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FOREWORD

This Poverty Reduction Strategy Paper (PRSP) outlines priorities and measures necessary for poverty reduction and economic growth. It is a product of broad-based consultations undertaken in 70 districts of the country. The consultations included Sector Working Groups, Thematic Groups, public hearings and National Consultative Forums. The PRSP is also informed by in-depth Participatory Poverty Assessment (PPA) studies undertaken in 10 districts. This PRSP therefore presents the views and aspirations of all Kenyans.

The PRSP has the twin objectives of poverty reduction and economic growth. It identifies measures geared towards improved economic performance and priority actions that will be implemented to reduce the incidence of poverty among Kenyans. Specific economic policies aimed at promoting a robust economy are outlined in a three-year macro-economic framework. Specific measures to reduce poverty are identified and set out in the implementation matrix which shows costing of each indicated policy measure, the implementing agencies, a specified time frame and indicators for monitoring expected outcomes.

This PRSP is therefore central to the development of a pro-poor and pro-growth Medium Term Expenditure Framework (MTEF) budget. The three-year rolling MTEF budget will implement the priorities by shifting additional resources towards pro-poor activities and programmes and thus improve the quality of expenditure. An effective monitoring and evaluation system will be put in place to assess the commitment and compliance to the plan and measure the effects of policies. This will inform all Kenyans, on a timely basis, on progress made in implementing the identified measures, policies and programmes.

It is through partnership initiatives between government, civil society, the private sector, religious organizations, women, youth, people with disabilities, and the poor that we have been able to develop this PRSP. Similarly it is through collaborative efforts of all stakeholders that our goals of poverty reduction and economic growth will be achieved. Volume I and volume II of the PRSP are being released together with this year’s budget speech. Volume III will be released later and it will contain the government’s vision, reaction and key actions.

It is also expected that there will be a volume IV, V, and VI which will contain the reaction and response of the NGOs, private sector and development partners respectively. I therefore invite all Kenyans to play their part, both at the individual and collective levels, to ensure the success of this Poverty Reduction Strategy.

HON. CHRYSANTHUS B. OKEMO, EGH, MP
MINISTER FOR FINANCE
## LIST OF ABBREVIATIONS

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Full Form</th>
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<tbody>
<tr>
<td>AIDS</td>
<td>Acquired Immune-Deficiency Syndrome</td>
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<td>AGOA</td>
<td>African Growth and Opportunity Act</td>
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<td>AMREF</td>
<td>African Medical Research Foundation</td>
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<td>ASAL</td>
<td>Arid and Semi Arid Lands</td>
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<tr>
<td>C&amp;AG</td>
<td>Controller &amp; Auditor General</td>
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<td>CBK</td>
<td>Central Bank of Kenya</td>
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<td>CBK</td>
<td>Coffee Board of Kenya</td>
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<td>CBOs</td>
<td>Community Based Organizations</td>
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<td>CBS</td>
<td>Central Bureau of Statistics</td>
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<td>CCA</td>
<td>Common Country Assessment</td>
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<td>COMESA</td>
<td>Common Market for Eastern &amp; Southern Africa</td>
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<td>CTB</td>
<td>Central Tender Board</td>
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<td>DCFs</td>
<td>District Consultative Forums</td>
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<td>DRCs</td>
<td>District Roads Committees</td>
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<td>DSO</td>
<td>District Statistical Officer</td>
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<td>EAC</td>
<td>East African Community</td>
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<td>ECED</td>
<td>Early Childhood Education and Development</td>
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<td>EGG</td>
<td>Economic Governance Group</td>
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<td>FSP</td>
<td>Fiscal Strategy Paper</td>
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<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>GII</td>
<td>Global Information Infrastructure</td>
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<tr>
<td>HIV</td>
<td>Human Immune-deficiency Virus</td>
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<td>ICDC</td>
<td>Industrial &amp; Commercial Development Corporation</td>
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<td>ICI</td>
<td>Inter-Ministerial Committee on Industrialization</td>
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<td>IDGs</td>
<td>International Development Goals</td>
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<td>IGADD</td>
<td>Inter-Governmental Authority on Drought and Development</td>
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<td>ILO</td>
<td>International Labour Organisation</td>
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<td>I/O</td>
<td>Input/Output</td>
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<td>IPC</td>
<td>Investment Promotion Centre</td>
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<td>IPR</td>
<td>Intellectual Property Rights</td>
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<td>I-PRSP</td>
<td>Interim Poverty Reduction Strategy Paper</td>
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<td>IT</td>
<td>Information Technology</td>
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<tr>
<td>JICCC</td>
<td>Joint Industrial and Commercial Consultative Committee</td>
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<tr>
<td>JKIA</td>
<td>Jomo Kenyatta International Airport</td>
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<td>KACA</td>
<td>Kenya Anti-Corruption Authority</td>
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<tr>
<td>KCB</td>
<td>Kenya Commercial Bank</td>
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<td>KEB</td>
<td>Kenya Education Board</td>
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<td>KENGEN</td>
<td>Kenya Electricity Generating Company Limited</td>
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<td>KIE</td>
<td>Kenya Industrial Estates</td>
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<td>KIPPRA</td>
<td>Kenya Institute for Public Policy Research &amp; Analysis</td>
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<td>KIRDI</td>
<td>Kenya Industrial Research &amp; Development Institute</td>
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<tr>
<td>KPLC</td>
<td>Kenya Power and Lighting Company</td>
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<td>KRA</td>
<td>Kenya Revenue Authority</td>
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<td>KRB</td>
<td>Kenya Roads Board</td>
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<td>KRDS</td>
<td>Kenya Rural Development Strategy</td>
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<td>KTB</td>
<td>Kenya Tourist Board</td>
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<td>Acronym</td>
<td>Full Form</td>
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<tr>
<td>KTDC</td>
<td>Kenya Tourist Development Corporation</td>
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<td>LAOB</td>
<td>Local Authority Oversight Board</td>
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<tr>
<td>LATF</td>
<td>Local Authority Transfer Fund</td>
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<tr>
<td>M&amp;E</td>
<td>Monitoring and Evaluation</td>
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<td>MCH</td>
<td>Maternal and Child Health</td>
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<tr>
<td>MIC</td>
<td>Multiple Indicator Cluster Survey</td>
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<td>MTEF</td>
<td>Medium Term Expenditure Framework</td>
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<td>MTS</td>
<td>Multi-Lateral Trading System</td>
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<td>NACC</td>
<td>National Aids Control Council</td>
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<td>NASSEP</td>
<td>National Sample Survey and Evaluation Programme</td>
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<td>NCF</td>
<td>National Consultative Forum</td>
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<td>NGOs</td>
<td>Non-Governmental Organizations</td>
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<td>NIC</td>
<td>Newly Industrialised Country</td>
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<td>NII</td>
<td>National Information Infrastructure</td>
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<td>NPEP</td>
<td>National Poverty Eradication Plan</td>
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<td>NSC</td>
<td>National Steering Committee</td>
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<td>NSSF</td>
<td>National Social Security Fund</td>
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<td>PAMFORK</td>
<td>Participatory Methodologies Forum in Kenya</td>
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<td>PEC</td>
<td>Poverty Eradication Commission</td>
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<td>PPAs</td>
<td>Participatory Poverty Assessments</td>
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<td>PRSP</td>
<td>Poverty Reduction Strategy Paper</td>
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<td>PWDs</td>
<td>People with Disabilities</td>
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<td>Sacco</td>
<td>Savings and Credit Co-operative Organisations</td>
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<td>SAGA</td>
<td>Semi-Autonomous Government Agency</td>
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<td>SAM</td>
<td>Social Accounting Matrix</td>
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<td>SBP</td>
<td>Single Business Permit</td>
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<td>SME</td>
<td>Small and Medium Enterprises</td>
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<td>STIs</td>
<td>Sexually Transmitted Infections</td>
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<td>SWGs</td>
<td>Sector Working Groups</td>
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<td>UN</td>
<td>United Nations</td>
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<td>UNDP</td>
<td>United Nations Development Programme</td>
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<td>USA</td>
<td>United States of America</td>
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<td>VAT</td>
<td>Value Added Tax</td>
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<td>WMS</td>
<td>Welfare Monitoring Survey</td>
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<td>WTO</td>
<td>World Trade Organisation</td>
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<td>WWW</td>
<td>World Wide Web</td>
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EXECUTIVE SUMMARY

- The consultation process to all the districts the involvement of the civil society private sector and all other stakeholders
- The prioritisation process and activities for each of the sectors
- Highlights of all the cross cutting issues
- Poverty reducing strategies proposed
- The cooperation required by all stakeholders
- The need for participative monitoring and evaluation
- The charter for social integration
CHAPTER 1: INTRODUCTION

A. BACKGROUND

1. The challenge facing Kenya today is to reduce poverty and achieve sustained economic growth for healthy national development. The Government is committed to address this challenge in consultation with key stakeholders in the economy, especially the private sector, civil society organisations and other development partners. The strategy to achieve this entails the participation and inclusion of all Kenyans, especially the poor, in the design and implementation of strategies aimed at tackling the challenges of poverty. This is in recognition of the fact that it is the poor who understand at first hand the causes, nature and extent of poverty.

2. This Poverty Reduction Strategy Paper (PRSP) outlines the priorities and measures necessary for poverty reduction and economic growth. It is a product of broad-based and in-depth consultations among all key stakeholders, in particular the poor, at all levels. These comprehensive consultations have ensured that the PRSP fosters national ownership that is necessary to support and implement poverty reduction and economic growth initiatives. The PRSP builds on past efforts aimed at poverty alleviation and in particular the Interim Poverty Reduction Strategy (IPRSP) which identified interim measures and strategies necessary for facilitating sustainable and rapid economic growth, improving governance; raising income opportunities of the poor; improving the quality of life; and improving equity and participation. These principles remain valid and relevant and form the basis of the PRSP.

3. The PRSP has the twin objectives of economic growth and poverty reduction. This is in recognition that economic growth is not a sufficient condition to ensure poverty reduction. In this regard, measures geared towards improved economic performance and priority actions that must be implemented to reduce the incidence of poverty among Kenyans have been identified. The paper identifies strategies that integrate sectoral objectives and ensure that priority actions are consistent with the goals of spurring growth and reducing poverty. Economic policies and strategies earmarked for implementation under the PRSP outline a three-year macro-economic framework aimed at promoting robust economic growth and poverty reduction.

4. This PRSP is central to the development of a pro-poor and pro-growth Medium Term Expenditure Framework (MTEF) budget. The three years MTEF will implement the priorities aimed at improving the quality of expenditure and the shifting of resources towards pro-poor activities and programs. The monitoring and evaluation component of the PRSP will seek to ensure effectiveness and efficiency in the allocation of economic resources to pro-poor development initiatives.

5. The PRSP is at the centre of the long-term vision outlined in the National Poverty Eradication Plan (NPEP). The NPEP proposes a fifteen (15) year time horizon to fight poverty and has adopted the International Development Goals (IDGs), which aim at reducing global poverty by half. The IDGs provide the vision for this country to eradicate poverty. The PRSP on the other hand is a short-term strategy, which seeks to implement the NPEP in a series of three year rolling plans. As such it is an instrument to implement key national development policies such as the NPEP; the National Development Plan and other key development strategies and plans. In between the
PRSP and NPEP is the National Development Plan, which stipulates policies of a broader nature to be implemented over the medium term.

B. PRINCIPLES AND OBJECTIVES OF THE PRSP

6. The Poverty Reduction Strategy outlined in this paper is an inclusive participatory approach to planning whose primary aim is to put in place a people centred set of policies and priorities to achieve growth and reduce poverty. This planning approach is guided by a set of general principles and key objectives.

(i) Principles of the PRSP

7. **Giving a Voice to the Poor:** By taking into account the voices of poor people in a consultative manner, the PRSP has strengthened and given credibility to poverty reduction efforts. Poverty is not only to be hungry and malnourished, to lack adequate shelter and housing, and to be illiterate, but also to be exposed to ill treatment and to be powerless in influencing key decisions affecting lives. Poor people lack voice, power and representation and this makes them more vulnerable to ill health, illiteracy, unemployment, disasters or violence. This PRSP process corrects these anomalies by empowering communities to identify their basic needs and rights, which are essential for ensuring sustainable livelihoods. The delivery of basic rights is therefore an obligation, not only for government, but also for all those partners and collaborators who have gone through the process with the government.

8. **Participation and Ownership:** The development of the poverty reduction strategy has been country driven through a participatory process involving the poor and marginalized, key stakeholders in the economy such as the private sector and civil society and religious organisations. The Government has played the instrumental role of a facilitator and enabler throughout the process. The process has been all-inclusive and tolerant of alternative views. In this way, PRSP guarantees ownership of the development process, and consensus that is crucial for implementation and monitoring of poverty reduction measures.

9. **Transparency, Openness and Accountability:** The development of a viable poverty reduction strategy cannot succeed unless the principles of transparency, openness and accountability are embodied into the framework. By ensuring open and free access to information and decision making processes by all actors in the PRSP process, the Government has set the stage for enhanced transparency and accountability in all aspects of national planning and prioritisation of development initiatives.

10. **Equitable Distribution of National Resources and Development Initiatives:** Equity is central to the poverty reduction initiatives in this PRSP, which will be made possible by allocating resources to priorities identified by the people. This PRSP therefore aims at enhancing equitable distribution of national resources and development initiatives as proposed through the PRSP consultation process.

(ii) Objectives of the PRSP

11. **Linking Policy, Planning and Budgeting:** The principal objective of the PRSP is to link and harmonise policy, planning and budgeting. This link ensures that implementation takes into account resource availability and constraints and expected
outcomes. The Medium Term Expenditure Framework provides this link by providing budgetary allocations to specific measures set out in the PRSP. It is expected that priority will be given to measures aimed at reducing poverty levels in the country.

12. **Identifying National Development Objectives and Priorities:** A key objective of the PRSP is to identify and define the development objectives and priorities necessary for healthy economic growth and poverty reduction through the various consultative processes and mechanisms, such as the District Consultative Forums, Thematic Working Groups and Sector Working Groups.

13. **Quality Expenditures Leading to Efficiency Gains:** Quality expenditure is one of the pillars of the PRSP and the MTEF process. The PRSP/MTEF seeks to ensure quality expenditure through proper planning, setting of clear targets, prioritisation of development initiatives, ranking and costing of activities, which are all necessary conditions for quality expenditures.

14. **Harmonisation of The Financing Framework:** The PRSP and MTEF budgeting processes are designed to ensure harmonised financing of growth and poverty reduction efforts that are a key factor for sustained fiscal discipline. One of the strengths of the PRSP process is that it is consultative and leads to a clear set of goals, objectives and priorities, which directly address the needs of the poor. It therefore accords the Government and all other development partners the chance to harmonise their efforts towards the fight against poverty as it leads to minimising duplication of efforts and resources.

15. **Monitoring and Evaluation:** The success of the PRSP will depend on how well the activities are funded, implemented, monitored and evaluated through a feedback mechanism. For this to take place, there has to be in-built mechanisms that ensure continuous participation of key stakeholders, communities and the poor in monitoring and evaluation of goals, objectives, inputs, outputs and outcomes. This feedback informs the next round of PRSP/MTEF resource allocation, hence ensuring efficiency in the way development resources are deployed both for economic growth and poverty reduction.

(iii) **Approach to the Consultations**

16. The PRSP is a product of broad-based and inclusive consultation that took place at national, regional, district and divisional levels in the country. The countrywide consultative process was launched in October 2000 at a National Stakeholders Forum held in Nairobi. It included all stakeholder categories with special attention to civil society, vulnerable groups (women, youth, pastoralist groups and people with disabilities) and the private sector.

17. To ensure inclusiveness and broad-based participation, the consultations were organised within a national framework consisting of: Divisional Consultations, District Consultative Forums; Provincial Workshops; National Consultative and Stakeholders Forums; Thematic Groups and Sector Working Groups.

18. The process received continuous policy guidance from a National Steering Committee comprising of Chairpersons of the various Sector Working Groups, Permanent Secretaries, selected NGOs, Civil Society and private sector representatives. The entire PRSP Consultative and Strategy development process was co-ordinated by a
Technical Secretariat comprising of professionals from the government, civil society, private sector and technical advisors from the donor community.

19. In addition, Participatory Poverty Assessments (PPAs) were conducted in 10 districts to document the voices of the poor with regard to participation, inclusion and ownership of development programmes and projects and in prioritising activities that directly affect their well-being. The PPA process involved listening to street children, persons with disabilities, pastoral communities, unemployed youths, farmers, traders, jua kali artisans, the private sector, fishing communities, urban slum dwellers, coastal communities, women, local leaders, professionals, local administration and Government Ministries.

20. Upon completion, the first draft of the strategy paper was circulated to a wide cross-section of stakeholders, subject matter specialists, and Government Ministries for comments and feedback. The draft paper was further subjected to public review and scrutiny by a National Stakeholders Forum.

(iv) Outline of the Report

21. This paper is presented in two volumes. Volume I contains the substantive components of the PRSP while Volume II comprises annexes. Chapter 2 of Volume I presents a review of the implementation of IPRSP focussing on progress achieved, bottlenecks encountered, and analysis of whether set targets were met. Chapter 3 discusses poverty dimensions covering the definitions, magnitude, characteristics and causes. The Chapter also presents the poverty reduction strategies and targets to be achieved over the next three years. Chapter 4 sets out the macroeconomic framework and its implication to the poverty reduction measures. Chapter 5 details national priorities and issues as derived from (a) district consultations, (b) sectoral consultations, (c) thematic groups and (d) participatory poverty assessments. Chapter 6 discusses the sectoral priorities in detail providing the strategies to be implemented over the medium to the long term in addressing poverty reduction. The last chapter of this volume focuses on a monitoring and evaluation strategy and how it would link to the implementation of the PRSP.

Volume II presents nine (9) annexes focussing on implementation matrix, method and consultation framework, national priorities, sector priorities and issues, thematic group issues, experiences from PPAs, district ranking of priorities and weighting criteria for resource allocation.
CHAPTER 2: A REVIEW OF THE IMPLEMENTATION OF THE IPRSP

A. INTRODUCTION

22. In view of the poor performance of the economy and increasing levels of poverty, the Government adopted the Interim Poverty Reduction Strategy Paper (IPRSP) in June 2000. The IPRSP outlined measures aimed at revamping economic growth and poverty reduction by focusing on (i) facilitating sustained and rapid economic growth; (ii) improving governance and security; (iii) increasing the ability of the poor to raise their income levels; (iv) improving the quality of life of the poor; and (v) improving equity and participation.

23. Specific measures were put in place to monitor progress and implementation of the IPRSP. These included macroeconomic management, sectoral and governance measures, and consultations to develop a full PRSP through a participatory process. In each of these areas, targets were set and indicators identified to assist in the monitoring and evaluation of progress.

24. In the subsequent sections, a review of the implementation of the IPRSP is presented, paying special attention to (i) progress made in the implementation of the strategies identified, (ii) impediments that hindered the achievement of targets set and (iii) brief assessment of any impact on poverty reduction and growth.

B. IMPLEMENTATION OF IPRSP

(i) Macroeconomic Management

25. In the area of macroeconomic management, the Government committed itself to the reduction of the budget deficit, domestic debt, interest rates, and maintaining a stable and low inflation regime. Significant progress was made in all these areas but challenges were also encountered. The debt stock to GDP ratio stood at 49.5 per cent as at the end of December 2000, against the set target of 53 per cent. During the 1999/2000 financial year, KShs.3.472 billion of legitimate and verified pending bills were settled through Treasury Bonds. The budget deficit was kept within manageable levels to reduce pressure on domestic interest rates and the money supply growth kept within target levels to ensure price stability. The level of interest was maintained at stable and relatively low levels compared to the previous year. Attainment of our macroeconomic objectives remained elusive. Preliminary results indicate that the economy grew by less than 1 per cent compared to a target of 2.6 per cent. A number of factors contributed to this, such as the severe drought, the withholding of donor support, and the subsequent unsustainable fiscal position.

(ii) Sector Policies

26. The implementation matrix of the IPRSP clearly outlined sector objectives, strategies, monitoring indicators, costing, implementing agencies and time frame. The matrix contained measures that aimed at reviving growth and contributing to poverty reduction.
a) Agriculture and Rural Development

27. In agriculture and rural development, the government committed itself to reforms and increasing resource allocation to improve the performance of the sector. Budget provision for water supply was increased to support expanded supply of water and rehabilitation of water projects. The pace of institutional reforms in the rural sector, which aimed at giving ownership and control to stakeholders, was accelerated. First, Cabinet approved a draft policy on the coffee sub-sector reforms aimed at privatisation of marketing services performed by Coffee Board of Kenya (CBK) while CBK retained the regulatory function. This was after consultation with stakeholders. Second, liberalization of the tea sub-sector has been completed. Kenya Tea Development Authority has been transformed to Kenya Tea Development Agency Limited through amendment of necessary legal provisions. The new institution has been incorporated under the Companies Act as an independent and private enterprise owned by small-scale farmers through respective tea factory companies effective 1st July, 2000. Third, consultations with stakeholders on both the Sugar Policy and Bill were completed in June 2000. The Sugar Policy has been finalised and submitted to the Cabinet.

28. Fourth, the IPRSP set out to implement and enforce environmental plans, institutionalise environmental impact assessment, pollution and waste management, reduction of loss of biodiversity and control of water hyacinth and other invasive weeds in Kenyan lakes. The Government enacted the Environmental Bill and the National Environmental Management Agency Act has been put in place and will involve poor communities in environmental restoration programmes. Fifth, the fisheries policy and legal frameworks were finalised while work on the policy review of other commodities including cotton, horticulture, forestry, pyrethrum, irrigation, dairy, animal health and beef continues. The control of water hyacinth was also completed during the first year of IPRSP. The sector also undertook preparation of the Kenya Rural Development Strategy (KRDS) to provide a common/shared vision and framework for rural development.

29. In spite of the progress made in this sector, problems continued to be experienced in a number of sub-sectors. The drought adversely affected water and energy supplies. Other problems were related to governance issues; primarily the poor management of agricultural co-operatives and agro-based industries like sugar, rice, tea, dairy products, coffee and lack of, or poor access to, cheap credit to farmers as well as lack of proper extension services.

b) Trade, Tourism and Industry

30. In the Trade, Tourism and Industry sector, the government set out to reduce control and licensing requirements, expand tourism and export markets, and to improve financial service delivery among other things. The harmonisation of tariffs was undertaken by eliminating all suspended duties. A Joint Public/Private Sector Task Force was established while joint trade missions to promote Kenyan product and secure market access were conducted successfully.

31. A Micro Finance Unit has been established at the Central Bank of Kenya (CBK). The Unit has met with the Micro Finance Association whose membership comprises micro finance institutions in the country. As a result, a draft Bill has been prepared and forwarded to the Minister for Finance and the Attorney General for consideration. The Bill covers, among other things, the approach to regulatory environment. The Act will
specify three different tiers of micro finance institutions, the regulatory and supervision regimes.

32. As Communication is a key component for enhancement of trade, tourism and industry there are now additional direct international flights to Mombasa and Eldoret as well as chartered flights to Kisumu and Malindi. The process of revitalising growth sectors has also been initiated, the tourism police unit has been established and sections of the Local Government Act have been reviewed leading to the establishment of a Single Business Permit (SBP).

33. The greatest challenges for the sector remain those of poor infrastructure, insecurity and poor access to financial services required by investors. There has been also poor inflow of foreign direct investment into the sector.

c) Public Sector Reforms

34. Public sector reforms especially the ministerial rationalisation, reduction of the size of government, and restricting ministries to their core functions were completed. The reforms focused on the broad issue of improving public sector management. Several actions were implemented and 22,190 civil servants were retrenched in the first phase. Additional staff retrenchments were effected in the Kenya Revenue Authority (KRA), public universities and other parastatal bodies. Some progress has been made in improving the terms and conditions of civil servants within an affordable wage bill. Parts of the Harmonisation Commission recommendations for improving remuneration of public servants were effected. Progress has been achieved in establishing a code of conduct for public servants and judicial officers. A public service code of conduct was published in June 2000 and is being revised to secure further improvements. A committee appointed by the Judicial Service Commission has looked into the code of ethics for judicial officers and submitted their recommendations to the Chief Justice in February 2001. Decentralisation of some key functions, some to district level, is ongoing.

35. A number of targets, such as the implementation of highflier scheme, approval of benchmarks for result oriented performance, and systematic conducting of examination as the basis of recruitment and promotion were not met. This was primarily because of the slowdown in the implementation of the reform programme related to public sector restructuring and delayed implementation of phase two of the retrenchment programme. Bad publicity due to a misconception of the retrenchment programme, low levels of compensation benefits and slow disbursement of compensation benefits also continued to bog down the process.

d) Privatisation of Parastatals

36. In privatisation, the Cabinet approved an updated privatisation strategy in June 2000. A number of studies have been completed and progress has been made in the privatisation of Kenya Commercial Bank (KCB), Telkom and Kenya Railways. Significant progress was made in implementing the concessioning of the container terminal and other non-core services of the Port. Work on separation of assets of Kenya Power and Lighting Company (KPLC) and Kenya Electricity Generating Company Limited (KGEN) has been completed. A Cabinet paper on the privatisation of Kenya Pipeline has already been prepared.
37. The privatisation of Telkom and commercialisation of postal services were not completed because of delays in the approval by the Cabinet and problems related to procedural guidelines of completing the process. In general, these procedural guidelines also hampered the completion of other privatisation plans for a number of parastatals.

e) Human Resources Development

38. The IPRSP outlined several measures to improve education, health, HIV/AIDS and labour. Most of the indicators can only be assessed after undertaking surveys. In the education sector, the primary and secondary schools curriculum have been reviewed to reduce the number of examinable subjects and the costs to parents. To ensure equity, the Equality Bill has been published and the Affirmative Action Bill approved by Cabinet. The Rights of the Child Bill has been approved by Cabinet and is awaiting publication. Cabinet has also approved the Family Protection Bill. To improve statistics about the child, a Multiple Indicator Cluster Survey (MICS) and Child Labour Module of the Integrated Labour Force Survey of 1988/99 have been completed and both have generated up-to-date information on child labour and other social statistics. In the health sub-sector, the Ministry of Health put in place the Health Sector Policy Framework that outlines in detail specific measures for implementation.

39. The National Aids Control Council has been established to strengthen capacity and co-ordination in responding to HIV/AIDS pandemic at all levels. AIDS Control Committees have been established in all ministries, provinces and constituencies. Failure to sign the World Bank credit of US$50 million on time delayed the start of recruitment of professional staff as well as the start of the major operations of the Council and activities at the district level.

f) Local Government

40. One of the main objectives of the IPRSP was to improve economic governance and service delivery in local government. Specific strategies were to operationalise the Local Authority Transfer Fund (LATF), improve financial management and revenue mobilisation, strengthen participatory planning, establish financial management control board and rationalisation of Local Authorities legal and management framework.

41. The LATF was operationalised and transfers were made. The Local Authority Oversight Board (LAOB) was established although operationalisation encountered some difficulties at the implementation stage. Private sector led oversight board has been appointed to assist streamline City of Nairobi operations. Efforts to continue the Local Authorities reform are being continued in the current PRSP.

g) Public Safety, Law and Order

42. The Public Safety, Law and Order sector set out to achieve predictable and impartial justice system and to mainstream gender in development. Some progress was achieved in the area of strengthening the independence of the judiciary. Computerisation of the critical legal registers, court recording, and financial management systems is in progress. A number of bills were drafted and are awaiting presentation and approval by Parliament. Several targets have not, however, been met e.g. approval of the National Gender Policy and increasing to at least 30 per cent women in decision-making process. The implementation of the Kwach and Effie Owuor reports has been slow due to resource constraints.
h) Governance Measures

43. The Anti-Corruption Bill was published and discussed by Parliament. The budgetary allocations to the Judiciary have been enhanced to accommodate commercial courts and increase the number of judges. Measures have been taken to increase the independence of the Controller and Auditor-General (C&AG) office. The office has been allocated increased budgetary resources. A draft of the proposed Kenya National Audit Office Act has been prepared. Cabinet approved updated comprehensive procurement regulations for implementation in all public institutions in June 2000. The Government has published a legal notice that redefines the procurement procedures and guidelines. The notice decentralises the tendering procedures giving more powers and responsibilities to the accounting officers and removing the powers of the District Commissioners.

44. In the area of strengthening budget, financial management and ensuring transparency, the posts of Finance Officers were created and filled, and action has been taken to develop an Integrated Financial Management System. Procedures for disbursement, management, and monitoring of LATF has been put place.

45. A major setback in the fight against corruption was the decision by the High Court that the set up of KACA was illegal, the rejection in Parliament of the Economic and Crimes Bill and the Code of Ethics for Civil Servants. These drawbacks affected the pace of progress in dealing with cases of corruption.

(iii) Participatory Plan

46. The Government committed itself to the preparation of a full PRSP through a participatory process. The plan set out to establish a national consultative structure, conduct local level consultations, conduct district level consultation, provincial workshops, and national level. All these commitments have successfully been completed as outlined in the methodology in developing this PRSP (see Annex 1). In addition, efforts have been made to hold parliamentary consultations. Similarly, a Monitoring and Evaluation (M&E) team comprising of Ministry of Finance and Planning and other various stakeholders including Poverty Eradication Commission will be responsible for monitoring and evaluation and similar Sub-Committees will be established in line Ministries. A thematic group on M&E has also been put in place to co-ordinate M&E activities with the participation of all stakeholders.

(iv) Data for Monitoring Poverty and Growth

47. With regard to data for poverty monitoring and evaluation, the Central Bureau of Statistics achieved several things it set out to do. Jointly with K-Rep, CBS conducted a survey on small and medium enterprises with useful benchmarks on the sector. The Bureau also produced the basic reports of the 1999 population and housing census and these were released in January 2001. A preliminary report of the Multiple Indicator Cluster Survey (MICS) has been completed and its results incorporated in the Common Country Assessment (CCA) of the UN system. The detailed analysis of the database has been initiated and will be completed within the first half of the 2001/2002 fiscal year. The third Participatory Poverty Assessments were undertaken and have been integrated into this PRSP. The second volume of Poverty Report of the 1997 Welfare Monitoring Survey (WMS) was released and the analysis of the basic report and agriculture module are underway. An update of the poverty level is planned through a fourth WMS within
the life of this PRSP. Efforts to generate gender disaggregated data and to conduct a census of people with disability will form part of this PRSP. Initiatives and progress has been made towards the revival of the CBS/Donor Consultative Committee through a programme of monitoring and evaluation, which will be co-ordinated by CBS. A study to restructure CBS to become a Semi Autonomous Government Agency (SAGA) was commissioned and is progressing well.

48. The main challenge that faced the implementation of data needs for monitoring and evaluating poverty has come from inadequate financial resources to undertake a number of activities that were identified. There were also the institutional constraints and bottlenecks in CBS that made it difficult to execute the agreed set of actions.

C. IMPEDIMENTS TO IMPLEMENTATION

49. In addition to the specific bottlenecks outlined above for each of the sectors, the country experienced a number of unexpected challenges that slowed down the pace of implementation of strategies outlined in IPRSP.

50. Some of these challenges include:-

i. The severe drought adversely affected electricity and water supplies which negatively impacted on all sectors of the economy;
ii. The delays in disbursement of donor funds affected the implementation progress of donor funded projects and programs;
iii. Due to the reduction of the overall resource envelope associated with (i) above, the government was forced to cut down its expenditures by about 50 per cent;
iv. There was also the slow disbursement of government funds to priority activities due to the effect of the introduction of new financial accounting leading to significant difficulties in the implementation of priorities.
v. The combined problems of (ii) and (iii) led to incomplete and delayed implementation hence failure to meet the targets set in the IPRSP.

51. Consequently, it was not possible to implement all measures in a timely manner and as a result some targets were not realised.

D. IMPACT ON POVERTY REDUCTION

52. The preliminary assessment of the first year of the implementation of the IPRSP point to the fact that the growth enhancement objectives were not met while the outcome of poverty reduction efforts has been less than satisfactory. However, one year is an extremely short period to assess the full achievements of growth and poverty reduction initiatives. This is further complicated by the difficulties experienced at the implementation stage. The correct assessment of the impact of policy strategies requires careful documentation of the progress made through monitoring and evaluation. It would also entail conducting surveys to generate data for making inference on the direction of progress.

53. All these measurement approaches require resources and the institutionalisation of the principles of M&E. The strategies in this PRSP emphasise the establishment of stakeholder Monitoring and Evaluation Committee, and provision of resources to closely monitor progress of implementation and impact assessment.
CHAPTER 3: POVERTY DIMENSIONS

A. INTRODUCTION

54. Poverty remains a pervasive national problem presenting formidable challenges that call for urgent action. The poor constitute more than half the population of Kenya - at least one in every two Kenyans is poor.

B. DEFINITION OF POVERTY

55. Poverty is multi-dimensional. It includes inadequacy of income and deprivation of basic needs and rights, and lack of access to productive assets as well as to social infrastructure and markets.

56. The quantitative approach of measuring poverty defines the poor as those who cannot afford basic food and non-food items. In 1997 the absolute poverty line was estimated at KShs.1,239 per person per month and KShs.2,648 respectively for rural and urban areas according to the Welfare Monitoring Survey 1997.

57. Using the qualitative approach (Participatory Poverty Assessments (PPAs)) people define, view and experience poverty in different ways. In the 2001 PPA reports people mainly defined poverty as the inability to meet their basic needs. Poverty was associated with features such as lack of land, unemployment, inability to feed oneself and family, lack of proper housing, poor health and inability to educate children and pay medical bills. While different people and communities defined poverty differently, poverty was invariably associated with the inability to meet/afford certain basic needs.

Box 1: People’s Perception of Poverty

In Kajiado, the youth described poverty as "lack of income, unemployment and lack of vision which can be summarized as something next to death". Women on the other hand described poverty as “lack of livestock, inability to provide basic needs, lack of water, lack of land, having no source of income and being childless”; while the men described poverty as “having nothing, inadequate livestock, lack of grazing land, childlessness, inadequate water, unemployment and a poor economy.” One man in Kajiado District, Eroret village was quoted saying that “poverty is when children cry and you cannot stop them because they are hungry”. In Maasai language ..” millioroyu enkochoke enaa emoti”. When a slum resident of Soweto ward in Kibera Nairobi was asked to define poverty, he said that “Poverty is me, look at me! Look at my clothes. I did not have anything this morning and I am not sure if I will eat anything today. My children are not in school and should they fall ill, I cannot afford to take them to the hospital.”
C. EXTENT AND MAGNITUDE OF POVERTY

58. Three quarters of the poor live in rural areas. The prevalence of overall poverty in 1994 was highest in North Eastern Province (58 per cent of population) followed by Eastern (57 per cent), and Coast (55 per cent) while the lowest were Nyanza (42 per cent) and Central (32 per cent). However, by 1997 poverty had increased rapidly and its distribution had changed with Nyanza (63 per cent) recording the highest level followed by Coast (62 per cent). Nearly all the other provinces had prevalence levels above 50 per cent except Central, which had the lowest incidence (31 per cent). The bar chart below shows differentials of absolute poverty in 1994 and 1997 in rural areas. North Eastern was partially covered by the 1997 Welfare Monitoring Survey due to the insecurity problems and the *El-Nino* rains that made some areas inaccessible. However, it should be noted that North Eastern is among the worst-off areas in terms of poverty mainly because of frequent droughts and problems of accessibility. Efforts will be made to establish the extent of poverty in the area.

59. Based on the 1997 Welfare Monitoring Survey (WMS) the incidence of rural food poverty was 51 per cent, while overall poverty reached 53 per cent of the rural population. In urban areas, food poverty afflicted 38 per cent and overall poverty 49 per cent of the population. The overall national incidence of poverty stood at 52 per cent. National incidence of absolute poverty was estimated at 52 per cent based on Welfare Monitoring Survey (WMS III of 1997). The number of poor increased from 3.7 million in 1972-3 to 11.5 million in 1994 and is now estimated to have reached some 15 million. In the urban areas, Kisumu Town recorded the highest prevalence of absolute poverty of 63 per cent, followed by Nairobi with 50 per cent. Nakuru had a prevalence of 41 per cent while Mombasa had 38 per cent. Chart 2 below shows the trend of poverty between 1994 and 1997 in the major urban centres.

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**Chart 1: Trend of Rural Poverty by Region**

<table>
<thead>
<tr>
<th>Region</th>
<th>1994</th>
<th>1997</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Coast</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Eastern</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nyanza</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rift Valley</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Western</td>
<td></td>
<td></td>
</tr>
<tr>
<td>N. Eastern</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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60. The majority of Kenya’s urban poor live in peri-urban and slum settlements which are characterised by inadequate/low quality basic services like inadequate water, limited access to quality schools and health services and unhygienic living conditions. The urban poor do not have a regular job and therefore lack regular income and that leads to their inability to afford decent and adequate housing. Urban dwellers spend about 25 percent of their incomes on rent. Lack of adequate and regular income leads to poor health, poor education and poor nutrition, which make them more susceptible to poverty conditions. Lack of access to credit for business or housing coupled with tenure insecurity, evictions and inappropriate policy and regulatory frameworks contribute to vulnerability of the urban poor.

61. Table 1 below presents the absolute numbers of poor people by region or town as estimated from the Welfare Monitoring Survey of 1997. Although Central Province has the lowest percentage of poor (31%), the actual number of poor (1,126,826) is higher than Coast Province, which had a higher percentage of poor people (62%) but a smaller number of poor people (883,667).

Table 1: Overall Poverty in Absolute Numbers

<table>
<thead>
<tr>
<th>Region/Town</th>
<th>Households below poverty line</th>
<th>Individuals below poverty line</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central Rural</td>
<td>216,047</td>
<td>1,126,826</td>
</tr>
<tr>
<td>Coast Rural</td>
<td>138,691</td>
<td>883,667</td>
</tr>
<tr>
<td>Eastern Rural</td>
<td>382,037</td>
<td>2,280,334</td>
</tr>
<tr>
<td>Nyanza Rural</td>
<td>507,720</td>
<td>2,678,518</td>
</tr>
<tr>
<td>Rift Valley Rural</td>
<td>485,182</td>
<td>2,691,909</td>
</tr>
<tr>
<td>Western Rural</td>
<td>315,074</td>
<td>1,739,131</td>
</tr>
<tr>
<td>Nairobi</td>
<td>238,328</td>
<td>959,973</td>
</tr>
<tr>
<td>Mombasa</td>
<td>53,438</td>
<td>217,402</td>
</tr>
<tr>
<td>Kisumu</td>
<td>31,832</td>
<td>140,407</td>
</tr>
<tr>
<td>Nakuru</td>
<td>26,378</td>
<td>113,674</td>
</tr>
<tr>
<td>Other Towns combined</td>
<td>142,469</td>
<td>562,446</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,537,197</strong></td>
<td><strong>13,394,287</strong></td>
</tr>
</tbody>
</table>

Nairobi had almost half of the total number of poor people among urban areas.
D. NATURE AND CHARACTERISTICS

62. The nature and characteristics of poverty go beyond income measures alone given the multi-faceted nature of poverty. Certain aspects of poverty can well be captured by quantitative surveys while others can be established by qualitative studies. In Kenya the two approaches have been used to generate information on the magnitude, extent, nature and characteristics of poverty. Box 3 shows the characteristics of poverty.

63. Qualitative surveys have shown that poverty manifests itself in the form of hunger, malnutrition, illiteracy, lack of shelter, and failure to access essential social services such as basic education, health, water and sanitation. While poverty relates to lack of basic material needs, it also signifies lack of or deficiency of social, economic, cultural and human rights, which an individual household or community hold as important or vital for their existence, survival or well being.

64. In Kenya the poor tend to be clustered into certain social categories such as:
   i. the landless;
   ii. people with disabilities;
   iii. female headed households;
   iv. households headed by people without formal education;
   v. pastoralists in drought prone ASAL districts;
   vi. unskilled and semi-skilled casual labourers;
   vii. AIDS orphans;
   viii. street children and families including beggars;
   ix. subsistence farmers;
   x. urban slum dwellers;
   xi. unemployed youth.

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Box 2: Proximate Determinants of Poverty: Characteristics of the poor derived from the WMS II of 1994 and WMS III of 1997

Proximate determinants of poverty are the factors associated with poverty. They are considered as intermediate determinants or consequences of poverty. They are also known as characteristics of the poor and in Kenya they have been found to be:

- **Demographics:** Poor households in Kenya have been found to have large families. Average household sizes for poor families were 6.4 members compared to 4.6 members in non-poor households. Of the poor households, female-headed households depicted a higher level of poverty.

- **Incomes:** Wage employment is a major source of income in urban areas while livestock and crop revenue was the main revenue in rural areas. Subsistence farmers are among the poorest and most vulnerable.

- **Expenditure:** The poor devote a higher proportion of their income on food (71 per cent in 1994 compared to 59 per cent for the non-poor).

- **Health:** Poor health is a quick way to fall into poverty. The time taken to reach a health facility is an important indicator of access to health facilities. The WMSII found that poor households in rural areas took over 60 minutes to reach the nearest health facility. For urban, it was 10 to 30 minutes. In addition, access to health services by the poor – availability, affordability and physical accessibility of drugs and consultations – has been limited due to factors ranging from cost sharing and long distances to health facilities.

- **Education:** Education is considered as a vehicle for poverty reduction. Poverty has been observed to be highest among people without any schooling. For example, the cited studies show that there was virtually no poverty among households headed by university graduates.

- **Water and Sanitation:** Access to safe water and safe sanitation varies by poverty status and locality. Two thirds of the rural poor do not have access to safe drinking water and 72.2 per cent of the poor had no access to sanitary facilities.

- **Agricultural production:** The poor have low yield per acre due to differential access to fertilisers, quality of land, credit, irrigation and other inputs.

- **Household amenities:** The type of cooking fuel is an important indicator of the standard of living in a given household. The WMSII of 1997 found that 97.5 per cent of the poor in rural areas use firewood. A majority (92.4 per cent) in the rural areas use paraffin for lighting.
65. The poor have larger household sizes while in general rural households are larger than urban households. Geographically, Coast and Eastern Provinces have the largest mean household sizes among the poor. Poor women have a higher total fertility rate (rural 7.0 and urban 4.8) than non-poor women (rural 6.7 and urban 4.1), and in general total fertility rates decline with education while the use of family planning is higher among the non-poor.

66. Statistics on health status indicate that the prevalence and incidence of sickness are similar for both the poor and non-poor. However, the response to sickness is markedly different. An overwhelming majority of the poor cannot afford private health care (76 per cent rural and 81 per cent urban) and rely on public health facilities. However, 20 per cent of the urban poor and 8 per cent of rural poor find even public health charges unaffordable. Furthermore, 58 per cent urban and 56 per cent of rural poor do not seek public health care because of the unavailability of drugs. Only 37 per cent of poor mothers gave birth in hospitals compared to 58 per cent of the non-poor mothers.

67. Empirical evidence shows that 13 per cent of the urban poor have never attended school at all while the comparative rural figure is 29 per cent. Of the poor, only 12 per cent of those in rural areas have reached secondary education while for the urban poor the figure rises to 28 per cent. Dropout rates have risen, as have disparities in access, due to geographic location, gender and income. The main reason for not attending school is the high cost of education. Children are also required to help at home, while for girls socio-cultural factors and early marriage are significant factors.

68. Irrespective of poverty, close to 50 per cent of households in Kenya do not have access to safe drinking water although the proportion is higher for the poor (56.7 per cent compared to 47 per cent). In urban areas, large populations living in informal settlements within the towns and cities have no access to safe water. There are large disparities between rural and urban poor in terms of access to safe water. In rural areas 65.6 per cent while 19.4 per cent in urban areas have no access to safe water. Regarding sanitation, about 41.7 per cent of poor households and 27.8 per cent of non-poor households do not have access to safe sanitation.

69. Certain occupations, such as subsistence farming (46 per cent poor) and pastoralism (60 per cent poor), have a higher than average incidence of poverty. Subsistence farmer’s account for over 50 per cent of the total poor in Kenya. While the poor cultivate on average more land and have more livestock than the non-poor, the non-poor earn more than two and one half times the income from cash crops and more than one and one half times the income from livestock sales. This pattern can be partly attributed to differences in the fertility of land and the affordability of inputs to improve productivity. For livestock, cultural factors and the lack of high-grade stock and poor access to markets could account for low sales among the poor.

70. As a result of poverty the poor engage in activities such as bad farming practices, burning of trees to make charcoal and poor sewerage disposal. These activities have negatively affected the environment and reduced the land potential especially in arid and semi-arid areas, making the struggle for survival harder and leading to overexploitation of land and water resources. Rural women who mainly depend on land and other natural resources become more vulnerable to poverty due to environmental degradation. Water sources get depleted, fuel wood exhausted and more time has to be spent to
fetch these from far distances. Agricultural output dwindles and food insecurity results causing food poverty and malnutrition.

71. Women are more vulnerable to poverty than men. For instance, 69 per cent of the active female population work as subsistence farmers compared to 43 per cent of men. Given that subsistence farmers are among the very poor, this relative dependence of women upon subsistence farming explains the extreme vulnerability of women. These problems are most severe in arid and semi-arid areas where women spend a great portion of their time searching for water and fuel. In many rural areas, the use of intermediate means of transport for domestic purposes is limited and this makes the effort physically demanding – for example, women carry heavy loads such as 20 kgs for distances of over 2kms per day. The (seasonally-varying) implications of these energy expenditures by rural women is enormous – rural life is essentially labour intensive. Rural people have only a limited daily resource of human energy to devote to physical work given that their diet is often nutritionally poor. The release of women's productive potential is pivotal to breaking the cycle of poverty so that they can share fully in the benefits of development and in the products of their own labour. In the urban areas, the proportion of poor female-headed households is higher than male-headed households. Both rural and urban women are severely affected by poverty. However, poverty is still pre-dominant in the rural areas for both men and women, implying that poverty interventions need to be intensified and targeted to rural areas.

72. Within the household, men control women's labour through marriage, with implications for women's labour inputs. In subsistence or small-scale commercial farming, women contribute higher labour inputs than husbands or children. Women perform over 50 percent of all agricultural activities and all domestic tasks, but men control decision making on household expenditures and this constrains women's ability to make strategic investment choices.

73. Inequitable access to the means of production (land and capital), the distribution of wealth, reduced access to economic goods and services and remunerative employment are all causes of poverty. Poverty adversely affects participation in social and political processes and denies life choices while the poor are particularly vulnerable to natural disasters. Disparities in access to income, resources and influence over decisions among poor women affect their access to basic social services. Low-income households find it increasingly difficult to keep girls in school and they are asked to drop out so that their brothers can continue with education. This creates a gender disparity in earnings. In terms of income distribution, Kenya ranks as highly inequitable. Estimates indicate that a high proportion of wealth is concentrated in a very small proportion of the total population. This income concentration is the highest amongst the 22 poorest countries and is exceeded only by Guatemala (per capita income US$1,340), South Africa (US$3,160) and Brazil (US$3,640). The indicators demonstrate the depth and breadth of poverty in Kenya today and the magnitude of the challenge.

E. CAUSES OF POVERTY

74. Different communities had different perceptions of the causes of poverty. The following were identified invariably by all communities as the main causes of poverty:

75. **Low agricultural productivity and poor marketing** was cited by many communities as the major cause of poverty. This was attributed to traditional farming methods, low soil fertility, unpredictable weather conditions (drought and floods), poor
and inadequate extension services, high cost of inputs, low quality of seeds and lack of credit facilities. This has led to food shortages, underemployment and low incomes from cash crops, and poor nutritional status, which further reduces labour productivity and increases poverty. Mismanagement and collapse of agricultural institutions such as Agricultural Finance Corporation, irrigation schemes, Agricultural Development Corporations, National Cereals and Produce Board and Kenya Creameries Co-operative have contributed to poor marketing and low incomes. Many examples of agro-industries that have collapsed due to inefficiencies and mismanagement include Ramisi Sugar Factory, Cashew Nut Processing, Bixa Processing, cotton and sisal factories, coffee and rice factories and Kenya Meat Commission. This has acted as a disincentive to farmers and has further impoverished many households.

76. Livestock production is also a major source of livelihood for many communities. Low productivity in this sector has contributed to poverty in many communities. Livestock production is constrained by lack of water and pasture, animal diseases and lack of information on marketing. Poor livestock health and high mortality has led to decline in number of animals and their products thus impacting negatively on the well-being of the people. Lack of markets for livestock and livestock products due to failure of the Kenya Meat Commission and other similar institutions has contributed to exploitation of farmers by middlemen during times of drought when farmers have to sell their livestock and livestock products at throw away prices.

Box 3: Voices of the Poor on the causes and effects of poverty

In places like Kitui District, communities reported that market centres have lost business and in fact many are just ghost towns. Lack of market centres has left subsistence farmers at the mercy of middlemen who have exploited them during harvest and famine/drought times. In Kajiado District, during drought times, people were quoted saying that “we sold cows for KShs.800/= because the buyer was just buying the skin, I wish we could reverse the times in order to sell our stock before they are wiped out.”

77. **Insecurity** was identified by some communities as a principal cause of their poverty. The causes of insecurity were said to be numerous and complex and include banditry, hijacking, raiding and stock theft, robbery and looting, physical injury and mutilation, rape and murder. The immediate consequence is loss and destruction of material property, such as shelter, clothing and livestock. The loss of livestock, for example, means losing both food source and capital. Insecurity is a disincentive to the operation of small-scale businesses. Many households have been rendered poor as a result of insecurity countrywide.

78. **Unemployment and low wages** was singled out by communities both in urban and rural areas as a cause of poverty. Communities explained that although their children had completed schooling, many had failed to secure meaningful employment due to lack of opportunities and skills for gainful employment and lack of crucial resources for production such as electricity. Lack of credit due to the inability to obtain collateral was mentioned as a hindrance to self-employment. In the case of women, access to credit is conditional upon their husbands’ consent. Moreover women tend not to own land or other tangible forms of security to secure a loan. Corruption and nepotism have worsened the situation as poor households are often unable to pay the bribes demanded by potential employers. Lack of employment implies lack of income necessary for meeting the basic needs such as food, shelter, clothing, education and medical services. Recent reforms in the country like liberalisation of the economy,
private and public sector reforms particularly retrenchment have worsened the problem of unemployment. Liberalisation of the economy brought about increased market competition. This coupled with poor management has led to collapse of sugar factories, cotton ginneries, coffee and sisal factories, and livestock processing industries among others.

79. **Bad governance** is another cause of poverty cited by communities. This manifests itself in lack of transparency and accountability in management of the resources and funds meant to benefit communities. Communities singled out mismanagement of bursary and *harambee* funds, mismanagement of co-operatives, relief food distribution, funds for women, youth and the disabled. This has denied households and communities crucial resources and services that would improve their well-being. This has tainted self-help programmes and increased poverty. Many households also complained of harassment by local administration.

80. **Land issues:** Landlessness was identified by many communities as a major underlying cause of poverty. In rural areas many communities depend on land for production. However, the majority have been rendered landless or squatters. The causes of landlessness vary from community to community. While in some communities this is a result of high population growth, in others it is due to poor land tenure systems such as communal land ownership. For example, in North Eastern Province, farmers and pastoralists clashed over grazing and watering points, thereby causing poor utilization of the land resources. In the coastal region in particular, many households reported having no land title deeds. Lack of land increases women’s vulnerability to low incomes and poverty. Ownership and access to land in rural areas is a critical factor influenced by the interplay of customary and civil law. Although women can legally inherit land, African customs essentially support a patrilineal mode of inheritance. If a woman is divorced or separated, most assets, which were initially jointly owned, revert to the husband’s possession. In addition, many local cultures do not guarantee a wife’s right to inherit her husband’s property upon his death. Studies in Kenya indicated that 10 percent of women slum dwellers left their rural homes because their marriages broke down, 8 percent because they were widowed and 8 percent because of the pressures of single motherhood. Related to landlessness is the fragmentation of land into small uneconomical units in parts of the country. This is predominant in high and medium potential areas where there is high population growth.

81. **Inadequate roads:** Many communities complained of the poor road network. They lamented that they generally lacked roads and the existing few were in pathetic conditions and impassable. In other areas, bridges were not available while others were on the verge of collapsing. This makes access to markets, hospitals and schools impossible/very difficult. Farmers are therefore not able to market their products and end up being exploited by middlemen.

82. **The Cost of Social Services:** Cost sharing in health facilities were said to have “lost meaning”, as the situation in most public health facilities has become worse as reflected by lack of drugs, collapse of Maternal and Child Health (MCH) services, absence of health personnel, increased cost of drugs and general insensitivity/unfriendliness of staff, coupled with corruption.
Box 4: Voices of the Poor – Lack of access to health facilities

In Garissa District, “a message had been sent from Hulugho division that Makoo Adan’s relative had a problem in delivering. The woman had been in labour for three days and there was no transport to take her to the nearest health facility that had the capacity to do a caesarian section. A Ministry of health vehicle was sent from Masalani (Ijara district headquarters) at 8.00pm and arrived back at 4.00am covering 120 kilometers of very rough road. She had to be taken further to Hola district hospital in Tana River another 80 kilometers as the health facility in Masalani could not cope with the situation. It is unlikely that the child whose head was already out would survive the ordeal.”

83. The cost of education especially in primary schools is a huge burden on many households. The many school requirements such as several textbooks for every subject, school uniform, school development fund, additional hiring of teachers by Parent/Teacher Associations and other frequent and unplanned levies have all acted to deplete the meagre household incomes. For many parents who cannot afford the high cost of education, their children drop out of school and work to supplement households’ budgets. The situation is worse for the girl child who becomes the first victim to drop out of school due to the boy child preference in a situation of reduced resources. All these factors limit opportunities for employment and involvement in income generating activities by women, thus increasing their poverty.

84. Communities cited HIV/AIDS as a recent development problem causing poverty. Prostitution, especially in urban areas, wife inheritance in some communities, use of communal/traditional circumcision tools, lack of proper discussion of the disease at an early stage were given as some of the major causes of the disease. The disease has aggravated poverty and...
t on men for economic support. The situation is worsened by deteriorating economic conditions that make it difficult for women to access health and social services. Young women are particularly vulnerable to HIV/AIDS as they often lack the power to successfully negotiate “safe sex”. Women also bear the main burden of caring for the ill.

85. **Gender Imbalance** was cited as a key factor in propagating poverty. Lack of ownership and control over productive assets such as land by women was given as a factor contributing to poverty in agriculture. In some cases, women cannot make strategic decisions like selection of the part of the land to cultivate even when the man is away. In many households property is normally registered in the name(s) of male(s). Traditions in many societies do not give women the right to own property or to have property registered in their names. Related to this is lack of access to credit facilities by women due to lack of collateral. This makes female-headed households (divorcees/widows) more vulnerable because they are single breadwinners. The analysis carried out during the participatory poverty assessment indicate that men dominate the access and control of household resources/assets and decision making patterns while women control only minor resources and assets such as chickens, furniture and utensils.

86. Many communities also highlighted **disability** as cause of poverty. People With Disabilities (PWDs) were reported to be socially marginalised, neglected and intimidated in many parts of the country. PWDs are poorly represented in many decision-making bodies/institutions hence their interests are not catered for. PWDs have been denied access to public utilities, good healthcare, basic education and vital information leading to lack of employment opportunities resulting from lack of relevant skills and knowledge. These factors have further led to their inability to fend for themselves and have made them dependent on other members of their households. This makes other family members drive their valuable time from gainful economic activities. At the household level, their rights to inherit property are either abused or neglected. These factors combined cause poverty to both PWDs and their households.

**F. POVERTY REDUCTION STRATEGY AND TARGET**

87. Kenya’s poverty eradication plan was formulated in line with the goals and commitments of the international development goals (IDGs), notably to reduce the proportion of people living in extreme poverty by half by 2015. Kenya’s Poverty Plan sets a framework for institutionalising poverty eradication in Kenya with a target of reducing the incidence of poverty to less than 30 percent of the total population by 2015.

88. The magnitude of the poverty problem in Kenya is enormous with more than half of the population living below the absolute poverty line. The Government has therefore adopted a new strategy that incorporates wider consultations and broader participation of various stakeholders including the poor in planning and implementing poverty interventions. The immediate challenge is to stop the increase in the incidence of absolute poverty and gradually reduce the current level. The poverty issues and priorities identified by districts and sectors during the consultations are geared towards promoting economic growth and sustainable development. This would help improve the quality of life and reduce poverty.
Box 5: Determinants of Poverty

- **National Income**: Falling per capita income has led to a rise in poverty. The sectors where the poor are to be found, notably the agricultural sector, declined drastically and reduced personal incomes as well as national income.

- **Income Distribution**: A high level of income and, regional inequality has a negative relationship on growth and poverty reduction.

- **Unemployment**: Few jobs have been created in the recession period. In 1999, only 8,700 new jobs were created in the formal sector. Unemployment is a major determinant and characteristic of poverty.

- **Wages and Earnings**: Employment in the informal sector expanded by 11.5 per cent creating 385,000 additional jobs in 1999. However, the wage levels in the informal sector have been drastically lower than in the formal sector.

- **HIV/AIDS**: A recent contributory factor to poverty in Kenya has been HIV/AIDS. The overriding poverty related HIV/AIDS concerns are AIDS orphans, population size and growth, cost of health care and child mortality.

- **Environment and Poverty**: Poor people depend on natural resources for their livelihoods especially on common property resources and they are more likely to live in marginal areas. This is the case of ASAL regions where a higher proportion of the poor are found.

- **Social Insecurity and Poverty**: Poverty means more than inadequate consumption, education and health. Voices of the poor require to be heard. These voices manifest themselves in forms of illness, crime and domestic violence, harvest failure, fluctuations in food prices, insufficient demand for labour and lack of social security in old age.

- **Corruption and Poverty**: Corruption increases poverty both directly and indirectly. It diverts resources to the rich people and weakens Government’s ability to fight poverty.

- **Women and Poverty**: Gender is an essential in the eradication of poverty since women are more vulnerable.

- **Governance and Poverty**: Developing the capacity for good governance is a prerequisite for the sustainability of poverty eradication efforts.

- **Other factors**: Poverty has many facets and therefore causes: Participatory assessments draw attention to the exclusion, isolation and lack of trust in public agencies as causes of poverty.
A. INTRODUCTION

89. The Government is committed to the restoration of economic performance that will lead to sustainable long-run growth consistent with national development objectives. Two of these broad objectives are to reduce the current poverty levels by half by the year 2015 and to achieve a ‘Newly Industrialised Country’ (NIC) status by promoting industrialisation through an export-led strategy, by the year 2020. The macroeconomic framework recognises the critical challenges currently facing the country: how to revamp growth, raise productivity, encourage private investment, alleviate unemployment and reduce poverty drastically. Given the nature of these challenges, the government will implement the necessary economic and socio-political reform measures within the PRSP cycle and will develop monitorable indicators for effective implementation.

B. OVERVIEW OF PAST ECONOMIC TRENDS

90. **Kenya's Economic Growth:** Over the post independence era (1964 – 2000), Kenya has transited from a high growth path in the 1960s (6.6 per cent average annual growth over 1964-72) to a declining path (5.2 per cent over 1974-79, 4.0 per cent over 1980-89 and 2.4 per cent over 1990-2000). This decline in economic performance has, since 1980, been accompanied by declining investment levels thus reducing the country’s growth potential. This unsatisfactory performance was due to stop-go macroeconomic policies, the slow pace of structural reform, and governance problems. The lack of sustained economic recovery in the 1990s resulted in an overall decline in per capita income. Economic prospects in the late 1990s have been further aggravated by net outflows of external funding from the public sector and increased government consumption (mainly wages and salaries), with the resultant effect that public investment declined more than overall investment. The general outcome has been that public investments have been inadequate to address the huge backlog of investment required to enhance the competitiveness of the private sector.

91. **Declining levels of investment:** The binding constraint to economic expansion is capital stock and hence investment levels. Between 1982 and 1992, the total consumption to GDP ratio was 84.2 per cent and the economy achieved an economic growth rate of 4 per cent. Over 1992 to 1999, the consumption rate rose to 96.6 per cent while the growth rate declined to 2.4 per cent. In order to effect economic recovery, a reduction in consumption is critical and necessary, so that the decline in investment can be reversed.

92. **Unemployment:** The formal sector has largely failed to meet the employment creation challenges of the country. For example, over 1995-99, formal sector employment growth averaged 1.8 per cent while the labour force grew by an average of 3.5 per cent. This poor performance was due to increased competition encountered by Kenyan producers high production costs, the contraction of the manufacturing sector and the downsizing of the public sector. The informal sector bore the burden of absorbing the increased labour force with employment growth averaging over 10 per cent annually. However, the informal sector has been hampered by its low productivity leading to low incomes and hence low potential to provide a viable vehicle for poverty reduction.
93. **Declining productivity and competitiveness:** During the 1990s the manufacturing and agricultural sector registered a declining growth that has resulted in loss of jobs and increased poverty. Firms in the first phase of industrialisation through import substitution could not compete in the face of liberalisation and had to close down. The surviving firms are facing competitive challenges both regionally and globally and are trying to cope with WTO regulations coming into force.

94. **A weak incentive structure for the private sector:** The decline in competitiveness of Kenyan firms has been brought about by the erosion of the incentive structure and distortions in the price structures, notably the interest rate and the exchange rate, together with other high costs of doing business in Kenya such as increasing insecurity, deteriorating infrastructure, dilapidated public utilities, inefficient parastatal sector, inappropriate regulatory framework and, other market distortions. On the whole, this has led to depressed investments and consequently, low employment creation and declining economic growth rates.

95. These outcomes have also been compounded by the periodic fiscal deficits. This has led to the accumulation of short-term government debt. Combined with declines in the saving rates, this has translated into very high lending rates in real terms in recent years.

96. The challenge of the fiscal strategy for the PRSP cycle is how to reverse these negative trends.

**C. MACROECONOMIC FRAMEWORK: THE FISCAL STRATEGY 2000/01-2003/04**

97. The Fiscal Strategy aims at increasing the level of economic activity (GDP) through enhancing the role of the private sector as the lead sector in wealth creation. This will be achieved by reducing the level of government expenditure in order to leave more resources to the private sector.

98. The 2000/01 – 2003/04 fiscal strategy is built around four key objectives and key constraints: first, to achieve a sustainable reduction in the level of public expenditure to GDP. This will enable the private sector to play a larger role in the economy. Second, to achieve a reduction in the ratio level of domestic debt to GDP by securing financing on external concessional terms. Third, to change the composition of Government expenditure to be focused more on efficient public investment and operations and maintenance in the long run. And finally, to focus on efficient sectors by adopting sectoral allocation criteria that reflect the requirements of the population and reward efficient sectors.

99. There are two key constraints affecting the framework:

- the level of domestic as well as external resources that can be secured during the MTEF period. Whereas the country can tap into project related funding, the binding constraint will be the extent to which programme finance can be availed to assist in domestic debt reduction; and

- the existing expenditure commitments that will limit the extent to which the real level of expenditure can be redirected.
In light of these objectives and constraints, the Fiscal Strategy for 2000/01 – 2003/04 is built around the following objectives:

i. Utilising available privatisation proceeds to reduce the domestic debt. A higher level of domestic debt reduction will be achieved as the Government adopts a more aggressive privatisation stance.

ii. Attaining a balanced budget before grants and a surplus including grants by 2003/04. This will require a substantial reduction in the budget deficit from KShs.15,127 million in 2000/01 to KShs.7,861 million in 2001/02, further to KShs.6,622 million in 2002/03, and finally attaining a surplus in 2003/04. It will also imply a reduction in the level of Government expenditure from 27.7 per cent of GDP in 2000/01 to 22.1 per cent in 2003/04.

iii. Maximising foreign concessional financing: over 2001/02 – 2003/04, a total of KShs.72,288 million is projected for external concessional borrowing compared to net principal repayments of KShs.57,675 million, while domestic borrowing is projected at KShs.106,815 million compared to repayments of KShs.118,065 million.

iv. Optimising the core functions of central government, Universities and State Corporations by rightsizing employment levels with a view to minimising the fiscal impacts of any salary adjustments and allowing for a reduction in the public wage bill to GDP ratio.

Key outcomes expected from the Fiscal Strategy are:

i. **Growth:** Economic growth is expected to follow a gradual recovery path (using the base case scenario), rising to 2 per cent in 2001, and then averaging 3.2 per cent over 2002 – 2004. Hence, growth is expected to average 2.9 per cent allowing for a reversal in the declining per capita income trend of 1997 – 2000.

ii. **Government revenues:** They are expected to rise from KShs.218,616 million in 2000/01 to KShs.249,430 million in 2003/04, an average nominal growth of 7.0 per cent

iii. **Total expenditures:** They are expected to grow from KShs.177,532 million in 1999/2000 to KShs.249,132 million in 2003/04, an average annual growth of 8.8 per cent over the period. The figure for 2000/01 includes substantial drought related expenditure and as such does not constitute a base for comparison. Over 2001/02 – 2003/04, nominal expenditure growth will average 3.1 per cent per annum, implying a decline in real terms.

iv. **Deficit and Financing Strategy:** The strategy will focus on eliminating the deficit by 2003/04. Domestic debt is expected to decline from 20.8 per cent of GDP in June 2000 to 14.5 per cent in June 2004. Over the same period, external debt will decline from 51 per cent of GDP to 44 per cent, despite an increase in the overall level of borrowing.
D. PRO-POOR GROWTH POLICIES

102. **Growth targets for poverty reduction:** The macroeconomic framework adopted by the Government will allow for a pro-poor growth strategy that will lay emphasis on a growth process that directly addresses poverty and leads to sustainable poverty reduction. For growth to reduce poverty permanently, and also ensure that the growth process is sustainable, it has to be accompanied with economic policy measures and public investments that enlarge economic opportunities for the poor in marginal and vulnerable regions. This recognises the fact that growth, poverty reduction and inequality are interdependent. The objective adopted by the government is to effect poverty reduction through changes in resource distribution. This will be achieved by enhancing equity and access to economic resources by providing viable incentives to the poor, small-scale producers, small-holder peasants and traders. This objective reflects the fact that growth policies without effective resource distribution will have a limited impact on poverty reduction. Similarly, the growth process will not yield expected results if it is not accompanied with distributional measures. There are several aspects of this Pro-Poor Growth Strategy that will be the focus of government policy:

1. Promoting access to markets and market opportunities for the poor. This requires infrastructure provision, access to credit, employment, etc. This will ensure that markets work better for the poor;
2. Improve the overall effectiveness of public resources geared towards poverty reduction;
3. Enhance the security of the poor by addressing the critical issues of marginal groups in marginal areas and protect the vulnerable groups. This is important in dealing with crisis and shocks;
4. Emphasise and allocate increased resources targeted on human capital development. This is an aspect that has to be addressed in the PRSP; and
5. Generate employment, improve productivity and improve conditions in the labour market.

103. This PRSP attempts to address these issues.

E. MACRO ECONOMIC POLICIES FOR 2001 TO 2004

104. In formulating macro economic policies that will break the cycle of short-term stop-go solutions that have proved unsustainable, it will be necessary to identify those policies that have short-run implications, medium-term implications and long-term implications and ensure that they are consistent. An advantage in this framework is that it allows for an effective monitoring and evaluation process.

(i) **Short run measures for revamping economic growth**

105. Government will take measures to facilitate realignment of GDP composition to bias it towards investment. The PRSP strategy is to improve the composition of public expenditure by increasing the share allocated to investment. The
feasible way in this approach is first to continue with the retrenchment exercise that reduces the wage bill and increases public investment to support both private investment and human capital development.

106. **Improving the quality of expenditure in line with poverty reduction goals:** Improving the quality of government expenditure has positive impact on economic growth and is consistent with poverty reduction.
nal priorities, and that these priorities are achieved in an effective manner. The government will address the institutional arrangements used to source external resources in order to ensure maximum flexibility with respect to counterpart funding on one hand, and that soliciting for resources is focussed on support sectors, sub-sectors and priority areas identified through the PRSP consultative process, on the other.

107. **Reducing domestic debt to a sustainable level:** In order to dislodge the domestic debt overhang in the medium term, the government will initiate practical measures to reduce domestic debt. Measures will be taken to target pension funds as a source of long-term investment in long-term government bonds and appropriate marketing mechanisms of long-term government securities. The other medium term measures that will be taken to reduce the stock of domestic debt and reinforce the above measures include:

i. A buy-back scheme, that will be effected through the establishment of Domestic Debt Fund finances from privatisation proceeds and external resources.

ii. Conversion of a proportion of domestic debt into long-term stocks of 10 to 20 years attracting a favourable interest rate. This measure will be supported by pursuit of appropriate inflation targets that supports the increased monetary base. This measure will remove fiscal pressure from domestic debt management, remove the distortion on interest rate and exchange rate and allow a moderate inflation rate in the medium term that would support growth.

iii. In contrast, the external debt is mostly borrowed on concessional terms with significant grace periods, low interest rates and maturities as long as 40 years. Furthermore, Kenya has in recent years been making net repayments out of the foreign debt (redemptions exceeding new borrowings) to the tune of 1 per cent of GDP in 1997/98, 1.2 per cent in 1998/99 and 1.9 per cent in 1999/2000. These are huge outflows, which have led the country to borrow heavily.

108. In light of the above, a sustainable debt policy will focus on:

i. Maintaining an overall framework of budget surpluses or minimal deficits to ensure that the debt/GDP ratio declines significantly in the coming years;

ii. Net reduction of domestic debt in the short run with a domestic debt/GDP target of 15 per cent by 2003/04;

iii. Substantially scaling back of reliance on Treasury Bills as a budget-financing instrument in the medium term so that they can be limited to monetary policy implementation;

iv. Developing long term financing instruments;

v. Reversing the net out-flows reflected in the external debt repayments in recent years; and

vi. In the short to medium term, the Government will restrict itself to concessional external borrowing with a view to reducing overall interest payments and providing a more stable debt profile.
109. The Government will put in place *appropriate taxation policies*. These will among others:

i. Target exempting or zero rating essential goods consumed by the poor.

ii. Target reducing import duties on raw materials and capital equipment to encourage local and inward investment by reducing production costs and thereby enhancing competitiveness within the COMESA and EAC region;

iii. Provide incentives, including tax holidays for investors locating industries outside the major cities and towns to increase employment opportunities in the rural areas; and

iv. Provide infrastructure (affordable energy, better roads, etc.) in rural areas to attract local and foreign investors into these areas.

110. **Tariff Harmonisation within EAC/COMESA**: Kenya has commitments under COMESA free trade area. There is need to use the region as the building block of its export oriented industrialisation strategy. In this context, the Government will:

i. Target reducing maximum current rate of 40 per cent to 25 per cent by year 2004 to be in line with the arrangements/agreements with EAC/COMESA;

ii. Rationalise the tariff structure to remove distortions and align them as closely as possible with those of the trading partners within the region. This will reduce the urge by industrialists to relocate to other countries with better tax regimes; and

iii. Translate into monetary terms and make budgetary provision for estimates of duty and VAT exemptions to ministries and Government institutions.

111. **Institutional Reforms for monetary policy**: The transmission mechanism for monetary policy will be enhanced. The transmission mechanism of monetary policy works through the interest rate (price effect) and through the balance sheet (balance sheet effects) of financial institutions. Institutional reforms will be required so that the interest rate reflects the liquidity situation in the economy and borrowers and lenders react to the level of the interest rate rather than the level of domestic debt sold in the market.

(ii) **Medium term solutions for revamping economic growth**

112. In the medium term, allocation of resources should target sectors and sub-sectors that can accelerate economic growth and have direct positive implications on poverty alleviation. The government will focus on sectors that can easily propel growth, particularly the export sector. Structural reforms and improvement of the regulatory environment in the agricultural sector should be hastened to facilitate recovery of economic growth. Agriculture and tourism are the most important sectors due to their linkages within the economy.
113. In order to reverse the declining competitiveness, emphasis will be put on reforming the incentive structure, especially those incentives that remove distortions in basic prices. Setting prices right, like interest rates and the exchange rate, is an important signal which will encourage private sector investment. One important aspect will be to use the tax policy as an incentive to improve competitiveness. Reforming institutions and enhancing the regulatory environment is crucial to protecting the incentive structure. The private sector will then respond. Growth and investment will be sustainable in the long run if the incentive structure is not eroded. Public investment is required to reduce transaction costs associated with perceived country risk and to provide the strong complementarity needed to enhance the profitability of private investment.

114. Ensuring clear signals for domestic and private investments: Necessary measures will be taken to reduce volatility of basic prices and policies that define the incentives and returns for investors. Investment incentives and rational tax system will be put in place to accelerate investment and reinforce improvements in macroeconomic environment, governance, infrastructure and security.

(iii) Long-term policies necessary for sustainable economic growth

115. Recent economic experience has been dominated by low levels of growth, a debt overhang problem caused by the huge domestic debt and falling productivity and competitiveness in the manufacturing sector. In reversing this trend, a viable macroeconomic policy environment will be put in place to address, manage, and effectively cope with uncertainty, instability, external shocks, improved human capital and institutional development issues.

116. Recognising the path of main variables, the Government policy will focus public expenditure and long-term public investments to areas and activities complementary to private sector investment, reduce risks associated with policy reversals, promote regional co-operation, and carry through the public sector reforms to enhance public service delivery and cost effectiveness.

117. Reforming the public finance structure is a long-term strategy. This will ensure macroeconomic stability, equitable economic growth, effective and efficient systems of government and governance. The government will put in place a fiscal system that achieves the objectives of improved resource allocation, and efficient and fair revenue generation, in support of poverty reduction. In doing this, it is important that cognisance is taken of significant economic, demographic, institutional and technological changes that are occurring throughout the world. In the long run the macroeconomic strategy will address these issues and adapt to these changes to ensure that Kenya becomes an active player in the global economy.
CHAPTER 5: KEY NATIONAL ISSUES AND CHALLENGES

Introduction

118. From the National Consultative processes and Participatory Poverty Assessment studies, certain issues emerged as major national challenges that need to be tackled as a matter of urgency in order to reduce the incidence of poverty across the board. These include governance, HIV/AIDS, pastoralism, gender concerns, youth issues, financial services, support to persons with disability and media concerns.

(i) Governance

119. An effective and socially responsible government is a critical factor in the attainment of sustained economic growth and poverty reduction. During the PRSP consultative process at the district level, communities in nearly all the regions identified poor governance as a key contributor to the high incidence of poverty in the country.

120. Poor people cited lack of transparency and social accountability, corruption and highhandedness of public officers especially within the local administration as common key characteristics of bad governance. Existing structures of governance do not provide local communities with meaningful opportunities to participate actively in national decision making processes, which touch on their social, political, and economic affairs. The poor participation of women and the youth in local decision-making processes especially is indicative of the lack of an enabling public and social policy framework. It is expected that the ongoing review of the Local Government Act and the proposed constitutional review process and anticipated land reforms would provide Kenyans with the most effective mechanism to redress the existing gaps and weaknesses in the country’s social and public policy framework.

121. Rigid and cumbersome laws and regulations are stated as major obstacles to the effective participation of the small-scale traders and enterprises in the liberalised market economy. Existing commercial laws are biased against the small-scale trader and entrepreneurs especially the Kiosk owner in urban areas who is not accorded formal business and property rights. Harassment by law enforcement agents and frequent demands for payments for numerous trade and business licenses are seen as major stumbling blocks to the growth and vibrancy of the small-scale enterprise sector. Existing commercial and trade laws and licensing regimes are insensitive to the needs of the small-scale business sector; even the few that are pro small enterprises are hardly implemented.

122. During the consultative process, communities and the poor cited lack of access to socially responsive and affordable legal and judicial services as critical issues that need to be addressed by the Government in the fight against poverty. It is the poor who suffer most from the effects of weak, unaccountable and insensitive legal and judicial systems. At the same time, lack of capacity and equipment in the legal and judicial system leads to delays in the administration of justice, a factor which affects the poorer sections of the economy most. Residents of remote rural regions of the country such as the pastoral arid zones, parts of Nyanza province (e.g. Kuria District) and the coastal region (Tana River, Kwale and Lamu districts) have to cover long distances in order to seek access to proper legal and judicial services. Consequently, crime and cases of abuse of poor people’s rights have soared, while the need for a just and fair
legal retribution has become more critical than ever. Lack of appropriate infrastructure especially roads makes certain areas inaccessible thereby seriously hindering the effectiveness of local and provincial administration.

(ii) HIV/AIDS

123. HIV/AIDS presents the greatest challenge to Kenya’s economy today and in the future. The scourge threatens to wipe out the most productive segment of the country’s population. Available data from NACC reveal that most of those affected fall within the 15-49-age bracket, which covers mainly the youthful and productively active groups of the society. The nature and extent of the problem is yet to be fully understood and appreciated by the public. However, recorded information shows that currently about 700 Kenyans die of AIDS related ailments daily, or approximately a quarter of a million annually. It is also estimated that up to 14 per cent of the country’s population is HIV positive, which translates to approximately 4.2 million persons or one in every 7 Kenyans being infected.

124. HIV/AIDS has inevitably put families, communities and the Government under immense pressure to provide care and treatment to those affected. As a result, the level of sacrifice of financial and material resources as well as the resources it consumes from families and communities is enormous. Evidence shows that women and girls shoulder most of the care burden. In certain instances, women have to forego their economic engagements while girls may be forced to miss school attendance to help care for the sick.

125. An in-depth poverty assessment carried out in Nyamira District during the PRSP consultations indicated that poverty has made it difficult for communities to take care of HIV/AIDS orphans as the family members are even forced to sell their land or cattle (if any) to meet some of the medical expenses. Families that were initially seen to be well off are left in very poor conditions, while those that are poor have become even poorer.

126. So far no economic impact analysis to ascertain the real cost to the economy has been conducted. However, empirical evidence from Nyanza Province indicates that the region spends over 30 million shillings per month on funeral expenses due to HIV/AIDS related deaths. The multiplier effects resulting from time lost in care, absenteeism from work, loss of capacity in agriculture and human capital, pressure on health facilities, etc is equally enormous.

127. The District consultative fora cited outdated and retrogressive cultural practices (e.g. wife inheritance, witchcraft and negative attitudes) Compounded by ineffective outreach programmes and poor campaign strategies as the main constraints to effective control of the pandemic. Increased morbidity and mortality especially of childbearing mothers has strained medical facilities, which even without the pandemic, had been inadequate. There is significant loss of both skilled and unskilled labour among the prime ages of 15-49, which has been partly responsible for increasing child labour. Demand for goods and services have declined limiting consumption, which directly affects capacity of Government to raise revenue from VAT.

128. The rising number of orphans due to the scourge has increased the dependency ratio and street children in urban centres. On the other hand, discrimination against people living with HIV/AIDS at work places, household levels and in the society
in general continues unabated despite the high prevalence of the scourge. Proper public education to clear misconceptions about HIV/AIDS and the creation of a policy framework to protect those living with HIV/AIDS would go a long way in reducing the pervasive discrimination of victims.

(iii) Pastoral Communities

129. Nomadic and semi-nomadic pastoral and agro-pastoral communities occupy two-thirds of the country’s landmass. This area comprises a large part of the arid and semi-arid part of the Rift Valley, Eastern, North Eastern and Coastal Provinces.

130. These regions have the highest incidences of poverty and the least access to basic social services. The regions, at the same time, suffer a wide range of natural calamities and socio-economic inequities namely: intermittent droughts; insecurity due to banditry and cattle rustling; lack of basic communication infrastructure; lack of access to basic social welfare facilities; huge gender disparities; lack of market infrastructure for livestock; high unemployment rates among the youth; and poor integration into the national social and political economies.

131. However, nomadic pastoralism has proven the most prudent production system in the ecologically fragile ASAL rangelands. The value of the livestock resource base in the ASAL regions despite the low level of infrastructure development in the regions is estimated at about Ksh.70 billion. In 1988 for example, the export of hides and skins ranked fourth as a foreign exchange earner for the national economy.

132. Drought and insecurity are arguably the most critical challenges facing the pastoral regions of Kenya. In the year 2000/2001, the government proposes to spend Ksh.4.8 billion on relief food to deal with the effects of drought related emergencies. Investment in long-term and sustainable drought management and mitigation programmes could save the nation considerable resources that could be channelled into human resource development programmes in the region. Huge expenditures on security measures in the pastoral regions often utilise resources earmarked for socio-economic development. This could be prevented by directing investment to long-term participatory conflict management and resolution programmes in the pastoral communities. The effects of drought are further compounded by the weakening of indigenous resource management mechanisms.

(iv) Gender

133. Gender is a crosscutting issue. Gender concerns go beyond simple physical and/or biological differences between women and men, boys and girls and embrace the power relations between the sexes as well as the different roles the society assigns to each. The PRSP consultations underscored the point that a nation that is committed to rapid economic growth and poverty reduction must engender all its socio-economic and political activities including investment programmes. While it is important to take cognisance of the socially constructed roles of women and men (boys and girls), it should be reckoned that responsive gender planning and implementation enhances efficiency in utilisation of resources for sustainable development.

134. However, employment statistics show that only 25 per cent of women are engaged in formal employment compared to some 40% of men. Most of the rest work in
the informal sector where there is lack of social security and access to credit facilities. The regulatory framework in this sector also does not support women entrepreneurship. Women lack clearly designated safe spaces for petty trade, which is always a source of tension between them and local authorities.

135. During the PRSP consultations at the District, Thematic and Sector levels, gender disparities were pronounced as a major concern that needs to be addressed as a precondition for poverty reduction. Some of the areas where women and girls were found to be relatively disadvantaged were access to education, gender biased laws/practices, unequal access to credit and the limited role played by women in decision making at all levels of society.

136. Since women form 51 percent of Kenya’s population, their active participation in national development policy formulation and implementation is critical. The Government, therefore, recognises that gender insensitive programming will be wasteful and that women must be integrated in the decision making process at all levels. Evidence from PRSP consultations show that women need water nearer their homes; want equal opportunities in education; and need enhanced social services to help them care for their children.

(v) Youth Issues

137. The 1999 census shows that the youth aged 15-25 years represent about 22 percent of the national population. Since 1990, the government has embraced the policy of reforms, which involves cutting down the size of the public service. This has affected the absorption of the youth in the few jobs created in the public service. The private sector has also been unable to create employment due to dismal economic performance. Consequently, majority of the youth in the job market have not been able to find jobs in order to support themselves.

138. Other issues cited include high school drop out rates where girls are the major victims, limited access to modern technology, lack of assets like land and credit facilities. Communities also expressed serious concerns about youth being idle. Idle youth, they said, pose a major challenge as some engage in street crimes, others have resorted to begging while others are used as conduits for drug-trafficking. HIV/AIDS is a major menace to the youth, as the rate of infection is highest amongst this group.

(vi) Financial Services

139. Lack of financial services for the small businesses and smallholder farmers was identified as a major constraint to growth and productivity. High interest rates charged by commercial lenders have made borrowing money in Kenya very expensive and hence extremely limited. Financial services must be affordable and accessible to small entrepreneurs who form the majority of Kenyans to enable them to invest to generate more money and create a solid savings base for further investment. This situation has trapped most Kenyans in the vicious cycle of poverty.

140. Potential buyers of residential houses are also discouraged by prohibitive mortgage requirements of most of the housing finance providers. There are limited entrepreneurial skills in the industry and lack of enterprise culture has led to slow enterprise growth.
141. The consultations cited poor physical infrastructure and information communication as major impediments to this sector. The growth of financial services, especially in rural areas, is constrained by poor infrastructure, which makes it difficult to access information and provide these services. This situation increases transaction costs, making these services expensive and unaffordable.

142. The legal and policy frameworks for financial services are also less supportive to small borrowers since they invoke commercial banking requirements. Agricultural finance services e.g. AFC, KFA etc. have collapsed, leaving smallholder farmers with few appropriate facilities for credit. As the majority of Kenyans belong to this category, investments in production have dwindled with time, which in turn has affected the economy negatively.

(vii) Disability

143. Disability in Kenya poses a major challenge to the economy and is one of the key contributors to poverty. People with disability (PWDs) form 10% of the population which is a significant proportion of the population and yet they remain hidden. Most statistics do not identify people with disability hence planning has largely missed them. In terms of national budget allocation, institutions dealing with PWDs have insufficient budgetary allocation that makes them unable to deliver goods and services to disabled people effectively.

144. During the PRSP consultations persons with disabilities were widely consulted which gave this group a chance for the first time. Discrimination against PWDs was found to be widespread in all sectors. Educational institutions rarely thought of PWDs when planning their curricula. Social and recreational centres largely serve able-bodied persons. Buildings are often constructed without considering the plight of PWDs and many services like telephone, transport, etc, are not designed to accommodate PWDs. PWDs feel downtrodden and are usually hidden by even their own families as they are considered a liability and bad omen in some cultures. Amongst the Somali community, camels and other animals are considered more valuable than PWDs.

145. Persons with disabilities have limited access to education and are typically always given the last opportunity even by their own families. In terms of employment PWDs are usually the last to be considered. Their employment also is usually limited to menial non-executive positions. PWDs are denied economic empowerment and are relegated to minor chores such as telephone operation, cobbbling, tailoring, etc. As a result, PWDs contribute significantly to the poorest of the poor. In order to fight the existing prejudice against PWDs universal design of projects, especially in the service industry (police, medical, education, architecture, banking and other professions) should be adhered to. This design encompasses the special needs of disabled persons. This will bring the PWDs into the mainstream of national development where their contribution will be registered. It should be noted that PWDs are not just consumers of goods and services, but are also producers. Currently, there is a consensus amongst stakeholders that disability is not inability hence PWDs must be enabled to claim their rightful share of the national resources.
(viii) Media Issues

146. Media is a cross-cutting sector, which supports all other sectors. The primary goal of the media is to keep people informed of what is happening within the country and the rest of the world. Media has played an important role in all aspects of national development. Indeed the Turkana famine of 1999/2000 was brought to the fore by the media where support was mobilized from all Kenyans. An effective, objective and vibrant media can provide an opportunity for poor people to raise their voices and articulate their needs to policy makers in ways that provoke constructive action.

147. Infrastructure development in the IT sector is also still undeveloped, hence potential investors find it too expensive to commit their resources. Remote districts especially in the ASAL areas are the ones most affected, since information arrives when it is already out of date, making them continue to lag behind the rest of the country.

148. There is no defined policy on information and technology management. This has left decisions in this sector to be handled in an ad hoc manner. Licensing of media houses is extremely complicated to the extent that radio and television coverage is limited and only KBC has a national coverage. As many Kenyans (80%) live in rural areas, they are disadvantaged since they have to rely on only one station for most of their information. Such a monopoly may not always promote diversity and objectivity hence limits options that could have been enjoyed by the people. These tedious processes have also discouraged investment in this sector.

149. In terms of professional and IT development, there are limited opportunities for higher training in the country. This means that such training has to be procured abroad where costs are prohibitive. There is a need for a strategy that will facilitate the full scale development of a nascent IT industry in the country with particular response to the promotion of accelerated use of Internet.

150. For Government to become effective in its fight against poverty, media must be fully liberalised to inform Kenyans and external investors of opportunities for investment and available options that exist. There is overwhelming evidence from countries in South and South East Asia and Latin America which shows that, where media is fully involved in the mainstream, national development accountability and transparency have been enhanced and such economies have registered higher growth rates. The government, therefore, can no longer ignore the role of media in national development.
CHAPTER 6: SECTOR PRIORITIES

A. INTRODUCTION

151. The PRSP consultation process covered all the key sectors of the economy. National issues and priorities were then defined through blending of priorities emerging from the various consultative processes and the results of the PPAs. Agriculture and Rural Development Sector received highest priority ranking followed by Human Resource Development, Physical Infrastructure, Trade, Tourism and Industry, Public Safety, Law and Order and Public Administration. The Information Technology sector was hardly raised at the district level but was mentioned considerably at national level. These are discussed in the following sections.

B. AGRICULTURE AND RURAL DEVELOPMENT

152. The outcome of the PRSP consultations is that the Agriculture and Rural Development sector is the top ranked national priority. This is to be expected as the sector contributes over 80 per cent of employment and 60 per cent of national income. A significant portion of this comes through linkages to trading, transport, distribution, other services and manufacturing. Close to 80 per cent of the population live in rural areas and derive much of their livelihood from the land through crop and livestock production, fishing, forestry and other natural resources. The majority of the 14 million poor Kenyans live in rural areas which are characterized by low agricultural productivity, low incomes, limited employment opportunities, poor social and economic infrastructure. Kenya cannot significantly reduce the numbers of people living in poverty without significant improvements in the Agriculture and Rural Development sector.

153. In the long-term the sector targets a growth rate of up to six per cent to contribute to positive national growth and poverty reduction. The government recognises that the private sector is the engine of growth and will limit its role in the sector to investing in public goods and in creating an enabling policy environment, which encourages investment and job creation. Priority actions will be undertaken in two broad areas; creating opportunities for rural communities and the private sector to effectively carry out their activities in an increasingly competitive global environment, and accelerating policy and institutional reforms, particularly the large backlog of legislative and regulatory reforms.

154. During the consultative process eight key sub-sectors were highlighted for intervention, namely: crop development, rural water, livestock development, food security, lands and settlement, and environmental management, forestry and fisheries. A number of critical issues did not come directly from the districts such as HIV/AIDS, which is affecting rural lives and potential production from the sector. The government proposes to develop specific interventions to monitor and combat the impact of HIV/AIDS on families and their food security using village level approaches and extension service personnel.

(i) Crop Development

155. The following priorities within the sub-sector were highlighted:
   i. Poor extension services;
   ii. Inefficient rural financial systems;
iii. The poor state of rural infrastructure; and
iv. Poor marketing and distribution system.

156. The consultations indicated that the government should increase its commitment to improvement in extension services through building an effective and efficient participatory technology development and transfer system. The new system should be responsive and demand driven through reorganization, and redefinition of staffing norms as well as by promoting pluralism in extension where players outside government are encouraged to participate in delivering extension services. Some of the areas that need to be addressed are; the inadequate transfer of research findings to small scale farmers, the quality of farm inputs, weak inspectorate and enforcement services, inadequate markets and marketing information, and the poor management of farmer organisations, such as co-operatives and statutory boards. The extension service needs to address the underlying resource base constraints such as land pressure, subdivision, declining soil fertility, and recurring drought, which feed on each other in a spiral that increases poverty.

157. There is need to focus on competitiveness of agricultural commodities in response to the effects of globalisation and the signing of the EAC, COMESA and WTO treaties. There needs to be more focus on bringing down the cost of production of a range of commodities including, but not limited to maize, sugar, wheat, rice, coffee and tea.

158. A large number of commodity sectors are currently experiencing problems. The government and stakeholders in each sector are meeting to deliberate on ways to revitalise the cereals, sugar, coffee and tea sectors. Special efforts are being made to revive the collapsed cotton industry to take advantage of the market opportunities opened up by the signing of the African Growth and Opportunity Act (AGOA) by the United States. Other collapsed commodities requiring attention include cashew nuts, bixa, rice and segments of small scale export horticulture. Crops produced for export (tea, coffee and horticulture) will have to comply with importing country standards/requirements with regard to chemical use and worker welfare, particularly in the European Union.

159. For the last three decades, rural credit has been left to the private sector in a system where, with liberalisation and the bringing of more and more of the financial sector under the Banking Act, farmers and the rural sector are now starved of both credit and financial services. The rural sector cannot grow without financial services. The government is committed to promoting an innovative and efficient rural finance and credit supply system for smallholders and rural primary processors by developing modalities of support to micro-credit schemes through farmer organizations, NGOs, CBOs, rural SACCOs, input suppliers, and processors. Institutional and policy arrangements of these systems will be put in place before large amounts of money are channelled into rural financial services.

160. Rural infrastructure has suffered from decades of under-investment. Rural roads are non-existent, or where they exist, are in such poor condition that production and marketing activities are severely affected. This raises transport costs and lowers farming profitability. Infrastructure constraints such as lack of electricity, marketing and storage structures and telephones hamper value added processing activities, as well as extractive activities like fishing and forestry. To overcome these rural development bottlenecks, the government will implement a Rural Development Strategy (currently
(ii) Rural Water

161. Access to water for human consumption, agricultural and livestock use is a major problem in rural areas. The water supply situation in rural areas has deteriorated over the years to a point where demand cannot be sustained with current systems. Access to piped water has not increased since 1989 and those accessing water from other sources has increased from 14 to 29 per cent of rural households over the same period. In ASAL areas people have to trek long distances to water their cattle. The women have to go even further in search of water for domestic use. Piped water has direct benefits to women in terms of reducing the drudgery and time used in fetching water and boiling it, or facing the risk of disease associated with consuming untreated and un-boiled water.

162. The deterioration in the water supply situation has been a result of poor management of water supply schemes, and the rampant destruction of water catchment areas. Together with relevant stakeholders, the government will encourage the involvement of all stakeholders in the management of water supply schemes, while building capacity among service providers in the water sector to enable them to take over the management of such schemes within the current policy framework. Government will gazette water catchment areas, and strictly enforce the Water Act, while promoting riverine and riparian afforestation, spring protection, and wetland conservation. It will also rehabilitate dilapidated water schemes and facilitate the construction of more dams and boreholes, especially in ASAL areas.

(iii) Livestock Development

163. Kenya derives an estimated 10 percent of GDP from the livestock sector; particularly the dairy and beef sub-sectors. Dairy production is a key source of income in over 600,000 households in the higher rainfall parts of the country. Sales of milk, small stock like goats and sheep, chicken and eggs contribute significantly to the cash needs of millions of homes in all parts of the country. Improving the productivity of all the livestock systems would make a significant contribution to poverty reduction. Livestock production is especially important in ASAL areas, where most people depend solely on livestock for their livelihood. Livestock production has been especially vulnerable to shocks arising from drought and poor marketing systems. The prevalence of livestock diseases and lack of a national policy to combat them has continued and addressing these issues will be a key component of the poverty reduction strategy.

164. To support this sub-sector the government and relevant stakeholders will develop a national policy to control and eradicate livestock diseases, promote the establishment of improved marketing infrastructure and livestock extension services.

165. A first priority is to improve marketing systems and infrastructure. In all pastoral districts this was the highest ranked constraint. The current system where live cattle are trucked up to 1,000 km along poor roads cannot develop the sector. These journeys can take up to 3 days during which the animals are confined to the vehicle, and cannot travel in the cool of the night. When they reach terminal markets, the animals are
in poor condition. There are no holding grounds so traders are forced to sell their animals immediately at whatever price the well-organised buyers may offer.

166. The livestock sector therefore needs improved tarmac roads serving northern Kenya, a review of regulations relating to livestock movement and holding grounds in terminal markets. But many of these problems could be eliminated through the setting up of small abattoirs in the producing areas. The private sector will be encouraged to invest in such facilities by the provision of appropriate infrastructure – all weather roads and electricity for refrigeration.

167. Both the sedentary and pastoral animal systems require extension and veterinary services. The government cannot and indeed should not provide all services in all areas and will facilitate private sector and community participation. Livestock sector has the potential to contribute significantly to poverty reduction. Botswana, a large beef exporter, learnt many of its lessons and trained many of its personnel in Kenya. Decades of relative neglect of the livestock sector are partly responsible for current poverty. The PRSP, with its broad consultations in the districts and with a Pastoralist Thematic Group, signals the beginning of a new commitment to developing the sector. During the first year of PRSP implementation, government will prepare for presentation to Parliament new dairy and beef development policies.

(iv) Food Security

168. Kenya has over the years faced increasing food deficits as a result of prolonged droughts and low agricultural productivity. This has exacerbated the country’s food security situation and increased reliance on food relief. Lack of effective early warning systems, lack of adequate strategic reserves, high post-harvest losses and lack of effective control of crop and livestock diseases have compounded the problem. The private sector has demonstrated its ability to import food items that are needed in times of domestic production shortfalls. This has decreased the need for a large national strategic reserve but this dependency on imported foodstuff does not create a sustainable food security.

169. In order to promote food security, the Government and relevant stakeholders will institute a national early warning and food distribution system, maintain a national strategic reserve but encourage the private sector to get involved in domestic food production an the international grain trade through a more predictable policy and tariff regime. It will also facilitate the implementation of policies to improve and lower the cost of crop and livestock production.

(v) Lands and Settlement

170. The inadequacy of land policies has adversely affected agricultural production. District consultations revealed that many Kenyans are landless or squatters and lack security of tenure, a situation that has led to conflicts. The Government will implement the Environmental Co-ordination Act and various Land Reform Policies including the Physical Planning Act to encourage sound land use, water and forestry policies. A commission of inquiry on land laws was appointed to examine the land law system, update existing maps and improve information management of land records and procedures for timely processing of title deeds. The commission is expected to make recommendations, some of which will be implemented during the PRSP period.
(vi) Environmental Management

171. Conservation, sustainable utilization and management of the environment and natural reserves form an integral part of national planning and poverty reduction efforts. All efforts must therefore be made to curb environmental degradation. Issues of concern in this sub-sector include: poor environmental awareness and information dissemination; lack of sustainable use and management of forests; lack of pollution control and waste management programmes in urban areas; poor integration of environmental consideration in land use planning; low level of environmental data collection; poor management of water catchment and riparian lands; and lack of enforcement of environmental laws.

172. In order to ensure proper environmental management and conservation, and in line with the new National Environment Management Act, the Government and other stakeholders will create awareness on environmental costs and benefits and involve communities in environmental conservation activities such as re-afforestation, develop and enforce environmental standards and sustainability indicators. The government will carry out a proper natural resource inventory and intensive research on population dynamics and the environment, and institute a national policy on agrochemicals, industrial emissions and effluents.

(vii) Forestry Sub-Sector

173. Forests provide significant cultural and subsistence resources for the Kenyan people. The degradation of Kenya’s forest ecosystems considerably undermines long-term economic growth prospects and socio-political stability. Loss of soil fertility and encroachment of water resources directly attributable to this degradation has threatened the sustainability of agricultural development. Forest habitats provide a home to wildlife and contain biological diversity of global importance. The resultant negative impacts of forest extinction are seen in agriculture, the public health, tourism, energy generation, and timber based industries.

174. In order to reverse the mismanagement of forests and contribute to poverty reduction, the government will develop working partnerships with NGOs, the private sector and other stakeholders to expand forest plantations and improve the policy and legal framework needed to restore Kenya’s forest ecosystem. It will streamline the policy, legal and institutional framework, control deforestation and excisions of forests and carry out a full forest resource inventory. Together with stakeholders, the government will commercialise industrial plantations and improve natural forest conservation to conserve water catchments and biodiversity.

(viii) Fisheries

175. The fishing industry has a lot of potential to raise incomes in otherwise relatively poor areas. To realise this potential, the government will promote private sector activities by investing in the improvement of fish landing sites and beaches, improving infrastructure at the beaches by improving roads, portable water supplies, fish bandas and connecting electricity. The aim is to promote fish processing, market access and penetration for fish and fish products as a means of improving the incomes and livelihoods of fishing based communities. Continued support of a fully equipped competent authority, Fish Inspectorate and Quality Control Service, will be a key element of this strategy.
C. HUMAN RESOURCE DEVELOPMENT

176. Investment in human resources enables citizens to effectively participate in the national development process. Kenya already invests a large share of both national income and government expenditure in this sector. Yet, lack of access to basic social services, particularly education and health, were identified as major hindrances to poverty reduction. Other priority areas for intervention included poor shelter and housing, labour, social security, capacity building and a high population growth rate. In view of the amount and nature of investment required in this sector and the fact that it will continue to collaborate with the private sector, NGOs and other development partners to ensure that there is adequate investment in the human resource sector. However, the primary challenge will be on cost effectiveness in the provision of services for human development, even as cost sharing and donor support complement government resources.

(i) Education

177. Education plays an important role in human development through the process of empowering people to improve their well-being and participate actively in nation building. After the high enrolment of the two post independence decades, there has been a reversal at the pre-primary, primary and secondary levels of education characterised by low enrolment, high level of dropouts, low completion rates and poor transition rates. Gains were only made at the tertiary level where increases in enrolments and the demand for learning opportunities were recorded. The losses made at the earlier stages were attributable to the high cost of education, which has had a negative impact on access, retention, equity and quality of education. It is a government priority to improve access to basic education (including Special Education) and it will move towards the goal of universal primary education.

178. The Government's highest priority in the medium and long term will be to ensure affordable and equitable access to education through;

   i. Collaborating with all stakeholders in enhancing provision of textbooks and teaching/learning materials at Primary, Secondary and Tertiary Education levels;
   ii. Continuous curriculum review and rationalisation to ensure flexibility, affordability, quality and relevance and to cater for the needs of the disadvantaged; and to make it relevant to the needs of the economy;
   iii. Mobilising and sensitising communities on available education services for Early Childhood Education and Development (ECED);
   iv. Providing education opportunities and enhancing resources to institutions catering for children with special needs, those in difficult circumstances and those with disabilities;
   v. Enhancing provision of grants to secondary schools in poor areas;
   vi. Formulation of admission policies that will include affirmative action to cater for female students and students with special needs.
   vii. Enhancing management and provision of bursaries and loans to the poor and the vulnerable such as the girl child and people with disabilities;
   viii. Collaborating with the private sector, NGOs and development partners to provide additional educational facilities; and
   ix. Improve management and supervision of schools, facilities and personnel.
179. The Government and stakeholders will work toward improving attendance and retention by:

   i. Intensifying school feeding programmes in priority areas;
   ii. Expanding existing secondary schools facilities to increase transition rates;
   iii. Developing non-formal and post literacy education curriculum to cater for any school dropouts and adult learners. This is in recognition of the importance of imparting functional literacy skills after these learners acquire the basic literacy skills; and
   iv. Sensitising communities against cultural practices that impact negatively on transition and completion rates.

180. The government recognises the need for additional resources in the sector, and the large contribution of the private and religious sectors. Government institutions, like the public universities, will engage in income generating activities to fund additional facilities. Government will adopt the unit cost principle in universities, and promote technical and vocational institutions in the public and private sector to provide necessary skills at post secondary level while maintaining focus on quality and standards.

181. Management of education programmes and facilities will be improved through training, in-service courses, improving inspectorate services and provision of supporting facilities and resources.

(ii) Health

182. Good health is a pre-requisite for the socio-economic development of the country. Kenya has recorded positive health indicators since independence due to the progress that was made in the provision of public health and promotion of primary health care. However, the current trends in health indicators are less optimistic. Childhood and maternal mortality rates have continued to increase while life expectancy has decreased. Furthermore, the onset of HIV/AIDS has had a profound negative effect on the health of the population. Problems in this sector include: declining health standards and increased re-emergence of diseases; unavailability/high cost of drugs and lack of access to healthcare; inadequate funding and high cost of healthcare and HIV/AIDS pandemic.

183. One of the main objectives of the National Health Sector Strategic Plan (1999/2004) is to enhance equity, quality, accessibility and affordability of health care through better targeting of resources to the poor. Health resources will be shifted away from curative services to preventive/promotive/rural health services. Health resources will also be redirected to those areas that provide maximum benefits to the majority of the vulnerable groups who form a big proportion of our society.

184. In this regard, the Government and relevant stakeholders will:

   i. Strengthen preventive and promotive healthcare through malaria control, expanded programme on immunization, integrated management of childhood illnesses, control and prevention of environmentally related communicable diseases and encouraging improved nutrition;
   ii. Strengthen curative health services to manage the top ten killer diseases through provision of health personnel, drugs and equipment;
   iii. Improve maintenance of health equipment and facilities;
iv. Prevent and manage HIV/AIDS and STIs through promoting safe sex, preventing mother to child transmission, screening of blood and safe use of medical instruments, and strengthening national capacity to respond to the epidemic through improved funding, training, sensitisation and awareness;
v. Strengthen Occupational Health and Safety in order to reduce the incidences of disease and injury at the workplace; and
vi. Work with NHIF and the private sector to expand coverage and access to health insurance.

185. **Capacity Building and Training:** Lack of appropriate skills and capacity both within the private and public sectors is a key priority area for poverty reduction. Training and capacity building targeting both men and women is equally important. The Government in collaboration with relevant stakeholders will therefore promote training on critical skills and facilitate a strategy for employment creation, and undertake training in the public sector and local authorities for efficiency and productivity.

186. **Shelter and Housing:** Shelter and housing are basic needs for human survival and are important for the advancement of quality of life. Poor housing and mushrooming slums, the squatter problem and high cost of building materials deserve priority intervention. The Government will review land ownership and housing legislation to ensure affordable and decent housing, promote investment in middle and low cost housing, and review building by-laws.

187. **Labour, Productivity and Employment:** A total of 500,000 persons enter the labour market annually while the economy generates between 250,000 to 330,000 jobs. Unemployment has soared and productivity has fallen over time. This is a critical challenge for poverty reduction as the vicious cycle of low productivity, low employment generation, low output and low investment must be broken in order to register meaningful improvement in this sub-sector that drives economic growth. In addition, the lack of development of formal social security systems and the collapse of traditional ones needs to be addressed urgently.

188. In the labour sector the government and other stakeholders will establish a national productivity centre, encourage the elimination of child labour by sensitising communities, continue to restructure and reform NSSF, strengthen the Retirement Benefits Authority and facilitate the development of more private pension systems. The government Kenya will encourage the strengthening of traditional social security systems, and continue to support the ILO Jobs for Africa Programme to complement other programmes aimed at job creation.

189. **Population:** Kenya’s population is still ‘young’ with 44 per cent aged under 15 years and 52 per cent aged 15 to 64 years. Fertility has been declining since the mid 1980s but still stands at a high rate of about 4.2 children per woman. The government, alongside other stakeholders, will accord priority attention to this area by facilitating further reduction in fertility rates in order to stem the high rate of population growth through:

   i. Strengthening reproductive health services through access to quality integrated family planning services;
   ii. Promoting activities that enhance further decline in the population growth rate;
   iii. Sensitising men on family planning and focus on contraceptives for men; and
   iv. Developing specific programs on reproductive health targeting the youth.
D. PHYSICAL INFRASTRUCTURE

190. The provision of quality infrastructure is essential if poverty reduction and economic growth targets are to be met. Over the years, Kenya’s stock of physical infrastructure has deteriorated. This has significantly increased the cost of doing business in Kenya and reduced the competitiveness of domestic products. This must be addressed urgently if poverty is not to increase. The focus in the medium term will be the maintenance, rehabilitation and reconstruction of existing facilities and providing necessary infrastructure to areas that are currently disadvantaged, including redesigning existing facilities to meet the needs of people with disabilities. In the longer term, the enhancement of competition in the sector and attracting of private capital will also be priorities.

191. Government can only raise a small fraction of the funds that Kenya needs to invest in infrastructure after decades of low investment levels that have been characterised by poor quality of facilities due to corruption and inefficiency. There will therefore be need for support from development partners. The various components of the sub-sector are elaborated below.

(i) Roads

192. During the 1980s, most of the roads constructed in the 1960s had deteriorated and emphasis was placed on reconstruction and improvement of secondary and minor roads. The sector, however, continued to suffer negative growth in the 1990s. Currently, it is estimated that 57 per cent of the classified roads are in good condition and can be maintained, while 43 per cent are in poor condition and require rehabilitation. Rural access roads, most of which fall under the Local Authorities and are unclassified, have also continued to deteriorate due to low financing. The key issues affecting this sub-sector include:

i. Poor state of the trunk road network;
ii. Poor or lack of rural access roads;
iii. Poor linkages between rural access and other rural roads and major highways;
iv. Lack of efficiency in use of roads funds;
v. Lack of adequate quality control in execution of road works;
vi. Misuse of road facilities;
vii. Lack of adequate research and development in roads; and
viii. Lack of footpaths and bicycle lanes.

193. In order to improve on the road infrastructure, the Government will improve the management of interventions in the roads sub-sector through the operationalisation and facilitation of the Kenya Roads Board (KRB) and District Roads Committees (DRCs). The KRB will oversee the maintenance of all major roads and rehabilitate and upgrade international trunk roads. The Board will also facilitate the construction of bypasses to reduce congestion especially on classified roads. To protect urban roads, the government and local authorities will designate and enforce appropriate parking bays in urban areas and stopover places on major highways. Other priorities will include co-operating with other stakeholders to install, rehabilitate and maintain traffic lights and road signs and to construct footpaths and footbridges along roads leading to and out of densely populated areas and pavements for use by the disabled.
The DRCs will oversee the maintenance, upgrading and construction of rural access roads, footpaths and bridges. Local communities will be actively involved in the design and implementation of roads projects. Additional priority areas in the sub-sector include the intensification of measures to enhance quality control and service delivery while more resources will be dedicated to research and development. Axle load limits will be strictly enforced while the education of stakeholders will be intensified. Appropriate appraisal methods in maintenance and construction of roads will be enforced and delays in auditing and accounting for road maintenance funds will be minimised.

(ii) Energy

The three main sources of energy used in Kenya are wood fuel, petroleum and electricity accounting for 70, 21 and 9 per cent respectively of all energy consumption. Electricity coverage is estimated to be 8 per cent while the demand for wood fuel outstrips supply. If the consumption pattern continues, the country will face a wood fuel deficit of 4.1 million tonnes by the year 2005 which will be a major threat to the environment. The lack of adequate and reliable energy hampers the attraction of additional investments into the economy. Electricity supply in rural areas especially market centres is largely lacking, while in urban areas, there is inadequate and unreliable power supply. Kerosene is too expensive for the majority of Kenyans and the use of charcoal has negative long-term effects on the environment through the destruction of forests.

The key actions to be undertaken to address provision and access to energy will include strengthening the Rural Electrification Programme, expanding the rural electrification and distribution network, and increasing private sector participation in power generation, transmission and distribution. Kenya will also explore the possibility of tapping power from other countries especially grid-interconnection with East and Central and Southern Africa, speed-up the implementation of all planned generating plants, and explore the possibility of using alternative sources of power including the exploitation of coal deposits and wind energy.

(iii) Major Water Works and Sanitation

Historically, the provision of water as a basic necessity has either been done free or at very subsidised levels. Sustaining this policy has been difficult and a majority of Kenyans lack access to clean water. The poor management of the existing water works and non-existent or poor sewerage systems has further compounded this. The Government efforts to provide clean water are being supplemented by various actors including the private sector, local authorities and NGOs.

To meet the objectives of providing water and sanitation, priority actions will include the protection and management of water catchment areas, the promotion and encouragement of community/private sector based water projects, and the expansion of water development and management by privatised arms of Local Authorities and other private entities. Government will explore the rehabilitation of existing water and sewerage schemes through cost sharing, and the streamlining of the water policy and Water Act.
199. **Postal and Telecommunication Services:** Kenya’s national tele-density by the year 1999 was an extremely low 1.03 telephone lines per 100 people, 0.16 in the rural areas and 4 in the urban areas. The government has begun to address this by opening a number of market segments to the private sector, e.g. licensing of mobile phone operators. Other actions will be implemented in the medium term including privatisation of Telkom Kenya, expanding and modernising the telecommunication network and encouraging and licensing more investors in the sub-sector to enhance competition. Positive changes in the Postal Corporation, Posta, include automation and mechanisation of postal services, and other changes that will improve service and accessibility, penetration and achievement of service universality as well as commercial objectives.

200. **Railways:** Kenya Railways Corporation operates on about 1,500 kilometres of rail line with a current capacity of more than 6 million tonnes of cargo per year. It also operates inland waterways transport system on Lake Victoria. However, it has been faced with serious operational and financial constraints, which call for improvement. Government has instituted several measures that have improved the performance of the Corporation. Some functions of the Corporation have been privatised as a means of improving the performance. In order to sustain this trend, Kenya Railways will contract out the management and operations of certain activities and commercialise the operations of railway transport. It will rehabilitate and modernise locomotives, railway line, wagons and other equipment, commercialise the operations of railway transport, and concession gulf marine services.

201. **Maritime transport:** Maritime transport offers a cheap and suitable means of transport for heavy and bulky goods. Maritime transport in Kenya consists of port facilities in Mombasa, shipping and inland water transport. The efficiency of the port operation has been affected by the limited capacity of container terminal, high management turnover, poor and near obsolete equipment, poor maintenance of equipment and poor linkage to the hinterland due to the poor performance of Kenya Railways and the poor state of roads. However, a number of measures have been undertaken that have improved the efficiency of the sub-sector and performance of the port. In order to improve service delivery. Further the following actions will be implemented:

   i. Refurbishing and expanding the existing container terminal facilities;
   ii. Improving and strengthening the management and operations of the ports;
   iii. Privatisation of certain operations of Kenya Ports Authority will be; and
   iv. Modernization and replacement of obsolete equipment and facilities.

202. **Air transport:** Air transport has become the mode of choice to transport tourists, high yielding exports and perishable goods. The Government has in the past borne the financial burden of supporting the Civil Aviation infrastructure, which include communications, navigations and surveillance facilities and services, aeronautical meteorology and the airports in addition to policies and regulations. The industry has matured lately and, the government has been reducing its direct participation as is demonstrated by the privatisation of Kenya Airways, commercialisation of airport operations, and on-going efforts to de-link the Directorate of Civil Aviation from the civil service. These measures will enhance operational efficiency and financial management
In order to facilitate further growth in this sub-sector, the government will take the following measures:

i. Establish a clearly defined but flexible and institutional framework conducive to efficient maintenance and sustainable development of the infrastructure including airstrips through increased public and private sector participation;

ii. Eliminate the complex and cumbersome regulations and procedures which tend to hinder rather than encourage private sector participation;

iii. Eliminate possibilities of conflict by separating regulatory functions from service providers like air navigation services and airports;

iv. Harmonize the civil aviation functions by placing the various bodies under one Ministry and thus reduce high administrative costs which are passed to airlines in the form of high fees and charges; and

v. Address deficiencies in air safety and airport security.

(v) Buildings

Over the past few years, the number of private and public buildings projects has been declining. Out of the total 6,924 units of new private buildings completed in the last five years, over 97 per cent were residential buildings. Growth in this sub-sector has been hampered by the increasing costs of construction materials coupled with low funding, high interest rates and other charges from building societies. One of the major concerns in this sub-sector is continued decline in building standards enhanced by failure to enforce building by-laws and failure to meet the needs of people with disabilities. The government will undertake the following actions to address the problems facing the sub-sector:

i. Intensify research and promote use of alternative and cheaper construction materials;

ii. Take into account the needs of the handicapped persons in the design of all government buildings and other buildings;

iii. Facilitate a secondary mortgage market;

iv. Ensure building standards are maintained;

v. Rehabilitate public buildings, historical and monumental sites;

vi. Complete viable on-going projects and terminate unviable ones; and

vii. Terminate provision of housing to civil servants.

(vi) Quality Control and Standards

The standards of general infrastructure have been deteriorating due to non-adherence to existing guidelines. In the medium term, the government in collaboration with other players will develop, and enforce standards in physical infrastructure, improve water quality monitoring and pollution control inspection and to discourage pollution, charge levies on the basis of the “Polluter Pays” principle.

(vii) Other Public Works

The infrastructure covered by this sub-sector include inter alia, foot bridges and footpaths that connect settlements in urban and rural areas, fish landing piers integrated drainage systems in urban (settled) areas, and flood control works in rivers with perennial flooding.
207. Public and private investments including natural resources, have been destroyed due to non-existence, inadequate provision of, or poorly maintained, civil works, lack of a government policy on land use especially in regard to settlement. In spite of the great potential there is in the fishing industry for example, few piers and jetties are in place. In a country where wildlife plays a significant role in the national economy, not enough effort has been made to reduce human/wildlife conflict through civil works.

208. In view of the above, the Government will undertake the following measures:

   i. Construct barriers to reduce human/wildlife conflict;
   ii. Rehabilitate and maintain all existing marine infrastructure;
   iii. Construct piers for fish landing and pontoons for livestock loading and unloading;
   iv. Upgrade surface runoff drainage system where it exists and construct new systems where it does not exist and maintain the same;
   v. Construct dykes and canals to control flooding;
   vi. Rehabilitate sports facilities in the country’s stadium;
   vii. Construct more housing for prisoners and warders; and

E. TRADE, TOURISM AND INDUSTRY

209. According to 1999 statistics, this sector currently contributes 33.8 per cent of GDP. The sector contributes significantly to improving the quality of life of all Kenyans through employment creation, foreign exchange earnings and overall economic growth through increased investments. The multiplier effects of growth in the sector resulting from higher export growth, industrial growth and an increase in tourists visiting the country are crucial.

210. The Government’s function in the sector is mainly to create an enabling environment for the private sector to play its role as the engine of economic growth. A conducive environment enables the private sector to use the existing and new opportunities to invest in production, supply of goods and services, as well as to market Kenyan products competitively in both local and international markets. In return the Government enjoys higher revenue generation as demonstrated by the sector’s contribution of nearly 66 per cent of the total Government revenue.

211. The government will reach out to the private sector to seek ways of improving the economy. As a sign of government goodwill civil society and the private sector has been involved in consultations and in the actual writing of this PRSP paper. The Ministry of Trade, Tourism and Industry will be the focus of efforts to bring government and the private sector together in a joint effort to revive the economy and reduce poverty. Key among these is participation in the Joint Industrial and Commercial Consultative Committee (JICC), which is a consultative forum of government and business, and also through the Inter-Ministerial Committee on Industrialization (ICI) and the Kenya Tourist Board. The government also appreciates recent efforts by the private sector to organise itself in order to present a united voice in dialogue with it.

212. In this sector five priority areas of concern arose from the PRSP process namely, financial services, trade, industry, tourism and small-scale enterprises.
(i) Financial Services

213. The availability and cost of financial services and credit is the most critical issue that needs to be addressed in the trade, industry and tourism sub-sectors. Inadequate financial services are clearly a major cause of the high costs of doing business in Kenya as well as a major inhibitor to expansion of requisite facilities and firms, particularly those owned by indigenous Kenyans. The main concerns include:

   i. Poor access to, and high cost of credit;
   ii. Lack of good mechanisms to facilitate access to credit; and
   iii. Poor collaboration and pro-activeness between Government and providers who are largely in the private sector.

214. The government together with relevant stakeholders from the private sector, civil society, academic and development partners will convene gatherings and commission studies to explore appropriate ways of designing financial systems and services that can support Kenya’s efforts to reduce poverty. It is proposed that by the end of the PRSP period, significant progress will have been made towards the design, development and implementation (by the private sector) of a financial system that helps, rather than hinders pro poor economic development. Savings mobilisation, insurance products, warehouse receipts, equipment leasing and venture capital are some of the products and areas that need to be developed. A number of these require regulatory and legal changes that need to be designed in close collaboration with the private sector and in the light of international experience. In the short run, the government will put in place the following measures to facilitate growth in the sub-sector:

   i. Improve access to investment funds through improved management of specialised agencies such as Kenya Tourist Development Corporation (KTDC) for the tourism sector, ICDC and KIE for the commercial and small-scale industrial sectors;
   ii. Promote access to finance through the different segments of the capital markets
   iii. Pass a micro-finance industry bill; and
   iv. Continue efforts to keep interest rates low.

(ii) Trade

215. In the trade sub-sector efforts to develop a comprehensive trade system and network has been intended to facilitate growth in both traditional and non-traditional exports. This role has largely been left to the government while the private sector has largely provided the required facilities. The effects of the implementation of liberal World Trade Organisation (WTO) measures have negatively affected this sector. The response, however, has been a more pro-active participation in the Multi-lateral Trading System (MTS) and efforts to develop regional economic co-operation. In the local market, efforts have been made to improve trading by way of facilitation via the linkages that exist with other sectors of the economy. The sector still faces challenges relating to:

   i. Poor export promotion and marketing strategies;
   ii. Challenges of regional integration;
   iii. High cost of doing business;
   iv. Lack of regulatory framework;
   v. Poor infrastructure (roads, telecommunications and energy); and
   vi. Insecurity.
216. In the medium term, measures will include improvement of export production, diversification of exports, market access, and establishment of an appropriate regulatory framework. The market is demanding, and the government needs to facilitate the adoption of new technologies to improve product design and packaging. Improvement of the trading environment will also entail measures that reduce the cost of doing business, including reduction of business licenses, cost of credit and appropriate training. Priority actions will focus on opening up opportunities for Kenyan business in the USA, the EU, COMESA and EAC markets. This means continuing efforts in export promotion and marketing.

217. In order for business to take advantage of these opportunities there is a need to improve the regulatory environment within which Kenyan traders operate. The Government will review 13 trade related Acts within the PRSP period and work to improve the efficiency of commercial courts.

218. The small-scale trade sector has made a major contribution to employment. The government will increase efforts to facilitate hawking and vending activities and the Ministry of Trade Tourism and Industry will lead this effort interceding on the side of traders with local authorities and the provincial administration.

(iii) Industries

219. In the industrial sub-sector, revitalisation of industries, assisting them acquire new technology and the promotion of small scale and agro-based industries is central to reduction of poverty in the medium term. The sector contributes immensely to employment generation in the modern sector, income and wealth creation. But industry continues to face a number of challenges. Most pressing is the high cost of manufacturing in Kenya at a time when globalisation is subjecting manufacturers to stiff competition. Kenyan business does not seek protection from external competition, but a level playing field in terms of such things as the cost of capital, land, electricity and other infrastructure related costs. Industries in Kenya also face an inappropriate legal framework, high costs of meeting regulatory requirements and insecurity.

220. Industrial sub-sector improvement will involve measures to create an enabling environment for industries to perform better. Measures will include legal and regulatory framework review, improvement of the micro/small scale enterprise environment, strengthening linkages with research organizations, seeking funds to revitalise industries and to undertake investments and conduct awareness campaigns on the importance of intellectual property rights. The Government, together with the private sector, has identified priority key industrial clusters as coffee, cotton/textiles/garments, tourism, pyrethrum, processed foods and leather and leather products. These will offer the greatest opportunity for increased employment and household incomes at the farm, community and small enterprise levels where the majority of the poor are found. Specific priority measures will, therefore, include:

i. Review of legal and regulatory framework by reviewing several acts – including the Industrial, Mining and Trade Licensing Acts;

iii. Enhance the role of research undertaken by Kenya Industrial Research and Development Institute - KIRDI; and
iv. Support and institutionalisation of pro-active dialogue framework with the private sector to deliberate on ways to facilitate industrial growth.

(iv) Tourism

221. The tourism sector has, despite its recent decline, also played an important role in improving the quality of life and generation of income through employment creation, investments and indirect linkages with other sectors of the economy including agriculture, trade, construction, transport and financial services. Kenya as a tourist destination remains largely untapped with nearly one million international visitors relative to other African destinations such as Egypt (4.48 million), Zimbabwe (2.32 million) and South Africa (6.08 million). The sector faces the following challenges:

i. Inadequate promotion and marketing;
ii. Insecurity;
iii. Poor tourism infrastructure and facilities;
iv. Lack of community involvement in the industry; and
v. Environmental degradation of parks and beaches.

222. Tourism is expected to be a major source of recovery in economic growth. The sub-sector is labour intensive and a marginal expansion will generate more job opportunities by providing a market for processed and unprocessed agricultural products, curios, souvenirs, construction, transport and financial services most of which are also labour intensive.

223. Priority measures will include a major tourism promotion effort, diversifying the tourist product through new packages, products and circuits, improvement and rehabilitation of tourist facilities, and negotiation for funds for on-lending and equity investments in tourist facilities. The Government has imposed a $50 visa fee, which coupled with airport tax, makes Kenya a relatively costly destination. In the short-run, airport tax is to be reduced.

224. The Government will continue the ongoing efforts to enhance dialogue and collaboration between the government and the private sector and to improve data collection and marketing information. Government is investing in access roads and security in tourism areas, improving services at international and domestic airports, and facilitating investments in energy, water supplies and telecommunication that also will directly help to improve the tourism product that Kenya has to offer.

225. The Government together with other stakeholders will increase efforts to get communities to benefit directly from tourism and to develop eco-tourism and domestic tourism.

(v) Small Scale Enterprises

226. Recognition of the potential of small-scale industries in both employment creation and raising incomes for many Kenyan families make them an important element in the poverty reduction strategy. But despite the role small-scale enterprises and jua kali industries can and have played in employment creation in recent years, they have a
number of concerns. These include lack of access to credit, lack of and high cost of infrastructure for small-scale industries i.e. Jua Kali sheds, electricity, telephone, water, poor markets and poor access to appropriate technology.

227. There are however concerted efforts between the government and stakeholders to reactivate and develop the sector. Policy actions to address this sub-sector are cross-cutting and include many interventions in other sectors. The overriding interventions identified in this sector relate to credit and finance, infrastructure provision and marketing of products.

F. PUBLIC SAFETY, LAW AND ORDER

228. The cardinal responsibility of any sovereign state is that of maintaining security, law and order. The peaceful co-existence among all Kenyans and lawful institutions applying the rule of law fairly and firmly is the major objective of the Government and more particularly the activities of public safety, law and order sector. Though a critical contributor to sustained economic development, the sector has not performed well owing to a myriad of problems, some beyond the sectors’ control. The decline in service delivery in this sector is manifest in increasing incidences of cattle rustling, drug trafficking, ethnic tension, general crimes, domestic violence and other forms of violence against women and children, discriminatory practices in law enforcement, corruption and mal-administration of justice. Suffice it to say, therefore, that the general deterioration of service delivery in this sector contributed significantly to the decline in economic activities and investments and consequently increased the incidence of poverty.

229. A number of issues cut across this sector and relate to improving terms and conditions, upgrading of equipment and personnel.

(i) Legal Services and Administration of Justice

230. Delivery and access to adequate and quality legal services ensures that individual human rights are not trampled upon, particularly for the disadvantaged groups in the society. Despite recent improvements, the legal services sub-sector has yet to perform in accordance with expectations due to the poor access to and high cost of legal services, lack of public awareness on their legal rights and high-level corruption among legal agents. To improve the provision of legal services, the government, in conjunction with other stakeholders, will institute a regulatory framework for the legal sub-sector with a view to reducing cost and improving coverage, promote public awareness on legal rights and encourage the culture of seeking legal redress whenever necessary, train paralegals, employ additional legal drafters and provide civic education.

231. Efficient and easy access to justice encourages the culture of a law-abiding citizenry, which is a pre-requisite for social, political and economic development. Administration of justice is critical in alleviating poverty as it creates an enabling environment for investments. Over the years, administration of justice has deteriorated, creating an uncertain environment for investment. This is also coupled with mismatch of personnel and responsibilities both in terms of skills and numbers, inappropriate training, unattractive terms and conditions of service, use of outdated laws, corruption and inadequate resource allocation.
232. **Judiciary and Legal Services:** Access to timely, efficient and affordable legal and judicial services are key factors to the economic well being of the country and in the fight against poverty. Corruption, poor attitudes towards work, high costs and lack of judicial and legal services were mentioned as principal issues in the fight against poverty reduction in Kenya. Despite efforts to improve the administration of justice, the existing bottlenecks have resulted mainly in delays in administration of justice and lack of access to courts. To deal with these challenges the Government commits itself to:

i. Strengthen and streamline ongoing reforms in the legal and judicial services; and

ii. Provide adequate resource support to the sub-sector to bring legal and judicial services closer to the poor and the most vulnerable in society.

233. The government, in collaboration with other stakeholders, has recommended the following measures, *inter alia*, to improve the operations of the General Administration sub-sector:

i. Computerise and automate the departments of Immigration, Civil Registration, National Registration Bureau, Vehicle Registration and Attorney General’s Chambers, in order to minimise fraud and forgery and enhance efficiency in monitoring immigrants with a view to expelling them;

ii. Implement the recommendations of the *Kwach* Report on the problems bedevilling the judicial service, embrace creation of specialised divisions in the High Court, establishment of commercial courts (already done in Nairobi) and decentralisation of administration of justice;

iii. Table relevant bills in parliament (Affirmative Action, Family Protection and Equality Bills) and implement the recommendations of the Effie Owuor Report on legislation pertaining to women’s standing vis-à-vis the law;

iv. Establish special court and police interrogation rooms for dealing with sensitive cases such as rape and all other forms of violence;

v. Recruit and appoint sufficient judicial staff, and legal draftsmen to speed up administration of justice;

vi. Modernise the Legal Code and dismantle outmoded, repressive and inappropriate laws;

vii. Promote public awareness on matters relating to law and order to eliminate ignorance of the law and mitigate occurrence of petty offences;

viii. Intensify anti-corruption measures by involving all stakeholders;

ix. Strengthen measures to control and regulate employment of immigrants;

x. Pursue resolution of the refugee and proliferation of small arms problem by peaceful settlement of the conflicts in their countries of origin through regional initiatives such as IGADD; and

xi. Review and drop unnecessary bureaucratic procedures.

(ii) **Internal Security**

234. Provision of internal security to the general citizenry is necessary for creating a conducive environment for sustained economic growth. The delivery of this service, however, has not been satisfactory as security personnel face a number of constraints in the course of discharging their duties, including but not limited to low staff motivation, inadequate skills and outmoded equipment and methods of fighting crime. These, coupled with economic decline and rising poverty, the influx of refugees and proliferation of small firearms due to insecurity in neighbouring countries, have been
largely responsible for high and increasing rate of crime. Poor use of statistics and research has also hindered the fight against crime and insecurity.

235. In order to improve internal security, the government, in collaboration with various stakeholders, will implement the following measures to improve quality and speed of service delivery. These measures include:

i. Improving terms and conditions of service;
ii. Modernising security equipment in particular communication and vehicles;
iii. Providing for the long-term strategy of achieving a police/population ratio of 1:450;
iv. Undertaking quality training of security personnel in diverse skills especially those relating to handling people with disabilities, women and children;
v. Provide additional physical facilities in police stations for people with disabilities, women and children;
vi. Developing special curriculum and administering entrance/upgrading examinations for security personnel;
vii. Promoting indigenous conflict resolution methods in communities; and
viii. Promoting public awareness on security procedures and improving the involvement of communities, including the business community, in planning their security.

(iii) Provincial Administration

236. The Provincial Administration plays a critical role in the social, economic and political development of the country. However, a number of constraints mitigate the quality of services delivered by this sub-sector as were raised during the consultative process. These include inadequate skilled personnel and equipment, poor approach and lack of skills to resolve conflicts, inadequate capacity to manage cross-border activities, lack of public awareness on matters pertaining to security and development, poor service delivery and poor co-ordination of rural development programmes due to inadequate skills and rampant corruption.

237. The government plans to work side by side with other stakeholders to address these constraints through re-focussing the role of Provincial Administration in national development, improving the quality of staff through appropriate recruitment, training and upgrading procedures and promoting public and civic education on administrative services available to the people. People want more control of, and accountability from their local administrators and it is expected that the upcoming constitutional review may call for decentralization and radical review of local governance structures.

(iv) Rehabilitation Institutions

238. It is important for the government and society to keep in confinement, members who may pose threats to other members e.g. convicted and suspected offenders, juvenile delinquents and refugees. However, rehabilitation institutions, namely, penal and borstal institutions, probation hostels, approved schools, and juvenile remand homes have not performed satisfactorily. Evidently there is congestion and poor facilities in these institutions. The Government will therefore put in place an appropriate institutional framework to operationalise the Community Service Order that favours non-custodial community service punishment as opposed to imprisonment. It will continue
efforts to rehabilitating prisoners in penal institutions through skills training and
counselling, and speed up court processes so as to reduce the time remandees are
confined. This will be done through enhanced collaboration and linkages between
government agencies e.g. the judiciary, the police force, prisons, children’s department,
probation and aftercare services.

239. In the area of children, government will enact the Children’s Bill and,
together with relevant stakeholders develop measures to deal with the rising numbers of
street children and families.

G. NATIONAL SECURITY

240. Insecurity, both internal and external, disrupts peace and deters growth.
Conscious of the regional instability that exists in some neighbouring countries, the
Poverty Reduction Strategy Paper takes the cognisance of the need to maintain national
security for sustained economic growth and poverty reduction.

241. The role of the National Security Sector is to defend the country against
external aggression and to promote and protect nationhood. As this PRSP anticipates
times of peace ahead, the armed forces will undertake civil activities and contribute
directly to poverty reduction through borehole drilling, dam construction and de-silting in
remote areas for the provision of water, support road and bridge construction, and
collaborative efforts in the provision of health services.

H. PUBLIC ADMINISTRATION

242. An efficient public administration sector is key to the realization of socio-
economic development. The provision of a sound and solid framework within which
public institutions adhere to their respective core functions is crucial for good
performance of the economy. Public administration is meant to provide supportive
services and the enabling environment for other socio-economic activities in the country
through the provision of good and democratic governance, efficient management of
human resources and capacity building, visionary economic planning and a stable
macroeconomic environment necessary for achieving growth and poverty reduction.

243. In order to restore the credibility of Public service, the moral ‘quality
service’ to the public together with a work ethic based on honesty and endeavour will be
re-established. The PRSP consultative process identified challenges that have to be
addressed under various sub-sectors of the sector to spur social and economic growth
to reduce poverty.

(i) General Administration

244. Efficient and effective public administration is critical for the growth and
development of a nation. The deterioration in the quality of service delivery by the public
sector immensely contributed to dismal economic performance and high incidence of
poverty that prevails in Kenya today. Some of the causes of this poor performance by
the sector are corruption and lack of accountability, insensitivity of the critical role
of public administration in supporting overall development, and arrogance towards the
general public.
The government is committed to the strategy of ensuring that public administration plays a positive role in facilitating rapid and sustainable economic development and paying special attention to the poor and vulnerable members of the society. This will be achieved by hastening the ongoing reforms in the public service namely:

i. Completing the review and rationalisation of Ministerial functions;
ii. Undertaking performance improvement programmes;
iii. Continuing with and completing staff rationalisation including rightsizing;
iv. Review of Public Service Commission processes and procedures and to align it with modern demands on public service;
v. Assessing performance, functions and viability of Parastatals;
vi. Enact the legislation on code of ethics for the public service; and
vii. Completing and implementing the National Policy on Gender and Development.

Parliament: This is one of the most important pillars of constitutional democracy in Kenya. In order to play its role as a vanguard of constitutional democracy and a watchdog for the public good, it requires adequate support from the Government. The Government is thus committed to the promotion of the operations of Parliamentary Committees, including provision of professional and technical back-up where necessary.

Electoral Commission. Its functions were fully restored after the enactment of the constitutional amendments of 1991. For the Commission to perform its functions efficiently, it requires a high degree of independence in the management of its affairs. To meet this need the Government will seek to review legislation pertaining to the operations of the Commission, to ensure autonomy and sufficient availability of funds.

(ii) Personnel Management

The performance of Public Administration is directly linked to the quality of input by public service employees. During the PRSP consultation process, concerns were raised about the poor attitude and work ethics of public servants. This is attributed partly to low motivation arising from poor terms and conditions, inappropriate recruitment, lack of effective appraisal systems and weak or absent incentive and punishment systems. To respond to these challenges the Government is committed to address the problem of poor terms and conditions of public servants. The Kipkulei Report on the Harmonisation of Terms and Conditions of Service for public servants will be implemented during the PRSP. Specific measures that will be undertaken include:

i. Establishing the Public Service Remuneration Board to continuously review the terms and conditions of service;
ii. Carrying out pay and benefit reforms;
iii. Strengthening training and capacity building of public service employees; and
iv. Revise and enforce the public service code of regulations.

(iii) Financial Management

A sound and efficient financial management and economic planning that guarantees the link between policy, planning and budgeting is necessary for economic growth and can contribute to lowering the levels of poverty. Poor economic planning and weak financial management have been identified as contributing to the poor
economic performance and worsening of the poverty situation in the country. Issues highlighted as militating against efficient service delivery include corruption, lack of fiscal discipline, poor systems of economic management and lack of transparency. The Government in this respect will strengthen and institutionalise the PRSP/MTEF budget processes in order to ensure quality expenditure, harmonised financing framework, equity, transparency and accountability.

250. The following measures will be implemented:

   i. Promoting efficient resource allocation and utilisation of scarce economic resources through the implementation of the PRSP/MTEF budget;

   ii. Reviewing and streamlining the operation of the district treasuries to enhance efficiency, transparency and accountability;

   iii. Strengthen the monitoring, auditing and accounting functions in government;

   iv. Strengthening the capacity of Central Bureau of Statistics to generate timely and accurate statistics;

   v. Introduction of integrated financial management systems;

   vi. Review and strengthen the Budget Monitoring process; and

   vii. Streamline procurement and contracting procedures in line with the Legal Notice No.51 of 2001;

(iv) Development Planning and Co-ordination

251. Over the years there has been lack of an effective policy framework to guide the planning and co-ordination of all development activities. There has been for instance little or no effort to co-ordinate and harmonise the activities of stakeholders such as the Non-Government Organisations, the private sector, the civil society organizations, e.g. religious bodies, and other development actors. This has been exacerbated by the lack of coherent policy, institutional and legal framework to guide and enforce planning implementation and co-ordination of development activities. PRSP is therefore a participatory planning approach that is all-inclusive and tolerant to alternative views.

252. The PRSP consultation process revealed that people, particularly the poor and non-government actors have neither been adequately consulted nor involved in decision making processes prior to implementation of development programmes. In particular people with disability, youth and women have often been excluded in the planning process. To ensure inclusivity, participation and ownership of the policy formulation and monitoring and evaluation of implementation of poverty reduction strategies, measures will be implemented to ensure participation of the people in planning, monitoring and evaluation. To meet this challenge, the government jointly with stakeholders will institute the following measures:

   i. Review the role of District Administration with a view to making it more participatory and responsive to the needs of the poor;

   ii. Put in place an appropriate policy framework to guide and promote partnership between the private sector, non-governmental organisations, religious organisations and government in addressing development agenda for the country;

   iii. Institutionalise the Consultative process at all levels to ensure the participation of communities, private sector and civil society organizations; and
iv. Review and strengthen the roles of the District Planning Unit and District Statistical Offices to allow for the participation of other stakeholders in planning for and monitoring of development at district and community levels.

(v) Management of Local Governments

253. Poverty reduction initiatives should ensure that all available resources are harnessed and utilised. It is recognised that government cannot and indeed should not do everything. In this regard, poverty reduction initiatives must ensure that all the resources are harnessed. Local Governments in particular have a major role to play in rural and urban poverty reduction. If development and poverty reduction are to be participatory and demand driven, local people and communities must play an active role in driving the process.

254. There exists enormous but untapped capacity in Local Governments and communities because of lack of local empowerment. There is also the decline in the performance and services delivered by Local Governments throughout the country that have significantly contributed to poor quality of life, particularly in Kenya’s urban centres. The PRSP consultations attributed this factor to the dis-empowerment of Local Governments by the Central government.

255. Therefore a number of strategies will be pursued to improve the management of local governments in order to enhance the role of Local government in poverty reduction. Specific initiatives will include:-

i. Accelerating the implementation of the Kenya Local Government Reform Programme;

ii. Promoting accountability and transparency in the management of Local Governments including improved financial accounting and management;

iii. Finalising the review process of the Local Government Act;

iv. Developing the decentralization policy for local authorities to include strengthening local revenue mobilisation and accounting systems and to improve the utilization of Local Authority Transfer Fund (LATF);

v. Strengthening the participation of local communities in monitoring and managing the affairs of local authorities;

vi. Extending public sector reforms to cover local authorities. This is necessary because local authorities spend about 80 per cent of all their financial resources on wages and salaries; and

vii. Exploring the privatisation of markets (local authority owned and managed commodity exchange facilities).

(vi) International Co-operation

256. The maintenance of a sound and respectable international image is key to the country’s economic, social and political development. The deterioration of Kenya’s international image in recent years has had direct negative impact on the investment climate. Within the PRSP/MTEF framework, the Government is committed to addressing this situation through:

i. Strengthening initiatives and activities aimed at projecting Kenya’s image abroad;

ii. Promoting regional and sub-regional economic co-operation;
iii. Promoting positive linkages between the Kenya Government and diplomatic missions and International Organisations accredited to Kenya; ad
iv. Participating actively in international conflict resolution initiatives and peacekeeping missions.

I. INFORMATION TECHNOLOGY

257. It is widely recognised that telecommunications, information services and information technology sectors are not only dynamic growth sectors themselves, but are also engines of development and economic growth throughout the economy. Globally, IT-led growth is creating jobs, raising productivity, increasing incomes and opening many opportunities for increased trade and human development. Hence Kenya must strategically position itself in order to benefit from the global info-economy.

258. The primary role of the government will be to stimulate IT-led growth in order to raise productivity, create jobs and increase incomes. In the context of the PRSP, a key component of the Government’s strategy will be to give priority to improving access to IT, especially to poor rural and urban populations.

259. Locally, there already exists a nascent but fast growing IT sector. The global trend of declining costs of IT goods and services and the recent liberalization of data services has created a new dynamism in the IT sector, with a proliferation of e-activities (e-mail, e-business, etc). Some local businesses have already ventured into e-commerce to buy and distribute services and products. Online services now include airline and hotel reservations, banking and daily papers which are now hosted on the World Wide Web.

260. Although the local IT industries still account for a relatively small share of the economy’s output, IT service firms supplying goods and services that support IT-enabled processes are showing a marked growth in investments. There has been a tremendous increase in people who create information, develop applications and services, construct facilities and train others to tap the potential of the new information economy. Demand for IT workers has continued to grow.

261. During the countrywide consultations various issues relating to the promotion of IT in Kenya were brought out namely - inadequate and inequitable information infrastructure and facilities; inadequate or inaccessible complements such as electricity telephones, data services and financial services; lack of a policy and regulatory framework; inadequate human resource capability; globalisation and digitisation of national economies; inequitable technology dispersion and disparities, i.e. the digital divide.

262. To meet this challenge the Government will strive to achieve two principal policy objectives in the development of the IT sector:

i. Provide an enabling policy environment necessary for the sustainable development and growth of a dynamic IT sector.

ii. Make measurable improvements in its own mission performance and service delivery to the public through strategic application of information and related technologies.
Development of a National Information Infrastructure: An e-Kenya Initiative

263. The global digital economy has been driven by the massive growth of the world-wide Internet and related communication technologies and is based on a properly functioning and affordable national backbone that extends access to all. In order to meet the new information economy challenges, it is essential to establish a dynamic National Information Infrastructure (NII) based on Internet technology and which will interface with the growing Global Information Infrastructure (GII). The purpose of the NII is to promote an e-enabled Kenyan society (or e-Kenya) that will fully participate in the global e-economy.

264. Potential benefits of the National Information Infrastructure include the following:
   i. Access to new global markets, improvement of economic activities and stimulation of private sector growth;
   ii. Improvement in the delivery of services by the government and businesses;
   iii. Promotion of economic development and poverty alleviation;
   iv. Improvement in access to education and delivery of education services; and
   v. Reduction of the heavy costs that the country will incur if left out of the information age.

Development of an e-Enabled Society

265. In order to maximise the gains of information economy, Information Technology must be incorporated into the fabric of the country’s core activities. This will require that a range of skills be developed at all levels of the population, both technical and user. This will be achieved by:
   i. Promoting initiatives to integrate IT in educational and training programmes at all levels.
   ii. Developing of IT educational materials for all including learning materials for people with disability;
   iii. Establishing community IT learning and information centers to enable easy access to essential basic developmental information e.g. market information, health, education, and HIV-AIDS information; and
   iv. Promoting the use of IT for all socio-economic activities.

Development of Policy & Regulatory Framework for a Global Digital Economy

266. The government policy and regulatory support will play a pivotal role in the digital economy. Import tariffs on Information Technology have been gradually reduced and now stand at 5 per cent and the benefits have been well documented. However, there is need to harmonise taxation regimes in light of the convergence of technologies (e.g. a router is a computer of sorts) and the seamlessness of delivery channels (e.g. downloadable software). It is also essential to introduce tax incentives for IT investments in rural areas and educational institutions. The government’s key role will then be to define the strategy and the policy necessary for the growth of activities such as e-commerce, e-government and e-learning. These will include:
   i. Policies on digital transactions, data security and privacy;
ii. Legislation on cyber-crime;
iii. Framework for Internet domain governance;
iv. Strategies for computer literacy; and
v. Strategies for technology dispersion among the rural and the urban disadvantaged.

**Development of e-commerce**

267. The dynamism of the global digital economy presents opportunities and challenges for the Kenyan economy in respect of expanded markets, skills, jobs, cost savings and competitiveness. In addition to the local services, there is potential for increased trade and access to global markets.

**Other Actions**

268. To address the foregoing issues, the following actions will be taken:

i. Establishment of an e-government portal to improve service delivery;
ii. Providing baseline access to IT through tele-centres, info-kiosks, digital villages, community access points and school-nets;
iii. Development of a consistent digital transactions policy, regulatory and legal framework for electronic signatures, contracts, electronic authentication, taxation of e-commerce, security and cyber crimes;
iv. Develop technical expertise;
v. Provision incentives for technology investment in rural areas; and
vi. Support of Small and Medium Enterprise (SME) electronic activities.
CHAPTER 7: MONITORING AND EVALUATION OF POVERTY REDUCTION

A. INTRODUCTION

269. The success of this PRSP will greatly depend on a sound and systematic accounting and auditing system that ensures that the strategies and priorities identified are efficiently implemented so as to achieve the desired outcomes. The Monitoring and Evaluation (M&E) system adopted for the PRSP is designed to provide a continuous tracking and feedback mechanism to all stakeholders in the process especially the poor themselves. Most critical is the extent to which such a mechanism will empower communities to question the faithfulness in implementation of identified priorities. The M&E system will be based on the PRSP principles laid out in Chapter one.

270. Monitoring the PRSP entails measuring progress towards planned objectives, implementation of strategy and priority actions, and production of expected outputs within a given timeframe. The fundamental objective of a M&E system within Kenya’s PRSP is to determine the value of poverty reduction strategies in terms of their ability to achieve their goals and objectives as measured by progress in terms of identified performance indicators and outcomes that measure improvements in the lives of Kenyans. The main focus of M&E will be to assess the commitment and compliance to the original plan and measuring the people's level of involvement in M&E.

271. The Evaluation component of the M&E system will make assessments from a broad point of view, looking at the overall impact of the activities and establishing appropriateness, effectiveness and efficiency of the strategy. Evaluation of the process will be undertaken at agreed time intervals to assess outputs, outcomes and impact of intervention. The Evaluation will provide an opportunity for all those involved in the implementation of the strategy to gain valuable insight into various aspects of the process and how such information could contribute to improving policy in future.

272. The information generated from the monitoring and evaluation process, will be useful for making the strategic policy decisions, necessary to undertake adjustments in the implementation strategy. All programmes geared towards the implementation of the PRSP, are based on clear goals and objectives, indicators and targets. These are laid out in some detail in the accompanying implementation matrix (Volume II, Annex 1).

B. STRATEGY AND APPROACH TO M&E

273. The M&E strategy in the PRSP embraces the principle of participatory monitoring and evaluation by a wide range of stakeholders in the public sector, civil society, the private sector and the general public. The strategy will seek to:

   i. Assess whether priorities agreed upon in the PRSP receive the required resources necessary for their implementation. To ensure that this happens, all implementing agencies in the public sector, civil society and private sector are expected to put in place efficient resource allocation mechanisms based on sound criteria.

   ii. Assess efficiency in the implementation of the budget. It is expected that once the budget has been approved by parliament, the Treasury and the line
Ministries will make appropriate disbursements to districts smoothly and in a timely manner.

iii. Assess the efficiency in utilisation of resources geared towards poverty reduction. This will require adherence to transparency and accountability in the utilization of resources and minimisation of duplication and wastage by all actors.

iv. Assess the effective participation of all stakeholders in the implementation of the PRSP.

v. Carry out periodic impact assessments of the various interventions and initiatives and programmes undertaken by stakeholders in the process. This will be based on a pre-determined set of indicators.

C. INSTITUTIONAL FRAMEWORK OF THE M&E PROCESS

274. The M&E strategy will be undertaken within a national framework that involves stakeholders at different levels of the economy.

The national level will incorporate:

i. National policy making organs in Government, the National Stakeholders Forum, Thematic Groups, Sector Working Groups and Development Partners.

ii. Implementing agencies including but not limited to, ministries, civil society organisations, the private sector, local authorities.

The district level will involve: The District Consultative Forum, District administration, government departments, NGOs, religious organizations and other stakeholders.

At community level CBOs, individual households and other stakeholders will be involved.

D. MONITORING INDICATORS

275. The implementation of the M&E process of the PRSP will be based on a comprehensive set of indicators derived from the implementation matrix, which in turn reflects the priorities set out in the PRSP. It will also benefit from a set of benchmarks developed from previous qualitative and quantitative surveys undertaken within and outside government.

276. Setting of clear goals, objectives, strategies and priority actions is critical in effective monitoring and evaluation. The PRSP consultation process has significantly contributed to the shaping of national and sector priorities. The M&E process will focus on both intermediate and final outcome indicators. Specifically this will include monitoring of inputs; e.g. budget, outputs, outcomes and finally impact (effects of interventions) on growth and poverty reduction.
E. CO-ORDINATION OF M&E

277. The M&E process will be guided and co-ordinated by a broad-based National Technical Taskforce under the leadership of the Central Bureau Statistics in the Ministry of Finance and Planning and comprised of all stakeholders. The magnitude of the task calls for a core of dedicated full-time officers who have no other duties. Various arms of government, e.g. Treasury, Poverty Eradication Commission and CBS must be involved. Civil society, the private sector and the academic community also will be involved. To facilitate activities of this team, it may be necessary to channel funds for M&E outside of government channels.

F. FINANCING OF M&E

278. There are three types of cost implications to the M&E system. First, costs will be incurred because of the introduction of new data collection activities specific to monitoring the PRSP. Second, there will be costs that relate to the continuation of ongoing periodic data collection activities. These are crucial for both medium and long-term assessment of progress in poverty reduction. Third, are the cost implications of the institutional capacity and ownership building that will of necessity be required if this effort is to succeed. Much of these funds will be used on training and workshops.

279. During the first few months of PRSP implementation there will be costs related to capacity building and work in preparation to revising the national sampling framework, the NASSEP IV based on the latest census data and district boundaries. A welfare monitoring survey to generate the latest poverty levels and to update current estimates of poverty levels will also be undertaken. In order to generate data on the impact of investment in different sectors or sub-sectors, CBS will produce updated input/output (I/O) table. This will be a useful step towards preparing a Social Accounting Matrix (SAM) for planning purposes. Household surveys, such as those undertaken by Tegemeo Institute, will also be used to disaggregate e.g. household income and expenditure into its constitutional components. All these activities will call for non trivial amounts of money, but constitute an integral part of a successful PRSP process. Modern statistical techniques can allow for regular smaller surveys on carefully chosen proxy variables to give more regular information updates than the large and expensive welfare monitoring surveys that can only be mounted and analysed every 5 years or so.

G. CHALLENGES IN IMPLEMENTING THE PRSP

280. The most valuable outcome of the PRSP process is that for the first time in history of the country, Kenyans were able through an open and collective process, to identify issues affecting them and define their development needs and priorities. This has raised expectations all over the country.

281. This outcome poses a major challenge to all concerned stakeholders in development, as they have to design programmes that can effectively meet the needs of the people, in all the 70 districts of the country at a time when government resources are limited. Government ministries and departments, NGOs, the private sector and other stakeholders in development, bear the crucial responsibility of ensuring proper response to the identified needs and priorities. The PRSP/MTEF framework offers a unique
opportunity to co-ordinate and focus such response for a meaningful outcome in the fight against poverty in Kenya.

282. To achieve this goal in a harmonised manner, all sectors and concerned stakeholders will be expected to institute joint collaboration and partnership process aimed at identifying the most appropriate approaches to implementation of the priority proposals in the PRSP. The government will provide leadership and an enabling policy environment necessary for this to occur.

283. While many of the identified priorities require substantial injection of additional resources, it is worth noting that an appreciable proportion of the proposed measures to reduce poverty, and spur economic growth do not demand injection of a large amount of financial resources. In several instances what is required is a change in attitude by all actors to embrace this new approach, which puts people at the centre of our development planning. With reduced and scarce resources available for development, expenditure priority should be given to those policy, attitudinal and structural changes within government and other sectors that can make significant impact on growth and poverty reduction without large and expensive capital outlays.
PRSP IMPLEMENTATION MATRIX