



**REPUBLIC OF KENYA**

**CONCEPT NOTE ON  
MEDIUM TERM PLAN  
2018-2022**

**March 2017**

## **1. Introduction**

1. The Third Kenya Vision 2030 Medium Term Plan (MTP 2018-2022) will succeed the Second MTP 2013-2017. Like its two predecessors, it will be guided by Kenya Vision 2030 - the country's long term development strategy which seeks to transform Kenya into a newly industrializing upper middle income country providing a high quality of life to all its citizens by 2030. It will also be guided by the constitution of Kenya and incorporate the priorities outlined in the Manifesto of the Political Party forming the government after the next general elections scheduled in August 2017.

2. The Third MTP will endeavor to move the economy towards a high growth trajectory to achieve 10 percent economic growth rate target by the end of the Plan period. It will prioritize policies, programmes and projects which generate broad based inclusive economic growth, as well as faster job creation, reduction of poverty and inequality, take into account climate change impacts, and meeting the 17 Sustainable Development Goals (SDGs) and the goals of African Union Agenda 2063.

3. The Plan will build on gains made so far in key sectors of the economy including completing projects initiated during the Second MTP. It will target not only at increasing the level of investment but also enhancing the productivity of investment, as well as raising productivity in all sectors of the economy.

4. In particular, the Plan will aim at effecting structural changes towards increasing the shares of the manufacturing, industrial, and exporting sectors in the economy. Furthermore, the Plan will prioritize development of the country's oil and mineral resources sector, which is expected to play a crucial role in terms of contribution to the growth of Kenya's economy in the next five years and beyond. The Third MTP will thus accord priority to foster investment in upstream, mid-stream, and downstream infrastructure to facilitate development of the country's oil and mineral resources sector. It will also pay special attention to the maritime sector as a new frontier for social and economic growth.

5. In order to support the above stated objectives and targets, the Plan will accord priority to enhancing and developing foundations/enablers such as Infrastructure; Public Sector Reforms; Science, Technology and Innovation (STI) and ICT. In this regard, increased budgetary resources will be allocated to development spending over the course of the Plan period. This will ensure that key infrastructure projects initiated during the Second MTP period, such as the 5,000 + MW project, are completed and the new infrastructure projects planned for implementation during the Third MTP period are adequately funded.

6. To facilitate its implementation, the Plan will put in place incentives to attract both domestic and foreign investment including increased reliance on Public Private Partnership (PPP) arrangements in implementing programmes and projects. It will also take into account and promote use of new and innovative financing mechanisms and other means of implementation. The Plan will also prioritize measures and programmes aimed at strengthening social and political sectors to facilitate faster development and socio-economic transformation of the country.

7. The Third MTP will be prepared against the backdrop of slowing global economic growth and uncertainty following the Brexit Vote which could adversely impact the rest of the world economy. The other risks and challenges relate to climate change, cyber security, global terrorism, rise of extremism and regional peace and security. The Plan will therefore be formulated taking cognizance of such risks and incorporate mitigation measures and strategies to increase the economy's resilience to cope with such adverse shocks.

8. In accordance with its mandate, the Ministry of Devolution and Planning will spearhead and coordinate the process and production of the MTP 2018-22. This Concept Note outlines the road map for the preparation of the Third MTP.

## **2. Background**

### **2.1 Achievements Under the Second MTP (2013-2017)**

9. The Second MTP targeted achievement of 10 % real GDP growth by 2017. The economy recorded growth rates of 5.7 %, 5.3 % and 5.6 % in 2013, 2014 and 2015 respectively which were lower than those projected in the Second MTP. Among the reasons for lower than projected growth include: insecurity which impacted on investment and other key sectors such as tourism; slowdown in the growth of the manufacturing sector as a result of cheaper imports of manufactured products and reduced share of Kenya's manufactured exports in the regional market; adverse weather patterns which affected growth of the agricultural sector; high bank lending rates and slow uptake of PPP projects. Adverse global environment and market conditions such as financial market volatility and falling commodity prices also played a part in contributing to lower than projected economic growth rates.

10. Despite registering lower than projected growth rates in the first three years of the Second MTP, there are indications that the economy is moving towards a higher growth trajectory. Quarterly GDP estimates by Kenya National Bureau of Statistics (KNBS) indicate that the economy grew by 5.9 % in the First Quarter of 2016 and by 6.2 % in the Second Quarter of 2016.

11. A review of the other performance indicators shows that significant progress has been achieved in implementing the Second MTP, some of which are highlighted below.

#### **2.1.1 Foundations and Enablers**

12. Total installed capacity for generation of electric power increased by 38% from 1,690 MW in 2012 to 2,341 MW in 2016. Additionally, in order to serve the rapidly increasing customer base and absorb new generation, Medium Voltage and High Voltage Transmission and Distribution Network length grew from 47,035 km in June 2012 to 68,493 km in June 2016, an increase of 45.6 %. The total number of customers connected to electricity increased from 2,038,625 in 2012 to 4,890,373 as of June 2016, representing a growth of 139.9 %. By 30<sup>th</sup> June 2016 an additional 13,965 public schools had been connected to electricity (mainly through the national grid connections while some through solar power) increasing the total number of schools connected to power to 22,796. The Government has also introduced the National Street Lighting Project in major cities and towns. The project's target is to install a total of 71,603 street light lanterns across major cities and towns countrywide. As at end of June 2016, a total of 39,336 street lights had been installed.

13. Since the commencement of the 2<sup>nd</sup> MTP, to date, a total of 1,304 km of new roads have been constructed, and 535 km rehabilitated, 4,212 km periodically maintained and 154,198 km routinely maintained. In addition, the design of 1,092 km of new roads and construction of 41 bridges has been completed.

14. Significant progress had been achieved in development of the first phase of the Standard Gauge Railway (SGR) line from Mombasa to Nairobi. The project is 95 % complete on civil works and laying of the track line and is expected to be fully completed in June 2017. The contract for the second phase of the SGR that runs from Nairobi to Naivasha has been awarded and construction is expected to be completed in 2019.

15. The second container terminal at the port of Mombasa has been completed. Work is on-going to upscale investments in associated infrastructure facilities, including further dredging of the port and construction of the road networks around and out of the port. Customs officers from Partner States have been deployed to the Port of Mombasa to carry out clearance of cargo to their respective Partner States. This has resulted in reduction in the time taken to transport goods to Partner States from between 18 and 22 days to 3 and 4 days. The development of the first three berths at the port of Lamu is on-going. With regard to air transport, Terminal 1A at JKIA has been completed including the screening yard and security toll gate. Five airstrips (Nanyuki, Ikanga, Lodwar, Embu and Malindi) have been rehabilitated while Isiolo and Kisumu airports have been expanded and modernized.

16. The construction of the 450 km 20- inch multi-product oil pipe line from Mombasa to Nairobi is on course and as at 30<sup>th</sup> June 2016, 265 km of the 450 km had been completed while the 120km (10 inch diameter) pipeline from Sinedent in Nakuru to Kisumu was completed and commissioned on 28<sup>th</sup> April 2016. Pre-qualification was completed for engineering, procurement and construction of the 354 km 20 inch diameter Eldoret-Tororo-Kampla-Kigali refined petroleum products pipeline.

17. Significant progress has so far been achieved in the ICT sector. Internet users increased by 125 % from 16 million users in December 2012 to an estimated 36 million in December 2015 resulting in an increase of the internet penetration ratio from 41 % to 83 %. Mobile phone subscriptions grew from 31 million in 2012 to 38 million by December 2015. This increased the mobile phone penetration ratio from 78 % to 88 %. The number of mobile money transcriptions grew by 28 % from 21 million in 2012 to 27 million in 2015. Mobile money transfer agents grew by 129 % from 62,000 in 2012 to 142,000 in 2015. The establishment of the one-area network with a harmonized EAC rate 10 cents US \$ per minute for outgoing calls and zero charges for incoming calls between Kenya, Uganda and Rwanda has resulted in reduced cost of telecommunications and reduction in the cost of doing business. Phase II of the National Optic Fibre Backbone Infrastructure (NOFBI) involves the laying of 1,600 km of fiber optic cables linking all 47 county headquarters. To date, 1,200 km out of 1,600 km civil works are completed. The 4G Networks was rolled out in 2014 starting with Nairobi and Mombasa. The migration from analogue to digital TV was completed in time to meet the global deadline of 17<sup>th</sup> June 2015. Phase I of implementation of Konza Technology City is underway with development of basic infrastructure including water supply, installation of electricity to the site and on-going construction of 2 sub stations to guarantee adequate and stable power.

18. The government completed construction of four stalled government building projects i.e. Mtihani House Phase V, West Park Police Housing project comprising 595 housing units, Kitui Primary Teachers Training College and Voi Primary Teachers Training College. Other seven projects are at an advanced level of completion. In addition, the government designed, documented and supervised to completion of 355 new government buildings projects as requested by Government Ministries, Agencies and County Governments. In addition, 189 government building projects were rehabilitated and maintained in both national and county governments. Three jetties were constructed/rehabilitated to 100 % completion (Matondoni and Lamu Jetty in Lamu County and Shimoni Fisheries Jetty in Kwale County) and 487 meters of sea wall at Ndaui in Lamu County. A total of 72 term supply contracts for procurement of common user items were procured to be used by government institutions.

19. During the Second MTP period, the Ministry of Lands and Physical Planning developed an e-archive and title printing system and established a national bulk titling center to fast track the issuance of title deeds. The Ministry has initiated digitization of records in 13 land registries. The national one stop titling center was launched in February 2015. The center offers services including land surveys, adjudication and registration within 16 days from the previous 73 days. It is connected electronically to key Ministry Departments and has a capacity of processing 12,000 title deeds per day. A total of 2.4 million titles have been registered. Other achievements on digitization, include: launch of the National Land Information Management System (NLMIS) in collaboration with National Land Commission, automation of land registration transactions and online searches through e-citizen portal for Nairobi registry hence reducing timelines in conducting title searches from 3 days to instant, conversion from analogue to digital title deeds with security features to deter forgery and reorganization of records in 22 out of 57 land registries. Under tenure regularization of informal settlements, the Ministry has prepared advisory plans for 10 informal settlements and draft plans for 5 informal settlements. On surveying and maintenance of national and international boundaries the Ministry has surveyed, inspected, reaffirmed and maintained 290 km along Kenya and neighbouring countries borders. These include; Kenya-Uganda (44 km), Kenya-Ethiopia (110 km), Kenya-Tanzania (30km) and Kenya-Somalia (106 km). The ministry has finalized formulation of a National Spatial Plan, Kenya National Spatial Data Infrastructure Policy and the National Land Use Policy has been submitted to Cabinet for approval. In addition Community Land Act (2016) and Land Laws(Amendment) Act 2016 have been enacted while the Physical Planning Bill is before the Senate. The Ministry has also commenced development of a Land Value Index with a view to determine trends of property values in the country to guide investors and also help in avoiding speculation during acquisition of land for infrastructure projects.

20. A total of 44 Huduma centers had been established in 40 counties serving as one-stop shop service delivery centers offering 66 government services. It is expected that all 47 counties will have a Huduma Center by the end of FY2016/17. Since inception, over 11 million customers have been served in Huduma centers while a total of 700,000 youths have been served at the HELB counters in the centers. Over 12 billion Kenya shillings have been collected from services that require payments in the centers. To date, the Huduma Kenya Programme has won over 10 Global and National Awards including the 2015 United Nations Public Services Award and the 2015 African Association for Public Administration and Management (AAPAM) Gold Award in Innovative Management.

21. Considerable progress has also been achieved in implementing projects in the security sector. By April 2016, the construction of the forensic laboratory to improve the forensic investigation capability of the Directorate of Criminal Investigation was 74 % complete and the project is expected to be completed by the end of 2016. Installation of 3,000 CCTV cameras in Nairobi and Mombasa and their environs was completed. During the Second MTP period 26,000 additional police were recruited, trained and deployed. This has resulted in the police to population ratio improving from 1:505 to 1:407 (against the UN recommended ratio of 1:450). In April 2016, 10,000 more police recruits were enlisted and this will further improve the police to population ratio. A total of 2,220 police vehicles were also acquired for National Police Service, 492 vehicles for National administration, and 5,000 motor bikes for chiefs. A total of 5,342 housing units were constructed by the National Government for National Police and Kenya Prison Services. The integrated Population Registration System was also enhanced with connection to agencies as well as launch of e –passport.

22. With regard to foreign relations and international cooperation, the Government finalized the first ever written Kenya Foreign Policy in January 2015 and also launched and implemented the Kenya Diaspora Policy which aims to deepen the engagement and partnerships of Kenyans living abroad in order to leverage and harness their diverse skills and expertise for national development. Since 2013, the government grew Kenya's diplomatic footprint by opening and operationalizing five fully fledged diplomatic missions to enhance the country's ability to articulate national interests abroad and provision of Consular services. Additionally, over the same period, Kenya became party to 27 multilateral treaties and 93 bilateral treaties.

23. During the second MTP period, the government also increased the housing and hardship allowance for civil servants by 10% and 30% respectively, comprehensive medical Insurance Cover for 246,030 employees increased by 50% and introduction of a comprehensive Medical Insurance Cover for 112,625 Members of the Disciplined Services w.e.f. 1<sup>st</sup> October, 2016.

### **2.1.2 Economic Pillar**

24. Notable progress has also been made in implementing programmes and projects under the economic pillar. In the Second MTP period, a total of 526,176 tons of subsidized fertilizer was availed to farmers. A Kshs.103 billion fertilizer plant with an annual capacity of 150,000 metric tons was completed. The piloting phase of the 10,000 acres for the one million acre Galana Irrigation project has been successfully completed.

25. To increase productivity in the livestock sector six liquid nitrogen plants were established. This has led to improved accessibility and reduced the cost of delivery of A.I services from an average Kshs 1,000 to Ksh 500 with 880,000 straws of semen produced and availed to farmers. The Kenya Veterinary Vaccine Production Institute (KEVEVAPI) was upgraded to produce affordable and quality vaccines through efficient and effective technologies. The production of oil-based Foot and Mouth Disease vaccine has reduced the cost of vaccination by over 50 % saving livestock keepers over Kshs 1.185 billion. To date, a total of 135 million doses of assorted vaccines for animal disease control were produced since 2013. Tsetse and Trypanosomiasis eradication interventions have been carried out in five tsetse belts. In addition, the Tsetse and eradication Strategy was developed and a draft Tsetse and Trypanosomiasis Eradication Bill developed. In order to

improve livestock products value addition and marketing, the State Department of Livestock procured and distributed 48 milk coolers to 20 counties. Eight export slaughter houses, 6 milk processing facilities and 5 animal feed manufacturing facilities were inspected and licensed to ensure compliance with required standards. In order to minimize risks emanating from drought-related disasters and build resilience to pastoralists, the Ministry established a livestock insurance scheme targeting 14 ASAL counties. A total of 66,085 tropical livestock units (TLUs) have been insured at a value of Kshs 2 billion. At full implementation, 350,000 livestock units valued at Kshs 14 billion will be insured and the project will directly benefit 420,000 people.

26. To facilitate development of the Blue economy, the Tuna Fisheries Development and Management Strategy was developed and launched in November 2014 while the Fisheries Management and Development Bill (2016) was enacted into law on 3<sup>rd</sup> September 2016. In 2014, the government acquired a 55.6 meter long Deep Sea Research Vessel at a value of Kshs 3.2 billion to enhance the capacity on marine fisheries research. The government has also commissioned construction of an offshore patrol boat to deter illegal fishing activities in Kenya's EEZ which are estimated to deny the country revenue estimated at Kshs 10 billion annually. Plans are also underway to develop a designated fish port at Lamu to facilitate the landing of the catch by deep sea fishing vessels. In addition, to facilitate inland fisheries, three mini fish processing and cold storage facilities have been established including ten aquaculture products marketing outlets in collaboration with private fish vendors.

27. In the tourism sector, positive brand endorsement of Kenya tourism product has put the sector on a recovery path. The lifting of travel restrictions and advisories and governments efforts in beefing up security as well as in waiving landing fees for tourist charter flights have also assisted the sector' recovery. Domestic tourism has improved with increase in the number of bed nights by Kenyans from 2.8 million in 2013 to 3.15 million in 2015. Business and conference tourism has improved with the number of international delegates increasing from 40,109 to 77,848 between 2013 and 2015.

28. The Special Economic Zone (SEZ) Act 2015 is in place. This paves way for the development of the SEZ at Dongo Kundu on 3,000 acres of land adjacent to the port of Mombasa. The project for development of the SEZ at Dongo Kundu has been awarded to Japanese investors. It is expected that the establishment of SEZs will contribute to significant growth of manufacturing sector, including exports of manufactured products. The Kenya Industrial Research and Development Institute (KIRDI) facilities in Kisumu were upgraded and the project completed in 2015. Equipping of the Facility has been on-going in 2016 and the center is now ready for commissioning and full operations. The construction work for KIRDI Techno Center (KTC) in Nairobi is 60 % complete. The Center will host the Nano Technology Laboratory, the third of its kind in Africa. The other two are in South Africa and Egypt. To enhance competition in the economy, the Competition Act 2010 was amended through the Competition amendment Bill 2016.

29. Significant progress has been achieved in strengthening Kenya's financial services sector by improving access, efficiency and stability. Financial inclusion has increased with 75.3 % of Kenyans being formally included, up from 66.9 % in 2013 (FinAccess household survey, 2016) by lower cost and more convenient electronic financial transactions through operationalization of the National Payments Systems Act on 24<sup>th</sup> August 2014. Measures have been taken towards establishment of the Nairobi

International Financial Center (NIFC) by establishment of Nairobi International Financial Center Authority (NIFCA) through Executive Order under legal Notice No 44 of 9<sup>th</sup> May 2014 and development of the NIFC Bill approved by Cabinet on 22<sup>nd</sup> December, 2016. In addition, Financial Services Authority (FSA) Bill has been developed and a ten year Capital Market Master Plan (2014-2023) launched. The FSA Bill seeks to consolidate four financial regulators under one umbrella and to provide the framework for regulation of market conduct. A draft new Central Bank of Kenya Bill has been prepared and will be taken through the relevant approval processes before being enacted into Law. The Banking (Amendment) Act 2016 was passed. The Act caps lending rates at four percentage points above the Central Bank's benchmark rate and deposit rate at at-least 70 percent of the benchmark rate. This has reduced the bank lending rates and increased the deposit rate offered to savers. The Kenya Credit Guarantee Scheme Bill to further support access to credit by Micro, Small and Medium Enterprises (MSMEs) is being finalized and forwarded to Cabinet and thereafter to the National Assembly. During the second MTP period, the scope of capital market products at the disposal of investors was also widened with the advent of Real Estate Investment Trusts, Asset Backed Securities and Global Depository receipts.

30. Development of the oil and gas and other mineral resources sector has progressed well during the first four years of the second MTP. By the year 2015, a total of 74 oil exploration wells were drilled. A total of 17 new exploration blocks were created increasing the total number of exploration blocks from 46 to 63. A total of 36 blocks have been licensed to 18 international oil companies. The national petroleum data center was established to enable archival and retrieval of exploration and production data. Skills development and enhancement of local expertise in petroleum exploration and production was undertaken through training, technical collaboration with exploration companies and universities. To date, a total of 349 Kenyan citizens from various agencies have been trained and a total of USD 4.8 million spent under the Kenya Petroleum Technical Assistance Project (KEPTAP).

31. The Governments of Kenya and Norway have initiated discussions to develop a five year technical assistance and capacity building programme beginning 2017 that will assist Kenya in developing and managing its oil and gas sector drawing on the experiences and best practices of the successful Norwegian model. In order to facilitate development of the oil and gas sector, the government has drafted a new Petroleum Exploration and Production Bill which will soon be enacted into law. A new Model Production Sharing Contract (PSC) has also been drafted. The Mining Act 2016 has been enacted replacing the old mining legislation enacted way back in 1940 during the colonial period. The new mining Act is aligned with the provisions of the constitution and with the industry international best practices.

### **2.1.3 Social Pillar**

32. Notable progress has been achieved in the social sector. Enrollment in Early Childhood education (ECD) increased by 12 % from 2.85 million in 2013 to 3.2 million in 2015. On mainstreaming ECDE into Basic Education, a draft policy on ECDE has been validated. Between 2013 and 2016 primary school enrollment increased from 9.86 million to 10.1 million, the Pupil Completion Rate (PCR) increased from 78 % to 82.7 % and the Primary to Secondary Transition Rate increased from 76.8 to 82.3 % and enrollment in secondary schools increased by 19 % from 2.1 million to 2.6 million. The KCPE



examination candidatures increased from 839,759 in 2013 to 938,912 in 2015. The KCSE candidature increased from 446,696 in 2013 to 525,839 in 2015. Implementation of competency based curriculum in education and training is underway. Enrollment in TVET institutions increased by 4.6 % from 136,034 in 2013 to 144,248 in 2016 while enrollment in public TVET institutions increased by 0.5 % from 64,465 in 2013 to 64,783 in 2015. Enrolment in youth polytechnics grew by 8.2 % from 71,569 in 2014 to 77,465 in 2015. There has been an increase to access of loans for TVET trainees with the number of beneficiaries increasing from 2,504 in 2013/14 to 12,148 students in 2015/16. On TVET reform, a policy framework for the sector is in place and TVET is focusing on providing Competency-Based Education and training (CBET) that meet the need of the workplace as well as self-employment. The number of public universities increased from 8 in 2012 to 23 in 2015. Overall, university student enrollment rose from 251,196 in 2012/13 to 512,924 in 2015/16 representing an increase of 104 %. In 2013/14 the education and training sector started a major curriculum reform in order to align the curriculum with goals and aspirations of Kenya Vision 2030 as well as to emphasize national values, integration of science and innovation, and adoption of ICT technologies.

33. ICT integration in education and training is under implementation with a number of achievements made in implementing the Digital Literacy Programme during the second MTP period including: training of 62,784 teachers, development of digital content for all Class One subjects and Class 5 to 8 Science and Mathematics. A total of 150 pilot schools had ICT gadgets delivered initially, 150 master trainers, 62,000 TOTs and 3 teachers per school having been trained for effective implementation. 18 counties were supplied with computers for establishment of EMIS centers. A total of 40 public TVET institutions have been connected to internet through fibre optic cable.

34. The health sector realized significant achievements during the Second MTP period. Infant Mortality Rate (IMR) dropped from 52 to 39 per 1,000 live births while under five mortality rate declined from 74 to 52 per 1,000. Immunization coverage increased from 77 % to 83.5 %; Malaria incidence reduced from 32 to 22 % while HIV prevalence rate declined from 6.3 % to 5.6 % with an estimated 850,000 deaths averted by scaling up ART programme. Similarly, the removal of user fees from public health facilities has seen an increase in delivery by skilled providers from 43 % to 62 % and decline in maternal mortality rate from 488/100,000 to 362/100,000. The health insurance subsidy programme so far covered 21,525 households and 198,752 elderly and people with disabilities (PWD). The Implementation of Managed Equipment Services programme in 98 hospitals across the country is expected to further transform health care delivery and manage the increasing non-communicable conditions.

35. Notable achievements have also been realized in the area of environmental management and protection. The area under forest and tree cover increased from 6.9 % in 2013 to 7.2 % in 2016. A total of 47 County Environmental Action Plans have been developed and finalized. Water Resources Information System (WRIS) for Lake Victoria has been established including harmonized municipal and industrial effluent standards within the Lake Victoria Basin. The National Solid Waste Management Strategy (NWMS) 2015 has been developed and its implementation monitored in 47 counties including 1,375 inspections of high risk facilities for pollution control in all counties. A total of 214 cases relating to environmental offences under EMCA Cap 386 have been prosecuted. Rehabilitation of 20 km of Nairobi River and 250 km of other 7 urban rivers have been completed.

36. To improve water supply and related services, expenditure by the national government increased from Kshs.20.4 billion in FY 2012/13 to Kshs 41.2 billion in FY 2015/16. Between FY 2013/14 and FY 2015/16 the population with access to safe drinking water rose from 53.3 % to 58 %. Over the same period, urban water supply coverage increased from 65.4 % to 68.3 % and rural water supply coverage improved from 48.8 % to 50.2 % while access to sanitation increased from 66.7 % to 74 %. A total of 199 new water and sanitation projects were constructed, 410 existing rural water supplies rehabilitated and 276 new boreholes drilled and equipped. A total of 701 small dams and pans were constructed and an additional 149 earth dams constructed across all counties.

37. A Kenya Labour Market Information System (KLMS) has been developed to enhance efficiency and flexibility in the labour market and matching skills to industry demand. The system will facilitate storage, access, retrieval and interrogation of data on various facets of the country's labour market. In addition, a Master file of local training institutions has been updated to inform supply side of labour.

38. During the Second MTP period, several empowerment programmes were undertaken under the Youth Enterprise Development Fund, Women Enterprise Fund (WEF), Uwezo Fund and Access to Government Procurement Opportunities (AGPO). Under Uwezo Fund Ksh 5.1 billion has been distributed to 58,943 groups reaching 871,606 beneficiaries. A total of 37,005 youths were recruited in the National Youth Service (NYS) and underwent para-military and social training. The youths were also trained in vocational and technical training to enable them undertake various activities such opening up of rural access roads, construction of water dams and pans, and distribution of relief food and medicines. Among the achievements under NYS interventions are: 405.6 km of roads graded and repaired to murrum standards in different constituencies, 213 water dams and water pans constructed and 56 boreholes sunk. The NYS were also involved in projects such as provision of community assets in informal settlements (Kibera), renovation of Makinnon Market in Mombasa and provision of security services government facilities such as Kenyatta International Convention Center (KICC) and Kenya Airports Authority (KAA). A total of Kshs 4.9 billion was disbursed to 497,037 youths under the Youth Enterprise Fund (119% increase in the number of beneficiaries). In addition, a Financing Agreement for Kshs 15 billion has been signed to scale up Kenya Youth Employment and Opportunities Project, targeting 280,000 youths in 5 years commencing 2016. A total of 153 youth development centers were established which offer mentorship, nation building, vocational and entrepreneur skill development opportunities. An on-line Industrial Training Attachment Portal (ITAP) [www.nita.go.ke/itap](http://www.nita.go.ke/itap) was also developed to link industrial training institutions to industry and help students secure attachment places.

39. A total of 49,571 women groups composed of 630,546 individuals received loans amounting to Kshs 6.3 billion through WEF and 213,636 women trained on basic accounting, business skills and formation of cooperatives. The Government developed National Policy for Prevention and Response to Gender Based Violence (GBV) in 2014 which gives guidelines on implementation of GBV activities in the country. Through the Anti-FGM Board established within the second MTP period, rigorous awareness campaign on FGM prevalence was undertaken across the country and this has led to reduction of FGM prevalence from 27 % before 2013 to 21 %.

40. Through the National Government Affirmative Action Fund, established during the Second MTP period, Kshs 3.2 billion has been disbursed to counties to support Affirmative Action Groups/Projects. The government also significantly increased its funding to cash transfer programmes. The number of older persons receiving cash transfers increased from 164,000 to 310,000; the number of Orphans and Vulnerable Children (OVCs) receiving cash transfers increased from 253,000 to 353,000 and the number of persons with severe disabilities receiving cash transfers increased from 27,000 to 46,414. An Integrated Management Information System (MIS) Single Registry aimed at consolidating all cash transfers to enhance efficiency, accountability and transparency has also been established.

41. Some of the achievements in the Sports, Culture and Arts during the second MTP period include: provision of space and platforms for sports persons, cultural practitioners, artists and other players in the sector for them to develop, tap and nurture their talents in their different fields of operation. This was achieved through rehabilitation of stadia in Mombasa, Kisumu, and Eldoret. Construction of Kenya Academy of Sports in Kasarani for training sports persons as well as coaches, referees and umpires. Renovation of the Kenya Cultural Center and representation 223 sports teams in various regional and international competitions. In addition, there was intensive capacity building of 74,394 sports persons, 7,483 cultural practitioners and artists through training workshops and provision of facilities to talented and interested players.

#### **2.1.4 Political Pillar**

42. During the Second MTP period, the 47 county governments and the National Government were established and operationalized in line with constitution of Kenya 2010. This is major milestone and has led to positive impacts in the county's political and socio-economic development. Key devolution institutions were also established including the Inter-Governmental Relations Technical Committee (IGRTC), the Intergovernmental Budget and Economic Council (IBEC) and the Council of Governors, among others.

43. Sessional Paper No 9 of 2013 on National Cohesion and Integration and Sessional Paper No 8 of 2013 on National Values and Principles of Governance were finalized. Parliament adopted Sessional Paper on the National Policy on Peace Building and Conflict Management and all MDAs were facilitated to include them in their performance contracts. The Judiciary developed and is implementing an Integrated Judiciary Transformation Framework to transform it into an effective and independent custodian of justice through ensuring access to and expeditious delivery of justice to all.

44. During the period under review, several laws to implement the Constitution under the Fifth Schedule and harmonize existing laws were passed, including: The Public Audit Act No 34 of 2015, the Public Procurement and Asset Disposal Act No 33 of 2015, various County Allocation of Revenue Acts, the Organization and Administration of the High Court Act No 27 of 2015, the Law Society of Kenya Act No 21 of 2014, Statute Law (Miscellaneous) Amendment Act of 2014, the Security Laws Amendment Act No 19 of 2014, the National Police Service Management Act No 11 of 2014, the National Police Service Commission (Amendment) Act No 47 of 2014, the Fair Administrative Action Act No 4 of 2015, Victims Protection Act No 17 of 2014 and the Public Service (Values and Principles) Act No 59 of 2015.

45. In addition, the Devolution Policy was developed and launched while 51 model laws to guide counties in legislation were also developed. Efforts were made to ensure proper implementation of constitutional provisions on devolution. Specifically, public participation guidelines were developed, launched and disseminated. Civic education programmes were conducted at both the national and county level to promote the collective national aspirations in the Constitution as well as enhance citizens participation and engagement.

46. In 2013 a National Capacity Building Framework (NCBF) was developed and is being implemented in all counties and at the national level. It consists of four key result areas: training and induction, institutional strengthening, technical assistance and support to intergovernmental relations. Laws to implement devolution such as the the National Government Coordination Act (2013) and the Transition County Allocation Act (2013) were enacted. The Ministry of Devolution and Planning developed and disseminated guidelines for preparation of County Integrated Development Plans (CIDP) to guide counties in developing their CIDPs as well as guidelines for mid-term reviews of CIDPs. The Integrated Financial Management Information System (IFMIS) was rolled out to all counties. The Intergovernmental Budget and Economic Committee (IBEC) has initiated the development of a framework to enhance county own-source revenue as well as a framework to guide and manage county borrowing. The Transition Authority devolved 11,456 km of roads to the County Governments following a reclassification exercise and gazettment vide Legal Notice No 2 of 22 January 2016. In the same gazette notice the National Government was assigned a road network of 39,974.9 km.

47. To improve efficiency and effectiveness in public resource utilization and budget execution, the Capacity Assessment and Rationalization of the Public Service (CARPS) was launched and is being implemented. The Mwongozo Code of Governance has been put in place to enhance performance of state corporations.

## **2.2 Critical Issues, Remaining and Emerging Challenges**

48. Despite the achievements in implementing the Second MTP, key challenges still remain. The agriculture sector which provides a source of income and livelihood to a majority of Kenyans requires significant investment in irrigation infrastructure to reduce its high dependence on rainfall. Furthermore, the sector needs to be modernized through investment in storage and preservation facilities and in value-addition to boost income of farmers, pastoralists and fisherman and thus increase the growth of value-added agricultural products and exports.

49. The low and declining shares of the manufacturing, industrial and exporting sectors in GDP constitute a key challenge. Between 2011 and 2015 the share of the manufacturing sector in the economy declined by 1.5 percentage point from 11.8 % to 10.3 %, while over the same period, the share of exports of goods and services declined from 21.6 % to 15.8 %. These figures highlight the need to put in place measures to effect structural transformation towards a manufacturing and export led economy in line with Kenya's long term development blue print Vision 2030. Furthermore, dumping of cheap counterfeit and contraband goods, high cost of power and low level of technology absorption by SMEs pose a key challenge to growth of manufacturing and industry sector. The decline in crude prices in the world market also slowed oil and gas exploration activities in the country as a result of exploration companies cutting down exploration

costs. In addition, the pulling out of a strategic partner in the crude oil pipeline affected the project economics leading to delays in its implementation. These emerging issues have adversely affected the oil and gas commercialization timelines.

50. The other critical challenge is Kenya's relatively low labour productivity thus negatively affecting the country's competitiveness. Kenya's ranking in the World Economic Forum (2016) is comparatively low at 99 out of 138 countries with labour productivity stagnating at 2.2 out of 10 over a long time period.

51. The high cost of capital and high lending rates remain a challenge to investment and job creation by the private sector despite the recent legislation to cap and bring down the lending rates.

52. The land acquisition process including compensation and resettlement disputes poses a significant challenge in developing infrastructure projects in Kenya. This has delayed and at times stalled implementation of key development projects and increased the cost of public as well as private investments. Other challenges include: slow approval and uptake of PPP projects, low absorption of development partner funds in the development budget leading to low and slow project implementation. The slow pace of implementation of proposed legal, institutional and structural reforms has contributed to Kenya ranking low in the World Bank Ease of Doing Business indicators. The Second Medium Term Plan had targeted an overall ranking of the country to be among the top 50 countries by the end of the Plan period. Currently Kenya ranks 92 out of 189 countries.

53. Unemployment and under employment especially for the youth remains high. This is further compounded by skills mismatch between demand and supply, weak linkage between industry and training institutions and skills shortages in some critical areas within the labour market. A significant proportion of Kenya's population also lacks access to basic services such as electricity and safe drinking water, realization of universal access to water remains a significant challenge and requires huge investments in water supply infrastructure. The persistent challenges to the health sector remain. Communicable and non-communicable diseases including injuries continue to exert pressure to the health care system. Likewise, out of pocket expenditure for health care at 32 % still poses a challenge to accessing quality health care. High income inequality also poses a significant socio-economic challenge. Other key and emerging challenges relate to climate change, cyber security, and increase in insecurity and global terrorism.

54. Implementation of devolution has also faced several challenges. The key among them being the interpretation of the roles and functions between the national government and county governments as outlined in the Fourth Schedule of the Constitution as well as concurrent and shared functions. Other challenges relate to low collection of own source revenue by county governments and delays in the release of resources to counties occasioned by various factors. Corruption and misuse of public funds further constitutes a critical challenge.

### **3.0 Medium Term Development Strategy**

55. The Third MTP will carry forward and complete the programmes and projects initiated during the Second MTP. These include key infrastructure projects such as the 5,000 +MW project and the Roads 10,000 Programme comprising of Low Volume Sealed

Roads and the Road Annuity Programme. It will also outline policies and programmes and projects aimed at achieving high inclusive and broad based economic growth.

56. A key objective of the Third MTP will be to include policies, programmes and projects aimed at meeting the Sustainable Development Goals (SDG) targets. (SDGs replaced the Millennium Development Goals from January 2016.) The Cabinet has approved a Cabinet Memo to mainstream the 17 SDGs by Ministries Counties Departments and Agencies (MCDAs) in their policy, planning, programmes and budgeting. MCDAs will be expected to report on the relevant monitoring indicator identified by Kenya National Bureau of Statistics (KNBS) out of the 230 Global Monitoring Indicators.

57. The Third MTP will outline strategies to increase domestic savings and investment (including FDI). The Plan will also adopt the new framework for financing development and SDGs which relies on interdependent mix of financial resources, technology and capacity building initiatives and other innovative means of implementation. Mechanisms will also be put in place to improve budget implementation in an effort to increase absorption capacity especially for development projects.

58. It will place emphasis on structural transformation of the economy in terms of increasing the share of manufacturing and industrial sectors and increasing the share of exports to GDP; especially that of manufactured exports as a strategy to generate employment and higher economic growth and to ensure a sustainable Balance of Payments (BOP) position.

59. The Micro, Small and Medium Enterprises (MSME) Survey 2016 carried out by KNBS shows that there are 7.5 million MSMEs which employ 14.9 million Kenyans. The Survey findings also show that MSMEs contribute 28.8 % to Kenya's GDP. In view of this, the Third MTP will accord priority to development of this important sector of Kenya's economy and will outline measures to further support the sector's growth.

60. The Third MTP will further prioritize the development of infrastructure and the enabling environment to develop the country's oil and gas other mineral resources sector, which is expected to be a major contributor to attainment of high economic growth in the medium and long term period.

61. In addition, priority will be accorded to development of the maritime sector and the Blue Economy utilizing our marine and fisheries resources in the 230,000 km square of Kenya's Exclusive Economic Zone in the Indian Ocean as well as in international territorial waters. To this end, the State Department of Fisheries and the Blue economy, being the coordinating department on matters of the Blue Economy as per the Government Executive Order No 1/2016 of May 2016 will collaborate with other stakeholders towards development of legal, regulatory and institutional framework for Kenya's maritime blue economy including enhancement of technical cooperation, maritime spatial planning and integrated coastal zone management, protection and regulation of the marine ecosystem, sustainable exploitation of agro based marine resources, development of fishing ports and associated infrastructure and promotion of Kenya as a center for agro based blue economy. The development of the Blue economy will result in increased job creation, increased export revenue as well as higher economic growth.

62. The medium term development strategy of the third MTP will also focus on implementing the Vision 2030 flagship project on irrigating 1.3 million acres of land, rejuvenation of the agricultural extension and advisory services, value addition of agricultural products, expanding existing and creating new markets, regional integration, improving competitiveness, plan for relevant and quality education and training to meet the country manpower needs and skills development, focus on community-based approaches to improve access to essential services including achieving Universal Health Coverage, focus on policies and measures to build domestic capacity and capabilities especially in engineering and construction through local and overseas training and cooperation and joint ventures with leading foreign construction and technology firms.

63. The Third MTP will incorporate plans and strategies to progressively achieve universal access to water and sanitation. About 200,000 new water connections will be required annually for universal water access to be realized by 2030. Likewise, about 350,000 new sewer connections (for about 3.2 million people) will be required annually for universal sanitation access to be reached. In view of the rise in non-communicable diseases, the Plan will include strategies to increase manpower in the highly specialized areas such as Oncology, Renal and Heart Transplants, Geriatrics, Neurosurgery and Cardiothoracic services including investment in related equipment and machinery. Health care automation and shared platform for expert clinical consultation needs will form a major part of the Third MTP health care strategy. This will lead to shared skills and expertise across the 47 counties.

64. Food safety has also been an emerging issue in the country in the last decade. In this regard, the Plan will address issues related to pesticides and heavy metal contamination for safe production of food and animal feeds. Additionally, the Plan will include strategies to combat harmful emissions and pollution from vehicles and industrial activities.

65. The Plan will focus on a multi-dimensional approach aimed at mainstreaming of productivity improvement in public and private sectors with a view to increasing the country's competitiveness. The medium term development strategy of the Third MTP will thus focus on creation of sustainable and decent employment opportunities, creation of green jobs and building a pool of skilled, adaptive and enterprising labour force. It will also aim at improving labour market efficiency, strengthening the labour administration system and social dialogue, and promoting public-private partnerships in employment creation. Focus will also be on establishing more youth polytechnics and TIVET institutions to impart the requisite technical skills.

66. Emphasis will also be placed on preventing corruption and improving governance and accountability, deepening public sector reforms and strengthening the capacity of county governments as well as coordination between national and county governments. In this regard, the strengthening of oversight institutions will be prioritized to ensure service delivery and proper utilization of public resources. The monitoring and evaluation framework National Integrated Monitoring and Evaluation System (NIMES) will also be strengthened to better track implementation of national and county government's development programmes and projects. Increased investment will also be made in developing ICT based data collection systems and sharing of data across government entities through electronic means. The Third MTP will also place emphasis on implementing the constitutional provision of more than 2/3 gender principle and

empowerment of women to reduce gender inequalities in public and private spheres. Priority will also be given to Programmes targeting eradication of Gender Based Violence.

67. Among emerging challenges, climate change impacts continue to exert negative effects on key sectors of the economy. Estimates from some studies have shown the burden of extreme climatic events could cost Kenya’s economy an annual loss of as much as 2% of the country’s GDP. This is likely to stunt Kenya’s long-term economic growth prospects as well as its ability to meet the targets set in Kenya Vision 2030. Priority will be given to effectively mainstream and integrate climate change measures in Third MTP, CIDPs and Sectoral plans. The Government has already taken steps towards developing key policy documents and legislation including the Climate Change Act (2016), National Climate Change Framework Policy, National Climate Change Action Plan and National Climate Change Response Strategy. Article 19 (2) of the Climate Change Act (2016) calls for county governments to mainstream the implementation of the National Climate Change Action Plan while Article 15 (5) requires that each state department and national government public entity integrate climate change action plan into its plans and sectoral strategies. Goal 13 of the SDG further calls on countries to take urgent action to combat climate change and its impacts.

### **3.1 Medium Term Plan Macro-fiscal Framework**

68. A Macroeconomic Working Group (MWG) consisting of members from the Macro Planning Directorate of the State Department of Planning and Statistics, the National Treasury, Kenya National Bureau of Statistics (KNBS), Kenya Institute for Public Policy Research and Analysis (KIPPRA), Central Bank of Kenya (CBK), Kenya Revenue Authority (KRA), Parliamentary Budget Office, The Commission on Revenue Allocation, and Office of the Controller of Budget will be constituted to prepare the medium term macro-fiscal framework which will underpin the MTP 2018-2022. Departments of economics of local universities, Local offices of the IMF, World Bank, and African Development Bank will also be invited to participate in MWG technical meetings. Annex 4 outlines the TORs for MWG. As an expert technical group, the MWG will ensure consistency in the key macro variables as well as consistency between medium term sector targets e.g sector investment/expenditures and the overall medium term macro-fiscal framework.

**Table 1 - Key Macro economic targets for MTP 2018-2022**

	2018	2022
Real GDP Growth	6.3	10.0
Investment/GDP	24.4	27.2
Domestic Savings /GDP	18.3	24.6
Exports/GDP	19.2	29.0
Imports/GDP	31.5	33.9
Public Debt/GDP	47.3	49.1



#### **4.0 Steps in Production of the Medium Term Plan 2018-2022**

69. Annex 1 outlines the Timetable and main steps in preparation of the third medium term plan 2018-2022. It indicates the main activities, sub-activities and their time schedules. A National Steering Committee to oversee preparation and production of the Third MTP will be established in January 2017. A Draft MTP is expected to be ready by end of July 2017. Its validation and approval process is mainly planned to take place in the period after the General elections. The MTP 3 (2018-2022) is expected to be launched in November 2017.

#### **4.1 The MTP National Steering Committee (NSC)**

70. The Chief of Staff and Head of Civil Service will Chair the NSC. All Principal Secretaries are members of the NSC. Other members include the Head of the Presidential Delivery Unit and the Director General Vision Delivery Secretariat. The NSC provides guidance and advises at all stages of the process of production of the MTP. The NSC will meet once a month.

#### **4.2 MTP National Stakeholders Forum**

71. The composition of the MTP Stakeholders Forum (NSF) is highlighted in Annex 2. The NSF will be chaired by the Cabinet Secretary Devolution and Planning, and co-chaired by Chairman KEPSA. The other members include: The Chair Council of Governors, The UN Resident Coordinator (to represent UN agencies) the Chair of the Development Partners forum, the Chair National NGO Council, the Chair Mandeleo ya Wanawake, and other key stakeholders. The NSF provides a forum to obtain views of all key stakeholders and consensus on the MTP III (2018-2022). It will meet quarterly.

#### **4.3 MTP Technical Committee**

72. The MTP Technical Committee (TC) comprises of Secretaries of the MTP Working Groups. The Economic Planning Secretary, State Department of Planning and Statistics will chair the TC and the Head Macro Planning Division will serve as TC's Secretary. The TC will meet monthly. It will also prepare briefs and the necessary documents for NSC and NSF meetings.

#### **4.4 Composition and TORs of Medium Term Plan Working Groups**

73. A total of 24 Medium Term Plan Sector Working Groups (MTPWGs) will be constituted in line with Vision 2030 Sectors. These are : (i) Tourism (ii) Agriculture, Livestock and Fisheries (iii) Trade (iv) Manufacturing (v) Business Process Outsourcing (BPO) and IT-Enabled Services (vi) Financial Services (vii) Oil and Other Mineral Resources (viii) Education and Training (ix) Health (x)Environment, Water and Sanitation (xi) Population, Urbanization and Housing (xii) Gender, Youth and Vulnerable Groups (xiii) Sports, Culture and Arts (xiv) Devolution (xv) Governance and Rule of Law (xvi) Infrastructure (xvii) Information and Communications Technology(xviii) Science, Technology and Innovation (xix) Land Reforms (xx) Public Sector Reforms (xxi) Labour and Employment (xxii) National Values and Ethics (xxiii) Ending Drought Emergencies (EDE) (xxiv) Security, Peace Building and Conflict Resolution (xxv) Macroeconomic Working Group. In addition, thematic groups will be constituted to look into the emerging challenges emanating from droughts and climate change; an issue which cuts across sectors

and HIV/AIDS. The MTPSWG's will be chaired by Principal Secretaries and each MTPWG will appoint its own co-chair from among its members.

74. Private Sector Organizations such as Kenya Private Sector Alliance (KEPSA) and Kenya Association of Manufacturers (KAM), NGOs, universities, and research institutions will be represented in the MTPWG's. Development partners, civil society organizations, youth, women and disadvantaged groups will be invited to participate in the MTPWG's. The Head of the Central Planning Monitoring and Evaluation Unit (CPMEU) of the line ministries will serve as Secretaries of the MTPWG's and also be members of the MTP Technical Committee.

75. Annex 3 lists the MTPWG's and outlines their TORs. The MTPWG's will, among other things, review the progress achieved so far under the second MTP, highlight the main constraints which hindered the implementation of the sector programmes and projects as well as remaining challenges. The MTPWG will identify the priority programmes and projects to be included in the third MTP guided by the Kenya Vision 2030, reports from County Consultations, and other priorities such as job creation and poverty reduction. The MTPWG's will identify the required reforms, capacity development needs, establish linkages between sectors including cross sectoral requirements. Each MTPWG will be required to identify the risks and possible adverse shocks likely to negatively impact achievement of the sector targets in the third MTP period and propose mitigation measures. Additionally each MTPWG will be required to mainstream SDGs, climate change issues and the National Spatial Plan into its sector reports/plans and identify and cost climate change mitigation and adaptation interventions in its sector plan implementation matrix.

76. The MTPWG's will prepare implementation matrices with costed programmes and projects; identify the projects to be implemented under Public Private Partnerships (PPPs) as well as those to be implemented by County Governments or in partnership between the National and County Government.

#### **4.5 Situation Analysis**

77. A situation analysis will provide background information on past targets, achievements and challenges. It will take stock of achievements and remaining challenges under the Second MTP 2018-2022. It will be informed by the Annual Progress Reports (APRs) on implementation of the 2<sup>nd</sup> MTP, the Medium Term Review Report (MTR) of the second MTP, SDG status reports, Vision Delivery Secretariat (VDS) Status Reports, Reports of the Presidential Delivery Team, Economic Surveys, Public Expenditure Reviews (PERs), Demographic and Health Surveys, Manpower Survey, Kenya Integrated Household Budget Surveys (KIHBS), Population Census Reports, National Spatial Plan Targets, APRM Reports, Reports of UN agencies such as UNDP and UNICEF, World Bank, IMF, AfDB, and EAC.

78. The Situation Analysis for the Third MTP will also include consultancy studies and desk reviews focusing on critical areas such as policies and programmes to mainstream SDGs and climate change issues and generating employment especially of the youth. The consultancy studies will also review definitions and methodologies and issues related to measurement of formal and informal sector employment in Kenya.

#### **4.6 Consensus Building and Communication Strategy**

79. An interactive web portal will be developed which will contain information on the venues, times and dates of all meetings MTPWG meetings, County Consultations meetings, and Validation fora. The interactive portal will also enable the public and stakeholders to present their views on line regarding the content and process of preparation of the Third MTP.

80. All the key stakeholders will be represented in the National MTP Stakeholders Forum and the MTPWGs. The grassroots and County consultative forums and National Consultative forums will serve as avenues to obtain consensus on the Third MTP priorities, strategies, programmes and projects.

#### **4.7 County Consultations**

81. Several articles of the Constitution of Kenya (2010) call for the involvement of the public in the formulation of policies and plans. County consultations Fora will therefore be undertaken in all 47 Counties during February 2017 to obtain views and county development priorities which will inform the formulation of policies, programmes and projects of the Third MTP. All key stakeholders involving government, private sector, NGOs, Community Based Organization (CBOs), faith based organizations, women and youth groups, and development partners will be invited to participate in the county consultation forums. County Secretariats will set up teams to assist in organizing the consultative meetings and forums in all of the 47 Counties. Governors, Cabinet Secretaries, Principal Secretaries and members of the National MTP Stakeholders Forum will be invited to participate in the county consultative forums and including serving as the forums' resource persons.

#### **4.8 Validation and Endorsement**

82. The Draft MTP 2018-22 will be subjected to a validation and endorsement process involving a Committee of all Principal secretaries and accounting officers, national Stakeholders Coordination Forum, the Cabinet, Parliamentary committees, a National Consultative Forum and the Summit (National and County Government Coordinating Committee). The validation and endorsement process of the draft MTP is mostly expected to take place after the next General elections scheduled for August 2017. After its publication and launch, a Sessional Paper will be prepared and tabled in Parliament for validation and endorsement of the MTP. The Sessional Paper will also identify Economic Bills to be fast tracked for enactment by Parliament to facilitate implementation of the MTP 2018-2022.

#### **5.0 Resource Requirements for Preparation of the MTP**

83. The budget for preparation of the third MTP is estimated at Kshs 495 million. Given its importance as a national exercise, the Government of Kenya will provide the bulk of the resources. Some components of the cost will be met through development partner assistance.

Annex 1 - Timetable for Preparation of MTP - 2018 -2022				
Activity	Sub-Activities	Time schedule	Action to be taken by	Status
1. Develop Concept Note on MTP 2018-22	(i) Prepare draft Concept Note	21st November 2016	EPS, Head Macro Division	Done
	(ii) Technical Retreat to validate Concept Note	14th December 2016	EPS, Director Macro Dept, Head Macro Division	Done
	(iii) Share Concept Note with PSs and Stakeholders	16th December 2016	PS P&S	Done
	(vi)	15th February 2017		
2. Consultancy Studies (Emerging Issues)	(i) Develop TORs for Consultancy Studies	December 16th 2016	EPS, Director Macro Dept, Head Macro Division	Done
	(ii) Consultancy Studies	March to May 2017	EPS, Director Macro Dept, Head Macro Division	
3. Production of MTP Macro-economic framework	(i) MWG meeting on 3rd MTP macro fiscal framework	28th November 2016	Head Macro Division	Done
	(ii) Finalization of 3rd MTP Macro Targets	2nd December 2016	MWG	Done
4. Formation of Sector Working Groups	(i) Letter to all Principal Secretaries on MTP preparation process	24 <sup>th</sup> March 2017	Chief of Staff and Head of Public Service PS P&S	
	(ii) Constituting an MTP Stakeholders Forum	31 <sup>st</sup> March 2017		
	(iii) Letters Appointing Chairs of the MTPSWGs	31 <sup>st</sup> March 2017	PS P&S	
	(iv) Reports on Review of Achievements, Challenges of MTP II and Identification of Sector Priorities for MTP III	End April 2017	Chair of MTPSWGs	
	(v) Initial Draft Chapters	End May 2017	Chair of MTPSWGs	
	(vi) Revised Draft Chapters	End June 2017	Chair of MTPSWGs	
	(vii) Zero Draft MTP 2018 -2022	July 15th 2017	PS P&S	
5. Consultation in Counties	(i) Hold County Consultations	April /May 2017	PS P&S, EPS, Director Macro Dept, Head Macro Division	
6. Consensus Building		July 2017	Hon. Cabinet Secretary MDP	
7. Production of Draft MTP 2018-2022	(i) Establishment of Drafting Team	End April 2017	PS P&S	
	(ii) 1st Draft MTP	End July 2017	PS P&S, EPS, Head Macro Division	
	(iii) Draft MTP	End August 2017	PS P&S, EPS, Head Macro Division	
8. Validation and Approval Process	(i) National Validation forum	September 2017	Hon. Cabinet Secretary MDP	
	(ii) Discussion and Approval of Draft MTP by Cabinet	September 2017	Hon. Cabinet Secretary MDP	
	(iii) Approval by the National and County Govt (Summit)	September 2017	Hon. Cabinet Secretary MDP	
	(iv) Discussion and approval by relevant Parliamentary Committees	September 2017	Hon. Cabinet Secretary MODP	
9. Publication and Launch	(i) Launch of MTP	December 2017	H.E. The President Chief of Staff and Head of the Public Service	
	(ii) Dissemination Forums in all Counties	January 2018	Principal Secretary Planning & Statistics	

## **Annex 2 - Composition of the MTP Stakeholders Forum**

1. Chair – Cabinet Secretary, Devolution and Planning
2. Co-Chair – Chairman, KEPSA
3. Chair – Council of Governors
4. Clerk National Assembly
5. UN Resident Coordinator ( to represent UN Agencies)
6. Chair of Development Partners
7. Chair - National NGO Council
8. Chairperson Maendeleo ya Wanawake
9. Chair, Youth Representative Organization
10. Chair of National Council for Persons with Disability
11. National Council of Churches of Kenya (NCCCK)
12. Kenya Episcopal Conference (KEC)
13. Supreme Council of Kenya Muslims ( SUPKEM)
14. Hindu Council of Kenya
15. CEO, Association of Media Owners
16. Central Organization of Trade Union
17. Federation of Kenya Employers (FKE)

### **TORs of the MTP Stakeholders Forum**

1. Facilitate the consultative process of preparation of the MTP (2018-2022) by informing Organizations/Institutions members about the planned activities and how they can participate in the preparation of the MTP.
2. Provide input and advice on the organization of the County Stakeholders Forums and participate in the MTP SWGs and County Forums.
3. Serve as a consensus Building Forum and advice on action /measures to improve the consultative process of preparation of the MTP.

### **Annex 3 - List of MTPWGs Foundations/Enablers**

1. Infrastructure
2. Information and Communication Technology (ICT)
3. Science, Technology and Innovation
4. Land Reforms
5. Public Sector Reforms
6. Labour and Employment
7. National Values and Ethics
8. Ending Drought Emergencies (EDE)
9. Security, Peace Building and Conflict Resolution

### **Economic Pillar**

10. Tourism
11. Agriculture, Livestock and Fisheries
12. Trade
13. Manufacturing

14. Business Process Outsourcing (BPO) and IT-Enabled Services (ITES)
15. Financial Services
16. Oil and other Mineral Resources

### **Social Pillar**

17. Education and Training
18. Health
19. Environment, Water and Sanitation
20. Population, Urbanization and Housing
21. Gender, Vulnerable Groups and Youth
22. Sports, Culture and Arts

### **Political Pillar**

23. Devolution
24. Governance and the Rule of Law

### **Thematic Working Groups**

25. Hiv/Aids
26. Climate Change

### **TOR for MTPSWG**

- (i) Undertake situation analysis for the Sector highlighting achievements, constraints, bottlenecks in achieving the targets and remaining challenges
- (ii) The situation analysis above should also highlight inequalities in achievement of indicators based on gender and location.
- (iii) Develop implementation plan for selected Vision 2030 Flagships Projects for 2018 - 2022
- (iv) Identify programmes and key policies other than the flagship projects for implementation in the next 5 years
- (v) Identify the key enabling programmes and projects for implementation in the next 5 years
- (vi) Identify programmes for implementation by the National government, County Government and those to be implemented jointly by National and County Governments.
- (vii) Identify projects to be funded under Private Public Partnership (PPP)
- (viii) Identify the risks and likely adverse shocks which may impact achievements of the sector targets and propose mitigation measures
- (ix) Identify the policy, legal and Institution framework/reforms required
- (x) Mainstream gender issues
- (xi) Mainstream SDGs, Agenda 2063, climate change issues and disaster risks reduction (DRR) into the sector, programmes
- (xii) Develop Indicators /Targets for monitoring and implementation of sector plans, policies and programmes including those aimed at addressing inequalities based on gender and location
- (xiii) Integrating the National Spatial Plan into MTP III and the second generation CIDPs
- (xiv) Prepare an implementation matrix which costs the programmes, projects and also indicate the timelines as well as implementing agencies.

## **Macroeconomic Working Group – PS Planning and Statistics and PS National Treasury**

- (i) Ministry of Devolution and Planning
- (ii) National Treasury
- (iii) Kenya National Bureau of Statistics
- (iv) Central Bank of Kenya
- (v) KIPPRA
- (vi) Kenya Revenue Authority
- (vii) University of Nairobi – Department of Economics
- (viii) IPAR
- (ix) Office of the Budget Controller
- (x) Commission on Revenue Allocation
- (xi) Parliamentary Budget Office
- (xii) World Bank
- (xiii) African Development Bank
- (xiv) IMF
- (xv) Export Promotion Council

## **Annex 4**

### **TORs for the Macro Working Group (MWG)**

1. Generate the Medium Term Macro-Fiscal Frame Work for 3<sup>rd</sup> MTP 2018 -2022 including:
  - (i) GDP Growth Rates
  - (ii) Sectoral Growth Rates
  - (iii) Sector Shares in GDP
  - (iv) Overall GDP growth rates
  - (v) GDP at constant prices and at market prices
  - (vi) Growth rates of private and public sector investment
  - (vii) Gross Investment/GDP ratios
  - (viii) Shares of public and private sector investment in total investment
  - (ix) Growth of Gross national savings
  - (x) Gross national savings /GDP
  - (xi) Growth of public and private sector savings
  - (xii) Shares of public and private sector savings GDP
  - (xiii) Growth rate of exports and imports (volumes)
  - (xiv) Growth rate of exports and import prices
  - (xv) Trading partner growth
  - (xvi) Trading partner CPI
  - (xvii) Exports and imports /GDP ratios
  - (xviii) Current Account Balance /GDP
  - (xix) Overall balance of payments ( BOP)
  - (xx) Gross International Reserves
  - (xxi) Revenue/GDP ratios
  - (xxii) Government Expenditure GDP ratios
  - (xxiii) Changes/Targets in shares of main expenditure categories ( recurrent

Development, public sector, wages, interest payments, transfer to state Corporations, expenditure on core poverty programmes, spending on core poverty Programmes, spending on social sector, and on SGDs etc)

- (xxiv) External grants and loans
  - (xxv) Budget deficit/GDP ratios
  - (xxvi) Domestic and External Debt
  - (xxvii) Money supply (Broad Money M3X)
  - (xxviii) Growth of domestic credit to public and private sector
  - (xxix) Inflation (CPI, GDP deflator)
  - (xxx) Interest rates
  - (xxxi) Exchange rate
2. Targets for job creation and poverty reduction
  3. Identify /highlight the main policies/reforms needed to achieve the macro forecasts/targets
  4. Medium term financing framework /government, private sector, debt FDI etc)
  5. Ensure consistency between key macro variables/prices in the macro framework for the Medium Term Plan.
  6. Analysis/assessment of risks to the medium term growth and forecast of the macro forecasts
  7. Draft the Macro Chapter of the Medium Term Plan
  8. Draft the implementation matrix of macroeconomic framework ( which highlights under the various columns and row the following: sub-sectors, objectives, proposed action expected outcomes, implementing agency, and time frame)