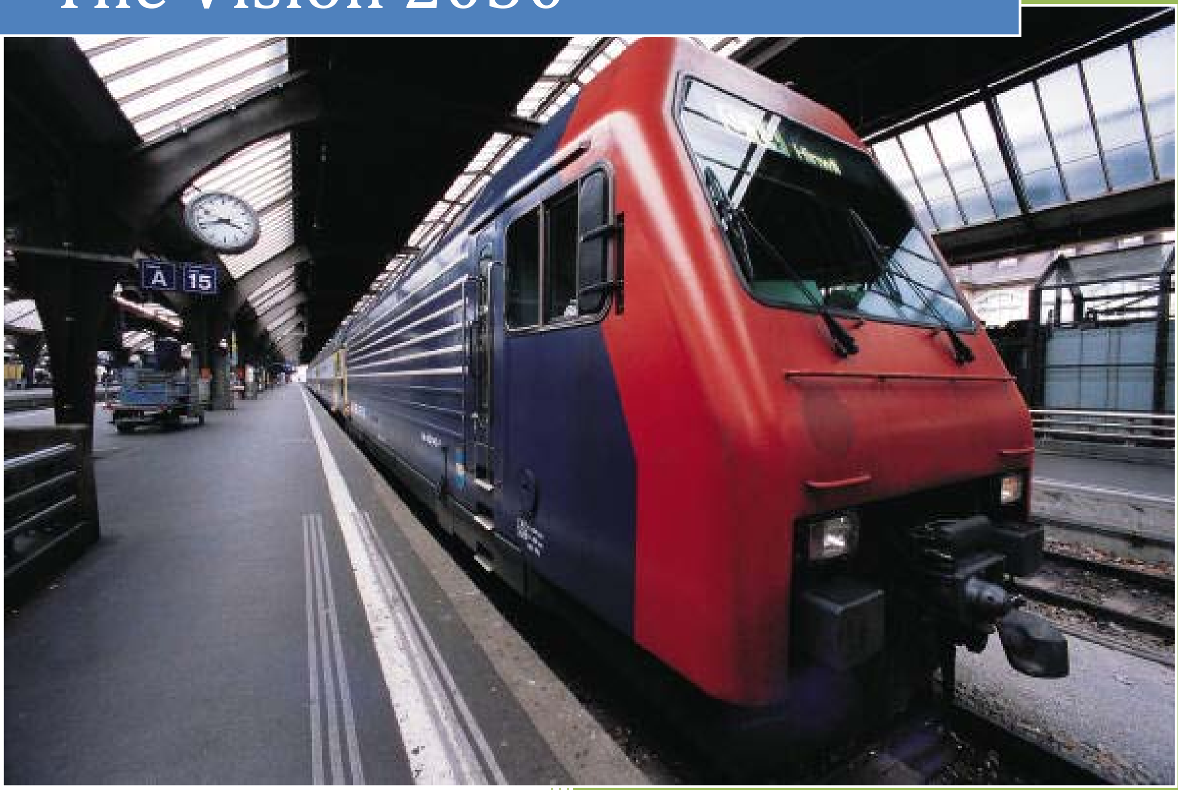
Chapter 4

(Preliminary draft)

Unlocking the Future Potential for Kenya: The Vision 2030



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Chapter 4: Unlocking the Future Potential for Kenya – The Vision 2030

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Abstract

Kenya's growth history has been a disappointment. The country has not achieved a long and prolonged growth spell. Growth has been chequered since the 1960s with high growth rates experienced in the 1960s and early 1970s before economic performance started diminishing in the mid 1970s. By the 1990s the economy was contracting and GDP per capita was declining, a situation that prevailed up to the year 2002. The proportion of people living in poverty was estimated to have increased from about 48.8 percent in 1990 to more than 56 percent at the end of 2002, with some pockets of the country having much higher poverty levels. Social indicators worsened markedly between the mid 1980s and the year 2002. For instance, life expectancy declined from 57 years in 1986 to 47 years in 2000. Furthermore, according to the Kenya Demographic and Health Survey conducted in 2003, infant mortality increased from 62 per thousand in 1993 to 78 per thousand in 2003, while under five mortality increased from 96 per thousand births to 114 per thousand during the same period.

This is the background against which Kenya's Economic Recovery Strategy for Wealth and Employment Creation (ERS) was formulated in 2003. By 2007, which marked the end of implementation of the ERS, the Kenyan economy had recovered and was on a rapid growth trajectory. The Kenyan economy is estimated to have grown by about 7 percent in 2007, an impressive performance compared with the 0.6 per cent in 2002. It was the first time that a policy design was implemented and desired results achieved.

To sustain the recovery and move into a higher growth and development path, the Kenya Government has formulated a new long-term development blueprint for the country - Kenya Vision 2030. The motivation for the Vision is to have a development strategy that succeeds the ERS and answers to the aspirations for a prosperous society by transforming Kenya into a newly-industrialising, middle income country providing a high quality of life to all its citizens in a clean and secure environment by the year 2030. The Vision, therefore, not only aims at meeting the Millennium Development Goals (MDGs) but also making the country globally competitive. Kenya seems to emulate those countries like South Korea and Malaysia that created visions for development and galvanised the populace around it with much success.

This chapter analyses the strategic thrusts of Kenya's long-term development strategy and argues that the vision 2030 can unlock the potential of the economy. Kenya Vision 2030 is anchored on three key pillars: Economic; Social; and Political Governance. The objective of the economic pillar is to achieve an economic growth rate of 10 per cent per annum and sustaining the same till 2030. This growth target will be achieved through implementation of several flagship projects in 6 priority sectors namely Tourism, Agriculture, Wholesale and Retail Trade, Manufacturing, Business Process

Out sourcing (BPO) and Financial Services. The social pillar seeks to create "a just, cohesive and equitable social development in a clean and secure environment". It, therefore, presents comprehensive social interventions aimed at improving the quality of life. Finally, the political pillar objective is to have "an issue-based, people-centred, result-oriented and accountable democratic system".

Highlights of the three pillars together with supporting transversal reforms are presented in this chapter followed by an assessment of their suitability, feasibility and completeness. Alternatives are advanced where weaknesses or inadequacies in the strategies spelt out in the Vision are noted.

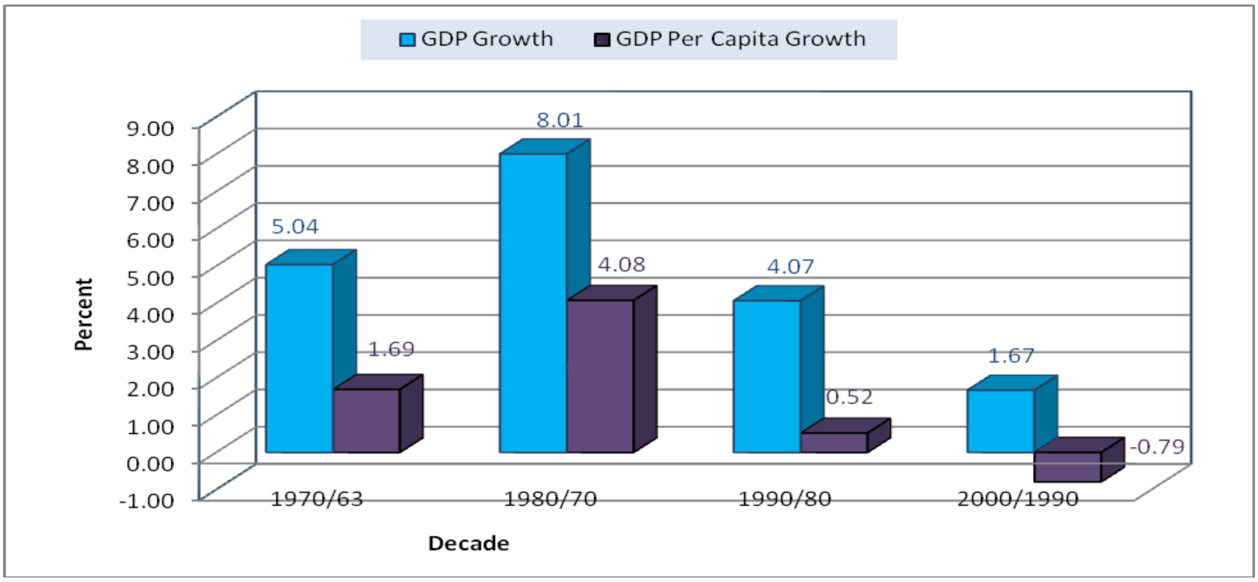
1. Setting the Scene

Mwega and Ndung'u (2008) in Ndulu, O' Connel, Azan, Bates, Fosu, Gunning and Njikeu (EDS) – The Political Economy of Economic growth in Africa 1960 – 2000, have an important springboard in their chapter. They argue that cross-country endogenous growth literature has been useful in identifying uniformities across countries and over time. However, studies on the robustness of results typically find that they have limited predictive power. This lack of robustness is partly attributable to the incorrect assumption that growth process differs across countries and over time. Mwega and Ndung'u (2008) supplement these cross country endogenous growth methodology with Kenya specific analysis that focus on the role of markets, private agents and political economy in the growth process. The current chapter can be looked at as an important extension where there is a deliberate policy framework that addresses all these factors to become a national vision.

1.1 Overview

The Kenyan economy, which registered robust growth during the first decade of independence, performed below its potential since the 1980s. The first four decades after independence, therefore, saw Kenya having a chequered growth path where high growth rates were experienced in the 1960s and early 1970s before economic performance started diminishing in the mid 1970s. GDP growth peaked at 8.01 percent per annum in the 1970s before declining in the subsequent years. In the 1980s the growth momentum started dissipating and by the 1990s GDP growth was so low that GDP per capita was declining, a situation that prevailed up to the year 2002 (Figure 1). GDP grew by an average of 4.07 percent per year in the 1980s but the performance deteriorated further to a growth rate of merely 1.67 percent in the 1990s. Kenya's per capita income which was growing at a peak of 4.08 percent annually in the 1970s reversed to a growth of negative 0.79 percent in the 1990s.

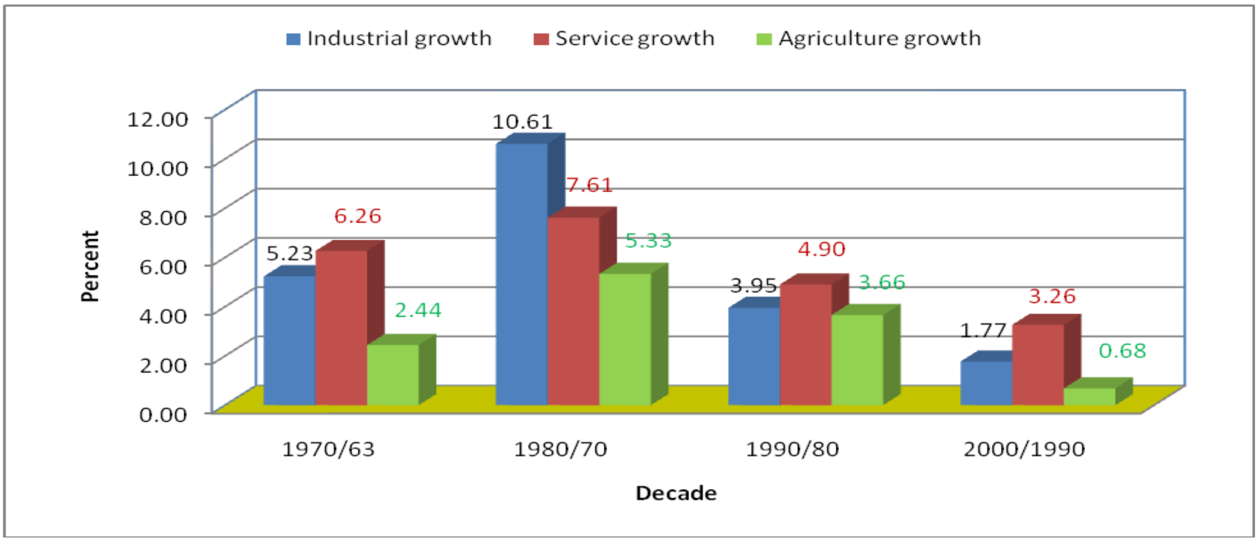
Figure 1: GDP Growth per decade 1960s – 1990s



Source: Computed from data in Economic Surveys

Key growth supporting sectors witnessed progressive decline in performance decade after decade. The industrial sector, which was growing at an average of 10.6 percent in the 1970s, grew by an average of only 3.95 percent per annum in the 1980s and the trend worsened to an average annual growth of 1.77 percent in the 1990s. The single largest sector of the economy, agriculture, adopted the same trend, not to mention services being one of the best performing sectors over the years. Agriculture sector was growing annually by an average of 5.3 percent in the 1970s but this performance declined to merely 0.68 percent in the 1990s while services sector growth progressively declined to an average of 3.26 percent per annum compared to 7.6 percent of the 1970s (Figure 2).

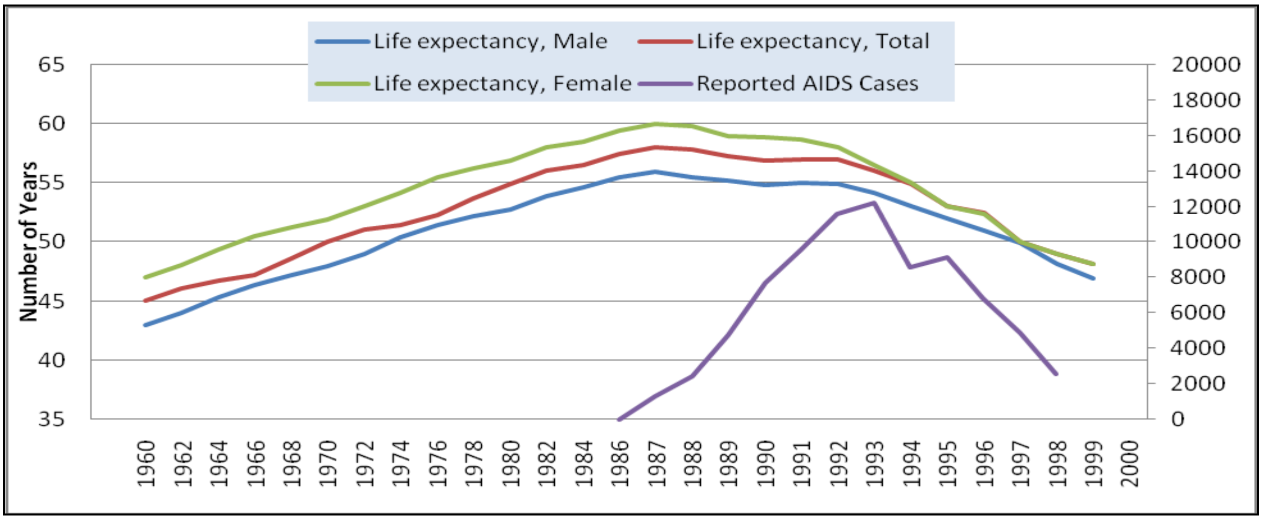
Figure 2: Performance of key growth supporting sectors



Source: Computed from Data in Economic Surveys

While the economic performance was dominated by low GDP growth, increasing unemployment and a significant decline in productivity, poverty incidence also worsened and the proportion of people living in poverty estimated to have increased from about 48.8 percent in 1990 to more than 56 percent at the end of 2002, with Districts having much higher poverty levels. Furthermore, the social indicators worsened markedly between the mid 1980s and the year 2002. For instance, life expectancy declined from 57 years in 1986 to 47 years in 2000. As shown in figure 3, life expectancy had consistently improved in Kenya until the mid 1980s after which it sharply declined. By the year 2000, life expectancy had gone down to pre-independence levels.

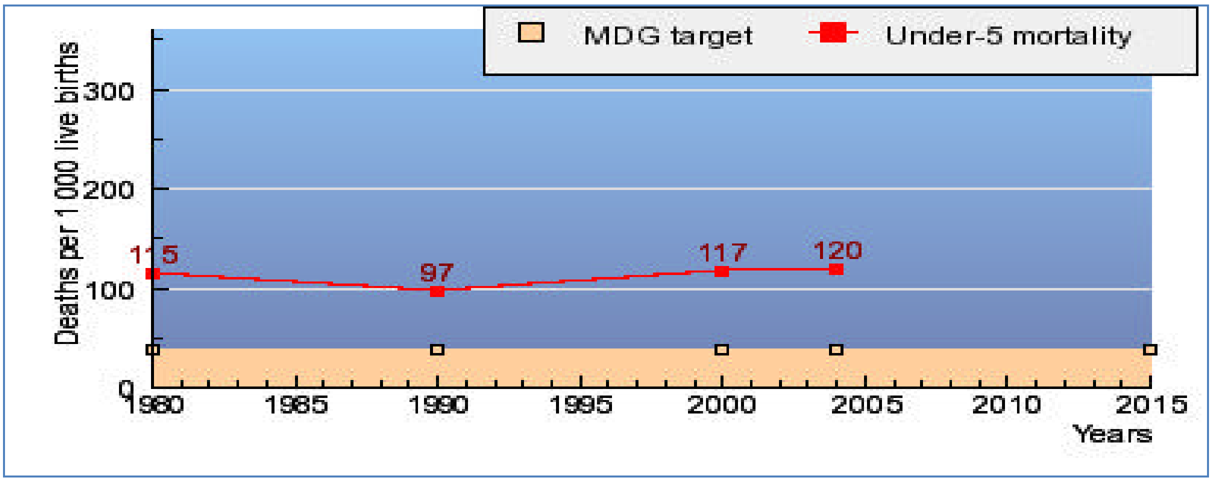
Figure 3: Life Expectancy and HIV/AIDS cases



Source: UNAIDS/WHO Epidemiological Fact sheet and UNICEF Earth Trends Data Tables.

Moreover, according to the Kenya Demographic and Health Survey conducted in 2003, infant mortality increased from 62 per thousand in 1993 to 78 per thousand in 2003, while under five mortality increased from 96 per thousand births to 114 per thousand during the same period. The different categories of mortality rate had declined progressively since the 1960s until the mid to late 1980s when the trend reversed. Figure 4 shows the trend in under-5 mortality and the MDG target.

Figure 4: Under-5 mortality rate and MDG target

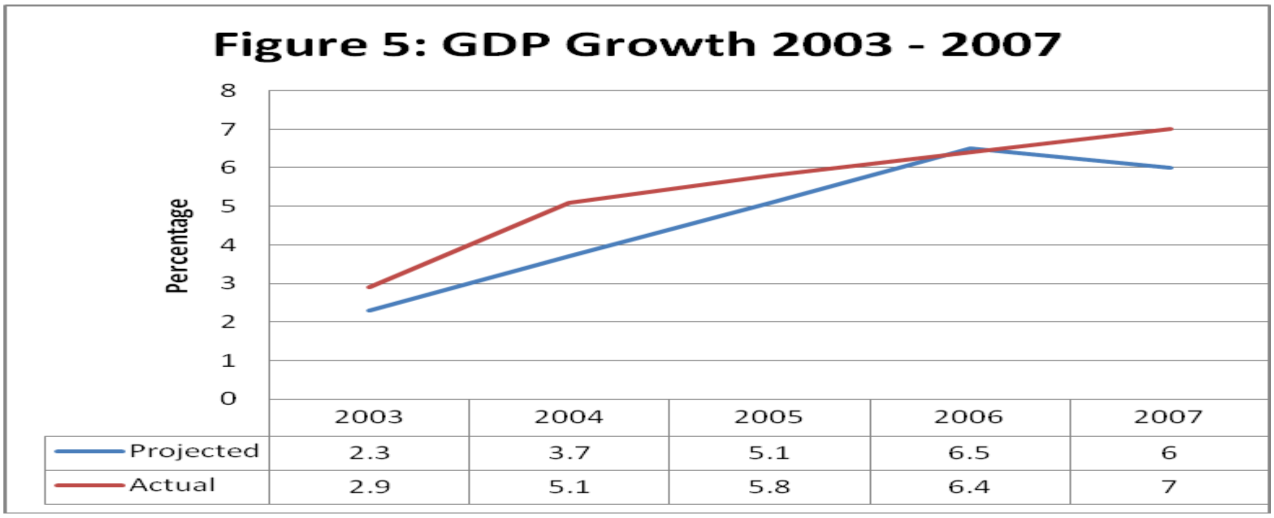


Source: WHO Country Fact Sheet 2006

1.2 The Economic Recovery Strategy

Against this background the Government formulated and implemented Kenya’s Economic Recovery Strategy for Wealth and Employment Creation (ERS) in 2003. The ERS aimed at restoration of high economic growth as a precursor to the achievement of other developmental objectives. Secondly, the Government aimed at improving equity and reducing poverty while the third key objective was to improve governance. To address the economic growth objective, the programme envisaged a strengthening of the macroeconomic framework, a more responsible fiscal stance, increasing the role of private sector in economic development and improvement in physical infrastructure. To improve equity and reduce poverty, the program focused on universal primary education, improved access to basic health, expanded productive capacity in agriculture, development of the hitherto overlooked arid and semi-arid areas, and upgrading the living conditions for urban dwellers that had suffered from poor urban infrastructure and social services arising principally from high urbanization rates. To enhance governance, the program proposed extensive reform of the judiciary, strengthening the rule of law and security, and implementing reforms in public administration systems that are critical to improving government transparency and accountability.

Implementation of the strategy produced immediate results as GDP growth recovered from 0.6 percent in 2002 to 2.9 percent in 2003. By 2007, which marked the end of implementation of the ERS, the Kenyan economy was on a rapid growth trajectory, growing by 7.0 percent, an impressive performance compared with the 0.6 per cent in 2002. The economic performance during the five year period actually exceeded the initial projections as indicated in figure 5. GDP was projected to grow by an average of 4.71 percent per annum between 2003 and 2007 but the actual growth averaged 5.4 percent per annum during the period. Several other economic parameters exceeded expectation. These include government revenue collection and hence expenditure. In the social sector, implementation of universal primary education achieved tremendous success with most of the initial hurdles addressed by the year 2007.



To sustain the recovery and move into a higher growth and development path, the Kenya Government has formulated a new long-term development blueprint for the country - Kenya Vision 2030. The motivation for the Vision is to have a development strategy that succeeds the ERS and answers to the aspirations for a prosperous society by transforming Kenya into a newly-industrialising, middle income country providing a high quality of life to all its citizens in a clean and secure environment by the year 2030. The Vision, therefore, not only aims at meeting the Millenium Development Goals (MDGs) but also making the country globally competitive.

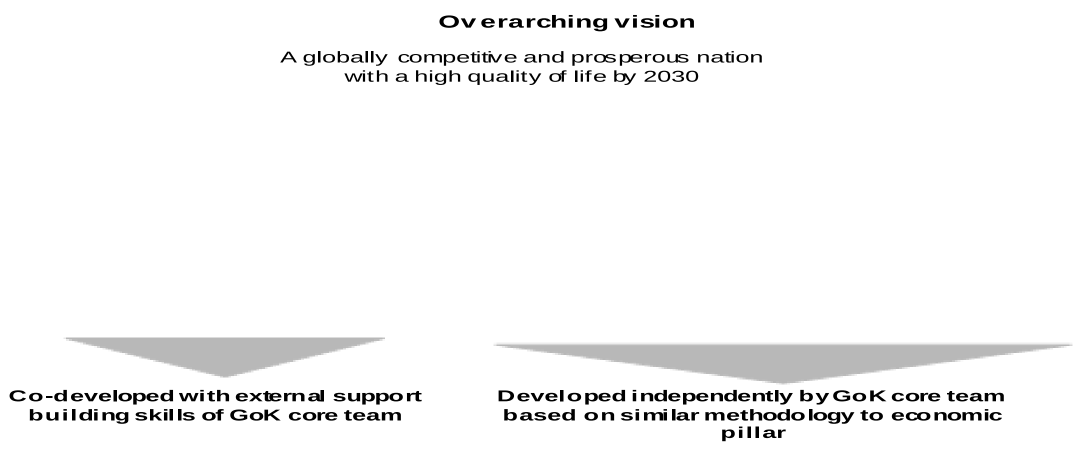
In the next sections of this chapter, we detail the strategic thrusts of Kenya's long-term development strategy and therefore underscore the three pillars underpinning Vision 2030. Kenya Vision 2030 is anchored on three key pillars: Economic, Social and Political Governance. Key objectives of each pillar and strategic thrusts of sectors covered in each pillar are highlighted, followed by a section that attempts to provide candid assessment of the gaps in Vision 2030. It is hoped that the identified gaps can be adequately addressed by the policies espoused in this book.

2. Vision 2030

Kenya's long term vision as enshrined in Vision 2030 document is to transform the country from its current status into a newly industrialising middle income country providing a high quality of life to all its citizens by the year 2030. The overarching vision, therefore, is **"A globally Competitive and Prosperous Nation with a high quality of life by the year 2030"**. The vision is anchored on three pillars namely Economic, Social and Political pillars. To support the three pillars are transversal institutional reforms and infrastructure development interventions.

Each pillar has defined objectives to be achieved by 2030, strategies and projects to be implemented in the first 5 year phase. The projects are diverse covering all social and economic sectors and are widely dispersed to cover the whole country.

Box 1: The Three Vision 2030 Pillars



The Government initiated and launched development of Vision 2030 in October 2006 with the National Economic and Social Council (NESC) as the supervisory authority and the Ministry of

Planning and National Development in charge of coordinating the technical and financial aspects of the process. The process was as consultative as necessary involving local and international experts, business leaders, top public sector officials, Parliamentarians, NGOs, hawkers and other ordinary Kenyans who were consulted through national and provincial forums. At the national level the vision research team held interviews with these key stakeholders and in addition held priority sector based problem solving workshops. The interviews sought to understand key initiatives, leverage ongoing reforms as well as test and refine proposed solutions. The consultations with investors helped the teams to understand private sector perspectives on barriers to investment and how to improve the business climate in Kenya.

After collating the initial findings and preparation of the first draft, the vision team accompanied by NESC members and a select group of Permanent Secretaries held district fora to disseminate and validate the findings and recommendations before the Vision 2030 document was finalised.

The Vision development process was driven by a public and private sector collaborative structure involving a National Vision Steering Committee, Operational Committee, Core Team, Sector Teams and a team of International Consultants. A summary of the support structure is given below together with membership and the role each team played.

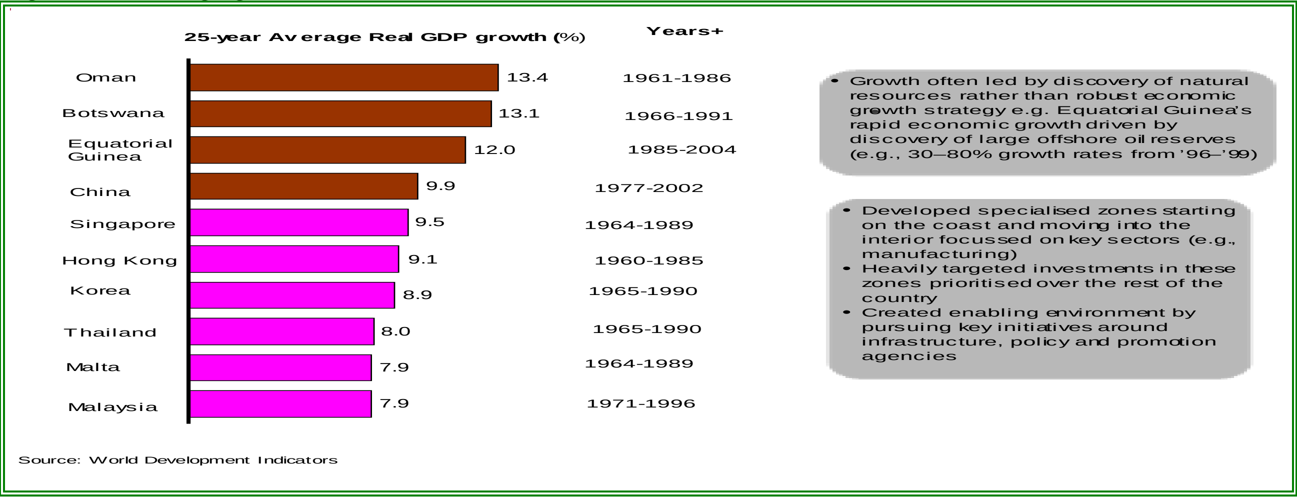
Box 2: Vision 2030 development structure

2.1 The Economic Pillar

Development of the economic pillar, undertaken with the support of external consultants, began with diagnostic of all sectors of the economy and benchmarking of the country's performance against its peers of the 1960s which are currently more developed. This benchmarking led to the conclusion that to achieve the people's aspirations, Kenya's economy needs a sustained high growth rate spanning at least two decades. This formed the basis for the formulation of the economic pillar's long term objective and medium term goals.

The objective of the economic pillar is **"To maintain a sustained economic growth of 10 percent per annum for 25 years"**. The crafters of the vision appreciated that this is a daunting task as, historically, less than five countries have ever achieved such a feat. Data from World Development indicators reveal that only Oman, Botswana, Equatorial Guinea and China have been able to achieve such a growth target. In most of these cases the robust growth was led by discovery of natural resources rather than economic growth strategy. Even the Asian tigers whose performance Kenya aspires to emulate, never reached such growth levels for a sustained period of 25 years (Figure 6). The role of natural resource exploitation in economic performance can be vindicated by the current growth trends in countries like Angola, which was the second fastest growing economy in Africa after Equatorial Guinea between 2001 and 2007. From 2001 to 2007, Angola achieved an average annual GDP growth of 13.2 percent[1].

Figure 6: Average growth rates of selected countries

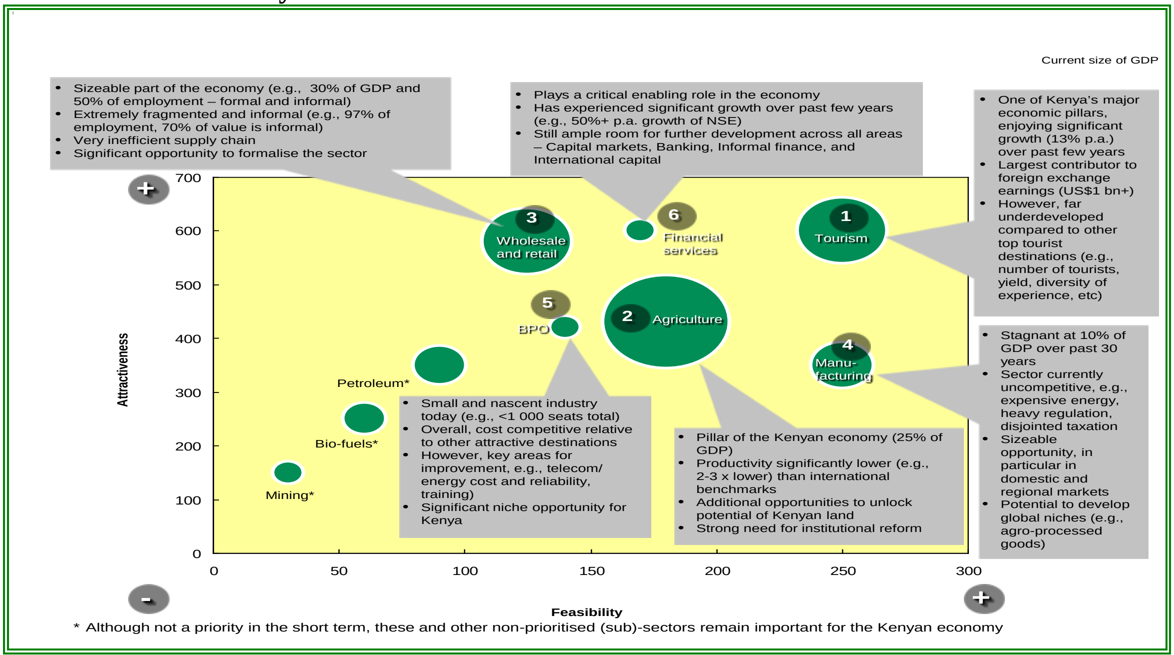


Analysis by the vision preparation team revealed that Kenya's growth had, up to 2007, been largely driven by efficiency gains. The improved performance of the tourism sector was, for instance, due to increased bed occupancy and not so much due to new investments in the sector. Achieving economic pillar objective would therefore require unlocking the bottlenecks to growth. These include increasing savings and investment to more than 30 percent of GDP, improving business environment, road infrastructure improvement, reducing the energy and telecommunications costs which at present are higher than the benchmark countries, and reducing the size of the informal sector in the economy. Improvement in the business environment would specifically require a fundamental shift to business "unusual", essentially from "Red Tape" bureaucracy to "Red Carpet" and a change in management philosophy from limited sense of urgency to relentless follow up; a reform of legislative mindset from slow reactive to fast proactive legislation; from normality of the public service to utilisation of top talent; from low and dispersed budgetary resources to focused special budget for investments.

[1] Source: International Monetary Fund, World Economic Outlook Database, October 2008

In addition, sector focus would be critical if the country is to meet the ambitious growth aspirations. Consequently, the Vision team identified six priority sectors to drive the economic pillar. This followed preliminary diagnostics combined with a collaborative approach to determine the sectors with the greatest potential to drive growth in the country. Their potential was based on the sector's attractiveness[2] and the feasibility. The six priority sectors were Tourism, Agriculture, Wholesale and Retail Trade, Manufacturing, Business Process Out sourcing (BPO) and Financial Services. Achieving the growth target would entail implementation of several flagship projects in the six priority sectors.

Box 3: The Six Priority Sectors



Tourism

Visions, goals and strategies were developed for each of the six priority economic sectors. In the tourism sector, the vision is **"To be among the top 10 long haul tourist destinations offering a high-end, diverse, and distinctive visitor experience".** This sector is one of the major growth and employment drivers in the Kenyan economy. It enjoyed high growth rates from 2004 to 2007 recording more than 10 percent growth per annum. It remains one of the largest contributors to foreign exchange earnings. However, it remains far underdeveloped compared to other top tourist destinations in terms of the number of tourists, yield and diversity of experience.

The goals in the sector are to (i) quadruple GDP contribution to KSh 200 billion by the year 2012, (ii) Raise international visitors from 1.6 million in 2006 to 3 million (iii) Raise average spend per

[2] Attractiveness was based on the current size of the sector in GDP while the Feasibility was based on resources required for high impact investments in the sector.

visitor from Ksh 40,000.00, which is about US dollars 500, in 2006 to Ksh 70,000.00 by 2012, and (iv) Raise bed capacity from 40,000 to 65,000.

To achieve these goals the country would need to pursue ***Coast product, Safari product, Niche Product and Business and conference*** strategies. These would entail aggressively growing ***coast*** segment through resort cities initiative; Migrating premium ***safari*** parks upscale and extending facilities at other under-utilised parks; Nurturing nascent, high value products such as cultural, eco- and water-based tourism (***Niche Products);*** and Revamping ***Business*** visitor offering by attracting high-end international hotel chains and investing in conference facilities.

These strategies would involve implementation of the following tourism sector flagship projects:

- Building two high-end, multi-attraction resort cities at the coast, and one at Isiolo town;
- Growing safari revenues by migrating premium parks like Maasai Mara up market, and extending bed capacity at under-utilized parks such as Ruma national park.
- Growing nascent, high-end niche products such as eco-tourism, water-based and cultural tourism. The niche products initiative will involve attracting 3,000 beds of investment at key sites in Western, North, North Rift and Tana circuits.

Agriculture

In the Agriculture sector vision 2030 document envisages a transformation from the current practices to a more commercially oriented agriculture. The agriculture sector remains a key pillar of the Kenyan economy contributing about 25 percent of GDP. However, productivity in the sector is significantly lower (2-3 times) than international benchmark countries. The sector possesses additional opportunities to unlock potential of Kenyan land with a strong need for legal and institutional reforms.

The sector vision, therefore, is **"Innovative, commercially oriented and modern farm and livestock sector"**. The goal in this sector is to stimulate additional Ksh 80 billion, which is approximately US dollars 1 billion, to Ksh 90 billion increase in GDP. This would involve (i) achieving benchmark yields in key crops, (ii) Increased smallholder specialisation with only 2 to 3 crops per plot, (iii) Utilising 1 million hectares of idle lands, and (iv) Cultivating up to 1.2 million hectares of new lands.

Five strategic thrusts were recommended to guide the achievement of these goals. The first one is ***institutional reform,*** implying transformation of key institutions into complementary and high-performing entities that enable private sector agricultural growth. The second is ***increased productivity*** of crops and livestock while the third strategy is to ***transform land use structure*** through better utilisation of High and Medium Potential Lands. The fourth strategy is to ***prepare new lands for cultivation*** by strategically developing irrigable areas of Arid and Semi-Arid Lands (ASALs) for both crops and intensified livestock production. The final one is to ***increase access to markets*** particularly to small holders through establishment of aggregators using the strategies spelt out in the wholesale and retail trade sector. The aggregators are expected to greatly improve the supply chain, eliminate middlemen and hence benefit both the farmer through higher producer prices and the retailer through higher margins.

The identified flagship projects in agriculture include:

- Preparing and ensuring passage of consolidated agricultural reform legislation;
- Developing and implementing a 3-tiered fertilizer cost reduction programme involving purchasing and supply chain improvements (tier 1), blending (tier 2) and manufacturing (tier 3);
- Planning and implementing 4-5 Disease Free Zones and livestock processing facilities;
- Creating publicly accessible land registry;
- Developing agriculture land use master plan (e.g., crop specialisation plan); and
- Establishing Tana River Basin development scheme.

Wholesale and Retail

The wholesale and retail sector comprises a sizeable part of the economy contributing 30 percent of GDP and 50 percent of employment in both formal and informal establishments. It is extremely fragmented and highly informal as 97 percent of its employment and 70 percent of value is informal. It has very inefficient supply chain and there's tremendous opportunity to formalise the sector. The vision of Wholesale and Retail Trade sector is, therefore, to **"Move towards a formal sector that is efficient, multi-tiered, diversified in product range, and innovative"**. The medium term goal of the sector is to stimulate additional Ksh 50 billion increase in GDP by (i) Creating 10 district based wholesale hubs (ii) Establishing 1,000-1,500 producer business groups (PBGs) (iii) Building at least 10 formal 'Tier 1' district based retail market places, (iv) Increasing formal market (supermarkets) share from 5 percent to 30 percent, (v) Attracting at least 3 new retailers with 10 or more stores each and (vi) Creating 1 free trade port in Mombasa in a strategy dubbed 'bringing Dubai to Kenya'.

Its strategies were clustered into three strategic thrusts namely ***Supply chain, Semi-formal retail*** and ***formal retail.*** In the supply chain, the strategy is to "Drive efficiencies through development of producer business groups and large wholesale hubs" while the strategy in the semi-formal retail is to "Create 'Tier 1' retail markets to locate informal players and help them grow". In the formal retail, the strategy is to "Attract and develop large formal retails through Joint and standalone domestic and foreign ventures".

Consequently, the vision team identified three flagship projects for wholesale and retail sector. These are:

- Build 'tier 1' retail markets starting with pilot in Athi River to serve Nairobi area.
- Create large formal wholesale hubs and connect them to producer business groups.
- Develop Free Trade Port in Mombasa for the Regional market.

Manufacturing

In the manufacturing sector which currently comprises about 10 percent of GDP and whose growth has been stagnant for several years, the key constraints identified were that the sector is currently uncompetitive with high energy costs, heavy regulation and disjointed taxation. However, there exists opportunity in the domestic and regional markets and there is potential to develop global niches especially in agro-processed goods. The sector vision, therefore, is **"A robust, diversified and competitive manufacturing"**. The medium term goal is to stimulate additional Ksh 30 billion increase in GDP by (i) Reducing imports in key local industries by 25 percent (ii) Growing market share in regional market from 7 percent to 15 percent and (ii) Attracting at least 10 large strategic investors in key agro-processing industries.

The strategies for the sector were classified into three strategic thrusts, that is, ***Local Production, Regional market expansion, and Global Niche.*** The strategy in local production is to defend and restructure key industries that have local raw material availability, but no competitive edge such as sugar and paper. For the regional expansion, the strategy is to exploit opportunities to further process imports and capture the "last step" of value addition (e.g. metals, plastics) while in the global niche, the country should strategically drive increased level of value addition in niche exports. This can be done through agro-processing. These strategies would be achieved through implementation of the following flagship projects:

- Developing concept, piloting and launching one to two Special Economic Clusters, focusing on select industries such as agro-processing and building materials with targeted players and incentive packages.
- Developing concept, piloting and creating at least 5 Small and Medium Enterprise (SME) Industrial Parks.

Business Process Outsourcing

BPO is a new and promising sector with a significant niche opportunity for Kenya. It is currently a small and nascent industry with less than one thousand seats in total. Assessment of this industry indicated that it is cost competitive in Kenya relative to other attractive destinations. However, there are key related areas requiring improvement. These include telecommunications cost, energy cost and reliability, and training of workers for the sector.

The vision for the sector is to be **"The top BPO destination in Africa".** The goal for 2012 is to create at least 7,500 direct BPO jobs with an additional GDP contribution of Ksh 10 billion. This could be achieved by (i) Attracting at least 5 major leading IT suppliers (ii) Attracting at least 10 large multinational corporation captives and/or global BPO players, and (iii) Targeting at least 5 large local players to develop as local champions through standalone operations or joint ventures.

Four strategic thrusts were identified for the BPO sector. These are ***International IT supplier base*** in which the strategy is to attract top international suppliers for scale and credibility; ***the multinational corporation captives and foreign BPOs*** where the strategy is to attract leading brands to establish at least 300 seat operations; ***Local champions*** where the strategy is to develop local champions through standalone operations and joint ventures; and ***Integrated value proposition*** which involves use of BPO park to concentrate marketing, training, incentives and telecom infrastructure.

One flagship project was identified for the BPO sector and this is to "Design and develop 1 major BPO park in Nairobi that has world class infrastructure developed by top international IT suppliers, offers competitive incentive packages to locate in park, provides a one stop shop for administration and talent and serves as a 'showcase' park to attract top foreign companies".

Financial Services

The sixth priority sector, Financial Services, plays a critical enabling role in the economy and is expected to enable transformation of the economy through mobilisation of required savings. The sector experienced significant growth between 2004 and 2007 with the Nairobi Stock Exchange (NSE) growing by more than 50 percent per annum. There is till, however, ample room for further development of all the segments of the sector including Capital markets, Banking, Informal finance, and International capital. The vision of financial services sector is to have **"A vibrant and globally competitive financial sector driving high-levels of savings and financing Kenya's investment needs"**. It is the role of this sector to mobilise adequate savings to finance the envisaged increase in investments. The long-term objectives for the financial sector are (i) Improved access and deepening of financial services and products for a much larger number of Kenyan households and small businesses; (ii) Mobilising additional savings to support higher investment rates; (iii) Greater efficiency in the delivery of financial services; (iv) Enhanced stability in the system to ensure that all banks and other deposit-taking financial institutions can safely handle the public's savings; (v) Creating a better financial environment that will encourage stakeholder involvement in ways that allow for an attractive return on investment and protection of depositors' interest; and (vi) To make Kenya one of the ranked financial centres in "emerging markets" by 2030.

The medium term goal is, therefore, to "Raise savings and investment rates from 17 percent to 30 percent of GDP through (i) Increasing bank deposits from 44% to 80% of GDP and reducing the cost of capital, (ii) Reducing the share of population without access to finance from 85 percent to 70 percent, (iii) Raising stock market capitalization from 50 percent to 90 percent of GDP, and (iv) Raising 5 percent of GDP for investment from remittances and 5 percent of GDP from other external sources such as FDI and sovereign bond.

The Government noted that raising domestic savings would require comprehensive pension reform to raise NSSF coverage and include additional 0.6 million adults in contributory pension schemes, increasing deposits in the banking sector by attracting additional 2 million customers, extending informal finance to additional 2 million Kenyans, and driving efficiency gains in the banking sector.

Four strategic thrusts were identified touching on different segments of the sector and these are ***Banking, Informal Finance, Capital Markets*** and ***International capital***. For banking the strategy is to facilitate transformation to larger, stronger banks, and extend credit referencing while for informal finance the strategy is to formalize informal finance, for example by passing the SACCO bill, and extend access to microfinance. In the capital markets the strategy is to deepen capital markets by raising institutional capital through pension reform and expanding bond and equity markets. The final strategy is to tap international sources of capital.

The financial sector flagship projects for the period 2008 to 2012, therefore, include:

- Facilitating transformation towards stronger, larger scale banks;
- Developing and executing comprehensive model for pension reform;
- Pursuing comprehensive remittances strategy;
- Implementation of legal and institutional reforms required for promotion of Nairobi as a regional financial services centre; and
- Formulation of a policy for issuing benchmark sovereign bonds.

Other financial sector initiatives planned for 2008 to 2012 include Reform of the commercial justice system to expedite the settlement of commercial disputes; Improving the registration of movable and immovable assets as collateral in order to increase their tangibility; Encouraging more use of ICT in the financial sector; Effecting legal reforms to encourage use of non-conventional collateral (e.g. warehousing and social capital) and strengthening the legal framework for effective functioning of credit reference bureaux; Strengthening actions to ensure that banks provide transparent and understandable information on charges made to clients; Removing barriers to effective competition in the system and encourage entrance and exit; and expediting the Companies Registry reforms to expand them to the districts.

Summary of Economic Pillar

The major projects in the economic pillar are summarised in box 4 below.

Box 4: Summary of flagship projects per Sector

Sector	Flagship Projects
Tourism	***1.1. Resort cities***: Build resort cities in key areas (eg, coast, national parks) ***1.2. Premium parks***: Restrict numbers and raise quality in key parks ***1.3. Under-utilised parks***: Upgrade and extend capacity in under-utilized parks ***1.4. Niche products***: High end play at 4 key sites in Western circuit and 1,000 home stay sites
Agriculture	***2.1. Reform***: Prepare and ensure passage of consolidated agricultural reform legislation ***2.2. Fertilizer cost reduction***: Develop and begin implementation of 3-tiered fertilizer cost reduction programme– purchasing and supply chain improvements; blending; manufacturing ***2.3. Disease Free Zones***: Plan and implement 4-5 zones and livestock processing facilities ***2.4. Land registry***: Create publicly accessible land registry ***2.5. Land use master plan***: Develop agriculture land use master plan (e.g., crop specialisation plan) ***2.6. ASAL development***: Develop Tana River Basin irrigation scheme
Wholesale and Retail Trade	***3.1. PBGs and hubs***: Develop producer business groups (PBGs) and formal wholesale hubs ***3.2. Tier 1 retail markets***: Create Tier 1 retail mkts to semi-formalize informal players and help them grow ***3.3. Free Trade Port:*** "Bring Dubai to Kenya" by creating a free trade port to serve the regional market
Manufacturing	***4.1. SECs***: Develop concept, pilot, and launch Special Economic Clusters (e.g., focus on industries, target players, incentive packages, etc) ***4.2. SME parks***: Develop concept, pilot, and create Small & Medium Enterprise (SME) industrial parks
BPO	***5.1. BPO park***: Design and develop BPO parks that have world class infrastructure developed by top international IT suppliers, offers competitive incentive packages to locate in park, provides a one stop shop for administration and talent and serves as a 'showcase' park to attract top foreign companies
Financial Services	***6.1. Strengthening banks***: Facilitate transformation towards larger scale and more efficient banks ***6.2. Pension reform***: Develop and execute comprehensive model for pension reform ***6.3. Remittances***: Pursue comprehensive remittances strategy ***6.4. Sovereign bond***: Formulate policy for issueing sovereign benchmark bonds

These projects were carefully crafted to ensure that they are evenly distributed nationally such that parts of the country that are presently remote and under developed could be open up.

Transversal Reforms

To support the priority sector strategies and projects, transversal reforms and enabling infrastructure development would be required. The reforms would cover the public sector, infrastructure development, land reforms and human resource development. Specifically Kenya would require creation of proactive delivery units in Government to drive implementation of flagship projects; aggressive pursuit of targeted investors to entice them into the country; a move from 'red tape' to 'red carpet' and tying budgets to performance; and simplification and reduction of taxes that help move internal players to greater formality, for example, tier 1 retail markets and hubs.

On infrastructure, successful implementation of the vision would need building key roads to support the proposed resort cities, revitalized tourist circuits and wholesale hubs. The vision document also recommends subsidizing energy costs in key areas and within flagship projects especially the Special Economic Clusters for manufacturing. There is also need to support development of transportation, construction and telecom initiatives around flagship projects. The Government identified the following infrastructure projects, among others, for implementation:

- Producing the First National Spatial Plan to support interventions in agriculture, manufacturing, urbanisation, and environmental management, which are priority sectors in Vision 2030;
- Developing a 50-year Integrated National Transport Master Plan which is linked to the National Spatial Plan;
- Dredging and deepening of Mombasa Port to enable larger post-Panamax vessels to access the port and thereby remove the risk of the port slowly evolving into a feeder facility which larger vessels have no access to;
- Developing Nairobi metropolitan region bus rapid transit System to cover three transport corridors namely Athi River Town to Kikuyu Town, Thika Town to the Central Business District, and Jomo Kenyatta International Airport to the Central Business District;
- Development of light rail for Nairobi and its suburbs;
- Development of a new transport corridor to Southern Sudan and Ethiopia; and
- Rehabilitation and maintenance of airstrips and airport expansion and modernisation particularly those serving tourist and commercial sites in the country.

In the area of human resources development, the Government will develop or incentivise development of key training programs to support quantity and quality of talent needed in key sectors such as training around specific processes in BPO. The aim is to create a globally competitive and adaptive human resource base to meet requirements of vision 2030. Land reforms are also recommended, including development of new land laws and land use master plan using land registry to identify and zone certain areas for specific types of activity. For instance, zoning could be done for crop specialization.

2.2 The Social Pillar

The social pillar of Vision 2030 seeks to create **"a just, cohesive and equitable social development in a clean and secure environment"**. It, therefore, presents comprehensive social interventions aimed at improving the quality of life of all Kenyans and Kenyan residents. The vision classifies interventions in the social pillar into six broad areas of focus. These include education, health, water and sanitation, environment, housing and urbanisation, and gender, youth and vulnerable groups.

Education

The education sector diagnostics looked comprehensively at issues affecting education and training. The diagnostics covered access to education, quality, equity, relevance, institutional management and capacity development. The diagnostics and stakeholder discussions in the education, science and technology sector revealed several challenges that Kenya needs to address. Regarding access the key challenges identified include low literacy levels in some parts of the country, poor net and gross enrolment in pastoralist areas, low transition rates and fairly high dropout rate at basic education levels. The transition rate is a major issue that affects the country at the national level. For example, of the roughly 700,000 students that complete primary education less than 400,000 can get access to secondary school education in both private and public schools. Out of the number that joins secondary schools only 4.6 percent gets access to the University education.

Furthermore, quality related issues such as the pupil teacher ratio, the class size, the pupil textbook ratio, and absorption in the labour market feature in Kenya prominently. After freezing recruitment of teachers for some time coupled with a surge in the number of pupils following the launch of free primary education, the pupil teacher ratio increased far beyond the recommended levels. In addition, the pupil textbook ratio remains high while the absorption of school and college leavers into the labour market remains low. Absorption was found to be an issue that also relates to the relevance of the curriculum. The need for the education system to inculcate a sense of national unity and patriotism, to encourage social responsibility and to enhance moral and ethical values was also identified. These and other issues were therefore addressed in the sector vision. The Vision for education and training is **"Globally Competitive Quality Education, Training and Research for sustainable development".** The strategies for achieving this vision were categorised into seven strategic thrusts. These were early childhood development education (ECDE), primary education, secondary education, special education, adult education, TIVET[3] and University.

The medium term goal is an ***"Overall reduction of illiteracy and enhancement of wealth creation; focusing on access, transition, quality and relevance of education, training and research".*** Within this the specific goals for 2012 are to (i) Integrate ECDE within Primary Education, (ii) Achieve NER level of 95 percent and Increase transition from primary to secondary and technical institutions by 90 percent, (iii) Increase GER from 30 percent to 60 percent, NER from 20 percent to 40 percent and Increase transition from secondary institutions to universities, (iv) Integrate all special needs education into learning and training institutions, (v) Achieve an adult literacy of 60 percent (by

[3] Technical, Industrial, Vocational and Entrepreneurship Training

reducing nominal number of 7.8 million to 3.2 million to give a 60 percent reduction), (vi) Increase transition from technical institutions to universities from the current 3 percent to 8 percent, and (vii) Expand access at the university education from 4.6 percent in 2006 to 20 percent. The strategies recommended towards these objectives between 2008 and 2012 are summarised in Box 5.

Box 5: Strategies for Early Childhood, Primary, Secondary and Special Education

ECDE

- Revise pre-service primary teacher training curriculum to prepare teachers on appropriate methodology for teaching ECDE and lower primary;
- Build community capacities for the development and equipment of ECDE centers in collaboration with other partners;
- Work with other partners in education, particularly the local authorities, to improve salaries and terms of service for ECDE teachers; and
- Implement the ECDE policy framework within broad based partnership with all stakeholders.

Primary Education

- Encourage community support for infrastructure development;
- Introduce alternative modes of provision of education, e.g. multi-grade, double shift and mobile schools among nomadic communities;
- Collaborate with other stakeholders in establishing and improving boarding schools in ASAL areas where day schools are inappropriate; and
- Mainstream STI in the curriculum.

Secondary

- Integrate secondary education as part of basic education;
- Offer free tuition, and encourage parents and communities to provide infrastructure and operational costs;
- Develop more day schools to reduce the cost to parents;
- Support by the Government for private providers of secondary education (PPPs);
- Introduce ODL and other alternative delivery mechanisms such as e-learning;
- Establish two centers of excellence at district levels to serve as role models and increase the number of national schools;
- Implement diverse demand side financing strategies to cushion the poor students, including enhanced bursaries, voucher scheme targeting students and special grants; and
- Mainstream STI in the curriculum.

Special Education

- Create public awareness on the need to send children with special needs for early assessment and placement;
- Design and support programmes that enhance inclusive education in all institutions;
- Promote innovations in local enterprises and inculcate skills for production of equipment and learning materials for special needs education; and
- Implement a flexible curriculum that is appropriate for learners with special needs.

In addition to the above strategies the vision 2030 also recommends strategies for increasing adult literacy level. These include promoting learning and training opportunities to ensure adequate access by all and expanding the post literacy programmes; Mobilizing resources and stakeholders for the development of adequate learning centres and materials; Developing a national qualification framework that will provide opportunities for linkage with the formal education and create mechanisms for re-entry at any level – from primary to university and provide certification; and Introducing other modes of delivery including ODL.

On Technical, Industrial, Vocational and Entrepreneurship Training the strategies include undertaking labour market skills survey and training needs assessment in collaboration with the industry and service sector; In-service training and training for lecturers in technical education in line with skills oriented curriculum; Developing a legal framework for a tripartite delivery mechanism in tertiary education and PPPs; Providing an alternative path for accessing higher education and training up to degree level; Mobilizing resources to rehabilitate TIVET institutions; and Government support for private providers and industry, with the industry providing relevant support, such as, attachments and research.

Finally, strategies for expanding University education between 2008 and 2012 include review of curriculum to reflect skills requirement in the realization of the 2030 vision; promoting rationalization of academic programmes among universities and creating centres of excellence; In-service and training for lecturers (public and private) in line with skills oriented curriculum; Empowering HELB to mobilize resources from the private sector; Promoting the expansion of university education and training in tandem with population growth and the demand; Promoting all private sector investment in university education and training; providing scholarships based on the needs of the economy; facilitating an all-embracing national accreditation system with credit transfer; and De-linking accommodation and catering from admission.

The education and training sub-sector would also require addressing cross cutting issues in vision planning. These include attitudinal change within the Kenyan society, especially among those within the educational system; Gender mainstreaming within all sub-sectors and levels; Capacity development for economic management and development at all levels; Mainstreaming ICT at all levels of education and training; Aggressively addressing emerging issues, such as HIV/AIDS scourge, drug and substance abuse, and environmental education; and Taking cognizance of regional disparities.

Health Sector

The health sector in Kenya is presently faced with challenges of accessibility to services, availability of services especially in remote parts of the country, and affordability where the services are available. The issue of access was looked at in terms of geographical access, financial access, and socio-cultural barriers to health delivery. Regional disparities in access were looked at as well as the quality of service delivery systems, quality and quantity of health sector personnel, health care inputs and health sector knowledge generation through research. The institutional framework was also addressed starting with healthcare policy, health management and incentive structures and stakeholder involvement especially in policy formulation. The sector vision envisages overcoming the current constraints in the sector by the year 2030. The health sector vision is **"Equitable and affordable health care system of the highest possible standards".**

The strategies for the sector were categorized into three strategic thrusts namely ***Health structures, Health service delivery and partnerships,*** and ***Equitable Health financing mechanism.*** The objective of the health structures thrust is to provide a functional, efficient and sustainable health infrastructure network while that of the delivery and partnerships thrust is to improve quality of health care delivery to International Standards. In addition, the objective of the equitable financing thrust is to introduce a purchaser provider system. The focus of all the interventions in the sector in the medium term would be Preventive health care services for all Kenyans.

Overall goal for the medium term is to "Reduce health inequalities and reverse the downward trend in the health related impacts and outcome indicators". Specifically the vision aims at (i) Having all existing health facilities rehabilitated and well equipped, (ii) Having a fully functional health system in every urban centre (iii) Increasing access to health services and (iv) Enhancing the promotion of individual health and lifestyle.

In terms of health service delivery, the 2012 goals are to (i) Make Kenya a regional health service hub (ii) Reduce the shortage of HRH by 60 percent (iii) Have professional managers in all hospitals (iv) have Health centres of excellence (v) Institutionalise PPPs. To address the need for equitable financing the 2012 goals are to reduce the out-of-pocket expenditure to 25 percent and have social health insurance scheme (Purchaser-provider system) in place. The strategies for achieving these goals are summarised in box 6 below which highlights the vision and high level strategies for the health sector.

Box 6: Health sector goals and projects

	Vision for 2030 Equitable and affordable healthcare system of the highest possible quality		
Strategic thrusts	*Health structure:* Provide a functional, efficient and sustainable health infrastructure network	*Health service delivery:* Improve the quality of healthcare delivery to international standards	Develop equitable health financing mechanism
Goals for 2012 — **Focus**	Preventive-promotive healthcare service for all Kenyans		
Goals for 2012 — **Overall**	Reduce health inequalities and reverse the downward trend in the health-related impact and outcome indicators		
Goals for 2012 — **Specific**	• All health facilities rehabilitated and well equipped • Fully functional health facilities in every urban centre • 60% of Kenyans reached thro' comprehensive community services • Health Management Information System developed	• Make Kenya a regional health services hub • World class medical centres established • Reduce the shortage of HRH by 60% • Professional managers in all hospitals • PPPs institutionalised	• Reduce the out-of-pocket expenditure to 25% • social health insurance scheme (Purchaser-provider system) in place
Strategies	• Increase access to physical infrastructure • Support improved availability of quality health services • Strengthen KEMSA to be the strategic procurement unit for health sector • Provide defined health services at the community level • Strengthen health facility- community linkages • Enhance the promotion of individual health & lifestyle • Strengthen the capacity of community extension workers and community owned resource persons	• Market and promote Kenya as regional health service hub • Promote medical tourism • Increase the number and cadre of health personnel and improve working environment • Establish an efficient referral network • Establish quality standard norms • Strengthen regulatory framework • Build capacity of health service facilities on procurement requirements • Establish and operationalise district health boards, and DHSFs • Separate service provision from regulation • Establish a course on Hospital Management	• Develop a social health insurance scheme • Establish a health service commission • Scale up Output Based Approach (OBA) system
Cross cutting issues	• Health Sector reforms to promote preventive health care services, management and regulation across all levels • Improved literacy rates and change of retrogressive cultures and attitudes • Demographic Issues		

Water and Sanitation

The key issues addressed by the vision document in water and sanitation were classified into five broad areas which are water resource management, water harvesting and storage, water supply, sanitation, and irrigation and drainage. The vision team and the stakeholders identified several challenges relating to each of these five areas. In water resource management one of the challenges identified was limited and uneven water resources. Kenya has renewable fresh water per capita of $647m^3$ compared to the United Nations recommended minimum of $1000m^3$ implying that it is a water scarce country. Furthermore, the country has high water resource degradation due to pollution and siltation. This is worsened by the degradation of water catchment areas.

Kenya also suffers the problems of inadequate water harvesting and inadequate infrastructure for water storage. The water supply is also affected by poor infrastructural development, pollution and poor water quality and the fact that unaccounted for water is very high at 60 percent. Moreover, challenges in sanitation include Sewage polluting water bodies, Cultural practices, Low level of infrastructural development, Weak sanitation and hygiene awareness and its linkages to other social goals. In the same breath irrigation and drainage suffers from lack the massive capital investment required for irrigation, Lack of irrigation policy, legal and institutional framework, Inadequate water in the irrigation schemes and inefficient water use arising from poor technology being applied.

There is need to have improvement and increased efficiency in all these aspects so that water and sanitation is available and accessible to all Kenyans. Therefore, the Vision for the water and sanitation sector is **"To ensure Water and Improved Sanitation availability and access to all by 2030".** Realizing this vision would entail adoption of strategies in five broad areas namely, ***Resource Management, Water Storage and Harvesting, Water supply, Sanitation, Irrigation and Drainage***. In these areas Kenya would need to increase fresh water availability and establish water monitoring programme; improve water storage capacity; upgrade supply in urban areas and expand supply in rural areas; expand sewerage coverage; and Expand area under irrigation and drainage respectively.

The overriding medium term goals in all these areas are to Reverse the declining water availability per capita, Increase access to safe water and sanitation, and Increase area under both irrigation and drainage from 140,000 hectares to 300,000 hectares. Specific goals set to be achieved between 2008 and 2012 include to (i) Increase regular monitoring of water resources to 70 percent, (ii) Implement the two water catchment management strategies, (iii) Double water storage per capita to 16 m^3, (iv) Increase water access in urban to 72 percent and rural to 59, (v) Reduce unaccounted for water from 60 percent to 30 percent, (vi) Attain 70 percent and 65 percent access to safe sanitation and 40 percent and 10 percent sewerage access in urban and rural areas respectively, (vii) Increase area under irrigation to 210,000 hectares, and (viii) Increase drainage area to 90,000 hectares.

The projects recommended for improving water resource management include Rehabilitation of 600 hydrometric stations; Enforcing regulations for water resource monitoring; Encouraging formation of water resource users associations by communities to assist in self regulation; and Mapping of underground water aquifers.

To improve water storage capacity and harvesting the vision document recommends increased investment in the water storage infrastructure; developing innovative community based methods and technology for water harvesting; and developing water conservation structures in ASAL areas such as dams and water pans.

Furthermore, strategies for water supply and expansion include rehabilitation and expansion of urban water supply and sewerage systems in the major and medium towns; expansion of rural water supply; public private sector collaboration in development and management of water supply; Clustering viable water supplies under a single service provider; encouraging self financing for Operations and maintenance in urban water supply; and subsidising cost of water to the poor.

To expand sewerage services, the initiatives recommended for pursuit between 2008 and 2012 include promoting the use of VIP latrines and septic tanks in rural areas to include schools adhering to the ratio of 35:1 for boys and 25:1 for girls; developing and expanding sewerage schemes especially in the urban areas; and promoting public health education on sanitation.

Finally increasing the land area under irrigation and drainage will involve developing the master plan for irrigation; finalising policy, legal and institutional framework; promoting use of appropriate technology; empowering communities to develop and manage their schemes; and concessioning of Arid and Semi-Arid Lands.

Environment

The Vision 2030 diagnostics and stakeholder reviews looked at environmental challenges facing Kenya. These include Unsustainable management of natural resources like forests, wildlife and coastal marines, Degradation of the environment through air pollution, solid and hazardous waste, Climate change and desertification, and the country's Inability to identify and develop strategic natural resources due to low innovative and exploration initiatives and capacity.

Kenya's natural resource base is threatened by Continued deforestation and poaching, Human wildlife conflicts, Increased occurrence of Alien and invasive species, Depletion of marine resources (fish), Lack of effective policy, regulatory and institutional framework, and Environmental degradation and encroachment in fragile ecosystems.

The challenges in the area of climate change and desertification are increased frequency and severity of droughts and floods, inadequate adaptation measures and the existence of knowledge gaps on the impacts on climate change. Other environmental challenges include low innovation in utilization of natural resources, inadequate capacity to apply scientific environmental research and the country's inability to adopt new technologies. Kenya's vision is to overcome these challenges. The vision for environment is, therefore, **"A nation living in a clean, secure and sustainable environment".**

Realization of this vision will require implementation of measures in four broad areas namely conservation, pollution and waste management, ASAL and disaster zones, and environmental planning and governance. The overall goal of environmental policies and strategies in the medium term is to promote and safeguard the state of environment for economic growth. In this regard, the specific goals to be attained by 2012 are to (i) Increase forest cover from less than 3% to 4%, (ii) Protect five water catchment areas, (iii) Fully protect all wildlife ecosystems, (iv) Apply natural resource accounting in national accounts, (v) Reduce by 50 percent environmental healthy related diseases, (vi) Have solid waste management systems in 5 Municipalities and special economic zones, (vii) Substantially reduce losses due to floods and droughts, (viii) Determine national trends and have impacts assessment, (ix) Pilot five initiatives on climate change adaptation and desertification in ASAL, (x) Develop Natural Resource Data Base, (xi) Have all environmental regulations and standards enforced, (xii) Have integrated environmental planning, and (xiii) Have at least 10 manufacturing firms attain ISO 14001 standards.

The strategies outlined for achieving these environmental conservation goals include Rehabilitation of degraded forest areas and promotion of farm forestry, Securing global payment for ecosystem services such as Clean Development Mechanism (CDM), User compensation for environmental services, Enhancing Community livelihood from wildlife and forest management, Use of Research and Development, Securing wildlife corridors and migratory routes, and Improving security of boundaries of protected areas

To address pollution and improve waste management, vision 2030 recommends Development and enforcement of regulations on pollution and waste management, creating awareness on pollution and waste management, Design and application of economic incentive and dis- incentive measures, Developing and enforcing plastic regulations, Public private partnership for municipal waste management, and Reduction in importation of oil with high S02.

Furthermore, on ASAL and Disaster Zones, the Government will Shift from disaster response to disaster risk reduction, develop Coastal and marine disaster risk management plans, Develop and strengthen capacities to build resilience to disasters, Promote CDM, provide incentives for cleaner production technologies, and Minimize vulnerability of ASAL population and production systems.

In environmental planning and governance the strategy is to Upgrade capacity for enhanced geo-information coverage and application, Harmonize environmental related laws, Strengthen institutional capacities, Use of incentives for environmental compliance, and adopt multi-sectoral planning approach (SEA, ecosystems management plans, NEAPs).

Housing and Urbanisation

Kenya is currently having a rapidly urbanizing population but the country is confronted with a slow pace of urban infrastructure development. The housing sector is particularly faced with a myriad of challenges including inadequate public-private sector participation framework and investment in housing, low level of urban home ownership, low incomes, limited range of low cost building materials and appropriate construction technologies, extensive inappropriate dwelling units such as slums, lack of comprehensive housing sector legal framework, multiple approval procedures and institutions, inaccurate land records and fraudulent practices, financial system that limits accessibility to housing finance for Developers and Homeowners, lack of serviced land for development, lack of tenure security especially in slums, proliferation of squatter and informal settlements, inadequate urban and regional planning and management, lack of decentralization, devolution and urban development policy, and weak enforcement of standards, codes and policies.

Vision 2030 provides strategies and projects that will help eliminate these challenges and enable Kenya's urban centres have adequate housing in a clean environment. The vision for housing and urbanization is therefore **"An adequately and decently housed nation"**.

The country's efforts aimed at realizing this vision will be concentrated in four broad areas. These are planning and management, housing development, finance, and legal and administrative reforms. In the realm of planning and management the aim is to achieve Integrated Regional and Urban Planning and Management through (i) Strategic Development, Physical, and Investment Plans, (ii) Enhancing urban and regional planning capacity, (iii) Decentralization or devolution and improved financial management of local authorities, and (iii) Institutionalization of participatory planning and development.

With respect to housing the objective is to facilitate the development and access to affordable and adequate housing. This will be done by (i) Securing and servicing urban land with physical and social infrastructure including through PPP, (ii) Developing national construction capacity, (iii) Utilization of appropriate building materials and low-cost construction technologies, (iv) Materials cost reduction initiatives, and (v) Implementation of housing sector incentives and market re-engineering measures.

The challenges in the area of finance for housing will be overcome through an enhanced access to adequate finance for both developers and buyers. The strategies to achieve this include (i) Long term finance mobilization, (ii) Housing and infrastructure bonds, (iii) Addressing the cost of financing, (iv) Appropriate incentives, and (v) Mortgage-backed securities and secondary mortgages market development.

In reforming legislative, institutional and regulatory framework the Government will (i) finalise legislation for the housing sector, (ii) Prepare national land use policy, (iii) Prepare urban development policy, (v) Prepare a Sessional paper on land policy, (vi) develop a framework for PPPs in the housing sector, (vii) Create institutions that strengthen implementation of policies, programmes and projects, (ix) enforce standards and codes, and (x) formulate and implement zoning regulations.

These undertakings will be aimed at achieving integrated regional and urban planning and management and increasing annual urban housing production from 35,000 units in 2008 to **102,500** units and the improvement of 200,000 housing units in rural areas by year 2012. This will imply an increase of 300 percent in new housing development per year during the period.

Gender, Vulnerable Groups and Youth

The diagnostics of gender, vulnerable groups and youth issues covered opportunities and empowerment, capabilities, and vulnerabilities. Key challenges that clearly emerged in the gender dimension were purchasing power disparity between Kenyan men and women, low numbers of women at all decision making levels with parliament only having 7 percent in 2007, and the number of people traveling for over 5Km to public amenities, most of who are women, remaining high at 50 percent. In addition, infant mortality rates remain very high at 79 per 1000 and under five mortality rates at 120 per 1000 especially boys, there is low access to family planning methods, low number of births attended by skilled health personnel at a mere 42%, adult literacy rates of men and women at 78% and 70% respectively, disparity in high risk sex through safe sex methods like use of condoms for men and women at 47% and 25% respectively, and population below poverty line for men and women being 48% and 50% respectively in rural areas but 30% and 46% respectively in urban areas. The challenges for the youth and vulnerable groups are summarized below.

Box 7: Challenges in gender, vulnerable groups and youth

Kenya envisions a situation where all these challenges will have been reversed by 2030. The vision for gender therefore is, **"Men and women enjoying a high quality of life and equal opportunities"**. For the vulnerable groups the vision is **"Improved livelihoods for the vulnerable persons at household, community and national levels"** while the vision for the youth is **"A responsible, globally competitive and prosperous youth".**

Achievement of these milestones will require several strategic interventions to achieve medium to long term goals. The gender goals set for 2012 include (i) Increase earned incomes (PPP) of Kenyan men and women from US dollars 1,242 and US dollars1,037 respectively to US dollars 5,000 for both, (ii) Increase number of women in Parliament form 7 percent to 30 percent and fully implement 30 percent representation in all decision making levels, (iii) Decrease the number of people travelling for over 5 Kilometres to public amenities from 50 percent to 38 percent, (iv) Reduce infant mortality from 79 to 25 per 1000 and under 5 mortality rates from 120 and 33 per 1000 with more emphasis on the boys, (v) Increase level of access to family planning methods from 39 percent to 50 percent, (vi) Double the number of births attended by skilled personnel from 42 percent to 84 percent, (vii) Increase adult literacy rates of men and women from 78 percent and 70 percent to 85 percent, (viii) Reduce rate of high risk sex through safe sex methods like use of condoms for men and women from 47 percent and 25 percent respectively to 50 percent, and (ix) Reduce population below poverty line for men and women from 48 percent and 50 percent respectively in rural areas and from 30 percent and 46 percent respectively in urban areas to 25 percent for all.

The strategies specified to move Kenya towards these goals are through Increased employment opportunities, Affirmative action, Increased social amenities, Improved access to health care Train more nurses and doctors, Increased adult literacy programmes, Increased capacity of police to handle cases of violence against women, Elimination of retrogressive cultural practices like female genital mutilation, and encouraging wholesome family units that promote social values and norms consistent with vision 2030.

For the vulnerable groups, the goals are to (i) Increase pension contribution from 18 percent – 40 percent to support elderly, (ii) Reduce poverty among elderly in urban and rural areas from 48 percent and 55 percent respectively to 25 percent, (iii) Reduce economic dependency from 50 percent to 25 percent amongst youth and elderly, (iv) Reduce the number of refugee influx into the country from 240,000 to 100,000, (v) Eliminate paid child labor especially in agriculture sector, (vi) Reduce the number of orphans from 2.4 million to 1.4 million, and (vii) Empower people with special needs such as the physically disabled.

The 2012 goals for the youth include to significantly increase post primary education transitional, retention and completion rates, Raise levels of entrepreneurial, technical, managerial, creativity, leadership and life skills by 70 percent, Reduce youth unemployment from 75 percent to 35 percent, Reduce young convicts (16-25 years) from 57 percent to 30 percent, Increase numbers of youth in positions of responsibility/leadership by 50 percent, and reduce new HIV/AIDS infections among the youth by 80 percent. The strategies outlined for moving towards these goals are through increased funding and support for post primary education using bursaries, Reorienting curriculum to demands of labour market, developing national youth council, providing tax incentives to encourage youth activity in key sectors such as sports, media and entertainment, engaging the youth in gainful youth activities (e.g. sports, music) and provide facilities for such, promoting health education among youth, reducing crime rates and drug abuse among the youth, and more aggressive rehabilitation of youth affected by crime, drugs and retrogressive cultural practices.

2.3 Political Pillar

Finally, the political pillar vision is to have **"A democratic political system that is issue-based, people-centred, result-oriented and accountable to the public"**. This will be a complete overhaul of the current system dominated by tribal and regional political alliances with emphasis on patronage rather than issues.

The political pillar vision is driven by the country's desire to confront the current challenges concerning Rule of Law and Human Rights; Electoral and Political Processes; Democracy and Public Participation; Transparency and Accountability; Public Administration and Service Delivery; and Security, Peace-Building and Conflict Management. The visions in each of these areas respectively are (i) Adherence to the rule of law applicable to a modern, market-based economy in a human rights-respecting state, (ii) Genuinely competitive and issue-based politics, (iii) People centred and politically engaged open society, (iv) Transparent, accountable, ethical and results oriented government institutions, (v) Policy driven and service focused government institutions, and (v) Security of all persons and property throughout the Republic of Kenya.

The medium term objective is to “***Enact a people led, gender and human-rights respecting and fiscally affordable constitutional framework (including its enabling laws)”.*** This will be the cornerstone of all the reforms necessary in the political arena.

Box 8: Summary of Social and Political Pillar projects

Education

1.1. Curriculum review at pre-service teacher training to link teaching of ECDE and lower primary and equip EDCE centres
1.2. Review curriculum to emphasise STI (Science, Technology and Innovation) as well as entrepreneurship
1.3. Introduce alternative modes of provision of education, e.g. multi-grade, double shift and mobile schools.
1.4. Establish centres of excellence throughout the country
1.5. Introduce diverse demand side financing mechanisms to cushion the poor students, e.g. enhanced bursaries, voucher scheme and special grants .
1.6. Institutional mapping with a view to regulate the sector (control mushrooming of sub standard training institutions)
1.7. Transform HELB into an educational bank
1.8. Skills inventory survey to facilitate matching of provision of manpower to opportunities in the economy.
1.9. Rationalize academic programmes among the various institutions, creating centres of excellence and comparative advantage in line with vision 2030 target growth sectors.
1.10. Formalize collaboration framework to facilitate effective education, training and research between centres of excellence (University, TIVET, Research institutions)
1.11. Expand tertiary and university education, training & research in tandem with population growth and the demand, and also to increase transition from secondary to tertiary institutions.
1.12. Provide scholarships based on the needs of the economy (growth pillars) and affirmative action for the marginalized areas.

Health

2.1. Equip all health facilities to standard
2.2 Develop a comprehensive community-based Health information system
2.3 Integrated disease surveillance system in all districts
2.4 World class medical centres in Mombasa and Nakuru geared to local and international markets
2.5 Establish a functional referral system at all levels
2.6 Institutionalise PPPs and integrate in health Act
2.7 Re-engineer NHIF to address equitable health care financing
2.8 Amend the public health Act to allow issuance of grants to health facilities
2.9 Scale up Output Based Approach (OBA) system (Voucher System)

Environment

4.1 Mau, Mt. Kenya, and Aberdares catchment management initiatives
4.2 Nairobi solid Waste management initiative
4.3 Regulate plastic bags
4.4 ASAL community Climate Change adaptation initiative
4.5 Land cover/land use initiative

Housing and Urbanisation

5.1 Prepare metropolitan development and investment plans for Nairobi, Mombasa, Kisumu, Nakuru, and Eldoret regions.
5.2 Prepare National land use plan
5.3 Upscale slum upgrading projects
5.4 Urban Renewal and Re-development (Production of 100,000 units)
5.5 Employer - public & private sector-provided housing schemes including the civil servants & disciplined forces (55,000 Units)
5.6 Appropriate Building Materials and Low-Cost Housing Technology (ABTs) Programme Centers (No.110)
5.7 Urban housing infrastructure programme, Service 10,000 plots in cities and municipalities

Water and Sanitation

3.1. Tana and Lake Victoria catchments initiative
3.2 Rehabilitation of 600 hydro meteorological stations
3.3 Develop two multipurpose water conservation structures along Nzoia and Nyando rivers
3.4 Develop 22 medium sized multi purpose dams
3.5 Rehabilitation and augmentation of Mzima pipeline
3.6 Tana delta initiative and rehabilitation of the Bura irrigation scheme.

Gender, Youth and Vulnerable Groups

6.1 Increase the Women Enterprise Fund from 1 billion to 2 billion
6.2 Establish a coordinated social protection fund of 2% of GDP
6.3 Rehabilitate/build at least one youth polytechnic in each constituency
6.4 Establish a sports lottery fund
6.5 Build a ‘Kenya Music Hall of fame’ & an international academy of sports
6.6 Increase and sustain youth enterprise fund from 1billion to 2 billion

Political Pillar

7.1 New Constitution in place
7.2 Judicial and legal reforms
7.3 Security and Policing reforms
7.4 Building a non-partisan Parliamentary research centre

3. Assessment of Vision 2030

The Vision 2030 development process was quite consultative and comprehensive and therefore covered the key issues facing Kenya. Relevant policies for consolidating economic recovery and driving Kenya to higher growth and development path have therefore been brought forth. In our view, Vision 2030 offers Kenya a very good framework for addressing growth inhibiting factors in the markets, among private agents and the political economy. If fully implemented the vision would propel the country to a higher development pedestal.

Mwega and Ndung’u (2002) in AERC Working Paper No. 3 look at “how much of Kenya’s growth experience is explicable in terms of growth regressions and the extent to which the variables in these regressions can be used to explain the country’s economic growth over the last 40 years or so”. They look at the relative importance of factor accumulation and productivity, external shocks, and domestic policies, among other factors, in explaining Kenya’s growth experience with a basic premise that economic performance over the period analysed is, to a large extent, a function of the initial conditions – resource endowments and economic structure; economic policy; national political institutions; forms of economic organization; and above all a changing policy regime driven by political developments. Their conclusions ascertain this pre-supposition. Vision 2030 therefore offers a framework for comprehensively addressing these growth factors.

In its financial sector strategies, the vision will enable the country to rapidly accumulate savings and hence increase gross investment to levels that will increase growth and enhance the pace of development. Furthermore by enabling massive infrastructure development, the interventions will improve the country's competiveness and therefore not only maintain its regional captive market but also enhance its export volumes. Commercialization of agriculture, increased crop specialization, creation of disease free zones for livestock and opening up of new lands will greatly enhance productivity in the agriculture and livestock sector. Competitiveness for the manufacturing sector will also be greatly improved through the proposed special economic zones. Moreover, the programmes that aim at opening up the currently remote parts of the country will greatly increase the productive capacity of the economy.

One key omission in vision 2030 though is the failure to address how Kenya can cushion itself against exogenous factors such as high oil prices, deteriorating terms of trade, which currently affects all developing countries, and persistent droughts that occasionally drive inflation to fairly high levels. In the area of oil price fluctuations the vision could have accommodated recommendations, for instance, to develop facilities for reserve oil storage or entering into protocols with oil producing countries to get oil at preferential rates. Such protocols could be considered especially with countries such as Sudan and Uganda from where oil importation would be less costly. Perhaps the vision development process fell into this trap by completely leaving out some small sectors such as mining and petroleum sub sectors. While these are not priority sectors some broad considerations on how they should be handled going forward should have been given.

Furthermore, there was lack of scenario anticipation especially in the macroeconomic framework underpinning Vision 2030. The vision document defined only a single economic growth and development path without offering alternative or middle ground path in case the high growth scenario is not achieved. For instance, economic growth was not expected to taper off in 2008 and perhaps 2009 following post election violence that erupted in 2008 followed by drought experienced later that year. The situation has been worsened by the prevailing financial crisis in the global market place, which is bound to affect critical sectors such as tourism. This slowdown has definitely affected the Kenyan growth momentum which will need to be rebuilt. There is no doubt that the 10 percent growth target can still be achieved by 2012 but this will only happen if the global economy quickly gets out of the current recession and Kenya does not suffer any major droughts in between.

While priority sector identification was quite credible, it is not clear how financial services sector was identified as an enabler while infrastructure development was left out as a transversal reform. The infrastructure sector is a key foundation to economic development and would be a major contributor to employment creation in the Kenyan context. In fact during the vision development some financial sector players contended that the financial sector does not need to be a priority sector in the vision as availability of financial services and depth of the sector will automatically be pulled by the level of development and the needs of the economy at any state of development. In determining sectors with the greatest impact, therefore, infrastructure would not only have a greater impact in opening up remote parts of the country with high potential but also create more employment which would create higher demand in the economy with tremendous spill over effects. Aggressive expansion of energy sector alone would create fairly high levels of employment in under exploited energy sources such as Geo-Thermal generation, wind power in parts of Eastern and North Eastern Provinces and Solar Energy in most part of the country.

Conclusion

Despite the minor gaps that have been observed, we are of the view that Vision 2030 can deliver the growth and development that Kenya aspires to achieve. Its success will, however, depend on the management of political transitions and reform of institutions especially those targeted by the political pillar of the vision document. Furthermore, given the current global financial crisis the country will need to rethink its development paradigm with a view to shifting financing of development from domestically generated resources as opposed to the current practise in many African countries which look to foreign financing as a panacea for development. The recommended reforms of the pensions sector, the insurance industry, the capital markets and strengthening of the banking sector as spelt out in Vision 2030 will be critical in allowing the country to achieve this shift as these are the sectors critical for mobilisation of savings.

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