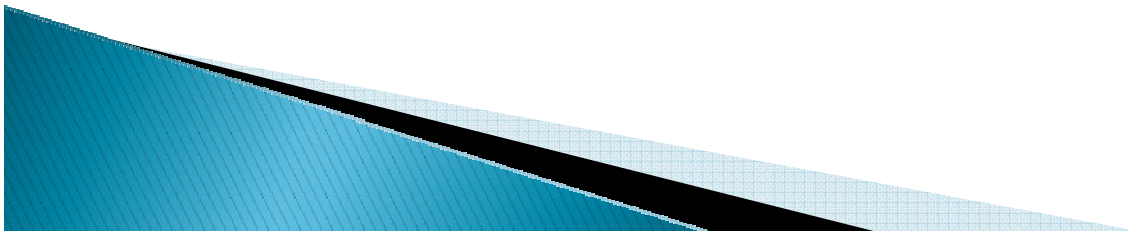


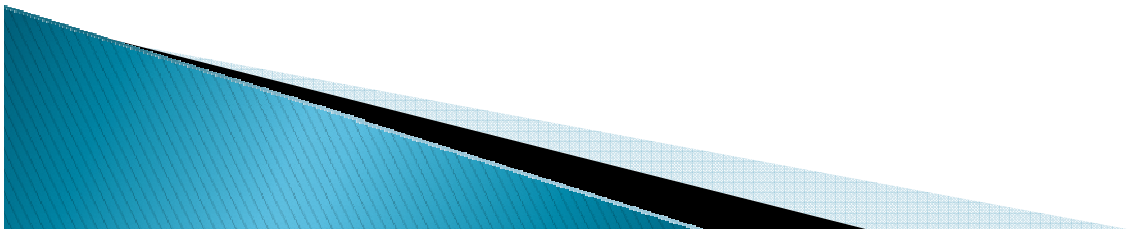
Kenya's Economic Challenges And Implications on Data Needs

Presented by: Dr. Ben Okumu, Economic Advisor,
Ministry of Devolution and Planning



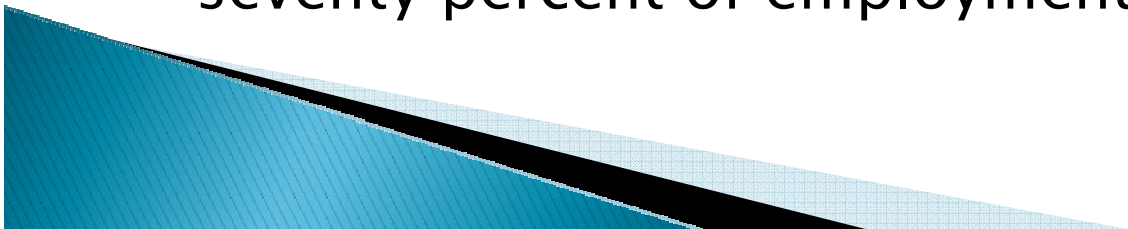
PRESENTATION OUTLINE

- ▶ Structure of Kenya's Economy and Performance
 - A Historical and Sectoral Perspective
 - Implication on Key Macro-Economic Indicators
- ▶ Description of Key causes of Insecurity in Kenya
- ▶ Mainstreaming Security in the Planning of the Kenyan Economy
- ▶ Primary Drivers, Outcomes and Constraints
- ▶ Emerging Opportunities and Way Forward



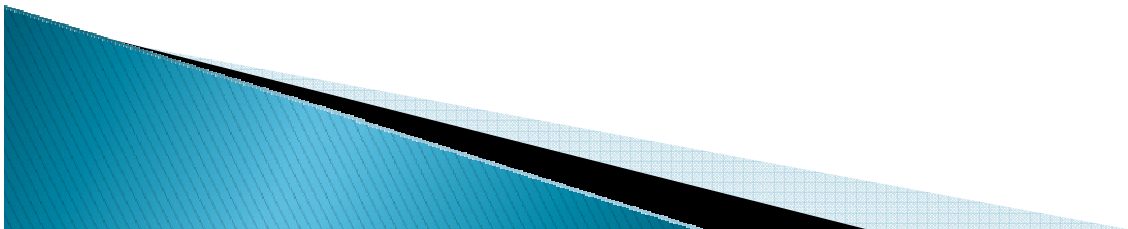
Structure of Kenya's Economy

- ▶ Out of Kenya's land mass of about 582,350 Km², 83 percent is Arid and Semi Arid Land
- ▶ 42 percent of GDP is derived from natural resource sectors (namely, agriculture, mining, forestry, fishing, tourism, water supply and energy)
- ▶ Services sector, (transport , communication, trade, financial services, tourism and other services) accounts for more than 50 percent of GDP
- ▶ But Natural Resource sectors account for more than seventy percent of employment

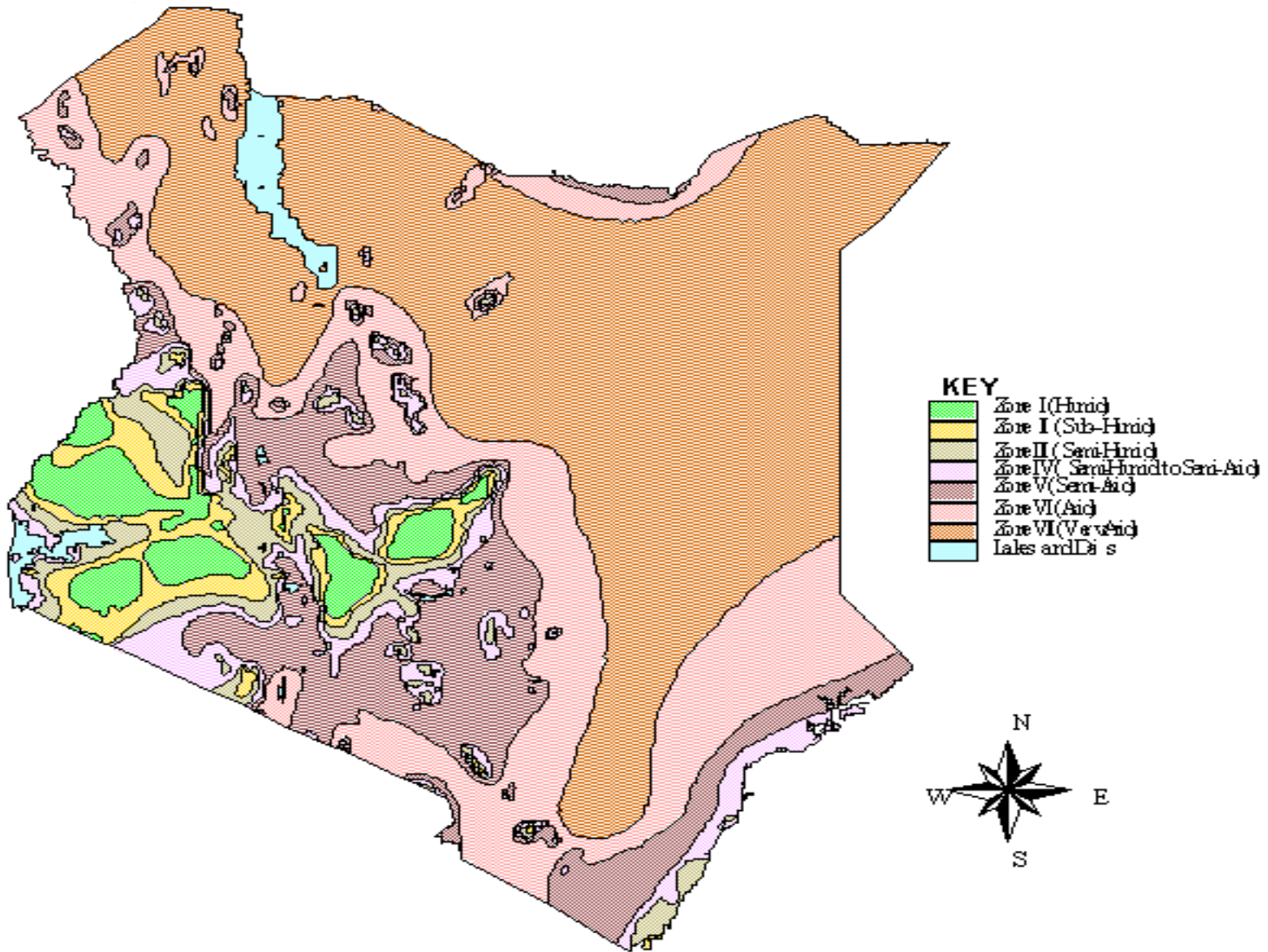


Structure of Kenya's Economy cont'd...

- ▶ Agriculture is the leading single sector accounting for about one quarter of GDP
- ▶ An estimated 60 per cent of all Kenyan households are engaged in farming activities, while 84 per cent of rural households keep livestock (KIPPRA 2009)
- ▶ Agriculture thus remains the key employer of a majority of Kenyans.
- ▶ But the sector is largely rain-fed and therefore vulnerable to weather changes.



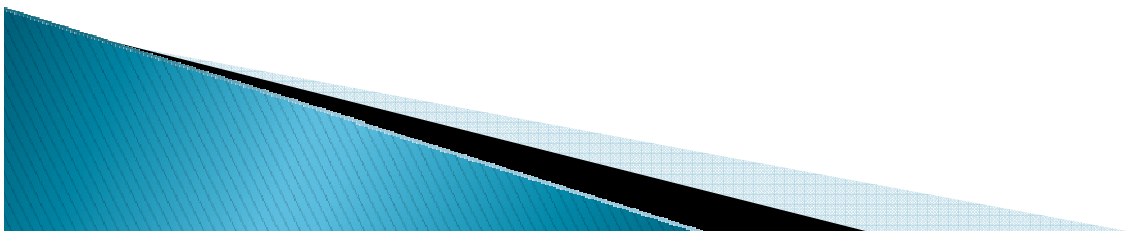
Agro-climatic Zones of Kenya



Kenya's Annual Rainfall Distribution

▶ Climatic Zones	Mean Rainfall	% of Total Land Area
▶ I Humid	1400–2700	3
▶ II Sub – Humid	1000 – 1600	4
▶ III Semi – Humid	800 – 1400	5
▶ IV Mid to Semi Arid	600 – 700	5
▶ V Semi Arid	500 – 600	15
▶ VI Arid	300 – 550	22
▶ VII Very Arid	< 300	46




Source: NEAP 1994

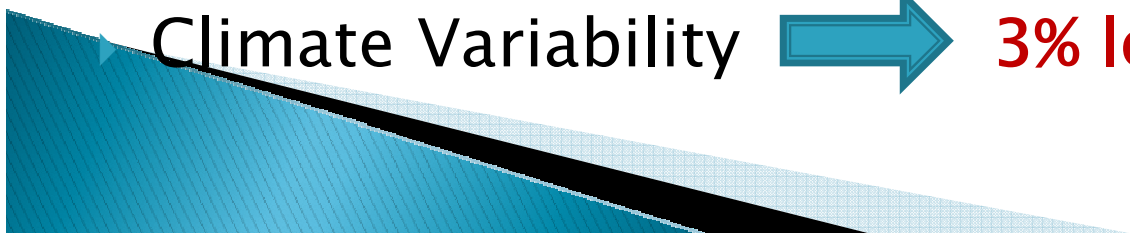


Recent History of Natural Disasters in Kenya

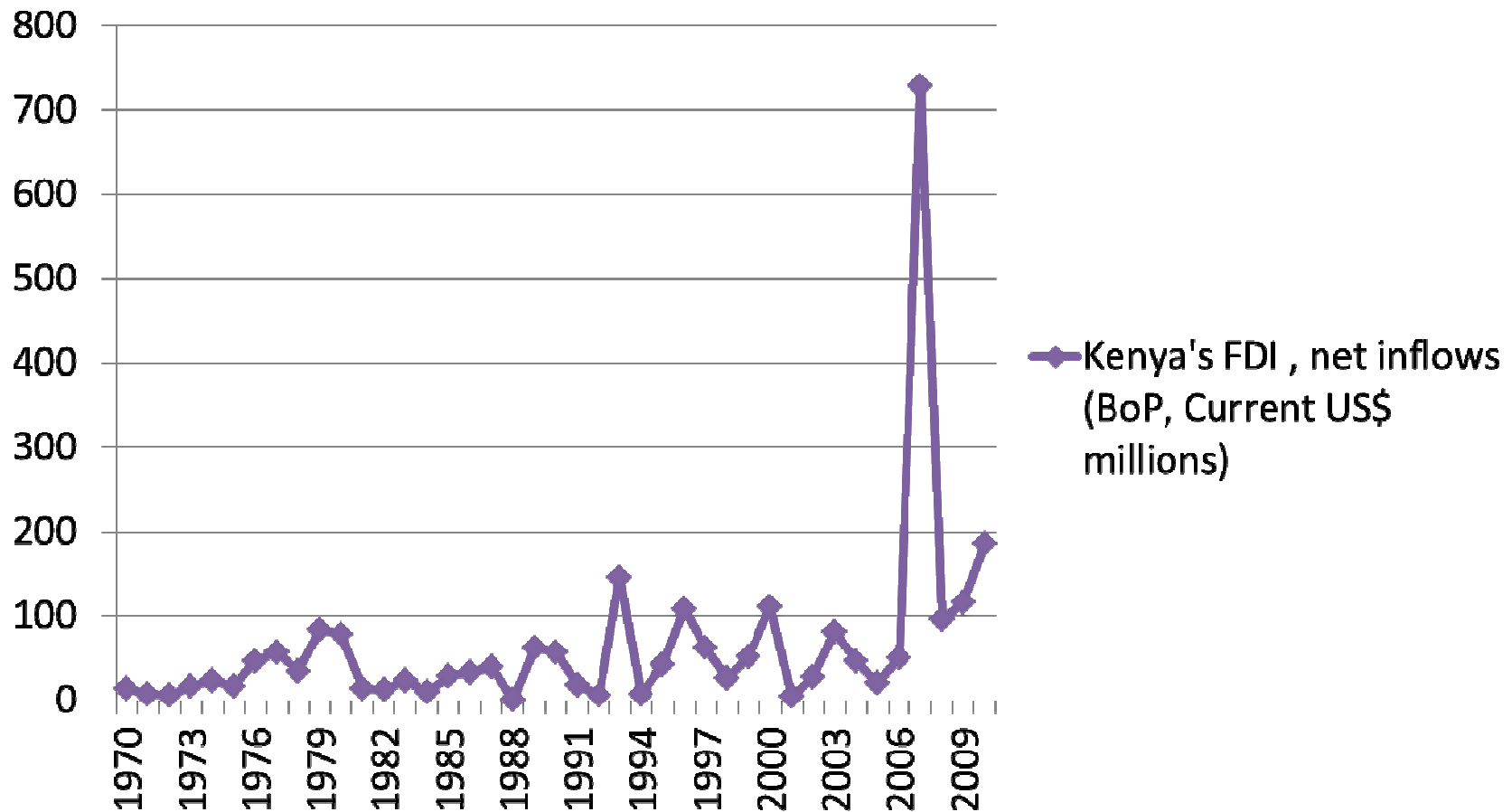
Year	Type of Natural Disaster	Area Affected	No. of people Affected
2004	Drought	Widespread	2 –3 million
2002	Floods	Nyanza/Central	152,000
1999–2000	Drought	Widespread	4.4 million
1997–1998	El Nino Floods	Widespread	1.5 million
1995–1996	Drought	Widespread	1.41 million
1991–1992	Drought	Rift valley/ Eastern, Coast	1.5 million
1985	Floods	Nyanza	10,000
1983/84	Drought	widespread	200,000
1982	Floods	Nyanza	4000
1980	Drought	Widespread	40,000
1977	Drought	Widespread	20,000

Nature of Kenya's Climate Change and Insecurity Problem

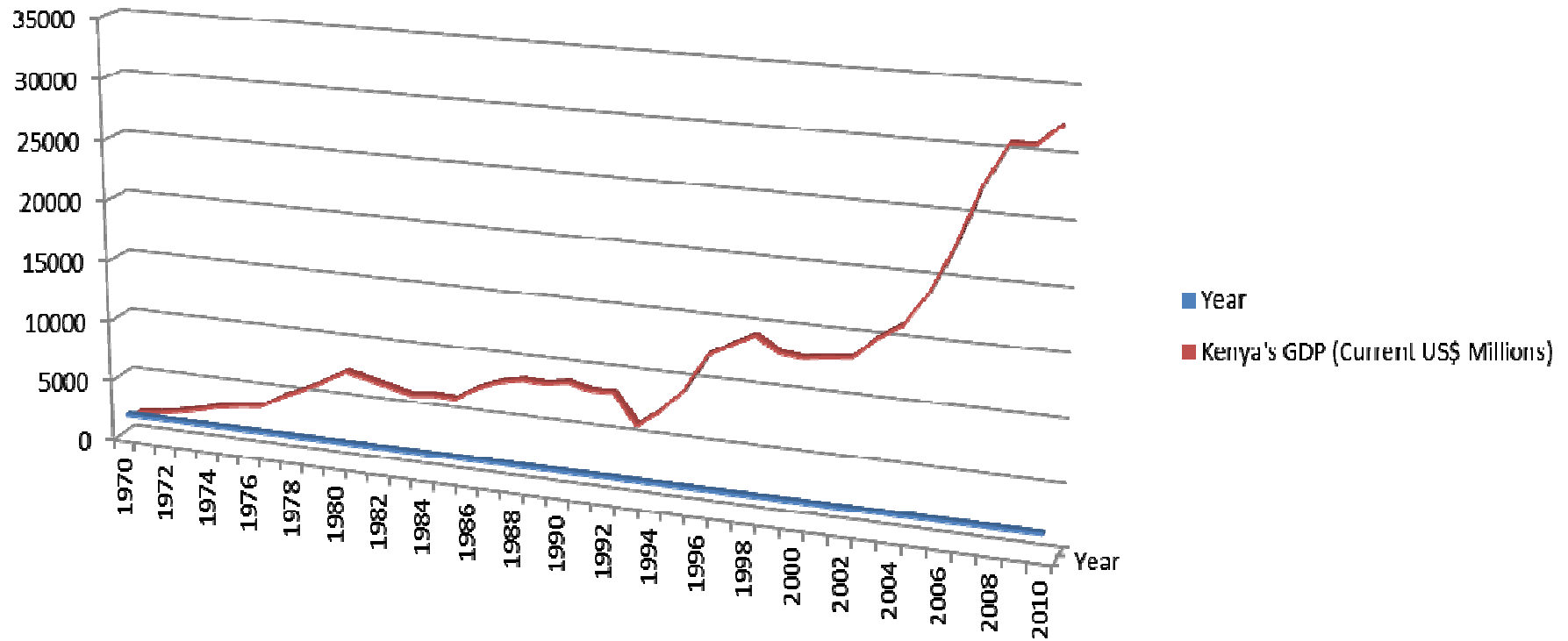
- ▶ Vagaries of weather have been rampant lately
- ▶ Impact on livelihoods – heightened by over 75% of Kenyan population's dependence on land and Natural resources for survival
- ▶ Over 50% of Kenya's GDP depends on Hydro-electric Power Source
- ▶ Droughts, Floods, Rising Temperatures
Famine, Energy Shortages, Desertification
Diseases,  **Social Disruption**
- ▶ Scramble for Resources  **conflicts, stock theft and political use of violence**
- ▶ Climate Variability  **3% loss of GDP**



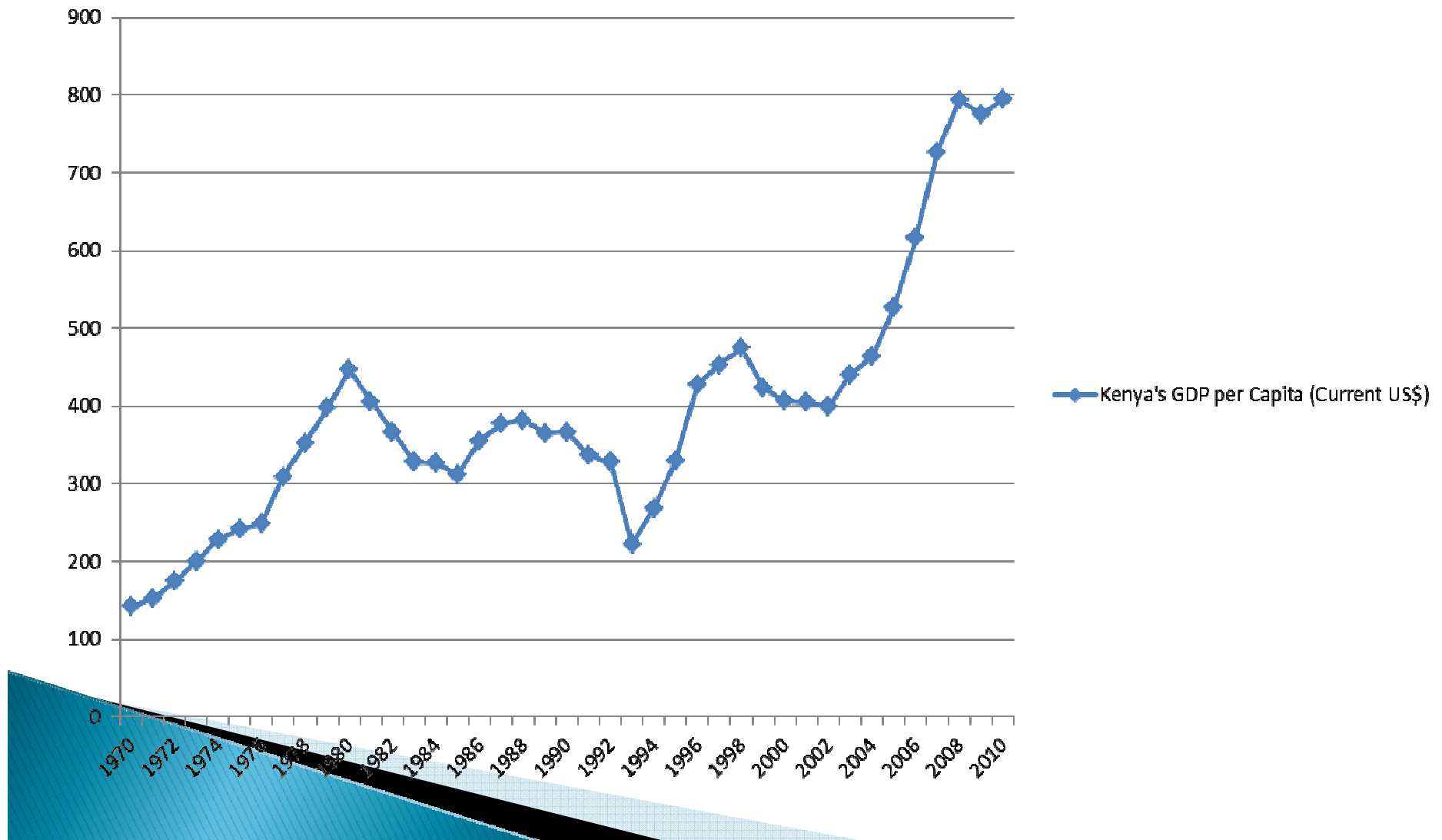
Historical Perspective of Kenya's FDI, Net Inflows: 1970-2010



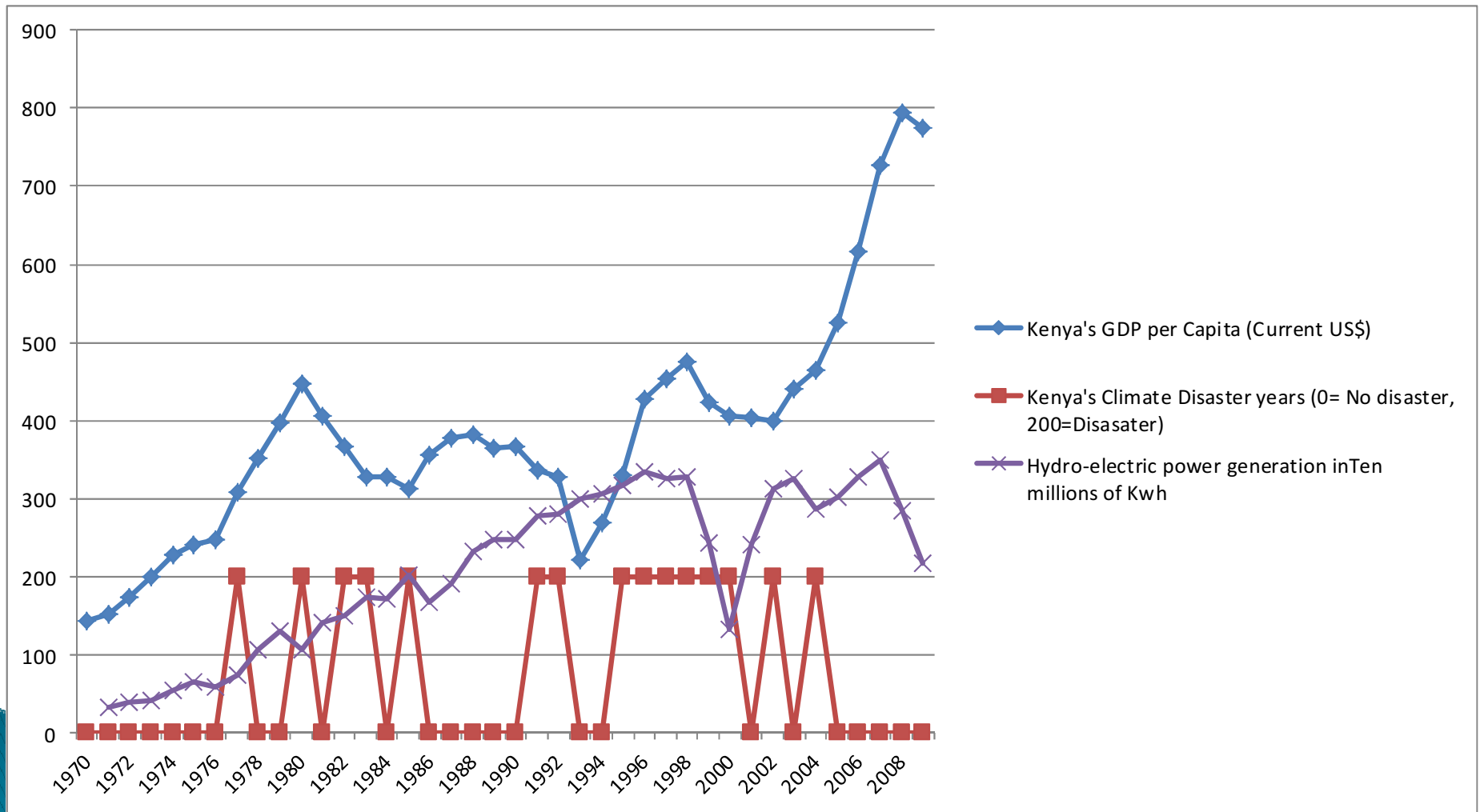
Kenya's GDP Levels - 1970-2010



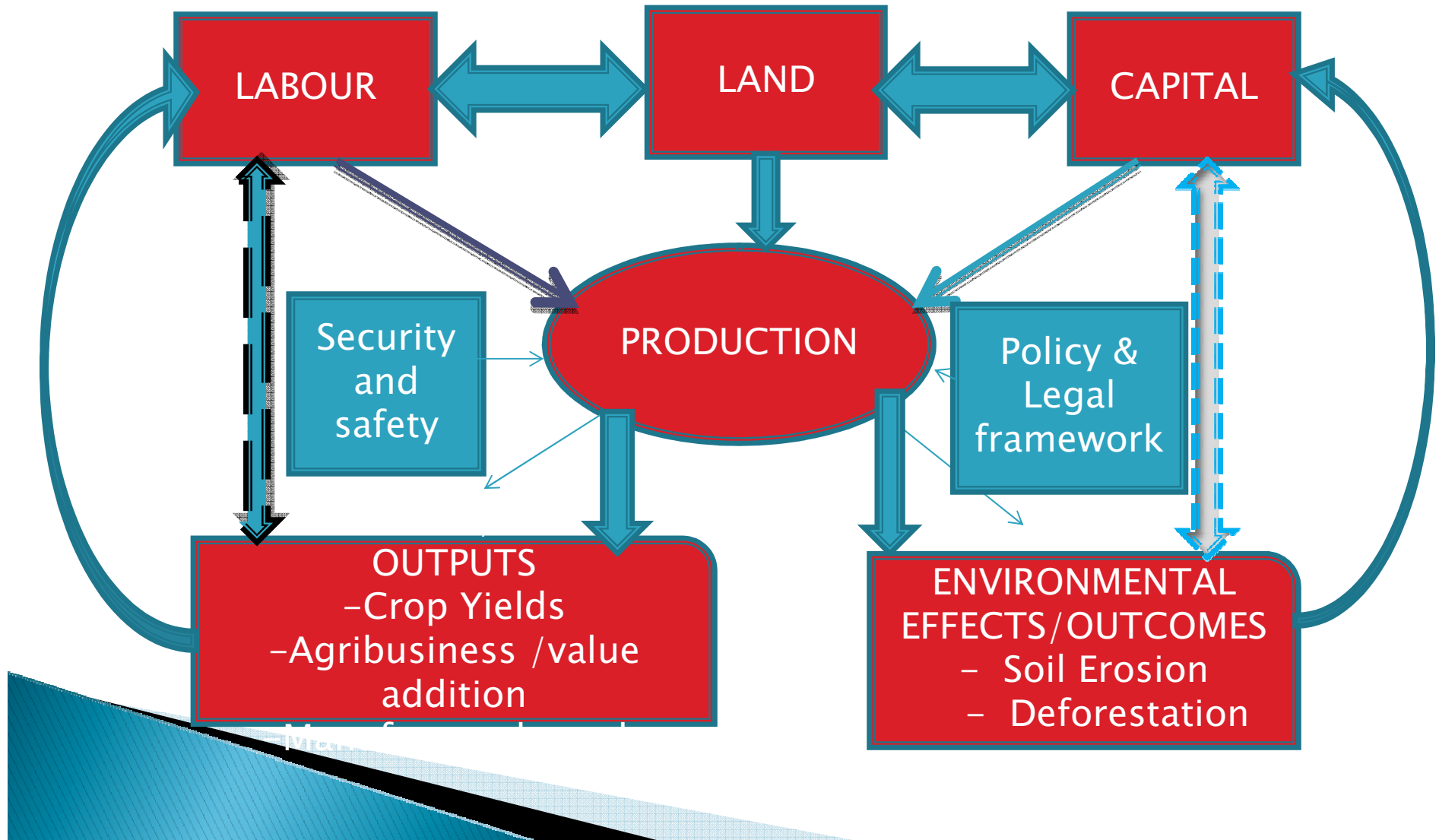
Kenya's GDP Per Capita (Current US \$) 1970 - 2010



Impact of Climate Change on Kenya's GDP Per Capita (Current US \$) 1970 -2010



Conceptualization of Kenya's Integrated Production System



Lagged Effects...

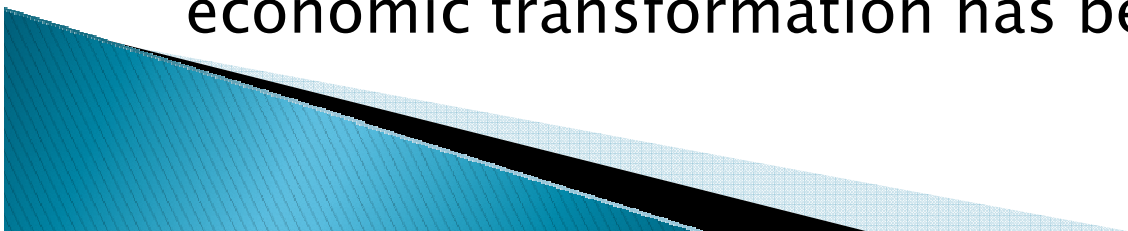


Destruction of Existing Capital stock



Description of Key causes of Insecurity in Kenya

- ▶ Regional economic performance:
 - GDP growth in Kenya averaged 3.6% for the period 2008–2012 compared to 5.4 % during the Economic Recovery Strategy (ERS) period of 2003–2007.
 - Multiple shocks due to drought, high commodity prices and global economic crises has resulted in high unemployment rates especially among the youth
 - The share of the manufacturing sector in GDP has stagnated at about 10 percent, thus indicating that economic transformation has been slow.

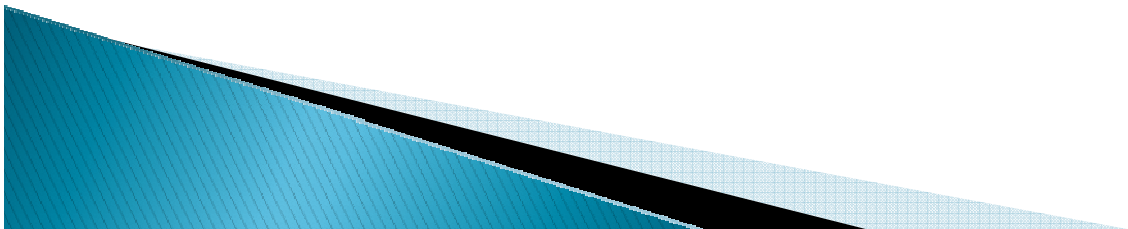


Causes of insecurity... cont'd

- ▶ Limited institutions offering the youth relevant skills needed in the job market due to Mismatch between education and the labour mkt
- ▶ Battle for limited and shrinking natural and manmade resources and related opportunities
- ▶ Rising “hungry person is an angry person syndrome”
- ▶ Youth unemployment stands at about 60% of the Kenyan Youths (14–24 year olds) compared to 30% for the OECD region while global numbers of youth unemployment stand at 300 million i.e. half of the world's youth are unemployed or inactive i.e. the No. is equal to the whole USA population

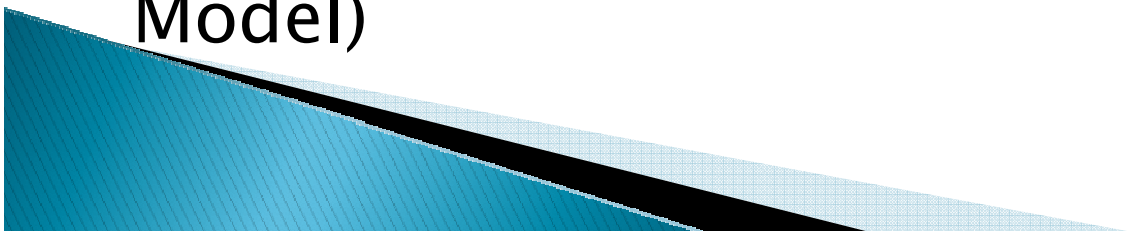
Causes of Insecurity... Cont'd

- ▶ Conflicts result in decline in sociopolitical infrastructure and hence capital flight that give birth to a growing and gigantic joblessness monster
- ▶ Ethnic mistrust
- ▶ Political mayhem
- ▶ Income inequality
- ▶ Corruption
- ▶ Political use of violence

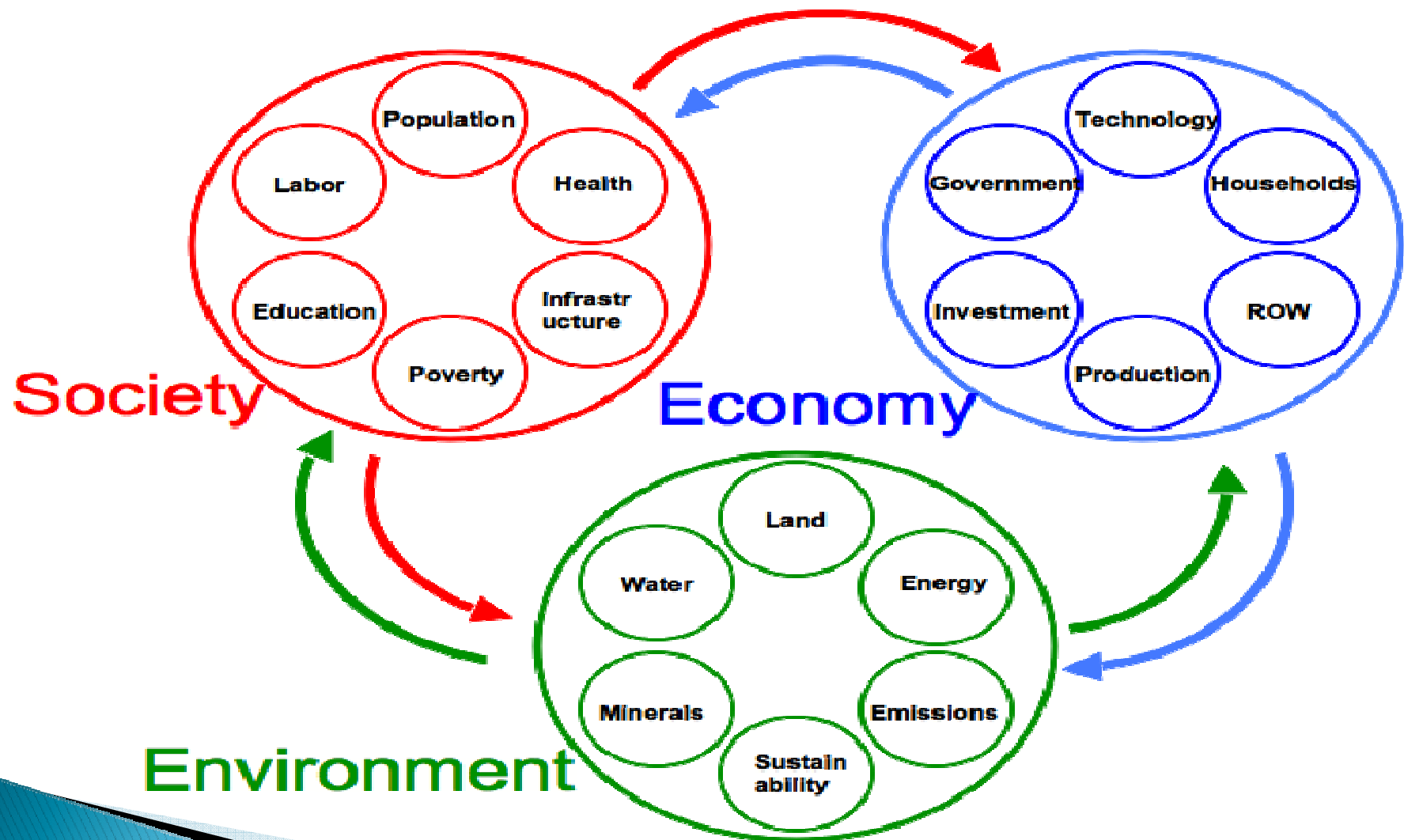


Mainstreaming Security in Kenya's National and County Development Plans and Actions

- ▶ Innovative climate financing mechanism to reduce climate change induced natural resource use conflicts in Kenya's ASALs (REDD and PES)
- ▶ Adoption of a people centered approach to development through County Governments
- ▶ Involvement of Communities in Conflict resolutions Meetings and Decisions
- ▶ Adoption of a holistic approach to Development
- ▶ Use of Simulation Modeling to forecast and project prospective Policies and Actions (T21 Model)

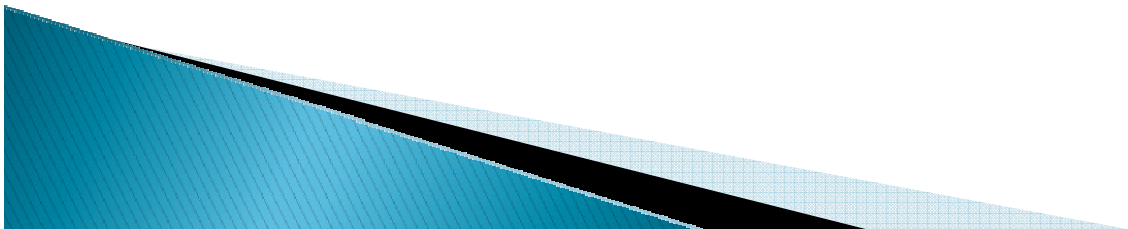


T21 MODEL STRUCTURE



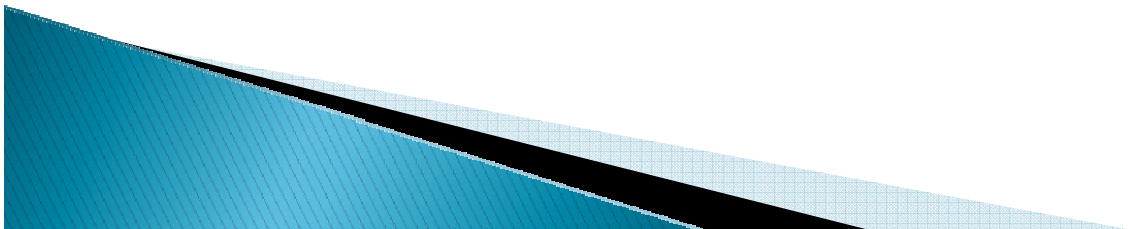
Description of T21 Model

- ▶ Model was developed and customized to capture the Kenyan Production and Decision Making System
- ▶ Its uniqueness lies in its Multi-sectoral, Multi-disciplinary and hence Multi-dimensional Nature
- ▶ Model has capacity to capture lagged effects
- ▶ It is Temporally and Spatially explicit
- ▶ Has capacity to simulate various Conflict intervention scenarios




Tentative Model Results

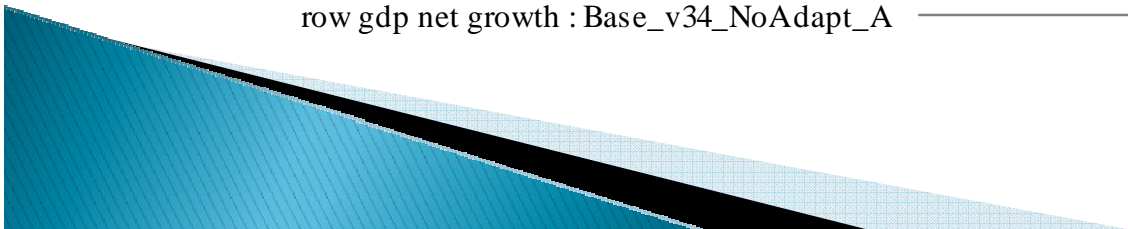
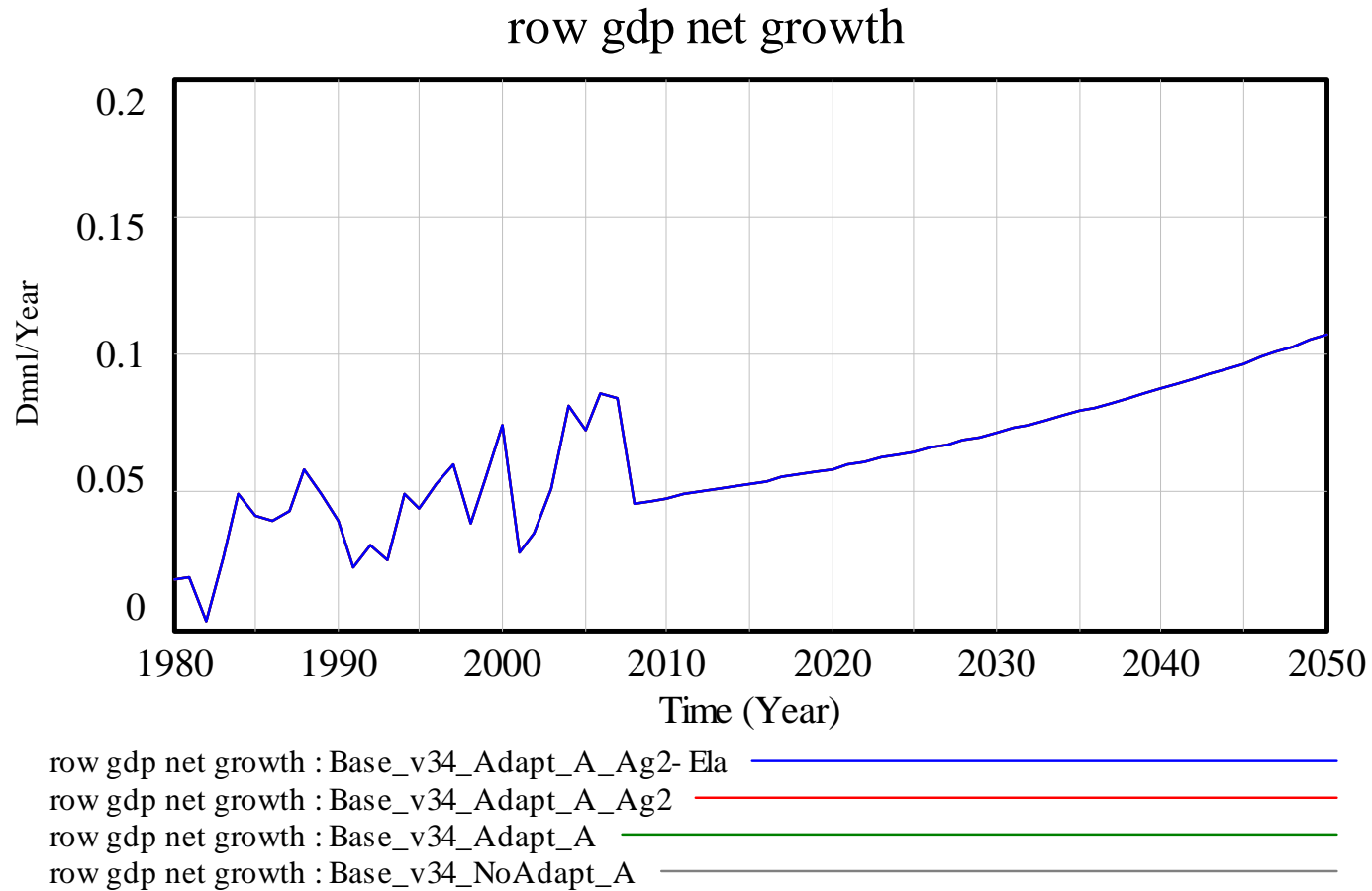
- ▶ Based on the observation that Kenya needs to invest 2–4 % of her GDP to Mitigate and Adapt to Climate Change effects;
 - i) Scenario was simulated with a 2% GDP investment
 - ii) Amount invested is equivalent to \$2.7B per year for the Period 2012–2020
- Model Results show that such investment would reduce Climate Change effects in Kenya with 3–10 years Pay back period



Model Results... Cont'd.

- ▶ Climate Change effects cant be removed entirely hence the need for Adaptation
 - ▶ Agricultural sector would benefit greatly from these changes thro enhanced productivity and use of sustainable production approaches
 - ▶ Reduced chances of collapse of production system due to floods and droughts would remove uncertainty and hence encourage commercial farming, rising output and improved food security thus improved physical security and safety
- 

T21 GDP Growth Rates Projections



Application and Use of T21 Model

- ▶ Insights drawn from the Model outputs have resulted in Kenya Government's generation and Adoption of "Climate Change Action Plan, 2012".
- ▶ Climate Change is now considered as a cross-cutting issue and is being "*mainstreamed*" in all the planning processes at both National and County levels
- ▶ MTP2 - Is being used as a unique opportunity to incorporate climate change programmes/projects in the 2013-17 Planning Cycle

Primary Drivers, Outcomes and Constraints of T21 Model

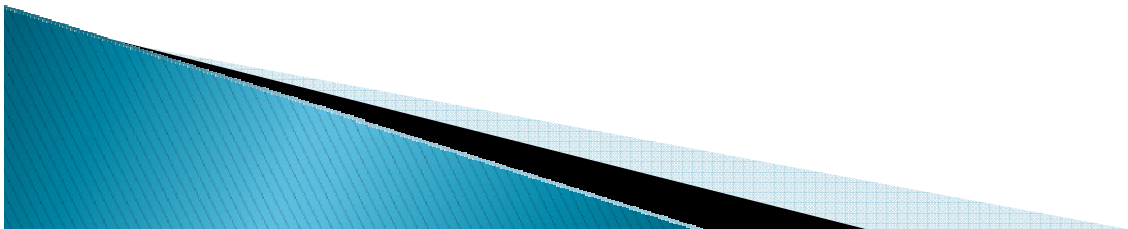
- ▶ T21 simulations demand dynamic and spatially explicit socio-economic and biophysical data
- ▶ To generate this data, bottom-up consultations have been undertaken involving key players in all the 47 counties
- ▶ “Champions” at senior levels of government (PS MEMR, PS MPND) are in place to help maintain interest and momentum of climate change adaptation
- ▶ Kenya has now undertaken an intense Climate risk assessment of her Vision 2030 flagship Projects

Name of MTP SWG	Adaptation and Mitigation Activities	Source of Funding and Implementation	Action by the Office of the President	Status
Agriculture	<ul style="list-style-type: none"> - Promotion of drought tolerant crops - Water harvesting - Integrated soil fertility mgt. - Crop/livestock insurance schemes - Strategic food reserves - Agroforestry and conservation tillage - Improved Livestock mgt to 	GOK/Donor Partners thro MOA, MOLD, MEMR	<ul style="list-style-type: none"> - Lobbying for Implementation Funds - Timely Finalization of enabling policies, institutional and legal frameworks 	- Ongoing


Name of MTP SWG	Adaptation and Mitigation Activities	Source of Funding and Implementation	Action by the office of the President	Status
Financial Services	<ul style="list-style-type: none"> - Create National Climate Fund to tap into International Climate Finance - Improve absorptive capacity through improved financial mgt system - Create climate change budgetary code - Improve Kenya's Climate of Climate Change Investment - Improve coordination of 	GOK/Donor Partners thro MOF, MSPND and Vision 2030, to monitor and advice	<ul style="list-style-type: none"> - Sustained Lobbying for Funds and representation of Kenya's Interest in International Climate Change Forums and Debate - Timely Finalization of enabling policies, 	- Ongoing

Emerging Issues and Opportunities

- ▶ The challenge is how to monitor Security and incorporate new knowledge and experiences in security adaptation processes as they occur!
- ▶ There is need to develop a national benefit measurement Framework to do the above and then use T21 model to measure, monitor, evaluate and verify results of Safety and Security enhancement actions and the synergies between them and their impact on the Kenyan Economy.



Recommendation and Way Forward

- ▶ Establish Kenya Climate Fund
 - ▶ Mainstream and Implement Climate Change and Related Security Actions at County and National Levels (NCCAP)
 - ▶ Support and Strengthen T21 Modeling team as a National Task Force for simulating security issues
 - ▶ Enhance Advocacy and awareness forums on National Security and Safety financing
 - ▶ Establish a Climate Change Budget Code Annual Action Plans and Budget
 - ▶ Initiate National Security Performance Contract and Assessment
 - ▶ Finalize National Security Policy and Bill
- 

THANKS! (AHSANTE!)