2ND EDITION

The National Business Agenda II

2013 - 2018 WORKING TOGETHER - WINNING AS KENYA

KEPSA

KENYA PRIVATE SECTOR ALLIANCE

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Acronyms

AG	(Office of the) Attorney General	MOIED	Ministry of Industrialization and Enterprise Development
BMO	Business Membership Organisation	MOLHUP	Ministry of Land, Housing, and Urban Planning
BRB	Business Registration Bill	MSE	Micro and small enterprise
COMESA	Common Market for Eastern and Southern Africa	MTP	Medium Term Plan (of Vision 2030)
EAC	East African Community	NBA	National Business Agenda
EACC	Ethics and Anti-Corruption Commission	NGO	Non-Governmental Organisation
ECDE	Early Childhood Development Education	NPSC	National Police Service Commission
GDP	Gross Domestic Product	PPDA	Public Procurement and Disposal Act
ICT	Information and Communication Technology	PPOA	Public Procurement Oversight Authority
KEPSA	Kenya Private Sector Alliance	PRT	Presidential Round Table
Ksh	Kenyan Shillings	PSIR	Private Security Industry Regulation
kWh	Kilowatt hour	SB	Sector Board (under KEPSA)
KRA	Kenya Revenue Authority	SIA	Statutory Instruments Act
LAPSSET	Lamu Port and South Sudan-Ethiopia Transport Corridor	TVET	Technical and vocational education and training
MOEST	Ministry of Education, Science, and Technology	VAT	Value-added tax

Purpose Statement

The purpose of a National Business Agenda (NBA) is to serve as a tool for the private sector to boost business, investment, and economic growth. It is used by the business community to encourage economic growth by mobilising various stakeholders to effect public policy reforms. The NBA II was created through a joint effort by the members and staff of the Kenya Private Sector Alliance (KEPSA). It is more than a set of recommendations; it is an action plan to harness the power of the private sector to drive Kenya's competitiveness and economic growth.

Message from the Chair

As 2013 drew to a close, Kenya celebrated 50 as KEPSA celebrated turning 10. These milestones are an opportune time to look back to glean lessons from Kenya's economic development and KEPSA's first decade.

Fifty years ago, Kenya emerged from a bruising struggle for independence with a young and untested political leadership. The new nation was confronted with capital flight, limited knowhow, and scarce resources, amidst a polarising global context at the height of the Cold War. As new African states chose their economic models, Kenya opted to pursue a private sector-led economy coupled with strong social spending. With this foundation, Kenya's economy was able to grow at an average annual rate of 8% in the 1970s.

As yers and decades passed, private sector development increasingly began to take the backseat. Cracks in the original vision deepened, such as failures to fight corruption, promote diversity of thought, and protect social equity. These fissures were laid bare in the 2008 post-election violence. In the wake of these events, Kenya made the courageous choice to take on endemic challenges rather than carrying on with business as usual, as illustrated through Vision 2030 (the country's economic blueprint) and the new constitution of 2010. These two documents seek to drive Kenya's socio-economic development and transform it into a prosperous and sustainable middle-income country.

In this context, where does KEPSA fit in? Growing weary of businesses approaching government with disconnected and conflicting agendas, KEPSA was born a decade ago out of a government challenge – for the private sector to coalesce as a unified voice representing a cross-section of businesses.

Over the years, KEPSA has achieved commendable successes in representing Kenya's business community to realise a better business environment. Always eager to improve and remain relevant, KEPSA is taking its 10-year mark as an opportunity to look within. A new strategy has been developed; and in parallel, the NBA II was developed as an action plan to complement the strategy.

As Kenya's Vision 2030 has been broken down into manageable projects under the first and second Medium Term Plan (MTP), KEPSA developed the first and second NBA, with a view of advancing Kenya's competitiveness through a thriving private sector.

By carrying out the plan of action in the second NBA, I am hopeful that we can transform Kenya into the most competitive country in sub-Saharan Africa by 2018. The issues presented in the thematic areas a deliberately cross-cutting in nature, so that all businesses and society as a whole will benefit from the areas we are tackling. We need to pull together to achieve these objectives, which is why our motto for NBA II (2013-2018) is:

"Working Together – Winning as Kenya"

Vimal B. Shah, MBS

Chair, Kenya Private Sector Alliance

Message from the CEO

KEPSA, through the support of our members, is Kenya's apex business association. Since our inception 10 years ago we have sought to advocate for a better environment for doing business. As a testament to our success, KEPSA's direct and indirect membership has grown to over 100,000 through our Business Membership Organisations (BMOs). In 2013, we doubled the number of new members compared to 2012.

This year, we are launching a new strategy to reengineer our internal systems and improve our own capacity. In conjunction, the NBA II and our new strategy will serve as an effective force for increasing Kenya's competitiveness in the coming years. We have several tools at our disposal in steering public dialogue, such as the Presidential Round Table (PRT), Ministerial Stakeholder Forums, and Council of Governors Forum, among others. The NBA II lays out a plan of action to direct this engagement, and provides an implementation plan for the priorities we see ahead. This plan seeks to maintain momentum: last year, Kenya gained 10 spots in the World Economic Forum's Global Competitiveness Index (2013-2014), climbing to a rank of 96th out of 148 economies. Our strategy is aiming for a ranking of under 50 by 2018.

In the 10 years since KEPSA's birth, Kenya has undergone an economic transformation, largely thanks to the government and private sector working together more effectively. As the voice of the private sector in Kenya, we at KEPSA always seek to involve our members in discussion. The production of our NBA II is a direct result of this support from our members. For the government's part, officials have demonstrated commitment to work with the private sector. The initial 2013 edition of NBA II has been well-received by the young Jubilee government, which has adopted several KEPSA proposals already.

This updated NBA II hones in on core foundational issues that affect all businesses in the broad thematic areas of:

1. Governance and the business regulatory environment
2. Security
3. Infrastructure
4. Trade and investment
5. Human capital development and entrepreneurship

We grouped together issues where they were cross-cutting in nature, and narrowed our focus to better address the most fundamental issues confronting the Kenyan business community today. Through the NBA II, we seek to organise private sector efforts to reform the business environment in order to achieve strong and sustainable economic growth for Kenya. This revised version has a built in monitoring and evaluation framework, such that we can hold ourselves accountable and measure our achievements more clearly over the NBA's timespan.

Carole Kariuki, HSC, MBS

Chief Executive Officer, Kenya Private Sector Alliance

Acknowledgements

KEPSA thanks the Center for International Private Enterprise (CIPE), an affiliate of the U.S. Chamber of Commerce, for the technical assistance in preparing this second edition of the NBA document. Additionally, we are grateful to Development Management Services for producing the first edition of the NBA, through the support of Business Advocacy Fund. We thank all KEPSA members for adding their thoughts to the early stages of issue prioritisation and compilation. Finally, as this document was truly a product of teamwork, our gratitude goes to KEPSA's hardworking and diligent staff.

Executive Summary

The NBA II will steer KEPSA's advocacy agenda vis-à-vis the government and other stakeholders through 2018. Using the advocacy tools of public policy, public relations, and direct engagement, this action plan encapsulates the private sector's interest in enhancing Kenya's competitiveness as the country takes the first steps towards achieving Vision 2030.

KEPSA members are a driving force for economic growth, wealth formation, and job creation in Kenya. KEPSA has played a significant role in facilitating these activities, by acting as a convening forum for members to better advocate for reform of the business environment. KEPSA's goal is to work for its members – businesses that represent various parts of the supply chain, – and their priorities.

In order to truly encompass the voice of the entire business community, this NBA moves away from a sectoral approach, and instead takes on the big picture cross-cutting issues that incorporate the entire supply chain and are key concerns to all businesses in the country. The NBA categorises these cross-cutting issues into five thematic areas, which are the foundations that prop up the KEPSA house. The body of this house is formed by KEPSA members who all share a common overarching mission. This mission is to ensure a year-on-year improvement in Kenya's overall business environment by working together with the government and all like-minded stakeholders to make Kenya a globally-competitive economy.

The first thematic area deals with governance issues and the business and regulatory environment. Under this area, the recommendations deal with ways to reduce licensing and contract enforcement costs, strengthen the rule of law and fight corruption, and simplify the tax system

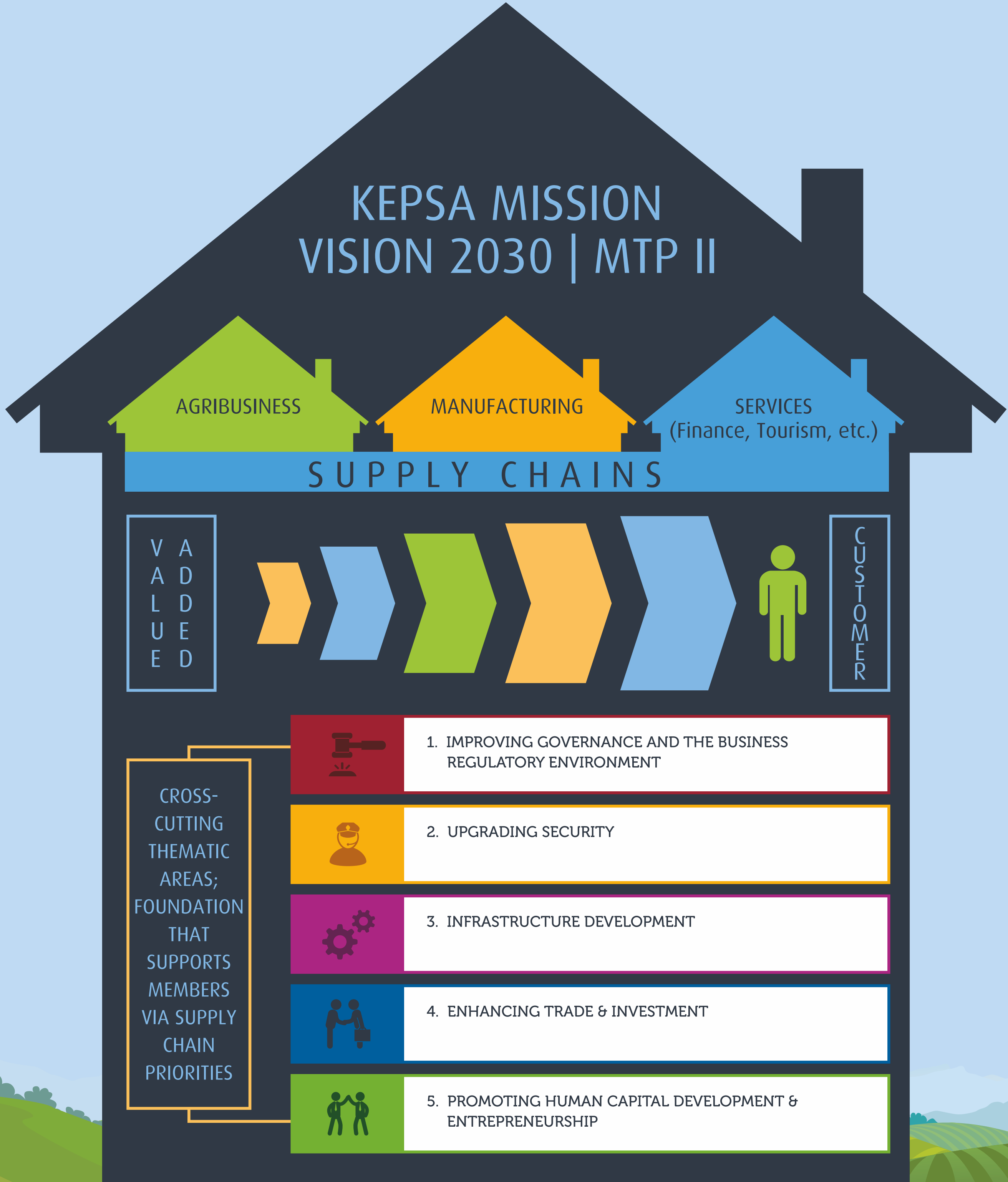
Upgrading security, the second thematic area, will boost economic and social welfare. Related objectives include mitigating insecurity, enhancing economic opportunities for marginalised groups, speeding up police reform, and reducing cybercrime. Improving the healthcare system and tackling climate change, while not security-related in a traditional sense of borders and crime, have increasingly been linked to a broader definition of national security.

Inadequate, costly, and low-quality infrastructure has left Kenya lagging behind. The third thematic area seeks to support MTP 2 / Vision 2030 projects and take on energy, transport, housing, information and communication technology (ICT), and the extractives sector.

Enhancing trade and investment is the fourth thematic area, dealing with areas ranging from promoting market access to diversifying investment sources. Ways are suggested to increase exports, support micro and small enterprise (MSE) development, reduce trade barriers, involve the diaspora in investment, and deal with challenges in sectors such as agribusiness and tourism.

The final thematic area focuses on promoting human capital development and fostering a culture of entrepreneurship. Attention is given to early childhood education solutions straight through to tertiary learning, with recommendations on ways to make education more relevant to the workplace.

Within each thematic area, four to six objectives were identified, and for each objective interim goals were proposed to achieve the objectives. Detailed steps that identify roles, timing, indicators, and targets are what make NBA II an actionable document for business advocacy.



KEPSA MISSION
VISION 2030 | MTP II
AGRIBUSINESS
MANUFACTURING
SERVICES
(Finance, Tourism, etc.)
SUPPLY CHAINS
VALUE ADDED
CUSTOMER
CROSS-CUTTING THEMATIC AREAS; FOUNDATION THAT SUPPORTS MEMBERS VIA SUPPLY CHAIN PRIORITIES
1. IMPROVING GOVERNANCE AND THE BUSINESS REGULATORY ENVIRONMENT
2. UPGRADING SECURITY
3. INFRASTRUCTURE DEVELOPMENT
4. ENHANCING TRADE & INVESTMENT
5. PROMOTING HUMAN CAPITAL DEVELOPMENT & ENTREPRENEURSHIP

About NBA II (2013-2018)

The development of this NBA has been a consultative and representative undertaking involving a cross section of Kenyan enterprises from various sectors. Given that the NBA covers a five-year span, it does not seek to be an exhaustive laundry list of areas to improve. Rather, it is based on realistic and measurable outcomes to tackle the critical issues that require urgent attention from government in partnership with the business community.

Private sector leaders were interviewed across economic sectors, and this was followed by three validation workshops with stakeholders to reconfirm priority areas and validate findings. In order to strengthen the recommendations and hone in on core cross cutting issues, NBA II was revised in early 2014.

In the revision process, the first step was to filter 78 issues identified in the first version of NBA II down to a more manageable number – 26. The purpose of this was to train the NBA's focus bearing in mind capacity constraints and a limited timeframe through 2018. Issues were filtered based on their fit with KEPSA's mission and MTP 2 (of Vision 2030) and points were awarded to determine issues to be dropped or consolidated. Cross-cutting issues were identified and then ranked, with low-hanging fruit given more weight.

The meat of the NBA lies in its recommendations. The document is structured around these recommendations: for each of the 26 objectives across the five thematic areas, a short introduction of the background and context precedes a table laying out the plan to move forward. This table includes the interim goals to be achieved, the steps recommended to achieve this goal, the implementer of these recommended steps, the timeframe in which these recommendations should be indicated, and the concrete result to be attained. This structure is central to the concrete achievement of the recommendations put forth in the NBA II.

For the document to be not just a wish list but rather an action plan to enact change effectively, indicators of progress were fleshed out using the 'SMART' methodology. They had to be Specific, Measurable, Achievable, Relevant, and Time sensitive. This was reflected in the built-in monitoring and evaluation matrix used to develop the recommendations.

Questions of what, how, when, and who were answered by identifying indicators, targets, benchmarks, the advocacy method, timeframes, and the implementing authority or organisation. Where possible, the burden was shifted away from the government so that private sector can take more ownership and accountability for the outcomes. Verification tools allow these outcomes to be measured. As for the question of why the issues selected are important, this is answered in the background section preceding each set of recommendations.

NBA II seeks to be as inclusive as possible and attempts have been made to address challenges in a holistic way. Following the initial member consultations and verification workshops in 2013, KEPSA's staff played a pivotal role in fleshing out recommendations using evidence-based research and reflecting the latest thinking of members.

This NBA is a living document and will be periodically refined and updated to reflect progress and changing times. It will be used as the platform for private sector advocacy and public-private dialogue to shape a more prosperous Kenya.

Thematic Areas

1. Improving Governance and the Business Regulatory Environment
2. Upgrading Security
3. Infrastructure Development
4. Enhancing Trade & Investment
5. Promoting Human Capital Development & Entrepreneurship

1. Improving Governance & the Business Regulatory Environment

Kenya ranked 129th out of 189 countries in the Doing Business 2014 report published by the World Bank and the International Finance Corporation, sliding seven spots from the year before. Regulatory reforms to promote business and encourage entrepreneurship must be advanced to attain improvements in the business environment. Kenya must work on sustained efforts to reduce business transaction costs. Constraints to the ease of doing business include cumbersome business and property licensing and registration procedures, difficulties in contract enforcement, and an overcomplicated tax system. Furthermore, corruption in procurement and lack of governance has led to an unbalanced playing field, putting off would-be investors.

Objective 1: Reduce business and property registration and licensing costs

Challenge: High business and property registration costs and cumbersome procedures

	Number of procedures		Days taken	
	2014 Actual	2018 Target	2014 Actual	2018 Target
Business licensing	10	5	32	4
Registering property	9	4	73	35
Enforcing contracts	44	30	465	250

Source: Doing Business 2014 (World Bank / International Finance Corporation)

In 2007, the government repealed close to 700 superfluous licences. However some of the gains have since been reversed by the introduction of new charges and regulations, some of which are contradictory. This is in spite of reforms put in place since the establishment of the Business Regulatory Reform Unit in Ministry of Finance. A proposed Business Registration Bill (BRB) would have addressed business registration issues such as consolidating and simplifying procedures and cutting costs of registration. However, this has been replaced by a less ambitious Statutory Instruments Act (SIA).

Another issue, as voiced by businesses most recently in the Governors Forum in Mombasa held in April 2014, is the lack of a unified fee structure in counties. Since devolution went live following the March 2013 elections, not all county officials are clear on what fees they can legally charge to businesses, leading to a variance in fees across counties.

Cumbersome property registration is also a concern, and Kenya does worse that the sub-Saharan average in both number of procedures and time taken to register property.

Interim Goal (what)	Steps Recommended (how)	Implementer (who)	Timeframe (when)	Target (result)
Faster business registration and consolidate / simplify procedures	Hold stakeholder forum to flesh out important missing issues in the SIA; meetings include Attorney General (AG), Treasury,and PRT	KEPSA Trade and Investment Sector Board (SB) and the Economic Affairs Department of the Treasury	Q2 2014	Number of procedures to start business cut from 10 to 5, days taken cut from 32 to 4
	Based on findings above, suggest amendment of SIA or introduce standalone BRB Act	National Assembly	Q3 2014	
	Establish one-stop-shops (huduma centres). These One stop shops will facilitate among other things property registration	Ministry of Land, Housing, and Urban Planning (MOLHUP), Treasury, Ministry of Industrialization and Enterprise Development (MOIED), county governments	End 2014 (for 14 counties); end 2015 (for other 33 counties)	One-stop-shops established in all counties by the end of 2015
	Establish a reliable online database that will contain data on the number of active registered companies, business names	Registrar of Companies, KEPSA Trade and Investment SB, Economic Affairs Department of the Treasury	End 2016	A comprehensive online database of all active companies and entrepreneurs to replace the current manual process
Cut cost of business registration and licensing	Engage with relevant authorities to promote policy to unify fee structure imposed by counties	Senate, Council of Governors, Treasury, Ministry of Devolution	End 2014	Four discussions held, national framework developed under which counties operate
Faster property registration and consolidate / simplify procedures	Digitise property registration to enhance efficiency of registration procedures	MOIED, Kenya Revenue Authority (KRA), Registrar of Companies, MOLHUP, and KEPSA Land, Housing and Urban Development SB	2014-2015	Number of procedures to register property cut from 9 to 4; days taken cut from 73 to 35

Objective 2: Reduce the cost of enforcing contracts and speed up dispute settlement

Challenge: High costs of enforcing contracts and slow dispute resolution

According to the 2014 Doing Business Report, it takes 44 procedures and a time-consuming 465 days to enforce a business contract in Kenya, compared to 23 procedures and 230 days in Rwanda. Judicial reform and greater ICT adoption can complement each other to streamline procedures. Current judicial reform includes expanding court infrastructure, hiring judges, and training them.

Contract sign-off procedures need to be streamlined between ministries to prevent conflicts or missed steps. This will serve to ensure that government contracts are consistent with international standards and in compliance with existing laws.

Outside the courts, mechanisms such as the Nairobi International Arbitration Centre have been set up for commercial dispute resolution but are not yet functioning. The centre was launched following the enactment of the Nairobi International Centre for Arbitration Act (No 26 of 2013). The centre aims to see arbitration to decrease the high level of backlog in commercial and civil courts. NBA II seeks to achieve a 40% reduction in the backlog.

Interim Goal (what)	Steps Recommended (how)	Implementer (who)	Timeframe (when)	Target (result)
Faster contract enforcement and consolidate / simplify procedures	Advocate for better inter-ministerial coordination	Ministry of Foreign Affairs and International Trade, Treasury, AG, Judiciary	Annually (2014-2018) in Q3	Coordination mechanism established; meetings to improve coordination and resolve disputes
	Lobby for adoption of online platforms to facilitate contracting procedures	Ministry of Foreign Affairs and International Trade, Treasury, AG, Judiciary	2014-2018	All ministries adopt online tools for securing contracts: 90% of procedures automated
	Review judicial contract enforcement procedures to achieve expeditious processing	Judiciary, AG	2014-2015	Number of procedures to enforce contracts cut from 44 to 30; days taken cut from 465 to 250

Interim Goal (what)	Steps Recommended (how)	Implementer (who)	Timeframe (when)	Target (result)
Enhance efficiency of commercial justice system in dispute resolution	Increase number of commercial court judges, expand commercial court division, and create specialised courts dealing with areas such as taxation	Judiciary, Treasury, National Assembly	2014-2018	Annual allocation of Ksh500m for commercial courts
	Operationalise the Nairobi International Arbitration Centre	AG	Fiscal Year 2015/2016	Minimum 10 staff appointed and premises established
	Create awareness on arbitration as alternative form of resolution of commercial disputes	AG, KEPSA Trade and Finance SB	2014-2018	20 commercial disputes referred to Centre in Year 1 (and ramp up in subsequent years based on awareness)
	Provide capacity building on private sector concerns on commercial dispute resolution	Judiciary	Annually, 2014-2018	Three annual training sessions for judiciary staff on private sector issues
	Engage judiciary on efficient management of case load and enable faster filing and conclusion of new cases, evaluate efficacy of case track system.	Judiciary	Annually, 2014-2018	40% reduction in backlog, acquittal of cases stuck in system for five years, hearing new cases within six months of filing and judgement within one year; deploy technological platform to track court process

UNDERSTAND TAXES? THINK AGAIN.

Among the taxes levied by government are corporate income tax at 30%, employer-paid social security contribution at 3%, single business permit for manufacturers at Ksh100,000, employer-paid apprentice tax at Ksh600 per employee, advance motor vehicle tax at Ksh1,500 per ton, single business permit for traders at Ksh20,000, tax on interest at 15%, fuel excise duty at Ksh10.31 per litre, land rates at 1%, road maintenance levy at Ksh9 per litter, petroleum development duty at Ksh0.4 per litre, value-added tax (VAT) at 16%, and stamp duty on contracts, among others.

Source: Institute of Economic Affairs

Objective 3: Simplify the tax system and promote inclusiveness

Challenge: Burdensome tax system

Businesses in Kenya spend 308 hours making 41 tax payments annually, according to the Doing Business 2014 report. Kenya requires more time and procedures to pay taxes than Botswana, Mauritius, and Rwanda, and ranks a lowly 166 out of 189 in ease of paying taxes. In Kenya, taxes account for 44.2% of profits on average.

Engagement by the Kenya Revenue Authority (KRA) with the private sector to demystify a complex tax system will help build vertical accountability. The KRA should move away from using tax laws to control and punish, and shift towards facilitation to ensure compliance. If taxpayers participate in the process, they will feel ownership, which will foster a better taxpayer-collector relationship. KEPSA has already conducted a review of the VAT Act (2013) and raised private sector concerns.

Expensive and complex tax regimes also have the negative effect of pushing some MSEs out of the formal sector. Kenya needs to encourage lower income earners to pay taxes, widen the tax base, and circumvent tax evasion.

Interim Goal (what)	Steps Recommended (how)	Implementer (who)	Timeframe (when)	Target (result)
Improve tax collection, administration and widen tax base	Conduct tax forums for KEPSA members and wider business community to facilitate resolution of tax concerns	KRA, KEPSA (BMOs)	Annually, 2014-2018	Three tax forums annually, in major cities (Nairobi, Mombasa, Kisumu)
	Incentivise unregistered MSEs to enter formal sector and bring them into the tax system by offering initial tax breaks	Treasury, MOIED	Fiscal Year 2015/2016	5% annual increase in MSE registration over five years; tax revenues from MSEs up by 10% by 2018
Reduce burden of paying tax	Revise VAT Act (2013) to address refunds and exemptions for critical sectors	Treasury, KRA	Fiscal Year 2015/2016	Fully implemented revised VAT Act
	Reform income tax through new / revised Act to increase the progressiveness of the tax system	Treasury, KRA	2014-2018	A revised tax Act
	Harmonise customs and excise duties within region	Treasury, KRA	Fiscal Year 2015/2016	Uniform excise rates across East African Community (EAC)
	Fully automate all tax processes	KRA	Fiscal Year 2014/2015	Zero paper work

Objective 4: Strengthen rule of law and promote anti-corruption measures

Challenge: Corruption and weak governance

Perhaps the most troubling issue with current public procurement practice is the lack of a demonstrable separation between buyer and seller. Around 25-30% of the national budget is estimated to be lost to malfeasance and leakage. The Leadership and Integrity Act (2012) sought to seal these leakages but its regulations have not been enacted. KEPSA has sought to have the legislation apply to include public officers, and to have clear penalties for violation. KEPSA is a signatory of Global Compact and has developed a Code of Ethics that has been adopted by its members.

Weak rule of law and high prevalence of corruption have plagued Kenya for decades. Since 1963, Kenya has passed 51 constitutional amendments to address corruption. Yet despite the existence of anti-corruption laws, 38% of Kenyan firms have cited corruption as a major constraint to business. The Ethics and Anti-Corruption Commission (EACC) can play a key role in tackling procurement policies and corruption.

Land distribution is among the most heated unresolved topics related to improper allocation processes from the past. Guidance and leadership is needed to resolve historical grievances, defuse conflict triggers, and promote social and cultural equity.

Lack of adequate investor protection legislation limits the potential for investment. For example, with new water, geothermal, and oil discoveries, the extractives industry needs clearer guidelines on revenue sharing, ownership, feed-in tariffs, fiscal accountability, and other regulation.

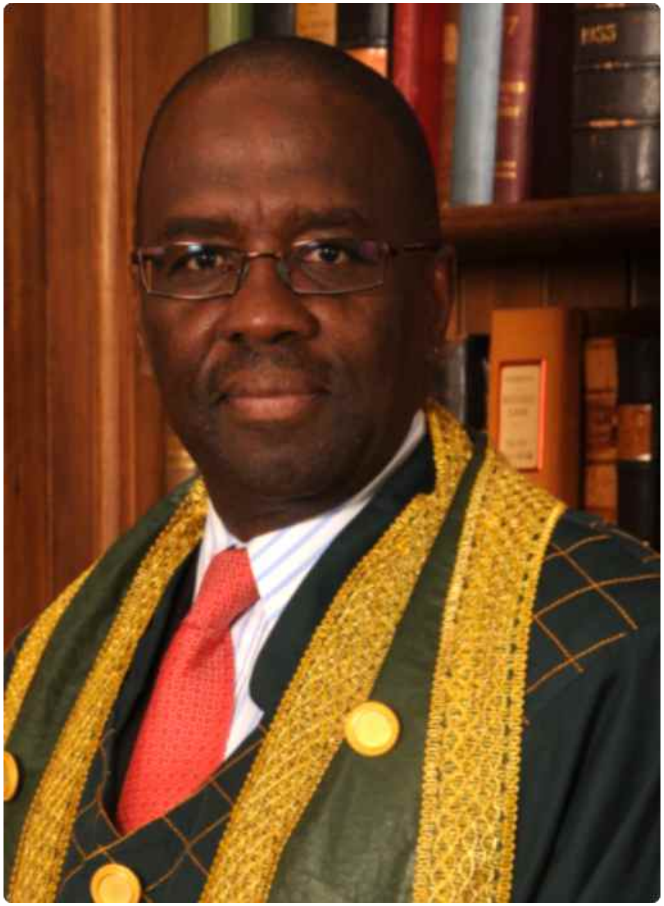
Interim Goal (what)	Steps Recommended (how)	Implementer (who)	Timeframe (when)	Target (result)
Strengthen public expenditure accountability and implement reforms to simplify public procurement processes	Lobby for enactment of regulations to Leadership and Integrity Act (2012), enact and apply so as to reverse budget leakages	National Assembly, EACC	End 2014	Regulations under Leadership and Integrity Act
	Undertake study to review implementation of the Public Procurement and Disposal Act (PPDA) to focus on outcome-oriented procurement process	Public Procurement Oversight Authority (PPOA), Treasury	End 2014	Study to review PPDA
	Amend PPDA (based on above step) to enhance participation of local businesses in government procurement tenders	PPOA, KEPSA Trade and Finance SB, Treasury	End 2014	PPDA Act amended; annual 20% reduction in wastage in total public procurement

Interim Goal (what)	Steps Recommended (how)	Implementer (who)	Timeframe (when)	Target (result)
Promote anti-corruption initiatives and strengthen corporate governance within the private sector	Carry out targeted training private sector members of KEPSA on 'Ethics and Integrity Management'	KEPSA Governance and Ethics SB	2014-2018	At least two trainings a year
	Develop an annual Integrity Award Certification to be awarded to both the business community and public agencies (based on initiatives such as signing up to Code of Ethics)	KEPSA Governance and Ethics SB, working with EACC and audit firm	October 2015, and to be awarded annually	Annual awards conference held
Provide guidance and leadership in land reform	Increase budgetary allocation to the National Land Commission and MOLHUP to strengthen capacity	KEPSA Land SB, MOLHUP	2014-2015	Ksh2bn allocation
	Develop clear guidelines and regulations on renewal of leases through all inclusive stakeholder participation	KEPSA Land SB, MOLHUP, National Assembly	2014	Developed guidelines and regulations
Enhance the investment regulatory environment	Review investor protection laws and strengthen to create a consolidated investor protection law	KEPSA Trade and Finance SB, Treasury, AG, National Assembly	2014-2015	Consolidated investor protection law

On judicial transformation:
"Inefficiency manufactures artificial shortages of justice, manures the soils in which corruption is planted and manicures a culture of ineptitude. This environment distorted values and perverted the cause of justice. It created a vicious cycle where poor service, inadequate staff, graft and unfavourable working conditions fed on each other to create the crisis of confidence in whose grip the Judiciary found itself."

Chief Justice Hon. Dr Willy Mutunga

speaking at the launch of Judiciary Transformation Framework (2012-2016)



2. Upgrading Security

Over the last decade, Kenya's security situation – both in terms of crime and terrorism – has deteriorated sharply. Kenya's national security is ranked near the bottom at 42nd out of 52 in Africa according to the October 2013 Ibrahim Index of African Governance.

One third of Kenyan firms rate security as a major constraint to their operations. Companies report that crime-related losses amount to 4% of sales, compared to 1% in South Africa. The tragic Westgate Mall attack left 67 dead in September 2013, and the first half of 2014 saw over a dozen bombings in Nairobi and the coast.

Objective 5: Reduce cost and revenue losses to businesses due to insecurity

Challenge: Loss of business earnings from insecurity

IIncreased criminal and terrorist attacks are damaging the broader economy by scaring away potential investors and raising the cost of doing business by way of higher insurance premiums, borrowing costs, and other inputs. According to the latest African insurance report by U.S. rating agency A.M. Best, Kenya currently has the highest risk rating in Africa, joining the category shared by Libya, Egypt, and Nigeria. The cost of political risk cover has doubled in the 18 months since the beginning of 2013.

In a private sector response to protect and sustain economic gains from security risks, private security firms are filling a gap and their numbers have ballooned over the last decade. By the end of 2011, more than 2,000 registered private security companies were operating in Kenya, with a guard staff of over 300,000 (triple the police force) and a collective annual turnover of Ksh15bn. The government is looking to support this young industry by working on legislation – the Private Security Industry Regulation (PSIR) Bill (2013) – to license these firms, promote coordination, and raise professionalism and accountability.

As it stands, the draft legislation faces a number of challenges, including vague language concerning registration requirements and technical standards, inadequate industry representation on the proposed regulatory board, excessive powers to the government, and lack of public-private security coordination mechanisms.

Interim Goal (what)	Steps Recommended (how)	Implementer (who)	Timeframe (when)	Target (result)
Increase security measures to protect businesses and economy	Streamline coordination and cooperation with private security firms	Ministry of Internal Security, KEPSA Security SB	2014-2018	Annual cooperation and coordination meeting
	Fast track installation of CCTV cameras in all major towns and business premises	County governments, Ministry of Interior	Decision to install by end 2014; installation by 2015	CCTV-aided security increased by 20% annually
	Connect existing private sector CCTV infrastructure and government network (i.e. private and public security connect to one single database) to enhance effectiveness of CCTV as a crime deterrent	County governments, KEPSA Security SB	2014-2015	MOU signed / framework developed
Revise and enact Private Security Industry Regulations (PSIR) Bill (2013)	Hold Security SB meetings to discuss and scrutinise PSIR Bill (2013) and make recommendations	KEPSA Security SB, National Assembly	2014	KEPSA recommendations following three Security SB meetings
	Fast track completion of PSIR Bill 2013	KEPSA Security SB, National Assembly	End 2014	Bill enacted into law with KEPSA input

Objective 6: Reduce inequality and enhance economic opportunities for marginalised groups

Challenge: Rising economic inequality

In an effort to address a widening wealth gap, Kenya has embarked on conditional cash transfer programmes. While this is an excellent initiative, the private sector is focused on a business solution to narrow the gap: by supporting the MSE sector.

Interim Goal (what)	Steps Recommended (how)	Implementer (who)	Timeframe (when)	Target (result)
Set up Economic Empowerment Fund	Set up state-run programme to develop skills for young unemployed citizens	MOIED, Ministry of Devolution and Planning	2014-2018	Annual allocation of Ksh300m, for at least 1,000 youth per county
Promote MSE access to finance	Fast track establishment of the Kenya Development Bank	MOIED, Ministry of Finance	2014-2018	Ksh500m allocated to the bank
	Promote access to finance through tracking of interest rates and other mechanisms	KEPSA Trade and Finance SB	2014-2018	Publish annual access to finance booklet
	Institute government loan guarantees in order to expand access and loan amounts, and reduce the annual interest rate to a maximum of 8%	Treasury, Central Bank of Kenya, Ministry of Finance	2016	Loan guarantees programme; 8% interest rate for MSEs
	Fast track implementation / creation of Agricultural Credit and Financial Services Access Programme	Ministry of Agriculture	2017	Programme created
Promote investment into formal and informal employment	Provide incentives for set-up of businesses (e.g. lower cost of borrowing, free licensing, etc.)	MOIED, KEPSA Trade and Finance SB	2014-2016	Incentives that facilitate set-up of new businesses
	Liaise with government-run funds (Uwezo, youth, women) and key private sector players disbursing these funds to increase access	MOIED, MSE Authority, KEPSA Trade and Finance SB	2014-2018	10% increase in access
	Rehabilitate and develop work spaces (e.g. markets)	MOIED, Counties, KEPSA Trade & Finance SB	2014-2018	10 markets in key county commercial centres
	Establish KEPSA MSE Sector Board	KEPSA	End 2014	MSE SB established
	Educate loan officers on assessing firm risk and train youth- and women-owned MSEs on financial management skills	KEPSA MSE SB	2015-2018	Annual training program
	Work with banks to create non-collateral loan products	KEPSA MSE SB	2015-2018	One product created per year

> Civilians don't trust the police and the police are wary of the civilians.
>
> **Garissa Officer Commanding Police Division, George Ali,**
>
> **following a spate of Al Shabaab terror attacks, 2013**

Objective 7: Speed up police reform

Challenge: Slow pace of police reform

In 2009, the Ransley Report provided a comprehensive picture of the police reform needed and a clear way forward. However, progress has been relatively slow especially when compared to the reform of other state organs such as the judiciary. There has been limited progress in areas such as poor working conditions and the low police-to-population ratio (1:1150, well below the United Nations recommended ratio of 1:450). Other challenges include equipment deficiencies and inadequate training and professionalism.

Some progress was made in 2014 when the government announced the recruitment of an additional 10,000 police officers at a cost of Ksh6.7bn to supplement 8,000 newly hired officers. In addition, digitisation of the country's population registry and a Ksh14.9bn security communications system would also be put in place in 2014.

Despite these improvements, overall there is a lack of progress in carrying out comprehensive police reforms. Although key legislation that provides the legal anchoring of envisaged police reforms exists, some key legislation (such as the National Community Policing Policy and the National Coroners Bill) has yet to be enacted and other legislation (National Police Service Act 2011 and National Police Service Commission Act of 2011) needs to be amended.

Interim Goal (what)	Steps Recommended (how)	Implementer (who)	Timeframe (when)	Target (result)
Fast track National Police Data Centre and forensics lab	Finalise enactment of National Coroners Bill	Ministry of Internal Security, National Assembly, AG	2014	National Coroners Bill finalised, passed, and implemented
	Allocate budgetary resources for data centre and forensics lab	Treasury	2014-2018	Ksh500m allocated annually
	Conduct specialised training for law enforcers to be stationed in the centre / lab and the judiciary	Ministry of Interior and Coordination	2014-2018	Publication of implementation date and regulations

Interim Goal (what)	Steps Recommended (how)	Implementer (who)	Timeframe (when)	Target (result)
Move community policing beyond concept into reality	Fast track completion of National Community Policing Policy	Ministry of Interior and Coordination, Ministry of Internal Security, KEPSA Security SB	2014-2018	Rollout of National Community Policing Policy in five pilot counties in Year 1
	Educate county governments on importance of supporting community policing, in partnership with the police	KEPSA Security SB	2014-2016	Train all counties by 2016
	Roll out community policing initiative	KEPSA Security SB	2015-2016	Initiative launched
	Include police participation in community policing rollout in order to rebuild trust between citizens and police	KEPSA Security SB	2015-2016	Police participate in quarterly workshops with community police
Enhance the investment regulatory environment	Amend the National Police Service Act 2011 and National Police Service Commission (NPSC) Act 2011, through coordination between Inspector General and NPSC	Ministry of Interior and Coordination, NPSC	End 2014	Amendment of both laws with stakeholder participation
	Develop housing projects for police	MOLHUP, Treasury, NPSC	2014-2018	5,000 new police housing units
	Implement welfare-related recommendations in Ransley Report	Ministry of Interior and Coordination, NPSC and Independent Policing Oversight Authority	2014-2018	60% of Ransley recommendations implemented in Year 1
	Increase the police citizen ratio to conform with international benchmarks	NPSC, Independent Policing Oversight Authority	End 2018	Increase police citizen ratio from 1:1150 to 1:500

Objective 8: Lower technology-aided crime

Challenge: Cybercrime

The growth of the ICT sector has firmly put Kenya on the map as the 'Silicon Savannah' of Africa. With this title has come the reality of cybercrime. Government and private sector websites alike have been the victims of hacking and the emergence of e-commerce is being affected by inadequate cyber security.

Interim Goal (what)	Steps Recommended (how)	Implementer (who)	Timeframe (when)	Target (result)
Improve cyber security at national level	Conduct capacity needs assessment in relevant agencies; ensure interagency coordination	Judiciary, Communications Commission of Kenya, Director of Public Prosecution, KEPSA Secretariat	2014-2018	Two critical areas identified annually in needs assessment report
	Recruit trained enforcement personnel on Cyber Crime (in those critical areas identified above)	Judiciary, Communications Commission of Kenya, Director of Public Prosecution	2014-2018	50 enforcement officers recruited (exact number informed by needs assessment report)
Fast track Prevention of Cyber Crime and Computer Related Offences Bill (2014)	Enact the Cyber Crime and Computer Related Offences Bill (losses estimated at Ksh2bn annually)	Ministry of ICT, Communications Commission of Kenya, KEPSA ICT SB, Director of Public Prosecution	Legal framework by end 2014; depending on outcome, Bill by 2016	All inclusive law developed incorporating stakeholder participation

Objective 9: Improve the health sector

Challenge: Health concerns

The state of Kenya's healthcare sector is dismal: in the World Economic Forum's Global Competitiveness Index 2013-2014, Kenya ranks near the bottom on all indicators measuring the impact of health on business (rankings on eight indicators ranged from 120-137 out of 148).

According to the second MTP (2013-2017), Kenya spends 5.4% of GDP on health, equivalent to 4.6% of government expenditures. This falls far below the target of spending 15% of government budget on healthcare, which African Union leaders pledged to achieve by 2015 at a summit in the Nigerian capital in 2001. The private sector finances 37% of total health spending. While the National Health Insurance Fund (NHIF) has a membership of 3.33m, 80% of the population still remains uninsured. Only 52% of the population has access to basic health services within 5 km of their homes. Access disparities between rural and urban areas remain a major challenge.

Interim Goal (what)	Steps Recommended (how)	Implementer (who)	Timeframe (when)	Target (result)
Improve access to affordable quality healthcare	Increase the budgetary allocation	Treasury	Annual targets to 2018	1% annual increase of budgetary allocation
	Enact and implement National Healthcare Financing Strategy (includes reforming NHIF)	Ministry of Health, KEPSA Health SB, Treasury	2014-2018	10% Increase in accessing healthcare services
	Develop affordable microinsurance products; expand microinsurance coverage and products to eliminate out of pocket payments	Insurance Regulatory Authority, Ministry of Health, KEPSA Health SB	2014-2018	10% annual increase in coverage to affordable health care to the informal sectors
	Speed up completion of Health Bill aimed at restructuring sector; increase stakeholder participation	KEPSA advocacy team, KEPSA Health SB, Ministry of Health	Fiscal Year 2014/2015	Stakeholders input in to the Health Bill
Improve requisite infrastructure for comprehensive basic healthcare	Improve use of ICT in health provision (diagnosis, screening, etc.)	Ministry of Health, KEPSA advocacy team	2014-2017	Existence of operational data system
	Improve response time to emergencies and disasters	Ministry of Health, KEPSA Health SB, Treasury	2014-2016	50% reduction in response time to disasters and emergencies
	Establish full-fledged low-cost specialised centres that provide adequate screening and treatment facilities for persons with chronic or terminal conditions.	KEPSA Health SB, Ministry of Health, Treasury KEPSA advocacy team, KEPSA Health SB, Ministry of Health	2016	Two specialised centres established annually
Re-engineer human resources for healthcare	Attract and retain specialised personnel; provision of incentives to prevent brain drain; better facilities to lure professionals	Ministry of Health, KEPSA Health SB, Ministry of Devolution and Planning	June 2017	No loss in medical personnel

Objective 10: Reduce the impact of climate change

Challenge: Climate change and environmental challenges

In Kenya, climate change has manifested itself through extreme weather conditions such as prolonged droughts and dry seasons, unreliable rainfall, and significant changes in weather variability. With one quarter of the economy based on agriculture and half of Kenya's power generation being hydro powered and dependent on full dams, climate change is a serious problem

The spectre of climate change presents a major issue for businesses. Estimates by the Stockholm Environment Institute (SEI, 2009: 17) puts the current loss on Kenyan economy due to climate change at about 2% of GDP, each year with additional net economic loss of 2.6% of GDP expected to occur each year by 2030 if no tangible response is implemented.

Indeed climate change manifests itself as a security issue because of the potential to cause land conflict among sectors such as agriculture. According to the Kenya Forest Service (2013), 85% of Kenya's forests have been destroyed since Kenya's independence. Kenya's forest cover is currently 5.9% of land area, below United Nations guidelines of 10%. Resource protection is another environmental concern that affects business. The Economic Survey of 2013 reported that 42% of the country's GDP is derived from natural resource-based sectors. Environmental conservation and management of natural capital is pivotal to the socio-economic development of the economy, and this calls for sound management and governance structures in the sector.

However, tackling the issue will not come cheap. The Kenya National Climate Change Action Plan (2013-2017) estimates that investment required to adapt to climate change will amount to Ksh1.085tr in the five-year strategy period. A National Climate Change Response Strategy (2010) was also put in place to counter the growing challenge of climate change. Draft climate change legislation is also underway.

Kenyan businesses must develop a response strategy in their planning and financing strategies to incorporate risks associated with climate change and address impacts of climate change in all sectors of the economy. Already a few businesses are implementing various response strategies but these efforts need to be document and greater awareness among the business community is paramount. In addition, there needs to be a repository of all relevant business information regarding opportunities and risks in mitigating climate change. Further, the private sector needs to step up their engagement in policy and law making and other discussions that promote mitigation, increase knowledge and innovation in mitigating the risk of climate change to business and economy.

Interim Goal (what)	Steps Recommended (how)	Implementer (who)	Timeframe (when)	Target (result)
Increased awareness of business opportunities in mitigating risk of climate change	Produce a compendium of climate vulnerability analysis of various economic sectors	KEPSA Environment, Water, and Mineral Resources SB	2015	75% of all economic sectors vulnerability studies conducted
	Document and share information on various response strategies with business and government stakeholders to inspire actions	KEPSA and its members implementing mitigation measures	2015-2018	90% of KEPSA members increase understanding on climate impact and mitigation measures
	Establish a climate information repository and advisory service unit for private sector at KEPSA to support awareness raising programs for businesses in Kenya.	KEPSA Environment, Water, and Mineral Resources SB	2015	Unit established within KEPSA that manages climate information generation, advocacy and awareness by business community
Reduce agricultural land conflict by providing extension services	Develop climate change related agricultural financial products such as weather insurance	Ministry of Agriculture, KEPSA Agriculture SB	2016	One rolled out product
	Ensure farmers carry out soil and leaf testing	Ministry of Agriculture, KEPSA Agriculture SB	2014-2018	70% of farmers test every two years
Promote better environmental regulation	Implement the National Climate Change Action Plan, including setting up a Kenya Climate Fund with technical support from the private sector	KEPSA Environment SB, Ministry of Environment	2017	Fund set up
	Review the Environmental Management and Coordination Act	KEPSA Environment SB, National Assembly	2015	Recommendations provided through stakeholder participation

Interim Goal (what)	Steps Recommended (how)	Implementer (who)	Timeframe (when)	Target (result)
Protect Kenya's forests	Progressively enhance forest/tree cover to more than 10% of land in every county through the integration of agroforestry into mainstream extension programmes	KEPSA Environment, Water, and Mineral Resources SB	2018	Forest cover reaches 10%

3. Infrastructure Development

Quality infrastructure that meets current demand and anticipates future needs is a key ingredient of economic development. Strengthening the power infrastructure, ensuring an efficient transportation network, supplying adequate and affordable housing, supporting ICT gains across the economy, and proactively managing nascent sectors like extractives are all vital to accelerate business success and spur investment.

Kenya's budgetary allocation to Infrastructure has been significantly increased from less than 1% of GDP a decade ago to over 7%. Increased funding, together with ambitious megaprojects under Vision 2030, are helping to boost infrastructure development. However, several infrastructure challenges exist, which can be addressed through private sector participation and public policy.

Objective 11: Affordable, reliable, and increased power supply

Challenge: Expensive, unreliable, and inadequate power supply

Kenya is plagued with power outages and unreliable power supply. While blackouts are a nuisance to households, they can be deleterious to businesses. Over 60% of energy from the national grid is used in manufacturing enterprises. Certain manufacturers suffer half a day's production loss because of the time taken to reboot production lines after a power failure. The burden of power outages is 2% of Kenya's GDP and lowers sales revenues of firms by 7%. Losses have caused the majority of businesses to rely on backup diesel generators, which are expensive to run and pollute the environment.

Much work needs to be done in a sector that contributes 9.5% to GDP and 20% to overall tax revenues. There are issues in generation, transmission, and distribution that need to be addressed. Kenya's power capacity is around 1,700 megawatts for the country, one-tenth of the capacity of most major European cities. Kenya seeks to nearly quadruple its power capacity by adding 5,000 megawatts by 2016, an ambitious part of a wider Vision 2030 goal to meet projected demand of 23,000 megawatts in 2030.

Most of the current power generation sources are hydroelectric and thermal, with the former failing to deliver power in times of drought and the latter relying on expensive imported fuels to operate. Over the last decade-plus, Kenya has made positive steps to put in place investor friendly regulation, has carried out some form of unbundling, and has recognised that independent non-state power producers are the way of the future. Kenya's National Energy Policy, nearing completion, seeks to provide reliable, sustainable, clean and stable least-cost power that will accelerate growth and keep Kenyan companies competitive. There is a need to bring this legislation to conclusion and implement it.

All future power generation projects are focused on clean, green and cheaper sources such as geothermal, wind, and solar. The price of electricity in Kenya is $0.18 per kilowatt hour (kWh) compared to $0.04 per kWh in South Africa. High energy prices hit consumers twice – once through higher electricity bills and again through inflation. The idea is that incorporating clean, green and cheaper sources of energy into the generation mix will pull down the cost of electricity, promote green growth and generate more employment.

Boosting generation alone without supporting the transmission and distribution infrastructure will create bottlenecks and system breakdowns. Transmission losses cost the country $17m per year. In addition, net metering regulations that would allow power producers to sell unused supply to the grid have not been finalised. On the distribution side, only 18% of households nationwide – a mere 5% in rural areas – are connected to the grid.

Interim Goal (what)	Steps Recommended (how)	Implementer (who)	Timeframe (when)	Target (result)
Uninterrupted power supply	Invest in maintenance, reinforcement, and upgrading of existing distribution facilities	Ministry of Energy, Rural Electrification Authority, Kenya Electricity Transmission Company	2014 - 2018	60% reduction in time taken to restore power supply after interruption
	Push for net metering regulations to allow for small-scale alternative energy investments to feed their surplus power to the grid	Ministry of Energy, Energy Regulatory Commission, KEPSA Energy SB	End 2014	Net metering regulations finalised, incorporating stakeholder input
	Monitor Kenya Power performance to fix reliability and quality problems; then advocate for changes	KEPSA Energy SB Kenya Power, Energy Regulatory Commission	Quarterly until 2018	60% reduction in outages

Interim Goal (what)	Steps Recommended (how)	Implementer (who)	Timeframe (when)	Target (result)
Expand households connected to grid	Encourage more businesses to invest in renewables through incentives (e.g. solar panels exempt from duty)	KEPSA Environment SB	2014-2018	Double households connected to the grid
	Ease administrative burden and lower cost of obtaining an electricity connection	Kenya Power, Energy Regulatory Commission, KEPSA Energy SB	June 2015	Reduction of time in site inspections by 50% and fee reduced from Ksh35,000 to Ksh20,000
	Conduct an assessment and impact study on the expanded connection coverage including the use of renewables by businesses	KEPSA Energy SB	June 2015	Impact study report
Reduce cost from \$0.18/kWh to \$0.08/kWh	Establish energy fund to offer guarantees to smooth out price variations during shortages	Ministry of Energy	Fiscal Year 2014/2015	Ksh200m to start up
	Encourage government to expand transmission and distribution network	Ministry of Energy, Kenya Electricity Transmission Company	2014-2018	Increase network by 10% annually
	Increase investment in renewable sources of energy by fine-tuning regulation and creating opportunities for public-private partnerships	Ministry of Energy, Energy Regulatory Commission, KEPSA Energy SB	2014-2018	2,000 megawatts of renewable capacity addition
Finalise the National Energy Policy	Finalise and adopt the National Energy Policy through inclusive stakeholder participation	Ministry of Energy	June 2014	Finalised energy policy

Objective 12: Improve transport facilities and services

Challenge: Inadequate transport network

Mombasa is home to the largest port in East Africa, and is therefore vital for Kenyan and regional trade. The existing container terminal was designed to handle a throughput of 250,000 twenty-foot containers annually. The terminal has far surpassed this capacity, handing over 700,000 twenty-foot containers in recent years. This has put strain on facilities and caused great congestion. There is an urgent need for both capacity and efficiency issues to be addressed; otherwise, operational effectiveness will continue to decline.

Turning towards the land, Kenya suffers from a dilapidated and inadequate road network. While main roads connecting major cities have seen upgrades over the years, important rural feeder roads that allow produce and other goods to access markets have been neglected. The Road Infrastructure Master Plan has set aside Ksh2tr for road construction and improvements between 2012 and 2024. Among the national megaprojects of Vision 2030 is the Lamu Port and South Sudan-Ethiopia Transport Corridor (LAPSSET), that will see both road and rail linking a new port in Lamu through inland Kenya to Ethiopia and South Sudan.

Traffic and congestion is a major factor hampering economic growth. According to a 2005 study by Kenya Institute for Public Policy Research and Analysis, Nairobi residents and businesses reported losses of $202m lost economic opportunity when sitting in traffic. Aside from economic losses, the environment suffers from vehicle pollution. Poor road conditions also cause a human toll, with 3,000 road fatalities a year nationally, and an annual health bill of $167m.

Interim Goal (what)	Steps Recommended (how)	Implementer (who)	Timeframe (when)	Target (result)
Reduce load and clearance time at Mombasa Port	Set up landlord model at Mombasa Port: lease in short term to experienced manager	Ministry of Trade, KEPSA advocacy team	2014-2016	Maximum 48 hours clearance time of goods at the port of Mombasa
	Construct second container terminal at Mombasa Port	KPA, KEPSA Infrastructure SB	2014-2017	Begin construction of new container terminal at the port of Mombasa
	Develop Dongo Kundu Free Trade Port	Ministry of Trade, KEPSA Infrastructure SB	2015: ground breaking; 2016: construction commences	Dongo Kundu Free Trade Port developed
	Fast track completion of Dongo Kundu bypass	Ministry of Trade, KEPSA Infrastructure SB	By 2016	60% reduction in time taken to cross the channel

Interim Goal (what)	Steps Recommended (how)	Implementer (who)	Timeframe (when)	Target (result)
Set up rail and road transport system from port to borders such that transit time is no more than five days	Fast track the laying of the standard gauge railway from Mombasa to Malaba / Kampala with a Kisumu link	Ministry of Trade, KEPSA Infrastructure SB	2017: Mombasa-Nairobi-Malaba completed	Completed standard gauge railway
	Increase the railway capacity	Ministry of Trade, KEPSA Infrastructure SB	Fiscal Year 2015/2016	Shift 50% of freight cargo (25m tonnes) from the road to the railway; 3.3m tonnes (before standard gauge completed) of cargo transported through the railway (2018 target: 25m tonnes)
Raise the proportion of good/fair condition roads in the estimated 100,000 km of unclassified or feeder/rural across access road network from 5% good and 22% fair to 40% good and 50% fair	Automate (computerise) weigh bridges along highways	Ministry of Trade	2014-2015	90% of weigh bridges automated
	Finalise and adopt public-private partnership regulations drawing on templates from organisations such as the National Council of Public-Private Partnerships	Ministry of Trade, KEPSA advocacy team	2016	National public-private partnership committee in place to oversee implementation of regulations
	Widen infrastructure financing instruments to address infrastructure financing deficit	Ministry of Trade, KEPSA Infrastructure SB, county governments	2014-2017	At least two more infrastructure financing instruments (e.g. infra bonds)
Tackle traffic and urban congestion	Set up functional mass transit systems in major urban areas; gradually replace matatus with fixed bus service	Ministry of Trade, KEPSA Infrastructure SB, county governments	2014-2017	Development of Rapid Bus Transport Network & Light Rail Technology, implementation of the Kenya Transport Support Sector Project, and construction of the southern bypass
	Expand Nairobi Commuter Railway Services system by upgrading the Commuter Core System (existing commuter rail line) and construction of new lines	Ministry of Trade, KEPSA advocacy team	2014-2018	Construction of a railway line from JKIA (Nairobi's international airport) to the Syokimau Railway Station, and construction of Kisumu and Mombasa commuter rail systems.

> The low-income sector accounts for only 6,000 new housing units annually due to significant underinvestment by both the public and private sector players
>
> **KEPSA Coffee Table Souvenir Issue, 2013**

Objective 13: Increase housing supply

Challenge: Insufficient housing

Access to affordable and decent housing is an important measure of human development. Under the Constitution of Kenya (2010), housing is recognised as a basic right, yet the government is struggling to meet demand. Urban home ownership stands at only 16% and an estimated 35,000 units are delivered annually against a demand of 150,000, representing a widening shortfall.

The high cost of finance is blamed for the limited investment in low-cost housing. In addition, high rates of rural-urban migration have put immense pressure on urban housing supply and related infrastructure. Slums have swelled in cities, though their exact population unknown. The size of Kibera, the largest slum in Africa, is estimated to range between under 200,000 inhabitants (last census, 2009) and 2 million. British NGO Homeless International pegs Kenya's entire slum population at 4 million, and estimates an annual growth rates of 6%.

Narrowing the housing deficit demands a higher degree of interaction and collaboration between the government and private sector in developing housing projects.

Interim Goal (what)	Steps Recommended (how)	Implementer (who)	Timeframe (when)	Target (result)
Increase and upgrade low-medium income housing supply	Expand capacity of the National Housing Corporation (housing parastatal)	MOLHUP, KEPSA Land, Housing and Urban Development SB	2014-2018 (annually)	50,000 new housing units built annually
	Rehabilitate and maintain existing old and dilapidated housing	MOLHUP, KEPSA Land, Housing and Urban Development SB	2014-2018 (annually)	100,000 houses rehabilitated annually
	Enhance government slum upgrade programme and replace slum dwellings with low-income housing	MOLHUP, KEPSA Land, Housing and Urban Development SB	2014-2018 (annually)	Supply 50,000 units annually to replace slums
	Promote use of low-cost building materials in partnership with housing organisations such as Habitat for Humanity	MOLHUP, University of Nairobi's low-cost housing unit, county governments	By 2018	Distribution centre for low-cost housing materials established in five major urban centres (Nairobi, Mombasa, Eldoret, Kisumu, Nakuru)
Create incentives through financial facilities and policy that will enable and encourage private sector players to invest in decent low-medium income housing	Promote Real Estate Investment Trusts, phased housing loans, public-private partnerships, and municipal housing schemes	MOLHUP, mortgage institutions, KEPSA Land, Housing and Urban Development SB	By 2018	Two new products on low-cost housing financing, enhanced diversification of housing construction and mortgage finance options
	Provide complementary infrastructure to lower cost of housing (e.g. government should provide access roads, lighting, etc.) through public-private partnerships with developers, real estate firms, construction companies, and county governments.	Ministry of Transport and Infrastructure	2014-2018 (annually)	Increase allocation for related infrastructure by 10% annually
	Facilitate involvement of local firms in government housing contracts	MOLHUP, KEPSA Land, Housing and Urban Development SB	2014-2018 (annual advocacy)	Legislative amendments to facilitate local firms
Review and implement housing legislation	Align laws and policies to support constitutional guarantee on right to housing	MOLHUP, National Assembly	2014-2018 (annual advocacy)	Revised Building Code Bill, Housing Policy, and Urban Development Policy

Objective 14: Cascade ICT gains for private sector development

Challenge: Limited ICT development

Lacking natural resources that many African countries are endowed with, Kenya's growth story has been supported by a strong services backbone. Kenya greatly enhanced business efficiency by laying more than 5,500 km of fibre optic cables across the country and linking to an undersea network. However, costs have not come down and there are still significant challenges such as frequent connectivity outages.

Developing the ICT infrastructure is key to attaining of the goals of Vision 2030. Kenya's ICT boom would steer economic growth across multiple sectors if managed appropriately. In this young sector, there is a lack of incentives, clarity, and coordination for the private sector to fully exploit the ICT revolution. For example, every telecommunications company does not need its own tower, and failure to pool costly infrastructure drives up the cost of doing business. In addition, after devolution some counties have been attempting to charge significant levies on laying ICT infrastructure, thereby putting off investment. Uniform policies and sharing of equipment will help boost ICT gains for the private sector. Finally, regulation on issues such as data protection and electronic privacy is yet to be enacted.

Interim Goal (what)	Steps Recommended (how)	Implementer (who)	Timeframe (when)	Target (result)
Enhance efficiency, access, and reliability of ICT infrastructure	Expand business process outsourcing and ICT-enabled services	Ministry of ICT, KEPSA ICT SB	2014-2018	50 business process outsourcing and ICT centres established
	Enact Data Protection Bill	Ministry of ICT, AG, National Assembly	Second half 2014	All inclusive law with stakeholders participation
	Coordinate infrastructure sharing	Ministry of ICT	2014-2018	Five major partnerships concluded
	Implement National ICT Master Plan 2017	Ministry of ICT	Q4 2014	100,000 Kenyans connected annually
	Operationalise Universal Service Fund	Ministry of ICT	2014-2018	Five pilot counties connected

Objective 15: Better management of the extractives sector

Challenge: Mismanagement of extractives industry

In the last few years, East Africa has attracted interest from investors in the mining industry. Several countries in the region have mineral resources, which can be significant contributors to the economic wealth. Kenya is a newcomer with recent resource discoveries, including oil and coal. It is critical for the government to encourage, protect, and invite the Kenyan private sector to exploit the benefits of new finds without hurting other sector of economy such as agriculture and tourism, which may rely on the same land above new resource discoveries.

According to the Institute of Economic Affairs, one of the greatest risks confronting countries with newly-discovered mineral wealth is a temptation to divert attention and support from the productive sectors of the economy to the extractive sectors. What follows is that support and development of the private sector is ignored as public funds swell from mineral revenues. Kenya must avoid this trap through effective regulation and sufficient transparency in extractives development, while maintaining support to a diverse economy.

Interim Goal (what)	Steps Recommended (how)	Implementer (who)	Timeframe (when)	Target (result)
Harmonise and review policy and regulations governing mining in Kenya	Review Mineral Policy to ensure inclusivity and shared value	Ministry of Mining, KEPSA Environment, Water, and Mineral Resources SB	End 2014	Mining Policy adopted
	Enact the Mining Bill (2013)	Ministry of Mining, KEPSA Environment, Water, and Mineral Resources SB	End 2014	Geology and Mining Bill enacted
	Develop strategies to implement Mining Act, such as a sovereign wealth fund, clarification of exploration rights, and equitable local content policy	Ministry of Mining, KEPSA Environment, Water, and Mineral Resources SB	2015-2016	Strategy document developed
Improve governance and transparency	Register Kenya with Extractive Industries Transparency Initiative (EITI), start with becoming a candidate country	Ministry of Mining, KEPSA Environment, Water, and Mineral Resources SB	End 2014	Kenya membership to EITI by 2015

4. Enhancing Trade and Investment

Kenya has aspirations to be a regional trade hub. With enabling factors such as a strong banking sector, expanding ICT and physical infrastructure, and current and future ports of Mombasa and Lamu respectively, Kenya is well-positioned to see much higher trade volumes. Yet, Kenya lacks exports diversification – both in terms of markets and products – and has not succeeded in attracting investment to make Kenya a manufacturing powerhouse.

Factors that hamper trade and investment include overland transport costs (which are among the highest in the world), operational inefficiency at ports, and market failures such as the level of informal trade and low levels of value-addition. Take agriculture as an example: Rather than commercialising operations, promoting markets, and moving up the value chain; farmers cannot access inputs, suffer high-level of post-harvest losses due to loss of storage, and are exploited by middlemen who buy raw produce at low prices and make large profits from agro-processing outside Kenya's borders.

Objective 16: Increase exports and expand from primary production to value added goods and services diversification and supportive infrastructure

Challenge: Lack of diversification limiting export potential

The East African Community (EAC) – which boasts a combined consumer base of 138 million people – allows free trade among its five member countries. While intra-EAC trade has doubled within the last five years, it is still nowhere near its potential: trade within the EAC is only 11%, compared to around 60% and 40% within Europe and Asia respectively.

Beyond the EAC, Kenya has not developed an effective trade policy, and has failed to target external markets strategically. Improving Kenya's export potential will require engagement at a policy level to enact key legislation, promote cross-border investment, identify barriers to Kenya's competitiveness, and increase overall foreign policy engagement on trade.

> "Intraregional trade is still a fraction of what it should be."
>
> **Sindiso Ngwenya,**
>
> **Common Market for Eastern & Southern Africa (COMESA) Secretary-General**

Interim Goal (what)	Steps Recommended (how)	Implementer (who)	Timeframe (when)	Target (result)
Increase exports and promote diversification to make Kenya more competitive in the EAC and COMESA	Enact Export Development and Promotion Bill 2012	KEPSA advocacy Team, Ministry of EAC, Ministry of Trade	2015	All inclusive Bill enacted
	Finalise and enact Special Economic Zones Policy and Bill	KEPSA Trade and Finance SB, National Assembly	2015	All inclusive Bill enacted
	Promote cross-border infrastructural investments with neighbouring countries	KEPSA Trade and Finance SB, National Assembly, East African Legislative Assembly	2014-2018	LAPSSET targets for roads met, construction of power transmission lines with Uganda and Ethiopia completed
	Strengthen capacity of private sector associations in EAC policies, and ensure private sector representation	MOIED, East African Business Council (with input from KEPSA)	2014-2018	Private sector participation in three high level meetings, develop three sectoral policy papers annually
	Review Ministry of Trade study (2009) to determine what factors are hindering competitiveness (e.g. production process inefficiencies)	KEPSA Trade and Finance SB, MOIED	2014-2018	Recommend and implement three key areas for private sector action
Diversify international export destinations	Set up trading houses / expo centres in strategic export markets	Kenya National Trading Corporation, Export Promotion Council	2017	Three trading houses set up (DRC, South Sudan and UAE)
	Work closely with trade divisions in Kenya's foreign missions to open more market opportunities (economic diplomacy); push for dedicated section within embassies abroad	Ministry of Trade, KEPSA Trade and Finance SB	2014-2018	Four meetings per year
	Develop foreign trade policy in line with Kenya's international trade objectives	KEPSA Trade and Finance SB, National Assembly	2015	Trade policy developed

Objective 17: Support MSE development

Challenge: Poor coordination of MSE issues

The MSE Sector provides an important engine of economic growth through job creation. The sector generates 18.4% of Kenya's GDP and an estimated 25% of total non-agricultural GDP. The MSE Sector has a critical role to play in supporting the country's socio-economic transformation into a middle-income country by 2030.

Currently, most MSEs are driven by survival rather than long-term growth strategies, resulting in a lack of sustainability. The MSE Act (2012) was a significant step in coordinating the sector. However, there is still considerable fragmentation and barriers to the sector's growth: low quality jobs, lack of technical expertise, limited access to finance, a lack of secure and affordable workspaces, and high failure rates all hamper the sector's potential.

Interim Goal (what)	Steps Recommended (how)	Implementer (who)	Timeframe (when)	Target (result)
Develop industrial parks and ensure availability of secure and affordable workspace	Reserve land banks for industrial parks	KEPSA Land SB, MOLHUP, MOIED, National Land Commission	2014-2017	Each county should have land allocated for industrial parks
	Develop industrial parks	KEPSA Land SB, MOIED	2017	Completion of Mombasa, Kisumu and Jomo Kenyatta University of Agriculture and Technology parks
	Increase supply of dedicated workspaces for MSEs	MOIED, county governments	2014-2017	At least one workspace per subcounty
	Implement the 30% preferential procurement policy to procure goods and services from business enterprises owned by youth, women, and the disabled.	MOIED	2014-2018	30% increase in uptake of procurement projects by these enterprises
Graduate MSEs to enable growth and longevity	Effectively implement MSE Act 2012 to promote coordination of MSE issues and to hasten the operationalisation of the Micro and Small Enterprises Fund	MOIED	2014-2018	Functioning MSE Act
	Enhance local content in government projects and product innovation	KEPSA Trade and Finance SB; National Assembly	2015	Inclusion of local content in the Public Procurement and Disposal Act

Objective 18: Tackle non-tariff barriers

Challenge: Persistence of non-tariff barriers

Despite efforts to lower trade restrictions, non-tariff barriers still hinder EAC aspirations to be a common market and customs union. Such barriers include inefficiencies at the port and borders, fiscal constraints, and export bans on certain goods for strategic reasons.

Interim Goal (what)	Steps Recommended (how)	Implementer (who)	Timeframe (when)	Target (result)
Eliminate non-tariff trade barriers	Institute enforcement measures for non-compliant members by setting up effective national non-tariff barriers monitoring committee	East African Legislative Assembly, Ministry of EAC, Ministry of Trade, KEPSA Trade and Finance SB	2014-2018	50% non-tariff barrier elimination annually
	Give EAC Court of Justice adjudication power over non-tariff barrier disputes	EAC Court of Justice	2016	Adjudication power expanded
	Establish NTB reporting and response Centre	Ministry of EAC	2014-2015	50% resolution of non-tariff barriers reported
Reduce turnaround time at the port and border	Set up National Single Window System	Kenya Trade Network Agency, Treasury, KEPSA Trade and Finance SB, Ministry of Trade	2014-2018	50% reduction in cargo clearance time
	Establish One-Stop Border Posts at Malaba, Busia, Isebania, Taveta, Lungalunga, and Namanga to harmonise systems for processing of transit cargo	KEPSA Infrastructure SB, Ministry of Trade	2017	Completed border posts at towns listed

Objective 19: Promote tourism, preserve biodiversity and wildlife conservation by finalizing and implementing the Tourism Master Plan

Challenge: Poor tourism development

Kenya brings in less than 2 million tourists a year, compared to Egypt that still brings in 10 million even after its political turmoil. In fact, tourism in Kenya has declined for three years in a row, and 2013 saw 11% fewer visitors than the year before, with revenues falling at a slower rate of 2% to Ksh94bn. Following the Westgate terrorist attack and an ongoing spate of security incidents that sparked travel advisories by foreign governments, tourism is not expected to recover in 2014. While the most direct effects are on foreign currency earnings, direct revenues, and employment, the decline in tourism has ripple effects across the economy.

With several national parks boasting the big five game animals and pristine beaches all along the coast, Kenya has the attractions but all but a few big-name sites lack the facilities and marketing. Inadequate accommodation at key attractions like Mount Kenya and poor tourism promotion efforts are preventing the sector from taking off. In addition, threats to biodiversity are seeing tourists opt for Kenya's neighbours instead. Over the last 40 years, the country has lost almost half of wildlife population. The main culprit has been poaching. Despite ivory trade being illegal in Kenya, Elephant and rhino hunting increased seven-fold between 2007 and 2012. In 2012, Kenya lost 384 elephants and 19 rhinos to poachers.

Interim Goal (what)	Steps Recommended (how)	Implementer (who)	Timeframe (when)	Target (result)
Promote tourism to achieve a doubling of visitors to above three million per year by 2018	Increase the tourism budget by 30% for marketing – including halting negative media campaigns – and for diversifying products. increase product offering / diversity	Treasury, National Assembly, Ministry of Tourism, Kenya Tourism Federation	Fiscal Year 2014/2015	Tourism marketing budget allocation increased by 30%
	Commence development of Lamu, Isiolo, and Turkana resort cities	LAPSSET, MOLHUD, Treasury, Ministry of Devolution and Planning, county governments	2014-2018	Development of resort cities initiated
	Benchmark and harmonise fees (such as 16% VAT on game drives, park fees, etc.) with regional competitors	Ministry of Tourism, Kenya Tourism Federation	End 2014	Harmonised fees for tourism services
	Fully integrate regional visa and customs procedures, improve access to neighbouring countries, and market East Africa as a seamless regional product	Ministry of Tourism, Kenya Tourism Federation	2015	Full regional integration

Interim Goal (what)	Steps Recommended (how)	Implementer (who)	Timeframe (when)	Target (result)
Preserve biodiversity	Ensure all 51 game parks and reserves develop & implement Area Management plan	Kenya Tourism Federation, Ministry of Tourism, Kenya Wildlife Service, Kenya Tourism Development Corporation, county governments	2016	Implementation of Area Management Plans
	Constitute a National Biodiversity Council or a task force to coordinate the government, private sector and academia to develop a National Framework / Policy on biodiversity conservation	Ministry of Tourism, Kenya Tourism Federation, Kenya Wildlife Service, Kenya Forest Service	2015	National Framework / Policy on biodiversity conservation developed
Curb poaching	Fully implement the Wildlife Act (2013): • Set up private conservancies • Promote corporate sponsorships to wildlife conservation activities • Create public awareness through school campaigns and the tourism sector	Ministry of Tourism, Kenya Tourism Federation	2015 for implementing Act, 2018 for setting up conservancies and sponsorships	Fully implemented Wildlife Act, four conservancies, and four sponsorships

Objective 20: Enhance participation of the diaspora in national economic development

Challenge: Limited and non-strategic engagement with the diaspora

Kenya's diaspora represent underdeveloped investment potential for the nation. According to the Central Bank of Kenya, remittances from the country's diaspora grew by an impressive 10% in 2013, reaching Ksh111bn. However, this key foreign exchange earner has not been managed strategically, with sporadic and ad hoc engagement with the diaspora community.

Interim Goal (what)	Steps Recommended (how)	Implementer (who)	Timeframe (when)	Target (result)
Prioritise policies that facilitate diaspora investment	Implement Kenya Diaspora Engagement Strategic Policy that addresses issues such as transaction costs of remittances	Ministry of Foreign Affairs	2014-2015	Diaspora policy developed & implemented
	Establish International Jobs and Diaspora desks within Kenyan embassies abroad	Ministry of Foreign Affairs	2014-2015	Five coordinating desks established
	Push for first sovereign bond issue and encourage diaspora participation	Ministry of Finance, Ministry of Foreign Affairs	By 2016	20% of diaspora participate in first sovereign bond offering

> "Government has established the Fertiliser and Seed Development Fund with an initial investment of Ksh5bn, which will be escalated to Ksh20bn, with a long term view of establishing a fertiliser manufacturing plant in the country."
>
> **President Uhuru Kenyatta, opening ASK Nairobi International Trade Fair, 2013**

Objective 21: Address multiple challenges in agribusiness

Challenge: Underperforming agribusiness sector

Arguably the most vital sector of Kenya's economy, agriculture directly contributes 26% of the GDP and another 25% indirectly, according to the World Bank. The sector accounts for 65% of Kenya's total exports and more than 70% of jobs outside the cities are in agriculture. The sector is dominated by small-scale farming, with one hectare farm sizes being the norm.

Several challenges are holding agriculture back from becoming agribusiness. Farmers struggle to move across the supply chain as they face problems with input supply and adulteration, post-harvest losses, access to finance, inadequate extension services, and lack of value addition opportunities. In transitioning from subsistence farming to a commercially oriented modern sector, food security issues must be considered – Kenya is already a net importer of its traditional staple crop, maize.

Growth in agribusiness will require a concerted effort between public and private stakeholders to create backward and forward linkages. The emphasis should be on research-supported, technology-based, value-added production, which will expand employment and investment opportunities across Kenya.

Interim Goal (what)	Steps Recommended (how)	Implementer (who)	Timeframe (when)	Target (result)
Fast track implementation of National Agricultural Sector Extension Programme to improve effectiveness of extension services	Expand extension services ratio to 1 extension officer to 600 farmers; shift from demand-driven services delivery model to impact-driven	Ministry of Agriculture, KEPSA Agriculture SB, county governments	By 2018	Ratio of 1:600 attained by 2018
	Increase collaboration and participation between private and public sector in provision of extension services	Ministry of Agriculture, KEPSA Agriculture SB, county governments	2014-2018	300 extension officers engaged in collaborative framework
	Increase budgetary allocations to extension services	Ministry of Agriculture, KEPSA Agriculture SB, county governments	2014-2018	10% annual budgetary increase
Lower cost of inputs and mitigate adulteration	Establish subsidised fertiliser factory through the private sector	Ministry of Agriculture, KEPSA Agriculture SB, Ministry of Finance	2014-2015	One fertiliser factory established
	Implement Accelerated Agricultural Inputs Access Programme	Ministry of Agriculture	2014-2018	20% improvement in access to inputs
	Manage standards to maintain integrity of agricultural inputs (prevent adulteration)	Kenya Plant Health Inspectorate Service	2014-2018	10% annual increase in market surveillance
Reduce post-harvest crop losses	Improve storage and market access; strengthen capacity of savings and credit cooperative societies	KEPSA Agriculture SB, county governments	2014-2018	Reduction of post-harvest loss by 50%
	Promote value addition (e.g. drying and packaging)	KEPSA Trade and Finance SB, Ministry of Agriculture	2014-2018	20% increase in value-added production
Improve quality of livestock and address livestock disease burden	Enhance commercial value of the livestock industry through adoption of new breeds	Ministry of Agriculture, MOIED	2014-2018	20% annual uptake of improved livestock breeds
	Fast track establishment disease-free Zones	Ministry of Agriculture	2014-2018	Three disease-free zones certified

5. Promoting Human Capital Development and Entrepreneurship

Kenya has aspirations to be a regional trade hub. With enabling factors such as a strong banking sector, expanding ICT and physical location. Kenya's education story is a mixed one. On one hand, there is nearly 100% enrolment in primary education; on the other hand, however, concerns have been raised that what is taught in classrooms do not correlate with skills needed in the workforce. According to the World Bank, 46% of Kenyans live in poverty; they are either unemployed or in low-paying jobs. Despite high primary enrolment levels, the United Nations reports that more than one-quarter of Kenyan adults are illiterate.

Businesses can play roles ranging from supplying technology to primary schools to offering internships to provide practical training. To tackle the issue of human capital development, the government and private sector can work together starting from early childhood education through to tertiary and vocational learning..

Objective 22: Increase support for early childhood education

Challenge: Underdevelopment of early childhood education

Under the first MTP of Vision 2030, Kenya saw net enrolment for early childhood development education (ECDE) increase from 43% to 53% between 2008 and 2012, against a target of 77%. While this increase is positive, more is needed: low enrolment can be attributed to the fact that ECDE is not mainstreamed into basic comprehensive education.

Interim Goal (what)	Steps Recommended (how)	Implementer (who)	Timeframe (when)	Target (result)
Boost capacity of early childhood development education programmes	Increase net enrolment rate in ECDE	County governments, KEPSA Education SB	2014-2018	Enrolment up from 53% to 80%
	Introduce a pre-primary teacher training curriculum to raise quality and ensure consistency across public and private ECDE centres	Ministry of Education, Science, and Technology (MOEST), KEPSA Education SB	2016	Standardised curriculum for all pre-primary teacher training
	Recruit trained ECDE teachers	County governments, KEPSA Education SB, Treasury	2014-2018	24,000 in first year and 6,000 in each of the four subsequent years
	Establish ECDE resource centres	County governments, KEPSA Education SB, Treasury	2014-2018	Resource centres established in 10 counties each year

Objective 23: Continue the expansion of primary and secondary school learning

Challenge: Quality and access deficiencies in basic comprehensive education

While 96% of primary school-aged children attend school, this drops to 50% at the secondary level as many older children join the workforce early, often through necessity to support their households. This phenomenon is particularly pronounced in rural areas. Problems to be addressed at the basic comprehensive education level (which includes primary and secondary education) include low teacher to learner ratios, textbook sharing, and poor teaching quality, and a lack of private sector involvement.

Interim Goal (what)	Steps Recommended (how)	Implementer (who)	Timeframe (when)	Target (result)
Fully implement Education Act (2012) to expand access and equity	Increase the teacher to learner ratio	KEPSA Education SB, MOEST	2015	From 1:47 to 1:40
	Increase the textbook to learner ratio	KEPSA Education SB, MOEST	2016	From 1:3 to 1:1
	Increase fund allocation for learners with special needs	KEPSA Education SB, MOEST, Treasury	2014-2018	Increase allocation of funds to Special Needs Education to 5% of education Budget with a 1% annual increase
	Establish and operationalise the National Council on Nomadic Education in Kenya	KEPSA Education SB, MOEST	2015	Operationalise the National Council on Nomadic Education in Kenya
Improve training of teachers	Encourage private investment in training of teaching professionals	KEPSA Education SB, MOEST	2014-2018	30 teacher training colleges
	Develop a policy on continuous professional development for both the private and public sector	KEPSA Education SB, MOEST, National Assembly	2016	All inclusive policy on professional development
	Enhance the training of diploma level teachers and gradually phase out P1 teacher training certificate	KEPSA Education SB, MOEST, National Assembly	2014-2016	Phase out P1 certificate training

Interim Goal (what)	Steps Recommended (how)	Implementer (who)	Timeframe (when)	Target (result)
Strengthen partnerships with the private sector	Fast track implementation of Public Private Partnership Act to facilitate private sector participation in education sector	KEPSA Education SB, MOEST, National Assembly	2015	Full implementation of the Public Private Partnership Act
	Involve the private sector in education taskforce and encourage private sector role on boards of public education institutions	KEPSA Education SB, MOEST	2014-2018	20% private sector representation on education taskforce
	Increase private financing as a share of total education expenditure	MOEST, KEPSA Education SB	2014-2018	10% increase in private spending

Objective 24: Increase investment in TVET institutions

Challenge: Insufficient attention to vocational education

Between 2008 and 2012, enrolment in vocational education grew by an encouraging 50% to 127,691. Despite this encouraging statistic, technical and vocational education and training (TVET) is still an underdeveloped area of learning, in spite of its potential to provide a bridge between education and the workforce. To grow this sector, various institutional strengthening interventions are needed – including improvements to physical infrastructure, recruitment and training of instructors, increased access, a supportive regulatory environment, and increased private sector involvement. In addition to this, there are cultural barriers: there is clear cultural preference towards conventional higher learning though universities, which are perceived as more prestigious.

Interim Goal (what)	Steps Recommended (how)	Implementer (who)	Timeframe (when)	Target (result)
Strengthen TVET institutions	Establish at least three TVET institutions per county	County governments, MOEST, KEPSA Education SB	2014-2017	One new TVET institute per county annually
	Recruit and train TVET instructors	MOEST, KEPSA Education SB	2014-2018	50 instructors recruited and trained per county annually
	Rehabilitate existing TVET institutions including physical infrastructure, teaching capacity, and breadth of course offerings (e.g. electrical engineer)	County government, MOEST, work with private sector to enhance attachments	2014-2018	One TVET institution per county rehabilitated annually
Implement TVET Act (2013)	Establish and facilitate the development of the TVET Authority and ensure funds allocated	MOEST, Treasury	2014-2015	Private sector representation, Ksh500m allocated annually
Increase (equitable) access to TVET	Enhance access to Polytechnics and other skills training institutions	Ministry of Education, KEPSA Education SB	2014-2018	50 polytechnics established and equipped
	Increase funding mechanisms (e.g. bursary allocation, scholarships) to TVET students	MOEST, Treasury	2014-2018	Ksh300m of bursary funding annually
Institutionalise industrial attachments and internships through private sector partnerships and TVET	Develop and adopt internship policy	KEPSA Education SB, MOEST, National Assembly, Ministry of Planning and Devolution	2014-2015	Private sector participation leading to developed policy
	Develop incentives for private sector to offer internships (KEPSA to act as coordinator)	MOEST, Treasury, Ministry of Planning and Devolution, KEPSA Education SB	2014-2018	1,000 internships annually

Objective 25: Seal technological innovation gap and enhance commercialisation

Challenge: Lack of innovation and commercialisation

Research and development has not been a priority in Kenya, which has in turn led to low levels of innovation and invention. Public spending on research and development stands at a mere 0.3% of GDP compared to global best practice of at least 1%. Weak linkages between research institutions and the private sector also limit innovation. Even when research moves to the next stage, there is a slow uptake of commercialisation, thereby inhibiting job creation.

Interim Goal (what)	Steps Recommended (how)	Implementer (who)	Timeframe (when)	Target (result)
Develop the telecommunications, electronics, and computers sector	Participate in the first phase (2013-2017) of Konza Tech City's development, involving the construction of a business process outsourcing centre, a science park, housing, service centres, and supporting infrastructure	Ministry of ICT, Konza Technopolis Development Authority	2017	90% of first phase completed
Support entrepreneurship and innovation among MSEs by reducing ICT cost and increasing access	Develop relevant programmes for MSEs that are easy to use and can be accessed from various ICT platforms (e.g. mobile phones)	MSE Authority	2014-2018	10 programmes developed
	Set up online databases for MSEs to allow timely market information	Ministry of ICT, Kenya National Bureau of Statistics, MSE Authority, Kenya Institute for Public Policy Research and Analysis	2015	Online database established and operational
	Create awareness among MSEs about available ICT applications already in use to improve market access (e.g. social media can reduce marketing costs)	KEPSA MSE SB (to be established)	2014-2018	Annual awareness raising forum targeted at MSEs
	Implement the ICT policy to enhance ICT use, develop ICT infrastructure, and make ICT hardware and software accessible and affordable	Ministry of ICT	2015	Full implementation of ICT policy

Interim Goal (what)	Steps Recommended (how)	Implementer (who)	Timeframe (when)	Target (result)
Integrate ICT in education	Integrate ICT in education to improve education competitiveness, training and research to the level of international best practices by fully implementing the National ICT Strategy for Education and Training	KEPSA Education SB, MOEST, Ministry of ICT	2014-2018	Full implementation of the National ICT Strategy for Education and Training

> The participation of the private sector in the design, implementation and evaluation of policies and programmes for youth employment in Kenya has proven critical in enhancing the relevance of interventions and making them more responsive to labour market requirements.
>
> **KEPSA Coffee Table Souvenir Issue, 2013**

Objective 26: Improve relevance of education and training to employer needs

Challenge: Skills mismatch between education and the workplace

At present, tertiary education and vocational training in Kenya are not matched with the demands of the workplace, owing to limited linkages and collaboration between education and industry. Education programmes are supply rather than market driven, and the question of what students are being training for has not been adequately addressed as curricula are developed without effective consultation and collaboration with relevant stakeholders.

Moreover, there is minimal coordination between government, employers, training providers and policy research institutions. The skills mismatch between industry and education institutions necessitates retraining of the workforce, usually at employer cost.

Interim Goal (what)	Steps Recommended (how)	Implementer (who)	Timeframe (when)	Target (result)
Ensure skills training aligned to labour market demands	Review of training modules to it make more relevant to labour market	KEPSA Education SB, Ministry of Education, Kenya Institute of Education	2014-2015	One training module developed
	Support and motivate industry-oriented research and development programmes and initiatives with tertiary institutions	KEPSA Education SB, MOIED, Ministry of Education	2015-2018	Three to five research and development programmes and initiatives
	Establish seed capital for results-oriented innovations with commercial uptake potential	MOIED	2014-2015	60% disbursement in Year 1; grants of Ksh100,000-500,000
	Develop strategic partnership between one business incubation centre and KEPSA to test and roll out commercially viable proposals	KEPSA, MOIED	2016	One partnership framework signed
	Promote innovation prizes and awards at tertiary level	KEPSA, MOIED	2015-2018 (annually)	Two / three sector-specific annual awards and prizes

Appendices

I	Harmonising NBA II and KEPSA's Strategy
II	KEPSA Business Membership Organisations 2014
III	Summary of NBA II – Objectives and Interim Goals

How the NBA Thematic Focus Areas are Linked with Doing Business and Global Competitiveness Index

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VISION 2030 | MTP II

KENYA'S RANKING BELOW 50 IN EASE OF DOING BUSINESS & GLOBAL COMPETITIVENESS INDICES BY 2018

NBA THEMATIC AREAS OF FOCUS	GLOBAL COMPETITIVENESS	EASE OF DOING BUSINESS
HUMAN CAPITAL DEVELOPMENT & ENTREPRENEURSHIP	Health & Primary Education and Training, Labour Market Efficiency, Innovation, Institutions	Employing Workers, Starting a Business, Closing a Business
GOVERNANCE & BUSINESS REGULATORY ENVIRONMENT	Macro-economic Stability, Goods Market Efficiency, Institutions	Registering Property, Enforcing Contracts, Dealing With Construction Permits, Resolving Insolvency
TRADE & INVESTMENT	Financial Market Sophistication, Goods Market Efficiency, Market Size, Business Sophistication, Institutions	Trading Across Borders, Paying Taxes, Getting Credit, Protecting Investors
INFRASTRUCTURE	Infrastructure, Technological Readiness	Getting Electricity
SECURITY *	Institutions, Improve Health Sector, Reduce Inequality, Speed Up Police Reforms, Rule of Law, Anti-Corruption, Transparency	Reduce Crime, Reduce Crime-related Cost & Revenue Losses, Lower Technology-aided Crime

* not in GCI or EODB, adopted from NBA II

II. KEPSA Business Membership Organisations 2014

1 Agricultural Employers' Association
2 Agrochemicals Association of Kenya
3 American Chamber of Commerce of Kenya
4 Aquacultural Association of Kenya
5 Architectural Association of Kenya
6 Association of Chartered Certified Accountants
7 Association of Consulting Engineers of Kenya
8 Association of Gaming Operators - Kenya
9 Association of Insurance Brokers of Kenya
10 Association of Kenya Insurers
11 Chartered Institute of Arbitrators-Kenya
12 Co-operative Alliance of Kenya Limited
13 Country Manager
14 Delegation of German Industry & Commerce of Kenya
15 E. Africa Ventures Capital Association
16 East African Tea Trade Association
17 East African Venture Capital Association
18 Eastern Africa Association
19 Eastern Africa Grain Council
20 Eastern Africa Network for Gender and Enterprise Development
21 Federation of Kenya Employers
22 Federation of Women entrepreneur Associations
23 Institute of Certified Public Accountants of Kenya
24 Institute of Certified Public Secretaries of Kenya
25 Institution of Engineers of Kenya
26 Kenya Agribusiness and Agroindustry Alliance
27 Kenya Association of Air Operators
28 Kenya Association of Independent International Schools
29 Kenya Association of Manufacturers
30 Kenya Association of Tour Operators
31 Kenya Association of Travel Agents
32 Kenya Association of Women Business Owners
33 Kenya Association of Women in Tourism
34 Kenya Auto Bazaar Association
35 Kenya Bankers Association
36 Kenya Chamber of Mines
37 Kenya Flower Council
38 Kenya Healthcare Federation
39 Kenya Institute of Supplies Management
40 Kenya IT & Outsourcing Services
41 Kenya Motor Industry Association
42 Kenya Oil & Gas Association
43 Kenya Private Schools Association
44 Kenya Property Developers Association
45 Kenya Security Industry Association
46 Kenya Ships Agents Association
47 Kenya Tea Growers Association
48 Kenya Tourism Federation
49 Marketing & Social Research Association
50 Micro & Small Enterprises Federation
51 National Association of Private Universities in Kenya
52 National Potato Council of Kenya
53 Organization of Women in International Trade
54 Outdoor Advertising Association
55 Petroleum Institute of East Africa
56 Protective Security Industry Association
57 Public Relations Society of Kenya
58 Pyrethrum Growers Association
59 Retail Trade Association of Kenya
60 Roads & Civil Engineering Contractors Association
61 Safaricom Dealers Association
62 Shippers Council of Eastern Africa
63 Telecommunications Service Providers Association of Kenya
64 United Business Association
65 Wide Vision Investors and Business Association

III. Summary of NBA II – Objectives and Interim Goals

Thematic Area 1: Improving Governance and the Business Regulatory Environment	
Objectives	Interim Goals
Objective 1: Reduce business and property registration and licensing costs	a) Faster business registration and consolidate / simplify procedures
	b) Cut cost of business registration and licensing
	c) Faster property registration and consolidate / simplify procedures
Objective 2: Reduce the cost of enforcing contracts and speed up dispute settlement	a) Faster contract enforcement and consolidate / simplify procedures
	b) Enhance efficiency of commercial justice system in dispute resolution
Objective 3: Simplify tax system and promote inclusiveness	a) Improve tax collection, administration and widen tax base
	b) Reduce burden of paying tax
Objective 4: Strengthen rule of law and promote anti-corruption measures	a) Strengthen public expenditure accountability and implement reforms to simplify public procurement processes
	b) Promote anti-corruption initiatives and strengthen corporate governance within the private sector
	c) Provide guidance and leadership in land reform
	d) Enhance the investment regulatory environment
Thematic Area 2: Upgrading Security	
Objective 5: Reduce cost and revenue losses to businesses due to insecurity	a) Increase security measures to protect businesses and economy
	b) Revise and enact Private Security Industry Regulations (PSIR) Bill (2013)
Objective 6: Reduce inequality and enhance economic opportunities for marginalised groups	a) Set up Economic Empowerment Fund to enhance economic progression
	b) Promote MSE access to finance
	c) Promote investment into formal and informal employment
Objective 7: Speed up police reform	a) Fast track National Police Data Centre and forensics lab
	b) Move community policing beyond concept into reality
	c) Complete police reforms to build a well-trained, integrity-driven, well-resourced, professional police service

Objective 8: Lower technology-aided crime	a)	Improve cyber security at national level
	b)	Fast track Prevention of Cyber Crime and Computer Related Offences Bill (2014)
Objective 9: Improve health sector	a)	Improve access to affordable quality healthcare
	b)	Improve requisite infrastructure for comprehensive basic healthcare
	c)	Re-engineer human resources for healthcare
Objective 10: Reduce the impact of climate change	a)	Increased awareness of business opportunities in mitigating risk of climate change
	b)	Reduce agricultural land conflict by providing extension services
	c)	Promote better environmental regulation
	d)	Protect Kenya's forests
Thematic Area 3: Infrastructure Development		
Objective 11: Affordable, reliable, and increased power supply	a)	Uninterrupted power supply
	b)	Expand households connected to grid
	c)	Reduce cost from $0.18/kWh to $0.08/kWh
	d)	Finalise the National Energy Policy
Objective 12: Improve transport facilities and services	a)	Reduce load and clearance time at Mombasa Port
	b)	Set up rail and road transport system from port to borders such that transit time is no more than five days
	c)	Raise the proportion of good/fair condition roads in the estimated 100,000 kilometres of unclassified or feeder/rural across access road network from 5% good and 22% fair to 40% good and 50% fair
	d)	Tackle traffic and urban congestion
Objective 13: Increase housing supply	a)	Increase and upgrade low-medium income housing supply
	b)	Create incentives through financial facilities and policy that will enable and encourage private sector players to invest in decent low-medium income housing
	c)	Review and implement housing legislation

Objective 14: Cascade ICT gains for private sector development	a)	Enhance efficiency, access, and reliability of ICT infrastructure
Objective 15: Better management of the extractives sector	a)	Harmonise and review policy and regulations governing mining in Kenya
	b)	Improve governance and transparency
Thematic Area 4: Enhancing Trade and Investment		
Objective 16: Increase exports and expand from primary production to value added goods and services diversification and supportive infrastructure	a)	Increase exports and promote diversification to make Kenya more competitive in the EAC / COMESA
	b)	Diversify international export destinations
Objective 17: Support MSE development	a)	Develop industrial parks and ensure availability of secure and affordable workspace
	b)	Graduate MSEs to enable growth and longevity
Objective 18: Tackle non-tariff barriers	a)	Eliminate non-tariff trade barriers
	b)	Reduce turnaround time at the port and border
Objective 19: Promote tourism, preserve biodiversity and wildlife conservation by finalizing and implementing the Tourism Master Plan	a)	Promote tourism to achieve a doubling of visitors to above 3 million per year by 2018
	b)	Preserve biodiversity
	c)	Curb poaching
Objective 20: Enhance participation of the diaspora in national economic development	a)	Prioritise policies that facilitate diaspora investment
Objective 21: Address multiple challenges in agribusiness	a)	Fast track implementation of National Agricultural Sector Extension Programme to improve effectiveness of extension services
	b)	Lower cost of inputs and mitigate adulteration
	c)	Reduce post-harvest crop losses
	d)	Improve quality of livestock and address livestock disease burden

Thematic Area 5: Promoting Human Capital Development and Entrepreneurship	
Objective 22: Increase support for early childhood education	a) Boost capacity of early childhood development education programmes
Objective 23: Continue the expansion of primary and secondary school learning	a) Fully implement Education Act (2012) to expand access and equity b) Improve training of teachers c) Strengthen partnerships with the private sector
Objective 24: Increase investment in TVET institutions	a) Strengthen TVET institutions b) Implement TVET Act (2013) c) Increase (equitable) access to TVET d) Institutionalise industrial attachments and internships through private sector partnerships and TVET
Objective 25: Seal technological innovation gap and enhance commercialisation	a) Develop the telecommunications, electronics, and computers sector b) Support entrepreneurship and innovation among MSEs by reducing ICT cost and increasing access c) Integrate ICT in education
Objective 26: Improve relevance of education and training to employer needs	a) Ensure skills training aligned to labour market demands

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