs      | - | Training of Trainers                               |
| TPRS      | - | Textbook Pupil Ratios                              |
| TSC       | - | Teachers Service Commission                        |
| UGIs      | - | Units of Gender Issues                             |
| UNHABITAT | - | United Nations Human Settlement Programme          |
| UNEP      | - | United Nations Environmental Programme             |
| UNFPA     | - | United Nations Population Fund                     |
| UNICEF    | - | United Nations Children Fund                       |
| UNIFEM    | - | United Nations Development Fund for Women          |
| USAID     | - | United States Agency for International Development |
| VAT       | - | Value Added Tax                                    |
| VERS      | - | Voluntary Early Retirement Scheme                  |

|       |   |   |
|-------|---|---|
| WEDF  | - | Women Enterprise Development Fund               |
| WIMAX | - | Worldwide Interoperability for Microwave Access |
| WPB   | - | Witness Protection Bill                         |
| WTO   | - | World Trade Organisation                        |
| YEDF  | - | Youth Enterprise Development Fund               |
| YES   | - | Youth Employment Summit                         |

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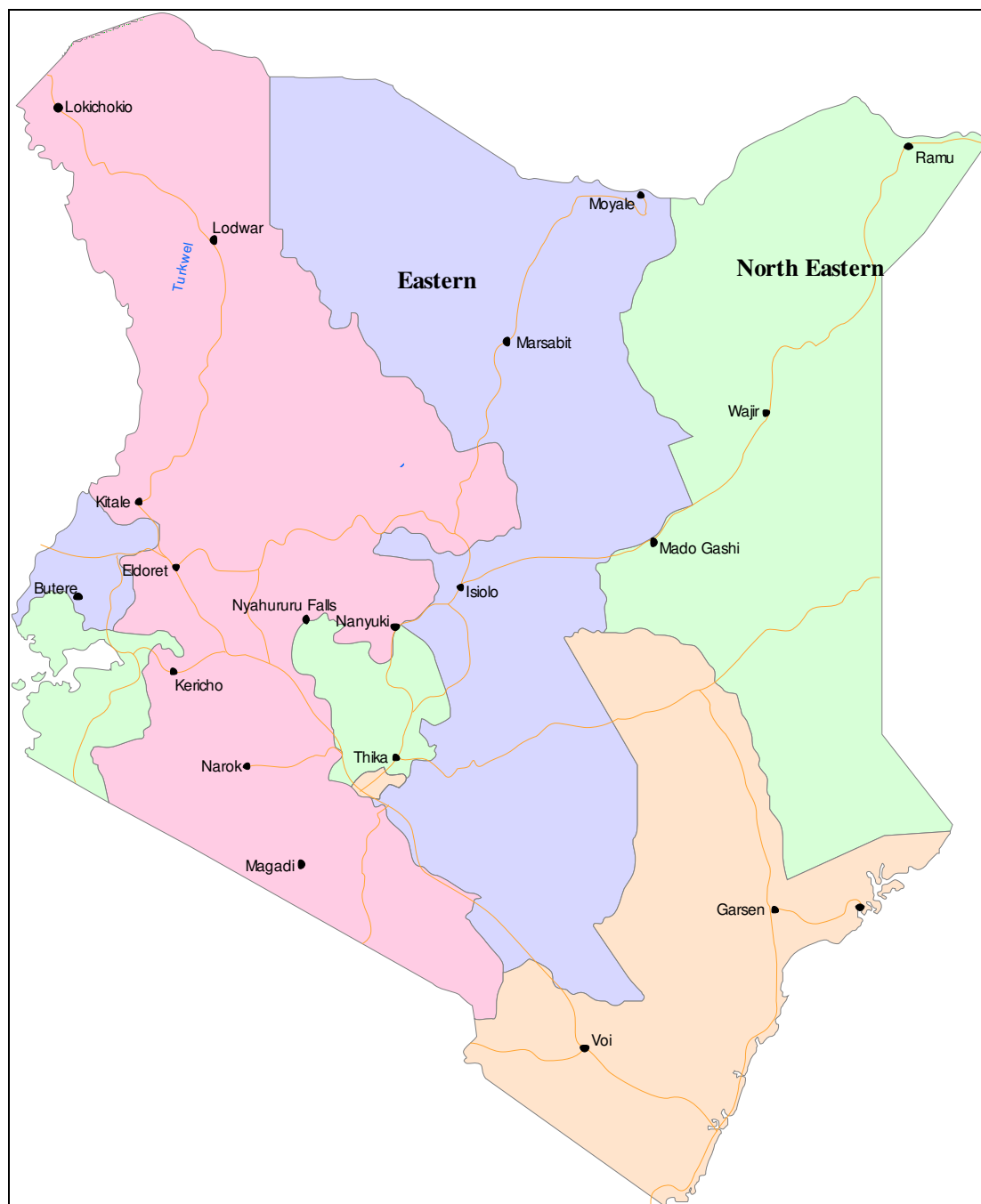
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## MAP OF KENYA



## **EXECUTIVE SUMMARY**

Kenya acceded to the African Peer Review Mechanism (APRM) in March, 2003. The APRM process in Kenya was led by Dr. Graca Machel, member of the APR Panel of Eminent Persons. It culminated in the preparation of the APRM Country Review Report and a National Programme of Action covering four thematic areas of the review, namely democracy and political governance; economic governance and management, corporate governance and socio-economic development.

Kenya's Country Review Report was tabled at the African Peer Review Heads of State Forum on 30th June 2006 in Banjul, The Gambia. H.E President Mwai Kibaki of Kenya was reviewed by his peers at this forum. In line with the requirements of the APRM, Kenya submitted its six months (June 2006 - January 2007) progress report in January, 2007 in Addis Ababa, Ethiopia. Kenya later tabled the Annual Progress Report covering June 2006-June 2007 at the 6<sup>th</sup> APR Heads of State Forum in Accra, Ghana in July 2007. Discussion of this report was postponed to the 7<sup>th</sup> APR Heads of State Forum in Addis Ababa, Ethiopia.

Unfortunately, during the 7<sup>th</sup> APR Heads of State Forum held in Addis Ababa, Ethiopia in January 2008, discussion of Kenya's Annual Progress Report was shelved due to the post election crisis in the country. At the time, the Eminent Persons felt it would have been inappropriate to discuss the Kenya Country Progress Report, before the conclusion of the African Union backed mediation efforts that were underway to restore peace in the country.

The mediation was necessitated by the political crisis that followed the announcement by the ECK, of disputed presidential elections results. The crisis quickly degenerated into an unprecedented seven-week long spate of violence in some parts of the country, especially Nyanza, Rift Valley, Coast, Western and Nairobi Provinces. The violence led to an estimated loss of 1200 lives, displacement of about 350,000 people, destruction of property estimated at 90 billion Kenya shillings, heightened ethnic hatred and general disruption of social and economic life.

It is important to note here that the AU initiated mediation efforts were successfully concluded with the signing of the National Accord and Reconciliation Agreement [NARA] between H.E. President Mwai Kibaki Party of National Unity (PNU) and Hon. Raila Odinga the leader of the Orange Democratic Movement party of Kenya, (ODM) on 28<sup>th</sup> February 2008. The signing of this agreement led to the establishment of a broad based Grand Coalition Government (GCG) with a clear mandate of restoring sustainable peace, security, stability and economic advancement through initiating broad based and far-reaching reforms in the country.

Following the agreement, the President and the Prime Minister appointed a National Accord Implementation Committee to prepare a program of action for the Grand Coalition Government (GCG), to synchronize the manifestos of the coalition partners and to identify short, medium and long term policies for implementation. The Office of the Prime Minister is entrusted with the coordination and supervision of Government programmes.

## **INTRODUCTION**

### **1.0 THE KENYA APRM PROGRESS REPORT**

The report covers the period June 2006-June 2008. It provides an opportunity to assess the implementation of the programmes and policies aimed at addressing governance challenges highlighted in the APRM National Programme of Action along the four governance pillars of Democracy and Good Political Governance, Economic Governance and Management, Corporate Governance and Social Economic Development. It also addresses the overarching issues identified in the APR Country Review Report.

It is important to note that this report is unique since it attempts to respond to the Panel's recommendation that Kenya comprehensively outlines modalities of moving the APRM process forward within the context of reforms which have been agreed upon to take place in the next years.

The thematic highlights are hereunder provided.

### **1.1 Democracy and Good Political Governance**

In spite of the gains so far made in enhancing democracy and political governance, various challenges to the reform agenda remain. Although the Government responded by restoring peace and signing the National Accord and Reconciliation Agreement (NARA) under the mediation of Kofi Annan, former UN Secretary General, followed by the establishment of the Grand Coalition Government, many questions remain in the minds of Kenyans. The key question asked by Kenyans today is whether the political leadership has the necessary political will to see the Grand Coalition Government work and indeed to consolidate democracy and good governance in the country.

The challenge is therefore for the Government to demonstrate strong political will, not just to make the coalition work, but also to address both the immediate and the underlying causes of the post election crisis. There is need to effectively share power in accordance with the National Accord and Reconciliation Agreement. Other areas of concern include the following:

- There must be political will in regard to the constitutional review and land reforms.
- The Government must also address the culture of impunity especially among political leaders.
- The slow adoption to change by the public service undermines the reform agenda.
- The resources to implement the reform agenda are still inadequate.
- There is lack of capacity to implement the reform agenda.



- Slow pace at which Parliament passes bills.
- There is need to strengthen the electoral process including the reconstitution and reorganization of the Electoral Commission of Kenya (ECK).
- There is need to move away from rhetoric on corruption and ethnicity, to concrete action.

It is only by addressing these concerns that the Government can hope to restore and enhance people's confidence in Government institutions, the electoral process and Government's commitment to the rule of law.

## **1.2 Economic Governance and Management**

The report shows the accomplishments that have been made over the past one year and also highlights key challenges that Kenya is facing in the implementation process and realization of the NPOA under economic governance and management. In light of this, it is important to report that the economy is expected to slow down in 2008 after five consecutive years of increasing economic growth. The economic recovery and growth that started in 2003 continued in 2007, with an estimated Gross Domestic Product (GDP) growth of about 7.0 percent in 2007, up from 6.4 percent in 2006. Between 2006 and 2007, real per capita income grew by about 3.7 percent. Economic growth in 2008 is expected to suffer from the impact of the post election violence, rising global energy and food prices, and the general slow down in global economy. On poverty issues, the recent estimates on poverty indicate that the proportion of the people living in poverty declined from about 56.8 percent in 2000 to about 46 percent in 2005/06.

The implementation of the ERS ended in 2007, and now the Government has developed Vision 2030, that was launched on 10<sup>th</sup> June 2008 by the President, to guide the country in political, economic and social development between 2008 and 2030. According to the Vision, Kenya is expected to achieve the status of a middle income country by the year 2030.

Although the level of employment has been growing in the recent past, Kenya faces four key challenges, namely, high youth unemployment, working poor, a rapidly growing labour force (at about 3 percent, one of the highest among comparator countries), and underemployment. While the national unemployment is estimated at about 12.7 percent, unemployment within age groups of 15-19 and 20-24 is about double the national rate at about 25 percent. Female youth unemployment is higher in these age groups at about 27 percent.

The Government's fiscal policy objective has been to maintain revenue-to-GDP ratio at above 20 percent and enhance efficiency of public spending through deepening of public expenditure reforms.

Finally, voices of the people had it that the post election violence had a number of adverse effects in their livelihood. Their businesses were affected, inflation increased, the persistent rise in food prices, delayed implementation of on-going projects and noted gross mistrust on business transactions.

### **1.3 Corporate Governance**

The National Programme of Action prepared in 2005 in respect of corporate governance sought to promote implementation of the highest standards of corporate governance based on the inclusive approach so as to create effective and efficient business enterprises ranging from quoted and unquoted public companies, private and family corporate enterprises, cooperatives, state owned enterprises, SMEs and other community based organizations.

In addition, it was anticipated that introduction of good corporate governance in the public sector, social capacity building institutions and the emerging public private partnerships would create a secure, safe and stable environment in which business enterprises would grow and thrive, while ensuring participative engagement of the citizens.

During the period 2005 to date, codes and standards of good corporate governance have been promoted, domesticated and generally applied in quoted companies, banking and financial sector, cooperatives and state owned enterprises. Much still needs to be done to mobilize the society to demand and police good corporate governance in all sectors of the economy and to create trust and confidence in the local business sector.

The enhanced participation of small scale investors in the purchase, sale and trading in shares in the stock exchange, and the encouraging response evidence by repeated oversubscription of shares offered in Initial Public Offers (IPO) indicates that with proper corporate governance, substantial domestic savings can be attracted. However, the challenge remains that of developing appropriate corporate governance guidelines that will support SME's, Community - based business enterprises and family owned companies. In addition, public awareness and education campaigns towards strengthening of the Shareholders Association and the Institute of Directors needs to be undertaken on an urgent basis. At the same time training programmes that target young entrepreneurs, women entrepreneurs, and the SME sector to create innovative and competitive well governed business enterprises remains critical to the successful implementation of the National Vision 2030.

### **1.4 Socio Economic Development**

The key goal of the socio-economic pillar is to increase access to economic opportunities for all Kenyans especially the vulnerable, marginalised and disadvantaged groups. While the Government has been able to finance a greater proportion of its expenditure from tax revenue, the post election related expenditure has introduced new challenges.

Key socio economic gains that had been made in 2006/7 have however been reversed as a result of the post election crisis. In particular, the influx of internally displaced persons and the need for their resettlement has had a direct bearing on food production. The destruction of infrastructure and businesses during the violence also impacted negatively on service delivery and by extension the cost of living of both rural and urban communities. In addition, the education sector was affected through a reduction in enrolment in the affected areas and destruction of educational facilities and infrastructure. The health sector was also affected, with victims of the post election violence straining the capacity of medical institutions.

Food insecurity and high food prices have also been recorded during the period under review. This scenario has been compounded by the rising global cost of living. There is therefore a need for a reassessment of modalities for addressing livelihood challenges that have resulted from the election challenges in the country. It is in this context that the Grand Coalition Government is addressing the challenges through a re-orientation under the new reform agenda. The Government now recognizes that allowing inequality to persist can negatively impact on growth, threaten national unity and affect social stability.

In the context of the new reform agenda, the key strategy is to safeguard the prevailing peace and stability by narrowing the rural urban and regional income gaps as well as disparities in employment, incomes and productive assets.

## **2.0 OVERALL ASSESSMENT OF THE IMPLEMENTATION PROCESS**

### **2.1 Overall Management of African Peer Review Mechanism in Kenya**

The APRM exercise in Kenya was spearheaded by an all inclusive APRM National Governing Council (NGC) that comprised 33 members drawn from the Civil Society and Line Government Ministries. The establishment of the NGC was through a gazette notice which clearly specified the operational arrangements and the conduct of the process in Kenya.

The gazette notice further specified that the council would be wound up at the expiry of the Self Assessment exercise in Kenya. This specification failed to anticipate the important role that the NGC would be required to play in the post assessment phase of the APRM, specifically in the implementation of the National Programme of Action (NPOA).

To sustain national commitment to the APRM process, build on the important gains made so far, retain public confidence in the independence, objectivity and impartiality of the APRM process, and provide a credible monitoring and evaluation framework for implementation of the NPOA in Kenya, the Government is setting up an independent National Governing Council.

### **2.2 Implementation of the APRM National Programme of Action (NPOA) in Kenya.**

The APRM National Programme of Action was integrated within the policy frameworks and Ministries Strategic Plans at inception. However, monitoring the implementation of the NPOA has remained a challenge. The modalities of enhancing the capacity of key stakeholders including the Government, Private sector, and Civil Society, in monitoring the implementation of the NPOA, and addressing resource requirements needs to be addressed. Furthermore, there is need to link the existing National Integrated Monitoring and Evaluation System (NIMES) into the NPOA implementation.

In the wake of the post election crisis, the commitment of all the parties to work together within the framework of National Accord and Reconciliation Agreement resulting in agreement on the Grand Coalition Government, and Vision 2030 and the Medium Term Plan (MTP), it becomes absolutely necessary for the National Programme of Action to be reviewed and appropriately updated to ensure its effective integration.

## 2.3 METHODOLOGY

In preparing this Progress Report, Kenya adopted an open and participatory approach in gathering the necessary information. This process was coordinated by the Ministry of State, National Planning and Development and Vision 2030 through the NEPAD Kenya Secretariat but spearheaded by an independent team of experts selected from the Lead Technical Agencies (LTA). This exercise took on a four-pronged approach in data/information collection, consultation, analysis and compilation. The following specific methods were used to collect data for this report;

- Desk Research,
- Intensive Stakeholder consultations through Focus Group Discussions in representative districts,
- Consultative Sectoral stakeholder forum ,
- Expert analysis review.

Representatives from all Government Ministries and civil society organizations were brought together for an intensive sensitization exercise. This involved updating them on progress made in the implementation of the National Program of Action [NPOA] in the country, training them on the revised reporting requirements, and the need to enhance involvement in monitoring the implementation of the NPOA.

In line with the APRM National Programme of Action and under the general supervision of the Lead Technical Agencies (LTA) representatives, all Government Ministries provided progress reports on the implementation of the National programme of Action in their respective Ministries. The Lead Technical Agencies then carried comprehensive literature review from published Government, academic, and research reports and reliable media publications to form the factual basis of verification of performance of the NPOA implementation as per the NPOA matrix. The format of reporting was as follows; objective, required action, time frame, indicators, progress towards output/outcomes, and remarks.

Intensive Stakeholder consultations were then carried out in all the Provinces in Kenya. The selection of these areas was based on the post-election crisis, the poverty levels, and consideration of the overarching issues as captured in the APRM Country Review Report.

The Focus Group Discussion [FGD] was adopted during the stakeholder consultations. The respondents were stratified according to age and gender [young women, young men, senior men, senior women]. In addition representatives from faith based organisations, community based organisation leaders, local administrative leadership and women groups were involved in the discussions. The rationale for adopting the FGD was to understand the underlying aspects of the overarching issues identified in the APRM Country Report and to capture the voices of the citizenry. The exercise was carried out in all the Provinces in Kenya.

After the Provincial Focus Group Discussions, consultative Sectoral stakeholder forums were then conducted in Nairobi. Participants drawn from the youth, women, civil society, private sector and the marginalised communities were then taken through the findings from the National Stakeholder consultations and given an opportunity to provide sectoral perspectives to the implementation of the APRM NPOA.

School going children were consulted during the exercise. This was done through a children's reading tent that was organized in Eldoret District at the Kenya National Library Services in partnership with a civil society organization. Some of the children's poems are attached in the annex of the report.

The report is divided into the following four chapters, Democracy and Good Political Governance, Economic Governance and Management, Corporate Governance and Socio-Economic Development.

## 2.4 OVERARCHING ISSUES

The Kenya APRM Country Review Report identified various overarching issues such as the challenge of managing diversity. The report had warned that *'the dominance of ethnic interests was a constant threat to national unity'*. In addition to managing diversity, the report had also identified the issue of constitution making, the need to address land reforms, gender inequality, youth unemployment, implementation gaps, and poverty reduction and wealth distribution among others as crucial and key issues to be addressed. It is also noteworthy that the 5<sup>th</sup> APR Forum of Heads of State and Government meeting held in Banjul, the Gambia, had recommended that Kenya be supported in dealing with these issues, particularly the issues of constitution making and managing diversity. It is instructive to note that these issues manifested themselves in the crisis that followed the post-election period.

It is unfortunate that Kenya and Africa were slow in operationalising the offer of external help. If this was done the crisis would have been prevented. It is necessary that the APR Heads of State Forum discusses modalities of following up on the implementation of such recommendations. This would contribute to APRM achieving its objective of encouraging peer learning and sharing of experiences and best practices among African countries that acceded to the APRM process.

The Kenya peer review exercise identified many challenges and shortcomings in the country's governance systems that are cross-cutting in nature. These issues may require a holistic and perhaps more urgent approach. The overarching issues were identified as follows:

- Managing diversity in nation building
- Implementation gaps
- Poverty and wealth distribution
- Land
- Corruption
- The constitution
- Gender inequality

- Youth unemployment and
- Transformative leadership

### **2.4.1 Managing Diversity in Nation-Building**

As noted in the APRM Country Report, Kenya like many other African countries is a very diverse country, with more than 42 ethnic groups, with different histories, traditions and culture languages and different religions. The report further noted that, “Tribal and ethnic identities are pronounced, with each major ‘tribe’ preferring its leader to be the next president. The emphasis on ethnicity has been a cause of tension and conflict. The dominance of ‘tribal,’ or ethnic, interests is a constant threat to national unity”

Although Kenya’s ethnic diversity can be a source of strength if well managed, it can also be source of tension and a threat to nationhood and national unity. The challenge is for the Government of Kenya to skilfully manage its ethnic diversity. The events following the post election period indicate that the country has yet to properly manage its ethnic diversity and to turn it into strength.

This is the case despite the fact that the Government was advised to accommodate diversity through the following globally recognized measures; ensuring proportional representation of all ethnic and minority groups at all electoral levels, geographical representation, devolution and ethnic balancing in all appointments.

In this regard, the Grand Coalition Government is seeking to address the issue of diversity through a National Ethnic and Race Relations Bill that was recently tabled in Parliament following the recommendation of the NARA. This Bill seeks to provide a long term remedy to the ethnic rifts and perceived marginalisation of some communities from the development process.

### **2.4.2 Implementation Gaps and Transformational Leadership**

Poor implementation of policies and programmes was identified as the, greatest challenge to Kenya's democracy when Kenya was the peer reviewed. Various reasons for the poor implementation record were identified. They range from lack of political will to implement policies; an entrenched donor dependency syndrome; a weak resource base; capacity constraints in institutions responsible for the implementation of policies; exclusion of critical stakeholders including institutions; poor coordination of efforts; lack of accountability; and poor governance.

In an effort to address these concerns, Kenya introduced the Results Based Management system with Annual performance contracts for all Government ministries, Agencies and institutions. In addition, all the institutions are required to report on performance on a quarterly basis, upon which they are evaluated and rated by independent experts. The rating is done annually. The performance and ranking of these institutions is reported and disclosed to the public with good performance recognized and given an award.

Although the system expects Government institutions to consult and engage stakeholders in developing strategic plans, service charters and a customer care relations, it is now necessary to go beyond this and to develop a mechanism that will enable citizens to effectively monitor, rate, and participate in the awarding of public institutions.

Furthermore, in light of Vision 2030, it is expected that all the various policies will be harmonized and translated into the respective 5 year strategic development plans, with clear implementation timeframes and converted into the annual plans of respective Government institutions.

The review noted that the implementation gaps could be eliminated if:

- (i) The policies formulated are integrated into a common national vision, the medium term 5 years plus the strategies of the various Ministries, departments, and agencies of Government;
- (ii) Budgetary allocations are made in the annual estimates, and
- (iii) Specific monitoring and evaluation mechanisms put in place to track implementation and proper utilization of allocated funds.

The Office of the Prime Minister is now entrusted with the role to carry out the coordination role for implementation of Government programmes.



### **2.4.3 Poverty and Wealth Distribution**

The Panel of Eminent Persons noted that the emerging challenges throughout the four thematic areas in the APRM Country Report were the rising poverty levels in Kenya and the inequitable distribution of wealth. The challenge was to ensure that the sustained economic growth which was being recorded would spur wealth creation on a large scale and that the distribution of this wealth would be more equitable than it is currently. The Panel further called for sufficient attention to be paid to the relationship between population, environment and poverty, since these affect the most vulnerable groups like children and people with disabilities.

The Kenya Government was encouraged to consider the urgency of addressing poverty through social and economic policy including fiscal, wage, credit and price policies; land reforms and the fight against corruption; as well as to take concrete steps in addressing the inequitable wealth distribution.

The implementation of various anti-poverty interventions helped to reduce the overall incidence of poverty from 56.8 percent in 2000 to 46 percent in 2006, a reduction of about 20 percent. Even more significant was the 35 percent reduction in rural poverty from 51.5 percent in 2000 to 33.7 percent in 2006, suggesting a significant improvement in living standards for the rural population.

The post election crisis has however negatively affected the economic projections of the Government with adverse effects on the livelihood of many Kenyans. The new economic blue print, the Vision 2030 developed by the Grand Coalition Government seeks to accelerate and sustain economic growth to about 10 percent per year to enhance poverty reduction and wealth creation. The vision is premised upon the economic, social and political pillars.

### **2.4.4 Land**

The APRM Country Report rightfully noted that Kenya had been grappling with the land question since the colonial era, and that subsequent regimes had been unable, or unwilling to resolve. The report further noted that the land question has continued to manifest itself in many ways, including fragmentation, the breakdown in land administration, disparities in land ownership and poverty. The Panel therefore recommended that the Government expedite the passing into law and implementation of the national land policy.

During the period under review, the Government has finalized the preparation of a national land policy through extensive stakeholder consultations. The ministry of Lands is re-evaluating and refining the proposed policy in light of the post election crisis with a view to its submission to the cabinet before being tabled in Parliament for debate.

The stakeholders consulted during the APRM provincial forums expressed the view that if comprehensive land reforms are not implemented, then inter-ethnic conflicts relating to land will be a recurrent phenomenon. Comprehensive land reforms must therefore be the hallmark of the new reform agenda. It should seek to regulate human settlement and address concerns about land ownership and use. The Grand Coalition Government recognizes that this land policy will be a key component of the ongoing discussions on a new constitutional order.

#### **2.4.5 Corruption**

The APRM Country Review Report noted that Kenya continues to have, a significant and debilitating problem of corruption. Kenya was requested to consolidate gains already made and to deepen the support base for the current Anti-corruption initiatives by promoting active support and involvement of its citizens. In this case, a successful anti-corruption campaign would demand the full participation of all segments of society, particularly organized civil society, the business community, the private sector and Government agencies including the police and the judiciary

The Government's commitment to fighting corruption began with an earnest campaign to develop and adopt appropriate anti-corruption legislation which established some key anti-corruption institutions like the Kenya Anti-Corruption Commission (KACC) and the National Campaign Steering Committee on Corruption. The Anti-Corruption legislation was later reviewed to provide a better framework for investigation of corruption and Economic Crimes and to further address an apparent conflict between Anti-Corruption and Economic Crimes Act, (2003) with the Income Tax Act and the Banking Act.

To further institutionalize the anti-corruption measures, the Government put in place a Governance Action Plan which set out time-bound specific and prioritized anti-corruption interventions in the broad areas of Prevention, Investigation and strengthening prosecution capacity. It is expected that the implementation of these measures will result in considerable improvements in the fight against corruption in the short and medium term.

However, there are still a number of challenges. For example, there is need for increased co-ordination between the various anti-corruption bodies and focus more on grand corruption. The Anti-Corruption bodies should also be empowered to enable them perform their work more effectively.

## Stakeholders Voices on Corruption

- *Stakeholders felt that some progress in the fight against corruption has been made, but lamented the slow pace at which number of corruption case are being handled. They also felt that the “big shots” involved in corruption were being spared. There is also growing realization among the public that corruption leads to poor public service delivery and proliferation of poverty.*
- *People also see a correlation between insecurity, poverty and corruption and are advocating a citizens' campaign of saying “No to Corruption”. They also recommend that local administrators should not be allowed to stay at one station for a long time.*
- *Additional measures proposed from the provincial and sectoral forums to help the fight graft include increased political will in the fight against corruption, collaboration between lawyers, the police and private sector professionals, and civic education because the fight against corruption is every citizen's responsibility.*
- *The people also said that anti corruption institutions including the recently established Public Complaints Office should be decentralized to the districts to enhance its accessibility by the public.*

### 2.4.6 The Constitution

The APRM Country Report called for a greater urgency in addressing constitutional reform in Kenya. In this regard, the process of promulgating a new constitutional dispensation in Kenya has indeed been a long and bumpy one. A number of initiatives towards this goal have been spearheaded by the Government in the past two years, but always lacked sufficient consensus on the most ideal methodology of achieving this. With the formation of the Grand Coalition Government, all the key political players are in agreement a new constitution be in place in twelve months from the time the NARA was signed. The Government is set to introduce in Parliament two crucial Bills, namely the Constitution of Kenya Review Bill (2008) and the Constitution of Kenya Amendment Bill(2008) that will unlock the deadlock on constitutional reforms in the country and set out a roadmap towards a new constitution.

### 2.4.7 Gender Inequality

The APRM Country Review Report noted that the Kenya Government had not attained the level expected of the various gender conventions and declarations ratified by the country. It further noted that the laws that disenfranchise women were still intact and that the values and culture of the societies that foster discrimination against women had not been changed either.

Through a number of policy initiatives, the Government has endeavored to ensure that women are appropriately empowered in line with the APR Panels recommendations.

These initiatives include;

- Establishment of Sh2 Billion Women Enterprise Development Fund;
- Ensuring that all ministries are guided by the Office of the President Gazette Notice of November 2006 which demands that women form a minimum of 30 percent of all newly recruited public servants;
- Enactment of the Sexual Offences Bill into law in July 2006;
- Mainstreaming gender issues through the Ministry of Gender, and Children's Development;
- Ring-fencing five per cent of the Secondary School Bursary Funds for girls at constituency level, leaving the rest for competition between boys and girls;
- Enhanced enforcement of the Children's Act legislation which abolished harmful traditional cultural practices that previously adversely affected the girl child;
- Devolving or decentralizing funds such as CDF, Constituency Aids Fund, Constituency Bursary Fund and Constituency Roads Fund, which have greatly expanded opportunities for women;
- Drafting of the Family Protection Bill which provides for inheritance of property by women.

Despite all the above, there is need to enhance gender mainstreaming in governance through enactment of the appropriate legislative framework for enforcement of implementation of gender issues in Kenya.

It is also noteworthy that during the 2007 elections, the number of women Members of Parliament increased from 18 to 19 out of the total number 222 MPs. However, the continued male domination in the current legislature will continue to make the passing of gender friendly legislation and policies difficult.

In addition, institutions implementing gender equality policies and programmes still lack capacity, financial and material resources and coordination capability. Furthermore, the units on gender issues (UGIs) have no specific budgets for gender activities a fact that implies lack of political will to address the concerns of women.

### 2.4.8 Youth Unemployment

The APRM Country Report for Kenya had rightfully identified the growing discontent among the unemployed youth as a looming political risk that would easily degenerate into social and political instability. The report emphasized that youth unemployment was likely to persist unless drastic measures were taken to arrest the situation.

In recognition of this fact, the Government had created a Sh1 billion revolving Youth Fund in 2006/2007 to enable the youth raise capital for entrepreneurial activities. The amount allocated had further been increased to Sh1.25 billion in 2007/2008 and has this far been instrumental in enabling a number of youth to engage in gainful self employment. It is unfortunate that most of the initial projects financed by the Kshs1 billion Youth Enterprise Fund were adversely affected by the post-election violence.

*The youth have also expressed the frustration they encounter when trying to access the Fund. Many say they do not have the required collateral security with a number complaining that the amount given is too little to make an impact. The youth also pointed out that information on the Youth Fund is not readily available.*

The Government in its 2008/2009 annual budget decided to further boost the Youth Fund with an extra a Sh500 million to ensure that the sector recovers from the post election violence. In addition, and in a bid to further expand youth employment in the foreseeable future, the Government will introduce amendments to the Armed Forces Act to enable a large number of youth trained at the National Youth Service Training College so that they can be absorbed into the armed forces. The Grand Coalition Government will also be undertaking a massive recruitment exercise targeting 25, 000 youths in the ministries of Internal Security, Health, and Education.

The use of Labour Intensive Road 2000 Programme has continued to generate employment for the youth. The implementation of projects under the Constituency Development Fund (CDF) and Local Authorities Trust Fund (LATF) at local level has also provided the youth with additional employment opportunities.

To further concretize youth mainstreaming in governance, the National Youth Policy Bill which seeks to create a National Youth Council will be tabled in Parliament this year. This Bill will seek to enhance youth participation in decision making and to nurture a wide base of proactive leadership in the country. However, there is need for enhanced awareness creation on how to access information on all the initiatives addressing youth issues.

## 3.0 DEMOCRACY AND POLITICAL GOVERNANCE

Kenya has made major strides in democracy and political governance over the last five years. The country has held peaceful general elections every five years in accordance with the constitution. The country has also made several public sector reforms aimed at improving service delivery, ensuring gender balance, addressing

challenges facing the youth and other disadvantaged and vulnerable groups, fighting corruption, increasing the level of public awareness, and protecting people's right. Efforts have also been made to have a new constitution.

The post election violence that rocked parts of the country following the disputed presidential election results had far reaching impact on the country's governance system including the security sector. The crisis threatened to reverse many of the democratic gains and public sector reforms that had been registered especially since 2002. It certainly cast doubt on the legitimacy of elections in the electoral and governance process. Kenyans lost confidence in the Electoral Commission of Kenya (ECK). The citizens are also likely to lose confidence in other public institutions and the rule of law and may, as a result, resort to the use of violence as a means of solving problems. Kenyans now question the assumed ethnic harmony that has been Kenya's pride over the years. The country's sense of nationhood was placed under test by the events of the post election crisis. Indeed the crisis has intensified ethnic animosity in the country. Beyond this the violence brought to the fore the inter-ethnic tensions that exist between communities especially over land ownership, and resource distribution and socio-economic inequalities.

This section provides an assessment on the progress made in the implementation of the National Programme of Action under the democracy and political governance pillar. It documents the progress made and the challenges that remain in each of the objectives discussed. Like other sections of this report, this section documents the impact of the 2007 post elections crisis on the achievements of some of the objects discussed.

### **3.1 Standards and Codes**

Kenya is a signatory to a number of international treaties and is under obligation to domesticate these treaties. The State Law Office (SLO) works closely with Government ministries responsible for implementing International Treaties.

The SLO has initiated action to advise line ministries on the process of domestication and compliance with national reporting obligations on various international conventions and compliance with human rights treaty obligations. The SLO is also in the process of setting up a database on all treaties and conventions signed and ratified by the Government of Kenya.

Despite these undertakings, a number of Treaties are yet to be ratified as of June 2008.

The status of various treaties as at June 2008 is as follows:

- ILO convention No. 87: Not ratified.
- The Optional Protocol to the Convention against Torture and Cruelty, Inhuman or Degrading Treatment or Punishment has not been ratified.
- The All Peace and Security Protocol: signed July 7, 2003, not ratified.

- The Geneva Convention relative to the Protection of Civilian Persons in Times of War: This treaty has neither been signed nor ratified.
- The Convention on the Political Rights of Women, has neither been signed, nor ratified.
- The Protocol on the Rights of Women in Africa: signed on December 17, 2003, but has not been ratified.
- The Convention for the Protection of Rights of Migrant Workers: neither signed, nor ratified.
- The AU Convention on Preventing and Combating Corruption; signed on December 17, 2003, and ratified on 3<sup>rd</sup> February 2007.
- Conflicts associated with international criminals and drug traffickers; The Proceeds of Crime and Anti-Money Laundering Bill were tabled in parliament (published April 5, 2007). The Bill was however not debated by the ninth parliament and can only be debated if resubmitted to the tenth parliament. When enacted into law it will enhance the legal provisions for dealing with international criminals and drug traffickers.
- Expedite resolution of commercial disputes; The SLO has initiated the process of developing the policy, legal and institutional framework for the establishment of a Regional Centre for Commercial Arbitration under the auspices of the Asian African Legal Consultative Organization (AALCO). This process has not been concluded.
- Kenya has ratified the persons with Disabilities Convention and plans to domesticate and implement the convention during the July 2007 to July 2008 period.
- The following new labour laws relevant for enhanced economic growth and employment creation have been enacted into law and were to be operational from 1<sup>st</sup> March 2008. The Labour Institutions Bill, 2007, the Work Injury Bill, 2007, the Occupational Safety and Health Bill, 2007. However these laws are not yet operational due to the strong opposition to them by employers.
- Fully integrate ICT in the economy; The Kenya Communications (Amendment) Bill, 2007 has been published in consultation with the Ministry of Information and Communication (MOIC). The Freedom of Information Bill was published as a private member's Bill but was not debated by the ninth parliament.
- The Digital Migration Plan has been launched and will start pilot projects before the end of 2008.
- Creation of a free, accountable and responsible media. The Media Act has now been passed into law. The law will enhance professionalism, ethics,

responsible and accountable journalism. The new law prohibits the use of derogatory and demeaning language in public and private media.

- The Witness Protection Act has been in place since December 30, 2006 and became operational in May 2008.
- To meet its objective of creating awareness on Standards and Codes, the Government has been organizing workshops for Government departments, the Civil Society, NGOs and other stakeholders. The Kenya National Commission on Human Rights (KNCHR), which is working in collaboration with various stakeholders to address emerging Human Rights issues, has made significant progress.



## 3.2 Objective One: To prevent and reduce intra-and inter-state conflicts

### 3.2.1 Finalization of Land Policy

Land is a major source of intra-state conflict in Kenya. Some of the conflicts arise because many Kenyans consider the current land ownership as unjust. In response to the problems associated with land, the Government has taken a number of steps to address the problem.

The steps taken include the setting up of number of Commissions of inquiry into the land problem such as the Ndungu Land Commission and the Njonjo Commission.

Other steps include:

The preparation of a draft National Land Policy aimed at addressing land ownership, use, tenure and administration.

A Stakeholders' workshop on the Draft land policy was held in June 2008 under the auspices of the Ministry of Lands. The Draft is to be presented to parliament for debate in 2008-2009.

The Ministry of Lands has established the Land Reform Transformation Unit (LRTU) to lay down mechanisms for implementing the provisions of the National Land Policy once it is approved pending the establishment of a National Land Commission.

The following adjudication and settlement of land matters have been effected at the Coast Province since January 2006:

#### Adjudication

- Seven Land Adjudication sections have been registered
- 7,888 families settled

#### Settlement

- 5,443 discharges have been given
- 1,925 families have been settled
- 3,508 title deeds issued

*Despite these initiatives, many Kenyans are unhappy with the fact that the findings of these Commissions have not been acted upon. Indeed the public is of the view that the Government is not committed to solving the land question in the country.*

*The public expressed disappointment at the fact that the Government has not demonstrated seriousness in addressing the land question once and for all. They do not even trust that the draft National Land policy will bear fruit.*

### **3.2.2 Prevention, Management and Resolution of Intra-State Conflicts**

A number of measures have been taken by the Government and political leaders to minimize intra-state conflicts through prevention, management and resolution of internal conflicts. In this regard the Government has taken a number of actions, namely:

- Embarking on a programme of designing and implementing conflict prevention, management and resolution mechanisms at community level,
- Setting up the National Steering Committee on Peace Building and Conflict Management meetings, which are held quarterly,
- Disarming people holding illegal arms that are used for cattle rustling and banditry,
- The Government has established 148 District Peace Committees throughout the Country. Today 20 such Committees are operational in the cattle Rustling prone areas,
- 20,000 firearms have been destroyed under the National Action Plan on the Management of Small Arms Initiative launched in 2006. The Government has recovered 240 assorted firearms and rounds of ammunition in Baringo district alone.
- The process of establishing additional peace committees in the newly created districts is on going.

In spite of these efforts internal conflicts especially over allocation of land continue to occur in some parts of Kenya. Such areas include Mt. Elgon in Western Kenya where an estimated 534 lives have been lost and over 40,000 persons have been internally displaced as a result of the activities of the Sabaot Land Defense Force. Other areas that continue to experience conflict are, Molo and Kuresoi and Laikipia District in Rift Valley. The intensity of the conflicts increased following the disputed presidential elections.

The Government launched a massive disarmament military operation in Mt Elgon since March 2008. The exercise has led to the recovery of some firearms and ammunitions and the surrender of a number of SLDF militias and Commanders. The military operations continue in the area.

### **3.2.3 Enhancing Public Safety, Law and Order**

Protection and ensuring security of both life and property is a priority in Kenya. Since June 2007, the Government has: Trained 4,000 Police Officers under the Community Based Policing; the Government has also increased the Police Force by over 3,000; the period also saw the improvement of the terms and working conditions for both the Police and Prison Officers through the introduction of an insurance scheme and the provision of a risk allowance. The Government also undertook retraining of Police Officers.

Resources continue to be channeled to purchase modern equipment in order to assist the police force in crime investigations, surveillance and intelligence gathering. The Government is also providing more housing units to the police force and recruiting more officers and providing more vehicles to help with the fight against emerging crimes and ensure security.

Additional measures and reforms that have been implemented in this area are as below:

- A Service Charter has been developed in all police stations. Each police station has a complaint/ suggestion box for use by members of the public
- The numbers of police stations in areas prone to banditry and cattle rustling have been increased.
- Access roads have also been opened to improve police patrols in these areas.
- The Administration Police (AP) launched community policing framework and Community-Based Policing (CBP). This was done through consultative meetings between APs and Community-Based Organizations (CBOs).
- The Government is in the process of strengthening the Public Complaints Committee by recruiting additional officers
- Middle level Administration Police (APs) Officers have been trained on gender related issues. It is also noteworthy that the revision of the AP Act and Standing Orders is at an advanced stage as a draft amendment Bill has been prepared and is awaiting stockholder's validation, before being forwarded to the State Law Office.

All the above measures are aimed at enhancing the capacity of the police force to deal with crime.

Despite the above improvements (including incentives and housing facilities for officers) and the substantial increase in the number of police officers by over 3000 in the last financial year, with attendant increases in their pay, there is still a significant rise in the number of violent crimes, drug use, bank robbery, carjacking, and the Mungiki cult-like killings currently targeting residents of Nairobi, Central and Rift Valley Provinces. A number of armed illegal militias continue to pose a security threat to innocent citizens. They include *Mungiki*, the Sabaot Land Defense Force, the *Sungu Sungu*, *Taliban* and the *Chinkororo*. The Government must take concerted efforts to combat these types of crime and the groups that are involved and disarm the militias.

In view of the important role played by the provincial administration in the maintenance of security, law and order, the training programmes for the police force also targeted members of the provincial administration. Thus, during the period under review, 100 District Officers (DOs) were trained on Information

Technology. In addition, 2,500 Chiefs and Assistant Chiefs were also trained on the same.

### **3.2.4 Managing Inter-State Conflicts**

Inter-State Conflicts With Regard to Cattle Rustling and Banditry:

Kenya experiences a number of cross border conflicts. Some of these relate to cattle rustling among border communities. The Government has taken a number of measures to curb this criminal activity. The measures include:

Joint Commissioners and Administrators meetings between Kenya and its neighbors have been initiated. The last meeting between Kenya and Uganda, was held in May 2006 and a follow up in February 2007. The Kenya-Ethiopia cross border meeting was last held in April 2006 and a follow up in April 2007. Respective District Commissioners and their security teams also schedule such meetings when the need arises.

An East African Police Commissioners Forum has been established to deal with cross border conflicts and general insecurity. The last of the Police Commissioners' meeting was held in Kampala in October 2006 under the auspices of the East African Community.

The Government has strengthened border patrols to protect citizens from cross-border banditry. Despite these efforts, Kenya's borders with Uganda, Somalia and Ethiopia are not yet free from cross border raids by bandits looking for means of livelihood. The borders between Kenya and Somalia are particularly fluid due to the internal conflict going on in Somalia. Because of these incursions Kenya has been forced to beef up its security along such borders to protect its nationals. Kenya still suffers from the instability in the region leading to a proliferation of small arms (illegal) into the country which end up in the hands of criminals. In order to deal with this problem, the Government has established the National Steering Committee on Peace Building and Conflict Management.

The Government will continue to disarm illegal militias and recover illegal arms used for cross border cattle rustling and banditry. The Government undertakes to design and implement conflict prevention and management mechanisms at community level.

### **3.2.5 Inter-State Conflict With Regard To Shared Resources in Lake Victoria**

Conflict over shared resources in Lake Victoria occurs from time to time. In particular the conflict affects fishermen from Kenya and Uganda who accuse each other of fishing beyond the recognized water boundaries.

The East African Community has initiated and ratified an East African pact for shared resources, including fishing in Lake Victoria. To this effect, the Lake Victoria Basin Commission has been established and is operational in Kisumu, Western Kenya. The Commission will oversee conservation and sustainable utilization of

resources in Lake Victoria and co-ordinate various stakeholders around the lake. The Commission was launched by the East African states of Kenya, Tanzania and Uganda in Kisumu in June 2007.

Kenya is a signatory to the Sh100 million-Great Lakes Peace Building Fund and is providing a base for the Regional Centre for Small Arms (RESCA) representing eleven (11) countries of the Eastern Africa region.

### **3.2.6 Conflicts Associated With International Criminals and Drug Traffickers**

The use of drugs has become a major problem in the country. There have also been reports of drug traffickers using Kenya as a transit point for drugs. To address the problem the Government has instituted a number of measures. These include:

- Stepping up a strong media campaign against drug trafficking with the focus on the vulnerable youths in schools, colleges and universities.
- The Government has established the Anti-Drug Security Unit comprising the Police, Immigration and Customs officials. The Unit is mandated to detect cross border drug trafficking.
- The Law Courts have been passing stiffer and deterrent penalties for drug-related offences.
- The Anti-money laundering law has been tabled in parliament and is ready for debate.
- The Government has also established the National Campaign against Drug Abuse (NACADA) as a State corporation with the mandate to deal with drug related issues.
- The Government will continue to enhance cross border security

### **3.2.7 Promotion of Responsible Media**

The Government has taken a number of actions to promote responsible media, including the passing into law of the Media Bill. The new law provides guidance on cross media ownership, licensing, ethical standards and regulation. Over the last three years, the Government in consultation with industry players, has produced the Information, Communication and Technology Policy Document.

Since the Media Industry was liberalized more than a decade ago, the industry has expanded in various ways. Whereas in 1990, Kenya had only one National Broadcaster and three daily newspapers, today it has five mainstream dailies, six weekly newspapers and hundreds of print media commonly referred to as the alternative press. Other than these local publications, several newspapers from Uganda and Tanzania are available daily on the news stands. These regional papers are complimented by several British papers such as: the Financial Times, Newsweek, Time and the Economist. In Electronic Media, Kenya now has nine Television Stations. Three of these also relay BBC, Aljazeera, CNN and Voice of America programmes.

In the same vein, the Communication Commission of Kenya has licensed 48 Radio Stations with 26 of them fully operational in several local languages other than English and Kiswahili.

To sustain media freedom, the Government maintains regular dialogue with the Media fraternity, especially the Media Owners Association through the Media Council of Kenya. The aim is to promote professionalism, ethics and responsible journalism in the industry.

### **3.3 Objective Two: Constitutional Democracy**

#### **3.3.1 Constitutional Review**

There is a general consensus among Kenyans that the country needs a new constitutional dispensation. The demand for a new constitution has been going on for many decades. The Government has, in the last several years stated its commitment to a new constitution. It has also taken a number of steps towards the realization of a new constitution. A summary of these activities and progress made is presented below:

#### **3.3.2 The Review Bills**

A number of Constitutional Review Bills were tabled in the 9<sup>th</sup> Parliament which was dissolved in late 2007. These were: The Constitution of Kenya Review Bill 2007 and the Constitution of Kenya (Amendment) Bill 2007. The Constitution of Kenya (Amendment) Bill 2007 aims at entrenching the review process into the Constitution. On the other hand, the Constitution of Kenya Review Bill 2007 is the substantive law for the Review Process and the referendum. It established the organs and processes for the completion of the Review Process. These Bills were however overtaken by events following the dissolution of the 9<sup>th</sup> Parliament. In view of the Government's stated commitment to providing a new constitution, these Bills will be tabled for debate by the current parliament.

#### **3.3.3 The Committee of Eminent Persons**

Following the rejection of the proposed draft constitution on the 21<sup>st</sup> November 2005 Referendum, the Government appointed a Committee of Eminent Persons to evaluate the process and make recommendations on how to jumpstart the review process. The Committee presented its report to the President on the 30th May 2006 and thereafter the Report was tabled in Parliament, but was not debated.

#### **3.3.4 The Inter-Parties Talks**

As a follow up to the recommendations of the Committee of Eminent Persons, and recognizing that dialogue and consensus were key ingredients of the solution to the review impasse, a decision was reached within Government that dialogue be initiated amongst all political parties. It was also conceded that the differences within the political class contributed to the referendum results and that there was need to resolve them to enable Kenya enact the desired constitution without further delay.

The Committee, known as the "Inter-Parties Consultative Committee" (IPCC) presented its report to the political parties on 15th September 2006 at the Safari Park Hotel. The Safari Park Meeting did not debate the report of the Inter-Parties Consultative Committee; instead, the political parties directed that the Report should be discussed by a multi-sectoral committee that would be inclusive of other stakeholders in the review process.

The stakeholders included religious, civil society, private and professional sectors. The representatives from these sectors convened at the Safari Park Hotel on Monday 25th September 2006 and were nominated to join the Multi-Sectoral Review Steering Committee (MRSC).

The IPCC considered and narrowed down the proposals of the recommendations of the Committee of Eminent Persons. The IPCC also opened negotiations to other stakeholders who hitherto had not been part of the process.

### **3.3.5 The Multi-Sectoral Review Talks**

Following the recommendations of the IPCC, the Multi-Sectoral Review Steering Committee (MRSC) consisting of thirty two (32) members consisting of the (16) from the IPCC and the sixteen (16) from the religious sector, the civil society sector and the private and professional sector was established. In the spirit of inclusiveness, this number was later increased to forty two (42) incorporating eight (8) women and 2 youth members.

The mandate of the MRSC as agreed on 15th September 2006 was: -

- (i) To look at and cause to be drafted the necessary and legal and constitutional amendments for the completion of the review process;
- (ii) To consider and cause to be drafted the necessary legal and constitutional amendments for securing free and fair elections.

The Multi-Sectoral Review Steering Committee (MRSC), which began its sittings on 3rd October 2006, presented its preliminary report to the Forum on 31st October 2006. One of the key recommendations of the MRSC was that, the completion of the review process was possible before the General Elections. Arising from this recommendation, the Committee further proposed the entrenchment of the review process in the current constitution and the enactment of a review law as well as a referendum law. The Forum, on 31st October 2006, approved these recommendations and directed the Committee to develop bills for presentation to Parliament. These Bills were presented to the Forum on 16th November 2006 in the second Report of the Committee. The Forum approved these Bills and requested the Ministry of Justice, National Cohesion and Constitution to prepare them for presentation to Parliament.

The MRSC in its Report of 16th November 2006 presented to the Forum a list of four (4) constitutional amendments known as “essential reforms” targeted at ensuring free and fair elections. These were constitutional amendments related to the Electoral Commission of Kenya, affirmative action, independent candidates and independence of the parliamentary calendar. A Bill containing these amendments was also tabled before the Forum. After deliberations, the Forum declined to approve these recommendations. The general argument of members was that these matters should be negotiated by all Kenyans in the context of comprehensive reforms. The significance of the Multi-Sectoral Review Committee is that it led to the development of the Review Bills referred to in 4.2.3 above.



### **3.3.7 The Work of the Parliamentary Departmental Committee on Legal Affairs and Administration of Justice**

The Parliamentary Departmental Committee on Legal Affairs and Administration of Justice launched a parallel consultation process with stakeholders on the way forward for the review process in August 2006. At the end of the process, the Committee prepared a Report and laid it before Parliament in December 2006.

In the Report, the Committee concluded that the political environment was not appropriate for the completion of the review process. The Committee advocated for the carrying out of minimum reforms for the enhancement of democracy and the rule of law and to ensure a level playing field in the 2007 General Elections.

### **3.3.8 Minimum Reforms Talks**

During the state opening of Parliament on 20th March 2007, the President appealed to MPs to seek dialogue with one another in order to facilitate the completion of the review process. He reassured Parliament of the Government's willingness to facilitate dialogue. As a consequence, the Government established a committee on minimum reforms chaired by the Vice President.

The Committee was later expanded to include members of the opposition and civil society organizations. The Committee proposed a number of minimum reforms aimed at leveling the playing field in the 2007 General Elections. However these proposals were not acted upon.

### **3.3.9 The National Accord and Reconciliation Agreement**

Following the 2007 Post Election violence that resulted from the disputed Presidential results, the National Accord and Reconciliation Agreement (NARA) was signed on 28th February 2008. NARA provided for power sharing between President Mwai Kibaki of the Party of National Unity (PNU), and Prime Minister Mr. Raila Odinga of the Orange Democratic Movement (ODM). NARA commits the Grand Coalition Government to comprehensively review the constitution within a year (April 2009). The Government has stated its commitment to meeting this deadline.

Despite these initiatives the country is yet to put in place a new constitution. Kenyans expressed concern about the lack of clarity on the part of the Government on how it intends to go about the constitutional review process. Many expressed the view that the Government lacks commitment to the review process. It was not lost on Kenyans that in the 2008/2009 Budget the Government did not allocate money to the constitutional review.

### **3.3.10 Enhancing the Capacity of the Judiciary to maintain the Rule of Law**

A number of measures have been taken to enhance the capacity of the Judiciary to promote the rule of law. These include the following:

- The Government has developed the Judicial Service Bill, which awaits tabling in Parliament.
- The Judicature Act is targeted for amendment by Parliament to increase the number of judges from 50 to 70.
- More Magistrates have been recruited.
- The automation of court proceedings and case management systems for the Judiciary are being undertaken on a pilot basis at the Commercial Law Courts
- Selected Court proceedings are being digitalized. The process is being monitored in pilot Courts.

**However the following actions are yet to be taken:**

- The Government is yet to hire and train Court prosecutors and automate Court registries and Court proceedings
- The financial independence of the Judiciary is yet to be institutionalized.

### **3.3.11 Political Parties Bill, 2007**

In order to enhance transparency, accountability and internal democracy in political parties, the Political Parties Bill has been enacted into Law. The Act prohibits the registration of political parties based on regional, ethnic and religious considerations. It is expected that the new law will create an enabling legal framework for the development, financing, functioning and effective management of political parties. The new law becomes effective 1<sup>st</sup> July 2008.

### **3.4 Objective Three: To promote and Project All Rights enshrined in the African and other International Human Rights Instruments.**

#### **3.4.1 Promotion and Protection of People's Rights**

The Government has taken a number of actions that accord more recognition of economic, social, cultural and political rights of Kenyans during the period under review.

A National Policy and Action Plan for the Promotion of Human Rights have been developed to provide important guidelines for the protection of human rights nationally. A Committee was established to effectively report on international human rights, a reporting schedule was developed and two training fora have since been conducted.

To help protect rights of children, 10 children protection units were constructed and police capacity enhanced through the purchase of 15 computers to be used to capture data on children in the police stations.

Certain measures were taken with regard to prisons and police stations are among the institutions that are prone to human rights abuses. For this reason, sixteen prisons and police stations were visited monitored and violation of human rights investigated. Moreover, 12 post-mortems were conducted as part of investigations on suspicious deaths of inmates. Furthermore, 100 Kenya Prisons Human Rights Liaison Officers were trained on human rights issues. However, there is need to go beyond investigations so that the culprits can be brought to book.

A Draft Kenya Law Reform Commission Bill aimed at transforming the Institution into a semi-autonomous Government agency was tabled before the 9<sup>th</sup> Parliament, but was not debated. The enactment of the proposed law would enhance the capacity of the Commission to effectively perform its function of reviewing laws, including those dealing with human rights. The bill is expected to be re-introduced in the 10<sup>th</sup> parliament.

The Ministry of Justice, National Cohesion & Constitutional Affairs, in conjunction with other stakeholders has compiled a report on what the country has achieved in complying with Government obligations under the International Covenants on Economic, Social and Cultural Rights. In November 2006, the UN Special Repertoire on the rights of Indigenous People visited the country to assess Government's efforts in addressing the economic, social and cultural rights of the Indigenous People.

#### **3.4.2 Monitoring and Reporting Violations of Human Rights by the Government**

Given the important role that it can play in the protection of human rights, the Provincial Administration revised training manuals to include children's rights, gender, succession issues, and land, environment and entrepreneurship issues. This

will help in equipping the officers with the necessary skills and knowledge in handling the issues listed above.

The rules and regulations on complaints management were gazetted. This will help in enhancing the handling of complaints that members of the public may have against public authorities, fellow citizens or private bodies.

The Government has developed an Action Plan on Human Rights in Kenya. The Action Plan will take on board mechanisms to address violation of rights by the Government.

The Kenya National Human Rights Commission continues to play its role in monitoring and evaluating the efforts being carried out by the Government in the field of Human Rights. What is required is for Government to take action on those reported to have violated the people's rights.

### **3.4.3 Creating Greater Awareness of Human Rights within Society**

One of most effective ways of ensuring the protection of people's rights is for the people themselves to be aware of their rights, the channels available for redress of human rights abuses and the accessibility of these channels. There have been several initiatives taken to create and increase this awareness. Among them are as below:

An International Coordinating Committee of the National Human Rights Institutions meeting was held and the Kenya National Commission on Human Rights (KNCHR) presented the statute governing the body. Moreover, Commissioners and staff of KNCHR were trained on Human Rights Based Approach to Development (HRBAD) and its implications. Sixty (60) Trainers of Trainers on HRBAD were trained in November 2005 and a high level colloquium on HRBAD held.

Furthermore, the Government is working closely with both the Kenya National Human Rights Commission and the Kenya Human Rights Commission in developing materials for information and education campaigns to increase capacity of CSOs in civic education, monitoring and reporting human rights. A number of reports have been produced for public awareness. These include: Report on the 2005 Constitutional Referendum and Elections that was handed to the Independent Review Commission on the 14<sup>th</sup> April 2008, and a Fact-Finding Report by the KNCHR on Human Rights Abuse produced in May 2008 on the Mt. Elgon District Military Operation against the Saboat Land Defense Force (SLDF).

### **3.4.4 Curtail Violation of Human Rights by Law Enforcement Agents especially Police and Prisons.**

The Government has developed, and is implementing a code of conduct for different law enforcement agents in regard to human rights. The following measurers have been put in place:

- Police Officers have been trained on attitudinal change and customer care under the on-going Police Reforms and the 100 Days Rapid Results Initiative.
- A Service Charter has been developed for police and prison Officers.
- Complaint and suggestion boxes for use by the public have also been installed in all police stations and prisons.
- The Government has improved the terms and conditions of police and prison officers through the provision of risk allowances and insurance schemes.
- The Government will continuously sensitize the public on their rights.

*The public were of the view that the:*

- *The Government should consider decentralizing the Public Complaints Committee to enhance accessibility by the public*
- *The Government should put in place institutional mechanism for equity in access to legal defense for all Kenyans*
- *The Government should put in place ICT to monitor and record delivery of justice*
- *The Government should accelerate the implementation of judicial sectoral reforms.*

### **3.4.5 Mechanisms for Receiving and Resolving Complaints**

In response to public dissatisfaction with the delivery of services by public servants, the Government has taken a number of measures to address the problem. The measures include the following:

- The establishment of The Office of the Public Complaints Committee. Currently the office is located in Nairobi, but there are requests by the public that the office be decentralized to the districts for ease of accessibility.
- Customer Care desks have been established in all district headquarters and police stations. Complaint boxes have been installed in all District and Divisional headquarters, and in Police Stations, for use by the public.
- Monthly public *barazas* are now held at sub-location, location and district levels to receive complaints from the public.
- All departments in Government ministries have launched their websites where complaints can be made and received.

- The Office of the Director of Complaints has been established within the Police Department.
- The Witness Protection Bill was enacted into Law on the 30<sup>th</sup> December 2006 and became operational in May 2008.

### 3.4.6 Universal Health Care Plan

The Government recognizes Health care as a basic Human Right. The Sector has recorded notable improvement in the last several years. For example immunization coverage improved from 57 per cent in 2003 to 72 percent in 2006/2007 financial year. The National HIV prevalence declined from 6.7 per cent in 2003 to 5.9 percent in 2006 and to a further 5.1 per cent in 2007. The number of ARV users increased from 2000 in 2003 to 20,000 in 2004 and to 140,000 in 2007. Among the recent achievements in the health sector are as below:

- Government has constructed over 1000 health centres through the CDF all over the country. 600 of these health facilities were operational by December 2007.
- Over 10 Million Kenyans now benefit from the NHIF programs

*Despite the achievements made for far, the public expressed concern about the high cost of health care especially among the poor and the shortage of drugs in health facilities especially in the rural cases. They are of the view that the Government should make health care services more affordable and ensure availability of drugs, particularly for the poor.*

Like other sectors the health care sector was adversely affected by the post electoral crisis. A number of health facilities in Molo, Trans Nzoia and Migori were destroyed. The number of Kenyans seeking medical facilities increased. This increase overstretched the medical supplies therefore diminishing the buffer stocks. The sector also suffered reduced revenue due to the waiving of fees especially in the affected hospitals.

It is estimated that the affected hospitals incurred an estimated Ksh. 500 million in lost revenue due to the crisis. The provision of health services especially immunization and ARVs to the IDPs in the camps increased the expenditure and operations by an estimated Ksh. 30 Million. An estimated 284 health workers including nurses were displaced in the areas most affected by the crisis.

The main challenges in the health sector arising particularly from the post election crisis include:

- The need to provide more health care facilities.
- The need to rehabilitate the destroyed health care facilities.
- Recruitment of additional medical staff. A total of 6,000 are required especially nurses.

- Development of equitable health care financing mechanism to enhance access by the underserved and vulnerable groups.

In the short run the provision of quality health services require partnership between the Government and other health care providers. In this regard, the Government will reform the Kenya Medical Suppliers Agency to make it more efficient. Discussions are currently going on between the Ministry of Finance, the Ministry of Health and Healthcare providers on how to finance and implement an integrated Public Healthcare Programme.

Among the interventions considered by Government is the introduction of a National Social Health Insurance Scheme. Also envisaged is the decentralization of the services and improvement in staffing.

### **3.4.7 Speeding up enactment of HIV/AIDS Prevention and Control Bill**

Kenya, like any other African country is hard hit by the HIV/AIDs pandemic. Having declared HIV, a national disaster in 2000 the Government has put in place a number of measures to curb the spread of the pandemic. These measures include the following:

- Free supply of ARV in public hospitals.
- Intensifying public sensitization programs. As a result of this there has been a marked decline in HIV prevalence. More HIV/AIDs positive Kenyans now openly talk about their status.
- The Government prepared a HIV/AIDs control Bill which was presented in the 9<sup>th</sup> Parliament. This Bill will be reintroduced in the 10<sup>th</sup> Parliament. When enacted into law the Bill will provide for the protection and promotion of public health and for the appropriate treatment, counseling, support and care of persons infected or at risk of HIV/AIDs infection. The problem of HIV has been compounded by the post election crisis which as led to increase in prostitution/rape and other sexual offences in the IDP camps and elsewhere.
- A Draft Policy on Orphans and Children affected by HIV/AIDs has been prepared and is awaiting cabinet approval. When implemented, the policy will provide a framework for dealing with the problems faced by some of the children in dire need whose numbers is growing due to HIV/AIDs related cases. Moreover, cash subsidies are given to orphans and vulnerable children, especially cases resulting from HIV/AIDs.

### **3.4.8 Institutionalize Access to Legal Representation for the Socially Disadvantaged**

The cost of legal representation for the poor and the socially disadvantaged is prohibitive. In recognition of this, the Government has adopted a number of measures. These include:

- The Ministry of Justice, National Cohesion and Constitutional Affairs has developed a National Legal Aid Scheme, which has been validated by various stakeholders. The Ministry is in the process of implementing the project in six pilot stations across the country.
- The gazettment of the Children Adoption Guidelines.
- Two adoption societies were registered and a secretariat put in place
- The Government trained 23 children's officers on performance management
- The Government has distributed the Children's Act to all Chiefs to make them familiar with its provisions.
- The Sexual Offences Bill has been enacted into law and is expected to help in the handling of sex-related crimes such as rape. However the full benefits are yet to be realized as the number of sexual offences is still high.



### **3.4.9 Decongestion of Prisons**

One of the major problems in the county's prisons is that most of the prisons are over crowded. Some prisons accommodate as many as one and half times the recommended inmates. In an effort to effectively implement the Community Service Order (CSO), the Government has increased the number of offenders serving non-custodial sentences. During the period under review, 30,000 offenders were targeted under the CSO programme. A total of 31,235 were committed to the programme. The Government thus exceeded its target by 4.1 percent compared to the 2004-2005 period where the target was not met. This was due to intensified campaigns to maximize the use of non-custodial sentencing.

When enacted into Law the Small Claims Court Draft Bill will enhance the decongestion of Prisons. The Bill seeks to establish Small Claims Court across the country for small claims that find their way to the ordinary courts and take long to be completed. The Courts will have simplified procedures where citizens are able to access the courts and follow its procedures even without legal representation.

### **3.4.10 Immigration**

The Government considers immigration to be of paramount importance to Kenya's security. In this regard, the Government continues to improve the delivery of services in this area by regularly reviewing the procedures and rules relating to the sector. In this regard the following actions have been taken:

- Computerization of the issuance of passports, Visas and Personal Identification Cards
- Information on immigration through three airports is now being monitored by use of Personal Identification Secure Comparison and Evaluation System (PISCES).
- More Kenyans continue to be issued with National Identification Cards in spite of the challenges posed by procurement and other logistical considerations.

The Government has initiated Integrated Registration Systems. To speed up work, an Integrated Population Registration System (IPRS) Draft cabinet Memorandum has been prepared and is being validated by the relevant stakeholders before presentation.

### 3.5 Objective Four: Uphold the Separation of Powers

#### 3.5.1 Judicial Reforms and Dispensation of Justice

Judicial reforms and dispensation of justice form an important component of political governance. Ensuring the independence of the Judiciary is particularly important in dispensing justice. A number of measures have been taken and others are planned by Government to help strengthen judicial institutions and the dispensation of justice. These initiatives are contained in the strategic plans developed by the Ministry of Justice, National Cohesion and Constitutional Affairs, the Ministry of Home Affairs and Governance, Justice, Law and Order Sector (GJLOS) to effect the necessary judicial reforms. A number of measures have been taken by the Ministry of Justice, National Cohesion and Constitutional Affairs to have an effective and efficient legal system. Some of the reforms include:

- Decongesting penal institutions through the use of Presidential pardon and non-custodial sentences of the Community Services Order (CSO) programme.
- More Magistrates have been recruited.
- The Judicial Service Bill has been prepared. But is yet to be presented to parliament
- Court proceedings and records and management systems have been undertaken on a pilot basis at the Commercial Law Courts
- The digitalization of selected Court proceedings is on going

#### 3.5.2 Strengthening Public Prosecution

In order to strengthen public prosecution, the following measures have been put in place.

- The number of prosecutors in the Director of Public Prosecutions (DPP) office was increased by 10 percent
- The number of legal and non-legal staff in the State Law Office (SLO) was increased by 30 percent.
- 48 new state counsels and 23 drivers were recruited.
- There was an increase in the establishment of DPP offices by 21 percent.
- State counsels were trained both locally and abroad. This was done in order to sharpen their skills, especially in drafting drug-related and anti-terrorism cases.

The Office of the Director of Public Prosecutions was re-organized to accommodate the following:

- Anti-corruption and Economic Crimes, serious fraud prosecution and asset forfeiture, counter terrorism, narcotics and organized crime and general prosecutions.
- Absorption of Police Prosecutors to the department as per presidential circular no. 1 of September 2004 and establishment of the DPP Reform Programme Project.
- An implementation team whose mandate is to facilitate the GJLOS reform activities.
- The establishment of the Law Review Committee, whose responsibility is to ensure smooth administration of justice.
- The criminal prosecution function was in principle centralized under DPP and a draft prosecution policy prepared and 53 prosecutors taken through refresher courses.

*Despite these measures, there are still concerns by the public that court cases continue to take long to determine. The people are also concerned about the cost of court cases especially for the poor. The Government in consultation with relevant stake holders should make concrete efforts to make the protection of an independent Judiciary as an effective institution.*

### **3.5.3 Upholding the Separation of Powers.**

Separation of powers is an important democratic constitutional principle whose application is critical for upholding good political governance. As part of the on-going reform activities, the Government has embarked on a number of measures to uphold the principle of separation of power between the executive, judiciary and the legislature. Some of these actions were facilitated by the establishment of the Grand Coalition Government. The measures taken are as below:

- The establishment of the Parliamentary Service Commission in an attempt to de-link Parliament from the Executive.
- Discussions are on-going to make Parliament take charge of its own Calendar
- The use of research assistants to enhance capacity of Parliament to assist Members of Parliament and the various parliamentary committees to discharge their mandate and responsibilities

With regard to the independence of the Judiciary the following measures will be undertaken:

- Strengthening the Judicial Service Commission.
- Increase the number of high court Judges from 50 to 70.
- Recruitment and promotion of more magistrates.
- Professionalize the services of public prosecution.
- Improve the terms and conditions of service of Judicial staff.

Regarding the Executive, the following has been done: The National Accord and Reconciliation Agreement has created the Office of the Prime Minister with specific functions to supervise and coordinate the affairs of Government including ministries.

#### **3.5.4 Expeditious Disposal of Court Cases**

Kenyans have expressed concerns about the delay in the disposal of court cases. With a view to addressing this problem, the Government plans to enhance the capacity of the Judiciary to expeditiously dispose off court cases through the following measures:

- Increasing the number of Para-legal staff to 3,600
- Increasing the number of judges of the High Court from the current 50 to 70
- Increasing the number of the Court of Appeal Judges to 15
- Updating the Scheme of Service for Judiciary Staff

In light of the above, the Government has taken the following steps:

- The Government issued an administrative judicial notice on January 2007 Gazette No. 300 prohibiting multiple suits on the same issue in different courts.
- The Government has procured automation services for court proceedings. Automation has begun on a pilot study in 3 courts.
- The Government has set up a Training Committee to organize sensitization of judges and magistrates on anti-corruption legislation

### 3.6 Objective Five: Ensure Accountable, Efficient and Effective Public Service

#### 3.6.1 Public Sector Reforms

In an attempt to ensure accountable, efficient and effective public service the Government has introduced various public service reforms in the public sector especially after 2002. Many of these reforms are reflected in the Economic Recovery Strategy (ERS) 2006/2007 and Vision 2030. The two major development strategies include:

- The establishment of the Privatization Commission, which is now operational.
- Privatization of a number of public enterprises.
- The Government has put in place policy, legal and institutional framework for the implementation of public – private partnership (PPP) for economic efficiency. This framework will enhance public-private sector participation in the provision of key infrastructural services e.g. water, energy, roads and other services. This partnership is crucial for the financing of services under Vision 2030.
- In its 2007/2008 budget the Government emphasized its commitment to transparency and accountability in the privatization process

Through the Public Service Reform and Development Secretariat (PSR&DS) the Government has introduced a Results Based Management Programme in the public sector. This programme: -

- Focuses on results rather than processes.
- Shifts from a wasteful bureaucracy to a leaner, efficient, effective and ethical public service.
- Nurtures a common strategic direction for the entire public service from a fragmented to a common, cohesive, strategic direction based on effective, efficient and ethical service delivery.
- Provides performance accountability through an institutionalized management accountability framework (MAF).

The Government has also introduced measures to contain costs in the public sector. These are:

- Voluntary Early Retirement Scheme (VERS) and deepening ministerial rationalization. It is noted however that the Government did not meet the stipulated target of downsizing the public service by 21,338 by the end of 2007. The programme failed to meet the target by 10,000.

- The Government also expected that the above measures including natural attrition would lead to a reduction in the wage bill. It is noted that the public wage bill proportion to GDP in 2005/2006 was 7.06 per cent against the ERS target of 7.83 percent.

With the adoption of Result Based Management (RBM) approach in 2004 as a vehicle for delivery of Investment Programme – Economic Recovery Strategy (IP-ERS), an RBM Institutional Implementation Framework, tools and instruments have been developed. The implementation of RBM in the public service is spearheaded by the adoption and application of the Rapid Results Initiatives (RRI's) in several ministries/departments, regional development authorities and local authorities.

### **3.6.1.1 Achievements and Progress on Implementation**

The PSR&DS Programme implementation first focused on programme design and resource mobilization. Additionally, institutional building was undertaken both internally and in all Ministries/Departments, local authorities and public corporations in terms of constituting reform teams and reforms implementation co-ordination mechanisms. The following key activities continued to be taken:

#### **Development of RBM Tools**

In 2005/2006 financial years, PSR&DS started to effectively operationalize RBM in the public service and this continued in 2006/2007 and 2007/2008 financial years .

#### **The Results Based Management (RBM) tools developed are:**

- a) A matrix of all on-going reforms in the public service (baseline information) RBM guide.
- b) Guide to values and ethics in the public service.
- c) Transformative leadership guidelines.
- d) Leadership/management accountability framework (MAF).

#### **Rapid Results Approach**

In order to quickly introduce RBM approach principles and practice in the public service, several RRIs were undertaken in 10 Ministries/Departments. The initiatives targeted achievement of specific performance targets in 100 days. The initiatives have acted as quick wins for RBM approach in the ministries/departments.

#### **Enhancing Co-ordination of Sectoral Reforms**

PSR&DS spearheaded the alignment of ministerial Strategic Plans to ERS objectives.

#### **Waste Free Kenya Programme**

The Waste Free Programme started early in 2005 and has been integrated in the MMUs activities in all ministries/departments, 10 local authorities, all regional development authorities, state corporations and the Judiciary. The programme activities seek to improve service delivery at public service counters, registries and improving workstations. The programme also included some basic process analysis to detect and eliminate wasteful tasks in service delivery.

### **Institutional Reform and Capacity Building Project (IRCPB) Capacity Building Fund**

The design, development and approval for the implementation of the World Bank supported IRCPB is intended to build capacities in the Ministries of: - Finance, Planning and National Development, Trade and Industry, Agriculture, and Local Government. The IRCPB is expected to support capacity building in the above identified ministries in terms of institutional reforms to achieve the priorities set in the IP-ERS. The World Bank support in this respect amounts to US\$8.0 million to be accessed through a Technical Committee chaired by the Permanent Secretaries S, PSR&DS.

### **Transformative Leadership, Ethics & Capacity Building Programme**

A transformative Leadership, Ethics and Capacity Building Programme was formulated in March 2005 by PSR&DS. The training component of the programme is implemented through the Kenya Institute of Administration (KIA) in partnership with donor institutions. Through this programme, public service leaders and senior managers down to first line supervisory officials are being trained and expected to inspire Public Servants to change and quickly adopt a culture of results in service delivery.

### **Development of a Human Resource Management Reform Strategy in the Public Service**

An Inter-Ministerial Task Team was established and started its work in February 2005 to develop a Human Resource Management Reform Strategy (HRMS) which supports results oriented management culture in the public service. The task force developed HRMS draft in June 2006 which is being implemented.

### **Performance Appraisal System (PAS)**

The new PAS is being implemented in all ministries/departments, all local authorities and regional development authorities during the 2006/07 financial year. One of the major impacts is that more public servants are adopting the hands on approach to work as opposed to the formerly rampant hands-off. This has led to better service delivery.

### **Development of Public Sector Stakeholder Partnership (PSSP) Policy & Institutional Arrangement**

In line with the objective of strengthening the center of Government, widening participation of Stakeholders and tapping inputs from key Stakeholders, PSR&DS established an Inter-ministerial Task Force to initiate and institutionalize stakeholders' engagement. The task force has developed a concept Note Paper in PSSP policy and Institutional Framework. The PSSP policy is intended to ensure that public service and service delivery in general has stakeholders shared vision and support.

### **3.6.2 Directorate of Personnel Management (DPM)**

The reforms under DPM focused on Performance Contracts, performance management systems, recruitment and training policy, promoting meritocracy, job evaluation and grading system, integrated payroll and personnel database, and pay policy in public service.

Some of the achievements that have been made under the DPM reforms include the following:

- Performance Contracts were introduced and covered chief executives of state corporations, permanent secretaries and heads of directorates in ministries/public service.
- Remuneration packages for the public service were harmonized and implemented.
- The salaries for civil service from job groups A to N were adjusted upwards
- Ministries implemented the new recruitment and training policy.
- Performance management system and benchmarks for establishing a performance related reward system in the civil service were developed.
- Job evaluation exercise continued to cover jobs in Ministries/Departments excluding the armed forces.

### **3.6.3 Reforms by Ministries**

Apart from PSR&DS, a number of ministries and departments are implementing reforms. Such reforms were on policy, legal and institutional frameworks. Among these were the ministries of Agriculture, Co-operative Development and Marketing, Trade, Industry, Finance, and Environment and Natural Resources now Environment and Mineral Resources.

In 26th May 2007 Kenya was among the nations that won the prestigious United Nations Public Service Award (UNPSA) in recognition of the improvements in service delivery. The improvement was attributed to the public sector reforms undertaken by Government.

### **Challenges on Reforms by Ministries,**

Major challenges arising directly from the implementation of the Public Service Reform Programme include: -

- Slow adoption to change



- Inadequate resources to implement the programme
- Inadequate sensitization of employees retiring under Voluntary Early Retirement

### **3.6.4 Local Government**

Local Government is considered an important governance unit for service delivery. The IP-ERS emphasizes the local Government reform process as a way of enhancing local service delivery, good governance and poverty alleviation. To this end, the IP-ERS focuses on the facilitation of the operations of the Local Government Reform Programme by implementing the Local Authority Service Delivery Action Plan (LASDAP).

There were five main targets to be realized in the local Government programmes. First, Ministry of Local Government (MOLG) sought to coordinate project prioritization process for the Medium Term Expenditure Framework (MTEF) budget in accordance with the MTEF budget circular. Secondly, it sought to coordinate the ministerial and local authorities' performance contracts by September 2007. Thirdly, MOLG expected to operationalize its own Monitoring and Evaluation (M&E) activities as well as those of 175 local authorities. Fourthly, it expected to complete and publish the Ministerial Strategies Plan. Finally, MOLG sought to prepare and submit the Annual Work Plan, and monitor and evaluate their implementation.

### **Achievements and Progress on implementation**

During the period under review, the following achievements were made: -

- All the 175 local authorities signed their performance contracts and have been implementing the RBM initiatives.
- The Ministry has conducted M&E for the LATF related projects whose reports have been submitted.
- Approval and monitoring of the Cost Benefit Analysis (CBA) in the local authorities.
- Continuation of the reforms implementation i.e. LAIFORM, SBP, Budget guidelines, and poverty reduction initiatives under the EU funding.

### **Challenges Facing Local Government**

- The M&E mechanisms of reporting were poor and uncoordinated.
- The voted funds utilization remain low and this included the finances provided by the development partners.

### **3.6.5 Reform of Civil Service**

The Government recognized that the public sector was not performing as it should in service delivery. This was attributed to among other things outdated methods of work, a bloated workforce and negative attitude towards work. To address these problems the Government instituted the one hundred day rapid results initiative aimed at improving delivery of targeted results for Kenyans.

The Public Sector Reforms and Development Programme has been going on for the last four years. The Government is in the process of deepening ministerial rationalization through the introduction of results oriented management in public service. Details of this rationalization include the following:

- Voluntary Early Retirement Scheme which targets cadres in overmanned and no-core function areas has been ongoing since July 2004 and is expected to end in June 2007.
- Strategic Planning has been adopted in public institutions to enhance service delivery. Over 80 percent of Government ministries and departments have developed their strategic plans to guide their operations and are at various stages of implementation.
- Performance Management System consists of a new performance appraisal mechanism and a comprehensive job evaluation and workload analysis that determines job worth.

In furtherance of civil service reforms, the Government has continued to implement performance contracts in the public service and the first annual performance review was publicly launched in December 2006 by the President of the Republic of Kenya.

Moreover, the Government has approved a comprehensive recruitment and training policy to provide a framework for effective recruitment and training in the public service.

Furthermore it also provided Kshs.7.6 billion in the 2005/2006 and 2006/2007 financial years for salary adjustments as part of pay and packages adjustments to motivate the staff.

In addition, the Transport Policy in the Public Service has been rationalized effective 1st July 2006. This rationalization is expected to reallocate surplus Government vehicles from Government departments and ministries to the essential service departments like the police Force, Ministry of Health and Sanitation, Medical Services, Education and Agricultural extension workers. It is expected that this reallocation will enhance and improve service delivery and raise efficiency of public spending. It is noted however, that some Government ministries have yet to surrender surplus vehicles.

### **3.6.6 Appointments and Promotions in the Civil Service**

The Government is sensitive to public concern about methods of recruitment and promotion in the civil service. The Government has stated its commitment to

ensuring that recruitment and promotion in the public service is based on qualification, experience and performance. The Government has also introduced International Standards Organization ISO in public service. The following measures have been taken into account:

- The Public Officers Ethics Act has been enacted and caters for ethical conduct of recruitment of civil servants. It also caters for on-going harmonization and rightsizing in the Public Sector.
- The Government has stated its commitment to institutionalizing recruitment policies and practices to ensure the public service represents the face of Kenya without compromising service delivery. To ensure gender parity, without compromising standards, the Government has introduced affirmative action in the recruitment of public servants in which 30% of appointments are to be women.
- To ensure gender parity, without compromising standards, the Government has introduced affirmative action in the recruitment of public servants in which 30% of appointments are to be women.

*The public is however concerned about the failure of Government to respect the official retirement age of 55 years. They point out the fact that a number of Permanent Secretaries are still in service many years after attaining the official retirement age.*

### **3.6.7 Accountability and Efficiency in the Civil Service**

As part of enhancing accountability and efficiency in the civil service in line with ERS 2006/2007 and Vision 2030, the following achievements have been realized:

- The Government has established the Permanent Public Service Remuneration Review Board. The Government will continue to strengthen the capacity of this Board
- The Government appointed a professional body to manage devolved funds e.g. CDF.
- The Government has introduced Result-Based Management (RBM) performance contract. The Government will also evaluate existing reforms in order to enhance their capacity.
- It is also noteworthy that the Government will conduct regular short-term courses for public servants including law enforcement agencies

### 3.7 OBJECTIVE SIX: Fighting Corruption in the Political Sphere

Corruption is one of the major challenges facing the Government. This is despite the many efforts to eliminate the vice. The Government has in the recent past intensified the fight against corruption. In this regard the Government has taken a number of measures that aim at:

- (i) Prevention;
- (ii) Investigation and recovery of corruptly acquired assets;
- (iii) Strengthening the prosecutorial capacity; and
- (iv) Improving governance in priority sectors.

The implementation of these measures is expected to result in a remarkable improvement in the fight against corruption in the short and medium-term.

The following have been realized in the fight against corruption:

- A legal framework to fight corruption is now in place.
- The Public Officer Ethics Act (2003) is in place.
- The Draft Regulations for the enforcement of the Public Officers' Ethics Act were prepared and submitted to the Attorney General and some of the proposals were adopted by Parliament when it passed the Statute Law (Miscellaneous Amendments) Bill of 2006.
- The capacity for officers to deal with enforcement of compliance with the Public Ethics Act has been enhanced.
- Analysis of the Assets Declaration Forms is now done.
- The Witness Protection Bill (2006) was enacted into law 30th December 2006 and became operational in May 2008.
- Specialized units to prosecute anti-corruption cases, economic crimes, serious fraud prevention and asset forfeiture cases have been established. Three specialized sections were strengthened at the Department of Public Prosecutions to improve on effective handling of corruption and fraud cases. The sections are Anti-Corruption Economic Crimes Organized Crime and General Prosecutions and Appeals Section.
- Investigative bodies notably the Kenya Anti Corruption Commission (KACC) have been strengthened. The Government has established other anti corruption bodies such as the National Anti Corruption Campaign Steering Committee (NACCSC).
- To strengthen the prosecutorial capacity, initiatives are ongoing to increase the number of prosecutors, magistrates and judges of the High Court.

- The Ministry of Justice, National Cohesion and Constitutional Affairs has recruited 5 senior special prosecutors on economic crimes to supplement efforts by the Office of the Attorney General. They have already commenced their assignment and will specifically deal with recommendations by the Goldenberg Commission and the Ndung'u Report on Land.
- The National Anti-Corruption Campaign Steering Committee (NACCSC) rolled out 5 year National Anti-corruption campaign activities meant to stigmatize corruption. This will help in changing people's attitudes so that they can totally abhor corrupt dealings.
- Given the important role that police officers are expected to play in the fight against corruption, the Kenya Police trained all Officers Commanding Police Divisions (OCPDs), District Criminal Investigation Officers (DCIOs) and members of the inspectorate in all provinces, save for Nairobi province, on how to eradicate corruption. This is because the police force has been perceived to be among the most corrupt public institution in the country.
- Cases of Judicial officers purged for corrupt activities since 2003 have been concluded by disciplinary tribunals. So far four of the suspended judges have been cleared of wrongdoing by the tribunals. Two have been found guilty and relieved of their duties.
- In addition, the Chief Justice constituted an Integrity and Ethics Committee to continue the work of cleaning up the judiciary by ridding it of corrupt officers.
- The Cabinet Committee on Anti-Corruption, chaired by the Minister for Justice National Cohesion and Constitutional Affairs, continues to provide guidance on policy and administrative interventions in the fight against corruption. The committee has recommended the implementation of the Ndung'u Report on the repossession of illegally acquired land and also directed the Efficiency Monitoring Unit (EMU) in the Office of the Prime Minister, to analyze the level of compliance with the Public Officer's Ethics Act with regard to wealth declarations. Concerning the Ndung'u Report, a tribunal to vet land title deeds and identify titles illegally acquired finished its work and the report has been published. Work on repossession of illegally acquired public utility land, Government houses, water catchments and forests, is ongoing.
- The Goldenberg Commission of Inquiry finalized its public hearings and its report was produced.

*The public expressed concern about the failure by Government to take tangible action to prosecute the Goldenberg suspects. Given the magnitude of the scandal, failure to take concrete action casts doubt over the Government's commitment to fight corruption*

- Anglo-leasing cases have been investigated and prosecution is ongoing including those of senior civil servants and members of parliament. However, there are concerns that it is taking too long to conclude the cases.
- Due to the role that the media plays in the fight against corruption, journalists were sensitized on human rights dimensions of corruption with a view to equipping them to report more effectively on cases of corruption and how corruption affects the economy.
- The Judiciary Integrity and Governance Sub-Committee presented its report to the Chief Justice and the Judicial Service Commission is studying the report. If implemented, the findings of this report will go a long way in reducing cases of corruption among judicial officers.
- A service charter was developed and complaints/suggestion boxes installed for many implementing agencies including the departments of Registrar General, Civil Registration, National Registration Bureau and Public Trustee.

*The public expressed the view that the the fight against corruption has slowed down and that the only way to access Government services and the various development funds like Constituency AIDS Fund, Youth Enterprise Fund, e.t.c, is through bribery.*

*To strengthen the fight against corruption, the people felt that there is urgent need to decentralize the anti-corruption structures to the grassroot levels, and also give KACC prosecutorial powers. In addition, the Government needs to initiate an aggressive sensitization and awareness campaign on the effects and dangers of corruption. Also, corruption as a subject should be introduced in the school curriculum.*

### **3.8 OBJECTIVE SEVEN: Promotion and Protection of the Rights of Women**

Although women constitute a majority of Kenya's population, they suffer many disadvantages such as under representation in public institution, hurdles in access to loans and ownership of land. In recognition to this, the Government has stated its commitment to the promotion and protection of women's rights. Measures to achieve/effect these include:

- Enactment of legislation to prevent violation of rights of women.
- Conducting civic education on women's rights.
- Amending existing inheritance laws to allow men and women equal inheritance rights.
- Taking affirmative action to guarantee women's rights to education, maternal/child health care and participation in both public and private spheres.
- The Government has established a Ksh. 2 billion Women Enterprise Development Fund, which is now in operation.

- Corporate entities are invited to assist the Government in this initiative that seeks to empower women.

Other achievements include the following:

- The Sexual Offences Act that proscribes all forms of sexual abuse against women and children was signed into law on July 13th 2006.
- All ministries are guided by Office of the President Gazette Notice of November 2006, which demands that women should form a minimum of 30 percent of all newly recruited public servants.
- Chairpersons of Maendeleo Ya Wanawake (Women Organizations) at the provincial, district, and divisional levels have been co-opted as automatic members of all Provincial, District, and Constituency Development Funds, as well as HIV/AIDS Coordination Committees. This will enable women to monitor and influence development that benefits them and children.
- The Government has ring-fenced 5 per cent of the Secondary School Bursary Funds for girls at the constituency level, leaving the rest for competition between boys and girls.
- The devolved or decentralized funds such as CDF, Constituency Aids Fund, Constituency Bursary Fund and Constituency Roads Fund have expanded opportunities for women.
- The preparation of the Family Protection Bill, which provides for inheritance of property by women, is under way.
- The Government in collaboration with UNFPA, UNICEF, STATCAP and UNIFEM undertook various capacity building activities. These include training of Government ministries and civil society organizations in gender mainstreaming in development, use of gender statistics for gender responsive planning and budgeting, reporting procedures on international instruments, gender based violence and Female Genital Mutilation in relation to human rights.
- The Ministry of Gender and Children Development disseminated the Kenya Gender Data Sheet of 2005 in all the eight provinces in Kenya.

Despite the above steps taken to address gender disparities, women are still under-represented in decision-making, and leadership positions despite their numerical strength.

There is therefore the need to accelerate affirmative action with respect to women employment with a view to meeting MDG Number 3 on promoting gender equality and empowering women by 2015. The number of women members of parliament (MPs) stands at 19 MPs or (8 percent) following the 2007 general elections. It is

significant however that this is the highest number of women legislators since independence.

### **3.8.1 Challenges in Gender Issues**

In spite of the gains so far made, challenges remain. The major ones are:

- The Units on Gender Issues (UGIs) that were established in most Ministries are either ineffective or non-functional due to inadequate capacity and resources.
- Institutions implementing gender equality policies and programmes lack capacity, financial and material resources and coordination capability. In addition, the UGIs have no specific budgets for gender activities, and the personnel manning the national machinery and the UGIs lack specialized training on gender issues.
- Difficulty of passing gender friendly legislation and policies due to male dominated legislature.

## **3.9 Objective Eight: Promotion and Protection of The Rights of Children and Young Persons**

The Government through the Ministry of Sports and Youth Affairs has developed a comprehensive National Youth Policy, which is in line with the national development priorities as articulated in the Economic Recovery for Wealth and Employment Creation, 2003-07 and Vision 2030. The policy provides a framework within which youth concerns can be effectively addressed and coordinated. Target groups among the youth include: youth with disability, street youth, youth affected with HIV/AIDS, female youth, and unemployed youth and out of school youth.

The over-arching objective is the protection and promotion of the rights of children and young persons through: (i) enactment of law to protect children from defilement, rape, FGM and early marriage; (ii) development of a National Action Plan to combat violations of Children's rights and active enforcement of legislation on the rights of children; (iii) intensification of civic awareness programmes on the rights of children and young persons; and (iv) devising of a multi-dimensional programme to cater for youth issues.

### **3.9.1 Achievements**

- The Sexual Offences Bill was signed into law on July 13, 2006.
- As a means of empowering the Youth, in the 2006/07 Budget, the Government allocated Kshs 1 billion to the Youth Enterprise Fund. An additional Kshs 250 million was allocated in the 2007/08 fiscal year. The level of funding will be reviewed regularly in response to demand and lessons learnt from the initial grants will be factored in the fund's operation.



- The Government has developed a National Youth Policy that provides the framework for comprehensively integrating youth in national development. The plan of action to facilitate the implementation of this policy was launched in July 2006, with the launch of the Youth Enterprise Fund. Operational rules for the Fund have been gazetted to enable young people set up enterprises and create employment.
- The Government is revamping youth polytechnics. These centers will be used to equip the youth with appropriate skills that will expand their options for employment.
- The Government has hired Youth Officers and posted them at national, provincial and district levels.
- The stalled National Youth Service (NYS) buildings at Ruaraka was completed during the 2006/07 fiscal year.
- Rehabilitation of Mtongwe National Youth Service (NYS) Sewerage Project was done during the 2006/07 fiscal year.
- With respect to rehabilitation of the youth, the Orphans and Vulnerable Children (OVC), a Draft Policy was finalized and forwarded to the cabinet. During the review period, 2,500 OVC were supported and a total of 5,500 households benefited from the cash transfer (CT) programme.

The Government has created the Ministry for Youth Affairs and Sports. The Ministry does among other things organize business courses and awareness creation seminars and training of the youth.

*Despite these achievements the youth lack collaterals for securing bank loans and other financial services. They also lack experience and business skills. Innovative ways must be found to address these challenges*

### **3.10 Objective Nine: Promotion and Protection of the Rights of Vulnerable Groups Including Internally Displaced Persons and Refugees**

The Government, through various poverty reduction programmes such as HIV/AIDS, ASAL programmes and educational bursary funds has focused on mainstreaming the vulnerable groups (including orphans of HIV/AIDS, the youth, women, the physically challenged, older persons and the ageing) to participate fully in national development agenda.

This objective called for mechanisms to protect the rights of the vulnerable groups through:

- (i) enactment and implementation of policies and programmes aimed at empowering and protecting the rights of vulnerable groups;

- (ii) stepping up security and strengthening response capacity of law enforcement agencies in conflict prone areas;
- (iii) streamlining immigration screening procedures and eliminating discriminatory screening practices.

The Government has also achieved the following:

- It has introduced Development Interventions Programme in the North Rift districts to compliment the disarmament programme during the year 2006/07.
- It has promulgated the Refugees Act, 2006 into law on 30th December 2006. This provides for the recognition, protection and management of refugees within the country
- It has given the concern about the problem of squatters and internally displaced persons, and as a follow-up of the planning in the period 2006/07, Sh1.3 billion has been set aside in the 2007/08 fiscal year to acquire land for settling them. With allocation of land parcels, those affected are expected to improve their living standards, increase food safety and be able to share in the growth of the country.

Following the post elections crisis, Kenya found itself with an unprecedented number of IDPs including children, women and people with disabilities. The Government in response to this established 181 IDP camps located in various parts of the country to accommodate the 350,000 displaced persons.

The following measures have been undertaken in respect to the post-election IDPs:

- With the help of the Red Cross, the Government provided food, drugs including ARVs, clothing, blankets and other requirements to the IDPs.
- The President, the Prime Minister and members of the cabinet visited the IDPs.
- Restoration of security in the affected areas.
- Resettlement of 106,651 of IDPs by mid-May 2008.
- The Government has raised Ksh 457 Million out of the required Ksh 31 Billion for the resettlement of IDPs as proposed in the National Reconciliation and Emergency Social and Economic Recovery (NRESER) Plan.
- The Government has urged members of parliament and local leaders to preach and promote peace among affected communities.

### **3.10.1 Physically Challenged and Elderly Persons**

The Government has always provided special education and nursing institutions for the physically challenged persons. Recent developments in addressing this vulnerable group include establishment of the National Disability and Gender Commission (2006/07), which is in its initial stages of operation.

The Government provided grants amounting to Ksh. 37 million in 2006/07 for expansion of socio-economic programmes and capacity building through the Ministry of Gender, Culture Sports and Social Services. A lot more was given through other sectors like education, health, and HIV Aids Orphans. Through the Ministry of Education, a budget was allocated to special schools. A Policy Paper on Persons with Disabilities has been finalized and submitted to the Cabinet for approval. Furthermore there was the establishment of a new Adult Education Centre and Community Learning and Resource Centres (CLRCs).

### **3.10.2 Rehabilitation of street children**

About a quarter million street children and families live in the open streets in the major towns of Kenya. The Government and several key stakeholders have taken initiatives to rehabilitate street children. The best example is when the Government organized them for NYS paramilitary training and further deployment in disciplined forces and upkeep in charity institutions. Other charity organizations and families complement Government efforts in rehabilitating street families to the extent that by 2006/07. As a result, the number of street families in Nairobi and other urban areas declined significantly. These initiatives are on-going.

### **Challenges and Way forward**

In spite of the gains so far made in enhancing democracy and political governance, various challenges to the reform agenda remain. Although the Government responded by restoring peace and signing the National Accord and Reconciliation Agreement (NARA) under the mediation of Koffi Annan, former UN Secretary General, followed by the establishment of the Grand Coalition Government, many questions remain in the minds of Kenyans. The key question asked by Kenyans today is whether the political leadership has the necessary political will to see the Grand Coalition Government work and indeed to consolidate democracy and good governance in the country.

The challenge is therefore for the Government to demonstrate strong political will, not just to make the coalition work, but also to address both the immediate and the underlying causes of the post election crisis. There is need to effectively share power in accordance with the National Accord and Reconciliation Agreement. Other areas of concern include the following:

- There must be political will in regard to the constitutional review and land reforms.

- The Government must also address the culture of impunity especially among political leaders.
- The slow adoption to change by the public service undermines the reform agenda.
- The resources to implement the reform agenda are still inadequate.
- There is lack of capacity to implement the reform agenda.
- Slow pace at which parliament passes bills.
- There is need to strengthen the electoral process including the reconstitution and reorganization of the Electoral Commission of Kenya (ECK).
- There is need to move away from rhetoric on corruption and ethnicity to concrete action.

It is only by addressing these concerns that the Government can hope to restore and enhance people's confidence in Government institutions, the electoral process and Governments commitment to the rule of law.

## 4.0 ECONOMIC GOVERNANCE AND MANAGEMENT

*“...to promote market efficiency, control wasteful spending, consolidate democracy, and to encourage private financial flows- all of which are official aspects of the quest to reduce poverty and enhance sustainable development....”*

***Declaration on Democracy, Political, Economic and Corporate Governance, paragraph 18.***

This section provides an assessment of the progress made in the implementation of the national programme of action under the thematic area of Economic Governance and Management. It shows the accomplishments that have been made between June 2006 and June 2008 and also highlights key challenges that Kenya is facing in the implementation process and realization of the programme and project objectives. Quantifiable indicators are provided, but in some areas they do not exactly correspond to the period under review due to lags in data collection and reporting. This is especially true for national accounts for which data is only available on annual basis, for most variables. Kenya now produces Quarterly data on GDP, but by the time of preparing this report, the latest available data covers the period up to December 2007. Nonetheless, the reporting framework provides a basis for an objective evaluation of the progress made since Kenya conducted the Country Self-Assessment and the subsequent review on June 30, 2006 in Banjul, the Gambia.

### 4.1 Implementation of Standards and Codes

#### 4.1.1 Ratification of the signed treaties

During the period under review the AU Convention on Preventing and Combating Corruption was ratified on 3<sup>rd</sup> February 2007. The African Nuclear-Weapon-Free Zone Treaty (The Treaty of Pelindaba) that was adopted on 31st January 2005 entered into force and signed on 24<sup>th</sup> May 2007.

### 4.2 Good Practices in Fiscal and Budget Transparency

The Government has been implementing reforms to enhance systems of public financial management in line with the requirements of the Code of Good Practices on Fiscal Transparency and Best Practices for Budget Transparency. The reforms emerge from the Public Expenditure Management assessment and Country Financial Accountability Assessments conducted in 2003. By June 2007, ten (10) benchmarks had been met covering budget formulation, execution and monitoring and evaluation including Risk Based Audit Approach. There is need to enhance the capacity of the Public Financial Management (PFM) Reform secretariat to fast-track reforms in public expenditure reforms.

#### 4.2.1 Financial Sector Standards and Codes

The Government has been implementing recommendations arising from the joint IMF-World Bank- Government of Kenya detailed assessment of standards and codes

in the financial sector as part of the Financial Sector Assessment Programme (FSAP) that was conducted in 2003. These standards and codes include: Core Principles for Effective Banking Supervision; Principles for Payment Systems; and Accounting and Auditing Standards in the financial sector. The key reforms aim at enhancing stability, efficiency and competitiveness of the financial sector. The key measures introduced in the budget for 2007/08 include: operationalization of the Insurance Regulatory Authority to strengthen the regulation of insurance companies, review of the Capital Markets Authority Act (CMA), to strengthen the CMA's supervisory role and publishing of a Modern Banking Bill (2007) that would benchmark commercial banks' operations with international best practices.

In the budget for 2007/08 fiscal year, it was proposed that the minimum core capital for banks be raised by 4 times to Ksh. 1 billion (about US \$ 15.9 million at the current exchange rate of Ksh. 63 to the US \$) over a period of three years. Parliament did not amend the law. This amendment has been re-introduced in the budget for 2008/09 and now includes the Mortgage Financial Institutions. During the period under review, there were efforts to operationalize the Micro Finance Act by issuing the supporting regulations. The budget for 2008/09 also proposes to introduce the Savings and Credit Cooperatives (SACCO) Bill 2007 aimed at putting in place the relevant legal framework for supervision of Savings and Credit Cooperatives. Other key reforms include restructuring of state controlled banking institutions and privatization of the National Bank of Kenya, after completion of financial restructuring. The Insurance Regulatory Authority was launched in April 2008 and aims at ensuring that insurance industry operations meet international standards.

#### **4.2.2 Kenya's Debt Management**

The Kenyan Authorities have been implementing reforms to enhance management of public debt to be in line with the principles set out in the Guidelines for Public Debt Management, following a joint IMF-World Bank- Government of Kenya assessment report released in 2004. In May 2007, a National Debt Sustainability Analysis which formed the basis of developing a National Debt Strategy (NDS) was undertaken. There are continuing efforts to consolidate debt management operations under a Debt Management Office (DMO). To enhance dissemination of information on public debt; the Ministry of Finance has started publishing annual Public Debt Management Reports. The second annual report was published in March 2007. The reports provide detailed information on the levels, composition, structure and financing costs.

Despite these achievements there is need to continue scaling-up staff capacity, enhance the legal framework and finalize and implement the National Debt Strategy.

#### **4.2.3 Payments System in Kenya**

The Government and particularly the Central Bank of Kenya have been implementing the Kenya payments system strategy aimed at ensuring that the payments system in the country comply with the ten core principles for systematically important payments system. Kenya's Real Time Gross Settlement Payments System (RTGS) known as Kenya Electronic Payments and Settlement

System (KEPSS) became operational in June 2005. Between 2006 and 2007, the volume of transactions moved through KEPSS increased by 6.7 percent. To strengthen the legal framework, the Government has made a commitment through the 2008/09 budget to enact the National Payment System Bill 2008. The CBK has already prepared a policy framework on oversight of payments systems. The key challenge has been the slow pace in passing the necessary pieces of legislation.

#### **4.2.4 National Accounting Standards**

The legal framework has been improved as the Statistical Act 2006 was assented to by the President on 23rd August 2006 and was gazetted in 2007, thereby transforming the Central Bureau of Statistics into the Kenya National Bureau of Statistics (KNBS), which is now a body corporate. It is expected that the new body will have the capacity to enhance the timeliness, quality and adequacy of national statistics, bringing it up to international standards.

Kenya has adopted (in 2005) and is implementing the International Standard for compilation of National Accounts, 1993 System of National Accounts (SNA). Annual accounts are now made available 5 months after the expiry of the reference period. To enhance timeliness, the KNBS now produces Quarterly Gross Domestic Product (QGDP). Ongoing Initiatives include implementation of STATCAP project and the statistics master plan.

One major challenge that still exists is the considerable differences in data from different statistics providers especially for public finance and balance of payments between the KNBS, Central Bank of Kenya and Ministry of Finance. There is also need to expand the QGDP to the expenditure components of GDP.

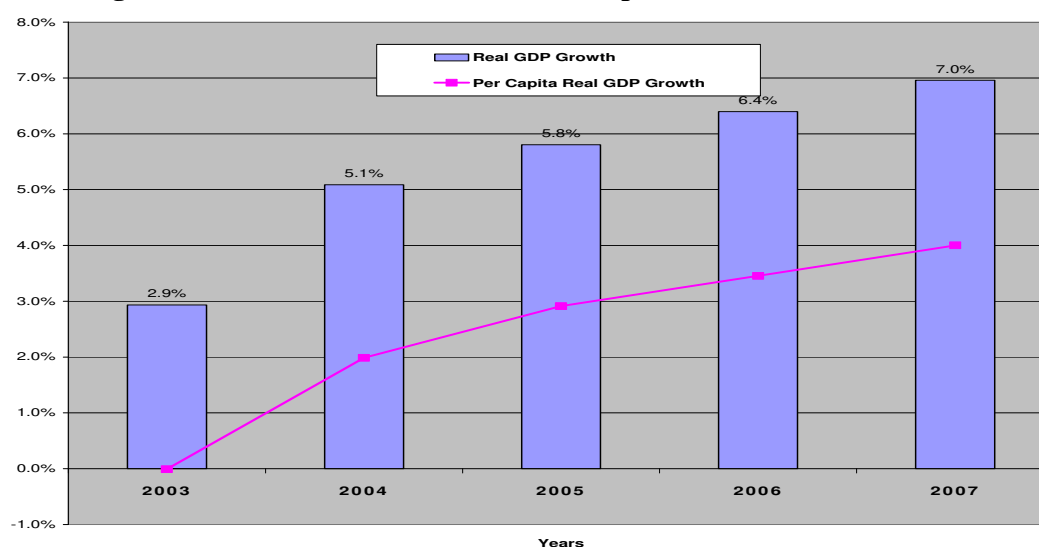
### 4.3 Objective One: Promote Macroeconomic Policies that support sustainable development

#### 4.3.1 Recent Macroeconomic Developments

##### Economic growth

The economy is expected to slow down in 2008 after five consecutive years of increasing economic growth. The economic recovery and growth that started in 2003 continued in 2007, with an estimated Gross Domestic Product (GDP) growth of about 7 percent in 2007, up from 6.4 percent in 2006 (Figure 1). Therefore in 2007, Kenya's growth reached the 7 percent envisaged in the NEPAD framework document (2001) and the ERS target. Between 2006 and 2007, real per capita income grew by about 3.7 percent. Economic growth in 2008 is expected to suffer from the impact of the post election violence, rising global energy and food prices, and the general slow down in the global economy. Consequently, the economy is projected to slow down to a growth of 4.5 percent. Other conservative projections indicate that the economy could even slow down further to 2 percent in 2008, should the international economic environment continue to worsen. The economy could also slow down due to weak commitment to the policies and reform agenda by the Grand Coalition Government.

**Figure 1: Growth in Real GDP and Per Capita Incomes 2003-2007**



Source: Economic Survey 2008

*From the voices of people in Embu for example, the locals and their leaders said the district had reported substantial economic growth in the various sectors of economy. They said roads had been built, health facilities upgraded, agricultural markets expanded, education institutions well equipped, security enhanced, improved water and sanitation services and employment opportunities increased as a result of the trickle-effects of the economic growth. The same was the case in Murang'a and Nyeri. In Isiolo, however, the communities said the area had reported negative economic growth. A further assessment revealed deteriorating health facilities, poor road infrastructure suffering from lack of maintenance, rising insecurity and poor water*



and sanitation services. The residents said they could not understand the rationale behind paying Government taxes when the local economy was hitting a record low, reeling under poor service provision.

## Poverty and Inequality

Recent estimates on poverty indicate that the proportion of the people living below the poverty line declined from about 56.8 percent in 2000 to about 46 percent in 2005/06. However, there are disparities between and within provinces (Table 1). For instance, while all other provinces recorded improvements in poverty reduction, the Coast Province and North Eastern registered deteriorating trends. Although the proportion of the population living in poverty declined, the number of those living below the poverty line is estimated to have increased from 13.4 million in 1997 to about 16.6 million in 2006. Poverty levels are also higher in rural areas at about 49 percent compared to urban areas at 33.7 percent.

| Table 1: Overall Rural Poverty Profile 1992-2005/06 |                           |                              |
|---|---------------------------|------------------------------|
| Province  | % of overall poverty 1997 | % of overall poverty 2005/06 |
| Central   | 31.4                      | 30.4                         |
| Coast   | 62.1                      | 69.7                         |
| Eastern   | 58.6                      | 50.9                         |
| North Eastern                                       | 65.5                      | 73.9                         |
| Nyanza  | 63.1                      | 47.6                         |
| Rift Valley   | 50.1                      | 49                           |
| Western   | 58.7                      | 52.2                         |

Performance with respect to income inequality has been mixed. Preliminary findings based on the Kenya Integrated Household Budget Survey (KIHBS) 2005/06 on income inequality indicate that, in comparison with 1997, the rural gini coefficient of expenditure declined from .417 to .38 in 2005/06, while the urban gini coefficient increased from .426 to .447 during the same period. This implies income disparities in the rural areas have declined while those in urban areas have increased.

A recent approach to the analysis of inequality identifies three inter-locking mechanisms: political, economic and social-cultural inequalities that interacts with institutions (including laws, regulations, norms and customs) to perpetuate inequalities and could generate 'inequality traps' whereby inequalities are passed over from one generation to another.<sup>1</sup> It is important therefore that in the

<sup>1</sup> World Development Report 2006: *Equity and Development*, World Bank

conceptual design of policies, policymakers should take into consideration the political, socio-cultural and economic aspects of inequality and how they interact with institutions in the society.

Kenya's improvements in poverty reduction and income inequality have been attributed to the recent policies that have focused on restructuring expenditure towards increased funding for social sectors (education and health), infrastructure development, use of decentralized funds such as the Constituency Development Fund (CDF). The creation of Ministry for Northern Kenya and Arid Areas is expected to address spatial inequalities that have led to stagnation in the North Eastern and the Coast Provinces. The Government of Kenya can continue to reduce income inequalities through enhanced budgetary reforms that continually improve the efficiency and effectiveness of public resources directed towards the social sectors, stable macroeconomic environment, equitable infrastructure development, and effective fiscal decentralization. On the social-cultural side, institutionalized gender biasness need to be continually addressed. On the political front, the key challenges include putting in place a new constitution, strengthening of the electoral process and strengthening the judiciary to enhance equal access to justice.

### **Overall Policy Framework**

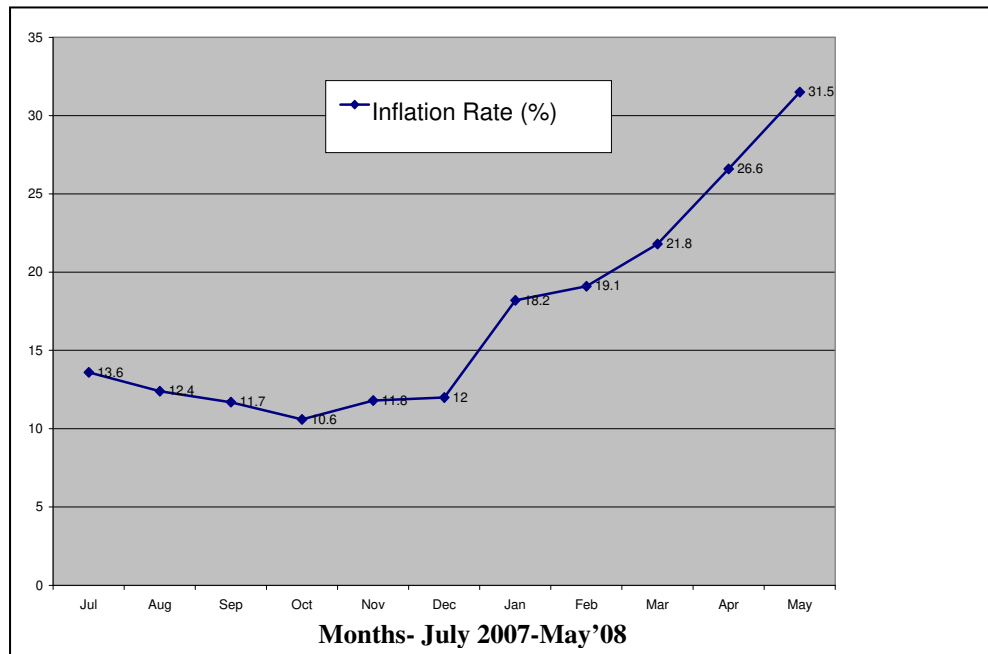
The recent improvements in economic performance follow the implementation of the Economic Recovery Plan dubbed Economic Recovery Strategy for Wealth and Employment Creation (ERS) 2003-2007, by the NARC Government when it came to power in December 2002. The policies include: maintaining macroeconomic stability; public expenditure management reforms focused on expenditure restructuring to support growth, equity and poverty reduction; improved public service delivery; infrastructure development; improved investment climate to support private sector development; and reforms aimed at developing the productive sectors of the economy.

The implementation of the Economic Recovery Strategy (ERS) ended in 2007, and now the Government has developed Vision 2030, that was launched on 10<sup>th</sup> June 2008 by the President, to guide the country in political, economic and social development between 2008 and 2030. According to the Vision, Kenya is expected to achieve the status of a middle income country by 2030. The development path is anchored on three pillars, namely, economic, social and political. Under the economic pillar, six flagship sectors have been identified for deliberate coordinated Government policy action. They are: agriculture; manufacturing; wholesale and retail trade; business services; tourism; and financial service. While, the social pillar aims at realizing equitable social development in a just and cohesive society, the political pillar is geared at building an accountable, results and issue-based, people centered democratic political system. The vision will be implemented through 5 year rolling Medium Term Plans (MTP). The first medium term plan is the Strategy for National Transformation 2008-2012 and the theme is '*Accelerating Equitable Economic and Social Development for a Prosperous Kenya*'. This MTP takes into account the post-election crisis.

### **Inflation**

The Central Bank of Kenya's monetary policy target is an underlying inflation rate of 5.0 percent and below. The overall rate of inflation as measured by the consumer price index increased from 10.3 percent in 2005 to 14.5 percent in 2006 before easing to 9.8 percent in 2007, but is on an upward trend again. During the first five months of 2008, high cost of transport, food and energy pushed inflation rate from 12 percent in December 2007 to 19.1 percent in February and further to 31.5 percent in May 2008 (Figure 2). The underlying inflation, which excludes food and energy components, has broadly remained at single digit.

**Figure 2: Inflation Trends July 2007-May 2008**



An analysis of the components of inflation in terms of contributions reveals that food inflation contributes about 75 percent directly to the increase in overall inflation, partly because food has a high share in the measurement of the Consumer Price Index. This implies that the traditional instruments of monetary policy alone can not be relied on to realize and maintain overall price stability. Therefore food inflation remains a major challenge to maintaining overall price stability. In the short term, the Government can rely on stabilization based on national food reserves, but in the medium to long term, the solution lies in increasing food production. High food prices hit the poor most and may negate any poverty reduction gains. To contain inflation, the Central Bank raised the Central Bank Rate (CBR), and in the budget 2008/09 there are commitments to strengthen monetary policy management by allowing the Central Bank of Kenya to issue and use bank bills to manage liquidity.

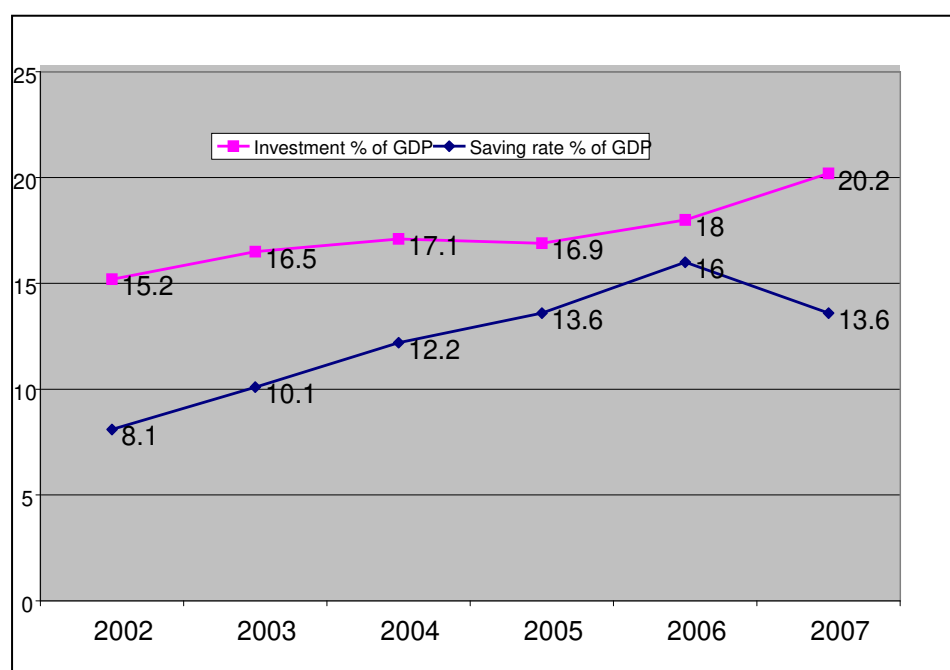
### Investment and Savings

Domestic investment is one of the key contributors to the recent growth. The share of investment in GDP increased from about 17 percent in 2005 to 20.2 percent in 2007. However, this rate remains below the ERS target of 24 percent by 2007. The Vision 2030 target is to increase investment to about 30 percent. The recent growth

in investment is attributed to improved economic management leading to an improvement in the investment climate, increased expenditure allocation to infrastructure and macroeconomic stability. The Government established a Business Review and Regulatory Unit at the Ministry of Finance to review business licenses with the aim of improving the licensing regime. In the World Bank's 'Doing Business 2008', Kenya is ranked 8<sup>th</sup> among the top ten reformers especially due to the achievements made in simplifying procedures for starting business, dealing with licenses, registration of property and getting credit. The number of procedures to start a business was reduced from 13 in 2006 to 12 procedures in 2007. However, there is need to strengthen efforts in the fight against corruption, improve security, reduce crime, financial sector development and development of efficient labor markets.

The savings rate increased from 13.6 percent in 2005, to about 16 percent in 2006 but is estimated to have declined to about 13.6 percent in 2007. Should the decline noted in 2007 continue, it will be important to investigate the reversal since the Vision 2030 targets high savings (25-30 percent in the medium term) which if not realized could question the future sustainability of Kenya's economic growth.

**Figure 3: Savings and Investment as % of GDP 2002-2007**



*Source: Economic Survey 2008, KNBS*

Financial intermediation is critical for efficient mobilization and allocation of resources between savers and investors. Domestic credit to the private sector increased by 16.3 percent in 2007, up from 12.1 percent in 2006. Net domestic credit to the public sector stagnated at around Ksh. 150 billion, thus allowing the total share of credit to the private sector to increase from 74 percent in 2006 to 77 percent by the end of 2007. Domestic credit to the private sector as a share of GDP increased marginally from 28 percent in 2006 to 29 in 2007. This share is

comparatively low when compared to the middle income countries and other African countries such as South Africa and Egypt.

Kenya's financial sector is one of the most developed in Africa but still faces various challenges. A survey undertaken to assess the demand and access to financial services revealed that there is limited access. The study revealed that only 19 percent of bankable population is utilizing formal financial services. Eight (8) percent were served by SACCOs and MFI's while 35 percent depended on informal financial services such as Rotating Savings and Credit Associations (ROSCAs). Interest rate spreads have come down but there is still scope for further reduction through increased competition in the banking sector; deposit rates have remained largely negative partly due to high inflation; the legal framework for regulating and supervising the Micro Finance Institutions and SACCO's is yet to be effected; there is scope for increasing information to enhance credit rating; the recent wave of pyramid schemes may be a threat to peoples' financial savings.

### **Exchange Rate and External Sector Performance**

The exchange rate is one of the key factors that determine the rate of exchange in international trade in goods and services between a country and the rest of the world. Kenya maintains a flexible exchange rate regime. Market forces especially a surge in inflows from tourism, remittances and capital inflows have led to a continuous appreciation of the Kenya shilling. Between 2004 and 2007, the shilling appreciated against the US dollar and the Euro by about 17 percent and against the sterling pound by about 7.6 percent. The real effective exchange rate (REER) that is commonly used to assess external competitiveness has also appreciated by about 12 percent between 2006 and 2007. This implies that Kenya has been loosing export competitiveness. The key challenges therefore remain that of ensuring low and stable domestic prices and management of foreign exchange inflows to avoid rapid appreciation of the shilling.

Current account deficit as a percentage of GDP widened to about 4.1 percent in 2007 up from a deficit of 2.1 percent registered in 2006. The major contributing factor to the widening current account deficit is the trade deficit. As a percentage of GDP, the trade deficit increased from 16.7 percent in 2006 to 18.2 percent 2007. This reflects a deterioration in trade balance as a result of 16.0 percent rise in imports relative to 14.7 percent growth in exports. The high growth in imports is partly explained by an increasing import bill due to high international oil, deterioration of terms of trade and appreciation of the Kenya shilling. Exports on the other hand face low diversification, supply side constraints, and export of low value commodities. The trade deficit was largely offset by an increase in receipts from tourism, transport services, private capital inflows and remittances. These inflows more than financed the deficit, leading to a surplus of Ksh. 63 billion.

**Table 2: Selected Macroeconomic Indicators 2005-2007**

| <b>Indicators</b> | <b>2005</b> | <b>2006</b> | <b>2007</b> |
|-------------------|-------------|-------------|-------------|
| Real GDP Growth   | 5.8         | 6.4         | 7           |
| Per GDP Growth    | 2.9         | 3.5         | 4           |

|  |       |       |       |
|--|-------|-------|-------|
| Inflation  | 10.3  | 14.5  | 9.8   |
| REER Index (2001=100)                              | 85.3  | 73.7  | 65.1  |
| Trade Balance as percent of GDP                    | -12.9 | -16.7 | -18.2 |
| Current Account Balance (as % of GDP)              | -1.3  | -2.1  | -4.1  |
| Capital & Financial Account Balance (% of GDP)     | 4.1   | 3.9   | 8.8   |
| Interest Rate Lending                              | 13.6  | 13.7  | 13.32 |
| Interest Rate Deposit                              | 1.4   | 1.4   | 1.7   |
| Domestic Investment as percent of GDP              | 16.9  | 18    | 20.2  |
| Domestic Savings as percent of GDP                 | 13.6  | 16    | 13.6  |
| Domestic Credit to Private Sector (percent of GDP) | 28.1  | 27.6  | 28.6  |
| Public Debt (percent of GDP)                       | 48.5  | 44.3  | 39.4  |
| Domestic Debt (percent of GDP)                     | 17.9  | 17.7  | 17.6  |
| Foreign Debt(percent of GDP)                       | 30.6  | 26.6  | 21.9  |
| Unemployment                                       | n.a   | n.a   | 12.7  |

*Source: Budget Strategy 2008/9, Economic Survey 2008*

## Employment

Although the level of employment has been growing in the recent past, Kenya faces four key challenges, namely, high youth unemployment, working poor, a rapidly growing labour force (at about 3 percent, one of the highest among comparator countries), and underemployment. While the national unemployment is estimated at about 12.7 (Table 2), unemployment within age groups of 15-19 and 20-24 is about double the national rate at about 25 percent. Female youth unemployment is higher in these age groups at about 27 percent. The level of underemployment is also high and is estimated at about 21.4 percent in 2005/06. These are persons who are involuntarily working less than the normal hours of work. The rate is higher in rural areas at about 24 percent compared to 14.6 percent in urban areas.

The informal sector remains the major employer, accounting for over 75% of total employment. In 2007, informal sector employment grew by 6.1% thereby creating 427, 000 new jobs compared to formal sector employment that grew by 2.5% or 47,000 new jobs. The predominance of informal employment also raises policy questions related to the decency of employment. Employment in low productivity activities contribute to the 'working poor', currently estimated at 33 percent. These are individuals who despite working, they earn too little that can not pull them and their families out of poverty, usually earning less than US\$ 1 or US\$ 2 per day.

The solution to the employment challenge partly requires the transformation of the economy through production of high value products, increasing productivity and ensuring that all sectors of the economy are operating at full potential. These should be accompanied by prudent fiscal and monetary policy.

## Revenue, Expenditure and Public Debt Performance

The Government's fiscal policy objective has been to maintain revenue-to-GDP ratio at above 20 percent and enhance efficiency of public spending through deepening of public expenditure reforms. Table 2 shows the fiscal out-turn for the period

2004/05-2007/08. Revenue as a percentage of GDP is estimated at about 21.7 percent in 2006/07 and 21.3 percent in 2007/08. The ERS target was to increase revenue as a share of GDP to 23.4 percent by 2006/07<sup>2</sup>. The key recent reforms include: integration of the revenue and VAT departments, introduction of electronic tax registers, introduction of computerized audits and customs modernization.

Expenditure remained within target (25 percent of GDP) up to 2006/07; however, it is estimated to increase to 6.2 percent in 2007/08. Domestic borrowing has been largely contained, falling from 3.6 percent of GDP in FY 2001/02 to 1.8 percent of GDP in FY 2005/06, and averaging about 1.9 in 2006/07 and 2007/08. Overall, the fiscal deficit is projected to have increased from about 2.2 percent of GDP in 2006/07 to 6.2 percent in 2007/08. The ERS target was to reduce fiscal deficit to 3.3% of GDP by 2006/07. The key challenge for the authorities to maintain low level deficit while at the same time meet the increasing resource requirements to lay the foundations for the Vision 2030 especially resource requirements for the social sector and infrastructure.

**Table 3: Fiscal Out-turn 2004/05-2007/08 (% of GDP)**

| Indicators                    | 2004/0<br>5 | 2005/0<br>6 | 2006/0<br>7 | 2007/08<br>* |
|-------------------------------|-------------|-------------|-------------|--------------|
| Total Revenue                 | 21.2        | 19.9        | 21.7        | 21.3         |
| Recurrent expenditure         | 18.8        | 19.6        | 18.7        | 21.1         |
| Development Expenditure       | 3.3         | 4.3         | 4.7         | 8.3          |
| Total Expenditure Net Lending | 22.1        | 23.9        | 23.7        | 29.4         |
| Deficit (cash basis)          | 0.1         | -2.4        | -2.2        | -6.2         |
| Net External Financing        | 0           | 0.1         | 0           | 1.2          |
| Net Domestic Financing        | -0.5        | 1.8         | 2           | 1.7          |
| Other Financing               | 0           | 0.4         | 0.2         | 0            |

**Budget Strategy Paper (BSP) June 2008 & QBR 2006/2007 Quarter IV**

**\* Revised Budget**

Kenya's public debt as a percent of GDP has fallen during the last three years from about 48.5 percent in 2005 to 39.4 percent in 2007. This decline has mostly been realized through reductions in the burden of external debt, which fell from about 30.6 percent in 2005 to about 21.9 percent in 2007 (Table 2). The share of domestic debt in total debt increased from 37 percent in 2006 to 44 percent in 2007, indicating that domestic borrowing is preferred to external borrowing. However, in

<sup>2</sup> This target may have not been met due to revisions in GDP. When the Government adopted SNA 93 system, it found that the earlier measurements under-stated GDP by about 5 percent.

terms of interest payments, domestic interest payments as a share of GDP average about 2 percent compared to 0.3 percent for external interest payments. In volume terms, Kenya's public debt position at the end of June 2007 was Ksh. 715 billion. The current public debt position remains consistent with the Government's debt management policy objective of maintaining sustainable debt levels. The main challenge remains that of strengthening the legal and administrative framework to meet the international Guidelines on Debt Management.

Kenya underwent an international credit rating by the Standard and Poor's in September 2006 and was given a speculative rating of B+ for long term foreign currency, BB- for long term local currency, and B for short term local and foreign currency bonds. Following the post-election violence, standard and poor's downgraded Kenya's international credit rating before upgrading again to 'stable' following the end of the violence. This implies that Kenya's credit risk premium has increased relative to earlier ratings. Nonetheless, according to the 2008/09 budget, the Government is going to issue a sovereign bond to raise Ksh. 33.6 billion, mainly to finance infrastructure.

*Voices of the people had it that the post election violence had a number of adverse effects in their livelihood. Business was affected, thus inflation is very high, the persevered rise in food prices, delayed implementation of on-going projects and noted gross mistrust on business transaction.*

*A specific example is in Migori where, the post election violence affected the economic activities in the following ways;*

- *Many were left with no source of income.*
- *Threatening of auctioning households.*
- *Food shortage.*
- *Reduced growth of business;*
- *Food shortage.*

*In Rift Valley, ethnicity came into play during the post-election violence because of the widespread perception of the skewed nature of resource allocation. Much hope that the explosion of anger and violence Kenya has witnessed over the post-election period will shake the country's political leaders into resolving not only the immediate crisis but also the medium and long-term issues e.g. land, equity and a new constitutional dispensation.*

#### **4.4 Formulation of Macroeconomic Framework**

The Macroeconomic Working Group (MWG) that brings together the Ministry of Finance, Central Bank of Kenya, Kenya Revenue Authority, KIPPRA and the Ministry of Planning and National Development has been the focal point in the formulation of the macroeconomic framework. KIPPRA is currently spearheading the revision of Kenya Treasury Macro Model (KTMM) which is a key tool used in providing consistent macroeconomic projections. During the period under review, re-estimation of the macroeconomic model was undertaken especially with regard to



key variables such as consumption, investment and the productive sector of the economy. The work is expected to be concluded by the end of 2008. In addition, the Central Bank of Kenya is building a Macroeconomic Model with support from the USAID. This model is expected to provide an improved framework and forecasts for the financial sector. The Ministry of Planning and National Development maintains a Sectoral Model that is used to provide Sectoral projections. The working of the MWG could be enhanced through improved coordination between the participating institutions.

#### 4.4.1 Sectoral Policies and Programmes

The priority sectors covered under the NEPAD Framework Document (2001) include: infrastructure, Human resource development, health, agriculture, environment and science and technology. Below is an assessment of the progress in implementing the sectors included in the NPOA.

#### Sector Expenditure Allocations

A key aspect of the Government's public expenditure reform program has been to restructure public expenditure to allocate more resources towards development budget as well as increase expenditure allocations to the priority sectors of the economy: social sectors especially health and education, infrastructure and agriculture and rural development. These sectors combined took an equivalent of about 62.7 percent of the total in year 2006/07 and is planned to increase to 66.5 percent in 2007/08 (Table 4).

**Table 4: Spending on the social and economic sectors (in % of total expenditure)**

| Sectors                   | 2002/03     | 2003/04     | 2004/05     | 2005/06     | 2006/07     | 2007/08     |
|---------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>Social Sectors</b>     | <b>38.7</b> | <b>38.5</b> | <b>39.2</b> | <b>36.2</b> | <b>34.7</b> | <b>33.7</b> |
| Health                    | 7.5         | 7           | 7.5         | 8.6         | 8.2         | 7.6         |
| Education                 | 31.2        | 31.5        | 31.7        | 27.6        | 26.5        | 26.1        |
| <b>Economic Sectors</b>   | <b>18.2</b> | <b>21.1</b> | <b>19.4</b> | <b>24.5</b> | <b>28</b>   | <b>32.7</b> |
| Agriculture & Rural Dev't | 6.4         | 6.2         | 5.8         | 5.3         | 6.2         | 7.1         |
| o/w Agriculture           |             |             |             | 2.4         | 2.8         | 3           |
| Infrastructure            | 11.8        | 14.9        | 13.6        | 19.2        | 21.8        | 25.7        |
| <b>Other</b>              | <b>43.1</b> | <b>40.4</b> | <b>41.4</b> | <b>39.3</b> | <b>37.3</b> | <b>33.6</b> |

|              |            |            |            |            |            |            |
|--------------|------------|------------|------------|------------|------------|------------|
| <b>Total</b> | <b>100</b> | <b>100</b> | <b>100</b> | <b>100</b> | <b>100</b> | <b>100</b> |
|--------------|------------|------------|------------|------------|------------|------------|

*Source: Budget Strategy Papers, Various*

## Education Sector

The Sessional Paper No. 1 of 2005 provides the policy framework for education and training development in the 21<sup>st</sup> century and the Kenya Education Support Programme (KESSP) provides its implementation framework. The KESSP focuses on increasing access, equity, quality, retention and completion rates in all levels of education with emphasis on primary education. The policies are consistent with the national human development commitments articulated in Economic Recovery Strategy for Wealth and Employment Creation (ERSWEC) and Vision 2030 and international conventions including Millennium Development Goals that call for Universal Primary Education and Education for All by 2015, and elimination of gender disparities both at primary, secondary and all educational levels.

The Education sector continues to receive the largest share of public expenditure. The expenditures have been directed towards provision of free primary education, expansion of secondary education and to support technical training. In 2007/08, expenditure on education is planned to expand by 11 percent to cater for subsidized secondary school tuition, free tuition for day students in secondary schools, continued support to free primary education, employment of additional teachers and support to research and technical training. In 2008/09 fiscal year, the Government has allocated Kshs 465 million to cater for free tuition in accredited technical training and vocational colleges countrywide starting 2009.

**Table 5: Selected Education Sector Performance Indicators**

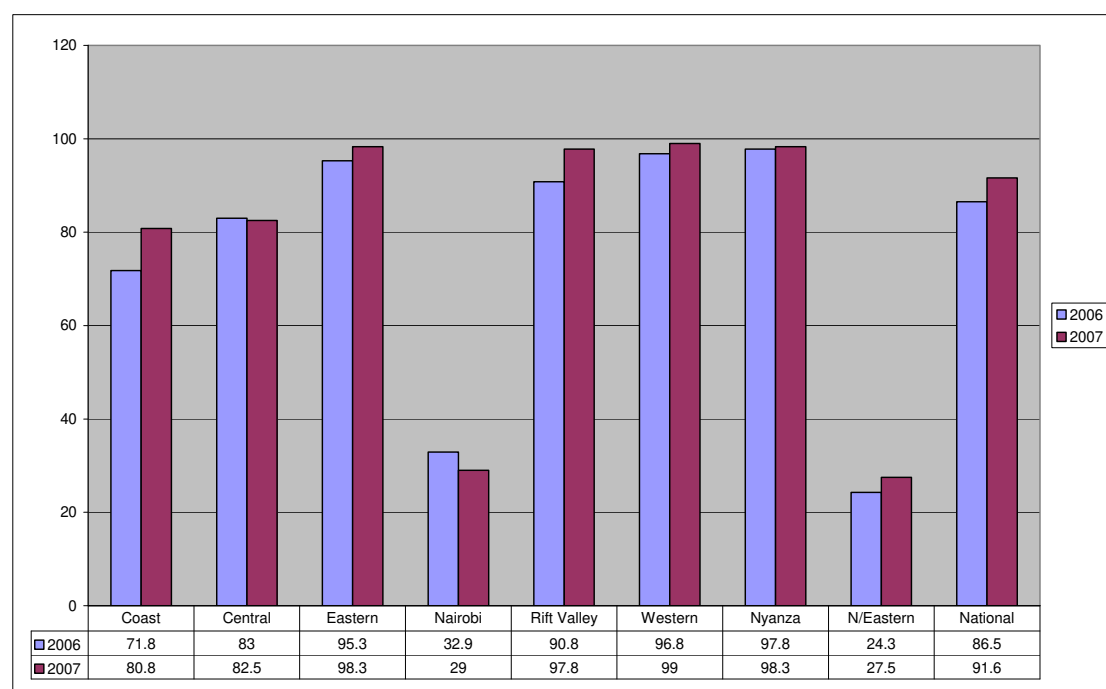
| <b>Sector</b>                | <b>2006</b> | <b>2007</b> |
|------------------------------|-------------|-------------|
| Primary School NER           | 86.1        | 91.6        |
| Secondary GER                | 32.2        | 36.8        |
| Primary School Gender Parity | 0.96        | 0.94        |
| Secondary Sch. Gender Parity | 0.89        | 0.83        |

*Source Economic survey 2007*

Despite major achievements in primary school net enrolment (NER), indicating that Kenya is on the right track towards realizing universal primary education, there are major regional disparities. For instance, NER for North Eastern province remains below the target of 31.5percent (figure 4). Secondary GER increased from 32.2 in 2006 to 36.8 in 2007. However, this is expected to rise further due to the subsidization of secondary education introduced in 2008. Gender parity is close to

being realized in primary education. More efforts are required to increase gender parity in secondary school education.

**Figure 4: Primary School NER by Province**



Source: Economic Survey 2008, and Education Statistics

## Health Sector

The current policy framework for the health sector is outlined in National Health Sector Strategic Plan NHSSP (2005-10) whose theme is “*Reversing the Trend*”. The NHSSP specifies the objectives, strategies and priority goals for the sector up to 2010. The key objectives include, increasing equitable access to health services, improved quality and effectiveness of service delivery, and improved financing of the health sector. The key public expenditure policies include increased resources to dispensaries and rural health centres to enhance equity and access.

Some of the key achievements include the implementation of the 10/20 policy aimed at reducing user charges in dispensaries and health centers. Through this policy, patients are charged a registration fee of Kshs. 10 and Kshs. 20 only for services in dispensaries and health centres, respectively. The Government also has a fee waiver provisions and exemptions to ensure that the poor have access to healthcare services. The Government has also introduced free treatment of malaria, TB, and HIV/AIDS in Government Hospitals, constructed over 1,000 dispensaries through the Constituency Development Fund (CDF) (of which 600 were operationalized by end 2007, training and employment of additional staff to enhance service delivery, continued re-orientation of expenditure towards preventive health and rural health services, and funding for HIV/AIDS interventions.

Table 5 shows performance for selected health indicators. Whereas there has been an increase in the number of doctors to 100,000 populations, reduced HIV Aids

Prevalence, and improved full immunization coverage, statistics on morbidity show mixed performance. There is need to re-examine the effectiveness of Government's policies on combating morbidity. The target for HIV/AIDs prevalence was 8 percent by 2006/07.

**Table 6: Selected health sector performance indicators 2005-2007**

| Sectors                                   | 2005 | 2006 | 2007 |
|---|------|------|------|
| No. of doctors per 100,000 population     | 15   | 16   | 17   |
| No. Health Workers per 100,000 population | 184  | 186  | 188  |
| Immunization(under 5 year) percent        | 63   | 71   | 73   |
| HIV AIDS prevalence                       | 10   | 6.4  | 6.3  |
| <b>Morbidity statistics (percentage)</b>  |      |      |      |
| Malaria                                   | 27.6 | 28.6 | 31   |
| Disease of respiratory system             | 24   | 22.4 | 24.6 |
| Skin diseases                             | 5.9  | 5.8  | 4.5  |
| Intestinal worms                          | 4.7  | 4.1  | 4.5  |

Source: Economic Survey 2008, Health MTEF 2008/09-2010/11

Although the average immunization coverage exceeded the revised target of 70 percent by 2006/07, there are huge regional disparities. For instance, although national immunization coverage stands at about 73% nationally, Nyanza province had the lowest rate at about 66% and western at 68% (Table 7).

**Table 7: Immunization by province**

| Province   | 2005 | 2006 | 2007 |
|------------|------|------|------|
| Nairobi    | 75   | 76   | 78   |
| Central    | 93   | 88   | 85   |
| Coast      | 61   | 74   | 78   |
| Eastern    | 67   | 78   | 78   |
| N. Eastern | 48   | 72   | 81   |
| Nyanza     | 53   | 66   | 66   |
| R/Valley   | 57   | 67   | 70   |
| Western    | 57   | 59   | 68   |

Source Economic Survey 2008, Health MTEF 2008/09-2010/2011

## Agriculture

Agriculture and livestock remains a key sector in Kenya's economy with 68.8 percent of all households directly involved in agricultural activities. An estimated

84.3 percent of all households in rural Kenya rear livestock. The major animals and poultry are: cows, sheep, goats, pigs, camels and chicken. The Government has been implementing the Strategy for Revitalization of Agriculture (SRA), which is a national policy for the sector covering the period 2004-2014 and aims at ensuring food security, enhanced productivity and commercialization of the sector.

**Table 8: Selected Sectoral Growth Performances (Growth in GDP)**

| Sector                      | 2005 | 2006 | 2007 |
|-----------------------------|------|------|------|
| Agriculture and Forestry    | 6.9  | 4.4  | 2.3  |
| Manufacturing               | 4.7  | 6.3  | 6.2  |
| Construction                | 7.5  | 6.3  | 6.9  |
| Hotels and Restaurants      | 13.3 | 11.6 | 11.5 |
| Transport and Communication | 8.9  | 11.4 | 14.9 |

Source: Economic Survey 2008, MWG

\*Forecasts –taking into account the effects of post election violence

The agricultural sector was targeted to grow at annual rate of 3.1 percent increasing to 5 percent in 2006/07. However, there has been slow down in the growth of the agriculture and forestry sector (Table 8). Estimates on the impact of the post election violence undertaken by the Macro Working Group indicate slower growth in 2008, for almost all key sectors of the economy. In 2007, the sector grew by about 2.3 percent down from 4.4 percent in 2006. Agriculture is also critical for national food security, the depth of hunger as measured by daily food consumption reveal that in 2005/06, 51 percent of the population consumed an average of about 1,261 Kcal/person/day below the minimum recommended benchmark of 1,683 Kcal/person/day.

The key challenges facing the sector include, high input costs, use of poor quality seeds, weaknesses in delivery of extension services and the need to strengthen farmer institutions including co-operatives, develop agriculture infrastructure and harmonize relevant legislative and regulatory frameworks.

## Tourism

Tourism is a key economic sector in Kenya. The sector contributes almost 23 per cent to the foreign exchange earnings. It employs about 253, 000 people in the modern wage sector<sup>3</sup>. The sector was targeted to grow by 9.7 percent. However, the sector has been growing at double digit rates (Table 7), thus exceeding the target.

<sup>3</sup> WTTC, 2007

The sector can even grow faster if the following challenges are adequately addressed: poor infrastructure, insecurity, improved marketing, promotion of domestic tourism and development of a clear strategy to guide the sector.

## **Infrastructure**

The targets on the expansion and restoration of infrastructure services including water and sanitation services, transport (road, railways and air transport), information and communication and energy, were very ambitious. For instance, the ERS had targeted that by 2006/07, only 20 percent of the road network would be bad/poor condition. However, by 2005/06, 72 percent of the road network was estimated to be in poor condition.

The key challenge noted was long procurement processes. Various reforms have been undertaken including increased budgetary allocations, operationalisation of a new procurement regime, and other legal and regulatory reforms.

## **4.5 Objective Two: Implement Sound, Transparent and Predictable Government Economic Policies**

### **4.5.1 Public Procurement and Disposal Assets**

The Public Procurement and Disposal of Assets Act 2005, provides for the establishment of an autonomous Public Procurement Oversight Authority (PPOA), which has been established and was gazetted in August 2007. The law also covers security procurements that were a major area of concern with regard to corrupt dealings, and transparency has also been enhanced so that contracts above 5 million are posted on the website hosted at the Treasury. However, plans are at advanced stage for local hosting on PPOA website. Challenges still exist in terms of capacity constraints that include financial and personnel that may hamper speedier and full operationalization of the Act. Priority should be accorded to enhancing effectiveness of the Public Procurement Oversight Authority (PPOA) in order to improve efficiency in public procurement and create fiscal space to allow for shifting of resources to priority Vision 2030 development projects.

### **4.5.2 Privatization**

The required action for this sector was for the Government to operationalise the privatization Act. In an effort to achieve this, the Privatization Commission is now operational with the appointments of the Executive Director and engagement of required staff. At the same time members of the Board were appointed by the Minister and approved by parliament. The Minister for Finance gazetted on 1<sup>st</sup> January 2008 as the date of commencement of the Privatization Act 2005. The Minister also gazetted (no 11882 of 2007) the 7 members of the Commission to be in office with effect from 2<sup>nd</sup> January 2008.

During 2007/08, the Government privatized Safaricom mobile company in May 2008 and raised the expected Kshs 50 billion through the sale of shares to the public. The sale registered an oversubscription of over 300 percent. The priority

area includes enhancing effectiveness of the Privatization Commission to oversee the implementation of privatization strategy. This strategy aims at promoting accountability and efficiency and opening opportunities for private sector investment and new technology in the public enterprises. In the 2008/09 fiscal year, the Government has indicated that it will be privatizing the National Bank of Kenya after financial restructuring.

#### **4.5.3 Budget Reforms**

A number of reforms have been carried out in the budget process which includes enhancing transparency through publication and dissemination of quarterly economic and budget reviews and annual public expenditure reviews. The participatory initiatives continue to be implemented through sector working groups, public sector hearings and request for submission of budget proposals by the Treasury through the press. More information is provided through the website of Ministry of Finance which includes: Budget Outlook Paper (BOPA); Budget Strategy Paper (BSP) and the MTEF Sector Reports. The full institutionalization of the MTEF budget process at the Sub-national level and the full implementation of the public financial management strategy remain as major challenges. There is also need to address capacity development issues in the budget process as significant slippage occurred in 2007 with BOPA and BSP and budget execution characterized by deviations in the budgetary and actual budget outcomes.

#### **4.5.4 Parliamentary Oversight**

An important achievement in this is that parliamentary forums (in pre and post budget workshop) with relevant parliamentary committees continue to take place every year. All the same the parliamentary budget office has been established and is now being fully operationalized. The Fiscal Management Bill 2007 was aimed at strengthening Parliamentary Oversight but lapsed in the previous parliamentary calendar. In this year's budget, there are proposals to enact an Organic Budget law. It will be important that the law specifies clearly the roles and responsibilities of the different players in the budget process including parliament.

#### **4.5.5 Improve Predictability of Economic Policies**

The National Integrated Monitoring and Evaluation System (NIMES) is already established and being coordinated by the Monitoring and Evaluation Directorate at the Ministry of Planning and National Development. The Directorate coordinates the preparation of annual progress reports (APR) on the implementation of national programmes, in the ERS, MTP and Vision 2030. The Directorate also facilitates the production of annual Public Expenditure Review (PER) reports that are diagnostic tools on public expenditure management.

The 4<sup>th</sup> Annual Progress Report and the last on the implementation of the ERS is in the process of being finalized. The 2007 PER was finalized and currently, the preparation of the 2008 PER is at an advanced stage. A Master plan for the implementation of the NIMES was also developed and had four (4) strategic interventions that have been identified: (i) administrative data collection systems

from Government, civil society and private sector at central and district level, (ii) project monitoring systems at national and district level, (iii) integrating M&E data collection sub-systems and coordination for analysis, research, communication and reporting, and (iv) institutional arrangements for coordinating the National M&E System.

The Government has also been implementing Performance contracting to enhance accounting and performance in service delivery. On 26<sup>th</sup> June 2007, Kenya was among 14 countries that won the prestigious United Nations Public Service Award (UNPSA), for its extensive system of performance-based contracting for fostering responsiveness and accountability in the civil service.

Other crucial initiatives undertaken in this objective include strengthening the capacities (technical skills and equipment) of M&E Directorate, developing M&E policy, preparing review reports (APR, PER, MPER, DAMERs, MAMERS and Midterm review report on MTP), strengthening capacities of DPMUs and DMECs to carry out M&E activities, and developing research plans including impact assessment studies on Government policies. Past PERs have identified an urgent need to conduct public expenditure tracking surveys (PETS) to track public expenditures reaching intended beneficiaries.

The key challenges facing the NIMES include: failure to fully institutionalize of the process at the District level, the NIMES is not well integrated in the budget cycle so as to effectively inform the budget process, the Public Expenditure Review process is also still localized at the Ministerial level. There is need to anchor the performance system within the budget cycle to enhance predictability. In addition, full implementation of the Public Finance Management Reform Programme is expected to enhance predictability.

#### **4.5.6 Management of Decentralized Resources and Fiscal Decentralization**

The Government has undertaken a number of reforms in the management of these decentralized resources. These resources include, Local Authority Transfer Fund (LATF), Constituency Development Fund (CDF), Education Bursaries, and HIV/AIDS Control Fund etc. The management and audit capacity for efficient and effective use of devolved funds is being strengthened. Among the steps undertaken is the management structures for CDF have been established where the CDF Act was amended to provide for hiring of managers and also to enhance transparency and efficiency. This was affected and CDF managers were hired in December 2007. Monitoring and Evaluation Directorate (MED) has defined monitoring mechanisms with respect to funds as inputs leading to outputs, outcomes and impacts to beneficiaries.

The Government has also reactivated quarterly District Development Committees (DDC) and other lower development committee meetings; producing the quarterly progress reports and Annual Progress Reports for districts and District Annual Monitoring and Evaluation Reports.



Each District is in the process of preparing a District Investment Plan derived from among others the Constituency Strategic Plans; The District Investment Plan will indicate the resources required, what the district has (devolved funds), and what will be needed from outside this kitty (e.g. donor support) District Focus for Rural Development has been revised to strengthen sub-national participatory decision making mechanisms.

Local Authority Reforms are on-going through deepening monitoring and evaluation systems to cover programmes implemented by local authorities. The financial management in LAs has been reformed through completion of LAs treasurer's manual and development of financial regulations for LAs. The Draft Local Government Bill is in AGs chambers, Councilors code of conduct is ready for gazettment while the Strategic Plan and Service Delivery Charter is complete. Also important to note is that the audit back log for LAs has been reduced from 80% to 40%.

The Government is finalizing the review process of the Local Government Act and Developing a decentralized policy for Local Authorities to include strengthening local revenue mobilization and accounting systems and to improve the utilization of Local Authority Transfer Fund (LATF); encouraging the participation of local communities in implementation, monitoring and managing the affairs of local authorities and exploring the privatization of service provision in infrastructure/utilities.

*From the voices of the people, the devolved funds are poorly managed. They lack co-funding mechanism and they do not appreciate the community's priorities. The people suggested that the heads of different institutions should be involved in the planning committee. These committees are unable or rather cook financial records in addition; they do not keep proper records of different projects they have engaged in. In summary,*

- *CDF and LATF fund grossly mismanaged.*
- *The public are not involved in the management of the funds.*
- *MPs/Councilor select the funds managers from their political supporters irrespective of know how.*
- *Contracts are awarded to friends and relatives.*

*Also strongly noted is that these funds have poor monitoring and evaluation strategies and mechanisms. There is no transparency and accountability, lack of strategic plan both at national and local level, duplication of projects, policy discrimination, and discrimination of the poor people.*

#### **4.5.7 Labour and Wage Policies and Employment**

Under this sector several laws were enacted by December 2007, these are; The Employment Act 2007, The Labour Relations Act 2007, The Labour Institutions Act 2007, The Occupation Safety and Health Act 2007, The Work Inquiry Benefits Act 2007 all meant to improve labor market operations in line with international standards. These pieces of legislation also aim at strengthening the legislative

framework for the labour market. Despite these positive improvements, the employers are having issues in the implementation of the Employment Act 2007 and the Work Inquiry Benefit Act 2007. This calls for fast tracking of the resolution of these issues to ensure smooth progress in this sector.

The overall performance of the labour market outside small scale agriculture and pastoral activities showed positive growth in 2007. The growth was mainly registered in the informal and modern private sectors. All sectors of the economy recorded improved performance, which translated to improved employment opportunities across board. Overall, a total of 474,700 new jobs were created between 2006 and 2007 with the informal sector accounting for 426,900 of the additional jobs (89.9%). This growth is attributable to favourable business environment, availability of credit from financial institutions and increase in investment opportunities in the country.

*From the provincial forums and in the Rift valley province, it was noted that the youth in particular, who make up a majority of the population - and of those who rioted - feel the most let down. Improved education gave them hope of a better life than their parents. In Kitale the youth stated that under colonialism, it was almost a slave labor system which grew up in the early days of the coffee estates. After independence, the white master was simply replaced by the black master.*

*A lot of young people who got a bit of education could not see themselves working for pittance as farm laborers. They started drifting to the cities where the opportunities are not enough to accommodate all of them. In turn there is a massive influx of people who just can't find work.*

*The common Kenyan citizen who does not have money or property does not have a say in how Kenya is organized. They never have. It's always been about what car you drive, where you live, and then you have more rights than other people.*

#### **4.5.8 Increase absorptive capacity of spending agencies**

The table below presents utilization analysis of the recurrent and development expenditure by MTEF sectors. The overall utilization rate rose from 87.5 percent in 2002/03 to 93.8 percent in 2003/04. It then dropped to 85.8 per cent during 2004/05. The physical infrastructure sector had the lowest average absorption rate at 78.9 per cent, while the National Security Sector had the highest average of 98.8 percent. The average utilization rate of development funds was much lower at 70.3 percent compared to 95.1 per cent for the recurrent expenditure between 2002/03 and 2004/05. The health sector had the lowest average utilization rate of development expenditure during the period under review, with an average utilization rate of 28.0 per cent. This was followed by public safety, law and order (59.3 percent); general economy (62.2 percent); education (62.3 percent); physical infrastructure (69.5 per cent); agriculture and rural development (69.0 percent; and national security (98.9 percent).

The Budget Strategy Paper 2008/09-2010/11 notes that during July-December 2007, total expenditure amounted to Ksh. 238.9 billion against a target of Ksh. 266.9 billion. This was an under expenditure despite a robust performance in revenue.

Resource absorption therefore still remains a big challenge especially with regard to the development budget. Capacity and weak institutional frameworks for public expenditure management need to be continuously up-graded to effectively address the absorption problem. Implementation of the Kenya External Resources Policy (KERP) and the Kenya Joint Assistance Strategy (KJAS) will help address absorption issues related to the execution of the development budget.

Table 9: Utilization Levels by sectors (Spending Agencies)

| Financial Year | Vote | Utilization         | ARD   | PA    | PI    | PSLO  | HEALTH | EDUC   | NS     | GES   | Grand Total |
|----------------|------|---------------------|-------|-------|-------|-------|--------|--------|--------|-------|-------------|
| 2002/03        | Rec  | Overall Utilisation | 92.35 | 86.54 | 75.85 | 96.09 | 99.70  | 98.40  | 99.75  | 89.33 | 93.89       |
|                |      | AIA Utilization     | 56.44 | 78.51 | 69.12 | 98.84 | 100.00 | 6.05   | 100.00 | 37.28 | 73.71       |
|                | Devt | Overall Utilisation | 68.87 | 93.93 | 64.42 | 61.29 | 19.32  | 58.58  |        | 77.58 | 65.41       |
|                |      | AIA Utilization     | 54.96 | 91.57 | 65.90 | 39.98 | 9.06   | 12.26  |        | 76.00 | 36.48       |
| 2003/04        | Rec  | Overall Utilisation | 94.76 | 89.73 | 90.95 | 94.19 | 96.52  | 96.67  | 98.03  | 91.56 | 94.87       |
|                |      | AIA Utilization     | 58.19 | 86.55 | 93.65 | 94.34 | 100.00 | 100.00 | 93.23  | 93.23 | 92.83       |
|                | Devt | Overall Utilisation | 77.20 | 90.45 | 65.23 | 56.46 | 25.70  | 64.83  |        | 52.94 | 66.53       |
|                |      | AIA Utilization     | 65.37 | 56.39 | 63.08 | 33.60 | 13.63  | 62.81  |        | 30.69 | 54.28       |
| 2004/05        | Rec  | Overall Utilisation | 97.01 | 86.75 | 90.04 | 93.68 | 99.44  | 98.08  | 98.93  | 96.72 | 95.30       |
|                |      | AIA Utilization     | 99.97 | 96.69 | 92.36 | 98.21 | 100.00 | 47.65  | 94.82  | 95.26 | 91.44       |
|                | Devt | Overall Utilisation | 61.13 | 41.45 | 66.64 | 65.01 | 39.05  | 63.60  |        | 54.33 | 55.88       |
|                |      | AIA Utilization     | 55.12 | 56.01 | 71.05 | 29.09 | 12.11  | 13.17  |        | 25.86 | 55.88       |
| 2005/06        | Rec  | Overall Utilisation | 92.83 | 88.63 | 81.98 | 93.64 | 96.30  | 98.95  | 95.51  | 83.54 | 93.74       |
|                | Devt | AIA Utilization     | 60.86 | 85.90 | 72.05 | 52.74 | 32.68  | 66.18  |        | 44.80 | 66.69       |

ARD-agriculture and rural development PA-public administration; PI-physical Infrastructure; PSLO-public safety law and order; Educ-education; NS-national security; GES-general economic services (Source: PER, 2007)

## **4.6 Objective Three: Promote sound public finance management**

### **4.6.1 Implement strategy for public financial management**

The Government has continued to implement the Strategy for Public Financial Management. Ten (10) PFM reform benchmarks have been achieved including risk based Audit Approach which has been rolled out in all Ministries and Government departments. Integrated Financial Management Information System (IFMIS) that is expected to enhance financial management has been rolled out in 30 Ministries which are implementing the following modules: the General Ledger module, the procurement order module and the Accounts Payable module while the cash management module is at its advanced stage of implementation.

The benchmarks were realized by June 2007, there is need to fast track PFM reforms.

### **4.6.2 Strengthen the link between budgeting and planning**

The main goal of the MTEF budget that the Government is implementing is to enhance the link between the budget and planning. The Government continued to use the Public Expenditure Review (PER), MTEF Sectors, and Budget Strategy Paper (BSP) to enhance the links between policy and planning, and budgeting. MTEF sector groups have been re-organized to reflect key policy priorities and participation of stakeholders has been enhanced. The big challenge is to roll the MTEF budget to the sub-national levels especially the District MTEF Committees to facilitate the 'bottom up' process.

### **4.6.3 Local Authorities budgetary process to be open to public participation and consultation**

Reforms still continue to be undertaken under the Kenya Local Government Reform Programme (KLGRP) aimed at strengthening financial accountability mainly for the Local Authority Transfer Fund (LATF). During the period under review, 175 Local Authorities read their budgets to the public and even signed the performance contract.

## **4.7 Objective Four: Fight corruption and money laundering**

### **4.7.1 Control Corruption and Enhance Rule of Law**

Kenya's performance on corruption as measured by the Transparency International (TI) Corruption Perception Index (CPI) reveals that there is need for scaling-up the fight. In relation, the Kenya Anti-Corruption Commission (KACC) continued to undertake investigations in several cases of corruption in the country. One of the positive steps by KACC recently is the recovery of the Grand Regency hotel. Also the cases handled by KACC increased from 7,888 to 8,188 as at the end of April 2008. The number of corruption cases investigated increased from 1,150 to 1,611 as at the end of April 2008. The Anglo Leasing cases are still in court where the investigations on many other dimensions are still going on. KACC was able to recover the Grand

Regency multi-billion hotel that has been at the centre of the Goldernberg Scandal. It is important to note that the recovery of the Grand Regency Hotel continues to attract controversy leading to the Office of the Prime Minister asking for information on the alleged sale of the Hotel. Other developments include the grilling of the Director of KACC by the PIC in the month of May 2008 concerning the Hotel.

Some of the major challenges include: high expectations that corruption can be wiped out at once, and quick conclusion of Grand Corruption has been delayed through legal defense opportunities that are afforded in the Kenyan laws. The Public Complaints Committee has been established to handle complaints that are not under KACC's mandate. However, there are perceptions that the office, having been established, a year ago, has not had any impact. There is therefore need for more sensitization and full operationalisation of the office. It should also be made accessible to the public at lower levels.

#### **4.7.2 Enhance information availability on fight against corruption**

Government has established anti-corruption institutions (KACC) and the National Anti-Corruption Campaign Steering Committee which has introduced District Corruption Committees and together with the Ministry of Education have launched integrity clubs in schools to institutionalize an ethical and value based culture. Government information website has been created, office of Government Spokesperson broadcasting various programmes, on corruption to the public.

KACC continues to publish quarterly and annual reports on corruption. The Commission developed and disseminated Information, Education and Communication (IEC) materials to members of the public at various fora. The Commission, in collaboration with various media houses, designed and developed specific messages on anti-corruption including spot adverts, branding of programmes, and sponsorship of popular programmes, all geared towards positive attitude and behavior change.

Despite these efforts, Kenya still ranks poorly in the Transparency International Corruption Index, having declined in 2007. There is need therefore to up-scale efforts to fight corruption.

#### **4.7.3 Improve the legal framework for anti-money laundering**

The proceeds of Crime and Anti-Money Laundering Bill 2007 was finalized and published on 12th April 2007. It has gone through two readings and is now at the committee stage. The Banking Act is being reviewed to enhance the supervision of CBK on money laundering transactions following the issuance of new regulations.

#### **4.8 Objective Five: Accelerate regional integration by participating in the harmonization of monetary, trade and investment policies**

##### **4.8.1 Strengthen membership and accelerate the integration process**

The country continues to participate in regional integration process being undertaken by the EAC, COMESA, IGAD, ACP-EU and many others.

##### **East African Community (EAC)**

The EAC Customs Union commenced from 1<sup>st</sup> January 2005 and is being established progressively within a period of five years. Therefore, a fully fledged Customs Union shall be in place by 2010. Since then the following has taken place:-

- Common duty rates apply uniformly on goods imported into East African Community regardless of their point of entry, whether through Kenya, Tanzania or Uganda.
- A Common Customs Valuation system apply uniformly based on: - CIF value at the initial port of discharge in the East African Community such as Mombassa, Dar es Salaam; and Exclusion of airfreight cost in the value for computation of duty.
- Zero duty rates apply on most of the goods originating and traded within East Africa.
- The Principle of asymmetry applies in the liberalization of the market. In this context:- Uganda and Tanzania have eliminated import duties for goods originating from and imported into each other's territory respectively; Kenya has eliminated import duties on imports originating from Uganda and Tanzania; and gradual reduction to zero duty rates within five years on selected goods originating from Kenya and imported into Tanzania and Uganda. This is in line with the agreed programmes and modalities for the elimination of internal tariffs.
- Adoption of Common External Tariff (ending the practice of each country charging different tariffs) has contributed significantly towards enhanced simplicity, rationalization, and transparency and user friendliness of the EAC Partner States tariff regimes.

## **Economic Partnership Agreement (EPA) Negotiations**

The East African Community (EAC) and the European Commission (EC) initiated an EAC-EC-EPA Interim Framework Agreement on the 27<sup>th</sup> of November 2007 in Kampala Uganda. This Interim EAC-EC-EPA Framework Agreement replaced the Cotonou Agreement which has been in place since 23<sup>rd</sup> June 2000. The interim agreement will be in force till July 2009, by which time it is expected that the comprehensive EPA will have been negotiated and concluded with the EU. The objective of signing the framework agreement was to safeguard against trade disruption that was eminent after the end of Cotonou trade regime on 31<sup>st</sup> December 2007. A comprehensive EPA is being negotiated between the EAC and European Union and both sides have agreed on the negotiation road map. The negotiations are scheduled to be completed by 31<sup>st</sup> July 2009. The initialed EPA framework agreement is now in the process of being translated into EU 21 languages and later into Kiswahili. It will be signed by both parties and eventually ratified and later notified to the World Trade organization

## **Common Market for Eastern and Southern Africa (COMESA).**

Kenya is a founder member of COMESA. COMESA member States have agreed to integrate their countries and form a single economic space by adopting a strategy towards integrating their trade and investment policies into single coherent regime by creating a single market for goods and services and a common investment area (i.e. a single market for goods, services, capital and labour).

A customs Union is expected to be launched by 31<sup>st</sup> December 2008. Negotiations on customs union are ongoing and are expected to be completed by September 2008. Complete economic integration is expected 2018.

The Vision for COMESA by 2018 includes: Single Currency & Common Central Bank; Borderless Region; Free Mobility of Factors of Production; Common Investment Area; Single Market for Primary & Secondary Goods; Air and Ground Transport fully integrated & liberalised; and Common Border Posts. Various COMESA institutions and programmes are being implemented. These include:

- COMESA court of justice.
- The Eastern and Southern Africa Trade and Development Bank (PTA Bank)-Mobilises funds for trade and development.
- COMESA Re-insurance Company (ZEP-RE).
- Leather and Leather Products Institute (LLPI).
- COMESA Clearing House –enhancing the minimisation of use of hard currency.
- African Commerce Exchange (ACE).
- African Trade Insurance Agency(ATI).
- COMESA Regional Investment Agency(COMESARIA).
- COMESA Association of Commercial Banks.
- COMESA Fund- provides leverage in donor financing to the region.
- COMESA Monetary Institute.
- COMESA Business Council.



#### **4.8.2 Monetary harmonization**

The Monetary Affairs Committee (MAC) of East Africa Community (EAC) is continuing to develop key policy benchmarks and actions focused on monetary integration. MAC brings together all the Central Bank Governors of East Africa. There is a directive by the 6<sup>th</sup> Extra-Ordinary Summit of EAC Heads of State that met in Ngurdoto, Arusha on 20<sup>th</sup> August 2007 that requires the EAC to explore how best to move expeditiously towards the establishment of the Monetary Union by 2012. To strengthen regional payments systems, the Real Time Gross Settlement (RTGS) system is being implemented in the region and currently the MAC is working on the implementation of a cross border payment system. The system is expected to facilitate settlement of regional trade in the currencies of the East African countries.

Budgets of the three partner states have been delivered on same day in June 2008 and the Tripartite Agreement for the Avoidance of Double Taxation and prevention of fiscal evasion with respect to taxes on income adopted. Study on monetary integration in the EAC has been finalized and the partner States are commenting on recommendations from the study. The COMESA member states are scheduled to agree on the date of creation of a Monetary Union.

#### **4.8.3 Harmonize regional and national policies**

Sectoral studies on various subjects (Rules of Origin, SPS, Fisheries, and Export Products etc) on trade have been undertaken by the Ministry and associated institutions like KEPLOTRADE, KIPPRA etc. Some of the achievements include development of the regional COMESA competition policy which is already in place, the framework on the COMESA Common Investment Area (CCIA), a COMESA Regional Investment Agency (RIA) and the COMESA Business Council (CBC) have been established.

The harmonization of standards under the EAC has reported a lot of progress while joint customs inspection is continuing at various border points. Cross border committees have been established and strengthened in border towns including Busia, Taita Taveta, Malaba, Esbania, Lunga Lunga and Namanga to identify and recommend trade barriers so as to enhance the volume and flow of trade across the borders.

#### **4.8.4 Expansion of Markets**

The Ministry of Trade has expanded and strengthened its networking and partnership with the private sector producer and consumer organizations, non-state actors and civil society organizations especially in the negotiations which are being undertaken in the EAC, COMESA in areas of EPA, Common Market and COMESA customs Union. Ministry of Trade has developed a national trade policy which is in the finalization stages before implementation process starts.

## 5.0 CORPORATE GOVERNANCE

This section evaluates the progress made in ensuring that business enterprises- both private and public- are well governed. It also examines the extent to which the country has put in place a conducive and enabling environment in which business enterprises can grow and thrive.

Kenya has a vibrant private sector that is generally viewed as the engine of, and the primary vehicle for, economic growth.

In the 2008 World Report on 'Doing Business', Kenya was rated no. 72 with ease of doing business among the 178 countries surveyed, The country is rated eighth among the top ten global reformers in the ease of doing business. While this makes Kenya the easiest location to do business in the Eastern Africa region, it is recognized that in today's global environment, the country has to compete with best in the world. While noting that the country fared well in areas of dealing with licenses (ranked 9), and access to credit (ranked 13), it is also regrettably noted weakness in the areas relevant to trading across borders (ranked 148) and paying taxes (ranked 154).

### Doing Business 2007 – 2008

**Table 10**Kenya. Region: Sub-Saharan Africa Income category: Low income Population: 35,143,187 GNI per capita (US\$): 580.00

| Ease of...             | Rank | Rank | Change in Rank |
|------------------------|------|------|----------------|
| Doing Business         | 72   | 82   | 10             |
| Starting a Business    | 112  | 115  | 3              |
| Dealing with Licenses  | 9    | 15   | 6              |
| Employing Workers      | 66   | 66   | 0              |
| Registering Property   | 114  | 112  | -2             |
| Getting Credit         | 13   | 32   | 19             |
| Protecting Investors   | 83   | 81   | -2             |
| Paying Taxes           | 154  | 156  | 2              |
| Trading Across Borders | 148  | 147  | -1             |
| Enforcing Contracts    | 107  | 105  | -2             |
| Closing a Business     | 76   | 74   | -2             |

In the context of corporate governance, the major challenges that the country faces are:

- To improve and increase productivity in all sectors of the economy through sustainable, efficient and effective use of resources, reduction in wastage and enhanced labour productivity;

- To mobilize the citizenry to participate in the development process and engage in the ownership and protection of the wealth creating sectors;
- To ensure that the wealth producing process generates an adequate number of quality jobs and that the wealth produced helps to reverse the persistent and increasing poverty and unemployment in the short term and to promote equitable human development;

In order to address these challenges, the Government formed a Business Regulatory Reform Unit within the Ministry of Finance to coordinate the country's effort to make Kenya an attractive destination for investment and a suitable place to do business. In addition the Ministry of Trade and Industry launched the Private Sector Development Strategy whose core focus was to create a conducive, enabling and competitive environment in which business enterprises can grow and thrive.

During the period under review the Licensing Repeals and Amendment Act (2007) was enacted and measures taken to make operational the e-Registry in order to curb the possibilities of re-regulation creeping in and to vet and ensure that any new regulations and/or licences were compatible with the business development objectives and complied with best practice in terms of quality, transparency and coordinated minimum regulation. The implementation of the licensing reforms had a number of positive effects in removing other regulatory constraints.

As part of the Government's Performance Contracting (PC) and Results Based Management (RBM) principle, a Task Force was set up to fast track the implementation of regulatory reforms and drive initiatives to improve the business regulatory performance. Its mandate is to institutionalize the Regulatory Impact Assessment (RIA) system among regulators in order to screen the quality of new licensing regulations; drive reforms of existing business regulations; build capacity in all line ministries and among regulators on all aspects of regulation; develop and regularly update the regulatory reform strategy ; fast track the enactment of Business Regulation Bill; undertake advocacy and outreach to stakeholders; conduct a study on the impact of regulatory reforms in Kenya; and develop monitoring and evaluation benchmarks to support the effective implementation of reforms.

Following the institutionalization of strategic planning processes and using performance based management practices both in Government and SOEs, Kenya was awarded in May 2007 the United Nations Public Service Award for introducing Performance Contract in Public Service. In addition, the country has done well in turning round the performance of State Owned Enterprises (SOEs) which for many years were a drain on national resources. SOEs now play a positive role in the economy.

The Government has continued with its divesture programme and in the last 12 months sold some of its shares in Kenya Re-Insurance Corporation and Safaricom Ltd to the public through the Nairobi Stock Exchange and Telkom Kenya through international bidding.

The country further appreciates the need to address the challenges posed by insecurity to the business sector and has introduced a number of initiatives to reduce crime and involve the citizenry in promoting a safe and secure environment for business including community policing

In 2007 about 474,700 jobs were created with 89.9percent being absorbed in the informal sector. Developing of an enabling environment for the growth of MSEs is our priority.

Unfortunately, the post-election violence, witnessed during the first two months of 2008, adversely affected the business environment and the development of the private sector. The production and supply chain processes including harvesting, processing, marketing, distribution and transportation and retailing of agricultural, commercial and manufacturing industries were affected. There was destabilization of the factors of production that include land, labour and capital (stock and equipment). In addition, access to raw materials and supply of goods was disrupted. Investors and the labour force were also affected due to destruction, burning of business premises and displacement from the affected areas leading to reduced capacity utilization.

Fuel and electricity interruptions were severe in the affected areas mainly due to immobility of suppliers. There were delays in the supply of raw materials and finished goods at the port of Mombasa occasioned by the disruption of the transport system. Because of security concerns, manufacturers had to organize for armed security to escort trucks. The perception of Kenya as a regional economic hub was damaged resulting in low investor confidence.

The stakeholders consulted during the provincial forums highlighted the fact that good corporate governance cannot be effective without good political, democratic and economic governance or in the in absence of equitable and just social economic development. They highlighted the fact that the country must:

- (i) create a conducive environment in which businesses can grow and thrive;
- (ii) ensure that the regulatory framework attracts both domestic and foreign investments;
- (iii) promotes efficient and effective use of national resources;
- (iv) enhances the country's competitiveness, and
- (v) productivity and promotes regional and global trade.

It is against that background that after examining the progress made and the challenges that remain that the Grand Coalition Government in the its Policy Agenda, the Medium Term Plan and the National Vision 2030, stresses the need for enhanced good governance, entrenchment of peace and security with national reconciliation, revitalization of productive sectors of the economy; restoration of damaged infrastructure for accelerated equitable economic and social development for a prosperous Kenya.

## 5.1 Standards and Codes

Kenya has signed, ratified, adopted and sought to implement or comply with most of the internationally accepted principles, standards and codes relevant to corporate governance, with the exception of the core principles of Insurance Supervision and ILO convention No. 87.

It is instructive that after the APRM exercise, the State Law Office initiated action to advise line ministries on the processes of domestication and compliance with the reporting obligations on international conventions standards or codes.

In respect of corporate governance codes, Kenya opted to implement the “inclusive approach” advocated by the Commonwealth principles. This approach examines corporate governance based on the relationships between business enterprises and society. The approach includes the following elements:

- (i) The policy framework;
- (ii) The legal and regulatory framework, and
- (iii) The self regulatory relationships within the enterprise.

In November 1999 the country adopted and issued the generic “Principles and Sample Code of best practice for corporate governance in Kenya;” that has since been used as a uniform basis for the development of sector specific codes or guidelines for Quoted companies, Banks and Financial Institutions, Cooperatives, State Owned Enterprises, Shareholder rights and obligations and on Corporate governance reporting and disclosure.

Kenya has more than 530,000 registered businesses in the form of incorporated companies, cooperatives, state owned enterprises and unincorporated business entities. This large number poses challenges to the country.

Stakeholders consulted during the APRM field work indicated that the corporate governance guidelines developed to date focused almost exclusively on large enterprises and requested for the development of guidelines for MSEs and for community based enterprises. They further suggested that training on corporate governance principles, standards, codes and practices ought to be availed to all to enable citizens understand the principles and demand compliance.

### 5.1.1 The country has not yet ratified the core principles of Insurance Supervision.

However the country has reviewed the Insurance Act, established an independent Insurance Regulatory Authority that came into operation in May 2007. The Authority has the statutory mandate to regulate, supervise and develop the Insurance Industry in Kenya. In addition the minimum paid Capital for life and general business insurers was raised during the year.

Stakeholders consider that much more needs to be done to regulate the conduct of insurance companies and protect innocent policy holders from likely losses on collapse of insurers. They also want the cost of insurance to be brought down.

### **5.1.2 Kenya has not ratified ILO convention No. 87.**

However the Labour Advisory Board has been deliberating with a view to facilitating ratification of the Convention. Stakeholders consulted indicate the need to ensure that the adoption of ILO conventions and its implementation does not create unrealistic expectations on the part of labour without ensuring that the productive sectors of the economy buy into the processes and can also afford the costs incidental thereto.

### **5.1.3 Enhance adoption of Principles of Corporate Governance in all sectors of the economy**

Quoted and Financial Sector Companies are required to report on compliance with principles of corporate governance by Capital Markets Authority and the Central Bank of Kenya respectively. Companies in the Retirement Benefits Industry, State Owned Enterprises and Cooperatives are also required to report on compliance with corporate governance by the respective regulatory authorities.

The Public Procurement Oversight Authority has instituted processes requiring all suppliers to public institutions to disclose and comply with good corporate governance standards. Other organizations have adopted Corporate Governance Principles through the initiatives of their respective Boards.

Various institutions offer training in corporate governance with the Centre for Corporate Governance having trained several people from all sectors of the economy. A total of 1,353 Directors and Senior Managers have undergone training in corporate governance. In addition institutions like the Kenya College of Accountancy, East Southern African Management Institute and Strathmore University are running advanced courses in corporate governance at the diploma and Masters level.

The Institute of Directors of Kenya (IOD)K, also requires joining members to have successfully undergone corporate governance training. The members of the Institute are spearheading adoption of the good Corporate Governance practices within their organizations and the economy. The Government has in addition embraced “improvement of Governance” as one of the three key pillars on which the country's development agenda is anchored on.

The profitability of corporations has increased due to the increase in efficiency and transparency. The contribution of major corporations to GDP amounted to 6.8 per cent in 2007.

Stakeholders consulted indicated that since both the concept and purpose of corporate governance are not clearly understood by members of society generally, it has not been possible until now for many stakeholders to make the connection

between good corporate governance and Government revenues, quality products and employment generation. They suggested intensive public awareness raising and education programmes to enable society effectively link good enterprise governance to such issues like the welfare of society, the eradication of corruption and improved national competitiveness etc.

#### **5.1.4 Adoption of International Financial Reporting Standards (IFRS) and International Standards of Auditing (ISA)**

All business enterprises in Kenya are required by the Kenya Revenue Authority to comply with International Accounting and Auditing Standards when reporting for tax purposes.

The Institute of Certified Public Accountants of Kenya, in its 2005 self-assessment prepared for the International Federation for Accountants, states that international standards are adopted without any modifications.

There is high compliance with IFRS and ISA among quoted companies, financial institutions, multinational and large corporations. The institute of Certified Public Accountants of Kenya (ICPAK) is satisfied that standards of reporting are improving. This is reinforced by reports from its Auditing Quality Assurance Unit which reviews Auditors' work continuously and goes through all auditing firms on a three year cycle with more frequent visits where weaknesses have been identified.

Stakeholders consulted indicate that it is unrealistic to expect micro, small and medium enterprises to comply with the current set of international accounting and auditing standards given the costs inherent thereto and the fact that the country does not yet have an adequate number of qualified accountants and auditors to service all the enterprises. The stakeholders requested for the introduction of simplified accounting and auditing guidelines for MSMEs.

#### **5.1.5 Accounting and Auditing Standards for MSEs**

In 2006 the Institute of Certified Public Accountants of Kenya (ICPAK) in its self-assessment report indicates that, listed public and private companies are required under the Companies Act to have their financial statements audited. Under the Accountant's Act, the ICPAK is empowered "to issue regulations and standards for use in auditing financial statements". In 1999 ICPAK issued instructions requiring that all organizations' financial reporting and auditing must be in line with IFRS and ISA.

However, although compliance within MSEs has been improving, compliance still varies widely. ICPAK alongside other collaborating institutions in the region has been looking at optimal acceptable reporting standard for MSEs. It is in this context that ICPAK has reviewed the draft IFRS for MSEs developed by International Accounting Standards Board (IASB) and which is under circulation among member institutions in the expectation that a final standard will be in place in 2009.

## **5.2 Objective One: Promote an enabling environment and effective regulatory framework**

### **5.2.1 Overall Enabling Business Environment**

The Private Sector Development Strategy (PSDS) launched in January 2007, aims to address the constraints to Private sector development. There are a number of licenses required to start and operate a business in the country. While there were 1,325 licenses two years ago, today, after the licensing (Repeals and Amendment) Act No. 17 of 2006 was made operational, a total 694 licenses have been repealed (315 eliminated and 379) simplified.

The streamlining of business registration processes, the investor protection guidelines and laws, the result based management and performance contracting framework in all Government offices, the devolved funds and all the efforts to reduce levels of corruption are all intended to facilitate improvement of the business operating environment.

Stakeholders consulted indicated that substantial gains in improving the business operating environment and in restoring some confidence in the market economy in Kenya had been made prior to the December 2007 elections. They indicated that many of those gains have since been lost.

Stakeholders also indicated that because of the level of counterfeits in the country, businesses are reluctant to engage in innovative and ground breaking investments unless assured of effective legal protection and enforcement. To safeguard the manufacturing sector and consumers, during FY 2007/08 it is planned to introduce stringent administrative and legislative measures against trading in counterfeit and substandard goods. The draft Anti- Counterfeit Bill to stamp out damping of counterfeit and substandard goods will soon be introduced in Parliament together with the Consumer Protection Bill that is being drafted.

The stakeholders consulted during the provincial forums consider that improvement of infrastructure, enhancement of security and increased access to credit with reduction of the license requirements by local authorities will greatly enhance the business operating environment.

The Vision 2030, the Grand Coalition Government Policy Agenda, and the Medium Term Plan have all shown the country's commitment to put resources towards improvement of infrastructure and the elimination of the major constraints and drawbacks to business.

### **5.2.2 Create enabling Environment for Development of MSEs**

Encouraging growth of MSEs as a vehicle for economic empowerment remains a top Government priority. The Government has put in place the legal framework to facilitate the growth of Microfinance Institutions to support the development of MSEs.



Microfinance Act was gazetted in January 2007 and has been operational since May 2008. This provides for deposit taking and non deposit taking microfinance institutions. The deposit taking microfinance institutions will be licensed, regulated and supervised by Central Bank while the non profit taking will be regulated by Ministry of Finance. The Act provides among others things for Deposit Protection Fund and governance rules. The Central Bank has issued microfinance Prudential Regulations for MSEs that are effective June 2008.

The proposed minimum core capital is set at Kshs.60 million and Kshs.20 million for nationwide and community based microfinance institutions respectively. This is to be compared to the current requirements for core capital of Kshs. 250 million and Ksh. 200 million for Banks and non-Bank financial institutions respectively. Based on the 2007/2008 budget this has to be increased to Kshs.1 billion over the next three years. Due to the higher risk nature of microfinance institutions the capital adequacy ratios are set at 12-15 percent.

The Government has also committed to re-submit to the tenth parliament the Sessional Paper No.2 of 2005 on "Development of Micro and Small Enterprises for Wealth and Employment Creation for Poverty reduction". Two export production villages or clusters have been established to facilitate SME's entry into export activities.

During the provincial forums there was general agreement that the Youth Enterprise Fund, the Women Enterprise Fund and the Micro Finance Act collectively improve access to credit to MSEs and will enhance their development. The improved access to electricity through Rural Electrification Programme was also appreciated as a means of encouraging the growth of the MSEs.

### **5.2.3 Provide affordable and access to credit to the private sector**

The domestic credit extended to both public and private sector by the banking system expanded from Kshs.600 billion in 2006 to Kshs 670 billion in 2007. The Public sector accounted for 2.8 percent of the credit while the private sector accounted for 75.1 percent with the balance going to other institutions and individuals. The banking industry recorded a major decline in the stock of non-performing loans following write-offs against provisions and recoveries made by banks in the period ended February 2008. Gross non-performing loans (NPLs) declined from Kshs. 100.4 billion in February 2007 to Kshs. 57.3 billion as at February 2008. Similarly the ratio of net non-performing loans to gross loans improved from 5.1 per cent in February 2007 to 3.3 per cent in February 2008. Commercial bank average lending rates stood at 14.06 per cent as at March 2008 while the overdraft rates stood at 13.48 per cent and deposit rates at 4.35 per cent. The interest rate spread was 9.72 per cent.

Following the licensing of two commercial banks that will operate on Islamic banking principles by the Central Bank of Kenya namely Gulf African Bank and the First Community Bank and the introduction of Shariah Compliant accounts by other leading banks, the Islamic business community has greater access to credit and other banking services.

In addition the introduction of special funds for lending to the youth and women in business on concretionary terms has increased credit available to SMEs.

It is estimated that Savings & Credit Cooperatives serve over 3 million members compared to the 2.6 million served by Commercial Banks. This is mainly because SACCOs – with support from Cooperative bank - extended their services and grew when banks re-structured and closed rural branches.

Governance in the Co-operative Movement is being managed through prudential standards developed in consultation with stakeholders. Governance manuals, management and investment policy guidelines are being finalized for implementation in 2007/2008 fiscal year. A General Circular enforcing remittance to SACCOs has been issued requiring that all current remittances be punctual. The backlog of remittance debts to SACCOs has been substantially reduced resulting in restored confidence in SACCOs and increased credit availability to SACCOs members and their MSE businesses.

Stake holders consulted during the sector and provincial stakeholder forums confirmed that credit has become more readily available. They however indicated that the cost of credit remained rather high given that the deposit rates were generally very low and that adequate information on the availability, terms and conditions applicable have not been adequately disseminated. In the context of the post election violence, stakeholders felt that grace period should be extended and interests reduced to enable them recover from losses incurred.

#### **5.2.4 Attract more companies to list at the NSE**

The number of Companies registered at the Nairobi Stock Exchange has increased from 48 at the time of the Country's Self Assessment to 57 currently. The Market capitalization rose by 7.4 per cent from Kshs. 792 billion in December 2006 to Kshs.851 billion in December 2007 and to Kshs.908 billion in April 2008. Over the same period, the NSE 20-share index recorded a significant drop of 201 points from 5,646 to 5,445 points and closed at 5,336 points in April 2008.

In 2007/08 the Minister for Finance accorded investors within the EAC member countries equal treatment for taxation purposes.

CMA remained committed to modernizing the capital markets infrastructure in order to minimize systemic risks and facilitate creation of a framework conducive for both issuers and investors. The Automated Trading System (ATS) which was implemented in September 2006 under the Local Area Network (LAN) was reviewed. As a result, the ATS platform migrated from LAN to Wide Area Network (WAN) from December 2007. This change now allows stock brokers and investment banks to conduct their business in their respective offices. This has extended market trading by an additional three hours (days trading runs from 9am -3pm).

Stakeholders indicated that it is important to educate many of the local investors – primarily family and private medium sized enterprises- on the benefits of listing on the stock exchange. They particularly highlighted the need to link good corporate

governance to corporate sustainability and longevity and proper succession planning in family businesses. In addition they felt that it is important to delink the promotion of good corporate governance from “attracting foreign investment” as this tended to suggest that it is not beneficial to business enterprises expect in the context of attracting such foreign investments. They suggested that more emphasis be given to investor education and to training of the directors of MSEs by both the regulatory authorities and the business associations.

### **5.2.5 Provide an attractive business regulatory framework**

Intensive consultations have taken place regarding review of business related laws. Major amendments and improvements have been initiated in terms of licences, insurance, banking and finance sector, cooperatives, trade laws, local Government by laws all with a view to improving and providing an attractive business regulatory framework. In respect of companies the draft Company's Act to replace the existing 1962 Company's Act was finalized and is awaiting parliamentary enactment that will provide for protection of all classes of shareholders.

The stakeholders consulted during the provincial and sector stakeholder's forums indicated that many of the regulators had still not accepted their “enabling facilitative” role and still considered themselves as “administrative controllers”. They indicated that because of the apparent “dependency syndrome” citizens believe that the Government provides and the regulators get away with many unacceptable practices that should otherwise be eliminated. They indicated a need to cascade or devolve the partnership concept of NEPAD at the village, division and district levels, and the same for the mechanisms of monitoring public sector performance contracting.

### **5.2.6 Enhance good corporate governance in State Owned Enterprises (SOEs)**

The State Corporation Act is yet to be amended. However “Guidelines for Good Corporate Governance in State Owned Corporations” were developed through a consultative process that incorporates core principles of good corporate governance. The Government through Ministry of Finance adopted these guidelines in 2003. Among the recommendations of the guidelines was performance contracting. The Government has been recruiting Chief Executives and senior officers competitively. The appointment of Directors has also been done in consultation with the State Corporations Advisory Committee.

All State Owned Enterprises (Parastatals) have been put on result based performance management with performance contracts that are signed, assessed and reported on publicly on an annual basis. Development of a Strategic Plan is a prerequisite to the negotiation of the contract. Of particular significance has been the inclusion of the Citizens' service delivery charter and customer satisfaction survey in the performance contracts. This has promoted the principle of meritocracy, reward and sanction. It is therefore considered that the sustained application of performance contracting will turn around and streamline the management and operations of the public service.

Stakeholders considered that for the performance contracting in the Public service to be effectively and transparently accepted, it must extend to the other two arms of Government, - the Judiciary and the Legislature- with transparent and immediate action taken on all under or non- performers without fear or favor.

Although the Program of Action required that State Corporations publish their annual reports and accounts in the newspapers, this is yet to be implemented. However, the performance reports are widely available as part of the performance contracting process. The contracts are negotiated and evaluated by Ad hoc Committees made up of eminent persons drawn from the private sector, academia and civil society.

It is important to note that the second report on evaluation of the performance of public agencies for the financial year 2006/ 2007 was released on May 19, 2008. In that report 38 ministries/ departments, 127 state corporations and 175 local authorities that had signed performance contracts were reported on.

Stakeholders consulted in the provincial forums considered that the performance contracting mechanism had in part improved service delivery by some Government departments and state corporations but only at the head office level. They considered that this should be cascaded and decentralized to constituency, provincial and district levels with stakeholder or local community involvement in the negotiation, evaluation and reward on performance.

### **5.2.7 To improve the effectiveness of regulatory framework**

Since the 1993-1998 National Development Plan and as indicated in the 2003-2007 Economic Recovery Strategy the Government and people of Kenya have accepted that the private sector is the engine of growth and sought to create a business environment that reduces the hindrances and constraints to business, minimizes regulatory interference and provides an enabling environment for private sector growth. The Government has attempted to regulate in order to control the harmful impacts of business enterprises in terms of environmental degradation, community or social impacts and or other national security or public interest concerns.

The Insurance Act was amended and the Insurance Regulatory Authority was launched in April 2008 to replace the Commissioner of Insurance as the Insurance Industry Regulator. It will focus on risk based supervision, stronger focus on corporate governance and early warning systems in line with international supervision systems.

In 2007, the Finance Act (2006) and the Banking Amendment Act, (2006) became operational. Key changes in the Finance Act include making it mandatory for all banks to share information on non-performing loans (NPLs). The Act also empowers the CBK to assess the integrity and propriety of persons controlling the institutions. The Banking Amendment Act 2006 ceded supervisory powers from the Minister of Finance to the CBK, and provided for vetting of shareholders owning more than 5% of the share capital.

The SACCOS Societies Bill 2008 was published on May 9, 2008 and is to be tabled in parliament for discussion. The Bill aims to introduce prudential standards and good corporate governance in the Sacco movement and establish the SACCO Societies Regulatory Authority to ensure sound regulatory practices for protection of members' funds.

The Nairobi Stock Exchange is set to be demutualised. The demutualization process would be done in two main phases. The first, would involve conversion of the institution from a non-profit making public company limited by guarantee to a public company limited by shares, capable of generating profits and passing returns to shareholders. The second phase will offload the company's shares to the public through an initial public offering (IPO). This process is expected to be concluded in the next seven months. The Capital Markets Authority is speeding up the process.

Proposed Miscellaneous Amendments to the Capital Markets Act, Regulations and guidelines 2007 have been finalized for public exposure. The guidelines are effective from June 2008 and will inject confidence in the market by regulating the stock brokers and investment banks. The amendments include: increasing minimum paid capital for stockbrokers and Investment Banks from Kshs. 5million to Ksh 50 million and from Kshs.30 million to Kshs.250 million respectively; provisions to ensure proper assessment of fitness and propriety of all shareholders, directors, chief executives and key personnel and a degree of separation of ownership from management; to require all licensees handling public funds to publish their financial statements in the press and display them in their branches; and to tighten the compliance and reporting obligations of licensees among others.

Several amendments were introduced to the Capital Markets Authority Acts Cap 485 (A) during the fiscal year 2007/08. The Act was amended to recognize unclaimed dividends outstanding in listed companies for more than seven years as income to investor compensation fund. The amendment also provided for the establishment of a Board to be known as the Investor Compensation Fund Board. The main function of the Board shall be to administer Investor Compensation Fund which includes tracing and paying beneficiaries from collected unclaimed dividends when they resurface. Amendment has been undertaken to address the huge unclaimed dividends outstanding in listed companies. The measures are aimed at strengthening investor protection and streamlining the management operation of the Investor Compensation Fund thus allowing the CMA to focus on its mandate of market regulations and development. Other amendments to the CMA Act and the licensing regulations were effected to strengthen the regulatory role of the Authority.

Stakeholders during the provincial forums indicated that there was still scope for improvement of the regulatory framework particularly in regard to "back door re-introduction" of licenses, controls and burdensome administrative processes by local authorities in the guise of licenses but primarily as revenue generating exercises.

### **5.2.8 Expedite Resolution of Commercial disputes**

The State Law Office has commenced processes for developing the policy, legal and institutional framework for the establishment of a Regional Centre for Commercial Arbitration under the auspices of the Asian African Legal Consultative Organization (AALCO).

The automation of court proceedings and development of records and case management systems for the Judiciary are being undertaken on pilot basis at the Commercial Law Courts.

Stakeholders in the provinces reckon dispensation of justice in commercial courts takes too long. They suggested that in order to have speedy resolution of commercial cases there is need to set up specialized commercial courts in all provincial headquarters and to put in place mechanisms for alternate dispute resolution within the country.

### **5.2.9 Enhance Capacity of the Judiciary**

Additional magistrates have been recruited bringing the total number of magistrates to 300 in June 2007 from 250 in June 2006. Judicial Service Bill which aims at creating Service Commission for the Judiciary has been developed and will soon be presented to Parliament.

Five special prosecutors have been recruited to assist in the prosecution of corruption cases. There are plans to professionalize prosecution and consultations between the various actors -Police, Office of the President (OP), Judiciary, Directorate of Personnel Management (DPM) and Director of Public Prosecutions (DPP) - are ongoing to develop the policy and modalities of actualizing the plan.

Meanwhile the State Law Office, plans to develop appropriate legal and administrative mechanisms for effective control, regulation and supervision of police prosecutors by DPP. The Judiciary has appointed a Committee to review Ethics and Governance in the Judiciary and it is expected that the recommendations of the committee will be implemented during the current planned period.

Stakeholders in provinces reckon that dispensation of justice takes too long and is expensive. They are anxious to have speedy resolution of civil, criminal and commercial cases. They also reckon there are no mechanisms of evaluating effectiveness of judicial offices in discharging their responsibilities. The Provincial forums went further to recommend that the judiciary should be on performance contract and there should be a timeframe within which judgements should be written and delivered after hearing. The Provincial Forums also regarded the existing Judicial system as having remnant of the colonial system and therefore in need of major reforms. However the stakeholders also felt that there has been some improvement in the Judicial System. For example, Judges now submit weekly reports.

### **5.2.10 Improvement in the road network**

In 2006/07/08 fiscal period over 430 km of roads were maintained, more than 560 km rehabilitated and more than 230 of new sections constructed with about 1100km of routine road maintenance completed.

Kenya is a major tourist destination and to boost tourism and roads to and inside national parks are being given priority. These include the Mau-Narok-Maasai road which provides access to the world famous Maasai Mara, and the Mombasa-Kilifi Malindi road which services the coast tourist circuit. Repairs and re-carpeting of these roads is on-going. Moreover, the construction of the Sagana-Marwa road which services the northern corridor tourist circuit is at advanced stage. This road leads to the livestock rearing and rich agricultural lands in Mt. Kenya area.

The development and rehabilitation of road network remains a priority and in FY 2007/2008, the road budget was increased by 46 percent to Kshs. 62.1 billion from Kshs. 42.5 billion the previous year. Opening up the North Eastern part of the country is a priority and among the roads to be upgraded are the Isiolo- Merille and Garissa- Modogashe roads. With the re-opening of Kenya Meat Commission in Nairobi and the Government's determination to develop the livestock sector, these roads will help in improving the livelihoods of the livestock producing areas of North Eastern Kenya.

The Kenya Roads Act (2007) approved the establishment of Kenya National Highway Authority to spearhead the National Road Network Development and Maintenance.

The stakeholders however noted that good progress has been made in rehabilitation of roads but feel that not enough has been done to bring the road network to an acceptable level. But they pointed out that the quality of work by some contractors' is very poor. They felt that some projects are costing more than they should and call for enhanced transparency in road construction. They recommend that information be made openly available on the estimated costs and tender prices for every section of road. Moreover, there should be open disclosure of payments made through the project construction period, and at completion analyzing any variations made and the reasons thereof with details of those authorizing the variation. They proposed that this information should be availed, posted and displayed on boards showing the name of the contractor, and the length & section of road concerned-under construction or rehabilitation- and the duration of construction.

### **5.2.11 Address congestion in Nairobi and other major towns**

Several roads in Nairobi were rehabilitated during the current year. The Strategic Plan of the newly created Ministry of Nairobi Metropolitan Development will enhance mobility and connectivity through effective transportation within the city and address road congestions and traffic jams in the greater Nairobi metropolitan area.

There are plans to build additional lanes on the 24km road between Jomo Kenyatta Airport and UNEP Headquarters. Congestion in Nairobi remains a challenge and in this regard, there are three by-passes planned to ensure that traffic which does not need to come through Nairobi Central Business District can use the by-passes. Kenya Urban Roads Authority to spearhead Urban Roads Management and development has been established under the Kenya Roads Act.

Moreover, there are plans to introduce a convenient mass transport system in the form of Rapid Bus Transit System and Light Trains. A draft concept paper on the proposed BRT has already been prepared and funding for feasibility studies detailed engineering design has been obtained from AfDB and to date, the bids are being evaluated. Depending on the outcome of the feasibility study, the Light Rail Project is expected to cover stretches from Nairobi Railway Station, situated in the Central Business District to Embakasi/ JKIA, a distance of 15.6 kilometers, and borders the heavily populated industrial area of Makongeni, Makadara, Buru Buru, Donholm and Pipeline, Jogoo Road, Outer Ring Road, Airport Roads, Mombasa Road, the Airport siding and the Nairobi- Makadara.

Stakeholders indicated that congestion in the city and other major urban areas is now costing the country huge sums of money in terms of fuel costs, wasted man hours and environmental degradation. They suggested that urgent action needs to be taken to introduce alternative means of transportation and to restrict entry into the city of small passenger vehicles that transport one or two people.

#### **5.2.12 Promote accessibility in rural areas**

During the 2006/07/8 over 900km of rural roads were improved under the National Development Programme. Many local feeder roads were also repaired or improved through Constituency Development Fund (CDF) and Local Authority Transfer Fund (LATF).

The establishment of Kenya Rural Roads Authority has been proposed through the Kenya Roads Bill 2007 which is already before Parliament.

Stakeholders in the provinces acknowledged that these funds have had a very positive impact but they pointed out that there is need to review the way they are managed to improve transparency and accountability. They also asked the Government to consider effective and alternative methods of transportation for the rural areas, particularly in the rainy seasons.

#### **5.2.13 Improve the state of the rail network and increased use of rail network**

The Kenya Railways and Uganda Railways were jointly concessioned in November 2006 and the purpose was to improve rail operations and infrastructure with monitorable performance indicators. However, the performance of the railway transport sub-sector is yet to make a major turn around. Nevertheless, freight tonnage transported increased by 21.8% from 1.9 million tones in 2006 to 2.3 tonnes in 2007. Revenue from transportation of cargo earned the organization increased by 6.5% from Kshs. 4.4. Billion compared to Kshs. 4.2 billion earned in



2006. However, earnings from passenger transportation decreased by Kshs. 57 million from Kshs. 160 million to Kshs.103 million in 2007.

A Study Report on developing a standard gauge railway line branch line from Rongai, Nakuru to Juba in Southern Sudan was done. However, it was deemed not possible to develop a standard line gauge all the way to Mombasa due to legal implications of the Kenya Railways Concession Agreement. It is considered that the most viable option is to develop another transport corridor from Lamu to Southern Sudan. This new Transport Corridor will comprise a new port at Lamu with a railway line, highway, an airport, oil refinery and an oil pipeline linking the proposed port to Southern Sudan and Ethiopia as well as recreational towns at Lamu and Isiolo during the period 2008-2012. A Developer has expressed interest and negotiations are going on.

Stakeholders consulted considered that the concessioning is failing to meet agreed performance targets and has rendered the rail transport system ineffective thereby making it a liability to the business sector. Many of the stakeholders indicated that there was need for an alternative rail transport corridor to connect Kenya coast to Southern Sudan, Ethiopia, and Somalia. They also indicated that the existing railway – Mombasa- Entebbe line- needs to be improved and expanded to better serve possibly Uganda, Rwanda, Burundi and Democratic Republic of Congo.

#### **5.2.14 Increase the use of air transport**

There has been significant growth in passenger traffic levels mainly as a result of a buoyant domestic economy and sustained tourism activities during 2007. Commercial passenger traffic at the airports increased by 11.3 percent between 2006 and 2007. The recorded traffic growth was supported by route expansion and increased frequencies to establish destinations by the national carrier, Kenya Airways and other airlines. There was an increase in international operations as a result of entry into the local service market by new international carriers including Singapore Cargo Airline, Air Mozambique, Virgin Atlantic, Marsland Aviation and Air Italy.

Cargo traffic has been on the rise in the recent past with cargo volume rising from 278.5 million tones in 2006 to 306.3 million tones in 2007.

Kenya Civil Aviation Authority (KCAA) has undertaken a programme for improving on equipment and internal structures to enhance air safety as follows:

- i. Installed domestic VSAT connecting all airports in Kenya.
- ii. Installed the Regional VSAT connecting Eastern African Region to Asia, Europe and South Africa to improve communication.
- iii. Installed Global Navigation Satellite System (GNSS) in Airports in Mombasa, Nairobi, Kisumu, Ole Kiombo (Maasai Mara), Manda (Lamu) , Nanyuki (Civil Airport) and Malindi to assist in airport approach, landing and take off which in turn improves timelines and fuel consumption
- iv. Started re-organization of the airspace and northern airspace into southern and northern airspaces to improve safety by reducing workload on air traffic controllers.
- v. Installation of simulators for training air traffic controllers and maintenance engineers to ensure safety of the air space.
- vi. Installation of surveillance facilities.
- vii. Kenya is now fully covered by radar system.

Expansion of existing JKIA facilities with a new state of the art terminal is underway and phase one which entailed construction of an Apron to increase parking capacity is complete. Construction of terminal building and expansion of Kisumu Airport is due to start soon.

The rehabilitation and management of Airstrips and Airports has been put under one agency- Ministry of Transport. So far forty (40) airstrips have already been rehabilitated while Wajir airport is already been turned into a military and civilian airport. On the other hand, Isiolo Airstrip has been fenced and land for expansion identified.

#### **5.2.15 Access to clean & portable water**

The water sector has undergone major reforms with decentralization of the water services to ensure efficiency and to give more control to the communities. The Government has invested substantial sums to improve water provision and storage. For instance, the Government drilled 200 boreholes during 2006/07 financial year and constructed 300 dams and pans for water supply and storage. It is also revitalizing irrigation and drainage development in various parts of the country.

The water sector has been receiving increased budgetary support rising from Kshs. 2.3 billion in 2002, Kshs. 8.57 billion in 2006/07 to Kshs. 8.83 billion 2007/08. This does not include donor funding for the sector which has increased from Kshs. 2.8 billion to Kshs. 3.2 billion over the same period.

### **5.2.16 Improve Mombasa Port Services**

Modernization and computerization of the port facilities has been going on and this has enabled the Port to register improved operational performance over the years, with traffic handled increasing from 11.93 million metric tons in 2003 to 15.962 million metric tons in 2007. Plans for development of second container terminal and the introduction of private sector participation in the operations of the terminal are at an advanced stage with signing of the loan agreement with the Japanese Bank for International Cooperation (JBIC) already done.

Kenya Ports Authority and Kenya Revenue Authority are jointly involved in the development of the Community Based System (CBS) in Kenya, whose objective is to implement procedures and information system that will contribute to reduction of time for clearance of goods at the port and across the Kenyan border as well as reduction of associated costs. This is poised to further enhance the simplification of trade documentation procedures along Kenyan borders. So far, the following have been achieved:

- i. Collection for User Requirements (Business Process Redesign Exercise) has been done and functional requirements are contained in the Business Redesign Report (BPR) which provides a comprehensive scoping of messages, documents and procedures for cargo clearance operations in Kenya. In addition, the report highlights the proposed procedures to facilitate the simplification and streamlining cargo clearance process.
- ii. Development of CBS Master plan has been developed.
- iii. Development of System Requirements Specification (SRS) has been accomplished.

### **5.2.17 Improved Internet Access**

Telkom Kenya Ltd introduced a new broadband wireless platform dubbed Kenstream wireless to compliment land line based Kenstream services in July 2006. In addition the mobile telephony providers have introduced internet access products.

Following liberalization of international gateway, there are now many players providing satellite-based broadband access. However, while costs have been coming down through competition, the costs are still high. The country proposes to invest in fibre optic cable and this will bring costs much further down.

### **5.2.18 Improve Quality and access to telephony**

Telkom Kenya has appreciably improved its service with costs coming down and better reliability being experienced after expansion of digital exchange. The company was privatized in December 2007 with a strategic partner acquiring 51 per cent of the shares. There has been roll out of a broadband wireless connectivity

in rural areas through various wireless technologies including Code Division Multiple Access (CDMA) and WIMAX. Moreover, mobile telephone operators are expanding their network and Telkom is also expanding its network to reach more wireless subscribers across the country.

Wireless CDMA network services were introduced in October 2006 as part of the initiatives to cover potential markets and manage rampant vandalism of telephone cables/wire. The total fixed telephone capacity including the wireless capacity stood at 837 thousand by the end of 2007, up from 533 thousand in 2006. In line with global trends, the mobile telephone has continued to experience notable growth rate with the number of mobile subscribers' base rising from 7.340 million in 2006 to 11.4 million in 2007, representing an increase of 55.9 per cent.

Since 2007, the telecommunication sector has experienced major developments in both service delivery innovations and infrastructure. On service delivery, the introduction and provision of financial services via mobile phones has improved financial intermediation services. Money transfer services using mobile phones was launched by the two leading mobile service providers. These services enable subscribers to transfer money without the need of holding bank accounts.

#### **5.2.19 Reduce costs of local and international calls**

After the liberalization of international gateway over the last two years, cost of international calls have been coming down. For fixed lines, the cost of making international calls has reduced from US\$0.9 per minute in June 2006 to US\$0.6 per minute in June 2007, while mobile telephone cost over the same period has reduced on average from US\$1.5 per minute to US\$0.76 per minute. Safaricom Kenya in conjunction with Vodacom Tanzania and MTN Uganda in February 2007 introduced a single East African mobile network. Celtel in June 2007 entered into one network covering Kenya, Uganda, Tanzania, DRC, Congo and Gabon. This has reduced the cost of telecommunications across the region.

However the costs are still very high. In order to bring the costs down, the Eastern Africa Marine System Fibre Optic Cable has been initiated to develop undersea cable from Fujita in the Gulf Region to Mombasa. It is expected that once commissioned, the cable would slash bandwidth cost to \$400 (Kshs.26, 800) per megabyte. Currently the same costs between \$6,500 (Kshs. 435, 000) and \$ 7,500 (Kshs. 502,500). In the 2007/2008 budget Kshs. 1 billion was factored in for the fibre optic project.

The national transmission infrastructure in the country will be bolstered further by the construction of a fibre optic link connecting all the district headquarters in the country. Construction of the National Optic Fibre Backbone Infrastructure (NOFBI) was launched in November 2007 and set to be finalized by 2008. The completion of the NOFBI is expected to lead to significant reduction in the cost of bandwidth and thereby resulting in cheaper service charge to communications.

### **5.2.20 Fully integrate ICT in the economy**

As part of the Vision 2030, the Government aims at making Kenya a preferred investment destination for ICT related activities. To achieve this, the Government will develop and support an efficient ICT infrastructure that provides easy and cost effective access to International and National Network. An ICT Policy is in place and legislative and regulatory framework will be established to promote ICT development and ensure quality ICT education. The Rural Electrification Programme connecting schools and rural centres is aimed at supporting the country's vision of making Business Processing Outsourcing (BPO) which is a priority sector in the Vision 2030. The investment in the fibre optic cable and the restructuring and privatization of Telkom Kenya goes to further support this vision.

Kenya ICT Board has been put in place and has been charged with the responsibility of ensuring that ICT Parks are put in place and that there is faster diffusion of ICT technologies into all sectors of the economy. It is expected also to ensure that there is equitable access to ICT for all Kenyans with reduction of the costs for ICT services. The ICT services are expected to be diffused to the 210 constituencies of the country through the setting up of ICT villages.

### **5.2.21 Increase access to electricity**

Kenya Power and Lighting Company has been increasing its customer base faster than economic growth. For example in 2005 this base stood at 7.1 percent and in 2006 – 2007 it had grown by over 9 percent. This was made possible through its rural electrification programme.

The customer base has grown to well over 1, 015,000 in May 2008 from 802,249 in June 2006 an increase of more that 14.5 percent annually. There were 135,000 new connections in 2007 spearheaded by the Kenya Rural Electrification Programme.

Generation improved through 60megawatt Sondu Miriu hydroelectric power plant. In areas that are not readily accessible to the national electricity grid, rural electrification programme include provision of alternative power sources such as wind, solar, and diesel generators. Installation of diesel generators at Hola (Tana River District) and El Wak (Mandera district) at a cost of Kshs. 150 million and Kshs. 125 million respectively has been completed.

Currently, the Government is implementing a solar energy project to provide electricity to schools in the Arid and Semi-Arid districts. 16 boarding schools in Garissa, Ijara, Wajir and Mandera districts had been supplied with solar generators at a total cost of 52 million shillings in May 2007 and another 47 secondary schools in Moyale, Turkana, Marsabit, Isiolo, Kitui, Tharaka, Tana River, Taita-Taveta, Marakwet, and Laikipia districts being supplied with solar generators at a cost of over 250 million shillings since.

Over 300 out of the targeted 460 rural market centres, 110 secondary schools, 38 health centres and 17 water projects were served with electricity by May 2008.

Developing national power capacity fast enough to support projected economic growth is a challenge. The Kshs.8 billion provided to expand power generation and distribution during 2007/08 has been utilized.

Following Sessional Paper No. 4 of 2004 on Energy Development, Energy Act 2006 was enacted which opens participation in electricity generation to private investors. It is the Government's hope that private sector will take this opportunity and reduce the direct fiscal burden.

Kenya is negotiating with the Government of Ethiopia to explore possibility of importing power.

The stakeholders in both Provincial and Sector Forums felt that major progress and impact have been made by the rural electrification programme. However they think the cost of electricity is high.

### 5.2.22 Improve quality and reliability of electricity connectivity

Distribution of power supply has shown an improvement with low voltage breakdown reducing by 34percent between 2005/06 and 2006/07 fiscal years. Transmission System Reliability has remained at the same level of 2.6 per 100kms per year over the last two years, but Kenya is one of the few countries in the region able to carry out "live-line" maintenance. However vandalism of transformers has resulted in increased transformer failure from 77 per month in 2005 to 91 failures per month in 2006. On balance the ultimate indicator of customers complains per 100 customers have reduced from 30 in 2005/06 to 27 in 2006/07 mainly due to declining number of interruptions per customer.

### 5.2.23 Achieve competitive cost of electricity compared to COMESA

The cost of power is still high but compared to other EAC member countries the gap has been shrinking.

**Table 11: Kenya Electricity Cost and Consumption Compared to Other EAC Member Countries**

| Consumption                               | Rwanda | Uganda | Tanzania | Kenya |
|---|--------|--------|----------|-------|
| Electricity Consumption per capital (Kwh) | 14     | 51.7   | 54.4     | 124.9 |
| Electricity Cost (business use US \$/Kwh) | 0.2    | 0.08   | 0.06     | 0.08  |

Source: World Bank Development Index, IMF, CIA, World Fact Book

### 5.2.24 Achieve shorter and predictable period in electricity connection

Kenya Power and Lighting Company has gone through major reforms and in February 2007 received ISO 9001:2000 Certification. They have also developed a Service Charter to enhance efficiency in service delivery. Success of implementation

of the Charter is reflected by connection of an additional 117,297 new customers over the last one year representing 12.7 percent of their total customer base.

#### **5.2.25 Reduction of level and multiplicity of taxation**

Over the fiscal year 2006/07 118 licenses were eliminated. A further 205 were eliminated and 371 simplified in October 2007. Although the total tax rate has gone down from 74.2 per cent to 50.9 per cent, the overall ranking has deteriorated from 126 to 154. This is due to the number of tax payments that have increased from 17 to 41 with the time it takes to pay taxes remaining constant. The reduction of the licenses and simplification of others should partially address this constraint.

#### **5.2.26 Speed up VAT Refunds**

The issue of VAT refunds has been an administrative challenge to KRA and a contentious one with taxpayers. In FY 2006/07 VAT refunds were enhanced to Kshs.900million per month but complains have persisted. In the 2007/08 FY budget the Minister for Finance has instituted a fast track system for VAT refund. This new system will allow for automatic VAT refund of the first two claims within a quarter without audit. The third claim will automatically trigger an audit of the entire period.

#### **5.2.27 Aggressive and sustained marketing of Kenya and its products internationally**

The Kenya Tourist Board (KTB) has been spearheading marketing of Kenya to various Tourist Markets. Kenyans in the Diaspora have also been marketing Kenya products online but this is still to get the critical mass. Private sector has also taken an active role in looking for new markets for their products. The Government through its Private Sector Development Strategy will provide an enabling environment.

The Ministry of Trade in conjunction with the Export Promotion Council have developed an annual calendar of events that is being used to aggressively promote and market Kenya's export products and services internationally. This is done through participation in the global trade fairs and exhibitions. The Ministry of Trade has also organized and undertaken Trade Missions comprising of line Government ministries, state agencies and private sector producer and consumer organizations to various strategic and potential international markets.

#### **5.2.28 Improve business and entrepreneurial skills especially in the MSEs**

Under Kenya Education Sector Support Programme (KESSP), the Government has instituted a Technical Industrial Vocational and Entrepreneurial Training Programme (TIVET). Besides providing the necessary training, TIVET is designed to inculcate an entrepreneurial culture within the youth with a view to increasing their participation particularly in the development of Medium, Small and Micro Enterprises (MSMEs).

The Private Sector Development Strategy will support the Productivity Centre of Kenya (PCK) in providing the necessary competitive edge for young businesses to develop which would in effect enhance labour productivity, access to skills and technology.

In the 2007/08 budget an Endowment Fund for innovation and research has been established with an initial Ksh. 200 million as start up capital. This Fund is aimed at using science, technology and innovation in promoting efficiency, productivity and competitiveness.

One of the key components in the Medium Term Plan and the Vision 2030 is the focus on development of management, entrepreneurial and business governance skills and capacity to transform the country into a modern globally competitive middle income country. Special emphasis is given in these programs to training of young people, creation of institutional training capacity and the development of management skills of business people in the MSEs Sector in all aspects of business.

#### **5.2.29 Address increased levels of brain drain**

In the last 2-4 years there has been a close engagement between the Government and Kenyans in the Diaspora. One notable outcome of this engagement is the growing remittance and investments by Kenyans in the Diaspora in the last three years. The Government strategy has been to improve the economy and job opportunities as a way of attracting Kenyans back. The country has witnessed a number of Kenyans relocating back and starting businesses.

#### **5.2.30 Enhance access to market information by MSEs**

Under the Implementation Action Plan 2005 -2008 of the National Export Strategy, the Action Plan Steering Committee prioritized the following sectors:-

1. Livestock and Livestock products.
2. Fish and Fish products.
3. Textiles and Clothing.
4. Horticulture.
5. Food and Beverages.

Under Module 4 of JITAP II on Goods and Services Sector Strategies the following sensitization workshops on the Horticulture and Fish sub-sectors under residual activities have been concluded:

- Workshop on Fish and Fish products Kisumu 6th December, 2006.
- Workshop on Horticulture Eldoret 8th December, 2006.
- Workshop on Horticulture Nakuru 11th December, 2006.
- Workshop on Horticulture Mombasa 14th December, 2006.
- Workshop on Fish and Fish products Mombasa, 15th December, 2006.



The Kenya Meat Commission (KMC) has been revived and is processing meat and meat products for the local, regional and international markets.

The Medium Term Plan and the National Vision 2030 lay considerable emphasis on eliminating barriers to market access and in creating the national capacity to penetrate, expand and create new markets regionally and globally. In addition they highlight the need to develop accurate, timely and informative trade promotion and market data through ICT processes, diplomatic embassies, the diaspora and any other available means of communication.

The stakeholders during the provincial forums highlighted the fact that lack of appropriate infrastructure particularly roads and transport, and limited knowledge hinders access to markets locally. They suggested that improvement of infrastructure and creation of basic industries within the locality together with information on markets for their products is critical to economic development and business growth.

### **5.3 Objective Two: Ensuring that corporations act as good corporate citizens with regards to human rights, social responsibility and environmental sustainability**

#### **5.3.1 Make Labour laws relevant for enhanced economic growth**

The following laws were passed and became operational on March 1<sup>st</sup> 2008.

1. The Labour Institutions Bill, 2007.
2. The Occupational Safety and Healthy Bill, 2007.
3. The Work Injury Benefits Bill, 2007.
4. The Employment Bill, 2007.
5. The Labour Relations Bill, 2007.

These Laws have been developed through stakeholders' participatory process and aim to modernize the laws and align them to best practices.

#### **5.3.2 Build enforcement capacity in Ministry of Labour and Human Resource Development**

Seventy percent of labour officers and inspectors in the field have been trained on prosecution and labour administration in general. Some officers in the Ministry of Labour have been trained as Trainers to sensitize labour officials on Public Officers' Ethics and other anti-corruption issues.

It is noted that during the provincial forums, stakeholders still consider that while improvements are noted, the effectiveness of labour offices in enforcing labour laws is still low. They also cited cases of collusion between Labour Officers and employers.

#### **5.3.3 Strengthen role and capacity of trade unions**

On Capacity Building in trade union movement, the Danish Government is funding COTU over a five year period to carry out among other activities:

- Development of Strategic Plan.
- Capacity building.
- Training on proposal writing, HIV/AIDS, Occupational Health and Safety.

There are also two on-going programmes by ILO. ILO ITEC programmes covers child labour while ILO SYNDROP programme covers mobilization of informal sector to join the union movement through training and advocacy.

Stakeholders during the provincial forums felt that unions did not effectively represent or articulate the interest of workers and suggested that labour inspectors, trade unionists and Government officials are at times compromised against workers rights, resulting in the non effective implementation of labour laws.

#### **5.3.4 Strengthen Public/Private Sector alliance in HIV/AIDS management**

Before HIV/AIDS was declared a National Disaster in 1999 the Private Sector had long realized that a healthy workforce was a necessity to its operations. In 2000 Kenya HIV and Aids private sector Business Council was founded by a group of concerned private sector companies to contribute to fighting the pandemic in the work place and community as a whole. Today the Council works with over 200 private sector companies drawn from all sectors of Kenyan economy. Membership of the Council requires that a Company has a programme and strategy and has set aside resources to fight HIV/AIDS. The private sector business Council collaborates with the National Aids Control Council and other local and International organizations' in management of HIV/AIDs. Today most organizations provide ARVs to their employees and some have in addition community programmes.

The Kenya Federation of Employers has played a big role in expanding the national capacity on HIV/AIDS in the workplace through networking and complimentary programming. It developed HIV/AIDS in the Workplace Policy Paper which has been adopted in many private and public institutions.

A number of private organizations have AIDS programme as part of their corporate social responsibility.

#### **5.3.5 Enhance CSR adoption and practices in the Country**

Most of the quoted companies, banks, major telecommunication companies have CSR programmes that tend to promote or advocate corporate involvement in community activities with enhanced reporting on the projects the companies are involved in.

The country has a very high profile Company of the Year Award programme (COYA) run by Kenya Institute of Management which most leading companies participate in. There is also the prestigious annual East Africa's Most Respected Companies Survey sponsored by PricewaterhouseCoopers and Nation Media Group. The Financial

Reporting (FiRe) Award run by NSE, CMA and ICPAK has also a Corporate Social Responsibility award.

Stakeholders at the provincial forums expressed the view that most corporate social responsibility activities undertaken by companies in Kenya were oriented towards corporate philanthropy or corporate image building, and did not address the genuine interests of workers or host communities. Many expressed the view that companies operating in Kenya and in the various provinces or districts tended “to take out substantial quantities without giving back to the community”.

### **5.3.6 Involve youth in economic activities**

The Government is in the process of rehabilitating and building at least one youth empowerment centre in each constituency countrywide. These centres will serve as one stop youth centres and will offer a variety of services to young people including employment information, career development, HIV and AIDS education and counseling, leisure and recreation.

The Government provided a Kshs.1.25 billion Youth Enterprise Fund in the financial year to enable youth to engage in gainful employment. This has been increased to Kshs. 1.7 billion in the budget. The use of labour intensive Road 2000 programme continues to generate employment for the youth. The implementation of Constituency Development Fund and LATF programmes at local level provide opportunities for gainful employment by the youth.

In the Medium Term Plan and the Vision 2030, the Grand Coalition Government recognizes that one of the major developmental challenges that the country faces is faster job creation to address the high labour unemployment which is compounded by an increasing number of youths leaving school unable to find gainful employment. In this context the Government has identified the need to focus attention on creating opportunities for self employment, enhanced training, skills development and provision of credit to the youth to ensure their effective mobilization and involvement in economic activities.

*During the provincial stakeholders' forums, the youth indicated that they felt extremely excluded from economic activities and decision making. They suggested that there is a need to re-orient the education system towards capacity building for self employment. As opposed to the current pre occupation with academic progress without focusing on the available employment opportunities. Unemployed youth, the persistent poverty and the perceived inequitable distribution of resources creates fertile grounds for political opportunists, criminal gangs and or others interested in disrupting the peace and security of the country on payment of minimum amounts.*

### **5.3.7 Enhance capacity of National Environmental Management Authority (NEMA) in its regulatory role**

About 42 per cent of Kenya's GDP is derived from natural resource based sector of agriculture, forestry, tourism, mining, water and energy. The sector further supports human survival and the livelihood of millions of Kenyans through the provision of food, water, air, soil and other live support systems. Consequently, the management of the environment becomes an integral part of development planning in Kenya. To date the Government has sought to develop policies to enhance environmental protection, facilitate preservation and conservation of natural resources. These aspects are highlighted in the Vision 2030 and the Medium Term Plan for the period 2008- 2012.

Funding of NEMA activities comes from budgetary allocation and from fees they levy for provision of their services. Budgetary funding of Parastatals takes into account funds they are able to generate internally. NEMA budgetary allocation in 2007/08 FY is at Kshs 279 million, an increase of 2 percent over the previous year. NEMA requires Environmental Impact Assessment (EIA) for many projects covering for example roads, property development, dams etc. In addition it requires companies to do regular EIA of their operations. This plus other environmental monitoring, management responsibilities and other activities demanded by the economic growth have further stretched NEMA capacity. NEMA has developed a Strategic Plan and funding to support realisation of strategic objectives is being evaluated.

The Government continues to ensure that all public and private projects across the country undergo a through Environment Impact Assessment (EAI) before being implemented. It is now mandatory that all ongoing projects prepare and submit Environment Audit Reports (EA) to NEMA. In the year under review, 1,026 new projects submitted EIA reports while 1,376 on-going projects prepared EA reports.

### **5.3.8 Building a Recycling Capacity**

The country has a vibrant recycling capacity in the steel battery and plastic industries. In our road construction we are now recycling bituminous materials. The challenge we have is that there is not enough of the recycling materials. There are institutions focusing on recycling technologies such as Clean Technologies Institute.

Recycling thin plastics has been a challenge and in this year's budget manufacture of thin plastics has been banned. A blanket excise duty of 120 percent has been imposed on other plastics. This will trigger behavior change and preserve the environment. Some stakeholders in the manufacturing sector think this is punitive but there has been more popular support from many other quarters. Stakeholders at the provincial forums consider that some companies are polluting the environment and that NEMA should move towards the protection of the environment.

## 5.4 Objective Three: Promote Adoption of codes of business ethics in achieving objectives of the corporation

### 5.4.1 Fight against corruption

The issue of corruption is still a challenge but the country is determined to deepen the reform agenda in areas of governance and anti-corruption. The Anti-Corruption Legislation is being reviewed to provide a better framework for investigation of corruption and Economic Crimes and address the apparent conflict between Anti-Corruption and Economic Crimes Act, 2003, the Income Tax Act and the Banking Act.

The Government has developed a governance strategy for building a prosperous Kenya and an Action Plan which sets out time bound specific and prioritized anti-corruption interventions in the broad areas of:

- prevention
- investigation and recovery of corruptly acquired assets
- Strengthening prosecution capacity
- Improving governance in priority sectors.

*Implementation of these measures will result in measurable improvements in the fight against corruption in the short and medium terms. Recently, five (5) special prosecutors have been recruited to assist in the prosecution of corruption cases.*

*At the Provincial and Sector Forums, stakeholders felt that little progress had been made in the fight against corruption. They also felt that the “mighty” were being spared. They also see a correlation between insecurity, poverty and corruption and suggested decentralization. The decentralization of KACC will improve accessibility by the public.*

### 5.4.2 Change public perception that glorify corruption and ill-gotten wealth

The National Anti-Corruption Steering Committee has been traveling around the country enlisting public support in the fight against corruption. There is also growing realisation among the public that corruption leads to poor public service delivery and proliferation of poverty.

At the Provincial and Sector Forums suggestions were made that the education syllabi should be changed to include anti corruption, business ethics and good citizenship training in the curriculum starting from primary school and at all levels.

### **5.4.3 Address corruption procurement in both public and private sector**

The Public Procurement and Disposal Act is operational and several cases of tendering appeals have been brought before the Appeals Tribunal. Current procurement procedures still cause major delays that negatively impact on the country's project implementation capability.

The Public Procurement Oversight Authority is in place and is charged with the responsibility of promoting transparent, accountable, efficient and effective procurement in the public sector.

*During the provincial forums, stakeholders indicated that district tender committees, constituency committees and other local public boards should be transparent and accountable.*

### **5.5.1 Create a free and accountable media**

The Country APRM Report recommended protection of whistle blowers. A witness Protection Act has been in place since 30th December 2006 and became operational in May 2008.

Kenya has seen political freedoms since 2002. A Media Act is now in place and the Media Council established.

A draft freedom to Information Policy has been prepared

## **5.5 Objective Four: Ensuring that Corporations treat all their stakeholders in a fair and just manner**

### **5.5.1 Strengthen framework for protecting all classes of shareholders and other stakeholders**

There is increasing accountability to stakeholders, especially among listed companies and financial institutions. There are provisions in the Companies Act, currently under review, to adequately address the rights of shareholders.

### **5.5.2 Achieve greater awareness levels among shareholders and members of cooperatives on their rights**

On the protection of minority rights, training and education of shareholders, there is a conscious move to revive the activities of the Kenya Shareholders Association, which was formed under the aegis of the Centre for Corporate Governance in 2003. It is envisaged that once revitalized, the Association will play a critical role in coordinating the education and emancipation of shareholders across the country. The Centre for Corporate Governance has also published Corporate Governance Guidelines for Shareholders, which have been distributed to registered companies and cooperative societies.

At the Provincial Forums, stakeholders felt that officers from the Ministry of Cooperatives tend to influence the decision and appointments or return of previous officials at the AGMs. They felt that as the regulator, the Cooperatives officials should play an independent and impartial role at the AGMs of cooperatives.

### **5.5.3 Strengthen Consumer /Customer protection**

The Ministry of Industrialization through the Kenya Bureau of Standards (KEBS) institutional framework has continued to undertake aggressive surveillance of imported goods with a view to identifying counterfeits and contraband goods. Such goods are then destroyed.

Once the Anti- Counterfeit Bill is enacted; the impact of these goods to the local market will be minimal if not eliminated.

To promote Standardization, Calibration, Verification and Maintenance of legal Metrology Standards and Testing Equipment have been substantially carried out. About 80 percent of all standards and testing equipments presented to the field offices were calibrated by the Kenya Bureau of Standards.

### **5.5.4 Objective Five: Providing for accountability of Corporations, Directors and officers**

#### **5.5.5 Strengthen shareholders capacity to participate at AGMs & holding Corporations to Account**

Shareholders Association has been formed but its capacity is still limited. AGMs of most companies are well attended and level of awareness has increased within shareholders as attested by quality of engagement. Shareholders are increasingly demanding more accountability and transparency from their boards. In order to further strengthen the shareholders Association Ministry of Finance should provide seed money to strengthen the shareholders Association.

#### **5.5.6 Achieve financial sustainability of Institute of Directors and shareholders Associations**

The Institute of Directors (Kenya) plays a critical role in ensuring that its members adhere to principles of good corporate governance in the stewardship of their business enterprises. The Institute is in the process of expanding its membership. The Government has pledged, through the Ministry of Finance, to finance the IOD and Shareholders' Association.

## **6.0 SOCIO-ECONOMIC DEVELOPMENT**

**The theme of socio-economic development has six objectives:**

1. Promote self-reliance in development and capacity for self sustaining development;
2. Accelerate socio-economic development to achieve sustainable development and Poverty eradication.
3. Strengthening policies, delivery mechanism and outcomes in key social development areas.
4. Ensuring affordable access to water, sanitation, finance (including micro finance), markets, ICT, shelter and land to all citizens, especially the poor.
5. Progress towards gender equality particularly equal access to education for girls at all levels.
6. Encouraging broad-based participation in development by all stakeholders at all levels.

As expounded in the ERS and the Vision 2030, key priority of the Government is to promote equity and socio-economic development by putting in place strategies for leveling the playing field for all Kenyans. The goal is to increase access to social economic opportunities for all, especially the vulnerable, marginalized and disadvantaged groups through employment, empowerment and improving access, affordability and quality of social services.

To this end, the Government has increased its funding to core poverty programmes in the last one year to ensure that they are funded sufficiently and predictably. Furthermore, implementation of a number of targeted fiscal interventions, structural reforms and regional development initiatives aimed at reducing poverty and inequality is ongoing. The share of resources allocated towards priority development areas of agriculture and rural development, provision of infrastructure and human development has been increased further reinforcing a firm base for economic prosperity and reducing income inequality.

This section attempts to document progress made in the implementation of the APRM Programme of action during the period June 2006-June 2008.

### **6.1 Standards and Codes**

The Hague Convention on the Protection of Children and Co-operation in respect of Inter Country Adoption: The Government acceded to the Convention on 29th December, 2006.

The Convention on the Rights and Dignity of Persons with Disabilities: Kenya signed the Convention in March 2007 in New York and has commenced the ratification process.

Kenya ratified the Convention on the Rights of Persons with Disabilities in May 2008. Kenya also submitted and defended the 5<sup>th</sup> and 6<sup>th</sup> combined periodic reports



on the Convention on the Elimination of all forms of discrimination Against Women (CEDAW) in July 2007.

### **6.1.1 Create awareness of standards & codes**

The process of creating awareness through organized workshops for Government departments, civil society, NGOs and all relevant stakeholders is yet to be undertaken.

### **6.1.2 Prepare popular versions of the standards and codes**

The following actions aimed at preparing popular versions of the standards and codes are yet to be undertaken:

- (i) Making CDs of international treaties and instruments available to the public in Government printers.
- (ii) Providing a brief of the implemented treaties on the web.

### **6.1.3 Create regular and up-to-date data on compliance and enforcement of standards and codes by Government departments and institutions**

In order to create regular and up-to-date data on compliance and enforcement of standards and codes by Government departments and institutions; whereas progress has been made in developing the draft Freedom of Information Bill, The Kenya National Bureau of Statistics has not been resourced to provide ad-hoc information on the ministry activities.

## **6.2 Objective One: Promoting self-reliance in, and building capacity for self sustaining development.**

### **6.2.1 Promote self-reliance by mobilizing domestic resources:**

The Kenya Revenue Authority has continued to conduct seminars to educate taxpayers on various issues. The seminars are dubbed "Taxpayer Education Seminar on Computation and Submission of Tax Returns". The Kenya Revenue Authority has an ongoing media campaigns on the benefits to pay taxes. The best corporate taxpayers are being recognised through annual awards. The 4th National Taxpayers day was held on November 10th 2006.

In addition, a subcommittee of the National Economic and Social Council in collaboration with the Treasury is developing new instruments for mobilizing domestic resources for long-term financing of road construction and other major infrastructural projects. Improved economic performance and implementation of revenue enhancing reform measures have resulted in significant Government revenue (mostly tax revenue). There was a 20.2% increase of GDP due to increased revenue collection in 2005/06 to 20.6% of GDP in 2006/07 to 21.3% of GDP in 2007/2008. It is expected that the figure will rise to Ksh. 513 billion (21.4 % of GDP) in 2008/09.

Despite the post-election challenge Kenya faced earlier in 2008, revenue growth in 2008 remained robust, exceeding the target of just under Ksh 430 billion by about Ksh 20 billion. This means that in the past, the Government has been able to finance a greater proportion of its expenditure from tax revenue, reducing Government borrowing and stock of public debt. However, given the post election-related expenditures, borrowing will have to be increased. The national Budget for the year 2006/2007 was 95% financed by the tax payer. Given the high level of domestic financing, the challenge for Kenya, unlike that of many other African countries, has been to mobilize donor support. Under the Kenya Joint Assistance Strategy signed by the Government and development partners in 2007, and following the formation of the Grand Coalition Government, donor support is expected to rise steadily from 3.8% of GDP in 2007/08 to 4.3% of GDP by 2012/13. Private sector financing, which has always been an important part of domestic resources, is also expected to rise.

There are also plans by the Kenya Revenue Authority (KRA) to introduce filing of tax returns online-this will improve revenue collection and efficiency. The new technology, referred to as the Integrated Tax Management System (ITMS) kicked off in November 2007 and is expected to be up and running by June 2009.

### **6.2.2 Accelerate adoption and implementation of bottom-up planning system:**

The District Focus for Rural Development has been revised to rationalize and strengthen sub-national participatory planning processes. A Cabinet Memorandum on the same has been prepared and is due for submission to the standing Cabinet committee on Economic Management.

In order to give local communities greater control in planning and budgeting for their needs, the Government has recruited Provincial and District CDF project coordinators, and professional Constituency Fund Managers to provide technical and advisory services to CDF committees. Nevertheless, efforts to strengthen self-help groups by providing assistance to them in the form of advisory services are yet to be instituted.

Furthermore, the APRM is being institutionalized to provide for continuous dialogue and participatory planning Monitoring and Evaluation. This is being done through the APRM “sustaining the dialogue programme.” Efforts to strengthen self-help groups by providing assistance in the form of advisory services are yet to be instituted. Stakeholder consultations and sensitization of the general public on national issues has improved, but could be improved further.

Social budgeting has been done in pilot districts of Kwale, Garissa, Isiolo and Turkana through partnership with UNICEF. Rollout to other districts is in progress.

*Voices: Despite the above achievements:*

- ☞ *Many Kenyans are still not clear about the benefits of paying taxes as the quality of services they receive continue to deteriorate.*

- ☞ *Kenyans are not able to identify with the local development activities supported by the Government.*

### **6.3 Objective Two: Accelerating socio-economic development for achieving sustainable development and poverty eradication.**

#### **6.3.1 Initiate programmes for poverty alleviation**

A number of poverty alleviation strategies for women have been established in 2007. One of the initiatives started in 2007 is the FANIKISHA initiative which is a joint effort by UNDP-Kenya and Equity Bank to promote Women Entrepreneurs in the country. The Women's Enterprise Fund (WEF) is another one of the Government's poverty eradication initiatives launched by the President in June 2007. The 2 billion fund, which got an initial injection of KShs.1.0 billion in 2007/08, can lend money up to Ksh 50 000 to women groups. The Fund has, however, been faced by various challenges, which can explain the reason why women have not used the facility.

Other ongoing poverty alleviation targeted initiatives include the Poverty Eradication Commission, the Community Development Trust Fund, and the use of CDF, LATF, Youth Enterprise Fund, and Bursary Fund.

In order to implement the Social Fund, the Ministry of Planning and National Development has been working on developing modalities for the Kenya Social Action Fund (KENSAP). Progress in the establishment of the KENSAP is at advanced stages. A concept paper on its development has been developed. Further, the Government in collaboration with African Development Bank has developed a Project Preparation Facility (PPF) that will set a framework for operationalizing the Fund.

In terms of implementing the slum-upgrading and low-cost housing, the Kenya Slum Upgrading Programme [KENSUP] was initiated to upgrade slums and informal settlements in Kenya starting with selected slums within the administrative boundaries of Nairobi, Mavoko, Mombasa and Kisumu. The Slum upgrading envisaged was not just about improvement in housing, but also covers improvements in the livelihoods of the people living and working in slums. This programme is intended to institutionalize a broad range of shelter related policies including the creation of institutions and mechanisms for sustainable financing of slum upgrading and shelter related infrastructure.

The KENSUP programme has made substantial progress in this regard. In the phase the programme conceptualization, involving basic groundwork and formulating of Institutional framework for the Programme is complete. The following activities have been carried out in the implementation phase during the period under review;

- A KENSUP Implementation and Financial Strategy 2005-2020 has been formulated giving the road map to the implementation process and also the financial implications of the Programme. The Strategy will also be useful as a tool for mobilizing finance from various supporting partners.

- The Cabinet approved establishment of a Low Cost Housing and Infrastructure Trust Fund in December 2006 which serves as a depository for monies mobilized for slum Upgrading. The logistics of operationalising the Fund are at an advanced stage.
- Developed various guidelines to safeguard displacements of targeted communities like formation of Housing Cooperatives, relocation issues, tenure arrangements among others.
- The KENSUP Mavoko component has been progressing with community mobilization activities, and construction of house types and social amenities is in progress.
- Establishment of Programme Organizational Units including the KENSUP Secretariat, the Programme Implementations Unit (PIU), the Settlement Programme Implementation Units (SPIU) and the Settlement Executive Committees all under the City Council of Nairobi.
- An Actors Study was conducted in Kibera to establish the various stakeholders that will play a part in implementation.
- Identification of land in the respective areas to serve various purposes of upgrading.
- The Kibera Decanting Site Housing Scheme has almost been finalised. Construction of 17 blocks, of 5-storeys high houses comprising of 600 three-roomed self-contained housing units.

Housing Cooperatives are also being formed at Kibera and Mavoko- under the Ministry of Cooperative Development and through the cooperatives, funds will be mobilized, tenure and the general tenure and the general agreement regarding its handling will be defined. The National Housing Corporation has several proposed low income housing projects in various locations in the country meant to ease the demand for low cost housing and prevent new slum formation in urban areas. The schemes include mortgage, tenant purchase, Sites and Service, Rental Housing & In fills.

To implement the Vulnerability Programme, the Government has allocated KSh.1.3 billion in 2007/08 budget to acquire land for settling some Kenyans who are internally displaced. Furthermore, the Government has committed a KSh.2.0 billion Women Enterprise Development Fund.

The anti-poverty interventions implemented by the Government since 2003 have reduced divergence in the incidence of poverty across regions thereby reducing inequality in development and income distribution. For example the national incidence of food poverty declined marginally from 48.3 percent in 1997 to 45.9 percent in 2005/6. In the rural areas, food poverty declined from 50.7 percent to 47.2 percent during the same period, while urban food poverty increased from 38.3 percent in 1997 to 40.5 percent in 2005/6 implying that the national decline in food poverty incidence is attributable to the decline that occurred in rural areas. National

absolute poverty declined from 52.3 percent in 1997 to 45.9 percent in 2005/6. In rural areas, overall poverty declined from 52.9 percent in 1997 to 49.1 percent, while urban overall poverty declined from 49.2 percent in 1997 to 33.7 percent in 2005/6.

*Voices:*

- *Kenyan women have observed that there are serious flaws involved in accessing the Women Enterprise Fund (WEF).*
- *There is very little information on the procedures to access the fund.*
- *The requirement to apply for the Funds in groups of at least ten people, ostensibly to reduce the risk of default is impossible to comply with.*
- *Another hurdle that has been cited is the requirement that women write a proposal. Many of them are not able to do this due to lack of capacity.*
- *The Micro Finance Institutions (MFIs) have also failed to market the money they received as part of the WEF.*
- *Amid the violence that engulfed several residential areas of the Rift Valley following the declaration of controversial presidential election results, women in particular were targeted, with hospitals reporting a rise in the number of rape victims seeking treatment.*
- *Displaced women and girls living outside in camps also faced risks of sexual exploitation linked to lack of adequate survival resources. Many of them have turned into prostitution.*

### **6.3.2 Enhance Youth Employment**

There are 11 million youths between the ages of 18 and 35 years. They constituted 32% of Kenya's population in 2006. Their contribution to development is crucial for the economy of Kenya. Recent post election events have clearly shown that having large numbers of relatively well educated but unemployed youth is a serious deterrence to economic growth and a threat to national security. The post-election violence propelled Kenya into a low-intensity-conflict country with the youth contributing actively as combatants. This role was fuelled in part by their inability to get into the mainstream economic production system. The civil strife provided them the opportunity for rent seeking and banditry. This happened despite ongoing efforts to enhance youth employment.

A fully fledged Ministry Youth Affairs was established in December 2005, which is now the Ministry of Youth and Sports under the Grand Coalition Government. The Ministry has developed a comprehensive National Youth Policy. The operational regulations of Youth Enterprise Development Fund (YEDF) have been articulated in the Kenya Gazette Supplement No. 89 of 8th December 2006. An additional KSh.250

million was committed in 2007/08 budget bringing the total money allocated to the Fund to KSh.1.25 billion.

Over 3000 youth groups have been given credit facilities. Youth Enterprise Development Fund now made a parastatal, (with its own chief executive and staff) has so far advanced Ksh 194,253,265 to 4652 youth group projects through the Constituency Youth Enterprise Scheme. Youth Desks have been established in all Government ministries and departments so as to mainstream youth issues at all levels of national development. The Government is in the process of rehabilitating and building at least one youth empowerment centre in each constituency countrywide to provide a variety of information for the youth including: employment information, career development, HIV and AIDS education, counseling, leisure and recreation. The National Youth Polytechnics are being rehabilitated and equipped countrywide. Fifty (50) youth polytechnics have been rehabilitated while 186 have been fully equipped in order to provide the necessary skills & training relevant to the labour market. Free tuition in the polytechnics and the introduction of National polytechnic curriculum has been introduced.

*Voices:*

- *The Youth feel that they are not yet fully integrated in national development.*
- *The greatest impediment is/was accessibility of the funds by the youth groups due to bureaucracy.*
- *Laws should be enacted and enforced to ensure that errand officials who embezzle funds are charged in courts of law.*
- *The youth suggested that they should push for a youth policy at a National level. Signing of economic partnerships and providing alternatives i.e. music, arts, theater, thus policies governing the above should be put as a priority an example Kenyan music artist and Tanzanian artists.*
- *The Member of Parliament should not be allowed in selection and formation of the C.D.F. committees and thus laws should be enacted governing the same.*

Following the post-election crises, the objectives of the Grand Coalition Government are to: harness the energies and talents of the youth; improve the skills of the youth particularly after secondary education; encourage the youth to venture into income generating activities; inculcate a culture of life-long learning and self-improvement for the youth; promote a tradition of identifying, mentoring and positioning of youth into political, business and other leadership positions; Encourage the youth to engage in voluntary community service.

### **6.3.3 Address the needs of people living with disabilities**

These people face discrimination with respect to access to economic opportunities, employment, access to social services, ownership of productive assets, including the enjoyment of human rights.

With the launch of the disability report, statistics which are useful for planning, monitoring and evaluating various activities, programmes and projects for improving the well being of People with Disabilities, are now available. Ratification of the Convention of Persons with Disabilities (CPRD) Act on May 13<sup>th</sup> 2008, makes Kenya the 27<sup>th</sup> country to ratify the 1<sup>st</sup> international legally binding human rights instrument to protect the rights of people with disabilities. A National Policy on Persons with Disabilities has been finalized and awaiting cabinet approval. Implementation of the Disability Fund, will be inclusive of appropriate budgetary allocations to provide financial assistance to persons with disabilities for the socio economic empowerment.

*Voices:*

- *Kenya Government has not yet come up with a policy that encourages employers to employ people with disability.*
- *Persons with disabilities are yet to be empowered through assistance to acquire necessary skills.*
- *Illiteracy levels are still high among the disabled and policy targeting special groups such as the blind and deaf children is lagging behind.*
- *Funds targeting the physically handicapped are still centralized in Nairobi hence the National Disabilities Fund has not had an impact on improving livelihoods of the persons with disabilities.*

#### **6.3.4 Involve more Kenyans in development process**

A number of strategies have been adopted to facilitate involvement of Kenyans in the Diaspora on national affairs. In order to involve Kenyans in Diaspora, a high level interagency committee has been established under the coordination of the Ministry of Planning and National Development. The Committee has developed a draft Diaspora Sessional Paper for submission to the Cabinet.

During the 8<sup>th</sup> Leon H. Sullivan Summit at Arusha Tanzania (June 2008), President Kibaki called on Kenyans in the Diaspora to exploit various investment opportunities available in Kenya. Several activities have been used to sensitize Kenyans in Diaspora of existing opportunities. One of them is a sensitization Diaspora/ SMEs Trade & Investment Conference that was held in 14-16 August, 2007. This initiative was aimed at organizing the Kenya Diaspora community and the small and medium enterprises (SMES) sectors to bring them into the centre of Kenya's economic development.

In terms of sensitizing local communities on the need for their involvement in the LATF and CDF management, CDF Secretariat in collaboration with relevant

ministries is carrying out sensitization and capacity building activities on implementation of the Fund. While there is ongoing work by civil society organisations on sensitization on devolved funds, management of local funds still remain a challenging issue.

#### **6.4 Objective 3: Strengthening policies, delivery mechanism and outcomes in key social development areas.**

##### **6.4.1 Improve the quality of education**

Expansion of educational facilities through the introduction of the Kenya Educational Sector Support Programme (KESSP) by MOE for the period 2005-2010 is currently ongoing, it seeks to improve the quality of teaching through various activities within the education sector. There have been improved General Enrollment Rates (GER) and Net Enrollment Rate (NER) across the education levels as follows: GER for primary currently stands at 107.6 percent whereas that of Secondary stands at 36.8 percent. The NER for primary stands at 91.6 percent whereas that of secondary stands at 24.2 percent. Transition rate from primary to secondary has improved from 57 percent in 2006 to 60 percent in January 2007. The Ministry through the support of USAID and OPEC is in the process of constructing and rehabilitating physical infrastructure in schools including classrooms, laboratories, etc. This will go a long way in improving learning environment in our schools and thereby enhance success.

During the 2006/07 financial year, the Government disbursed slightly over Ksh. 4 billion towards financing of Free Primary Education (FPE). This enhanced the provision of textbooks and other teaching materials in public primary schools. So far, the Government has attained the recommended textbook pupil ratio of 1:3 for lower primary and 1:2 for upper primary.

The Government continues to provide resources for purchase of textbooks for public primary schools. During 2006/07 a total of Ksh. 2.6 billion has been disbursed to schools for this purpose. The total number of primary schools increased from 19,643 in 2004/2005 to 19,849 schools in 2005/06. The average national Textbook Pupil Ratio (TPRS) now ranges from 1:2 to 1:6 against the 1:3 target for lower primary schools; and 1:2 to 1:4 against 1:2 the target set for upper primary schools. The budgetary allocation for science equipment/laboratory increased from Ksh 160 million in 2004/05 to Ksh 170 million in 2005/06; while the number of targeted secondary schools was increased to ten per district during the period under review.

To strengthen the implementation of Free Primary Education programme, recurrent expenditure allocation to primary education increased by 8.5 percent from Ksh. 7.1 billion in 2005 to Ksh. 7.7 billion in 2006/07. Development expenditure on primary education increased almost fivefold from Ksh 1.3 billion in the 2005/06 to Ksh. 6.4 billion in the 2006/07.

The total number of primary school classes increased by 9.7 percent from 185,900 in 2002 to 210,528 in 2006. The increase is attributed to the implementation of FPE.



As a result, many schools, especially those in urban slums are overstretched and overcrowded. To address this, the Government under KESSP is undertaking physical infrastructure programme in selected districts with a view of improving the physical facilities in primary schools. The Ministry of Education is developing appropriate building codes for all public schools in collaboration with Ministry of Roads and Public Works (MOR & PW) as well as sensitizing and development the capacity of local communities in infrastructure rehabilitation and construction.

The KESSP Programme for period 2005-2010 by the Ministry of Education is ongoing; it seeks to improve the quality of teaching through various activities within the education sector. Quality of education has been improved by the ongoing programmes on ICT such as NEPAD E-Schools and Kenya's e-Learning Programme.

The introduction of CDF has resulted in the rehabilitation and expansion of education infrastructure. Public Universities have moved away from pegging intake to bed capacity in order to enroll more students. The Government is also undertaking a school - mapping exercise with a view to determining school locations in order to improve access and equity.

Funding for KESSP and Donor Commitments: Implementation of the programme has faced several challenges including: delayed releases of programmes/ project funds from donors; long procurement procedures leading to delays in programme implementation. The TIVET sub sector has suffered a lot as it does not get funding from external sources apart from GoK which is far from adequate (Kenya, Education Sector Report 2007: p.xiv).

As a direct pro-poor intervention in the education sector, the Minister of Education increased bursary allocation from Kshs. 700 million in 2004/05 to Kshs. 800 million in 2005/2006. To adequately support retention and sustain completion, the Ministry has set the minimum allocations to beneficiaries in national, provincial and day schools as Kshs 15,000, Kshs 10,000 and Kshs 5,000, respectively. Bursaries are particularly targeted to students from poor families, those in slum areas, those living under difficult conditions, those from pockets of poverty in high potential areas, ASAL districts, orphans and the girl child. Mechanism for enforcing this has also been put in place.

The Ministry will continue to review the guidelines to ensure appropriate targeting of bursary beneficiaries. In this regard, and to demonstrate Government's commitment to enhance access to quality education, Ksh. 8.1 billion has been allocated for free primary education to cater for recurrent and capital expenses in 2007/08 budget. Furthermore, the Government has also allocated Ksh. 1.5 billion to recruit an additional 7,000 teachers countrywide. Another Ksh. 1.0 billion has been allocated for the recruitment of an additional 4,000 new teachers. This will bring the total number of new teachers in 2007/08 to 11,000.

The Government increased budgetary allocation to the education sector by 11 percent from Ksh. 108.3 billion in 2006/07 to Ksh. 119.5 billion in 2007/08.

In January 2008, the Government waived tuition fees at secondary school in a move to increase access. Since the implementation of the free day secondary education, a number of challenges have been experienced. Delay of disbursing funds has characterized the initiative, with stakeholders complaining that the programme was implemented without proper consultation. The Kenya Union of Post Primary teachers has urged the Government to allow secondary school heads to levy parents for funds to run their schools.

*Voices:*

- *Kenyans were happy when Free Primary Education (FPE) was introduced in 2003. They were even more excited with the prospects of Free Secondary Education in 2008. These hopes have now been dampened by a number of problems.*
  - *The waiver of tuition fees does not make much difference because that is the smallest component of all the levies charged in secondary schools. Generally, tuition fees ranges between Ksh 5,000 to Ksh 9,000, accounting for less than 20 per cent of the fee budget.*
  - *There are a lot of demands placed on parents by teachers who demand extra tuition fees for pupils. Teachers have organized mandatory weekend and holiday tuition for the upper classes 4-8 in primary schools.*
  - *School textbooks are revised every year putting a heavy burden on parents who are expected to buy several textbooks for each subject each year every year.*
  - *In secondary schools, the schools provide double fee invoices – one that conforms with Government guidelines, the other with inflated miscellaneous charges. In reality, the total amount of money paid by students are much higher than previous year's despite free education.*

## **6.5 Ensure that bursaries are awarded on the basis of demonstrable needs**

### **6.5.1 Establish transparent bursary disbursement mechanisms.**

The Government through the assistance of the African Development Bank conducted bursary survey in November 2006. The aim of this survey was to find ways of above all streamlining the bursary allocation. To ensure poor and orphaned but bright students do not miss attending school, because of other non-tuition related expenses, the Government allocated Ksh. 800 million in 2007/08 towards bursary funds to assist them to cater for such expenses.

As a way of streamlining the disbursement of bursary funds the Ministry of Education;

- Has undertaken a Bursary Disbursement study with a view to improving the efficiency of bursary scheme.
- Is establishing a parallel bursary scheme, administered by the Ministry or an independent trustee, to provide an alternative avenue through which other stakeholders can participate. In addition, evaluation of the efficiency and effectiveness of constituency bursary disbursement system with a view to improving targeting.
- Targeting girl child and ASAL areas: 10 percent of all funds allocated for bursary are dedicated to the girl child. UNICEF is currently providing bursary to bright girls from North Eastern Province admitted to Provincial schools.
- The Government has ring-fenced 5 percent of the secondary School Bursary Fund for girls at the constituency level, leaving the rest for competition between boys and girls.
- The Government enacted the Children's Act legislation, which abolished harmful traditional practices that previously affected the girl child in adverse ways.

### **6.5.2 Improve on alternative education models**

In order to address equity, the Government has been providing grants to public secondary schools in ASAL districts as part of the affirmative action. Provisions to non formal schools (NFSs) for teaching and learning materials have also been ongoing. Currently 208 NFSs are registered and receiving grants. There are plans to register all viable NFSs and provide grants in order to reach children in hardship/disadvantaged zones.

The Government will support alternative basic education programmes including Non formal education schools, Dugssi madrassa Feeder schools, mobile schools, multi-grade and multi-shift schools. Community sensitization programmes will be used to ensure full utilization of boarding schools in ASALs. Grants will be provided to low cost boarding primary schools (Ksh 4000 per child annually) that will be constructed in each constituency in ASAL districts to improve access and reduce regional disparities.

### **6.5.3 Improve Environmental Sustainability**

There are ongoing efforts to prepare the National Environmental Action Plan and the National Environmental Policy in order to achieve an integrated planning initiative. Various other organizations have taken up the idea as part of the corporate social responsibility. The Department of Mines and Geology in the Ministry of Environment and Mineral Resources continues reviewing the Mining Act and formulating a new Mineral and Mining Policy.

### **6.5.4 Improve Capacity of National Environmental Management Authority**

NEMA offices have been decentralized in all 71 districts and 8 provinces. The Government through the Ministry of Environment and Mineral Resources has initiated development of the District and Provincial Environment Action Plan with view to integrating environmental concerns into the national development processes. Education Strategy for Sustainable Development was developed and steps were taken to initiate development of Integrated Coastal Management Plan.

Workshops were held in Taita-Taveta, Migori and Mbeere Districts to sensitize small scale miners on issues such as ethical mining practices, health and safety mining, mining and environment, etc and promote private sector participation in mining.

NEMA held a National conference on environment in May 2008 with the theme "Conserving and Managing the Environment for Sustainable Livelihoods". The conference highlighted current environmental challenges in Kenya with a view to improving environmental monitoring and management. An environmental education meeting was held in April 2008 with the aim of working out modalities for the establishment of a National Environmental Education/education for sustainable development (ESD) forum. United Nations Environment Programme (UNEP) launched the Billion Tree Campaign which targets planting 7 billion trees by 2009. Individuals, communities, business and industry, civil society organizations have been called to take part in the campaign.

Currently there is no national environmental policy in Kenya, but a National Steering Committee was gazetted in 2007 to prepare the policy. There has been a significant progress in the drafting of policy documents that affect the environment and natural resources in Kenya. A Draft National Environmental Action Plan report (NEAP) is now in place. This was after 71 District Environmental Action Plans and 8 Provincial Environmental Action Plans were reviewed.

NEMA is currently implementing the Environmental Action plans at the district, provincial and national levels. The plans will ensure that environmental problems are identified and addressed systematically. Environmental regulations have also been developed to control environmental degradation on water quality, waste management, ozone depleting substances, fossil fuels etc.

Training on drafting legal and institutional framework for management of invasive species was held in November, 2007 in Nairobi. Such a draft would help in preventing and managing the spread of invasive species such as Lake Victoria's water hyacinth.

#### **6.5.5 Improving quality and access to health services**

The Government has implemented various reforms in the health sector, which are aimed at improving quality and access to healthcare services. As a result of these reforms, over 1,000 additional dispensaries have been built countrywide, budgetary allocation for drugs increased by 72% and over 4,080 additional health personnel have been deployed to rural and needy areas to scale up health services. The Government has also improved referral services by increasing the number of ambulances. The Government has also implemented financial management reforms to improve efficiency and service delivery countrywide.

To facilitate completion of the on-going reforms in the health sector, the Government has allocated Ksh 34.4 billion in 2007/08. Efficient use of these funds is expected to enhance quality of health care and access in line with Vision 2030. The Government will also continue to shift focus from curative to preventive care, help to expand immunization coverage, improve reproductive health needs and allocate additional resources to facilitate an effective multi-sectoral response to epidemics such as HIV/AIDS and malaria.

The Government is currently providing 3.4 million treated mosquito nets that are distributed targeting pregnant women and children under five years. Aggressive malaria campaigns namely indoor spray campaign, the use of treated bed nets, training of community workers and increased awareness through IEC are on-going. The ministry is also undertaking indoor malarial spraying in 17 malaria risk districts at a cost of 700 million shillings. In 2007, the spraying was carried out in 1.1 million housing units; 850 000 units are targeted this year.

The introduction of a new treatment policy on malaria using Artemisinin Combination Therapy has reduced by a great deal malarial mortality and morbidity. The therapy is been used to address the problem of resistance to Sulphadoxine Pyremethamine.

The Government and her development partners are carrying out an integrated malaria programme called "*komesha malaria okoa maisha*" which costs about 7 billion shillings every year. As part of the programme, 12 million nets have been distributed over the last 6 years at a cost of 5 billion shillings. Most nets were distributed to children under 5 years of age and pregnant women through commercial outlets, health facilities and during the free mass distribution campaigns.

A Health Manpower and Improvement Plan have been developed to address the development, absorption, management and retention of human resources in the health sector in the wake of brain drain resulting from migration.

A new policy to adopt male circumcision as a standard HIV prevention strategy was issued in April 2008. The voluntary Policy will be rolled out for males of all ages in a culturally sensitive way and in a clinically safe setting will begin by mid-2008. The decision to adopt circumcision as an HIV intervention follows studies showing that male circumcision can significantly lower risk for HIV. Circumcision will not replace current effective HIV prevention methods but is part of a comprehensive prevention package.

The expansion and scaling up of Voluntary Counseling and Testing Centers (VCT) and the prevention of mother to child transmission of HIV has significantly contributed to the prevention of new infections from 86,000 per year in 2003 to 50,000 per year in 2007. The number of people on ART has increased from 2000 in 2003 to over 140,000 in 2007.

Immunization is now on an upward trend reaching 75% in 2007 (70% in 2006). Efforts will be made to scale up immunization activities especially in low coverage districts. KEPI was restructured both in mandate and organization so that it could coordinate the provision of all vaccination services in the country. During the 2007/8 FY only 3 non EPI vaccines were added to the portfolio, but there are plans to increase the scope to cover other antigens and risk groups. There are also plans to increase the number of vaccination centers from the current 3120 to 4500 by June 2011 through the provision of cold chain equipment.

To reduce regional imbalances in the distribution of health personnel in the marginalized areas, the Ministry is hiring staff on contract. The Minister of Medical Services directed the Ministry and NHIF to prepare a strategy and policies for lowering health care costs especially for the disadvantaged groups. A Health Sector Services Fund would be set up to help improve financial flow to health facilities. Financial systems would also be strengthened to help in better utilization and transparent use of funds.

The Government has proposed legislation to introduce a national social health insurance fund (NSHIF) in a phased approach in an effort to eventually achieve universal coverage. The health sector is also poised to receive increased funding from the central Government from 5.6(2003) to 12% in 2013. The Launch of the second national health strategic plan (NHSSP II, 2005-2010) will increase equitable

access to health services and improve efficiency and effectiveness of service delivery. Rehabilitation of some health facilities is underway for instance the New Nyanza General hospital is to be rehabilitated by the Russia Government. The implementation of the Vision 2030 within the pillar of equity, social development will also have considerable achievements in the health sector.

*Voices:*

- ➡ *Kenyans are increasingly getting frustrated by the quality of health services they receive.*
- ➡ *There is inadequate manpower, drugs and medicines at the health centres.*
- ➡ *Health staff manning health units/dispensaries lack commitment when serving Kenyans.*
- ➡ *Many of the health workers come to work very late and are only able to serve a few people.*

## **6.6 Objective Four: Ensuring affordable access to water, sanitation, finance (including micro finance), markets, ICT, shelter and land to all citizens, especially the poor.**

### **6.6.1 Communications improvement programme in the Ministry of Agriculture.**

In order to provide regular market information to farmers, almost 50% of the administrative divisions have information desks during the market days. Some of the desks in the divisions are mobile. Funding for these information desks, distances between the market places, and the road network in the rural areas and transport facilities and other logistics for the staff are a major challenge.

A National Farmers Information Service (NAFIS) was launched by the Ministries of Agriculture and of Livestock Development's National Agriculture and Livestock Extension Programme (NALEP) in May 2008, and is already being used to help farmers in Kiambu. The service is aimed at enabling farmers get extension information by simply calling the service or browsing the NAFIS website. Information which will be obtained primarily through telephone will be updated through the web by field extension officers. Through its phone based agricultural education service, the system will give upto 500,000 farmers in Kenya free advice on how to boost local production. The initiative will enable poor people access up to date information, money, business expertise as well as creating business and employment opportunities.

### **6.6.2 Accelerate the energy sector reform programme to ensure an adequate supply of energy**

The Energy Bill was signed into law on 31st Dec 2006 and became operative in July 2007. The new Energy Act that consolidates the Petroleum Act (Cap 116) and Electric Power Act No. 11 of 1997 has been enacted. This new law provides legal framework for sound management of the energy sector.

The current policy provides for the extension of electricity to market centres, public secondary schools, youth polytechnics, health centers, and water systems, among other community projects. This is intended to increase access to electricity in rural areas currently at 4% to 12% by the year 2012.

Currently, the Rural Electrification Authority is in the process of developing a comprehensive rural electrification master plan which shall provide crucial information for selecting projects for funding at a given time. In addition, Ethiopia and Kenya have undertaken a feasibility study financed by several international development partners to facilitate the transfer of electricity to Kenya from a number of large Ethiopian hydropower projects that provide power at lower costs compared to local ones.

The Government has already taken steps to modernize the oil refinery at Mombasa. Installation of a Thermal Cracker technology will make its products competitive with imported products. The Government is also encouraging the Kenya Power and



Lighting Company to adopt affordable connection policies so as to boost the number of customers in the rural areas. This is already happening. The company has come up with attractive customer connection policies that include transformer maximization and *Umeme Pamoja* which have seen the number of connections rising significantly to over 120,000. Further, the company has come up with a more flexible mode of settling the connection fee where a customer is connected upfront upon payment of a deposit while the balance is settled in installments.

The Government approved the implementation of 940 rural electrification schemes spread in 191 constituencies that ran till June 2007. The power coverage in the rural areas reached 6 percent in the fiscal year 2006 with 67,105 connections having been completed in 2005/06.

In order to promote the use of solar energy and other natural gases, the GOK is implementing a solar energy project to provide electricity to schools in the ASAL Districts. Thus 16 boarding schools in Garissa, Wajir, Ijara and Mandera have been supplied with solar generators. So far, 60 secondary schools have or are being provided with solar electricity generators at a total cost of Kshs.258.2 million.

On power generation, the percentage reserve installed capacity above peak demand, increased by 22.6 percent in the fiscal year 2006; Installation of 100 MW emergency power capacity to ameliorate the impact of the inadequate long rains was realized during the March- May 2006 season.

### **6.6.3 Articulate a comprehensive ICT strategy for human resource development**

Information, communication and broadcasting have been amalgamated into a single Ministry of Information and Communication; Internet (Posta surf) connectivity through very small Aperture Terminal has been rolled out; and The Communications Commission of Kenya conducted its Universal Access Study and developed a plan to facilitate funding mechanisms.

**Achievements in the implementation of the reforms over the four years to 2008 are as follows:**

- The private courier operators' outlet increased from 430 in the fiscal year 2005 to 521 in the fiscal year, 2006.
- Private letter boxes and internet services continuously increased over the four fiscal years to 2006.
- The landlines and mobile lines respectively recorded 6.6 percent and 39.1 percent increase in the fiscal year 2006.
- The Commission initiated a telecommunication cost study towards ensuring cost- based and affordable services.
- The calling charges remain high relative to incomes and this hampers access to telephone services.
- Technological convergence in the ICT services is posing new challenges in the regulatory framework particularly as far as licensing is concerned

**6.6.4 Ensure increased access to water and sanitation services to all users**

The Government has continued with implementing reforms in the water sector which are aimed at providing efficient and affordable water and sanitation services and increasing availability of water resources for all users. To increase coverage of clean drinking water, the National Water Services Strategy (NWSS 2007-2015) was developed in September 2007. This will guide the water sector in achieving the MDG goal of ensuring environmental sustainability. Access to safe water was estimated at 83 percent in urban areas and 49 percent in rural areas in 2007. This means that overall, about 84 percent of the population had access to a safe water source.

**6.6.5 Provide efficient and affordable water and sanitation services**

There is ongoing decentralization of water services to ensure efficiency and give more control to communities. In addition the construction and rehabilitation of dams, water pans and boreholes is ongoing in ASAL areas. The Sector Wide Approach to planning (SWAP) which aims at raising required investments in the sector and improving their efficiency have also been launched. Overall development expenditure on water supplies and related services increased by 15.1 per cent from Ksh 6,598.6 million in 2005/06 to Ksh 7,592.1 million in 2006/07. The Water Act 2002 was operationalized and 10 out of 11 institutions were created and their board members appointed; the 11th institutions' Water Appeal Board, has been formed and operationalized since July 2006. The supply of water in the targeted regions namely Nairobi, Nyeri, Kisumu, Nakuru, Eldoret, Meru, Garissa and Mombasa have been commercialized.

In order to increase resources allocated to the water sector to make water more accessible by all, the Water budget increased to 12 billion shillings. To increase water storage capacity, construction and rehabilitation of dams, water pans and boreholes are ongoing in ASAL areas. 227 boreholes were drilled throughout the country, with 178 of them being productive and fully equipped for use with 36 boreholes drilled as drought intervention measures in the areas that experienced drought during that year. A total of 308 dams and pans were rehabilitated with 116

new ones constructed including 44 dug as drought intervention measures. There are ongoing constructions and rehabilitation of flood control dykes- Kenya experiences frequent cyclic flood events mainly in the western region and along the Tana Flood Plain. The affected areas are: Nyando, Ahero and Kano; Nzoia- Budalangi; Tana River flood plain and Kuja River in Migori. During the period under review:

- 12.5 km of river training and 5.5 km new dykes were made on Nyando River.
- 4.34 new dykes were made on Nzoia River.
- On Yatta furrow, 22km of the 52 km canal were cleared, a 2 km 150 mm diameter pipe laid at Ndalani and 2 subsurface dams (Kithueni & Kariambeu) plus a 30,000 cubic meter at Kwa Matinga were built.
- 865 m of rock fill gabions were constructed on the banks of Tana River.

### **Water quality monitoring and surveillance**

Enforcement of water rules and regulation and EMCA 1999 to control over abstraction of water, catchments degradation and regulation on water quality is ongoing. Catchment management strategies are being used to address catchment degradation, over abstraction, pollution from agro-based industries, urbanization etc. Analysis of 600 water samples was carried out, and augmentation of water and sanitation in 32 urban water supply and 44 sanitation schemes were rehabilitated; Rehabilitation of 45 hydrological and water quality monitoring stations was also completed.

### **6.6.6 Water for food security**

The following activities have been undertaken in the last two years:

- The National policy on irrigation and drainage has been finalized and is awaiting approval;
- Bura Irrigation scheme is under rehabilitation to bring into irrigation 2,400 hectares under phase 1 by 2006 and additional 4,000 hectares under phase 2 by 2007;
- The West Kano Irrigation Scheme was revived, while Mwea Irrigation Scheme was rehabilitated and improved;
- Feasibility study for rehabilitation and expansion of Tana Irrigation Scheme was carried out;
- Schools and feeding centres were provided with 498 water storage tanks and 20 water bladders;
- Community boreholes were provided with subsidy fuels at a cost of Ksh 80 million benefiting 510,000 people;

- ➔ Fast moving spares for water supplies were purchased at a cost of Ksh 80 million; and
- ➔ Pipelines were extended at a cost of Kshs.106 million.

### **6.6.7 Flood Mitigation**

The Ministry has been mitigating flood menace through the following measures: de-stilling of river mouths; river deepening; dissemination of flood information to communities; and construction and rehabilitation of barrier infrastructures. As a result of construction and rehabilitation of dykes, 30,000 people and 6,000 ha were protected against floods in 2006.

A total of 11 irrigation and research stations are either under an ongoing rehabilitation or are already under operation. In addition, 42 small holder irrigation schemes have been constructed, and 5 rehabilitated; 71 water users associations were formed; 3,126 farmers trained; and 52 new irrigation schemes were identified for the 2006/07 financial year.

A total of 120 water supply installations were rehabilitated while sewerage projects were rehabilitated in 4 water service board areas and 3 new ones designed in three board areas. Over the period 2005/06 132 new community water projects were funded under the Water Services Trust Fund. Over 590,000 people have benefited from this service. In addition 85 rural water supply schemes were rehabilitated to completion and put under community management.

## **6.7 Objective Five: Making progress towards gender equality, particularly equal access to education for girls at all levels.**

### **6.7.1 Gender sensitive approach to monitoring and evaluation of development projects**

Gender officers have been appointed in all ministries and state corporations. The officers will be responsible to ensure that gender concerns are mainstreamed in policies, programmes and activities. The Political Parties Act of 2007 provides that 1/3 of the National Executive Committee of each political party must be women.

The Government has implemented affirmative action e.g. lowering entry marks for admission of female students to public universities, allowing girls who drop out of schools to re-enter and complete their education. This has resulted in marked progress in the net enrollment for the girl child in primary, secondary, university and tertiary institutions. Constituency Bursary Fund (CBF) allocates 5% of the total goes to girls before the balance is shared out to both boys and girls. Girls admitted from marginalized districts are admitted to secondary schools and TTCs a point lower than counterparts from other districts.

The recruitment of women in the public sector has also improved as a result of the Presidential directive on 30% affirmative action in new recruitments. Gender disaggregated data from the Kenya Gender Data Sheet, will be availed to form the basis of developing gender-sensitive policies, plans and programmes.

The Women Enterprise Fund introduced in 2006 aims at alleviating poverty through socio economic empowerment of women. Ksh 2 billion was set aside for the Fund in 2007/2008 FY. However, the fund was not utilized due to problems listed earlier.

### **6.7.2 Ensure affordable secondary and tertiary education**

Free tuition in secondary schools was launched in 2008. Special grants for schools incorporating the disabled through KISE were also strengthened. Other support measures include Grants for children in poverty and urban slums, Grants for laboratory equipment and loans through Higher Education Loans Board. FAWE provides scholarship for girls in difficult circumstances. The new policy on Free Day Secondary Education aims at according equal opportunities for boys and girls, resulting in gender parity.

### 6.7.3 Eliminate harmful cultural practices/ Eliminate early and forced marriages/ ensure equal opportunity for girls in secondary tertiary and University education

A Situation Analysis on FGM/C has been conducted. Its findings will inform future intervention on the practice.

*Voices:*

- *Most of the CDF activities and projects were fast tracked only a few months before the elections. Many saw this as a campaign ploy.*
- *As such most of the contracts went to unqualified and incompetent people who ended up doing shoddy jobs.*
- *According to the community members, a large percentage of the CDF projects in the region are basically non essential (small projects) which the residents feel add little value in their lives, they require projects which will empower them e.g. Polytechnics and training institutions for the out-of-school youth.*

### 6.7.4 Improve women's and children's condition

The Government in collaboration with UNIFEM took deliberate steps through Gender Governance and Human Rights program to train women and more specifically the 2007 women aspirants for parliament or civic seats.

ACUs have been created in all ministries, mainstreaming HIV/AIDS issues: Ministry of Planning and National Development has recruited an advisor to build capacity in line ministries (central planning and monitoring units) to mainstream HIV/AIDS into policy planning and budgeting.

To enhance the number of children put under ARV, there is ongoing free provision of ARVs in public hospitals. In order to improve access to female condoms, the first batch of 300,000 female condoms have been procured.

In order to adopt measures for the prevention of mother to child transmission: PMCT sites increased to 1,500 and over 600,000 pregnant women access services through these sites every year; Children born by HIV pregnant mothers given Nevirapine at birth to prevent transmission.

A comprehensive Draft National Employment Policy that mainstreams women's rights in employment and bans child labor has been formulated. In addition, recommendation of a task force appointed to review labour laws also addresses imbalance in employment and labor practices. The Plan of Action for Gender Policy had been finalized which will guide stakeholders in implementing gender mainstreaming activities.

The creation of National Commission for Gender Development to coordinate, implement and facilitate gender mainstreaming in the national development and to advise the Government and other organization on gender issues.

The Ministry of Education has put in place wide range strategies which aimed at improving female participation and performance at all education levels.

The Government's action also includes implementing an affirmative action for qualified female in admission to technical institutes and universities teaching the subjects: Mathematics, science and technology which have been dominated by boys.

The Ministry of Education has also partnered with various education stakeholders to ensure gender equity in senior officers and the institution of gender responsive management and governance structures in all education institutions. Strategies to be used include: sensitizing top decision makers, enhancing stakeholder's sensitization through mentorship and support programmes for women and use of affirmative action to enhance equity and equality in recruitment, training, deployment and promotion. Institutions targeted for this are university councils, board of governors for colleges, secondary schools and primary schools management.

The Ministry of Higher Education, Science and technology organized a workshop in May 2008 dubbed Mainstreaming Gender in Science and Technology. The workshop aimed at setting priorities to ensure maximum benefit from engendering Science and Technology in National program and providing status report in Kenyan women participation in Science and Technology.

In December 2007, Kenya entered into a partnership with the United States. The partnership aimed at supporting women's justice and empowerment in Kenya. It would particularly strengthen the capacity of the Kenyan legal system to protect women against violence and punish violators. The Women's Justice and empowerment initiative will provide sh 620 million in technical assistance, equipment and training to support efforts by the Kenya Government and non Governmental groups to end violence and abuse against women. It would also boost the implementation of the Sexual offences act.

## Voices:

- *The legislative framework to handle land-related cases is weak. This has contributed to a backlog of land-related disputes in courts.*
- *In addition, land issues are governed by many laws, most of which are incompatible. This has led to complexities in land administration and management.*
- *Issues related to restitution of land due to historical injustices and the institutional framework should be addressed.*
- *The reform should also address grabbed public utility plots.*
- *There is a danger of some communities becoming xenophobic and invading land owned by persons from other communities.*
- *It is important for the Government to ensure that the indigenous people are issued with title deeds for their ancestral land.*
- *Landlessness was identified by many communities as a major underlying cause of conflict and poverty.*
- *Rural communities are dependent on land for production. However, many people have been rendered landless or squatters.*

## **6.8 Objective Six: Encouraging broad-based participation in development by all stakeholders at all levels.**

### **6.8.1 Foster effective participation of stakeholders at the grass roots**

Legal challenges remain in involving all stakeholders in planning and implementation process especially in fostering effective participation of stakeholders at the grass roots. The National Youth Policy was finalized and enacted by parliament in Nov. 2007. National Youth Council Bill has been presented to parliament and now awaiting enactment. Once enacted, it will lead to setting up the National Youth Council.

### **6.8.2 Remove impediment to community participation in development at grass roots level especially women and youth**

Professional constituency fund managers have been recruited and posted in order to assist in management of the devolved (CDF) funds. Capacity building activities have been undertaken at constituency level to engage stakeholders in planning issues including civil society organisations.

There are efforts to structurally minimize the role of politicians in CDF project programmes, nevertheless, training of Provincial Administration in participatory approach to administration is yet to be undertaken. Stringent guidelines for



participation and selection of representatives in monitoring and implementation of public projects and programmes have been developed.

*Voices*

- ➡ *Devolved funds committee members are still selected by the MPs while local people are sidelined in the decision making.*
- ➡ *Harmonization of devolved funds has not been undertaken though the process is under consideration.*
- ➡ *Common plans at the district level are still under formulation.*

## **7.0 WAY FORWARD IN THE APR PROCESS**

The implementation of the APRM National Programme of Action must be founded on collective action based on partnerships for progress. Such partnerships - between Government, civil society, and the private sector, and communities or ethnic groupings based on mutual trust, respect for diversity, transparent accountability and commitment to common destiny at the national and local levels.

To ensure that the commitment to a common national destiny cascades to the community level with a high degree of national pride, it is necessary that the political demonstrates commitment and exercises leadership in promoting national unification and effective implementation of the POA through ensuring that the development plans and the performance contracts reflect the governance priorities identified in the POA. It is in this context that the Grand Coalition Government in Kenya has given its political commitment to the APR process through prioritizing the governance improvement in its reform agenda.

In the wake of the post election crisis, the commitment of all the parties to work together within the framework of national accord and reconciliation agreement resulting in agreement on Grand Coalition Government agenda, and Vision 2030 and the MTP, it becomes absolutely necessary for the National Programme of Action to be reviewed and appropriately updated to ensure its effective integration.

To sustain national commitment to the APRM process, build on the important gains made so far, retain public confidence in the independence, objectivity and impartiality of the APRM process, and provide a credible monitoring and evaluation framework for implementation of the NPOA in Kenya, an independent National Governing Council needs to be reconstituted. In recognition of this fact, the Government is setting up the institutional mechanisms necessary for this purpose.

## PLAN OF ACTION

### A: DEMOCRACY AND POLITICAL GOVERNANCE

| Objective  | Required Actions   | Indicator   | Timeframe   | Progress towards outputs/Outcome  | Remarks  |
|--|--|---|-------------|---|--|
| <b>Objective:<br/>Full compliance with<br/>all Standards and<br/>Codes adopted by<br/>Government</b> | Kenya to consider sign, ratify outstanding international instruments                                 | Number of pending standards and codes signed and ratified | 2006-2010   | Kenya has ratified the AU Convention on Preventing and combating Corruption<br><br>The Persons with Disabilities Convention has been ratified   | A number of International treaties have not been ratified as of June 2008  |
|  | Parliament to consider passing laws to domesticate international norms and standards acceded to      | Number of laws passed on standards and norms acceded to   | 2006-2008   | KNHRC has been strengthened and is able to oversee domestication of standards and codes   | No Laws passed in the 2006-2008 period<br><br>The government is yet to table the relevant bills on standards and codes in parliament   |
|  | Conduct civic education to improve stakeholder consciousness and responsibility                      | Level of stakeholder awareness about standards and codes  | 2007 - 2009 | Kenya is working together with CSOs to development National Action Policy and Plan for Human Rights as well as increasing awareness for Human Rights<br><br>The KNCHR is working in collaboration with various stakeholders in addressing emerging Human Rights issues  | The government Continues to consult CSOs in monitoring and implementing an effective system for reporting on all International Human Rights Instruments  |
| <b>Finalization of Land Policy</b>   | Develop and implement coherent land policy to address land ownership, use, tenure and administration | Existence of a national land policy                       | 2006 - 2008 | Draft National Land Policy has been developed<br><br>A stakeholders Workshop on the Draft National Land Policy was held in June 2008 under the auspices of the Ministry of Lands<br><br>The Settlement Fund Trustee (SFT) has been set up to purchase farms and redistribute to the landless e.g. in Taita Taveta<br><br>Establishment of the Land Reform Transformation Unit | The Draft National Land Policy to be presented to Parliament for debate<br><br>There is need for public awareness campaign on the proposed land policy through an appropriate communication strategy |

| Objective  | Required Actions  | Indicator  | Timeframe   | Progress towards outputs/Outcome  | Remarks   |
|--|---|--|-------------|---|---|
| <b>Minimize intra-state conflicts</b>                                    | Government and political parties to design and implement conflict resolution mechanisms (e.g. at community and ethnic levels) | Reported number of conflicts including cases of loss of human life and cattle rustling | 2006 – 2009 | <p>The Government has established 148 Peace Committees</p> <p>20 District Peace Committees streamlined and formalized in the cattle rustling prone areas</p> <p>240 assorted firearms and rounds of ammunition have been recovered in Baringo District</p> <p>20,000 firearms have been destroyed under the National Action Plan on Management of Small Arms Initiative launched in 2006</p> <p>The Government has launched a massive military operation against the Sabaot Land Defense Force (SLDF) in Mt. Elgon District and surrounding areas. This has led to the recovery of rounds of ammunition, guns, and surrender/ capture/death of SLDF commanders and militias</p> | <p>The process of establishing these peace committees is still on-going especially in the new districts</p> <p>The government has yet to undertake an inventory of the militia groups. This is necessary if they are to be wiped out</p> <p>The government needs to develop a program to reintegrate the militias into the society</p> <p>The government needs to enforce the policy of managing the proliferation of Small Arms and Light Weapons.</p> <p>The government needs to enforce the law on gun control and ownership</p> |
| <b>Inter-state conflicts with regard to cattle rustling and banditry</b> | Strengthen diplomatic relations between state with the aim of increasing security along the borders                           | Diplomatic negotiations on cross border incursions                                     | 2006-2008   | <p>Joint Commissioners and Administrators meetings have been initiated between Kenya and its neighbors</p> <p>The National Steering Committee on Peace Building and Conflict Management has been established</p> <p>Periodic meetings of Senior Administrators of Kenya and its neighbors take place whenever there is need</p> <p>An East African Police Commissioners Forum has been established to deal with cross- border security issues</p> <p>The Government has strengthened border patrols to protect citizens against cross border banditry</p>   | <p>The disarming of people holding illegal arms that are used for cattle rustling and banditry will continue</p> <p>Design and implement conflict prevention, management and resolution mechanisms at community level</p> <p>Intensification of border patrols to protect the citizens from cross-border banditry</p>   |

| Objective  | Required Actions   | Indicator   | Timeframe     | Progress towards outputs/Outcome   | Remarks   |
|--|--|---|---------------|--|---|
| <b>Inter-state conflict with regard to shared resources e.g. fish in Lake Victoria</b> | Institute measures to check inequality and discrimination prevailing in Kenyan Society (with specific attention paid to North Eastern Province and other identified disadvantaged areas) | Protocols signed with neighboring countries on shared natural resources   | 2006 – 2008   | Establishment of the East African Lake Victoria Basin Development Commission<br><br>Kenya is a signatory to the Kshs. 100 Hundred Million – Great Lakes Peace-building Fund<br><br>Kenya is providing a base for the Regional Center for Small Arms (RESCA)  | Promote interstate harmony with regard to shared resources<br><br>The government should strengthen the capacity and independence of the Lake Victoria Basin Development Commission to enhance the fulfillment of its mandate  |
| <b>Conflicts associated with international criminals and drug traffickers</b>          | Enhance the legal provisions to make it very risky to handle and traffic drugs in and through Kenya  | Enactment and strict enforcement of Revised Act; highly enhanced sentence for offenders and diminished status of Kenya as a transit route | 2006 on-going | NACADA is now a State Corporation mandated to deal with issues of drugs<br><br>An Anti-Drug Security Unit comprising the Police, Immigration and Customs Officials has been established to detect drug trafficking along Kenya's borders<br><br>Media campaigns against drug trafficking   | Strengthen the administrative and professional capacity of NACADA<br><br>Enhance cross-border security<br><br>Sustain media campaigns against drug trafficking  |
| <b>Ensure the judiciary maintains rule of law</b>                                      | Enhancing capacity of Judiciary  | Types of on going training programs, and ICT, and research facilities.  | 2006 - 2008   | Judicial Service Bill aimed at creating a Judicial Service Commission has been passed<br><br>More Magistrates have been recruited<br><br>Court proceedings and record and case management systems being undertaken on a pilot basis at the Commercial Law Courts<br><br>The digitalization of selected Court proceedings is underway | The Judicature Act which was targeted for amendment to increase the number of Judges from 50 to 70 is yet to be amended<br><br>The government is yet to hire and train professional prosecutors<br><br>Court Registries and Court proceedings to be automated<br><br>Monitoring the digitalization of Court proceedings in pilot Courts<br><br>There is need to expand the digitalization of court proceedings to the rest of the country |

| Objective   | Required Actions  | Indicator   | Timeframe   | Progress towards outputs/Outcome   | Remarks   |
|---|---|---|-------------|--|---|
| <b>Institutionalise access to legal representation for the socially disadvantaged</b> | Develop Policy and institutional framework for providing free legal aid to the poor, marginalized and the vulnerable  | Budgetary Provisions. Number of people receiving free legal aid.          | 2006-2008   | The Government with other stakeholders is in the process of rolling out a free legal aid scheme on a pilot basis. This program will inform the development of a legal aid policy and legislation | There is need to roll out the National Legal Aid and Awareness Program<br><br>Monitoring the Implementation of the Legal Aid and Implementation Program<br><br>The government should finalize the drafting of the Legal Aid Legislation and subsequently pass it into law |
| <b>Upholding separation of powers</b>   | Enforcement of judicial reforms and existing administrative measures to ensure members of the bench improve efficiency, accountability and monitoring of judicial functions | Reduced backlog of court cases and the time it takes to complete cases    | 2006 - 2008 | There is in place the Draft Judicial Service Bill that on enactment will enhance the independence of the Judiciary   |   |
|   | Institute constitutional provisions that minimize presidential discretion on legislative matters enhance the autonomy of the legislature.                                   | Parliament sets its own calendar of activities and the nature of business | 2006 -2008  | Creation of the Office of the Prime Minister<br><br>Establishment of the parliamentary Service Commission that determines terms and conditions of service  | Parliament is yet to be in-charge of its own calendar<br><br>Enhance the research capacity of Parliament<br><br>To have provisions in the constitution that limits discretionary powers of the executive<br><br>Public airing of Parliamentary proceedings                |

| Objective                                | Required Actions  | Indicator  | Timeframe   | Progress towards outputs/Outcome  | Remarks   |
|--|---|--|-------------|---|---|
| <b>An effective Legislative Assembly</b> | Review standing orders to address persistent lack of quorum, and when parliament is in session, to create more time for issues based and quality debates. | Assured quorum during parliament sessions; reduction in the number of Pending Bills; the number of new legislations passed | 2007 - 2008 | Establishment of the parliamentary Service Commission<br><br>Enactment into Law of the Political Parties Act 2008 and the establishment of the Office of the Registrar of political Parties | Plans to have live coverage of Parliamentary proceedings by August 2008<br><br>Amendments of Standing Orders<br><br>Enhance the research capacity of Parliament<br><br>Need to increase the number of times MPs sit in the House from the current 3 times a week  |
| <b>Political Parties Bill</b>            | Speeding up the adoption of the Political Parties Bill  | Legislation in the form of an Act of Parliament  | 2006 – 2008 | The Political Parties Act has been signed into Law effective 1 <sup>st</sup> July 2008  | The government to ensure the Implementation of the Political Parties Act  |
| <b>Promotion of a responsible media</b>  | Dialogue between Media Owners' Association (Council) and the government on promoting responsible media  | A regulatory mechanism to sanction irresponsible media houses and coverage   | 2006-2008   | Media Act now in place<br><br>The Communication Commission of Kenya has licensed 48 Radio Stations  | The government needs to Review Media legislation Media and the operations of the media and the Media Council of Kenya with the view of enhancing professionalism, ethics and responsible journalism<br><br>Provide guidelines prohibiting the use of derogatory and demeaning language in public and private media<br><br>Review legislation in order to prosecute hate speech and reverse the culture of impunity, inflammatory statements based on and that encourage ethnic, gender or religious and racial prejudices<br><br>Sensitize leaders and the public on the dangers of public pronouncements that polarize society on ethnic, religious, gender racial or cultural lines |

| Objective   | Required Actions   | Indicator   | Timeframe | Progress towards outputs/Outcome  | Remarks   |
|---|--|---|-----------|---|---|
| <b>Legal and Operational capacity of preventing and fighting corruption</b> | Enhance operational capacity of legal institutional mechanisms for preventing and fighting corruption. | Legislative amendment and enhanced institutional operations and powers. | 2006-2008 | <p>Anti Money Laundering Bill has been tabled in Parliament</p> <p>The capacity of the DPP's Office has been enhanced - more State Counsels and trained them to enhance prosecution of corruption</p> <p>Special prosecutors and litigation counsel have been hired to assist in the prosecution of corruption cases</p> <p>Anti-corruption legislations are being reviewed to provide a better framework for investigation of corruption and economic crime cases through collection and reliance on certain forms of evidence</p> <p>Amendments to anti-corruption legislation were tabled and passed in Parliament. The Amendments relate to the Anti-Corruption and Economic Crimes Act of 2003 and the Public Officer Ethics Act of 2003</p> | <p>Continued capacity building for prosecution officers</p> <p>Facilitation of the work of the special prosecutors and litigation counsel</p> |



| Objective   | Required Actions  | Indicator  | Timeframe | Progress towards outputs/Outcome   | Remarks   |
|---|---|--|-----------|--|---|
| <b>Fighting Corruption in the political sphere (The Executive, Legislature and Judiciary)</b> | <p>Launch a national campaign against corruption with along-term programme to promote positive values</p> <p>Accelerate and strengthen campaign against corruption with a long-term program to promote positive values.</p> | <ol style="list-style-type: none"> <li>1. Reduced incidences of corruption,</li> <li>2. Improvement in score in corruption perception surveys</li> <li>3. Improved information sharing among sectors.</li> <li>4. IEC initiatives undertaken.</li> </ol> | 2006-2008 | <p>The Government has put in place a Government Action Plan that sets out time-bound specific and prioritized anti-corruption interventions in prevention, investigation and strengthening prosecution capacity</p> <p>Public Complaints Standing Committee has been established in June 2007 through gazette notice 5826.</p> <p>Enactment of necessary legislations to anchor the fight against corruption e.g. the Statute Law (miscellaneous) Amendment Act passed by Parliament</p> <p>The Public Officers Ethics Act 2003 is in the process of being amended to make the declaration of wealth public</p> <p>The Witness Protection Bill was enacted into Law on the 30<sup>th</sup> December 2006 and became operational in May 2008</p> <p>Specialized units to prosecute anti corruption cases, economic crimes fraud prevention and asset forfeiture have been established</p> <p>Recruitment of 5 senior special prosecutors on economic crimes</p> <p>The government has established the Anti-corruption Campaign Steering Committee</p> <p>The Government trained all the OCPD, DCIOs and members of the Inspectorate on ways of eradicating corruption</p> <p>The Chief has constituted the an Integrity and Ethics Committee to continue to rid the Judiciary corrupt officers</p> <p>Two of the previously suspended Judges have been found guilty and relieved off their duties for unethical practices and the absence of integrity</p> <p>The Report of the Tribunal established to vet</p> | <p>The continued implementation of the National Anti-Corruption Plan</p> <p><i>APRM Progress Report</i></p> |

| Objective                      | Required Actions   | Indicator   | Timeframe | Progress towards outputs/Outcome  | Remarks  |
|--------------------------------|--|---|-----------|---|--|
| <b>Reform of Civil Service</b> | Coordination and speeding up of civil service reform efforts | The instituted reforms, and improved service delivery | 2006-2008 | <p>Voluntary Early Retirement Scheme targeting cadres in over manned and non-core functions areas are still ongoing</p> <p>Over 80 per cent of Government ministries have adopted strategic plans to guide their operations and enhance service delivery</p> <p>On-going implementation of performance contracts</p> <p>A Comprehensive recruitment training policy for the public service has been approved</p> <p>The Public Officers Ethics Act has been enacted</p> | <p>To strengthen the capacity, efficiency and productivity of the Civil Service</p> <p>Instilling positive work ethics among all public servants</p> <p>There is need for the government to respect its own rules e.g. the official retirement age</p> |

| Objective   | Required Actions   | Indicator                                 | Timeframe   | Progress towards outputs/Outcome   | Remarks   |
|---|--|---|-------------|--|---|
| <b>Accountability and Efficiency in the Civil Service</b> | Initiate a strategic plan to harmonize various reform programs (GJLOs, ERS, NEC) | Improved Performance in the Civil Service | 2006 – 2008 | <p>Establishment of the Permanent Public Service Remuneration Review Board (PPSRRB)</p> <p>Establishment of a professional body to manage devolved funds e.g. appointment of Professional CDF managers</p> <p>Results Based Management (RBM) performance contracts aimed at enhancing service delivery</p> | <p>Evaluate the existing reforms to enhance their capacity for service delivery</p> <p>More effective supervision and enforcement standards</p> <p>Strengthen the capacity of the Permanent Public Service Remuneration Review Board (PPSRRB) to reward high quality performance</p> <p>Decentralize service centers for all parastatals e.g. TSC, NHIF, NSSF etc</p> <p>Ensure gender parity in all public appointments and recruitments</p> <p>Implement the decentralized health delivery service</p> <p>Conduct regular short term courses for law enforcement agencies</p> <p>Ensure equity in the recruitment of Pubic Service employee that reflects the face of Kenya</p> <p>Integrated Financial Management Information System (IFMIS) to satisfy demands for high quality services for the public</p> |

| Objective   | Required Actions  | Indicator  | Timeframe     | Progress towards outputs/Outcome  | Remarks  |
|---|---|--|---------------|---|--|
| <b>Appointments and promotions in the Civil Service.</b>                                | <b>Ensure that all new recruitments are based on pre-defined qualifications and attributes in line with the organizational personnel needs.</b> | No of reported complaints and efficiency of recruited civil servants in service delivery | 2006 on-going | Affirmative Action to ensure gender balance<br><br>Promotions to be based on achievement of performance targets<br><br>The Government has developed a Pay Policy that Harmonizes pay structure in the Civil Service   | Institutionalize recruitment policies and practices to ensure that the public service represents the face of Kenya without compromising on service delivery<br><br>Ensure gender parity in all public appointments and recruitments<br><br>Introduce more effective supervision and enforcement of standards and regulations in the Public Service |
| <b>Provision of adequate and sustained funding for new laws, policies, and programs</b> | Align the enactment of laws, policies and programs with adequate and sustained funding to secure implementation                                 | Progressive and successful implementation of the policies and programs                   | 2006 – 2009   | Introduction of Performance Budgeting<br><br>Adherence to Medium Term Expenditure Framework   | Increased funding by the Government  |
| <b>Mechanism for receiving and resolving complaints</b>                                 | Strengthen the complaints desks in police stations responsible for violations involving law enforcement agents.                                 | No of cases reported, Investigated and acted upon  | 2006 -2008    | A Service Charter has been developed for all public offices i.e. complaint/ suggestion boxes installed<br><br>The Witness Protection Bill was enacted into Law on the 30 <sup>th</sup> December 2006 and became operational in May 2008<br><br>Establishment of the Public Complaints Committees<br><br>All Departments in the ministries have launched websites where complaints can be received | Strengthen the Office of the Public Complaints Committee through the recruitment of officers<br><br>Decentralize the Office of the Public Complaints Committee to the districts for greater accessibility by the public  |

| Objective  | Required Actions   | Indicator   | Timeframe   | Progress towards outputs/Outcome  | Remarks   |
|--|--|---|-------------|---|---|
| <b>Management of decentralized resources</b>   | Sensitisation campaigns on all devolved funds and limiting the role of MPs in the control of such funds                          | Sensitization programs, types of structures, and management, implementation and monitoring mechanisms, put in place.                              | 2006-2008   | CDF Act has been amended to ensure transparent and accountable management of funds<br><br>The Government has appointed professionals to manage CDF  | Citizens to be give an increased voice in the allocation and management of devolved funds<br><br>Appropriate fora (town-hall meetings) should be established in local authorities to enable the public engage local authority leaders in critical local governance issues |
| <b>Promotion and protection of peoples' rights</b>   | According more recognition and relevance to economic, social, cultural, civil and political rights                               | The standards and codes on human rights that are adopted and domesticated; entrenching the rights into the legislation; Socio-economic indicators | 2006-2008   | Free tuition for day secondary education students<br><br>Implementation of new Labour Laws that include provision for a three-month maternity leave for women and 14 days paternity leave for men employees<br><br>The Constitution guarantees fundamental Human Rights | The Government to continue to respect the constitutional rights of Kenyans without regard to ethnic origin, race, religion gender or disability<br><br>Institute a national awareness campaign to educate the public on their rights                                      |
| <b>Ensuring Kenyans are made aware of achievements and constraints in addressing governance issues</b> | Review current official communication strategy to increase its effectiveness   | Citizens' perceptions about country's governance record and issues  | 2006-2008   | Regular press briefings by the Government Spokesman on governance issues  | Plans to have live coverage of Parliamentary proceedings by August 2008<br><br>Dissemination of findings of inquiries, committees and commissions   |
| <b>Setting of emoluments of public officers (MPs)</b>  | Establish modalities for determining and reviewing emoluments of MPs   | An independent constitutional agency established to handle this, and clearly defined modalities put in place                                      | 2006-2008   | The Permanent Public Service Remuneration Review Board (PPSRRB) has been established  | To strength the capacity of the PPSRRB  |
| <b>Adequate funding of governance implementing agencies</b>  | Support necessary governance reforms by voting adequate funds to agencies such as KACC, Law Reform Commission, KNHRC, and GJLOS. | Approved levels of funding vis-à-vis the budgets  | 2006 – 2008 | Increased Budgetary Allocation to all implementing agencies   | Reviewing Budgetary allocations to the implementing agencies  |

| Objective   | Required Actions   | Indicator  | Timeframe | Progress towards outputs/Outcome   | Remarks   |
|---|--|--|-----------|--|---|
| <b>Address inequality and any forms of discrimination</b> | Strengthen diplomatic relations between states with the aim of increasing security along the borders | Diplomatic negotiations on cross border incursions | 2006-2009 | <p>The establishment of the Ministry of Development of Northern Kenya and other Arid Lands</p> <p>Affirmative action to implement 30 per cent of representation in the recruitment, promotion and appointment of women at all decision making levels.</p> <p>Creation of the Women's Enterprise Fund</p> <p>Creation of the Youth Enterprise Development Fund</p> <p>Allocation of Funds for the Women and Youth Fund</p> <p>Allocation of Ksh. 2 Billion to the Women's Enterprise Fund</p> <p>The Government will initiate programs that touch on the poor under the Social Action Fund</p> <p>Free tuition for Day-Secondary Students</p> <p>Government will increase Doctor-Patient ratio giving priority to the underserved regions</p> <p>The Government increased allocations in the Health, Education and Infrastructure Sectors by 11%, 13% and 21% in the 2007/2008 Budget</p> | <p>A number of discriminative, administrative and legislative provisions are yet to be addressed</p> <p>Government is yet to put in place measures that ensure that the quality of Education in all public schools is similar with regard to Teacher – Student ratio, learning facilities, books and equipment</p> <p>The government has mounted a public awareness campaign to protect the girl child from vulnerability to early teenage pregnancy. The results of these measures are yet to be fully realized.</p> |

| Objective   | Required Actions   | Indicator   | Timeframe  | Progress towards outputs/Outcome  | Remarks   |
|---|--|---|------------|---|---|
| <b>Create greater awareness of rights within society</b>              | Increase capacity of CSOs in civil education, monitoring and reporting human rights violations | Higher observance of human rights.<br>Number of reported cases of human rights violations | 2006 -2008 | Regular media briefings by the government Spokesperson<br><br>Enhanced media and press freedom<br><br>Enhanced freedom of expression  | Institute a national awareness campaign to educate the public on their rights<br><br>Commitment to the sustenance of individual rights and freedoms   |
| <b>Monitoring and reporting violation of rights by the Government</b> | Improve monitoring and reporting mechanisms of human rights violations                         | Number of reported cases of human rights violations                                       | 2006-2008  | The Government has submitted reports on the following:<br>International Covenant on Civil and Political Rights, International Covenant on Economic, Social and Cultural Rights.<br><br>Initial Report submitted to the African Commission on the African Charter on Human and Peoples' Rights<br><br>The Government has prepared the initial State Report under the International Convention against Torture and all forms of inhuman and degrading treatment or Punishment<br><br>Report prepared on the convention on the Elimination of all forms of Discrimination against women (CEDAW) and the International Convention on the Rights of the Child (ICRC)<br><br>The Government is in the process of finalizing the Report on International Convention on the Elimination of all forms of Racial Discrimination (CERD)<br><br>The Government is in the process of establishing an effective system for reporting all international human rights obligations | Holding consultative forums with various stakeholders on various human rights obligations and development of action plans<br><br>The government needs to finalize all the initiatives that touch of violation of human rights |

| Objective  | Required Actions   | Indicator   | Timeframe | Progress towards outputs/Outcome   | Remarks   |
|--|--|---|-----------|--|---|
| <b>Curtail violation of human rights by law enforcement agents esp. Police and Prisons</b> | Develop and implement a code of conduct for the different law enforcement agents in regard to human rights | <p>In-service training, seminars and workshops regarding human rights issues</p> <p>A Service Charter for the Police and Prisons Officers</p> <p>Improved terms and conditions of service for the Police and Prisons Officers</p> | 2006-2008 | <p>A Service Charter has been developed for all public offices in including the Police and the Prisons i.e. complaint/ suggestion boxes installed</p> <p>Training and Retraining of Police Officers on attitudinal change and customer care under the on going Police Reforms and the 100 days Rapid Result Initiative</p> <p>Improved terms and working conditions for both the Police and Prisons officers through the provision of risk allowance and insurance scheme</p> <p>The Government has trained 4,000 police officers under the Community-Based Policing</p> <p>The Small Claims Court Draft Bill has been prepared that will enhance the decongestion of Prisons by speeding up procedures for the small claims offenders</p> | <p>Conduct appropriate training for Police Officers including revision of the current syllabi</p> <p>Put in place an institutional mechanism for equity in access to legal defense for all Kenyans</p> <p>Accelerate the implementation of any agreed or ongoing judicial sector reforms</p> <p>Use of ICT to monitor, record and deliver justice</p> <p>Continuously sensitize the public on their rights</p> <p>Decentralize the Public Complaints Committee to the Districts to enhance accessibility by the public</p> <p>The Small Claims Court Draft Bill will be presented to Parliament for enactment</p> |



| Objective  | Required Actions  | Indicator                           | Timeframe | Progress towards outputs/Outcome   | Remarks   |
|--|---|-------------------------------------|-----------|--|---|
| <b>Mechanisms for promotion and protection of women's rights</b> | Enact legislation to prevent violation against the right of women | Reported cases of domestic violence | 2006-2008 | <p>The Kenya Law Review Commission is reviewing all the existing gender-related legislation with the view to coming up with comprehensive gender responsive laws for the protection and enhancement of the rights of women</p> <p>Women land rights are addressed in the proposed National Land Policy</p> <p>The Sexual Offences Act that proscribes all forms of sexual abuse against women and children has been enacted into Law</p> <p>Ministries are guided by the Office of the President Gazette Notice of November 2006 that demands that women should form 30 per cent of all newly recruited public servants</p> <p>Chairperson of Maendeleo Ya Wanawake at the provincial, district and divisional levels become automatic members of the CDF and HIV/AIDS Coordination Committees</p> <p>The Government has ring-fenced 5 per cent of the Secondary School Bursary Funds for girls at the constituency level</p> <p>The Government is collaborating with UNFPA, UNICEF, STATCAP and UNIFEM to undertake various capacity building activities aimed at addressing gender inequalities</p> <p>Dissemination of the Gender Data Sheet of 2005 to all the Eight Provinces by the Ministry of Gender</p> | <p>Preparations of gender related bills</p> <p>Adoption and implementation of the relevant National Land Policy dealing with Women Rights</p> <p>Gender mainstreaming in development and use of gender statistics for gender responsive planning, budgeting, and reporting procedures</p> <p>Improve gender equality and empowerment of women by 2015</p> |

| Objective | Required Actions   | Indicator  | Timeframe | Progress towards outputs/Outcome   | Remarks  |
|-----------|--|--|-----------|--|--|
|           | Carry out civic education on women's rights  | Established Civic Education Programmes   | 2006-2008 | Training of Government Ministries and civil society organizations in gender mainstreaming in development   | Initiate a national education program on the importance of the vote as a foundation of democracy<br><br>Intensification of civic awareness programs on the rights of women |
|           | Amend existing inheritance laws to allow men and women equal inheritance rights  | Enactment of appropriate legislation   | 2006-2008 | The development of the Family Protection Bill, which provides for inheritance of property by women   | Finalization of the Family Protection Bill   |
|           | Take affirmative action to guarantee women's rights to education, maternal /child health care and participation in both public & private spheres | Percentage of girls in primary enrollment, high school and university;<br><br>Maternal mortality rate and No of women in Parliament, the Judiciary and senior levels in Government and Private sector. | 2006-2008 | Provision for a three-month maternity leave on top of the annual leave for women<br><br>The Political Parties Act has been enacted and made into Law<br><br>Policy on Lower University Entry requirement for women |  |

| Objective   | Required Actions  | Indicator   | Timeframe   | Progress towards outputs/Outcome   | Remarks  |
|---|---|---|-------------|--|--|
| <b>Protection and promotion of the rights of children and Young Persons</b> | 1. Enact law to protect children from defilement, rape, forced FGM and early marriage   | Statistical trends of reported incidences   | 2006-2008   | <p>Development of a National Youth Policy</p> <p>The Sexual Offences Act</p> <p>Establishment of the Youth Enterprise Fund. This will be increased as the need arises</p> <p>The Government is revamping Youth Polytechnics</p> <p>Ministry of Youth and Sports has hired Youth Officers and posted them to the Provincial, and district levels.</p> | <p>Grand Coalition Government to create 800,000 jobs per year mainly targeting the youth</p> <p>Enactment of Laws to protect children from defilement, rape, FGM and early marriage</p> <p>Development of a National Action Plan to combat violations of Children's rights and active enforcement of legislations on the rights of children</p> <p>Development of a National Youth Policy</p> <p>Intensification of civic awareness program on the rights of children and young persons</p> <p>The Ministry of Youth Affairs needs to organize business courses and awareness creation seminars and training</p> |
|   | 2. Develop a National Action Plan to combat violations of Children Rights and active enforcement of legislation on the rights of children | Existence of a National Plan of Action and, No. of reported cases of children's rights violations successfully prosecuted | 2006-2009   | <p>A Draft National Policy on Children has been developed</p> <p>Development of a National Youth Policy</p> <p>Establishment of the Ministry of Youth and Children's Affairs</p>   | The Draft National Policy on Children to be presented to Parliament for debate   |
|   | 3. Intensify civic awareness programmes on the rights of children and young persons   | Audited Effectiveness of programmes and level of behavioral change  | 2006-2009   | Intensification of civic awareness program on the rights of children and young persons   | Intensification of civic awareness program on the rights of children and young persons   |
|   | 4. Devise a multi-dimensional programme to cater for Youth issues   | Government Policy that responds to issues of Youth Development  | 2006 - 2009 | <p>Establishment of the Youth Fund</p> <p>Allocation of resources to the Youth Fund</p>  | Devise a multi-dimensional program to cater for Youth issues   |

| Objective   | Required Actions  | Indicator  | Timeframe   | Progress towards outputs/Outcome  | Remarks   |
|---|---|--|-------------|---|---|
| <b>Mechanisms for the protection of the rights of the vulnerable groups</b> | 1. Enact and Implement Policies and programmes aimed at empowering and protecting the rights of vulnerable groups | No of street families and children; Decline in % of population living below the poverty level; No of school going orphans in school and the status of living conditions among refugee and IDPs | 2006-2008   | <p>I06,651 IDPs have been resettled following the 2007 post election violence as at mid-May 2008</p> <p>457 million has been raised from the public</p> <p>The Government has recruited 310 District Officers to be posted to districts without government representation</p> <p>The Refugee Act 2006 has been enacted. It recognizes, protects and manages refugees within the Country</p> <p>Funds have be allocated to acquire land for resettlement of the landless and the vulnerable groups</p> | <p>Enactment and implementation of policies and programs aimed at empowering and protecting the rights of vulnerable groups</p> <p>Strengthening the capacity of the law enforcement officers</p> <p>Streamlining immigration screening procedures and elimination of discriminatory screening practices</p> <p>31 Billion is required for resettlement of IDPs</p> |
|   | 2. Step up security and strengthen response capacity of law enforcement agencies in conflict prone areas          | Reduced incidences of conflict   | 2006 - 2008 | Introduction of Development Interventions Programs in the North Rift to compliment the disarmament program  | Strengthening the capacity of the law enforcement officers  |
|   | 3. Streamline immigration screening procedures and eliminate discriminatory screening practices                   | Percentage increase in No. of registered refugees; Changes in immigration screening procedures   | 2006 - 2008 | The Refugee Act 2006 has been enacted. It recognizes, protects and manages refugees within the Country  | <p>Streamlining immigration screening procedures and elimination of discriminatory screening practices</p> <p>Introduction of 3<sup>rd</sup> generation Identity Cards</p>  |
| <b>Universal Health Care Plan</b>   | Review by cabinet and legislation by Parliament of the Universal Health Care Plan                                 | Number of Kenyans accessing medical care   | 2006-2009   | <p>NHIF has enhanced its programs that currently benefits over 10 million Kenyans</p> <p>Government has invested in the construction of over 1000 health facilities through the CDF all over the Country</p> <p>Immunization coverage increased from 57 percent in 2003 to 72 percent in 2007</p>   | <p>Provide additional funding to cater for the increased expenditure occasioned by the post election crisis</p> <p>Recruitment of additional medical staff especially nurses</p> <p>Reform the Kenya Medical Supplies Agency to make it more efficient</p>  |

| Objective   | Required Actions   | Indicator                                | Timeframe             | Progress towards outputs/Outcome   | Remarks  |
|---|--|--|-----------------------|--|--|
|   |  |  |                       | coverage countrywide   | through decentralization<br><br>Reintroduction of the National Health Insurance Scheme for debate by Parliament<br><br>Rehabilitation of the infrastructure especially those destroyed in the post 2007 election violence<br><br>Government to encourage partnership with the private sector in the provision of health services |
| <b>Partnering with private health care providers and health providing NGOs in improved health care delivery</b> | Clarify mechanisms to support private health care providers    | Formal recognition instruments           | 2006-2008             | The Government through the NHIF has entered into partnership with the private sector health providers to improve access to health care   | The government should reintroduce the National Social Health Insurance Scheme in parliament with the view to implementing the same once enacted  |
| <b>Speeding up the enactment of the HIV/AIDS Prevention and Control Bill</b>                                    | Parliament to debate the Bill with a view to enacting it       | Parliamentary Act                        | 2006-2008             | National HIV prevalence declined from 6.7 per cent in 2003 to 5.9 per cent in 2006 to 5.1 per cent in 2007<br><br>The number of ARV users increased from 2000 in 2003 to 140,000 in 2007<br><br>The ARV drugs are dispensed free in all public health facilities   |  |
| <b>Constitutional reform</b>  | Adoption of a new constitution through a participatory process | Appropriate legal framework put in place | April 2008-April 2009 | Government recognizes dialogue among the political parties as a step out of the constitutional review deadlock<br><br>A Draft New Constitution exists<br><br>Inter-Parties Consultative Committee (IPCC) was established and is engaging stakeholders in the Constitutional Review dialogue<br><br>Multi-Sectoral Review Talk Steering Committee | Commitment by the Government to provide a new constitution by April 2009 as contained in the National Accord and Reconciliation Agreement (NARA) of 28 <sup>th</sup> February 2008   |

| Objective | Required Actions | Indicator | Timeframe | Progress towards outputs/Outcome   | Remarks |
|-----------|------------------|-----------|-----------|--|---------|
|           |                  |           |           | has been established in 2006<br><br>Development of Review Bills for presentation to Parliament: Constitution of Kenya Review Bill 2007 that gives a road map and process for the completion of the Review process, the Constitution of Kenya (Amendment) Bill 2007 for the entrenchment of the review process in the constitution. |         |

**B: ECONOMIC GOVERNANCE AND MANAGEMENT**

| Objectives  | Required Actions   | Timeframe   | Monitorable Indicator   | Progress Towards Output/Outcome  | Remarks/observations   |
|---|--|-------------|---|--|--|
| <b>STANDARD AND CODES</b>   |  |             |   |  |  |
| <b>Ratify the signed treaties</b>                                     | Ratify signed AU conventions   | 2006 - 2007 | No. of convention ratified  | 1. Ratified AU Convention on Preventing and Combating Corruption 3 <sup>rd</sup> February 2007 and Deposited on 7 <sup>th</sup> March 2007. Audit is on-going  | Kenya still fares poorly on TI corruption Index – There is need to scale-up the fight against corruption |
|   |  |             |   | 2. The Pelindaba signed on 24 <sup>th</sup> May 2007   |  |
| <b>Achieve Compliance with Best practices in the Financial Sector</b> | Implement Joint IMF-World Bank-GoK Financial Sector Assessment Programme (2003) (FSAP) | 2006-2008   | No. of recommendations implemented  | -Implementation of Financial and Legal Sector Technical Assistance Project (FLSTAP) in the second year<br>-Implementation of MFI Act<br>-Draft SACCO Bill 2008<br>-Insurance Regulatory Authority Launched in April 2008 | Strengthen the CMA's supervisory role ,<br><br>Finalise regulatory framework for MFI's and SACCO's       |
| <b>Good Practices Fiscal and Budget Transparency</b>                  | Implement PFM benchmarks   | 2006-2008   | No. benchmarks  | 10 benchmarks including risk based Audit Approach implemented by June 2007   | There is slow implementation of the strategy. Thus need to enhance capacity and commitment to reforms    |
| <b>Achieve best practices in debt management</b>                      | Implement the joint – IMF-World Bank Guidelines for Public Debt Management (2003.)     | 2006 - 2008 | No. of recommendations implemented.   | Rules and regulations on external loans and credit in the process of gazzetment<br><br>- Draft National Debt Strategy  | Enhance efforts to consolidate debt management functions and develop a comprehensive database            |
| <b>Enhance Kenya payments systems</b>                                 | Implement Kenya Payment System Strategy especially implementation of RTGS              | 2006 - 2007 | Implementation of Payment strategy<br><br>RTGS Volume   | Development of the National Payments Bill<br><br>Volume transacted on KEPSSB increased by 6.7 %  | There is need to hasten the passing of relevant legislation  |
| <b>Enhance quality of National Statistics</b>                         | Implementation of STATCAP and Statistics Master Plan                                   | 2006-2009   | Comprehensive and timely production of statistics and reconciliation of data from different sources | Quarterly GDP (QGDP) reports published   | Harmonise statistics from different providers<br><br>Implement QGDP for the expenditure components       |

| Objectives  | Required Actions   | Timeframe   | Monitorable Indicator   | Progress Towards Output/Outcome   | Remarks/observations   |
|---|--|-------------|---|---|--|
| <b>OBJECTIVE ONE: PROMOTE MACROECONOMIC POLICIES THAT SUPPORT SUSTAINABLE DEVELOPMENT</b> |  |             |   |   |  |
| <b>Provide a macroeconomic policy framework supportive of sustainable development</b>     | Maintain inflation at single digit   | Continuous  | Overall and underlying Inflation rates  | Underlying inflation broadly maintained at below 5 percent<br><br>Overall inflation 9.8 % in 2007 increased to 31.5 % in May 2008                   | Divergence between overall inflation and underlying is high. Harmonise measurement of underlying inflation between KNBS and CBK. There is an urgent need to address food inflation |
|   | Maintain a stable and competitive exchange rate  | Continuous  | Stable and competitive exchange rate  | The Country maintains a flexible market determined exchange rate. It has appreciated both in nominal and real terms                                 | The CBK should devise means of managing foreign exchange inflows to maintain a competitive exchange rate   |
|   | Implement a prudent fiscal and monetary Policy   | Continuous  | T-Bill rate and Commercial Bank rates   | T-Bill rate maintained at 6-7 percent<br><br>Central Bank Rate was introduced   | There is need to continue to reduce interest rates spreads and ensure that real interest rates are positive to enhance financial deepening   |
|   | Achieve and maintain sustainable debt position<br><br>Maintain a stable and predictable domestic borrowing | 2006-2008   | Public Debt as a % of GDP<br><br>Debt service as a % of revenue.                            | Public debt as a % of GDP declined marginally from 43.8 in June 2007 to 43.6 in February 2008<br>Developed a national debt strategy and KJAS        | Maintain sustainable debt levels   |
|   | Maintain low levels of fiscal deficit  | 2006 - 2008 | Size of Budget deficit  | Tax revenues increased by 31.8% in first seven months of 2007/08 overshot target by 4.8%<br>Fiscal deficit expected to increase to 6.2 % in 2007/08 | Increased demand on resources is high  |
|   | Increase budgetary allocations to the social sectors, especially health and education                      | 2006 – 2008 | Budgetary allocation to the social sectors<br>% of development/recurrent expenditure to GDP | Education allocation increased by 12.7%<br>Creation of two new ministries for health sector. Gross expenditures increased by 15%                    | Competition of resources amongst many priority sectors   |



| Objectives                                     | Required Actions  | Timeframe   | Monitorable Indicator   | Progress Towards Output/Outcome  | Remarks/observations  |
|--|---|-------------|---|--|---|
|  |   |             |   | 3. Implementation of the Kenya Education Sector Support Programme (KESSP)  |   |
|  | Enhance and Intensify tax administration Reforms                    | 2006 – 2008 | Increased efficiency in tax collection  | Tax collected by March 7 <sup>th</sup> 2008 increased by 19.4%<br><br>Tax as % of GDP 21.3 in 2007<br><br>Integration of income and VAT departments<br>Customs modernization                       | Revenue slippages to be avoided   |
|  | Review Monetary Policy Practice and autonomy of Central Bank        | 2006-2008   | Review Report   | Central Bank rate introduced<br><br>Bank Bills to be used to manage liquidity  |   |
|  | Study efficiency and effectiveness of credit markets.               | 2006 – 2008 | Review Reports  | Survey done: Only 19 % of bankable population have access to formal financial services   | The draft Bill on credit reference Bureau at a consultative stage with stakeholders |
| <b>Improve macroeconomic projections</b>       | Improve existing models   | 2006 - 2008 | Accurate and reliable indicators  | Revision of the models in process to enhance prediction  | Funding of the model revision is a challenge  |
|  | Develop Sectoral Models   | 2006 - 2009 | Sectoral performance comparable to forecasts  | Sector Models at Ministry being revised  | The sectoral models should inform macro models accordingly                          |
|  | Develop a macro model for the Central Bank                          | 2006 – 2008 | Central Bank Model Developed  | Process initiated at CBK for the Model working with USAID  | The model to be in line with the macro framework in place                           |
| <b>Increase Private Investment and savings</b> | Provide an enabling environment for business development and growth | 2006 - 2008 | 1. Savings rate<br><br>2. Credit to the private sector % of GDP<br><br>3. The reduction in the policy impediments to private sector | Domestic savings % of GDP 13.6 in 2007<br><br>Domestic Investment % of GDP 20.2 % in 2007<br>Credit to Private Sector % of GDP 28.6 in 2007<br>Kenya among top 10 performers – Doing Business 2008 | However, the real interest rates remain negative                                    |

| Objectives  | Required Actions   | Timeframe   | Monitorable Indicator   | Progress Towards Output/Outcome  | Remarks/observations   |
|---|--|-------------|---|--|--|
|   |  |             | participation at the Sectoral level<br><br>4. Private Investment % of GDP   |  |  |
| <b>Design and implement Sectoral policies that promote growth and sustainable development</b> | Strengthen the agricultural sector through policy, planning and implementation | 2006 - 2007 | 1. Agricultural sector growth rate.<br>2. Increased agricultural productivity   | Growth in agricultural sector decelerated from 4.4% in 2006 to 2.3% in 2007.<br><br>Livestock development programme for ASALS is under implementation.   | Enhance agriculture infrastructure and competitive input prices  |
|   | Implement the Kenya Education Sector Support Programme (KESSP)                 | 2006 - 2010 | 1. The GER for all levels of learning.<br>2. The NER at all levels of learning<br>3. % Change in the literacy rates<br>4. Student teacher ratios at primary and secondary levels<br>5. The % of females enrolled in learning institutions<br><br>Student textbook ratio | Primary NER from 86.5% in 2006 to 91.6% in 2007<br><br>Primary NER for NEP 27.5%<br><br>Secondary GER 32.2% in 2006 to 36.8% in 2007<br><br>Primary to secondary transition increased from 57% in 2006 to 60% in 2007<br><br>Current primary completion rate is 76.8%<br><br>Primary Gender Parity .96<br><br>Secondary School gender Parity .83 | The Government should enhance efforts for NEP to achieve net enrolment of 31.3%. Scale-up efforts to realize universal primary education |
|   | 3. Provide affordable and adequate health care                                 | 2006-2007   | 1. Maternal and Infant mortality rates<br>2. The morbidity rate<br><br>3. The % reduction in cost of health care  | Full immunization coverage increased from 71 in 2006 to 73 in 2007<br><br>HIV prevalence reduced 6.4 in 2006 to 6.3 in 2007<br><br>Malaria morbidity increased from 28.6% in 2006 to 31% in 2007   |  |

| Objectives | Required Actions   | Timeframe   | Monitorable Indicator  | Progress Towards Output/Outcome   | Remarks/observations |
|------------|--|-------------|--|---|----------------------|
|            |  |             | 4. The HIV prevalence rate<br>5. The doctor/ patient ratio<br>6. The Health worker patient ratio<br>The average distance to the nearest health facility                          | Condom distribution increased from 36.2 million in 2006 to 64.5 million in 2007   |                      |
|            | Strengthen land Management and Tenure Systems  | 2006 – 2007 | 1. Number of Title deeds issued in a year<br>2. Length of time taken to process documents at the Ministry of lands .<br>3. Finalisation and Implementation National Land Policy. | -As at April 2008, 140,000 titles issued<br>Time to process documents reduced to 7 days<br>- Computerization programme.   |                      |
|            | Strengthen Fisheries, Forestry, Mining and the protection of the environment, natural resources and wildlife | 2006-2007   | 1. Growth in the Fisheries, Forestry and Mining Sub sectors.<br>2. The contribution to GDP of Fisheries, Mining & Forests.   | 1. Formulation of fisheries policy.<br>2. Improve governance in forestry sub sector.<br>1. Strengthened role of Ministry of Environment through NEMA.<br>2. Implementation of biodiversity conservation programmes.<br>3. Preparation of the mining sector policy.<br>4. Implementation of the National Environment Action Plan, the Environmental Management and Coordination act, the lake Victoria Management Project, and the Wildlife Policy and Legislation Review. |                      |

| Objectives  | Required Actions   | Timeframe   | Monitorable Indicator   | Progress Towards Output/Outcome   | Remarks/observations  |
|---|--|-------------|---|---|---|
|   | Improve the competitive environment for Tourism.   | 2006-2008   | Tourism earnings.   | Growth in hotels and restaurants rose from 14.9% in 2006 to 16.3% in 2007.<br><br>Strong efforts in 2008 to revamp tourism after the election violence      | There is a challenge to boost tourist sites / sceneries all over Kenya      |
|   | Infrastructural development.   | 2006 – 2008 | Growth of the sector Road rehabilitated.                                    | 2006/07 - 72 % of roads in poor condition   | Construction of the several corridors is underway though a bit slow         |
|   | Programme and slum upgrading programme.  |             | Houses built in the slum areas.   | 10% completion of design and construction of 17 blocks, 5-storeys high comprising 600 three - roomed self- contained units at Kibera Decanting site         | Complete the buildings and upgrade other slum areas                         |
| <b>Sub-Objective: Improve adequacy and quality of statistics</b>                                | 1. Establish the Central Bureau of Statistics as a Body Corporate.<br><br>2. Implement a Statistical Master plan | 2006- 2007  | An autonomous CBS in key areas of finance and administration.               | An Act of parliament establishing Kenya National Bureau of statistics<br>2. Development of the Statistical Bill.  | To empower KNBS to have the resources to carry out the noble task           |
| <b>OBJECTIVE TWO: IMPLEMENT SOUND, TRANSPARENT AND PREDICTABLE GOVERNMENT ECONOMIC POLICIES</b> |  |             |   |   |   |
| <b>Sub-Objective: Implement sound, transparent and predictable government economic policies</b> | Operationalize Public Procurement and Disposal of Assets Act   | 2006-2008   | Public Procurement Act becomes operational.                                 | An autonomous Public Procurement Oversight Authority (PPOA) has been established and gazetted in August 2007<br>Contracts above 5 million posted on website | Fast track operationalisation to ensure efficient systems                   |
|   | Operationalize Privatization Act.  | 2006-2007   | Privatization Act is operational as law.                                    | Privatization Commission is operational   | To speed up the process of privatization                                    |
| <b>Sub-Objective: To improve transparency and</b>   | Enforce the Anti-corruption and Economic Crimes Act  | 2006 – 2008 | Number of prosecutions;<br>No. of convictions of persons guilty of economic | Investigated corruption cases increased from 1150 to 1611 in April 2008. recovery of Grand Regency Hotel  | Need to improve on cases prosecuted<br><br>Implementation of National Anti- |

| Objectives  | Required Actions  | Timeframe   | Monitorable Indicator   | Progress Towards Output/Outcome  | Remarks/observations   |
|---|---|-------------|---|--|--|
| <b>effectiveness in administrative, legislative and fiscal entities</b> | (2004)  |             | crimes.   |  | Corruption Plan  |
|   | Enforce the Public Audit Act (2004) and strengthen Kenya National Audit Office (KNAO)                     | 2006 – 2008 | Timing of audits in the F.Y; No. and types and quality of audits conducted.                                       | 70% of audit reports and certificate issued within statutory deadlines<br>Local Authority backlog of audit reduced from 80% to 40% | Strengthen capacity of KNAO to achieve statutory deadlines                         |
|   | Strengthen Parliamentary Oversight  | 2006-2008   | Implementation of recommendations   | Research and Library centre being established  | Establish parliamentary budget research office<br>Pass the fiscal management bill  |
|   | Increase stakeholder participation in policy, planning and budgeting, at national and sub-national level. | 2006 – 2008 | No., type and levels of stakeholder participation in the process.   | MTEF Budget – public sector hearings were done   | Institutionalise participation at sub-national level                               |
| <b>Sub-Objective: Improve predictability of economic policies</b>       | Strengthen and extend M&E structures  | 2006 – 2008 | The % of districts with functioning M&E structures.   | NIMES was launched in September 2007<br>M&E has been piloted in some districts   | To be extended to all districts  |
|   | Conduct a comprehensive Review of Implementation problems throughout the GoK and Public Sector            | 2006-2008   | Review Report   | Annual Progress Reports on implementation of ERS produced annually.  | Strengthen project monitoring and harmonize all review reports prepared by MED     |
|   | Strengthen grassroots planning committees.  | 2006 – 2009 | The no. of grassroots planning committees established and functional; No of grassroots committees plans approved. | Several grassroots committees have been established at the constituency level (CACC, CDF, CBC, CRC etc)                            | More efforts required at district level for proper participation at the grassroots |
|   | Improve Public Private Partnerships.  | 2006 – 2009 | 1. Private sector annual input into the national budget.<br>2. The number of                                      | Partnerships in policy formulation budgeting and planning have been formed with KEPSA, National NGO Council among others           | CSOs to be more focused on national development and long term growth               |

| Objectives  | Required Actions  | Timeframe   | Monitorable Indicator  | Progress Towards Output/Outcome   | Remarks/observations  |
|---|---|-------------|--|---|---|
|   |   |             | scheduled Public Private partnership workshops held.   |   |   |
| <b>Sub-Objective: Improve capacity in the implementing departments / agencies /State Corporations</b> | Strengthen local authorities in decision making on resource use and allocation.   | 2006 – 2009 | 1. No. of Local Authorities with budget committees and budgets produced.<br>2. No. of Local Authorities with audited accounts.                   | 1. 10 Las piloted for RBM<br>2. 175 Las presented budget to public and signed performance contract<br>3. Audit back log reduced from 80% to 40% | Strengthen capacity of Las and develop code of conduct              |
|   | Increase absorptive capacity of spending agencies.                                | 2006 – 2009 | 1. Project Completion rates.<br>2. Proportion of disbursed budgetary funds to budgetary allocations  | Implementation of procurement Act, development of external aid policy, KJAS and Donor HAC   | Effective implementation of KJAS and external aid policy            |
| <b>OBJECTIVE THREE: PROMOTE SOUND PUBLIC FINANCE MANAGEMENT</b>                                       |   |             |  |   |   |
| <b>Sub-Objective: Promote sound public finance management</b>   | 1. Implement Strategy for Public Financial Management                             | 2006-2008   | No. of benchmarks met  | 10 benchmarks met   | Refer to codes above  |
|   | Strengthen the link between budgeting and planning.                               | 2006-2009   | Degree of Synchrony between Ministry/Agency plans and MTEF budgetary allocations.  | All ministries and public agencies develop and implement strategic plans  | The strategic plan to be harmonised with the MTEF budget and policy |
| <b>Sub-Objective Implement fiscal decentralization</b>  | Harmonize the legal framework for Local Authorities with the Finance Act of 1997. | 2006 – 2009 | 1. The provisions of LASC Act, LATF and related Acts harmonized with those of Finance Act of 1997.<br><br>Las are allocated 5% of total revenue. | Draft Local Govt Bill in Ags chambers   |   |
|   | Build LA capacities for financial management                                      | 2006 – 2009 | % of Las submitting the requisite budgets and  | Financial regulations and treasurers manual have been completed   | Fast track implementation of reforms                                |

| Objectives   | Required Actions   | Timeframe   | Monitorable Indicator   | Progress Towards Output/Outcome  | Remarks/observations                      |
|--|--|-------------|---|--|---|
|  | and programme implementation.  |             | accounting documents.   | 80 routine inspection done   |   |
|  | Strengthen the capacities of the District level Development Committees for the effective management of resources.        | 2006 – 2009 | The % of Districts with completed plans for investment.   | Established DMIS for 42 Districts (DIDCs)  |   |
|  | Build the capacities of the Constituency Development Committees for the management of the Constituency Development Fund. | 2006 – 2008 | 1. The % Constituencies with bankable development plans.<br>2. The % of constituencies making acceptable expenditure reforms. | CDF managers hired in December 2007<br><br>Management structures for CDF have been established   |   |
| <b>OBJECTIVE FOUR: FIGHT CORRUPTION AND MONEY LAUNDERING</b> |  |             |   |  |   |
| <b>Sub-Objective: Improved Governance</b>                    | Control corruption and enhance rule of law   | 2006-2008   | 1. Number of corruption cases convicted.<br>2. Number of corruption cases investigated.                                       | 1. Cases handled by KACC increased from 7,888 to 8,188 in April 2008.<br>2. Corruption cases investigated increased from 1,150 to 1,611. | Enhancement of DPPs office                |
|  | Enhance information availability on fight against corruption   | 2006-2009   | Press releases  | Press releases   |   |
| <b>Sub-Objective: Enhance public safety, law and order</b>   | Improved Security.   | 2006-2009   | 1. Number of criminal offences reported<br>2. Security reports and public awareness   | 3. Number of criminal offences reported<br>4. Security reports and public awareness  |   |
| <b>Sub-Objective: Money Laundering</b>                       | 1. Improve the legal framework for anti-   | 2006-2007   | 1. Laws to curb money laundering  | Crime and Anti-money laundering bill re-introduced 11 <sup>th</sup> April 2008   | Delays in debating the bill in parliament |

| Objectives  | Required Actions  | Timeframe                                | Monitorable Indicator                         | Progress Towards Output/Outcome   | Remarks/observations |
|---|---|--|---|---|----------------------|
|   | money laundering.<br>2. Improve the banking system  |  | 2. Number of criminal offences reported       |   |                      |
| <b>OBJECTIVE FIVE: ACCELERATE REGIONAL INTEGRATION BY PARTICIPATING IN THE HARMONIZATION OF MONETARY, TRADE AND INVESTMENT POLICIES</b> |   |  |   |   |                      |
| <b>Sub-Objective: Accelerate regional integration</b>   | 1. Strengthen membership to regional integration unions.<br>2. Accelerate the integration process.  | 1. Ongoing<br>2. Ongoing<br>3. 2006-2008 | Level of integration and trade flows          | EAC customs union is being established progressively, whereby zero duty rates applied on most goods<br><br>27 <sup>th</sup> November 2007 an interim EAC-AC-EPA framework agreement put in place<br><br>Negotiation on COMESA customs union ongoing |                      |
| <b>Monetary harmonization</b>   | 1. Consolidate existing instruments of monetary cooperation.<br>2. Introduce limited currency convertibility.<br>3. Establish a formal exchange rate union.<br>4. Establish a full monetary union | 2001-2018                                | 1. Conversion rate<br>2. Common currency      | Documentation and discussion progressing well   |                      |
| <b>Harmonize regional and national policies</b>   | 1. Enhance support for R&D for industries by reviewing the tax policies, trade and investment policies, and other policies for doing business.<br>2. Harmonization of                             | Ongoing                                  | Consistency of regional and national policies | Development of regional COMESA competition policy   |                      |



| Objectives                  | Required Actions  | Timeframe        | Monitorable Indicator  | Progress Towards Output/Outcome   | Remarks/observations |
|-----------------------------|---|------------------|--|---|----------------------|
|                             | competing policies  |                  |  |   |                      |
| <b>Expansion of markets</b> | <ol style="list-style-type: none"> <li>1. Removal of work permits requirements in Uganda and Tanzania.</li> <li>2. Build capacity to monitor international trade malpractices in order to effectively apply anti-dumping and countervailing measures so as to ensure that Kenyan products are not unfairly driven out of markets</li> </ol> | 2006<br><br>2008 | <ol style="list-style-type: none"> <li>1. Number of EA passports issued.</li> <li>2. Share of trade to GDP.</li> <li>3. Number of business and employment opportunities created.</li> <li>4. No. of regional tax regimes.</li> </ol> | <ol style="list-style-type: none"> <li>1. Issuance of an East African passport.</li> <li>2. Implementation of a trade policy.</li> <li>3. Expand and strengthen partnership with the private sector especially in negotiating trade protocols and other business related issues.</li> <li>4. Protocol on rights of settlements and work.</li> </ol> |                      |
| <b>Enhanced Awareness</b>   | Sensitize the general public on integration   | 2006-2008        | Publications, and programmes aimed at sensitizing the general public   | A Secretariat has been formed and tasked to enhance public awareness  |                      |

## C: CORPORATE GOVERNANCE

| Objective  | Required Actions   | Timeframe | Indicators  | Progress towards output/ outcomes   | Remarks   |
|--|--|-----------|---|---|---|
| <b>Ratify and Adopt Core Principles of Insurance Supervision</b> | 1. Adopt and implement the Core Principles. Of Insurance                   | 2006      | 1. Standard signed and ratified<br>2. Insurance Industry Survey, Commissioner of Insurance Report<br><br>3. No of Insurance companies collapsing. | Core principles of Insurance not adopted.   | This needs to be done now by the Commission   |
|  | 2. Review Insurance Act to incorporate the principles                      | 2007      | 1. No. and % of insurance companies fully complying with Principles of Insurance Supervision.<br><br>2. Reviewed Insurance Act                    | Various amendments were made to Insurance Act during the period aimed at improving regulation and governance of the sector. Key among them was the raising of minimum paid up capital for both life and general business insurers to at least Kshs.150 million and Kshs. 300 million respectively... ES 2008<br><br>The Insurance Regulatory Authority (IRA) was established by the Insurance (Amendment) Act, 2006 and came into operation on 1st May 2007. The Act was an amendment of the Insurance Act Cap 487 of 1986. The mandate of the Authority is to regulate, supervise and develop the insurance industry in Kenya. The IRA Board was set up and the CEO recruited...MOF Report | Detailed work to implement recommendations based on stakeholders consultations is being initiated |
| <b>Ratify and Adopt ILO Convention no. 87</b>                    | 1. Adopt and domesticate the conventions in Kenya labour law and practices | 2007/08   | Convention ratified<br><br>% of unionisable employees who belong to Unions  | Convention not ratified.  | Consultations underway to see how to domesticate and adopt.                                       |

| Objective  | Required Actions   | Timeframe | Indicators  | Progress towards output/ outcomes  | Remarks   |
|--|--|-----------|---|--|---|
| Enhance adoption of Principles of Corporate Governance in all sectors of economy | 1. Conduct training on corporate governance for directors in all sectors of economy incl SMEs. | 2005/08   | 1. Number of institutions adopting good corporate governance principles.<br>2. No.of directors trained by CCG | <p>Financial Sector, Quoted Companies and Retirement Benefits Authorities, State Corporations are required to report on the status of corporate governance by Central Banks, Capital Markets Authority, The Retirement Benefits Authority, The National Performance Contracting Sectetariat..?</p> <p>In addition , the Cooperatives Societies Act requires stipulates that all Cooperative Societies should implement good corporate governance standards.</p> <p>The Public Procurement Oversight Authority has instituted processes that would require all suppliers to public bodies to disclose and comply with good corporate governance standards for procurement purposes.</p> <p>The training of directors and senior managers in good corporate governance has continued through One day, two day , three day and five day certification courses conducted by the Centre for Corporate Governance with over 200 more directors undertaking the five day certification and examination course during the period, June 2007 to May 2008. in addition institutions like the Kenya College of Accountancy, ESAMI and Strathmore University are running advanced courses in corporate governance at the diploma and Masters levels.</p> | <p>Efforts being initiated to develop guidelines for SMEs and facilitate implementation.</p> <p>CCG and IoD committed to initiate specialized training courses for SME sector</p> <p>SACCO Bill proposes to introduce good corporate governance in Coops.</p> |

| Objective | Required Actions   | Timeframe | Indicators  | Progress towards output/ outcomes  | Remarks   |
|-----------|--|-----------|---|--|---|
|           | 2 Sector regulators to issue guidelines on Corporate Governance reporting and compliance                                   | 2006/07   | 1. Profitability of corporations<br>2. Contribution of corporations to GDP.<br>3. No and % of corporate scandals and failures<br>4. No. of sectors issuing guidelines | <p>Financial Sector, Quoted Companies and Retirement Benefits Authorities, State Corporations are required to report on the status of corporate governance by Central Banks, Capital Markets Authority, The Retirement Benefits Authority, The National Performance Contracting Secretariat indicates that performance of many SOEs has improved with good corporate governance and performance monitoring</p> <p>In addition the Cooperatives Societies Act requires stipulates that all Cooperative Societies should implement good corporate governance standards.</p> <p>The Public Procurement Oversight Authority has instituted processes that would require all suppliers to public bodies to disclose and comply with good corporate governance standards for procurement purposes.</p> <p>The Insurance Sector is seeking to strengthen reporting on corporate governance in the insurance industry through the Insurance Regulatory Authority.</p> <p>The profitability of corporations has increased due to the increase in efficiency and transparency in service delivery. Contributions of corporations to GDP amounted to 6.8% ..MOF Report.</p> | <p>Banks have been reporting high levels of profits as have many of the quoted companies.</p> <p>Performance and profitability of SOEs has improved.</p> <p>Monitoring CG in Coops is necessary</p> <p>The implementation of the Public procurement certification mechanism suggested in the guidelines for corporate governance in public procurement would greatly assist. CG guidelines for insurance sector necessary</p> <p>Kenya should now revise the CG guidelines of 1999.</p> |
|           | 3. Develop a Monitoring and Evaluation framework which all key stakeholders can subscribe data to, share and own findings. | 2006/07   | Corporate governance Monitoring and Evaluation framework.   | <p>For state corporations there is a framework of very preliminary monitoring corporate governance through assessment of the extent to which directors have been trained, inducted on principles of corporate governance.</p> <p>The country through the Ministry of Planning ,...Vision 2030, is developing an national monitoring and evaluation framework that incorporates corporate governance.</p> <p>Through the FIRE Awards, COYA Awards some aspects of corporate governance monitoring s encouraged.</p>   | <p>Unfortunately, no mechanisms to monitor compliance of good corporate governance and or assessing the accuracy and authenticity of the corporate governance reports made by various companies seems to exist. This needs to be done for quote and finance sector corporations.</p> <p>Development of mechanism that shows impact of good corporate</p>  |

| Objective | Required Actions   | Timeframe | Indicators  | Progress towards output/ outcomes   | Remarks  |
|-----------|--|-----------|---|---|--|
|           |  |           |   |   | governance on corporate or business profitability needs to be initiated  |
|           | 4. Require SOEs & Cooperatives to publish accounts and reports in newspapers and on time                           | 2006/ 08  | 1. Number and % of SOEs & cooperatives publishing annual reports and accounts on time and in newspapers.<br><br>2. Number and % of SOEs and cooperatives submitting their annual accounts in a timely manner. | Publication of summarized annual reports in newspapers is supposed to be part of the performance contracting for SOE's.. It is also expected that the larger cooperatives would also summarize their annual financial statements and publish this in newspapers in the locality of their members.<br><br>However this is yet to be implemented.   | The same type of summary reports made by Banks should be made particularly given the quarterly reports now made in the context of performance contracts.   |
|           | 4. Enhance capacity of Institutions involved in corporate governance esp. CCG, ICPAK, CBK,CMA and other regulators | 2007      | 1.Training and skills development programmes developed & implemented<br>2. No. of Organizations adopting good corporate governance and the impact<br>3. Good Business Practices Award Schemes evaluation      | All banks, Financial and Micro Financial Institutions are expected to adhere to the principles of corporate governance by Central Bank Kenya. Listed companies, insurance companies, state owned enterprises and cooperatives are also expected to adhere to corporate governance principles.<br><br>Although the Centre Corporate Governance has attempted to bring all parties interested together, there has been no coordinated national action to develop the national capacity to implement and apply the principles of good corporate governance.<br>No training for regulator has been specifically organized | There is need to create a coordinated national framework for promotion implementation and policing compliance with good corporate governance across all sectors and among the various institutions involved. |

| Objective  | Required Actions  | Timeframe | Indicators   | Progress towards output/ outcomes  | Remarks  |
|--|---|-----------|--|--|--|
|  | 5. Develop codes & guidelines of best practice for other key sectors such as insurance etc. (10 sectors in total)                         | 2005/ 07  | 1. No and % of sector specific codes developed and disseminated  | <p>In addition to the generic principles and sample code of best practice in corporate governance in Kenya , sector specific guidelines have been developed for: Co-operatives, State Owned Enterprises, Banking and Listed Companies.</p> <p>In addition the generic guidelines on Shareholders and on reporting and disclosure on corporate governance also exist</p> <p>During the period Guidelines for Corporate Governance for Public procurement</p>  | Guidelines for other sectors need to be developed through stakeholder consultative processes eg . SMEs, Family Companies, Social Capacity Institutions- Hospitals, Schools and Colleges. Community Institutions and even in the public sector. |
| <b>Task force for reviewing implementation and reporting on ratified standards and codes</b> | 1.Establish Taskforce and its terms of reference  | 2007/08   | Task force in place 2. A catalogue of signed and ratified convention established and responding agency confirmed       | The Ministry of Foreign Affairs oversees treaty making for the Government and deals with all the issues relating to treaties and agreements both bilateral and multilateral. The Ministry has therefore embarked on a project of putting online the treaties that Kenya is a party to, to ensure that the list of treaties is updated regularly and is available in the Ministry's website....MOFA Report<br>State Law Offices indicate that efforts are made to inform, educate and alert all line ministries on ratified conventions, obligations and requirements.  | <p>Evidence of implementation not clearly seen among ministries</p> <p>Need to create public forum to review this at least once every year.</p>  |
| <b>Full adoption of International Accounting and Auditing Standards</b>                      | Mandatory and full adoption & enforcement of compliance of IFRS by quoted companies , large enterprises incl SOEs, financial institutions | 2005/ 07  | <p>No and % of organizations complying with IFRS.</p> <p>SME Accounting and Reporting Standards.</p> <p>Fire Award</p> | <p>All companies in Kenya are currently required to comply with IFRS in preparation of their financial statements. The degree of compliance varies amongst several entities. The findings of the Financial Reporting Award( FiRe) indicates a continuous improvement in the levels of compliance with IFRS.. Not all companies are ranked and this is only used as an indicator..</p> <p>Other than the award that seeks to reward excellence in financial reporting, ICPAK has the audit quality assurance program through which work done by auditors is evaluated. One of the main areas checked is the compliance with IFRS. Reports are issued and follow up visits conducted to ensure</p> | The ICPAK self assessment reports submitted to international Federation of Accountants shows total compliance is advocated.  |

| Objective   | Required Actions  | Timeframe       | Indicators   | Progress towards output/ outcomes   | Remarks  |
|---|---|-----------------|--|---|--|
|   |   |                 |  | improvements in complying with IFRS....ICPAK<br><br>On going financial sector reforms aim at achieving best international practices. Ministerial Audit Committees were established in all the Ministries. Audit members trained at KCA University. Budget performance reports prepared for the Ministerial Audit Committees to scrutinize.....MOF Report  |  |
| <b>Accounting and Auditing Standards by MSEs.</b> | 1. Adopt, domesticate and enforce compliance with Accounting standards for MSEs (now under development internationally) | 2007            | % of MSE complying with MSEs Accounting and Reporting Standards. | IASB issued an exposure draft on IFRS for SMEs in February 2007 for comments to stakeholders. ICPAK organized a stakeholders forum in August 2007 to discuss the draft. Subsequently the comments were forwarded to IASB . The deadline for comments was November 30, 2007. IASB has so far not issued the standards. In addition to the exposure draft, IASB requested volunteers to carry out a field test. This involves preparation of financial statements based on provisions contained in the IFRS for SMEs. ICPAK undertook the field test. The results on experience and also the resulting financial statements together with the previous financial statements were forwarded to IASB...ICPAK. | The ICPAK self assessment reports submitted to international Federation of Accountants shows total compliance is advocated.  |
|   | 2. Develop and implement Accounting and Auditing Standards for MSEs.  | 2007            | 1. % of MSEs adopting and using MSE Auditing Standards           | The Finalization of SME standards is pending awaiting International developments  | Continues to be developed  |
| <b>Overall enabling environment for business</b>  | Implement the Private Sector Development Strategy (PSDS)  | 2006 & on going | Growth of Business Sector  | The Private Sector Development Strategy (PSDS) is in tandem with its framework for implementation. In particular effective partnership and consultations with the private sector to ensure harmonized policy and regulatory frameworks have been pursued.<br>The industrial master plan has been completed and is being harmonized with the vision 2030, trade and industrial policy and PSDS.<br>EPC has opened field stations starting with Mombasa to extend its database and trade statistics for SMEs to Mombasa and eventually other regions of the country   | The post election crisis and the destruction inflicted by the youth in particular suggests that there is a considerable misunderstanding in regard to the role of the private sector and that of government.<br><br>Unless adequate measures to educate society on role of business and the impact of good “Enterprise Governance” on society, |

| Objective   | Required Actions   | Timeframe | Indicators   | Progress towards output/ outcomes  | Remarks  |
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|   |  |           |  | <p>PSDS has developed export education programmes that will offer export training linked to work experiences. The project is addressing trade facilitation by strengthening the capacity of Kenyan producers to comply with international standards and institutional interface enhancement (HCDA, KEPHIS, KFC etc)</p> <p>The ministry has undertaken strategic actions on the implementation of the policy laid out in the PSDS action plan for the growth of the business sector</p> <p>Export consolidation and diversification through facilitation of trade, enhancement of opportunities for export professional services providers and review the EPC export market strategy and market diversification programmes....MOT Report</p> | <p>consumers, employees, communities, government revenues etc is done, it does appear that the security of business enterprises cannot be guaranteed.</p> <p>It also appears that the dependency culture that promotes the perception that government has limitless resources that can be abused, misused, stolen or to create bloated public sectors etc without the linkage to individual needs to be addressed in the context of "why the private sector development strategy" and "how good CG promotes efficient, effective, responsible, responsive and sustainable enterprises"</p> |
| Create enabling environment for development of MSEs | 1. Expedite Legislation and implementation of Microfinance Regulatory framework. | 2006/ 7   | 1. Bill enacted<br><br>2. Returns to CBK of credit advanced by Micro-Finance Institutions                | Bill enacted in December 2006, CBK has prepared prudential regulations under the Act. The Micro Finance Act ,2006 has been made operational with effect from May 2, 2008 and the regulations relating thereto will be gazetted on May 26-30, 2008.<br>Implementation to begin once commencement date is announced and regulations adopted....MOF Report  | The MFI association has been working hard to ensure effective implementation and training on CG.   |
|   | 2. Implement the recommendations of the SME's Sessional Paper.                   | 2007      | 1. Number of jobs created in the MSE sector<br><br>2. Contribution of MSEs to GDP<br><br>3. Mechanism of | <p>The MTP and vision 2030 highlight major policies aimed at developing the capacity of SMEs, the youth &amp; women entrepreneurs, create business incubation centres and otherwise create innovative and competitive MSMEs in Kenya</p> <p>Vrious initiatives have been implemented on basis of stakeholder consultations, policy reforms and funding initiatives.</p> <p>The MTP and vision 2030 now lay emphasis on SME</p>   | <p>The various policy papers on SME development are being implemented but much more needs to be done.</p> <p>Over 474,700 new jobs were created in 2007 out of which 426,900 were in the informal sector compared to 420.4 thousand jobs in 2006, which</p>  |



| Objective  | Required Actions   | Timeframe         | Indicators  | Progress towards output/ outcomes   | Remarks  |
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|  |  |                   | implementation of bill in place                                     | development and points to mechanisms to implement the strategies.   | constituted 89.9 percent of all new jobs created outside small scale agriculture sector and pastoralist activities....ES 2008  |
| <b>Provide affordable and accessible credit to the private sector – including MSE's.</b> | 1. Reduce level government borrowing from domestic market.                     | 2006 & continuous | 1. Amount of credit available to private sector                     | <p>The domestic credit extended to both public and private sector by the banking system expanded from Kshs.600 billion in 2006 to Kshs 670 billion. The Public sector accounted for 2.8 percent of the credit while the private sector accounted for 75.1 percent with the other balance going to other institutions and individuals...Economic Survey 2008.. to confirm figures</p> <p>Credit to private sector increased by 14% between 2005/06 and 2006/07.</p> <p>The Micro Finance Act 2006 has been made operational and hence the licenced MFIs will be able to enhance provision of credit to the MSEs. Implementation of Micro Finance Bill will increase competition in credit market hence more MSEs will be able to access credit....MOF Report</p> <p>Various special funds for the SME sector have been made available on concessionary terms through the banking and finance sector.</p> | <p>Credit has become much more available even without land or other security upfront.</p> <p>However, lack of awareness or understanding on mechanisms to access and benefits from these facilities hinder many from benefiting . Therefore much more needs to be done to educate MSEs and the entrepreneurs on how and where to access the credit .</p> |
|  | 2. Address gap between interest paid on deposits and that charged to borrowers | 1st Q 2007        | 1.Gap between deposit and credit interest<br><br>2. Money liquidity | <p>The spread between loans and average deposit rates narrowed slightly from 9.63 percentage points in December 2006 to 9.0 percentage points in December 2007.. The spread between maximum lending interest rate and the average deposit rate improved from 9.8 percentage points in December 2006 to 9.00 percentage points in December 2007...Economic Survey 2008</p> <p>The interest spread declined from 13.4% in 2002 to 9.1% in 2007 and has been maintained...MOF Report</p> <p>During the year the remaining building society converted into a commercial bank while the only remaining NBFIs merged with the sister bank to be effective from January</p>  | The interest rates have come down but it is still necessary to ensure that fiscal discipline is maintained and inflation rates kept down and low.  |

| Objective   | Required Actions  | Timeframe       | Indicators  | Progress towards output/ outcomes  | Remarks  |
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|   |   |                 |   | 2008. 2 commercial banks that will operate on Islamic banking principle were approved, Gulf African Bank and the First Community Bank. Other banks offering Shariah Compliant products include Barclays, Kenya Commercial Bank, I& M and Dubai Bank..  |  |
|   | 3. Accelerate the land survey & issuance of title deeds.  | 2007            | Proportion of landowners with title deeds   | Over the period June 2007 to April 2008, 140,000 titles ad been issued.<br><br>Time taken to process land registration documents is now seven working days...MOL Report  | The post election crisis and political debate has tended to question the relevance and validity of title deeds.  |
|   | 4. Formulate and implement policy on existing and future Non Performing Loans (NPL).  | 2007            | Level of non-performing loans (NPL).  | The banking industry recorded a major decline in the stock of non-performing loans following write-offs against provisions and recoveries made by banks in the period ended February 2008. Gross non-performing loans (NPLs) declined by 42.9% of Kshs.43.1 billion from Kshs. 100.4 billion in February 2007 to Kshs. 57.3 billion as at the of February 2007. Similarly the ratio f net non-performing loans to gross loans improved from 5.1 per cent in February 2007 to 3.3 per cent in February 2008...Monthly Economic Review CBK March 2008  |  |
| <b>Attract more companies to list at the Stock Exchange</b> | <ol style="list-style-type: none"> <li>1. Review the listing requirements.</li> <li>2. Provide incentives to encourage listing.</li> <li>1. Improve the facilitation and the enabling role of CMA.</li> <li>4. Develop policy to attract</li> </ol> | 2005/07 ongoing | <ol style="list-style-type: none"> <li>1. Number of companies listing at NSE.</li> <li>2. Performance of NSE</li> </ol> | <p>Not much has been done in reviewing the listing requirements but three more companies have since been listed on the Stock Exchange during the period.</p> <p>The CMA in collaboration with industry stakeholders initiated a number of policy measures towards the developments of the capital markets. Some of these initiatives include policy proposals for the fiscal year 2007/08 submitted by the Authority of which most were adopted by the Government. The Authority also undertook other reform including putting in place regulations on asset backed securities and venture capital companies.</p> <p>In 2007, the primary equities market registered vibrant activity as two Initial Public Offerings(IPOs) were processed while three other companies raised additional capital</p> | <p>Nyaga Stock brokers, which was controlling more than 25 per cent of the estimated 800,000 total local investment accounts, was put under statutory management on March 5, 2008 over its involvement in irregular sale of clients' shares and failure to honour clients' financial obligations .Preliminary reports put the firms liabilities at Ksh. 900 million..The Standard Business May 7,2008</p> <p>The broker was put under statutory management for six</p> |

| Objective | Required Actions  | Timeframe | Indicators | Progress towards output/ outcomes   | Remarks  |
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|           | <p>medium business to list in the Stock exchange</p> <p>5. Promote investor confidence in the stock exchange.</p> |           |            | <p>through rights issues. As a result, slightly over Kshs 6 billion was raised and introduction of 390 million shares for trading at the securities exchange respectively. Between December 2006 and December 2007, the NSE 20-share index recorded a significant drop of 201 points from 5,646 to 5,445 points. Market capitalization rose by 7.4 percent from Kshs. 792 billion in December 2006 to Kshs.851 billion in December 2007...ES 2008</p> <p>Several amendments were introduced to the Capital Markets Acts Cap 485A during the fiscal year 2007/08. the Act was amended to recognize unclaimed dividends outstanding in listed companies for more than seven years as income to investor compensation fund. The amendment also provided for establishment of a Board to be known as the Investor Compensation Fund Board. The main function of the Board shall be to administer investor compensation fund which includes tracing and paying beneficiaries from collected unclaimed dividends when they resurface. Amendment has been undertaken to address the huge unclaimed dividends outstanding in listed companies.. the measures are aimed at strengthening investor protection and streamlining the management operation of the investor compensation fund thus allowing the CMA to focus on its mandate of market regulations and development. Other amendments to the CM Act and the licensing regulations were effected to strengthen the regulatory role of the Authority.</p> <p>CMA remained committed to modernizing the capital markets infrastructure in order to minimize systemic risks and facilitate creation of a framework conducive for both issuers and investors. The Automated Trading System(ATS) which was implemented in September 2006 under the Local Area Network(LAN) was reviewed. As a result, the ATS platform migrated from LAN to Wide Area Network(WAN) from December 2007. This change now allows stock brokers and investment banks to conduct their business in their respective offices. This has enabled the market trading to be increased by an additional three hours (days trading runs</p> | <p>months to give way for auditors to establish the firm's financial position. The manager said the initial phase of their mandate, which involved receiving claims and handling requests for CDS account transfers, elapses on June 9, 2008 and there will be no extension. Forensic audit on the claims lodged by clients of Nyaga Stock Brokers will begin next month. The joint statutory managers said evaluation and verification of claims was necessary to avoid fraudulent payments. They said they will seek direction from CMA on how to settle client's claims if the broker's assets fall short of liabilities...The Standard Business May 13, 2008</p> |

| Objective | Required Actions | Timeframe | Indicators | Progress towards output/ outcomes   | Remarks |
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|           |                  |           |            | <p>from 9am -3pm)...ES 2008</p> <p>The government has off loaded 25 per cent of its stake in Safaricom, the mobile service provider at Kshs. 5 per share for the 10 billion shares available. Safaricom as been billed as the most profitable company in East Africa. The IPO was oversubscribed by 532 per cent by both local and international investors.... Daily Nation</p> <p>The Nairobi Stock Exchange is set to be demutualised. The demutualization process would be done in two main phases. The first, would involve conversion of the institution fro a non-profit making public company limited by guarantee to a public company limited by shares, capable of generating profits and passing returns to shareholders. The second phase will offload the company's shares to the public through an initial public offering(IPO). This process s expected to be concluded in the next seven months. The Capital Markets Authority is speeding up the process, which aims to restore investor confidence in the capital markets. Mbaru said "Ownership of NSE desperately needed to be de-linked from the member brokers to improve efficiency and transparency. Unless we respect the rule of law and respect property laws, there is no way capital markets will develop in this region". Demutualization will pave way for the creation of the much anticipated single stock exchange in the region. Demutualization of the stock exchange would enforce corporate governance among players participating in the market...The Standard Business May 19, 2008</p> <p>Mr. Mbaru launched the NSE Smart Youth Investment Challenge in partnership with Smart Youth Investment Ltd. The NSE Smart Youth Investment Challenge sponsored by NSE to the tune of Kshs. 1 million, is an online game aimed at educating the youth on the workings of the stock market and nurturing a culture of planning and investing for the medium to long term...The Standard Business May 19, 2008. Students will be provided with a virtual sum of Kshs. 500,000 which they will trade to make them win. Prizes for the winners will not only be in cash but will include</p> |         |

| Objective | Required Actions | Timeframe | Indicators | Progress towards output/ outcomes  | Remarks |
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|           |                  |           |            | <p>internships at partner organizations. The Smart Youth Challenge aims at demystifying the workings of the Nairobi Stock Exchange (NSE) and to make it understood by the youth in a simple and user friendly manner. It will enable them to learn concepts relating to the NSE stock market trading, and have a one –on-one experience on the workings of the Automated Trading System and the Central Depository and Settlement Corporation. The youth need to master concepts underlie the money market so they can pool resources and invest their money wisely. The competition is open to any continuing students of a registered university who are not completing their course. Smart Youth Investments company targets youth between age 12 and 30, who are mostly high school and university students, or who are joining the world of work. This age group fits their vision of having a peaceful and prosperous Africa driven by smart entrepreneurs. Partners in the programme include the Nairobi Stock Exchange , Bank of Africa and Centrum Investment...The Standard May 14, 2008</p> <p>Proposed Miscellaneous Amendments to the Capital Markets Act, Regulations and guidelines 2007 have been finalized for public exposure. The guidelines will be on exposure from May 2, 2008 to May 31,2008. The regulations will inject confidence in the market. The amendments include:</p> <ul style="list-style-type: none"> <li>i. Provisions to increase minimum paid up share capital for stockboers and investment banks. Minimum issued share capital for brokers and Investment Banks to be raised from Kshs. 5 million and Kshs. 30 million to Kshs. 50 million and Kshs. 250 million respectively</li> <li>i. Provisions to ensure proper assessment of fitness and propriety of all shareholders, directors, chief executives and key personnel and a degree of separation of ownership from management. To ensure better controls and oversight of the fitness and propriety of the persons that own and control licensed persons .To exclude persons with substantial ownership of licensees that handle clients' funds from management</li> </ul> |         |

| Objective  | Required Actions  | Timeframe | Indicators   | Progress towards output/ outcomes   | Remarks |
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|  |   |           |  | <p>of such licensees. Substantial ownership is more than 25 per cent of the issued share capital of the licensed person .To ensure separation of ownership from management and limit substantial control of licensee that handle clients' funds.</p> <p>i. To impose obligation on licensees handling public funds to have professional Indemnity Insurance</p> <p>v. To impose stricter obligations on licensees to maintain full and complete records</p> <p>v. To require all licensees handling public funds to publish their financial statements in the press and display them in their branches.</p> <p>i. To strengthen the Authority's powers to trace and block assets</p> <p>i. To allow the Authority to continue to supervise an entity whose license has been revoked.</p> <p>i. To place an obligation on Auditors of Licensees to Report Misfeasance to the Authority and to allow the Authority to raise queries with Auditors</p> <p>x. To clarify who may be appointed as a Statutory Manager and o increase the powers of the Statutory Manager</p> <p>x. To tighten the compliance and reporting obligations of licensees</p> <p>i. Deleting of references to NSE Investor Compensation Fund which was converted into CDSC Guarantee Fund</p> <p>i. Provisions relating to stockbroking agents</p> <p>i. Transaction Adviser in Public offering of securities.</p> <p>v. Miscellaneous Amendments...CMA Regulations</p> <p>.</p> |         |
| <b>Provide an attractive business regulatory framework</b> | <p>1. Review Companies Act ensuring provisions for good corporate</p> <p>2. Review other business Laws.</p> | 2006/08   | <p>1. No. of revised Business Laws</p> <p>2. Decrease in number of business licenses.</p> <p>3. No. of new businesses registered in a year</p> | <p>The licensing (Repeals and Amendment) Act No. 17 of 2006 operationalized in May 2007. 118 (110 eliminated and 8 simplified) licenses repealed in 2005/6 and 2006/7. In October 2007 an additional 205 licenses repealed and simplified another 371. (Thus is an increase from the previous 118 in 2006/07). The process of uploading the licenses is on-going and the review process is still in progress....MOF Report</p>  |         |

| Objective  | Required Actions   | Timeframe | Indicators   | Progress towards output/ outcomes   | Remarks |
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|  |  |           |  | The draft Companies Act has been published and circularized for comment   |         |
| <b>Enhance good corporate governance in State Owned Enterprises (SOEs)</b> | <p>1. Review State Corporations Act to entrench corporate governance codes of best practice</p> <p>2. Provide mechanisms for implementing best corporate governance practices.</p> | 2006/ 7   | <p>1. No. of SOEs complying with code of best practice for SOE's.</p> <p>2. Performance Level and sustainability of SOEs.</p> <p>3. Level of dependence on Exchequer</p> | <p>Good Corporate governance is a critical component of the performance contracting mechanism with a requirement that all directors of state owned enterprises must be trained in good corporate governance.</p> <p>Timely production of annual reports incorporated in performance contracts. The second report on evaluation of the performance of public agencies for the financial year 2006/ 2007 was released on May 19, 2008. 38 ministries/ departments, 127 state corporations and 175 local authorities signed performance contracts. The process was participatory and diligently undertaken in accordance with the Evaluation guidelines issued by the Permanent Secretary, Secretary of the Cabinet and Head of the Public Service. There is ample evidence that the process of performance contracting has created and compounded accountability and transparency in the management of public resources. Of particular significance has been the inclusion of the Citizens' service delivery carter and customer satisfaction survey in the performance contracts strategy. These are vital instruments for measuring and enhancing the quality of service delivery and ultimately eradicating poverty. Following conclusion of the second year of the implementation of the performance contracts by Ministries/ Departments, State Corporations and Local Authorities there is ample evidence that the performance contracts strategy has enhanced overall performance and service delivery in Public Agencies. It has promoted the principle of meritocracy, reward and sanction. Sustained application of the Performance Contracting Strategy should turn around and streamline the management and operations of the public service. In order, however, for the strategy to be fully integrated, it is imperative that it is extended to the other two arms of the Government, that is the Judiciary and the Legislature...PC Report 2008</p> <p>The State Corporations Act has not yet been reviewed.</p> |         |

| Objective   | Required Actions  | Timeframe | Indicators  | Progress towards output/ outcomes  | Remarks   |
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| To improve the effectiveness of regulatory framework in all sectors of the economy. | 1. Bring Micro-Finance Institutions, Insurance Companies and SACCOs under the purview of Regulatory Framework of the Financial Sector | 2005/ 06  | 1. Growth rate of capital bases of MFIS, Insurance Companies and SACCOs<br><br>2. Proportion of MFI , Insurance Companies and SACCOs benchmarking best practices. | <p>The Insurance Regulatory Authority was launched in April 2008 to replace the Commissioner of Insurance as the Insurance Industry Regulator. It would focus on risk based supervision, stronger focus on corporate governance and early warning systems in line with international supervision systems.</p> <p>The retirements benefits(administrators) regulations, 2007 were issued. In the regulations guidelines on registration of administrators and the required qualifications have been outlined. The regulations include guidelines on agreement in respect of administration, the role of administrator and termination of the agreement among others...ES 2008</p> <p>The SACCOS Societies Bill 2008 was published on May 9, 2008 and is to be tabled in parliament for discussion soon. Once passed , it will bring SACCOS taking withdrawable deposits from members under the SACCO Societies Regulatory Authority.</p> <p>Microfinance Bill enacted in December 2006. CBK has prepared draft prudential regulations under the Act</p> <p>In 2007, the Finance Act 2006 and the Banking Amendment Act, 2006 became operational. Key changes in the Finance Act including making it mandatory for all banks to share information on non-performing loans(NPLs). The Act also empowered the CBK to assess the integrity ad propriety of persons controlling the institutions. The Banking Amendment Act 2006 ceded supervisory powers from the Minister of Finance to the CBK, and provided for vetting of shareholders owning more than 5% of the share capital. The amendments further included removal of charges on savings, seven days call and time deposits accounts. In addition, In addition the Act provided for payment of interest on savings accounts as long as the minimum balance is maintained.—ES 2008</p> <p>Capital Markets Authority amendments</p> | Although reduction in period of registration, number of licenses has happened at the Central government level, many in the SMEs sector , informal sector and some larger companies indicate that local authorities still remain a disincentive to investment by their protracted procedures and licensing procedures. |



| Objective  | Required Actions  | Timeframe       | Indicators  | Progress towards output/ outcomes   | Remarks   |
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|  |   |                 |   | Computerization, improvement of the companies, business registry has improved the company registration.<br><br>Ministry of Finance ceded supervision of commercial banks to CBK through the Banking Amendment Act 2006...MOF Report   |   |
|  | 2. All regulatory sectors to focus also on their enabling and facilitation mandate  | 2006 & on going | Growth and performance of regulators sector   | The various government policies are designed to eliminate the “control” attitude of public regulators transforming them into “facilitators and enablers”. Unfortunately even with the performance contracting and result based framework, many regulators have not changed.   | Discussions with, and stakeholder comments suggest that many of the regulatory authorities still focus on “control” aspect rather than the facilitation and enabling framework that allows business enterprises to grow and thrive. |
| <b>Strengthen regulation in the practice of professions.</b> | 1.1 Enhance governance within individual professional regulatory bodies.<br><br>1.2 Train professionals in good corporate governance. | 2007/08         | 1. No. of complaints against professionals.<br><br>2. No. of professions with operational self regulation framework.<br><br>3. Proportion of professionals trained. | All professional institutions have some mechanism to handle complaints against their members. Of interest to good corporate governance are the audit oversight frameworks instituted by ICPAK, the discipline mechanism of ICPSK, ICPAK and the Compliant Commission of Kenya in regard to lawyers.<br><br>Unfortunately there has not been an effective mechanism for disciplining directors who misbehave or for establishing professional standards for directors.<br><br>The Accountants and Secretaries have mandatory courses in corporate governance in their professional qualification training .<br><br>In respect of lawyers, the Complaints Commission of Kenya has struck off five practicing lawyers from the Roll of Advocates for professional misconduct. Six others were suspended for the same reason. The commission which is chaired by Mr. Joseph King’arui is charged with disciplining advocates who fail to serve clients professionally.<br><br>The National Public Complaints Standing Committee -the Office of the Ombudsman -was established in June 2007 to | It is suggested that public education and awareness raising programmes are necessary if the public is to utilise these noble and valuable avenues.  |

| Objective | Required Actions   | Timeframe | Indicators   | Progress towards output/ outcomes   | Remarks   |
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|           |  |           |  | <p>investigate complaints against the Government by private individuals and too inquire into any other allegations against public officers including breach of integrity, maladministration , delaying justice, discourtesy, inattention, incompetence, misbehavior, inefficiency, ineptitude; to oversee, coordinate, monitor and follow up specific action on channeled complaints and to “receive, register, sort, classify and document all complaints against public officers in ministries, parastatals, statutory bodies or any other public institution.</p> <p>The committee which should report to the President on a quarterly basis, is also empowered to recommend “appropriate legislative reforms as well as compensation or any other remedial action against Government”.</p> <p>It had a starting budget of Ksh 65 million in 2007/8 financial year. bodies or officers...Nation June 4, 2008</p> |   |
|           | 2. Strengthen human, financial and technical capacity of existing oversight professional regulatory bodies especially those under Government Ministries with oversight role e.g. Advocates’ Appeals Board under State Law Office | 2006/ 07  | <p>1. Backlog of disciplinary cases e.g. at Law complaints Committee</p> <p>2. Higher ethical standards as judged by level of complaints</p> | <p>The Government is working closely with the Law Society of Kenya and the School of Law to develop a curriculum for continuous legal education and specialized courses for advocates. A consultant has been hired and he work is expected to be completed soon.</p> <p>The Kenya School of Law is also developing a training programme and curriculum for para-legal training....MOJ Report</p> <p>Most other Professional Associations have instituted mechanisms for strengthening the technical and human capacity of their institutions.</p>   | <p>Implementation of continuing legal education for professionals is on going.</p> <p>Clear evidence of collaborative working between respective ministries and relevant professional institutions to strengthen regulatory capacity has not been seen.</p> <p>For those who who impact on corporate governance development- CCG, IoD and Shareholders Association this is particularly lacking</p> |
|           | 3. Strengthen self-regulation among the professionals.   | 2007/ 08  | <p>1.Level of complaints by the public</p> <p>2. Existence &amp; enforcement of code of conduct</p>  | <p>The debate on the Accountants bill 2007 in Parliament has commenced. The Bill has passed the two stages and is currently at the committee stage. The key provisions include:</p> <p>i. The restructuring of the accountancy registration process and creation of a registration committee. The</p>   |   |

| Objective                                  | Required Actions  | Timeframe | Indicators   | Progress towards output/ outcomes  | Remarks  |
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|  |   |           |  | committee will among other roles be responsible for registration and monitoring compliance with professional quality assurance and other standards ( issued by ICPAK) by members.<br>Enhancement of the disciplinary powers of ICPAK to enforce compliance with the professional code of ethics within the profession. Penalties to be imposed on those that breach the code of ethics have been enhanced.   |  |
| Expedite resolution of commercial disputes | 1. Continue implementing judicial reforms.  | 2005/08   | Average number of days to settle commercial disputes                         | Under the GJLOS Programme and in collaboration with the judiciary and State Law office on going reforms that include automation of court proceedings, development of record and case management systems, strengthening of commercial courts and increase of the number of judges and magistrates, all help to expedite the resolution of commercial disputes.<br><br>On going reforms such as the automation of court proceedings and the development of record ad case management systems for the Judiciary will assist in the expedition of commercial disputes...MOJ Report | Implementation of agreed judicial reforms              |
|  | Review Arbitration Act<br><br>Incorporate Alternative Dispute Resolution (ADR) in the administration of justice | 2006/09   | 1. Cost of dispute resolution<br><br>2. Level of backlog of commercial cases | The judiciary, the State Law office and stakeholders have been collaborating to develop and agree on suitable mechanisms to facilitate effective utilization of Alternative Dispute Resolution mechanisms.   | Check progress made by the Justice Onyango Committee.. |
|  | 3. Decentralize commercial courts to the Provinces in Kenya.  | 2006/ 09  | 1. Cost of dispute resolution<br><br>2. Level of backlog of commercial cases |  | This is awaited by most stakeholders                   |
| Enhance capacity of the                    | 1. Digitalization of  | 2006/08   | Time in resolution of  | The automation of court proceedings and development of   |  |

| Objective | Required Actions   | Timeframe     | Indicators  | Progress towards output/ outcomes   | Remarks |
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| Judiciary | Court Proceedings to improve judicial administration system <sup>4</sup> |               | cases.  | <p>records and case management systems for the judiciary are being undertaken on pilot basis at the Commercial Law Courts.</p> <p>The World Bank has approved Kshs. 2.5 billion (US\$ 40 million) for improvement of the performance of the Kenya's Judiciary. World Bank country director said the funds would help in the transformation of the Judiciary to match the realities of the 21st Century. He said the programme will commence from mid next year in partnership with other development partners , adding that the main objective is to collaborate with the Judiciary in its efforts to respond better to the needs of its users. He was speaking in Mombasa during the opening of a three day stakeholders workshop on Strategic Direction for the Improved Performance of the Kenya Judiciary. Over 90 participants, including judges, academicians, civil society and international organization representatives are attending the workshop to discuss the proposed Judicial Performance Improvement Project. The Country Director said Kenyans have often cited the delivery of judicial services as a real constraint to business growth especially the poor. Bruce described the workshop as being in line with the Judiciary's Strategic Plan for 2005- 2008 that will enhance access to justice for all citizens. He said this would improve court management and performance which include automation of recording of court proceedings.... The People Daily Dec. 8,2007</p> |         |
|           | 2. Increase no Judges & magistrates                                      | 2006 on going | <p>1. Backlog of cases</p> <p>2. Average no days it takes various types of cases to be determined</p> | <p>The judiciary has recently recruited new magistrates while the establishment of proposed to be increased from 50 to 70...MOJ Report</p> <p>The Bill on Small Claims Courts has been prepared.</p> <p>Number of cases pending in courts declined by eight per cent for the first time in nearly two decades. The economic</p>   |         |

| Objective                                 | Required Actions  | Timeframe       | Indicators   | Progress towards output/ outcomes  | Remarks  |
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|   |   |                 |  | survey indicates that progress in disposal of cases pending before court was achieved despite an overall decline in the number of magistrates and judges from 323 in 2006 to 312 in 2007, a 3.4 per cent drop. The total number of magistrates reduced by 4.9 per cent from 265 in 2006 to 252 in 2007, while that of judges increase by 3.4 per cent from 58 in 2006 to 60 in 2007. There are 252 magistrates in the country , 11 court of appeal judges and 49 high court judges...ES 2008   |  |
|   | 3. Appoint more state counsels as prosecutors   | 2006/ 08        | 1. Percentage of Legally qualified prosecutors<br><br>Proportion of successful prosecutions                        |  |  |
|   | 4. Implement anti-corruption programmes in the judiciary  | 2006 & on going | 1. Level of confidence of the business community in the judicial system.<br><br>Reduction in number of complaints. | The judiciary has appointed a Committee to review ethics and governance issues in the Judiciary. The Committee is expected to give its report in August 2007 ...MOJ Report...??  | Implement the recommendations of the Ethics and Governance Committee |
| Evaluate ax extent the reform programmes  | 1. Extent GJLOS programme to institutions and Ministries perceived to have poor service delivery e.g. NEMA<br>2. Evaluate effectiveness and impact of reform programmes | 2007            | 1.Improvement in service delivery<br>2. Evaluation Report  | Under the national performance contracting mechanism , respective Ministries are evaluated in the context of policies developed and implemented and the extent to which customer satisfaction and service delivery is effected.<br><br>The Governance Justice Law and Order Sector- Reform Programme undertook a baseline survey that has been published. The findings of this Baseline survey are being used to set performance targets for the GJLOS-RP.. Finalize and update the baseline information while refining targets accordingly. Implement a comprehensive capacity development of the reform programme within the sector institutions....MOJ Report |  |
| Improvement in state of the road network. | 1. Develop and communicate road   | 2005/08 and     | Policy Document on National Road Network   | The budget of 2008 indicates that the three road Authorities- the Urban, Rural and National Highways as  | .  |

| Objective  | Required Actions  | Timeframe                | Indicators   | Progress towards output/ outcomes  | Remarks |
|--|---|--------------------------|--|--|---------|
|  | rehabilitation and development policy and master plan.            | ongoing                  |  | legislated upon through the Roads Act will now be made fully operational   |         |
|  | 2. Build capacity to implement the plan                           | 2006 and ongoing         | 1. No. of Road contractors licensed in the top categories  | Ministry still compiling contractors and Consultants updated lists   |         |
|  | 3. Rehabilitate, construct and upgrade the country's road network | 2006 to date and ongoing | 1. Kilometers of renovated roads<br>2. % of Roads rehabilitated are rural access roads<br><br>2. Kilometers of new roads added to the network.<br><br>3. Cost of transportation. | 432 kilometers maintained 563 kilometers rehabilitated and more that 231kilometres of new sections constructed with over 1103 of routine maintenance ( Roads, Works and Transport}   |         |
| Address Road congestion and traffic jams in major towns especially Nairobi | 1. Adopt and implement Urban Transport Policy                     | 2005/ 08                 | Roads in Nairobi and other major town rehabilitated, reorganized and improved  | <p>Massive construction work is going on at the Namanga junction along the busy Nairobi-Mombasa highway. The Government intends to introduce a convenient mass transport system in the form of Rapid Bus Transit System and Light Train. A draft concept paper on the proposed BRT has already been prepared and funding for feasibility studies detailed engineering design has been obtained from AfDB and to date, the bids are being evaluated.....MOT Report</p> <p>Depending on the outcome of the feasibility study the Light Rail Project is expected to cover stretches from Nairobi Railway Station, situated in the Central Business District to Embakasi/ JKIA, a distance of 15.6 kilometres, and borders to the heavily populated industrial area of Makongeni, Makadara, Buru Buru, Donholm and Pipeline, Jogoo Road, Outer Ring Road, Airport Roads, Mombasa Road, the Airport siding and the Nairobi- Makadara.....MOT Report</p> |         |

| Objective  | Required Actions  | Timeframe         | Indicators  | Progress towards output/ outcomes  | Remarks |
|--|---|-------------------|---|--|---------|
|  |   |                   |   | There are about 60 projects covering about 400 km and costing over Kshs. 80 billion that are ongoing at various stages...MOF Report  |         |
|  | 2. Allocate more resources to urban roads rehabilitation from the fuel levy | 2006 and on going | 3. Percentage of fuel levy allocated to top 10 urban areas                                  | The allocations to the road sector increased by 21% ..MOF Report   |         |
|  | 3. Address traffic congestion in Nairobi Central Business District (NCBD)   | 2006-08           | 1. Time taken to travel to office<br>2. Pollution levels                                    | The Nairobi Metropolitan Ministry has developed initial plan on this but in line with the various on going initiatives to expand roads, restrict entry and parking in the Central business district etc  |         |
| Promote accessibility in the rural areas                                   | Develop and maintain rural access roads                                     | 2005/ 08          | Kms of rural roads developed and maintained   | Over 900 kilometers upgraded and maintained both by Government, Local authorities and private sector. (Roads )   |         |
| Improve the state of the rail network and increased use of rail transport. | 1. Rehabilitate, expand and modernize the rail network and systems.         | 2005/ 08          | 1 Volume of cargo and number of passengers ferried.<br>2. Cost and efficiency of Transport. | <p>The performance of the railway transport sub-sector is yet to make a major turn around despite concessioning of the rail transport services to a private investor. Freight tonnage transported increased from 1.9 million tones in 2006 to 2.3 tonnes in 2007; an increase of 21.8%. Revenue from transportation of cargo earned the organization Kshs. 4.4. billion compared to Kshs. 4.2 billion earned in 2006, an increase of 6.5 percent. However, passenger transportation decreased by Kshs. 57 million from Kshs. 160 million to Kshs.103 million in 2007...ES 2008</p> <p>Rift Valley Railways is failing to meet most of the performance targets agreed on with the Ugandan and Kenyan governments. The company which won the concession to manage the Kenya- Uganda railway line for 25 years, has already attracted criticism from Uganda's President Ypweri Museveni and Transport Minister John Nasasira, who recently described the railway as a relic. RVR had promised to invest \$25 million in capital expenditure in the first year of the concession. The terms of the deal oblige it to invest \$5 million in Kenya and \$1 million in Uganda</p> |         |

| Objective | Required Actions | Timeframe | Indicators | Progress towards output/ outcomes  | Remarks   |
|-----------|------------------|-----------|------------|--|---|
|           |                  |           |            | <p>annually until 2011. the company's annual report indicates that RVR has injected some \$11.5 million, which is less than half of its investment projection. The company which is yet to meet the cargo handling levels set by the concession agreement blames the shortfall by the Ugandan government in signing a partial risk guarantee. "the lack of tangible results is because of delay in signing the guarantee. Because the guarantee was a joint undertaking, the delay by the Ugandan Government in signing it made it difficult for RVR to access funds from financial institutions like the International Finance Corporation in time. Consequently it became difficult to invest money in line with the company's plan." The company's investment in capital expenditure during its second year of operation is estimated at \$18 million, with new locomotives and rolling stock being introduced in the course of the sixth, seventh, 10th and 17th years of operation. RVR is also obliged under the concession agreement to increase the volume of rail cargo between Uganda and Kenya by 75% in the first five years of operation. That would require a 15 per cent growth in cargo handled every year. However, RVR's current capacity is limited to only 10-12 per cent of available cargo. Thus customer demand is still overwhelming RVR's current loading capacity. Mr. Puffett attributed the problem to a shortage of reliable mainline locomotives. Currently Uganda has a total of 43 locomotives, with only 20 in good condition...The East African</p> <p>Kenya / Uganda Railways has been concessioned to Rift Valley Railways from November 1, 2006 for a period of twenty five years with an agreement to rehabilitate and modernize the existing one metre-gauge track and undertake proper maintenance of locomotives, wagons and the track...MOT Report</p> <p>The idea now is to develop another Transport Corridor with Lamu as a second Port providing sea access to Southern Sudan, Ethiopia and Somalia. This new Transport Corridor will comprise a new port at Lamu with a railway line, highway, an airport, oil refinery and an oil pipeline linking</p> | <p>The development of the new Transport corridor from Lamu to Southern Sudan and Ethiopia may take some time and the time frame may need to be revised to 2008 - 2012</p> |



| Objective                                | Required Actions   | Timeframe | Indicators   | Progress towards output/ outcomes  | Remarks   |
|--|--|-----------|--|--|---|
|  |  |           |  | the proposed port to Southern Sudan and Ethiopia as well as recreational towns at Lamu and Isiolo. A Developer has expressed interest and negotiations are going on....MOT Report  |   |
|  | 2. Participate in the construction of a rail line from Nakuru to Southern Sudan. |           | 1. Business volume with South Sudan<br>2. Cost of transportation                               | Study Report on developing a standard gauge railway line branch line from Rongai, Nakuru to Juba in Southern Sudan was done by Thormahlen Holding International GmGH but since it was not possible to develop a standard line gauge all the way to Mombasa due to legal implications of the Kenya Railways Concession Agreement, the most viable option is to develop another transport corridor from Lamu to Southern Sudan...MOT Report  | Construction of the standard gauge from Nakuru to Southern Sudan may be a bit expensive and unattractive to users considering that the rest of the track from Mombasa to Nakuru will still be a one-metre gauge and therefore users may prefer the New Transport Corridor from Lamu to Southern Sudan in which case the former may be neglected by users. |
| <b>Increase the use of air transport</b> | 1. Modernize navigation aids in Kenya airspace                                   | 2006/ 07  | 1. No of Air Carriers<br>Attract more airlines to Kenya<br>2. IATA rating of Country Air-space | <p>There has been significant growth in passenger traffic levels mainly as a result of a buoyant domestic economy and sustained tourism activities during 2007. commercial passenger traffic at the airports increased by 11.3 percent from 6,324.0 thousand in 2006 to 7,039.1 thousand in 2007. The recorded traffic growth was supported by route expansion and increased frequencies to establish destinations by the local flag carrier Kenya Airways and other airlines. There was an increase in international operations as a result of entry into the local service market by new international carriers including Singapore Cargo Airline, Air Mozambique, Virgin Atlantic, Marsland Aviation and Air Italy.</p> <p>Cargo traffic has been on the rise in the recent past with cargo throughput rising from 278.5 million tones in 2006 to 306.3 million tones in 2007....ES 2008</p> <p>Kenya Civil Aviation Authority (KCAA) has undertaken a programme for improving on equipment and internal structures to enhance air safety as follows:</p> <p>viii. Installed domestic VSAT connecting all airports in</p> |   |

| Objective | Required Actions   | Timeframe | Indicators   | Progress towards output/ outcomes  | Remarks |
|-----------|--|-----------|--|--|---------|
|           |  |           |  | Kenya<br>ix. Installed the Regional VSAT connecting Eastern African Region to Asia, Europe and South Africa to improve communication<br>x. Installed Global Navigation Satellite System (GNSS) in Airports in Mombasa, Nairobi, Kisums, Ole Kiombo (Maasai Mara), Manda(Lamu) , Nanyuki (Civil Airport) and Malindi to assist in airport approach, landing and take off which improves timelines and fuel consumption<br>xi. Started re-organisation of the airspace and northern airspace into Southern airspace and northern airspace to improve safety by reducing workload on air traffic controllers<br>xii. Installation of Simulators for training air traffic controllers and maintenance engineers to ensure safety of the air space.<br>xiii. Installation of surveillance facilities,. Kenya is now fully covered by radar system....MOT Report |         |
|           | 2 Expansion of Jomo Kenyatta Airport (JKIA) and other Airports | 2006/ 08  | 1. No. of flights landings in Nairobi & Mombasa<br>2. Rating of our two Airports by IATA | On going construction works to provide additional aircraft movement and parking area at JKIA, repairs of critical aircraft pavements and other facilities at Kisumu and other airports..ES 2008<br>Expansion of existing JKIA facilities with a new state of the art terminal is underway and phase one which entailed construction of an Apron to increase parking capacity is complete. Construction of terminal building and expansion of Kisumu Airport is due to start soon...MOT Report  |         |
|           | 3. Review Management & maintenance of small air strips         | 2006      | 1. No. of Tourists using the small airstrips<br>2. State of maintenance                  | The rehabilitation and management of Airstrips and Airports has been put under one agency- Ministry of Transport and airstrip rehabilitation programme is in place. So far forty (40) airstrips have already been rehabilitated while Wajir airport is already been turned into a military and civilian airport. On the other hand, Isiolo Airstrip has been fenced and land for expansion identified...MOT Report   |         |

| Objective  | Required Actions                               | Timeframe        | Indicators   | Progress towards output/ outcomes   | Remarks |
|--|--|------------------|--|---|---------|
| Access to clean & portable water in the country. | Implement National Water policy and programmes |                  | Number and % of people with access to clean water. | <p>In 2007, the Ministry of Water and Irrigation continued with its fundamental goal and purpose of conserving, managing and protecting water resources with a view to ensuring proper access to available water resources. This was realized through the strengthening of decentralized water sector institutions and increasing involvement of communities in the management of water affairs. During the year, the National Water Resources Management Strategy was launched and the Water Appeal Board operationalized. This is aimed at streamlining the management of water resources in the country. The role of drilling of boreholes was shifted to National Water Conservation and Pipeline Corporation from the Ministry.</p> <p>The number of boreholes drilled declined from 207 in 2006/07 to 170 in 2007/08 mainly due to reduced funding by donor agencies. However, there was an increase in the number of boreholes drilled in Coast and North Eastern provinces.</p> <p>Overall government development expenditure on water development expenditure is expected to increase from Kshs. 7,592.1 million in 2006/07 to Kshs. 8,414.3 million in 2007/08. this is mainly due to a 32.1 percent increase in the allocation of water development expenditure on newly created water sector institutions. Expenditure on miscellaneous and special water programmes is expected to increase seven fold from Kshs. 141.5 million in 2006/07 to Kshs. 1,218.0 million in 2007/08. all rural supplies previously owned by the ministry were transferred to communities. As a result the allocation for rural water supplies declined significantly due to ongoing water sector reforms. Funding for new rural water schemes is now sourced through the Water Services Trust Fund and the Government's contribution is in form of counter-part funds...ES 2008</p> |         |
| Improve Mombasa Port Services.                   | 1. Modernize and increase capacity of          | 2006 and ongoing | 1. Volume of transit cargo handled by the          | The cargo handled through the port increased by 10.7 percent in 2007 compared to the previous year.   |         |

| Objective | Required Actions                                 | Timeframe | Indicators   | Progress towards output/ outcomes   | Remarks   |
|-----------|--|-----------|--|---|---|
|           | the Port (equipment, training etc.)<br>equipment |           | Port per year.<br><br>2. Volume of cargo handled per year<br><br>3. Demurrage charged by ships | <p>Commencement of round the clock operations through out the week from June 2007...?? And licensing of Container Freight Stations (CFS) to handle vehicles...ES 2008</p> <p>The Japanese government has finally agreed to finance the Mombasa Port Development Project to the tune of 26.7 billion Yen (\$ 250 million). The project which is expected to be complete by 2018, will more than double the port's current container handling capacity. It will involve the construction of a second container terminal just a few metres away from the existing one. The port's harbour channel will be dredged to an average depth of 15 metres and the turning basin will be widened. These twin activities will enable Mombasa to handle larger vessels, thus making it a world class hub for the region. The three phased second container terminal is expected to handle over 1.2 million twenty four equivalent units. The terminal will be built on 100 hectares of land next to the Kipevu Oil Terminal, a kilometer from the present container terminal. According to Mr.Mwaruwa, the new terminal will be a huge boost to cargo handling given the congestion being experienced currently. He added that it will take six years to build , with the first phase taking three years. The loan will be used for construction of the new terminal as well as new cargo handling equipment....East African, December 10-16, 2007</p> <p>Modernization and computerization of the port facilities has been going on and this has enabled the Port to register improved operational performance over the years, with traffic handled increasing from 11.93 million metric tons in 2003 to 15.962 million metric tons in 2007. Plans for development of second container terminal and introducing of private sector participation in the operations of the terminal are at an advanced stage with signing of the loan agreement with the Japanese Bank for International Cooperation (JBIC) already done with geotechnical investigations and designs for the development of Berth 19 and adjacent container stacking yard have been done....MOT Report</p> | Funding of the second container terminal awaits the loan guarantee from the Ministry of Finance |

| Objective | Required Actions                                      | Timeframe         | Indicators   | Progress towards output/ outcomes   | Remarks |
|-----------|---|-------------------|--|---|---------|
|           | 2. Modernize and simplify custom clearance procedures | 2005 and on going | 1. Number of days taken to offload ships and clear goods.          | <p>Although Mombasa Port is billed as one of the best in Africa due to a recent successful upgrade of cargo handling equipment, some users think otherwise. Experts say it is cheaper to move cargo by sea from South Africa to Mombasa than it is to the hinterland. Cargo offloading and clearance takes more than 14 days at the port while in Dubai (e free port) it takes less than 48 hours. Despite a decision by the Government to introduce 24-hour operation, the system has not been implemented.... EAS May 15, 2008 transport</p> <p>Kenya Ports Authority and Kenya Revenue Authority are jointly involved in the development of the Community Based System(CBS) in Kenya whose objective are to implement procedures and information system tat will contribute to reduction of time for clearance of goods at the port and across the Kenyan border as well as reduction of associated costs. This is poised to further enhance the simplification of trade documentation procedures along Kenyan borders. So far::</p> <ul style="list-style-type: none"> <li>iv. Collection for User Requirements (Business Process Redesign Exercise ) has been done and functional requirements are contained in the Business Redesign Report(BPR) which provides a comprehensive scoping of messages, documents and procedures for cargo clearance operations in Kenya. In addition the report highlights the proposed procedures to facilitate the simplification and streamlining cargo clearance process.</li> <li>v. Development of CBS Master plan has been developed</li> <li>vi. Development of System Requirements Specification (SRS) has been accomplished.....MOT Report</li> </ul> |         |
|           | 3. Stamp out corruption at the Port                   | 2005/ 07          | 1. No. of Containers reported missing<br><br>2. KRA Tax Collection | <p>Over the last year no report cases of loss of containers.</p> <p>Established a hot line which is available on the KPA website</p>  |         |

| Objective   | Required Actions   | Timeframe       | Indicators   | Progress towards output/ outcomes  | Remarks               |
|---|--|-----------------|--|--|-----------------------|
|   |  |                 |  | for whistle blowing.<br><br>Formed anti corruption committee for preventive and investigating cases of corruption.<br><br>Installed public boxes to report any complaints...MOT Report   |                       |
| Improve quality and access to land line telephony | 1. Privatize Telkom Kenya.   | 2005/ 08        | 1. Number of new fixed telephone lines.<br><br>2. Proportion of Digital exchanges.     | In 2007, the fixed telecommunications industry registered some modest growth owing to the introduction of Code Division Multiple Access(CDMA) technology. Since the CDMA technology was introduced, the wireless connections have increased significantly from about 6 thousand connections in 2006 to about 200 thousand connections in 2007 the tremendous growth recorded is mainly supported by widening coverage of the wireless network in the country.<br><br>The total fixed telephone capacity including the wireless capacity stood at 837 thousand by the end of 2007, up from 533 thousand in 2006...ES 2008 | CCK Reports awaited.. |
|   | 2. Eliminate the existing monopoly in land line services                                   | 2007/ 08        | 1. Regional Telephone Operator licensed<br><br>2. Licensing a second national operator | Privatization of Telkom Kenya concluded and France Telkom identified as a strategic partner.<br>Licensing regime as been changed in favour of a unified licence. Operators can now provide fixed and mobile phone services using the unified license..MOI Report   |                       |
|   | 3. Promote adoption of wireless telephone to enable rural access to telephone and internet | 2006 & on going | Rural access to internet.  | The telecommunication sector experienced major developments in both service delivery innovations and infrastructure. On service delivery, the introduction and provision of financial services via mobile phones has improved financial intermediation services. Money transfer services using mobile phones was launched by the two   |                       |

| Objective  | Required Actions   | Timeframe | Indicators  | Progress towards output/ outcomes  | Remarks               |
|--|--|-----------|---|--|-----------------------|
|  |  |           |   | leading mobile service providers. These services enable subscribers to transfer money without the need of holding bank accounts....ES 2008   |                       |
| <b>Reduced Costs of making local and international calls</b> | 1. Kenya Participate in the undersea Fibre cable link between Durban and Port Said | 2007/ 08  | 1. Cost of communications<br>2. Quality of Connectivity | <p>East African Countries have now adopted a common strategy. TEAMS project has been contracted and is being implemented. 6 international gateways have been licensed...MOI Report</p> <p>Despite the controversies surrounding the East African Marine System (TEAMS), the Government is upbeat the project is on course and that there is huge interest from the market. Already the project is oversubscribed with local operators making early bookings for capacity in the cable. Mobile telephone operators Safaricom and Celtel Kenya are among the key companies that have expressed interest in the \$82 million(Ksh 5.5 billion) fibre optic set to link the port of Mombasa to Fujaira in nthe Gulf of Oman. Safaricom has already secured a 3G -Third Generation licence for the use once the entire fibre cable commissioned. The mobile operator has paid \$25 million to the sector regulator Communications Commission of Kenya (CCK) for the licence. The Government has already awarded a French Company Alcatel-Lucent the tender to construct the cable. TEAMS cable will provide affordable international broadband connectivity to Kenya and the Great Lakes region. It is expected that once the commissioned, the cable would slash bandwidth cost to \$400 (Kshs.26,800) per megabyte, currently the same costs between \$6,500 (kshs.435,000) -\$7,500( Kshs.502,500). The government has already allocated Ksh. 1 billion for the project. Kenya's hopes to latch onto the lucrative business outsourcing and call centre industry, but expensive bandwidth costs have held it back... Financial Standard December 4,2007</p> <p>TEAMS project initiated to develop undersea cable from Fujaira to Mombasa..MOI Report.</p> | CCK Report awaited... |
| <b>Improved internet access</b>                              | 1. Improve fixed line accessibility and  | 2005/ 7   | 1. Number of internet users.                            | The national transmission infrastructure in the country will be bolstered further by the construction of a fibre optic link  |                       |

| Objective | Required Actions   | Timeframe | Indicators  | Progress towards output/ outcomes   | Remarks |
|-----------|--|-----------|---|---|---------|
|           | <p>efficiency.</p> <p>2. Increase the bandwidth.</p> <p>3. Adopt wireless telephony technology</p> |           | <p>2. Degree of internet access outside major urban areas</p> | <p>connecting all the district headquarters in the country. Construction of the National Optic Fibre Backbone Infrastructure (NOFBI) was launched in November 2007 and set to be finalized by 2008. The completion of the NOFBI is expected to lead to significant reduction in the cost of bandwidth and hence result in cheaper service charge to communications...ES 2008</p> <p>Code Division Multiple Access (CDMA) and WIMAX telephones introduced and telehpne operators are expanding their network in rural areas...MOI Report</p> <p>Plans are underway to set up Information Communication Technology (ICT) parks, fully equipped with ultra modern infrastructure capable of meeting the needs of the most demanding ICT companies. the Kenyan ICT Board deputy chief executive Eunice Mueni said discussions with potential developers are in progress and the board hopes to sign a contract with a developer by June next year. The project is being sponsored by the World Bank under the Transparency Communication Infrastructure project. The project will also include the "Pasha e-Centres " that will be designed to provide services to the public. The Board has laid out strategies to ensure equitable ICT access to all Kenyans. The strategies include offering bandwidth subsidies to be disbursed to various sectors and institutions to bring the cost of bandwidth to comparable rates with the rest of the world. The planned subsidy programme is also aimed at spurring growth in the ICT business, including ensuring increased quality consumption among Kenyans. Business process outsourcing (BPO) operators and call centres will receive bandwidth subsidies to enable them compete with their counterparts in the more established outsourcing countries. Universities will benefit from the subsidy under the umbrella of Kenya Education Network....The People Daily, May 13, 2008</p> <p>ICT Board formed and oparationalized to facilitate faster diffusion of ICT and purchase bandwidth for schools and universities...MOI Report</p> |         |



| Objective                                  | Required Actions   | Timeframe | Indicators   | Progress towards output/ outcomes   | Remarks |
|--|--|-----------|--|---|---------|
|  |  |           |  | <p>Law on protection of whistle blowers has been introduced....MOI Report</p> <p>Website with information portal containing information on 210 constituencies now in place...MOI Report</p>   |         |
| <b>Fully integrate ICT in the economy.</b> | Develop and implement the National Information, Communication and Telecommunications (ICT) Policy.   | 2006      | A ICT policy passed in Parliament  | Kenya Communications (Amendment ) Bill 2007 has been published and is now in Parliament....MOI Report   |         |
| <b>1. Increase access to electricity</b>   | <p>1. Increase generation and distribution capacity</p> <p>2. Develop and implement an aggressive and equitable rural electrification programme.</p> | On going  | <p>1. Number of people and rural outposts connected.</p> <p>2.Per capita power consumption</p> | <p>The number of new households connected under the Rural electrification programme rose by 8.85% to 110,724 as at July 2006 from 101,793 in July 2006 and to 122, 080 in July 2007.</p> <p>The present power generation system has an effective capacity of 1,216 MW which includes 100MW of emergency diesels. Peak demand is now 1,043 but this is constrained...MDG Report</p> <p>In terms of legal and regulatory framework, the Energy Regulatory Board transformed into the Energy Regulatory Commission(EMC) with powers to regulate the whole energy sector. ..MDG Report</p> <p>The Rural Electrification Authority (REA) became operational from September 21, 2007. The REA will coordinate the implementation of rural electrification projects while KPLC will implement the rural electrification as a contractor on behalf of REA. During the financial year 2006/07 444 out of the 940 targeted rural electrification projects covering trading centres, secondary schools, health facilities and community water projects were completed throughout the country...ES 2008</p> |         |

| Objective  | Required Actions   | Timeframe | Indicators  | Progress towards output/ outcomes  | Remarks |
|--|--|-----------|---|--|---------|
|  |  |           |   | <p>The number of customers connected under the Rural Electrification Programme rose by 20.2 per cent to 133,047 as at June 2007 up from 110,724 customers as at June 2006.—ES 2008</p> <p>Total installed capacity rose by 19.5 MW in 2007 to stand at 1,196.6 MW up from 1,177.1 MW in 2006. The rise in installed capacity was as a result of an increase in thermal oil installation by Emergency Power Producer(EPP) from 80 MW in 2006 to 100 MW in 2007. Hydro and geothermal installed capacity remained constant at 677.3 MW and 128.0 MW respectively in 2007...ES 2008</p> |         |
| <b>2. Improve quality and reliability of electricity connectivity.</b>                 | <p>1. Rehabilitate, modernize and strengthen power distribution system.</p> <p>2. Liberalize power distribution.</p> <p>3. Develop a national energy policy.</p> | 2006/ 7   | 1. Number and duration of power supply interruptions.   |  |         |
| <b>3. Achieve competitive cost of electricity compared to other COMESA countries.</b>  | <p>1. Reduce electricity losses within distribution costs.</p> <p>2. Examine the viability of importing power.</p>   | 2006/ 07  | <p>1. Level of distribution losses.</p> <p>2. Narrowed gap of electricity cost (compared to South Africa and Egypt)</p> |  |         |
| <b>4. Achieve shorter and predictable period in electricity connection (hook ups).</b> | Set a benchmark for connection and ensure implementation.  | 2006/ 07  | No. of days taken to receive new connection (from application to connection)  |  | .       |

| Objective   | Required Actions  | Timeframe       | Indicators  | Progress towards output/ outcomes   | Remarks |
|---|---|-----------------|---|---|---------|
| <b>Reduction in level and multiplicity of taxes.</b>      | Undertake an impact assessment to determine the effect of the tax rate on individuals and corporations and review individual and corporate tax accordingly. | On going        | 1. Rate of income and corporate tax.<br>2. Number of tax payers<br>3. Compliance with tax payment.<br>4. % of taxes paid by business.<br>5. Total taxes revenue collected | Tax reforms are an ongoing process.<br>Corporate tax rate is 30 per cent.<br>The number of tax payers increased by more than 400 per cent after the introduction of the ETRs which have also increased efficiency and compliance...MOF Report<br>Tax revenue collected by March 7,2008 increased by 19.4% compared to the same period in the previous fiscal year...MOF Report  |         |
| <b>Speed up VAT refunds by KRA</b>                        | Develop and communicate policy & timeframe of VAT refunds   | 2006 & on going | Value of VAT refunds annually held by KRA   |   |         |
| <b>1. Reduce the high levels of crime and insecurity.</b> | 1. Reduced crime rate and insecurity<br>2. Demonstrated success in the fight against crime and insecurity.<br>3. Reform police and prison services          | On going        | 1. Crime rate<br>2. Cost of security to businesses.<br>3. Level of economic activities at night.  | In 2007, a total of 63,028 crimes were reported to the Police compared to 72,225 crimes reported in the previous year, representing a decline of 12.7 percent. The number of persons recorded by Police to have committed crimes reduced by 7.5 per cent from 75,143 in 2006 to 69,484 in 2007...ES 2008<br>Fast tracking of performance contract and rapid results initiative. Over 8,500 chiefs and Assistant chiefs, 500 District Officers and 90 District Commissioners have been re-oriented through training. Introduction of service charters, customer desks and service registers have been introduced at all levels.<br>Development of a customer care system "Toa Habari Kwa Police" and complaint boxes introduced at all level of service delivery. Designed a model chief's office, new uniforms for administrative officers to define and change mindsets, attitude and improve performance. A handbook on |         |

| Objective   | Required Actions   | Timeframe         | Indicators  | Progress towards output/ outcomes   | Remarks   |
|---|--|-------------------|---|---|---|
|   |  |                   |   | community policing has been published and distributed....MOIS Report  |   |
| <b>2. Reduce High levels of corruption in the country.</b>                              | <p>1. Demonstrated will to fight corruption.</p> <p>2. Review the number, effectiveness and relevance of various institutions in the fight against corruption.</p> | 2006 and on going | <p>1. Bribery index.</p> <p>2. Cost of doing business</p>                                 | Various private sector initiatives to fight corruption have been initiated through the Kenya Private sector alliance and other business associations '  |   |
| <b>3. Aggressive and sustained marketing of Kenya and its products internationally.</b> | Develop a marketing strategy   | 2006/07 on going  | <p>1. Number of tourists.</p> <p>2. Number of new investors.</p> <p>3. Export levels.</p> | <p>The tourism sector continued to perform impressively on account of increased air travel capacity combined with diversification and improvement of Kenya's range of marketable products in 2007. The country earned an estimated Ksh. 65.4 billion in 2007, representing a 16.4 percent increase over the Kshs. 56.2 billion earned in 2006. This was in part as a result of 23.6 per cent expansion in foreign travel earnings from Kshs.49.6 billion in 2006 to Kshs. 61.3 billion in 2007. The volume of international arrivals grew by 13.5.per cent from 1,600.6 thousand recorded in 2006 to 1,816.8 thousand in n2007. This was attributed to continued aggressive marketing in the traditional markets ad in the Far East. The improvement was also supported by the growing conference tourism and the launch of new tourism circuits as value addition to compliment the traditional products of beach and wildlife.. According to The country's new policy blue print "Vision 2030", tourism was identified as a leading sector in moving the economy forward at an accelerated rate. This is to be realized by turning the country into one of the leading long haul tourist destinations, creating new high value niche products and investing in new conference facilities.</p> <p>The number of bed-nights occupied went up by 17.2 percent from 5,921.7 thousand in 2006 to 6,939.2 thousand in 2007.</p> | <p>Brand Kenya and market Kenya initiative during 2004/05 seem to have collapsed.</p> <p>Coordinated marketing of Kenyan products, opportunities and prospects have not effectively been done.</p> <p>Image of Kenya has not taken off resulting in the negative image that foreigners have in the country.</p> |

| Objective   | Required Actions  | Timeframe         | Indicators  | Progress towards output/ outcomes  | Remarks   |
|---|---|-------------------|---|--|---|
|   |   |                   |   | <p>visitors in game parks and reserves increased by 4.2 percent from 2,363.8 thousand in 2006 in 2,462.9 thousand in 2007. this was on account of continued branding of parks and promotions in major international tourism fairs. The number of visitors to Museums, Snake Parks and other sites expanded considerably by 6.9 percent from 559.8 thousand in 2006 to 598.4 thousand in 2007.</p> <p>The steady rise in economic growth that the country has witnessed in the recent past continued to boost activities in the conference industry in 2007. the number of international conferences held increased by 12.0 percent from 209 in 2006 to 234 during the review period. Similarly local conferences witnessed a remarkable expansion of 19.2 percent in 2007....ES 2008</p> <p>The Ministry of Trade in conjunction with the Export Promotion Council have developed an annual calendar of events that is being used to aggressively promote and market Kenya's export products and services internationally through participation in the global trade fairs and exhibitions.. The Ministry of Trade has also organized and under taken Trade Missions comprising of line government ministries, state agencies and private sector producer and consumer organizations to various strategic and potential international markets.</p> <p>Market surveys undertaken by the Ministry of Trade and Export Promotion Council to be able to understand the potential export market.</p> <p>The ministry uses various instruments to promote Kenyan exports and as an investment destination using the electronic and print media and websites.—MOT Report</p> |   |
| <b>4. Improve business and entrepreneurial skills especially in the MSE sector.</b> | <p>1. Develop business development institutions</p> <p>2. Strengthen tertiary level educational</p> | 2006 and on going | <p>1. MSEs survival rate.</p> <p>2. % of MSE's transforming to SMEs</p> | <p>Rehabilitation and equipping of National Youth Polytechnics countrywide is currently underway and a total of 50 youth polytechnics have been rehabilitated and 186 fully equipped to provide the necessary skills and training that are relevant to the labour market. This programme has been complemented with the introduction of free tuition in youth polytechnics ad a National Youth Polytechnics curriculum</p>   | <p>Issues relevant to the Numerical Machining Complex, Jua Kali Informal sector capacity building, KIRDI developments need to be reviewed.</p> <p>What are business development</p> |

| Objective  | Required Actions   | Timeframe | Indicators  | Progress towards output/ outcomes   | Remarks                    |
|--|--|-----------|---|---|----------------------------|
|  | institutions.  |           |   | which is currently being piloted in 35 youth polytechnics. The grading system offers the students an opportunity to pursue their training up to the degree level via the module system.<br><br>*National Youth Policy passed and awaiting the constitution of the National Youth Council for implementation to start...MDG Report   | institutions?              |
| <b>5. Address increased levels of brain drain.</b>                 | 1. Address inability to attract and retain Kenya professionals.<br><br>2. Attract those choosing to remain abroad to invest in the country | On going  | 1. No of Highly trained Kenyan professionals returning after overseas training..<br><br>2. Funds remitted by Kenyans in the Diaspora. |   | Kenya Diaspora Programmes. |
| <b>6. Enhance access to market and market information by MSE's</b> | 1. Promote quality exports aggressively.<br><br>2. Create modern information mechanisms, especially outside Nairobi.                       | 2005/ 7   | 1. No. of firms accessing market information<br><br>2. Growth of MSEs   | The Ministry of Trade has also Commercial Attaches in Lusaka, Kampala, Dar es Salaam, Pretoria, Addis Ababa, Harare Kinshasa and Cairo in Africa. The offices have been effective in promoting Kenya's economic interest and act as the driving forces behind trade and economic arrangements. It is currently engaged in various trade and economic negotiations. Their expertise has been crucial in developing country positions for negotiations in East African Community, COMESA and Africa Union.<br><br>Data processing in an on going process under the EPC-CBIK of the Ministry of Trade. The focus was on the implementation of the EUROTRACE at the national level and on producing of trade statistics based on the EUROTRACE output usually derived from the ASYCUDA data in line with the regional statistical progress (COMESA)..MOT Report |                            |

| Objective  | Required Actions  | Timeframe | Indicators   | Progress towards output/ outcomes  | Remarks  |
|--|---|-----------|--|--|--|
| 1. Make Labour laws relevant for enhanced economic growth and employment creation            | Review, harmonize and communicate revisions of labour laws  | 2005/07   | 1. Effectiveness and relevance of the Labour Laws.<br><br>2. Industrial relations  | 5 New labour laws that take into account the issues of the ILO Convention 87 accented in October 2007 and are effective March 1, 2008 and include : The labour Institutions Bill 2006, The Employment Bill 2006, The Labour Relations Bill 2006, The Occupational Safety & Health Act and Work and Injury Benefits Bill 2006 | Issues in implementation of the Employment Act, 2007 and Work Injury Benefit Act, 2007 by employers.                   |
| 2. Build enforcement capacity at Ministry of Labour and Human Resource Development (MoLHRD). | 1. Evaluate and Build capacity in MoLHRD to play its regulatory & enabling role<br><br>2. Enforce child laws & protection of children rights<br>3. Enforce observance of labour laws in EPZ<br><br>4 Combat sexual harassment in workplace<br><br>5..Enforce employees' right to unionize | 2005/07   | 1. Budget allocation to MoLHRD<br><br>2. Evaluation report<br><br>3. Mechanisms in place for alerting and reporting child labour violations<br><br>4. No. of Complaints from EPZ labour violations<br><br>5. Period it takes to resolve cases<br><br>6. Signing and operationalization ILO |  | The public consider that corruption and other malpractices impact on the ability to inspect and take effective action. |

| Objective   | Required Actions  | Timeframe | Indicators  | Progress towards output/ outcomes  | Remarks  |
|---|---|-----------|---|--|--|
|   |   |           | Convention 87   |  |  |
| 3. Strengthen role and capacity of the trade union movement.                | Training of Trade Unions Movement in areas of relevant labour legal & regulatory framework, fight against HIV/AIDS, finance and, environmental management | 2006/ 07  | 1. No. of training courses launched<br><br>2. No. of COTU officials trained | Support extended to COTU to train trade unionists  |  |
| 4. Address corruption in labour inspection and labour movement              | Mechanisms put in place for detecting and alerting on corruption at labour inspection and union officials levels  |           | 1. No. of complaints received<br><br>2. Trend in no. of strikes             | Data not submitted   | Need to develop proper mechanisms for data collection and protection of those reporting. |
| <b>1. Strengthen Public/ Private Sector alliance in HIV/AIDS management</b> | Engage and create partnership with private sector in the war against HIV/AIDS.  | 2005/ 06  | 1. Number of companies engaged<br><br>2. HIV/AIDS rate of infection         | The national prevalence rates have significantly declined, from about 13% in 2000 to 6.7% in 2003 and 5.1% by 2007. Results from the IP-ERS HIV indicator reveal that the HIV/AIDS prevalence rate was 6.3% in 2007 among expectant women in the 15-24 age group attending Ante Natal Clinic. Prevalence data also suggests that the females are most hit with a prevalence of 6.7% compared to 3.5% among males. The National AIDS Control Council estimated that there are 1.2 million people currently infected with HIV/AIDS and about 85,000 people die of AIDS related complications annually, leaving behind over 2.4 million orphans. The number of AIDS related deaths declined from 120,000 annually in 2003 to the current 85,000 as a result of availability of the ARVs...MDG Report. |  |



| Objective  | Required Actions  | Timeframe     | Indicators   | Progress towards output/ outcomes  | Remarks  |
|--|---|---------------|--|--|--|
| <b>2. Enhance CSR .adoption and practices in the Country</b> | 1. Develop awareness and advocacy programmes on CSR                             | 2005 on going | No of corporations with CSR programmes.  | Most of the quoted companies, banks , major telecommunication companies have CSR programmes that tend to promote or advocate corporate involvement in community activities with enhanced reporting on the projects the companies are involved in.  | There is however, some concerns that most of the CSR Programmes are short term in nature, philanthropic and based on the corporate's idea of what community needs are. |
|  | 2. Develop community needs based programmes and enlist adoption by corporations |               | No. of Corporations with CSR programmes  | Most quoted companies report on CSR activities in their annual reports .   |  |
| <b>3. Involve youth in economic activities</b>               | 1. Finalise and implement Youth policy  | 2006/ 08      | <p>1. Budget allocation to youth programmes e.g. Young Kenya Entrepreneurs</p> <p>2. Level of unemployment among the youth</p> | <p>The Youth Enterprise Development Fund has so far advanced credit worth Kshs. 194, 253, 265 to 4,651 youth group projects through the Constituency Youth Enterprise Scheme and Kshs. 561,481,240 to 25,029 youth enterprises through selected financial intermediaries. The labour export component of the Youth Enterprise Development Fund has so far facilitated 121 young persons to obtain employment abroad. The small grants component has so far advanced Kshs. 40m to more than 150 youth organizations whose organizations are geared towards community service. All these initiatives are aimed at engaging the youth in meaningful employment.</p> <p>The establishment of Youth Desks in all government ministries and departments is an attempt to mainstream youth issues at all levels of national development.</p> <p>The Government is in the process of rehabilitating and building at least one youth empowerment centre in each constituency countrywide. These centres will serve as one stop youth centres and will offer a variety of services to young people including employment information, career development, HIV and AIDS education and counseling, leisure and recreation.</p> <p>Rehabilitation and equipping of National Youth Polytechnics</p> |  |

| Objective  | Required Actions  | Timeframe         | Indicators   | Progress towards output/ outcomes  | Remarks |
|--|---|-------------------|--|--|---------|
|  |   |                   |  | <p>countrywide is currently underway and a total of 50 youth polytechnics have been rehabilitated and 186 fully equipped to provide the necessary skills and training that are relevant to the labour market. This programme has been complemented with the introduction of free tuition in youth polytechnics and a National Youth Polytechnics curriculum which is currently being piloted in 35 youth polytechnics. The grading system offers the students an opportunity to pursue their training up to the degree level via the module system.</p> <p>*National Youth Policy passed and awaiting the constitution of the National Youth Council for implementation to start...MDG Report</p>  |         |
| <b>1. Enhance capacity of NEMA to play its regulatory role</b> | <p>1. Fully operationalised EMCA</p> <p>2. Review and strengthen NEMA</p> | 2005 and on going | <p>1. NEMA budget &amp; establishment</p> <p>2 Number of citations and prosecutions for environmental degradation</p> <p>3. No. of complaints from public</p> <p>4. Average no. of days taken to issue EIA certificate</p> | <p>The major challenges faced by the Authority has been to deal with natural resource depletion, environmental degradation, in adequate solid waste disposal in urban areas and emerging environmental health issues. To address these challenges and ensure proper management and rational utilisation of environmental resources, the Authority, initiated a number of programmes in 2007. these include the Community Development for Environments management project and the Kenya Environmental Programme support (EPS).</p> <p>The other key achievement realised during the period was the development of Education for Sustainable Development (ESD) programme. It was aimed at capacity building of the local communities on community based natural resources management and training of Provincial and District Environment Committees. The program entails educating and mobilising the public on conservation and sustainable utilisation of the natural resources and preparation of District Environment Action Plans(DEAPs).</p> <p>Under the guidance of the Ministry of Environment and Natural Resources, a road map for preparation of a pro-poor Environment and Natural was developed, endorsed and launched in August 2007. the policy reflects current</p> |         |

| Objective  | Required Actions   | Timeframe         | Indicators  | Progress towards output/ outcomes  | Remarks |
|--|--|-------------------|---|--|---------|
|  |  |                   |   | <p>environmental and development priorities in the country. It also guides the mainstreaming of environment into development planning and budgetary processes.</p> <p>The government continued to ensure that all public and private projects across the country undergo a thorough Environment Impact Assessment (EAI) before being implemented. It is now mandatory that all ongoing projects prepare and submit Environment Audit Reports(EA) to NEMA. In the year under review, 1,026 new projects submitted EIA reports while 1,376 on-going projects prepared EA reports.....es 2008</p> |         |
| <b>2. Build national recycling capacity and adoption of best practices</b>                       | <p>1. Develop and implement best practices in recycling and waste disposal</p> <p>2. Develop and implement policy on light polythene</p> |                   | <p>1. No of best practices implemented</p> <p>2. Light polythene Policy in place and operational</p>  |  |         |
| <b>1. Fight against corruption</b>   | 1. Demonstrate political will and commitment in fight against corruption   | 2005 & On going   | <p>1. Cases of high profile prosecutions</p> <p>2. Ministerial resigning or stepping aside where implicated or corruption take place under their watch</p> <p>3. Operationalisation of enacted laws to fight corruption</p> |  |         |
| <b>2. Change public attitudes and perceptions that glorify corruption and ill gotten wealth.</b> | 1. Implement a sustained well- Coordinated and systematic public   | 2006 and on going | KACC Reports  | The operationalisation of National Anti-Corruption Campaign Programme. Conduct stakeholders' symposia, assist stakeholders in developing specific anti-corruption programmes, hold anti-corruption networks for a well   |         |

| Objective   | Required Actions  | Timeframe            | Indicators  | Progress towards output/ outcomes  | Remarks |
|---|---|----------------------|---|--|---------|
|   | <p>awareness campaign to change the attitudes, perception and behaviours that enhance corruption.</p> <p>2. Make economic crimes high risk activity</p> <p>3. Embed ethical, transparent and accountable behaviour in public service through staff performance contracts</p> <p>4.. Incorporate ethics in the school curriculum</p> |                      |   | organized sector wide anti-corruption activities....MOJ Report   |         |
| <b>3. Address Corruption in procurement in both public and private sector</b> | <p>1. Private Sector business and professional Associations develop mechanisms and capacity to monitor and enforce sector code of business ethics</p>   | 2005/06 and on going | <p>1. Holding the supply side of corruption as equally guilty as the demand side.</p> <p>2. Sector codes in place e.g. hospitality sector , manufacturing , financial sector etc</p> <p>3. Witness Protection Act (Whistle Blower) in</p> | <p>The Oversight Board was set up and made operational</p> <p>Development of guidelines on Certification of Suppliers to the Public Sector, mechanisms for implementation and professionalization of all post of procurement officers initiated and on going</p> <p>Witness protection Act and mechanisms for making these effective approved in May 2008. Implementation expected</p> |         |

| Objective   | Required Actions  | Timeframe         | Indicators  | Progress towards output/ outcomes   | Remarks  |
|---|---|-------------------|---|---|--|
|   | <p>2. Operationalize the new procurement and Disposal Act.</p> <p>3. Institute transparency in procurement of security related projects</p> <p>4 Enhance capacity for early detection and voluntary sharing information on economic crimes</p>  |                   | place   | <p>to bear results.</p> <p>Proposal on national procurement website with detailed information on tenders, bidders, appointed suppliers, pricing etc being debated.</p>  |  |
| <b>4. Create a free, accountable and responsible media.</b> | <p>1 Develop legal framework to enhance investigative journalism</p> <p>2. Review operations of Official Secrets Act . 3. Media Council to strengthen self – regulatory role.</p> <p>3. Build capacity in investigative journalism training</p> | 2006 and on going | <p>1. Witness Protection Act (Whistle Blower) in place</p> <p>2. Policy on</p> <p>3. No. of cases on corruption exposed by media</p> <p>4. Level of public awareness on impact of corruption on daily lives</p> | <p>Witness Protection Act (Whistle Blower) is now in place</p> <p>Media reporting on major cases continues but the process and standards of evidence required appear to hinder effective prosecution</p> <p>The public campaign by the National Committee initiated</p> | Public consider too little done and suggest cascading to local levels. |

| Objective  | Required Actions  | Timeframe | Indicators  | Progress towards output/ outcomes   | Remarks |
|--|---|-----------|---|---|---------|
| <b>OBJECTIVE FOUR:</b>   |   |           |   |   |         |
| <b>1. Strengthen legal framework for protecting all classes of shareholders and other stakeholders.</b>    | <p>1. Revise and modernize the Companies and State Corporations Acts as well as the Bankruptcy, Receivership and Liquidation Laws.</p> <p>2. Incorporate in the revised Companies Act provisions that allow for derivative suits where aggrieved minority shareholders can sue Directors on behalf of Company</p> | 2006/ 07  | <p>1. Revised Companies Act published</p> <p>2. No of Shareholders' complaints</p> <p>3. Level of investments by small shareholders</p> | <p>.Companies Act not yet enacted.</p> <p>Capital markets Authority has initiated major investigations and actions against stockbrokers but there has not been much public disclosure of complaints .</p> <p>Many small shareholders have purchased shares on the Stock Exchange.</p> |         |
| <b>2. Achieve greater awareness levels among shareholders and members of cooperatives on their rights.</b> | <p>1. Develop and implement programmes to educate shareholders and stakeholders on their rights.</p> <p>2. Strengthen Shareholders Associations</p>   | 2006/ 07  | <p>1. Membership of Shareholders Associations.</p> <p>2 Programme in place and funding mechanisms identified</p>                        | Shareholders association not yet viable or effectively active   |         |
| <b>4. Strengthen Consumer /customer protection</b>   | <p>1. Enact counterfeits and contraband goods Act</p> <p>2. Develop a national</p>  | 2007      | <p>1. Act in place</p> <p>2. Policy developed and implementation started</p> <p>3.Cases of insider</p>                                  | <p>The Anti- Counterfeit Bill 2008 was reviewed to incorporate some concerns raised by the manufacturing fraternity. The Bill is now ready for publication.....MOT Report</p> <p>The standards Act and trade marks Acts are being</p>   |         |

| Objective   | Required Actions   | Timeframe | Indicators  | Progress towards output/ outcomes   | Remarks |
|---|--|-----------|---|---|---------|
|   | <p>policy on consumer protection</p> <p>3. Strengthen capacity of Kenya Bureau of Standards</p> <p>4. Strengthen CMA and CBK capacity to detect cases of inside trading</p> <p>5. Advocate for criminal prosecution by directors</p> |           | trading identified  | <p>implemented by the MOT and Kenya Bureau of Standards which has opened offices that are now operational in all regions of the country.</p> <p>MOT through the department of weights and measures is implementing trade description Act Cap. 505 and the weights and measures Act, Cap 515, to protect the consumers against cheating through the use of falsehoods in the sale of goods and provision of services. The department ensures that weighing and measuring equipments are fair to both the consumers and traders....MOT Report</p> |         |
| <b>OBJECTIVE FIVE:</b>  |  |           |   |   |         |
| <b>1. Strengthen Shareholders capacity to participate at AGM &amp; hold corporations to account</b> | 1. Provide seed money to enable the Association to start operations  | 2006/ 07  | <p>1. Funds allocated</p> <p>2. Office established and its existence publicized</p> | No progress so far  |         |
| <b>2. Achieve financial sustainability of Institute of Directors and Shareholders Association</b>   | Provide funding for the two bodies in the formative first 4 years  | 2006/ 07  | Budgetary allocation  | No progress so far on budgetary allocation.   |         |

**D: SOCIO - ECONOMIC**

| Objective   | Required Actions  | Monitorable Indicator   | Timeframe | Progress towards output/outcomes   | Remarks  |
|---|---|---|-----------|--|--|
| <b>Create awareness of standards &amp; codes</b>  | Organize workshops for Government departments, civil society, NGOs and all relevant stakeholders  | All government departments and all implementing agencies have a working knowledge of the treaties & instruments           | 2007-2009 | Enacting and popularization of relevant Acts of parliament, for instance the Children's Act, which is a domestication of the UN Conventions on the Rights of the Child (CRC).  | Implementation of the respective Standards & Codes sensitized  |
| <b>Prepare popular versions of the standards and codes</b>  | Make CDs of international treaties and instruments available to the public in government printers<br><br>Provide a brief of the implemented treaties on the web | Easy accessibility of Standards and Codes in an electronic form   | 2007-2009 | Computerization of the various departments to ensure electronic information storage and management, GJLOS  | All Standards and Codes stored electronically  |
| <b>Create regular and up-to-date data on compliance and enforcement of standards and codes by government departments and institutions</b> | 1. Resource the Central Bureau of Statistics to provide adhoc information on the ministry activities<br><br>2. Enact into law the Freedom of Information Bill   | Number of current and user friendly data on the economy which are easily accessible<br><br>The Freedom of Information Law | 2006-2007 | Facilitation of regular assessments on various socio-economic development issues<br><br>STATCAP  | Up-to-date time series and cross sectional micro and macro data on the various sectors of the economy<br>Parliament to pass the Freedom of Information Bill              |
| <b>OBJECTIVE 1: PROMOTION OF SELF-RELIANCE IN DEVELOPMENT AND CAPACITY FOR SELF-SUSTAINING DEVELOPMENT</b>                                |   |   |           |  |  |
| <b>Promote self-reliance by mobilizing domestic resources</b>   | Undertake a national civic education and awareness campaign on the benefits of paying taxes.  | Tax Revenue Performance   | 2006-2008 | Tax revenue increased by 31.8% during the first seven months of the fiscal year 2007/2008 surpassing the target budget by 4.8%. This translates to an increase of tax revenue as a % of GDP from 9.9% to 11.3% during the same period<br><br>ETRs implementation has enhanced revenue performance and compliance | Reduced proportion of donor funding and greater use of local resources expected.<br><br>The government continues to strive to maintain a high revenue – GDP ratio of 21- |



| Objective  | Required Actions   | Monitorable Indicator   | Timeframe | Progress towards output/outcomes   | Remarks   |
|--|--|---|-----------|--|---|
|  |  |   |           |  | 22% by widening the tax base.<br><br>Challenge of Compliance and enforcement  |
| <b>Accelerate adoption and implementation of bottom-up planning system</b> | 1. Strengthen self-help groups by providing assistance in the form of advisory services<br><br>2. Widen stakeholder consultations and sensitization of the general public on national issues | Satisfactory stakeholder involvement in issues of national planning | 2006-2007 | The government is opening doors to encourage participation of stakeholders for synergy in implementation<br><br>Communities and other stakeholders are involved in the prioritization of projects in the Vision 2030 | The effort is being continued.<br><br>Wider and effective consultations all stakeholders in national development programmes |

| <b>OBJECTIVE 2: ACCELERATE SOCIO-ECONOMIC DEVELOPMENT TO ACHIEVE SUSTAINABLE DEVELOPMENT AND POVERTY ERADICATION</b> |  |   |           |   |   |
|--|--|---|-----------|---|---|
| <b>Initiate programmes for poverty alleviation</b>   | 1. Implement the Social Fund                         | Number of Persons receiving support                           | 2006-2009 | Government is establishing Kenya Social Fund<br>In the last 2 financial years, 7384 of social development committee leaders through capacity building, communities have been empowered to participate in social economic development initiatives hence leading to self reliance.<br><br>Government has established the CDF which cushion the poor through provision of bursaries.<br><br>71 District Social Development Committees received grants and disbursed then to various groups in the areas. | Increased number of Persons receiving support |
|  | 2. Implement the slum-upgrading and low-cost housing | Number of New Housing Units<br>Number of upgraded settlements | 2006-2015 | Slum-upgrading<br>Training on Appropriate Building Technologies for low cost housing<br>A number of projects are going on under the KENSUP. These are: Kibera access road, Kibera slums spine road, Kibera decanting site housing scheme, Mavoko sustainable neighborhood   |   |

|                                 |   |                                     |           |  |   |
|---------------------------------|---|-------------------------------------|-----------|--|---|
|                                 |   |                                     |           | <p>programme, Mombasa&amp; Kisumu KENSUP component.</p> <p>Housing Cooperatives are also being formed at Kibera and Mavoko- under the Ministry of Cooperative Development and Management. Through the cooperatives, funds will be mobilized, tenure will be defined and handling of general tenure agreements.</p> <p>The National Housing Corporation has several proposed low income housing projects in various locations in the country meant to ease the demand for low cost housing and prevent new slum formation in urban areas. The schemes include mortgage, tenant purchase, Sites and Service, Rental Housing &amp; In fills</p> | The Mavoko Sustainable Neighborhood launched officially by the Housing minister in December 2007. |
|                                 | 3. Implement the Vulnerability Programme                              | Number of Persons receiving support | 2006-2009 | <p>KENSAF, CDF ongoing initiatives</p> <p>OVC policy drafted and submitted to cabinet for approval.</p> <p>OVC –cash transfer has been initiated by the government and partners. 13 280 households in 37 districts have benefited through support of Khs 1500 per month; a scale up targeting another 12, 500 households is planned.</p> <p>A consolidated social protection fund will be established for cash transfers for OVCs, the elderly and other people facing vulnerabilities</p>   | CDF, CBF, CACC support individuals through bursaries, drugs and funds                             |
| <b>Enhance Youth Employment</b> | Implement a revolving youth fund for the promotion of self-employment | Employed Youth                      | 2006-2009 | <p>KENSAF, CDF ongoing initiatives</p> <p>Over 3000 youth groups given credit facilities</p> <p>Youth Enterprise Development Fund now made a parastatal, (with its own chief executive and staff) has so far advanced</p> <p>KShs 194,253,265 to 4652 youth group projects through the Constituency Youth Enterprise Scheme.</p> <p>The establishment of Youth Desks in all Government Ministries and Departments so as to mainstream youth issues at all levels of national</p>   | <p>Disbursement of funds and repayment on going.</p> <p>426900 (2007)</p> <p>420400 (2006)</p>    |

|   |   |   |           |   |   |
|---|---|---|-----------|---|---|
|   |   |   |           | <p>development.</p> <p>The government is in the process of rehabilitating and building at least one youth empowerment centre in each constituency countrywide to provide a variety of information for the youth including: employment information, career development, HIV and AIDS education, counseling, leisure and recreation.</p> <p>The National Youth Polytechnics are being rehabilitated and equipped countrywide. 50 youth polytechnics have been rehabilitated while 186 fully equipped in order to provide the necessary skills &amp; training relevant to the labour market. Free tuition in the polytechnics and the introduction of National polytechnic curriculum has been introduced.</p>   |   |
| <b>Address the needs of people living with disabilities</b> | <p>1. Create a desk for people living with disabilities in every ministry.</p> <p>2. Ensure national policies and programmes and enforcement cater for the needs of people with disabilities'</p> | <p>Number of Persons receiving support<br/>A desk created in every ministry</p> | 2006-2009 | <p>Inter-Ministerial Committee</p> <p>With the launch of the disability report, statistics which will help in for planning, monitoring and evaluating various activities, programmes and projects geared towards improving the well being of People with Disabilities, are now available.</p> <p>Ratification of the Convention of Persons with Disabilities (CPRD) on May 13th 2008, making Kenya the 27th country to ratify the 1st international legally binding human rights instrument to protect the rights of people with disabilities</p> <p>National Policy on Persons with Disabilities has been finalized and awaiting cabinet approval.</p> <p>Implementation of the Disability Fund, which will be inclusive of appropriate budgetary allocations to provide financial assistance to persons with disabilities for the socio economic empowerment.</p> | <p>Increased number of Persons receiving support<br/>A desk created in every ministry</p> |

|  |   |                          |           |   |  |
|--|---|--------------------------|-----------|---|--|
|  |   |                          |           | There are also several plans to ensure that PWDs are represented in the decision making process at all levels   |  |
| <b>Involve more Kenyans in development process</b> | 1. Involve Kenyans in Diaspora<br><br>2. Sensitize local communities on the need for their involvement in the LATF and CDF management | Remittance from Diaspora | 2006-2009 | African Brain Drain Kenya Chapter established.<br><br>Dual citizenship<br><br>Some involvement activities undertaken<br>Sensitization Diaspora/ SMEs Trade & Investment Conference held in August 2007.<br><br>Retreat held at Windsor Hotel for Kenya Ambassadors and High Commissioners.<br><br>Planned development of a Diaspora Remittance Investment Fund for Africa (World bank project). | Increased remittance from Diaspora expected. |

| <b>OBJECTIVE 3: STRENGTHENING POLICIES, DELIVERY MECHANISM AND OUTCOMES IN KEY SOCIAL DEVELOPMENT AREAS</b> |   |   |           |   |  |
|---|---|---|-----------|---|--|
| <b>Improve the quality of education</b>   | <p>1. Expand educational facilities</p> <p>2. Employ more teachers</p> <p>3. Provide more textbooks for schools</p> <p>4. Improve remuneration and incentives for teachers,</p> <p>5. Provide study leave with pay.</p> | <p>Improved Teacher-Pupil ratio</p> <p>Number of students passing KCPE and KCSE examinations with good grades</p> | 2005-2010 | <p>Improvements is being made through KESSP investment Programmes:</p> <p>Infrastructure will be expanded through construction of additional facilities&amp; rehabilitate the existing ones;</p> <p>28000 teachers to be recruited (21400 in primary schools and 6600 post primary institutions) 6000 teachers will be recruited annually;</p> <p>Primary infrastructure;<br/>Instructional materials;<br/>Primary/Secondary Teachers In-Service Training(INSET);</p> <p>Pre-service training for teachers at all levels;<br/>Quality assurance;</p> <p>Teacher management- training in education management for education managers;</p> <p>Government collaboration with private sector to provide education at all levels.</p> <p>Low cost boarding schools for girls in NEP;<br/>Study leave with pay for teachers;<br/>Teacher awards.<br/>Free basic education,<br/>Attempt to allow churches to run certain mission schools</p> | <p>School mapping will help in identifying the needy regions in expansion of facilities.</p> <p>Increased enrolment and improved infrastructure have put pressure on the need for teacher recruitment.</p> <p>TSC will implement a number of cost effective staffing measures which include: Differentiated staffing norms at primary school level which allow for a PTR of 45:1 in high potential areas and 25:1 in rural ASAL areas; raising the secondary school average teaching load from 18 hours to 20hrs per week; retraining some of the under utilized teachers to specialize in the optional subjects for which supply exceeds demand; sharing teachers across schools; placing a lower limit for class size for optional subjects ; considering options for retraining and redeploying the teachers below the cut off teaching load level.</p> |
| <b>Ensure that bursaries are awarded on the basis of demonstrable</b>                                       | 1. Establish transparent disbursement   | Increased enrolments  | 2006-2010 | Constituency Bursary Fund: criteria clear and beneficiaries are most needy, orphans, children with  | Enhance equality   |

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| needs                                   | mechanisms.<br>2. Target girl child and ASAL areas. | Declined school drop-outs |           | <p>special needs and girls.</p> <p>Most Vulnerable Children (MVCc) grants preceded by training of committees.<br/>MoE/UNICEF scholarships specifically for girls in ASALs.</p> <p>A Voucher system will be used for learners from poor households and children rescued from early marriages and child abuse</p> <p>Constituency Bursary Fund (CBF) allocation 5% of the total goes to girls before the balance is shared out to both boys and girls. Girls admitted from marginalized districts admitted to secondary schools and TTCs at a point lower than counterparts from other districts.</p>   | More children from poor backgrounds to gain access to education at all levels.   |
| Improve on alternative education models | Target children from nomadic communities            | Increased enrolments      | 2006-2010 | <p>The government will support alternative basic education programmes including Non formal education schools, Dugssi madrasa Feeder schools, mobile schools, multi-grade and multi-shift schools..</p> <p>Community sensitization programmes will be used to ensure full utilization of boarding schools in ASALs.</p> <p>Grants will be provided to low cost boarding primary schools (Ksh 4000 per child annually) that will be constructed in each constituency in ASAL districts to improve access and reduce regional disparities.</p> <p>In order to address equity, the government has been providing grants to public secondary schools in ASAL districts as part of the affirmative action.</p> <p>Provision of to non formal schools (NFSs) for teaching and learning materials. Currently 208 NFSs are registered and receiving grants. There are plans to register all viable NFSs and provide grants in order to reach children in hardship/disadvantaged zones.</p> | <p>Need to train teachers in necessary skills for alternative education models.</p> <p>Currently this covers districts of Mandera, Wajir, Ijara, Garissa, Moyale, Marsabit &amp; Isiolo. The programme will be extended to secondary schools in pockets of poverty within the other districts.</p> |

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| <b>Improve environmental sustainability</b> | <p>1. Finalize Mining Bill and Policy</p> <p>2. Foster collaboration with UNEP</p> <p>3. Improve Capacity of NEMA</p> <p>4. Promote tree planting</p>  | Environmental Compliance   | 2006-2008 | <p>There are ongoing efforts to preparation of the National Environmental Action Plan and the National Environmental Policy in order to achieve an integrated planning initiative.</p> <p>Planting of trees in Nakuru Region on going</p>   | Various other organizations have taken up the idea as part of the corporate social responsibility   |
| <b>Combat malaria</b>                       | <p>1. Provide treated mosquito nets at affordable prices</p> <p>2. Ensure clean environment and educate people on personal hygiene</p> <p>3. Improve motivation of health professionals &amp; reduce brain drain</p> | 15-20% reduction in deaths caused by Malaria and other communicable diseases | 2005-2008 | <p>Construction of drainage.</p> <p>Initiatives on radio and TV to sensitize people on hygiene practices</p> <p>Aggressive malaria campaigns are ongoing-these are indoor spray campaign, the use of treated bed nets, training of community workers and increased awareness through IEC.</p> <p>3.4 million nets distributed targeting pregnant women and children under five years. Nets distributed under the social marketing program sold at Ksh 50 in public health facilities and Ksh 100 at the market centres.</p> <p>Inpatient malaria morbidity reduced by 50%.</p> <p>Public education intensifies in the communities by Public Health Officers.</p> <p>Salary and allowances for public servants including medical professionals increased thereby attracting more staff.</p> <p>A Health Manpower and Improvement Plan has been developed to address the development, absorption, management and retention of human resources in the health sector in the wake of brain drain resulting</p> | <p>Plans to have 4 million nets distributed and 70 community units established.</p> <p>Inadequate funds for expanding community strategy.</p> |

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|  |  |  |  | from migration.<br><br>To reduce regional imbalances in distribution of health personnel in the marginalised areas, the Ministry is hiring staff on contract. |  |
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| <b>OBJECTIVE 4: ENSURING AFFORDABLE ACCESS TO WATER, SANITATION, FINANCE (INCLUDING MICRO FINANCE), MARKETS, ICT, SHELTER AND LAND TO ALL CITIZENS ESPECIALLY THE POOR</b> |  |   |           |  |   |
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| <b>Improve upon the communications programme in the Ministry of Agriculture</b>  | Provide regular market information to farmers  | Number of information desks, Market information cyber cafes in every division                         | 2005-2008 | Agricultural information desks<br>The key extension institutions of Agricultural Training Centres (ATCs) and Agricultural Mechanisation Stations (AMSs) will be revamped through rehabilitation and upgrading of facilities and equipment.   | Improved market access expected   |
| <b>Accelerate the energy sector reform programme to ensure an adequate supply of energy</b>  | <p>1. Enact in law the draft energy bill</p> <p>2. Implement rural electrification framework</p> <p>3. Promote the use of solar energy and other natural gases</p> | <p>1. Energy sector reforms implemented</p> <p>2. The % of the population using solar technology.</p> | 2005-2008 | <p>Energy Act of 2006 was operationalized in July 2007. Unbundling of energy sector</p> <p>Renewed investment in KenGen</p> <p>135,000 new customers were connected. 300 Rural public institutions and market centers were connected with electricity.</p> <p>The government targets to increase rural connections by 3% every year. A programme to connect 1 million new customers in the next 5 years is to be rolled out in 2008.</p> <p>299 schemes under the Rural Electrification are ongoing. Further 190 schemes will commence within the year. The schemes target market centers, schools, community water points, hospitals etc.</p> <p>Per capita power consumption rose from 123.5 KWh in 2006/2007 to 135.6 KWh in 2007/2008</p> <p>60 MW Sondu-Miriu Hydropower project commissioned</p> <p>50 MW of emergency power was commissioned during the year.</p> <p>Power purchase agreements for 3 IPPs to supply total additional capacity of 167 MW approved by the</p> | <p>Kenya Energy Sector Programme (KEEP) (launched June 2008) has a ten year Action Plan and intends to be the leader in transforming the Kenyan economy through energy efficiency, environmental conservation and restoration. It has the tag line "KAWI, Uchumi na Mazingira Bora".</p> <p>It's a nation wide programme that covers all the 210 constituencies. The programme will receive financial support of up to Ksh 500 million during the next financial year. KEEP aims to improve livelihoods through energy and environment conservation on a sustainable basis. Its short term goals are promote tea growing for wood fuel and commercial purposes,</p> |

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|   |   |   |           | <p>Energy Regulatory Commission.</p> <p>Work started on upgrading of one 72 MW unit at Kiambere by 10 MW. The second unit will be upgraded after completion of the first one.</p> <p>Feasibility study on Geothermal Development Company completed</p> <p>GEF biomass project is being undertaken by the government with the aim of installing 3000 improved stoves and planting 15 million seedlings in schools.</p> <p>Assessment of Wind Potential through installation of 20 masts and data loggers for preparation of feasibility studies for consideration of development of the projects.</p> <p>The implementation of the Kenya Energy Sector programme (KEEP) was set up in order to promote the production of wood fuel, power distribution poles and energy crops for production of biofuels; and the growing of trees for soil and water catchment, including the provision of a sink for carbon dioxide.</p> | <p>promote and popularize the benefits of environmental conservation and restoration and to promote a culture of efficient energy use.</p> <p>Outputs expected<br/>Improved access to energy supply and sources of energy 20%</p> <p>Increased use of LP Gas by 20%</p>  |
| <b>Articulate a comprehensive ICT strategy for human resource development</b> | <p>1. Increase telephone lines</p> <p>2. Encourage private participation including FDI</p> <p>3. Review existing regulations facilitate wider access</p> <p>4. Integrate ICT in education and training.</p> | <p>Internet access increased and at least access to telephone increased by 30%</p> <p>5% of annual budget for science &amp; technology research</p> | 2005-2008 | <p>Increase coverage of cellular phone operators, Telkom Kenya to expand coverage, NEPAD E-School Project</p> <p>Implementation of Rural Telecommunications Project by Ministry of Information and Communications</p> <p>E-government</p> <p>ICT board formed and operationalized to facilitate faster diffusion of ICT and purchase bandwidth for schools and universities</p> <p>Law on protecting whistle blowers has been introduced.</p>   | <p>Privatization of Telkom Kenya concluded, France Telkom identified as strategic partner.</p> <p>Wider access to telephone can now be possible as the licensing regime has been changed in favour of a unified license; operators can now provide both fixed and mobile phone services using the license.</p> <p>ICT bill prepared by the Ministry of Information &amp; Communication and</p> |

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|   |  |   |           | Website with information portal containing information of 210 constituencies now in place  | forwarded to parliament. |
| <b>Ensure increased access to water and sanitation services to all users</b><br><br><b>Provide efficient and affordable water and sanitation services</b> | 1. Accelerate implementation of the water sector reforms                                 | Number and % of people with improved access to water and sanitation | 2005-2015 | <p>A number of Water Services Boards put in place and have commercialized water and sanitation service in many areas to improve accessibility to water in their areas of jurisdiction</p> <p>The government is implementing water sector reforms within the legal framework provided by the Water Act 2002. The reforms aim at providing efficient and affordable water and sanitation services and increasing</p> <p>The National Water Services Strategy (NWSS 2007-2015) was developed in September 2007 to increase coverage of clean drinking water. This will guide the water sector in achieving the MDG goal of ensuring environmental sustainability.</p> <p>The development of the National Water Resources Management Strategy (NWRMS) had been developed to provide portable water for human consumption and water for productive use.</p> |                          |
|   | 2. Increase resources allocated to the water sector to make water more accessible by all | Additional resources allocated to water and sanitation              | 2005-2015 | <p>WSTF created to solicit additional funds for community WSS</p> <p>To increase national coverage of water supply and sanitation, the Mzima pipeline will be expanded to supply water to all coastal towns, and infrastructure of various satellite towns around various towns will be expanded.</p> <p>The hydro metrological network will be rehabilitated in order to reactivate 600 stations that are currently not functional. In order to provide water to the ASAL areas, ground water hydro-geological mapping will be undertaken in Turkana&amp;Marsabit.</p>  |                          |

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|                                | 3. Increase water storage capacity           | Additional M3 of water<br><br>Number of water storage structures constructed p.a (dams, water pans, boreholes) | 2005-2015 | Construction and rehabilitation of dams, water pans and boreholes ongoing in ASAL areas<br><br>The government will develop 2 multipurpose dams with a total storage capacity of 2.4 billion cubic metres along Rivers Nzoia and Nyando. Also 22 multipurpose dams will be undertaken to supply water for domestic, livestock and irrigation use in the ASALs.  |  |
|                                | 4. Water quality monitoring and surveillance | Reduced incidences of water borne diseases, compliance with standards  | 2005-2015 | Central water testing laboratory upgrading, pollution surveillance on lakes, rivers, groundwater and industrial pollutants<br><br>Enforcement of water rules and regulation and EMCA 1999 to control over abstraction of water, catchments degradation and regulation on water quality.<br><br>Catchment management strategies used to address catchment degradation, over abstraction, pollution from agro-based industries, urbanization etc.  |  |
| <b>Water for food security</b> | Increase area under irrigation               | Additional hectares irrigated  | 2005-2015 | Irrigation policy under review, rehabilitation of existing schemes and implementation of new projects<br><br>The Tana delta project will be constructed for irrigation. In addition several irrigation schemes will be expanded; these are Bura, Hola, Kano plains, Nzoia, Perkera, Kerio valley, Mwea, Taita Taveta, Ewaso Nyiro North & Ngurumani/Kajiado. Drainage areas will be expanded in western Provinces( Busia, Kakamega, Butere, Mumias, Bungoma&Teso) and in Central provinces (Thika & Nyandarua) |  |
| <b>Flood mitigation</b>        | Reduce effects of floods                     | Number of people and hectares free from floods   | 2005-2015 | Large multipurpose dams will be constructed along Rivers Nzoia and Nyando in order to manage the recurrent floods of Western Kenya.<br><br>A 54 km inter-basin water transfer canal will be  |  |

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|  |  |  |  | <p>undertaken in Rahole area connecting Tana river to Garissa district) in order to tame River Tana in lower areas.</p> <p>Measures will also be put in place in regions that experience floods to reduce water vulnerability.</p> <p>An improved disaster preparedness strategy will also be put in place including early warning system and environmental monitoring, as well as initiation of public awareness and avoidance.</p> |  |
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| <b>OBJECTIVE 5: PROGRESS TOWARDS GENDER EQUALITY, PARTICULARLY EQUAL ACCESS TO EDUCATION FOR GIRLS AT ALL LEVELS</b> |   |   |           |  |  |
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| <b>Gender sensitive approach to monitoring and evaluation of development projects</b>                                | <p>1.Create Women's Desk at the Ministries and other relevant public offices</p> <p>2.Enact in law affirmative action bill, national gender and development bill, the equality bill, the domestic violence, and the gender and development policy bill.</p> <p>3.Intensify sensitization initiatives for gender equality and equity</p> | <p>Gender parity in schools</p> <p>Proportion of women appointees increased to 20%</p> <p>Increased proportion of women MPs</p> | 2006-2010 | <p>Gender offices have been appointed in all ministries and state corporations. The officers will be responsible to see gender concerns are implemented in policies, programmes and activities.</p> <p>The Political Parties Act of 2007 provides that 1/3 of the National Executive Committee of each political party must be women.</p> <p>Engendering education through development and implementation of Gender in Education Policy.</p> <p>The government has implemented affirmative action e.g. lowering entry marks for increased admissions of female students to public universities, allowing girls who drop out of schools to reenter and complete their education has resulted to marked progress in the net enrollment for the girl child in primary, secondary, university and tertiary institutions. Constituency Bursary Fund (CBF) allocation 5% of the total goes to girls before the balance is shared out to both boys and girls. Girls admitted from marginalized districts admitted to secondary schools and TTCs a point lower than counterparts from other districts.</p> <p>The recruitment of women in the public sector has also improved as a result of the Presidential directive on 30% affirmative action in new</p> | <p>Gender gaps exist in various sectors. Institutions implementing gender equality policies and programmes lack capacity, financial, and material resources and coordination capability. However, gender parity expected to improve at all levels of education with more girls gaining</p> <p>The Sexual Offences Act is being slowly implemented, though a taskforce for its implementation has been established.</p> |
| <b>Ensure affordable secondary and tertiary</b>  | Target girls and the needy  | The number of   | 2006-2010 | Free secondary education launched.   | Enrolments bound to rise<br>Gender parity gap to be  |

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| <b>education</b>   | in secondary and tertiary education.   | bursary and scholarship opportunities for the poor, girls and disabled persons  |           | <p>Special grants for schools incorporating the disabled through KISE.</p> <p>Grants for children in poverty and urban slums.</p> <p>Grants for laboratory equipment.<br/>Loans through HELB.</p> <p>University admission for girls one point lower than boys.</p> <p>FAWE scholarships for girls in difficult circumstances.</p> <p>Constituency Bursary Fund (CBF) in place. CBF allocation 5% of the total goes to girls before the balance is shared out to both boys and girls. Girls admitted from marginalized districts admitted to secondary schools and TTCs a point lower than counterparts from other districts.</p> | narrowed.   |
| <p>Eliminate harmful cultural practices</p> <p>Eliminate early and forced marriages</p> <p>Ensure equal opportunity for girls in secondary tertiary and University education</p> | <p><b>Carry out study to understand the cultural, economic and social factors driving early and forced marriages</b></p> <p><b>With CSOs initiate a dialogue with different communities in Kenya on harmful cultural practices</b></p> | <p>Gender parity in schools</p> <p>Proportion of women appointees increased to 20%</p> <p>Increased proportion of women MPs</p> | 2006-2010 | <p>A Situation Analysis on FGM/C has been conducted; its findings will inform future intervention on the practice. Campaign to eliminate retrogressive cultural practices will be promoted.</p> <p>The policy on Free Day Secondary Education aims at according equal opportunities for boys and girls, resulting in gender parity.</p> <p>Lowering entry mark to increase admission of female students to public universities. Allowing girls who drop out of primary and secondary schools due to pregnancies to reenter and</p>   | The National Focal point for Anti-FGM in the country is at the Ministry of Gender and children Affairs. |

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|  |  |   |                  | complete their education.<br>The Ministry of Education targets to increase public university admission by 2015 and to have an increased proportion of students studying science-related courses, a third of whom should be women by 2010. |  |
| Improve women's and children's condition   | <b>Create ACUs in all ministries, mainstreaming HIV/AIDS issues.</b>     | <b>ACUs in all ministries,</b>  | <b>2006-2015</b> |   |  |
|  | <b>Enhance the number of children put under ARV</b>                      | <b>The number of children put under ARV</b>                                 | <b>2006-2015</b> |   |  |
|  | <b>Improve access to female condoms</b>                                  | <b>Increased access to female condoms</b>                                   | <b>2006-2015</b> |   |  |
|  | <b>Adapt measures for the prevention of mother to child transmission</b> | <b>Decline in mother to child transmission</b>                              | <b>2006-2015</b> |   |  |
| <b>OBJECTIVE 6: ENCOURAGE BROAD-BASED PARTICIPATION IN DEVELOPMENT BY ALL STAKEHOLDERS AT ALL LEVELS</b> |  |   |                  |   |  |
| Foster effective participation of stakeholders at the grass roots  | Involve all stakeholders in planning and implementation process          | Proportion of community members and CBOs incorporated in project management | <b>2006-2007</b> | Stakeholders' forums continue to take place every year and their contributions incorporated in the budget preparation process.  |  |



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|   |  | committees  |   |  |  |
| <b>Remove impendent to community participation in development at grass roots level especially women and youth</b> | <ul style="list-style-type: none"> <li>1. Structurally minimize the role of politicians in project programmes</li> </ul>   | <ul style="list-style-type: none"> <li>Election and Composition of CDF Committees</li> </ul>  | <ul style="list-style-type: none"> <li>2006-2007</li> </ul> | <p>The Government through the Local Authorities has appointed CDF managers.</p> <p>The CDF Act is also in operation to enhance transparency and efficiency</p> | <ul style="list-style-type: none"> <li>CDF Management structures being set up</li> </ul> |
|   | <ul style="list-style-type: none"> <li>2. Train Provincial in participatory approach to administration</li> </ul>  | <ul style="list-style-type: none"> <li>1. Reported level of intimidation</li> <li>2. Proportion of women &amp; youth who actively participate in community development programmes</li> </ul>  | <ul style="list-style-type: none"> <li>2006-2007</li> </ul> |  |  |
| <b>Enhance engagement of CSOs and the public in the preparation of national budgets</b>                           | <ul style="list-style-type: none"> <li>Develop stringent guidelines for participation and selection of representatives in monitoring and implementation of public projects and programmes</li> <li>Build capacity of constituency to engage</li> </ul> | <ul style="list-style-type: none"> <li>1. The number of projects involving local people</li> <li>1. Constituency development committee effectively dialoguing with stakeholders on</li> </ul> | 2006-2007   | Stakeholders' forums continue to take place every year and their contributions incorporated in the budget preparation process.                                 |  |

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|  | stakeholders in planning<br>issues | constituency<br>planning issues |  |  |  |
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## ANNEX

Poems depicting the voices of children in the wake of the post election crisis in Kenya. The poems were written by students at the Eldoret Children's Peace Reading Tent on May 27, 2008 during a special Focus Group Discussion [FGD] organised for school going children by NEPAD Kenya and the Artist Forum International.

**Ruth Kwata**

Uasin Gishu High school  
Form four

**VOICE OF THE VOICELESS**

*I will wake up!  
I will arise!  
I will face the world  
And tell of my untold miseries  
I will speak of my inner most thoughts  
And tell of my deepest worries.*

*I tell you, 'help me with this  
Help me with that'  
You say 'I don't have this  
And I don't have that'  
Can't you see that I am just like you?  
Poor and helpless like a church mouse?*

*Young and old alike  
Why don't you join me  
As I voice my worries to our esteemed  
And respected leaders?  
Walk with all through the way  
And give me courage to face the future with  
hope*

*I will not beat around the bush  
I will tell you like it is  
Just lend me your ears.  
Life is not all about money  
Life is about telling it as it is  
We are suffering out there!  
There is no one to hear us  
Only you are our hope  
So please hear us.*

**Moses G. Chege**

Uasin Gishu High School  
Form four

**VOICE OF THE VOICELESS**

*Time has come,  
time has come for a real change,  
yes, for our grievances to present  
we used to cry but it was in vain  
let's join our hands together and fight for our  
rights.*

*Writhing in pain  
The voiceless in society  
The widows, orphans and poor  
I remember with nostalgia the painful  
experiences.  
Let's join our hands together and fight for  
our rights*

*Its time to wake up,  
To fight for our rights  
Those were the days  
When no one could utter a word.  
Let's join together and fight for our rights*

*Wooi, wooi the cry of our own  
Being punished for no reason,  
Hatred has ruled over  
Like a monster in society  
Let's join together and fight for our rights.*

Kosgei J. Valentine  
Uasin Gishu High School  
Form four

### VOICE OF THE VOICELESS

*I wonder why I was created,  
To go through all these,  
When will I be elevated,  
Can anyone tell me please,  
Where did I go wrong?  
From the floor I wake,  
From the palace I hear,  
The sounds the rich do make  
While we the oppressed fear  
To voice our grievances.  
The rain comes and the sun shines,  
My belongings are grabbed,  
Where are our leader's assistance?  
To hear our grievances voiced,  
Until when will we wait?  
From the hills and the valleys,  
To the city I view,  
All alone I stand,  
Neighbour where are you?  
I need your hand.  
East to west I go,  
Despise and rejects I encounter,  
Tell me where to go,  
A place I will have to counter  
To live in a loving environment.  
I have nothing else to do,  
Than to have them look down upon me,  
Maybe God will come to my rescue,  
I believe God will bless me,  
And shield me with thy mighty hand.*

Corinne M. Koki  
Hill Secondary School  
Form 4

### VOICE OF THE VOICELESS

*Ooh! No!  
My house, my car, my hardware,  
All this took ages to establish  
And all is gone in the blinking of an eye  
When will my voice be heard?*

*I have no fare to go home  
You are driven in a Pajero  
My children are going hungry  
You are having dinner at Panari  
When will my voice be heard?*

*I sit and watch in despair  
Someone with nothing to wear  
Left emaciated and hungry  
With only air to breath,  
When will my voice be heard?*

*Together we have lived for ages  
Sharing and rejoicing on our success  
Today you stand and call me not a Kenyan  
And take away my all  
When will my voice be heard?*

*My child is in the tent  
With nothing to go to school,  
Yours is driven in Mercedes  
To a G.C.S.E institution  
When will my voice be heard?*

*Darkness of the night has come  
A rugged cloth is all I have  
In a tent full of cold  
All because I am born of Mr. X  
When will my voice be heard?*

*You have to realize it is us,  
You sit for a cup of tea at Stanley,  
Chatting and talking of business progress  
I live in fear hiding  
When will my voice be heard?*

*We should all stand in unity,  
Forgetting Kiptoo, Wanjiru, Omondi and  
Mutuku  
We are building a nation  
Together as one  
When will my voice be heard?*

*Let us end this scandal  
We are not a tribe but a nation  
Building love peace and unity as our  
philosophy  
Together we shall excel  
And the voices shall be heard.*