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THE NATIONAL ASSEMBLY

THIRTEENTH PARLIAMENT – THIRD SESSION – 2024

DIRECTORATE OF DEPARTMENTAL COMMITTEES

DEPARTMENTAL COMMITTEE ON TRADE, INDUSTRY AND COOPERATIVES

CONSIDERATION OF THE FY 2022/23 REPORT ON BUDGET IMPLEMENTATION

1. VOTE 1173: The State Department for Cooperatives
2. VOTE 1174: The State Department for Trade
3. VOTE 1175: The State Department for Industry
4. VOTE 1176: The State Department for Micro Small and Medium Enterprises Development
5. VOTE 1177: The State Department for Investment Promotion

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CHAIRPERSON’S FOREWORD

1. This report details the consideration of the FY 2022/23 Budget Implementation by the Ministries, Departments and Agencies (MDAs) under the purview of the Departmental Committee on Trade, Industry and Cooperatives.
2. The Committee considered the report in accordance with its mandate as provided for under Standing Orders 245A (2) (c), which empowers the Committee to examine and report on the expenditures and nonfinancial performance of the budget of the National Government.
3. Additionally, Standing Orders 216 (5) mandates the Committee to amongst others, investigate, inquire into, and report on all matters relating to the mandate, management activities, administration, operations and estimates of the assigned Ministries and Departments.
4. In this regard, the Committee conducted its budget implementation oversight role, and made recommendations on the FY 2022/23 budget implementation by the Ministries, Departments and Agencies under its purview.
5. The Committee received submissions from the five (5) MDAs within its mandate, and it further held consultative meetings with some of the MDAs to seek relevant information in exercising its mandate. In addition, the Committee conducted inspection and site visits to ascertain the status of development projects.
6. This report therefore contains the observations and recommendations of the Committee regarding the FY 2022/23 budget implementation. It also contains information on the submissions from the MDAs, as well as the site visits and inspections conducted.
7. The Committee is thankful to the Office of the Speaker, the Office of the Clerk and the Secretariat for their support to the Committee, as it discharges its oversight mandate.
8. On behalf of the Members of the Departmental Committee on Trade, Industry and Cooperatives, and pursuant to Standing Order 199, it is my pleasant duty to submit to this House, the Committee's report on the FY 2022/23 Budget Implementation.

CHAPTER ONE

PREFACE

1.1 Introduction

9. The Departmental Committee on Trade, Industry and Cooperatives undertakes its role of legislation and oversight in accordance with Article 95 of the Constitution, and consequently Standing Order 216(5).
10. The National Assembly is mandated to appropriate funds for expenditure by the National Government, and other state organs and to exercise oversight over national revenues and expenditures.
11. Standing Orders 245(A) mandates the Committee to examine and report on the expenditures and non-financial performance of the budget of the National Government; and examine the conformity of the implementation process with the principles and values of public finance, as set out in Article 201 of the Constitution.
12. In this regard, the Committee is mandated to analyze, scrutinize, examine and report on the expenditures and non-financial performance of the budget of the National Government for the following MDAs under its purview namely;
 - i. Vote 1173: State Department for Cooperatives;
 - ii. Vote 1174: State Department for Trade;
 - iii. Vote 1175: State Department for Industry;
 - iv. Vote 1176: State Department for MSMEs Development; and
 - v. Vote 1177: State Department for Investment Promotion.

1.2 Establishment and Mandate of the Committee

13. The Departmental Committee on Trade, Industry and Cooperatives is one of the Departmental Committees of the National Assembly, established under Standing Order 216, whose mandate pursuant to the Standing Order 216 (5) is as follows;

- i. To investigate, inquire into, and report on all matters relating to the mandate, management, activities, administration, operations and estimates of the assigned ministries and departments;*
- ii. To study the programme and policy objectives of ministries and departments and the effectiveness of the implementation;*
- iii. on a quarterly basis, monitor and report on the implementation of the national budget in respect of its mandate;*
- iv. To study and review all legislation referred to it;*
- v. To study, assess and analyse the relative success of the ministries and departments as measured by the results obtained as compared with their stated objectives;*
- vi. To investigate and inquire into all matters relating to the assigned ministries and departments as they may deem necessary, and as may be referred to them by the House;*
- vii. To vet and report on all appointments where the Constitution or any law requires the National Assembly to approve, except those under Standing Order 204 (Committee on Appointments);*
- viii. To examine treaties, agreements and conventions;*
- ix. To make reports and recommendations to the House as often as possible, including recommendation of proposed legislation;*
- x. To consider reports of Commissions and Independent Offices submitted to the House pursuant to the provisions of Article 254 of the Constitution; and*
- xi. To examine any questions raised by Members on a matter within its mandate.*

14. In accordance with the Second Schedule of the Standing Orders, the Committee is mandated to consider: Trade, including securities exchange, consumer protection, pricing policies, commerce,

industrialization including special economic zones, enterprise promotion and development, Micro, small & medium enterprise (MSMEs), and small and medium enterprise (SMEs), intellectual property, industry standards, anti-counterfeit and cooperative development.

15. In executing its mandate, the Committee oversees the Ministry of Investments, Trade and Industry and the Ministry of Cooperatives and Micro, Medium and Small Enterprises (MSMEs).

1.3 Committee Membership

16. The Departmental Committee on Trade, Industry and Cooperatives was constituted by the House on Thursday, 27th October 2022, and comprises of the following Members;

Chairperson

Hon. James Mwangi Gakuya, MP
Embakasi North Constituency

UDA Party

Vice-Chairperson

Hon Kitany Jebet Marianne, MP
Aldai Constituency

UDA Party

Members

Hon. Dr. Oundo Wilberforce Ojiambo, MP
Funyula Constituency

ODM Party

Hon. Dr. Adagala Beatrice Kahai, MP
Vihiga Constituency

ANC Party

Hon. Githinji Robert Gichimu, MP
Gichugu Constituency

UDA Party

Hon. Kamene Joyce, MP
Machakos Constituency

WDM Party

Hon. Mwalyo Joshua Mbithi, MP
Masinga Constituency

Independent Member

Hon. Oluoch Anthony, MP
Mathare Constituency

ODM Party

Hon. Guyo Adhe Wario, MP
North Horr Constituency

KANU Party

Hon. Korir Adams Kipsanai, MP
Keiyo North Constituency

UDA Party

Hon. Maina Mwago Amos, MP
Starehe

JP Party

Hon. Sakimba Parashina Samwel, MP
Kajiado South Constituency

ODM Party

Hon. Wanaina Antony Njoroge, MP
Kieni Constituency

UDA Party

Hon. Waithaka John Machua
Kiambu Constituency

UDA Party

1.4 Committee Secretariat

17. The Committee is facilitated by the following members of staff;

Ms. Rose Mudibo, OGW

Senior Clerk Assistant /Head of Secretariat

Mr. Ellam Omuhinda
Clerk Assistant III

Ms. Everlyn Orina
Clerk Assistant III

Ms. Doreen Karani
Senior Legal Counsel

Ms. Loice Olesia
Fiscal Analyst III

Mr. Arkan Ali Mumin
Research Officer III

Ms. Priscilla Saidi
Research Officer III

Mr, Daniel Psirmoi
Media Relations Officer

Mr. Cosmas Akhonya
Audio Recording Officer

Ms. Peris Kaburi
Senior Sergeant-At-Arms

Ms. Pauline Sifuma
Hansard Reporter

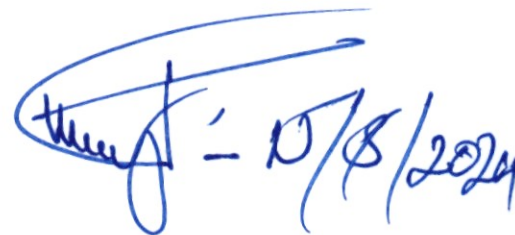
1.5 Overview of the Budget Implementation Oversight

18. In exercising its oversight mandate, the Committee reviewed the FY 2022/23 Budget Implementation by the MDAs under its purview.
19. The Committee received submissions from the five (5) State Departments within its mandate, and held meetings to deliberate on the submissions. The Committee further met some of the MDAs to seek further information on the processes undertaken in implementation of the FY 2022/23 Budget.
20. The observations and recommendations contained herein are in view of the budget implementation oversight role conducted by the Committee in exercising its mandate, pursuant to the Standing Orders.

1.6 Acknowledgement

21. The Committee wishes to thank the Offices of the Speaker and the Clerk of the National Assembly for their support in the execution of its mandate. The Committee also thanks the State Department for Trade, State Department for Investment Promotion, State Department Industry, State Department for Micro Small and Medium Enterprises Development and the State Department for Cooperatives for their cooperation as the Committee discharges its budget implementation oversight role.
22. Finally, I wish to express my appreciation to the Honorable Members of the Committee for their active participation and commitment in the preparation of this report. It is therefore, my pleasant duty and privilege, to present this report.

**HON. JAMES GAKUYA, MP
CHAIRPERSON**



DEPARTMENTAL COMMITTEE ON TRADE, INDUSTRY AND COOPERATIVES

CHAPTER TWO

2.0 SUBMISSIONS BY MINISTRIES, DEPARTMENTS AND AGENCIES

The Committee received submissions from the five (5) State Departments under its purview, in response to the information sought after, with regards to the subject matter.

2.1 State Department for Cooperatives

The State Department submitted that;

23. In FY 2022/23 it received recurrent exchequer issues of Kshs. 736.42 million and development exchequer issues of Kshs. 12.75 billion. The total exchequer amounted to Kshs. 13.48 billion.
24. AiA raised from activities within its agencies namely, New Kenya Planters Cooperative Union (New KPCU), Sacco Societies Regulatory Authority (SASRA), and Kenya National Trading Corporation (KNTC), (before it was moved to the State Department for Trade) amounted to Kshs. 1.19 billion.
25. Actual recurrent expenditure in FY 2022/23 was Kshs. 736.4 million, while actual development expenditure was Kshs. 12.75 billion amounting to total actual expenditure of Kshs. 13.48 billion. This was against gross approved expenditure of Kshs. 2.13 billion in recurrent expenditure, Kshs. 20.82 billion in development expenditure and a total approved expenditure of Kshs. 22.96 billion.
26. The State Department implemented seven (7) projects namely; Acquisition of equipment and machinery of New KCC; dairy processing (powdered milk) under New KCC; Cooperative Management Information System; modernization of cooperative cotton ginneries; Coffee Revitalization; and Modernization of KNTC warehouses (moved to the State Department for Trade).
27. The Hustlers' Fund was initially implemented in this State Department however, it was moved to the State Department for MSMEs Development, following the reorganization by the new Government under Executive order No. 1 of 2023.

28. The State Department reported pending bills amounting to Kshs. 11.4 million, comprising of Kshs. 1.02 million in recurrent pending bills, and Kshs. 10.37 million in development pending bills.

2.2 State Department for Trade

The State Department submitted that;

29. The State Department submitted that in FY 2022/23 it received recurrent exchequer issues of Kshs. 2.31 billion and development exchequer issues of Kshs. 794.4 million. The total exchequer amounted to Kshs. 3.11 billion.
30. AiA raised from activities within its agencies namely weights and measures, Kenya Exports Promotion and Branding Agency and Kenya National Trading Corporation (KNTC) (which was moved from the State Department for Cooperatives to the State Department for Trade) amounted to Kshs. 620.92 million.
31. Actual recurrent expenditure in FY 2022/23 was Kshs. 2.94 billion, while actual development expenditure was Kshs. 801.2 million, amounting to total actual expenditure of Kshs. 3.74 billion. This was against gross approved expenditure of Kshs. 2.95 billion in recurrent expenditure, Kshs. 1.26 billion in development expenditure and a total approved expenditure of Kshs. 4.21 billion.
32. The State Department implemented three (3) projects, namely; Modernization of Standards Laboratory (W&M); Establishment of Commodities Exchange Platform (KOMEX); and Warehouse Receipt System (WRS).
33. The State Department reported pending bills and personal claims totaling to Kshs. 56.8 million, comprising of Kshs 33.7million and Ksh.23.1million for pending bills and personal claims respectively, as at the end of FY 2022/23.
34. Outstanding settlement of court award is Kshs.18.5 million, which was issued against Weights and Measures Department in the year 2019.

2.3 State Department for Industry

The State Department submitted that;

35. In FY 2022/23, it received recurrent exchequer issues of Kshs. 2.19 billion and development exchequer issues of Kshs. 1.02 billion. The total exchequer amounted to Kshs. 3.21 billion.
36. AiA raised from activities within its agencies amounted to Kshs. 393 million.
37. Actual recurrent expenditure in FY 2022/23 was Kshs. 2.48 billion, while actual development expenditure was Kshs. 1.08 billion, amounting to total actual expenditure of Kshs. 3.56 billion. This was against gross approved expenditure of Kshs. 2.67 billion in recurrent expenditure, Kshs. 1.27 billion in development expenditure, and a total approved expenditure of Kshs. 3.94 billion.
38. The State Department implemented ten (10) projects namely; Construction and Equipping of Industrial Research Laboratories in Nairobi South B by KIRDI; Modernization of RIVATEX; Infrastructure and Civil Works Development - KITI; Modernization of NMC's Foundry Plant, CNC & Fabrication Workshop; Cotton Development Subsidy and Extension Support (RIVATEX); Kenya Industry and Entrepreneurship Project (KIEP); Enhancement of the Accreditation Programme in Kenya (KENAS); Development of Nyando Apparels and Value Addition Centre (RIVATEX); Development of Kieni Apparels and Value Addition Centre(RIVATEX); and Acquisition of Regional Anti-Counterfeit Agency Exhibit Warehouses (ACA).
39. The State Department had total outstanding bills for the State Department (Headquarters) and the Kenya Industrial Training Institute (KITI) amounting to Ksh 103.5 million, as at 30th June 2023. The pending bills comprised of Ksh. 59 million incurred at the State Department Headquarters, and Ksh. 44.5 million at the Kenya Industrial Training Institute respectively.
40. It was further submitted that, the following are the roles of the National Government Accounting Officer, as per the CAIP conditional grant framework agreement to be implemented as per the County Government Additional Allocation Bill.
 - i. Develop and issue guidelines on the requirements for the establishment of CAIP;

- ii. Develop the Governance and Management Structure for the CAIP;
- iii. Develop and disseminate implementation guidelines of the grant to the Counties;
- iv. Ensure that the grant is included in the budget estimates for the State Department for Industry and included in the division of revenue and county allocation of revenue;
- v. Initiate request to the National Treasury for disbursements of grants to respective County Revenue Fund accounts;
- vi. Timely disbursement of Funds by the National Treasury to County Revenue Fund Accounts;
- vii. Set conditions for transfer of grants and ensure compliance by Counties;
- viii. Coordinate and report on monitoring and evaluation of the impact of grants on manufacturing; and
- ix. Submit quarterly and annual financial and technical reports in agreed formats to the National Treasury, Controller of Budget and Commission on Revenue allocation.

2.4 State Department for MSMEs Development

The State Department submitted that;

41. The State Department submitted that in FY 2022/23, it received recurrent exchequer issues of Kshs. 343.5 million and development exchequer issues of Kshs. 46 million. The total exchequer amounted to Kshs. 389.5 million.
42. AiA raised from the activities within its agencies amounted to Kshs. 210.7 million.
43. Actual recurrent expenditure in FY 2022/23 was Kshs. 559.81 million, while actual development expenditure was Kshs. 46 million, amounting to total actual expenditure of Kshs. 605.81 million. This was against gross approved expenditure of Kshs. 587.62 million in recurrent expenditure, Kshs. 46 million in development expenditure, and a total approved expenditure of Kshs. 633.62 million.
44. The State Department implemented only one project namely; Uwezo Fund, which received the entire development allocation of Kshs. 46 million.
45. The State Department had no pending bills in FY 2022/23.

2.5 State Department for Investment Promotion

The State Department submitted that;

46. In the FY 2022/23, the State Department received recurrent exchequer issues of Kshs. 401.13 million, but it did not receive any development exchequer issues. The total exchequer amounted to Kshs. 401.13 million.
47. AiA raised from the activities within its agencies amounted to Kshs. 493.95 million.
48. Actual recurrent expenditure in FY 2022/23 was Kshs. 895.08 million while there was no actual development expenditure in the State Department and this is attributed to lack of exchequer releases.
49. The total actual expenditure was therefore Kshs. 895.08 million. This was against gross approved expenditure of Kshs. 975.75 million in recurrent expenditure, Kshs. 1.24 billion in development expenditure and a total approved expenditure of Kshs. 2.21 million. Notably, despite the approved allocation in development expenditure, the State Department did not have any actual development expenditure due to lack of exchequer.
50. In the FY 2022/23, the State Department implemented two (2) projects namely; the development of Athi River Textile Hub and Establishment of One Stop Shop Centre for Investment – KENINVEST. Notably, the State Department also implements the development of Special Economic Zones.
51. The State Department recorded no pending bills in the FY 2022/23.
52. With regard to the completion status of Dongo Kundu Special Economic Zone (SEZ), the State Department further submitted that, the development of the SEZ has been handed over to Kenya Ports Authority, but it shall be regulated by Special Economic Zones Authority.

CHAPTER THREE

3.0 INSPECTIONS AND SITE VISITS

53. The Committee conducted various inspection visits in the FY 2022/23, to monitor the implementation of the projects by the State Departments under its purview.

3.1 State Department for Cooperatives

3.1.1 New Kenya Cooperative Creameries (KCC)

The Committee conducted inspection visits to the New KCC Kitale, New KCC Eldoret and observed the following;

54. New KCC has various plants across the country, currently under the modernization program. They have eight (8) factories in Kitale, Dandora, Eldoret, Nyahururu, Sotik, Miritini, Kiganjo and Nyambene.
55. The Committee noted that the ongoing modernization process by the Government, has benefitted New KCC and it has increased the production capacity in the modernized plants. The New KCC Kitale currently produces 550,000 liters of processed milk per day, and 250,000 kgs of powder.
56. New KCC received an allocation of Kshs. 700 million in the FY 2022/23 Supplementary 1. Estimates for modernization and for the mop up of excess milk, which enabled the agency to modernize its plants and to mop up excess milk from farmers during glut.
57. As a result of the modernization project, New KCC Kitale launched a new product; the mini-butter. The production capacity of butter is 1.5 tonnes in a day, with the main target market being hotels. In addition to this, they also produce and package ghee and skimmed milk.
58. It was noted that the plants were hard hit by the prolonged drought which caused a drop in production, however, they were able to access adequate milk from farmers since the start of rains, leading to an improvement in the factories' production capacity.

59. The fertilizer subsidy program is further anticipated to boost production by farmers, and this will further enable the factory to also increase its production capacity.
60. One of the opportunities identified for New KCC, is creating a linkage with the cooperatives, which will enable aggregation of milk from dairy farmers. This will also increase access to milk for the factories, which are currently not operating at full capacity, due to the challenge of fluctuations in the access to milk for processing.
61. The Committee noted that there is need for County Governments to focus on boosting milk production from dairy farmers. This will support New KCC to increase its processing capacity.
62. The Committee noted that one of the key challenges New KCC faces is relatively high transportation costs of milk from the farmers to the factory. This is as a result of the proximity between the farmers and the factories.
63. The Committee further conducted a factory tour and identified the modernized equipment. Some of the equipment included: milk driers, Cleaning In Progress (CIP) equipment, new tanks/silos, ghee packaging equipment and butter churn machinery.
64. The Committee then proceeded to inspect machinery at New KCC Eldoret, interacting with dairy farmers. The farmers' key request to the Committee was the support they need to ensure timely payment for the milk delivered to New KCC factories.

3.2 State Department for Trade

3.2.1 Kenya National Trading Corporation

65. Kenya National Trading Corporation was incorporated in 1965 under the Companies Act, Cap 486. Its incorporation was founded by the Sessional Paper No. 10 of 1965 on 'African Socialism and its Application to Planning in Kenya', which recognized the importance of trade and industry in economic development.
66. KNTC is mandated to act as a procurement agent for the Government, and to participate in the promotion of wholesale and retail trade in order to strengthen the supply chain of essential products within the country.

67. In 2022, the agency began the importation of food commodities in a bid to lower the cost of living. At the time of the inspection, KNTC had begun the importation of rice, which was stored at a procured warehouse in Mombasa.
68. The Committee noted that the company currently doesn't handle the importation of its products directly, but relies on third-party suppliers, which increases the overall product cost. To address this, the Committee advised the company to take control of the importation process, consequently reducing costs for the end consumer.
69. Further, the Committee suggested that the company explores local sourcing options from farmers, particularly for products like rice, which is a more cost-effective and efficient way than the importation process. This approach would also support and promote local farmers.
70. Regarding the distribution strategy, the Committee was informed that the company's target of distributing to over 200,000 retail shops nationwide. The Committee advised the agency to ensure that the retail outlets across different regions in the country access the commodities given the widespread presence of retail shops.
71. The Committee therefore recommended a thorough review of the distribution strategy, emphasizing the need for a comprehensive and strategic distribution policy to ensure wider coverage of retailers to meet market demand effectively.

3.3 State Department for Industry

3.3.1 Kenya Industrial Research and Development Institute (KIRDI)

72. The Committee inspected the KIRDI building which will include an incubation center and a research facility. The building comprises of three (3) towers, and a service maintenance block. Each of the three towers is composed of 17 floors (4 basement floors and 13 upper floors); the total plinth area is 56,880 square meters.
73. The project is to be completed in three phases: Phase 1 involves exterior façade; waterproofing working; openings; builders and services installation works in the accommodation and administration blocks; and ancillary services.

Phase 2 involves builders and services work in the Research, Technology and Innovation (RTI) Laboratories Block. Phase 3 involves Equipping and commissioning Research, Technology and Innovation (RTI) and Nanotechnology Laboratories.

74. The Committee noted that the basement area, primarily intended for parking, is currently 90% complete. The Committee advised the agency to prioritize the completion of this area, since it has potential to generate income for the agency.
75. Additionally, the Committee observed that there were unused tiles at the construction site, which posed a risk of theft or damage. The Committee suggested that these tiles be utilized in the construction of the administration area to protect them from potential harm or theft.
76. The Committee also advised the Director General to explore the possibility of leasing out areas, such as the hotel and accommodation sections to interested investors. This approach would allow investors to complete and utilize these spaces, with terms of payment to be mutually agreed upon.
77. Lastly, the Committee recommended that the institution considers implementing green energy solutions to reduce electricity costs.

3.3.2 East Africa Portland Cement (EAPC) PLC

78. EAPC PLC has been the prominent cement manufacturers in the region. However, over the past seven years, the company has faced financial challenges from mismanagement, which resulted to a loss of market share, heightened competitive rivalry, as well as financial deterioration, due to insufficient working capital.
79. Profitability at the company began to decline in 2012, primarily due to prolonged Board of Management disputes, and nearly a year of industrial unrest. These internal conflicts were accompanied by mismanagement within the company.
80. The management presented its proposed solutions to the challenges it is facing and these include:
 - i. Legacy Indebtedness – Settlement of outstanding dues from Kenya Railways Corporation (KRC) of Kshs. 500 million, and National Lands Commission of Kshs. 787 million. In addition, the acquisition of LR 7815 (2,090 acres) by National Government to support

- affordable housing agenda in return for settlement of KRA tax arrears, JICA Loan, Mining Levy and residual cash flow to undertake plant refurbishment.
- ii. Shareholder restructuring – pursuit of compliance with NSE regulations to ensure at least 25% of issued shares are traded in the exchange through divestiture.
 - iii. Squatter management – pursuit of regularization plan on LR 8784/144, 145 & 653 (907 acres), as well as Government support to stop further encroachment
 - iv. Energy cost management – Government and donor technical intervention to establish areas of collaboration for instance through special terms for economic partnerships (STEP), in energy efficiency, modern waste disposal mechanisms and increased productivity mechanisms.
81. The Committee observed that the company is currently facing financial challenges, and is not operating at its full production capacity. To address this, the Committee recommended that the company should consider producing and selling clinker to other industry players, which could help alleviate its financial struggles.
82. Furthermore, the Committee suggested that the company needs to initiate a reengineering strategy, demonstrating concrete efforts to increase production capacity and market share before proposing any reduction in the Government's shareholding.
83. The Committee recommended an investigation into the former management responsible for the company's decline, to ensure accountability in case of any misappropriation of company funds.
84. The Committee advised the company to expedite the establishment of the Special Economic Zone Area, as it has the potential to generate additional revenue for the company.
85. Finally, the Committee sought to engage with the National Land Commission (NLC) and the Ministry of Transport, to discuss the way forward regarding issues related to squatters and outstanding dues with Kenya Railways in collaboration with the company.

3.3.3 RIVATEX

86. The Committee inspected RIVATEX EA Limited, whose modernization process has amounted to up to Kshs. 6.8 billion.
87. RIVATEX was first established in 1978 and it operated profitably until the early 1990s. The Kenyan government later embarked on Structural Adjustment Programmes (SAP's)

imposed by IMF and World Bank and the textile market shifted from a protected domestic market to a more liberalized market.

88. As a result, this was followed by stiff competition from far East Asia & Turkey, who flooded the Kenyan market with second-hand clothes.
89. Further, there was sudden devaluation of the Kenya shilling by over 100 percent and due to these events, RIVATEX collapsed in 1998 among other textile industries in Kenya. Further, some of the agency's assets and properties were vandalized during receivership period
90. RIVATEX was later revived in 2007, however the modernization process began in 2017. The company was under receivership before the modernization process began. The modernization process is reported at 97% completion after the government invested up to Kshs. 6.8 billion into the agency's revival.
91. Currently, RIVATEX is a vertically integrated textile mill which manufactures textile products from cotton fibre, polyester fibre and viscose fibre.
92. It was noted that, there has been a shortage in the supply of cotton to meet the demand by RIVATEX. Cotton is their major raw material and they are currently implementing the Cotton Development and Subsidy Program. The program supports farmers with BT cotton seeds, pesticides and extension services. The agency however submitted that, the program is underfunded and it requires additional resources.
93. It was reported that the agency works in collaboration with the Ministry of Agriculture-Fibre Directorate in supporting cotton revitalization including; sensitization, provision of free cotton seeds and pesticides to farmers in the entire 24 counties.
94. The agency also submitted that they are expanding value addition centers in Kieni and Nyando. It was reported that Nyando Value Addition Center is 75% complete while RIVATEX has received machinery for Kieni Value Addition and it is awaiting the completion of floor space at Kieni TTI which is 91% complete. Kieni Value addition Center will be hosted at Kieni TTI.

3.4 State Department for Investment Promotion

3.4.1 Dongo Kundu Special Economic Zone

95. Dongo Kundu Special Economic Zone (SEZ) is situated in Mombasa County, spanning 3,000 acres of land.
96. It is in close proximity to key transportation hubs including Mombasa Airport, Railway Termini and Seaports, all connected by a well-established road network.
97. Dongo Kundu SEZ is a multi-sector development that encompasses a port, industrial park, Free Trade Zone Area, business service parks, convention and conference facilities, tourism and entertainment offerings, residential zones and a free port.
98. The development of Dongo Kundu SEZ is to be financed by the Special Economic Zones Authority (SEZA), as well as support in the form of a loan and grant from the Government of Japan, through the Japan International Cooperation Agency (JICA).
99. The status of the JICA-funded loan project, which covers the development of the Dongo Kundu Port, Port Access Road, and Power Transmission, is as follows; The Dongo Kundu Port, with a loan amount of USD 27.6 million, is under the implementation of the Kenya Ports Authority (KPA), and the tender for this project was already awarded.
100. The Port Access Road, with a loan amount of USD 70.5 million, falls under the implementation of the Kenya National Highways Authority (KeNHA), and the design phase was completed, with a pre-tender site visit conducted in December 2022.
101. For the Power Transmission project, which is financed with a loan of USD 78.6 million and implemented by the Kenya Electricity Transmission Company (KETRACO), the design was reported to be ready, but the tendering process delayed due to land compensation issues for Project Affected Persons (PAPs) outside of the Dongo Kundu area.
102. The Committee noted that dedicating a significant portion of land to the Free Trade Zone without financial returns and limited employment generation may not be the most effective use of resources. The Committee recommended a review of the land allocation for the Free Trade Zone, and proposed reallocating it to the Industrial Park.
103. Additionally, the Committee advised SEZA to invest in green energy solutions for long-term cost-efficiency and environmental sustainability.

104. The need for professional handling of land compensation matters was emphasized, as well as the importance of issuing individual title deeds to affected family units.
105. The Committee acknowledged the commitment shown by certain investors, such as Taifa Gas and the East Africa Tea Trade Association. As a result, it was recommended that the Government of Kenya (GoK) should demonstrate commitment by financially supporting the SEZ, which would encourage more investors to establish manufacturing plants.
106. Regarding infrastructure, the Committee was informed that the Government would be responsible for providing water and electricity connection within the SEZ. Therefore, it was suggested that these services should be extended closest to investors who will set up, in order to facilitate easy access to water and electricity.

3.4.2 Naivasha Special Economic Zone

107. Naivasha Special Economic Zone (SEZ) encompasses an Industrial Park, Business and Recreational Facilities, Residential Area, Inland Container Depot, Standard Gauge Railway Marshalling Yard, Logistics Zone and Public Utility Area.
108. The master planning of Naivasha SEZ was reported to be complete, and the site is divided into four key areas: SEZA administration, EAC countries, textile and apparel, and mixed industrial usage.
109. The comprehensive land-use-plan includes essential features, such as the SGR Inland Container Depot, dry ports for partnering states, administration facilities, customs warehouses, parking areas with controlled access gates, water reservoirs and distribution systems, sewage treatment plants and power substations.
110. The infrastructure plans cover a total of 1,000 acres of land, which include the following: an internal road network connecting the ICD, access roads and the Narok-Mai Mahiu Highway, a 220/33kV and 66/11kV power station, water reservoirs, a water distribution system linking each parcel, stormwater drainage systems connecting to the natural drainage of the area and a sewerage system interconnected with each parcel, ultimately leading to the Sewage Treatment Plant.

111. The Committee observed that the primary investor, Turkish Industry Holding SEZ, has been slow in commencing the construction of the proposed manufacturing facilities. In response, the Committee recommended that SEZA expedite inquiries to identify the challenges the investor is facing in initiating the construction.
112. Furthermore, the Committee noted that there is an investor, whose operations within the SEZ would offer limited employment opportunities, in view of the limited car assembly activities locally. The Committee noted that there is need for a reduction in the land allocation to this investor, allowing space for manufacturing-focused investors.
113. The Committee also recommended a review of all lease agreements with investors, and the cancellation of agreements with those who demonstrate a lack of commitment with the aim of freeing up land for other potential investors.
114. In addition, the Committee proposed that any investor planning to invest in the SEZ should commit to developing essential infrastructure, such as housing, hospitals, schools, and other facilities, so that social amenities may be brought closer to their employees.
115. To incentivize investors, the Committee emphasized that the Government should ensure electricity connectivity to the doorstep of investors in Naivasha SEZ.
116. The Committee suggested that SEZA should establish temporary access roads within the SEZ, to facilitate easy movement for investors and contractors involved in material transportation for construction.

CHAPTER FOUR

4.0 COMMITTEE OBSERVATIONS

4.1 State Department for Industry

The Committee observed that;

117. The County Aggregation Industrial Parks (CAIPs) project, which is a conditional grant from the National Government to the County Governments, is one of the projects in the Ministry's plan, to enable it achieve its target of raising the contribution of manufacturing to GDP to 15% by 2027 and to 20% by 2030. It was noted that the main objective of CAIPs is to grow manufacturing through establishment of agro-industries and to enhance competitiveness of the agriculture sector.
118. In view of the roles of the National Government Accounting Officer, as stipulated in the County Aggregation Industrial Parks (CAIPs) framework agreement, the role to coordinate and report on monitoring and evaluation of the impact of the conditional grants on manufacturing, an additional funding of Kshs. 200 million is required.
119. The Kenya Industrial Training Institute (KITI) as it is constituted now, is not a SAGA, but a Directorate in the State Department for Industry, headed by a Director and not a Chief Executive Officer.
120. The East Africa Portland Cement is currently facing financial challenges, and is not operating at its full production capacity.
121. The necessity of setting up a laboratory at RIVATEX for the testing of dyes and chemicals at a cost of Kshs.150 million. Additionally, the laboratory would facilitate the production of customer samples, thereby reducing the expenses associated with producing larger quantities as an alternative to the samples.

4.2 State Department for MSMEs Development

122. Uwezo Fund does not charge interest on its loans. The agency therefore reported that, there has been a lack of self-financing, since its inception and it has purely relied on exchequer for funding. It was noted that Kshs. 41 million was allocated in FY 2020/21,

while Kshs. 62 million and Kshs. 69 million respectively, were allocated in FY 2021/22 and FY 2022/23.

123. The State Department implements the provision of startup grants through the Kenya Youth Empowerment Opportunities Project (KYEOP). The agency initially provided Kshs 40,000 to targeted youth in two tranches of Kshs 20,000 each. It initially targeted 30,000 youth in 17 counties that is: Nairobi, Mombasa, Kisumu, Nakuru, Kwale, Kiambu, Kitui, Turkana, Migori, Kakamega, Mandera, Kilifi, Bungoma, Wajir, Nyandarua, Kisii and Machakos. The numbers were later revised to target 78,000 youth during project restructuring after the midterm review.
124. In the FY 2022/23, a total number of 30,721 youth beneficiaries received their grants, and this led to a total number of 43,009 jobs created. Out of the 17 counties, the highest number of beneficiaries were in Nairobi County with a total number of 3,948 beneficiaries. The highest number of jobs created was also in Nairobi County totaling 5,526 jobs.

CHAPTER FIVE

5.0 COMMITTEE RECOMMENDATIONS

5.1 Non-financial Recommendations

5.1.1 State Department for Industry

The Committee recommends that;

1. The State Department for Industry should implement its role of monitoring and evaluation of County Integrated Agro Industrial Parks (CAIPs), without infringing on the oversight mandate of the Senate. The Principal Secretary, State Department for Industry should submit a report containing its monitoring and evaluation findings on a quarterly basis.
2. The Principal Secretary, State Department for Industry, should fast-track the preparation of the Industrialization Bill, which will give Kenya Industrial Training Institute (KITI) autonomy. This will enable the institute to conduct its activities and manage its resources separately from the headquarters, to enhance accountability.
3. The East Africa Portland Cement should consider producing and selling clinker to other industry players, as well as the sale of land which is one of its fixed assets to raise finances. This is anticipated to aid in alleviating its financial challenges.
4. The necessity of setting up a laboratory at RIVATEX for the testing of dyes and chemicals at a cost of Kshs. 150 million. This will facilitate the production of customer samples, thereby reducing the expenses associated with producing larger quantities as an alternative to the samples.

5.1.2 State Department for MSMEs Development

5. The Committee recommends that, the Principal Secretary State Department for MSMEs Development, should submit to the National Assembly for consideration, a report containing the constituencies with the highest default rates of Uwezo Fund loans. This will guide decision making on the course of action to be undertaken to contain the challenge of high default rates.

6. The Committee recommends that Principal Secretary State Department for MSMEs Development, should submit to the National Assembly, reports on the implementation of the Kenya Youth Empowerment and Opportunities Project on a quarterly basis, until the completion of the project. The report should contain the list of beneficiaries per county and a breakdown of jobs created per sector. The Committee further recommends that, the implementation of Kenya Youth Empowerment and Opportunities Project, should be done in all the 47 counties.



15/8/2024

HON. JAMES GAKUYA, MP

**CHAIRPERSON, DEPARTMENTAL COMMITTEE ON TRADE, INDUSTRY
AND COOPERATIVES**





REPUBLIC OF KENYA
THE NATIONAL ASSEMBLY
THIRTEENTH PARLIAMENT - THIRD SESSION – 2024
DIRECTORATE OF DEPARTMENTAL COMMITTEES
DEPARTMENTAL COMMITTEE ON TRADE, INDUSTRY AND COOPERATIVES

ADOPTION SCHEDULE

Report on the Consideration and Adoption of Committee Report on;

THE BUDGET IMPLEMENTATION

No.	MEMBER NAME	SIGNATURE
1.	Hon. Gakuya James Mwangi, MP – <i>Chairperson</i>	
2.	Hon. Kitany Marianne Jebet, MP – <i>Vice Chairperson</i>	
3.	Hon. Dr. Oundo Wilberforce Ojiambo, MP	
4.	Hon. Adagala Beatrice Kahai, MP <i>DR</i>	
5.	Hon. Githinji Robert Gichimu, MP	
6.	Hon. Kamene Joyce, MP	
7.	Hon. Mwalyo Joshua Mbithi Mutua, MP	
8.	Hon. Oluoch Anthony Tom, MP	
9.	Hon. Guyo Adhe Wario, MP	
10.	Hon. Korir Adams Kipsanai, MP	
11.	Hon. Maina Mwago Amos, MP	
12.	Hon. Sakimba Parashina Samuel, MP	
13.	Hon. Wainaina Antony Njoroge, MP	
14.	Hon. Waithaka John Machua, MP	

MINUTES OF THE 91ST SITTING OF THE THIRD SESSION OF THE DEPARTMENTAL COMMITTEE ON TRADE, INDUSTRY AND COOPERATIVES, HELD AT THE BUNGE TOWER, 2ND FLOOR, COMMITTEE ROOM 12 ON TUESDAY, 4TH JUNE 2024, AT 10.00 AM

PRESENT

- | | | |
|---|---|-------------------------|
| 1. Hon. Gakuya James Mwangi M.P. | - | Chairperson |
| 2. Hon. Kitany Marianne Jebet, MP | - | Vice-Chairperson |
| 3. Hon. Dr. Oundo Wilberforce Ojiambo M.P | | |
| 4. Hon. Korir Adams Kipsanai, M.P | | |
| 5. Hon. Waithaka John Machua, M.P | | |
| 6. Hon. Adagala Beatrice Kahai, M.P | | |
| 7. Hon. Mwalyo Joshua Mbithi Mutua, M.P | | |
| 8. Hon. Wainaina Antony Njoroge, M.P. | | |

APOLOGIES

1. Hon. Oluoch Anthony Tom, M.P
2. Hon. Kamene Joyce, M.P
3. Hon. Maina Mwago Amos, M.P
4. Hon. Sakimba Parashina Samuel, M.P
5. Hon. Guyo Adhe Wario, M.P

SECRETARIAT

- | | | |
|-------------------------|---|------------------------|
| 1. Ms. Rose Mudibo, OGW | - | Senior Clerk Assistant |
| 2. Priscilla Saidi | - | Research Officer III |
| 3. Mr. Arkan Ali Mumin | - | Research Officer III |
| 4. Ms. Peris Kaburi | - | SAA |
| 5. Ms. Pauline Sifuma | - | Hansard Recorder |
| 6. Mr. Kevin Lengasi | - | Audio Officer |

AGENDA

1. Preliminaries
2. Confirmation of Minutes
3. **Meeting with the Multi-National Companies on the complaint from the Transport Sector**
4. **Any Other Business**
5. Adjournment

MIN.NO.NA/TRADE/2024/441

PRELIMINARIES

The meeting was called to order at 11.15 a.m., followed by a word of prayer and a round of introductions.

MIN.NO.NA/TRADE/2024 442:

CONFIRMATION OF MINUTES

The agenda was postponed to another Sitting of the Committee.

MIN.NO.NA/TRADE/2024/443:

ADOPTION OF REPORTS

The Chairperson briefed the Committee that the two reports (**Report on the Visit to the New KPCU Warehouses and the Report on the Budget Implementation 2022/23**) had been reviewed by the earlier and amendments made to be captured by the secretariat. The Secretariat took the Members through the amendments captured. Upon further deliberations, the Committee adopted the two reports for tabling in the House.

MIN.NO.NA/TRADE /2024/444:

ANY OTHER BUSINESS

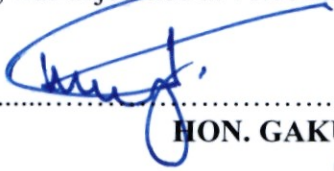
The brief on the meeting with the Multi-Nationals was circulated and Members were given a few minutes to read through before the next meeting

MIN.NO.NA/TRADE/2024/445:

ADJOURNMENT AND DATE OF THE NEXT MEETING

The meeting was adjourned at 11.00 a.m., and the next meeting is to be held on notice.

Sign.....



Date.....

15/8/2024

**HON. GAKUYA JAMES MWANGI, MP
CHAIRPERSON**

DEPARTMENTAL COMMITTEE ON TRADE, INDUSTRY AND COOPERATIVES



Republic of Kenya

**MINISTRY OF CO-OPERATIVES AND MICRO, SMALL AND MEDIUM ENTERPRISES
DEVELOPMENT**

STATE DEPARTMENT FOR CO-OPERATIVES

**REPORT ON BUDGET IMPLEMENTATION FOR FY 2023/24 BY THE
DEPARTMENTAL COMMITTEE ON TRADE, INDUSTRY AND CO-OPERATIVES**

NOVEMBER, 2023

1.0 Mandate

The Executive Order No. 2 of 2023 on the organization of government spells out the mandate of the State Department for Co-operatives as follows:

- i. Co-operative Policy and Standards Implementation.
- ii. Promotion of Co-operative Ventures.
- iii. Co-operative Production and Marketing.
- iv. Supervision and Oversight over Co-operative Societies.
- v. Co-operative Savings, Credit and other Financial Services Policy.
- vi. Co-operative Legislation and Support Services.
- vii. Co-operative Education and Training.
- viii. Co-operative Audit services
- ix. Co-operative Financing Policy.

2.0 Vision

Sustainable social and economic development through co-operatives

3.0 Mission

To promote sustainable co-operative sector through capacity building, provision of appropriate policy, legal and institutional framework

4.0 Core Values

The State Department core values are; Integrity, Professionalism, Inclusivity, Teamwork, Customer focus and Innovation

5.0 Strategic Objectives

The Strategic objectives of the State Department for Co-operatives are to: -

- i. To undertake policy, legal and institutional reforms for rapid and sustainable Co-operatives Development.
- ii. To entrench Good Governance and Accountability within the cooperative sector.
- iii. To facilitate Savings Mobilization through Co-operatives.
- iv. To promote value addition, manufacturing, and market access by co-operatives.
- v. To develop standards and undertake Capacity building for cooperative development and quality service delivery at the national and devolved levels of Government.

6.0 Autonomous and Semi-Autonomous Government Agencies

The State Department has three (3) Autonomous and Semi-Autonomous Government Agencies (SAGAs) namely:

i. New Kenya Co-operative Creameries (New KCC)

The New Kenya Co-operative Creameries (New KCC) Ltd is established under State Corporation Act, Cap 446. 2004. The mandate of NKCC is to Procure high quality raw milk, process, package and market milk and milk products.

ii. SACCO Societies Regulatory Authority (SASRA)

SASRA is established under Sacco Society Act, No. 14 of 2008. Its mandate is to license and regulate Deposit Taking Saccos (DTS).

iii. New Kenya Planters' Co-operative Union Ltd (NKPCU)

The New Kenya Planters' Co-operative Union Public Limited Company (NKPCU) was incorporated on 4th November, 2019 under the Companies Act, 2015 as a public limited company. The mandate of NKPCU is to Provide affordable credit to coffee farmers, mill and market coffee.

7.0 Programme and Sub-Programmes

The State Department for Co-operatives is implementing the **Co-operative Development and Management Programme**. The Programme outcome is to increase contribution of co-operatives to the economy. The programme has five (5) sub-programmes as follows:

i. Sub-program 1: Governance and Accountability

Objective: To Improve governance and accountability in the co-operative movement.

ii. Sub-program 2: Co-operative Advisory Services

Objective: To improve management and governance in the co-operative movement.

iii. Sub-program 3: Marketing, Value Addition & Research

Objective: To improve marketing and value addition through co-operative societies.

iv. Sub-program 4: Cooperative Development and Investments

Objective: To improve the capacity of cooperative institutions to deliver their mandate.

v. Sub-program 5: General Administration Planning and Support Services

Objective: To provide efficient support service for delivery of Co-operative Development and Management Programme.

FINANCIAL AND NON-FINANCIAL PERFORMANCE RELATED TO BUDGET IMPLEMENTATION FOR 1ST QUARTER FOR FY 2023/24.

During the period under review, the State Department spent Kshs 415,047,263 on recurrent and Kshs 949,400 on development expenditure respectively. This is against gross recurrent budget of Kshs. 481,970,000 and gross development budget of Kshs. 27,500,000 translating to an absorption rate of 86% and 3.4% for recurrent and development budget expenditures respectively.

1. First Quarter Recurrent Expenditure

Economic Classification	1 st Quarter Budget Estimate for FY. 2023/24 (Kshs.)	1st Quarter Cumulative Expenditure for FY 2023/24 (Kshs.)	VARIANCE (Kshs.)	% Absorption
Gross	481,970,000	415,047,263	66,922,737	86%
AIA	288,025,000	285,433,162	2,591,838	99%
NET	193,945,000	129,614,102	69,514,575	66%
Compensation to Employees	68,062,500	64,460,100	3,602,400	94%
Use of Goods and Services	120,661,060	60,912,644	59,748,417	50%
Grants and Other Transfers to Other Government Units	291,075,000	289,674,520	1,400,480	99%
Other Recurrent	2,171,440	-	2,171,440	0%

2.(a) First Quarter Development Expenditure.

Economic Classification	1 st Quarter Approved Budget for FY. 2023/24 (Kshs.)	1st Quarter Cumulative Expenditure for FY 2023/24 (Kshs.)	VARIANCE (Kshs.)	% Absorption
Gross	27,500,000	946,400	26,550,600	3.4%
GOK	27,500,000	946,400	26,550,600	3.4%
AIA	-	-	-	
Grants	-	-	-	

2.(B) Status of Capital projects including the BETA Projects

The State Department is mandated to implement Farmer/MSMEs/Groups Aggregation under the Bottom-up Economic Transformation Agenda (BETA). The specific objective is to mobilize farmers and other sectors into strong cooperatives (enablers) to facilitate production, processing and marketing within the 16 priority value chains.

The State Department has finalized the planning and mapping of the identified Sixteen (16) value chains and prepared Concept Notes to guide the implementation of the program.

The identified value chains have been allocated a total of **Kshs 200 million** comprising of **Kshs 100 million** under recurrent and **Kshs 100 million** in Development Budget.

RECURRENT BETA VALUE CHAINS

S/NO	Value Chain	Program/Activity Description	1 st Quarter Recurrent Allocation (Kshs)	Cumulative Expenditure	Remarks
1.	Leather and Leather Products	<ul style="list-style-type: none"> (i)Farmer/MSMEs/Groups Aggregation (ii)Capacity Building - Development of Training Manuals and Training of Trainers 	3,000,000	1,895,800	<p>√ Planning meeting at State Department for Livestock held on 14.8.2023 at Hill Plaza</p> <p>√ Meeting held at Directorate of Veterinary Services (DVS) Kabete with leather officers to map livestock Major slaughterhouses for transformation into cooperatives on 24th August, 2023</p> <p>√ Sensitization meetings to CECs, COs, County Directors in charge of cooperatives and cooperative leaders on cooperative feedlots and leather value chain carried out in Wajir, Garissa and Tana River counties on 25th, 27th and 29th September 2023.</p>
2.	Dairy Value Chain	Dairy and Livestock Value Chain Support Project-Facilitate the Aggregation of farmers/MSMEs/Groups into strong Cooperatives	3,000,000	808,000	<p>√Participation in consultative meetings organised by Presidential Economics Transformation Services (PETS) on the cost and profitability of milk production</p> <p>√Attended a retreat to develop the dairy value chain development plan and implementation road map held at</p>

					Naivasha on 16th to 17th August, 2023 √Held consultative meetings with dairy cooperatives in the Counties of Nakuru, Nyandarua and Kiambu from 2nd to 5th September, 2023
3.	Tea Value Chain	(i) Product and Export market development programme-Promote and facilitate small scale tea farmers in Cooperatives to contribute to overall tea production and export	2,000,000	-	√ Held stakeholders meeting to map dormant cooperative societies in 4 counties (Bomet, Kericho, Nandi and Elgeyo Marakwet)
4.	Rice Value Chain	(i) Rice Promotion Programme - Establish and strengthen farmer organizations/cooperatives	3,000,000	865,400	√ Mapping of rice cooperatives in the country). √ Sensitization on revival of dormant rice cooperatives in Kisumu County
5.	Edible Oils Value Chain	(i)Farmer/MSMEs/Groups Aggregation (ii)Capacity Building - Development of Training Manuals and Training of Trainers	3,250,000	-	√ Held a meeting on 19th with AFA, KARLO, State Dept crops & MSME to develop a roadmap √ Attended a meeting on 28th Sept to brief the counties on (CEC, Governor, AFA, Crops, Cooperatives)
6.	Garments and Textiles Value Chain	(i) Policy and Capacity Building -(i) Support policy framework for cotton/textile value chain development (farmers'/MSMEs/Cooperatives aggregation & capacity building/value addition and develop bankable enterprises for Cooperatives/MSMEs in the value chain	3,250,000	6,113,400	√ Capacity building of cotton cooperative officials in Machakos and Embu on 11-14th September 28, 2023 √ Stakeholder engagement- 17/8/2023 AFA, Crops, MSME, Trade. √ Participated in a conference in Machakos to form a cotton cooperative union in Kenya. 63 officials attended, 7-8th August.

					✓ Mobilization of cotton farmers into ward co-operatives in Busia County
7.	Construction & Building Materials Value Chain	(i) Strengthen capacity of Worker Cooperatives, MSMEs (Jua Kalis and low skilled laborers) to venture into economic opportunities in Housing program and Strengthen capacity of Jua Kali MSMEs/worker Cooperatives to produce high quality products for construction through skills development, access to technology and certification	2,000,000	-	<ul style="list-style-type: none"> ✓ Developing data base of existing Worker's cooperatives in the building and manufacturing (Fundi Tech service coop, Chipukizi, Transparency Autoworkers, United Fundi worker coop)) ✓ Held planning with chairman builder Association of Kenya ✓ Held one enablers roundtable meeting at Naivasha August
8.	Artisinal Mining Value Chain	(i) Strengthen artisanal miners to improve work/working conditions and Strengthen capacity of artisanal miners into strong cooperatives to improve their working conditions and incomes	2,500,000	3,200,970	<ul style="list-style-type: none"> ✓ Mapped out all miners in various counties in the country Sensitization of miners' groups to form cooperatives
9.	Artisinal Fishing Value Chain	Strengthen artisanal Fishermen to improve work/working conditions by Strengthening capacity of artisanal fishermen (BMUs) into strong cooperatives to improve their working conditions and incomes	3,000,000	3,031,000	<ul style="list-style-type: none"> ✓ Mapped all the Beach Management Units (BMUs). Mobilization and registration of BMUs into Co-operatives in Coast and Nyanza
10.	Sugarcane	Capacity building and aggregation of sugarcane farmers into cooperatives	-	-	✓ Registration of 1 cooperative

11.	Horticulture	Aggregation of horticulture farmers into cooperatives and facilitating marketing linkages	-	-	√ No activities were carried out
12.	Maize & other cereals	Farmer/MSMEs/Groups Aggregation Capacity Building - Development of Training	-	-	√ No activities were carried out
13.	Saccos	Sensitization, Registration and Promotion of Saccos	-	-	√ Registration of SACCOs
14.	Transport	MSMEs/Groups Aggregation Capacity Building - Development of Training	-	-	√ Had a meeting for state department of transport and NTSA over registration of digital taxis
15.	Coffee Value Chain	<ul style="list-style-type: none"> • Farmer/MSMEs/Groups Aggregation • Capacity Building - Development of Training Manuals and Training of Trainers 	-	-	<p>√ A retreat held at Mombasa to review the draft coffee bill, 2023 from 5th to 7th September, 2023</p> <p>√ Consultative coffee stakeholder meeting held at Weston hotel on 19th September, 2023</p> <p>√ A consultative meeting on coffee sector reforms with legislators and sensitization on the cooperative Bill, 2023 held at the Deputy President residence, Karen</p> <p>√ A visit to Colombia to learn and share knowledge on coffee and lobby for Kenya to host the first coffee producers and roasters forum in Africa in 2024</p> <p>√ Promotion of Kenyan coffee in the</p>

					Nairobi International Trade Fair
16.	Diaspora	Promotion and formation of new diaspora saccoes and other cooperatives in foreign countries with Kenyans.	-	-	√ Registration of cooperatives (Young Kenyans in Germany Diaspora Investment Cooperative; Kenya in the Hertfordshire Diaspora Investment Cooperative; Kenya Great Britain Diaspora SACCO)
	Grand Total		25,000,000	15,914,570	

DEVELOPMENT BETA VALUE CHAINS

	Value Chain	Program/Activity Description	Project Name	1stQuarter Development Allocation (Kshs)	Cumulative Expenditure	Remarks
7.1	Garments and Textiles Value Chain	(i) Policy and Capacity Building -(i) Support policy framework for cotton/textile value chain development (farmers'/MSMEs/Cooperatives aggregation & capacity building/value addition and develop bankable enterprises for Cooperatives/MSMEs in the value chain	PAVI Cotton Farmers Cooperative Society	25,000,000	950,000	Tendering process is ongoing
	Grand Total			25,000,000	950,000	

3.STATUS OF THE FIRST QUARTER NON-FINANCIAL PERFORMANCE SHOWING THE ACTUAL OUTPUTS ACHIEVED RELATIVE TO THE APPROVED TARGETS IN THE PROGRAM BASED BUDGET

Programme and Sub-Programme Performance Report - non-financial for the First Three Months of FY 2023/24 (As of 30th September 2023)

Program me	Sub-Programme	Delivery Unit	Key Output	Key Performance Indicator	Annual Target(s)	1ST Quarter Target	Actual As of 30th September 2023	Variance	Remarks
Co-operative Development and Management	1) Governance and Accountability	Co-operative Audit	Registration of audited accounts	Registered audited accounts	4000	800	656	-144	Peak season for Audit is between Jan & May because most Sacco's end the FY 31st Dec
		ECCOS	Administrative procedure for DIALs reviewed and gazetted.	% level of completion	100	5	5	0	Target achieved for the 1st quarter

		SASRA	Capital adequacy in DTs maintained	Core capital to total assets ratio for DTS maintained above 10%	100%	16%	17%	0.01	Target for the quarter achieved
			SACCO branches established	% branches established	100%	25%	25%	0	Five new SACCO branches were established in the quarter
2) Co-operative advisory services	Co-operative Registration	Co-operatives registered	No. of co-operatives registered	900	225	529	304		As per the Quarter target, the target was achieved due to increased promotion & marketing
	Commissioner's office	SDC Strategic Plan (2023-2027)	Develop SDC Strategic Plan (2023-2027)	1	1	0	-1		The draft was developed in collaboration under the Planning Unit and in collaboration with all other directorates and Divisions

			Cooperative Transformation Strategy	Development of instruments for promotion of prioritized value chains and implementation of the cooperative structure	10	2	2	0	During the quarter, a meeting with stakeholders to plan for development of Cooperative Transformation Strategy was held in Mombasa. Another meeting that brought together all development partners, cooperative institutions and the Ministry was held. The outcome of the exercise is the draft Concept Note on the partnerships and collaborations in the cooperative sector
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									The draft Cooperatives Bill was approved by the Cabinet. The next phase of sensitization of the Parliamentary Departmental Committees concerned is slated for the second quarter
		Cooperatives Act	Finalization of Cooperatives Bill	1	1	0	-1		
NEW	KPCU	Coffee Advance Revolving Fund	Amount Advanced to Farmers (Ksh)	1,000,000,000	250,000,000	291413453.1	41413453.1		Target Surpassed
		Kenyan Coffee Milled and Marketed	Metric Tons of Coffee Milled and Marketed	4500	1125	3050	1925		Target for the quarter surpassed

3) Marketing, Value Addition & Research	Co-operative Finance and marketing	Cooperative savings Mobilized	Deepening financial access through facilitating growth of savings in Cooperatives societies(KSHS) Billion	45	11	11	0	Target Achieved
		Aggregate farmers in priority value chains into cooperatives	No. of farmers	720050	180000	130	-179870	Q1, 130 farmers/members were aggregated into 4 cooperatives (100 farmers into 1 sugarcane cooperative and 30 members into 3 diaspora cooperatives) . The low achievement was because only sensitizations on aggregation of farmers into

								cooperatives, revival of dormant cooperatives and recruitment of more members into the cooperatives with few members were carried out.
			Aggregate artisanal Miners into cooperatives	No. of artisanal Miners	100	100	500	In Q1, 500 artisanal miners were aggregated into 25 cooperatives. The high number of artisanal miners was as a result of previous FY sensitization activities carried out with the support of the Ministry of Mining, Blue Economy &
							400	

								Maritime Affairs	
			Develop strategy, standards, model by-laws, guidelines and data collection templates for the promotion and revitalization of prioritized value chains	% Completion	100	25	5		In Q1, a data collection template was developed and has been in use throughout the quarter.
								-20	
			Carry out Phase one construction works in	% Completion	100	25	10		In Q1, the directorate had planned to carry out
								-15	

		Pavi Cotton cooperative Ginnery in Kwale County						the procurement processes which was done.
4) Co-operative management and investment	NEW KCC	Modernized NKCC plants	% Completion	85	85	85	0	
		Enhanced Milk Powder processing capacity at NKCC	Metric Tons	1250	1250	1250	0	Target for quarter achieved
		Enhanced Production capacity at NKCC	Litres of milk processed per day ('000) (cumulative)	875000	875000	875000	0	Target for quarter achieved
5) General Administration, planning and support services	CPPMD	Monitoring and Evaluation Reports	No of reports	4	1	1	0	Target for the quarter achieved
	Finance	State Departmental budget preparation and implementation reports	No. of budget implementation reports	1	1	1	0	Target for the quarter achieved

		Human Resource Management and Development	Career progression guidelines for SDC developed	No. Of guidelines	1	1	1	0	Target for the quarter achieved
			Training needs assessment developed	No. of officers trained	32	32	14	18	Target for the quarter Surpassed

4.SUPPORTING INFORMATION ON ANY MONEY SPENT IN ACCORDANCE WITH ARTICLE 223 OF THE CONSTITUTION

The State Department has No allocation in this financial year that has been approved under article 223 of the Constitution of Kenya

5.LIST OF PROJECTS AFFECTED BY THE SUPPLEMENTARY ESTIMATES I

Project Name	Printed Estimates FY 2023/24 (Kshs.)	Revised Estimates 1 FY 2023/24 (Kshs)	Remarks
Coffee Industry Revitalization	-	4,039,846,000	<ul style="list-style-type: none"> • The Kshs. 4 billion is a transfer to NEW KPCU which will enhance the Coffee Cherry fund. This will increase production through compensation of farmers since cherry price to farmers will be increased from Kshs 40 to kshs. 80 per kg. • The 39.8M will used to pay the pending bill.
TOTAL	-	4,039,846,000	

6.EXPECTED IMPACT OF THE PROPOSED REVISION ON THE 2023/24 PROGRAM TARGETS

Programme: Co-operative Development and Marketing	Delivery unit	Key Outputs	Key performance indicators	Target 2023/24	Effect of supplementary estimates I
Sub-Programme 1.1: Governance and accountability	Co-operative Audit	Registration of audited accounts	Registered audited accounts	4000	Kshs. 2.9M budget cut will adversely affect Registration of audited accounts
	ECCOS	Administrative procedure for DIALs reviewed and gazetted.	% level of completion	100	Kshs. 3.4M budget cut will negatively affect administrative procedure for DIALs reviewed and gazette.
2.1: Co-operative advisory services	Co-operative Registration	Co-operatives registered	No. of co-operatives registered	900	Kshs. 2.9M budget cut will adversely affect registration of Cooperative Societies
	Commissioner Co-operative	Cooperatives Transformation	Development of instruments for promotion	10	Kshs.113.1M budget cut will adversely

	Development	Strategy	of prioritized value chains and implementation of the cooperative structure		affect Co-operatives transformation strategy as well as Finalization of Cooperatives Bill
		Cooperatives Act	Finalization of Cooperatives Bill	1	
	NEW KPCU	Coffee Advance Revolving Fund	Amount Advaced to Farmers (Ksh)	100,0000	Additional Kshs. 4 billion will enhanced Coffee Advance Revolving Fund
Sub-Programme 1.3: Marketing, Value Addition & Research	Co-operative Finance and marketing	Cooperative savings Mobilized	Deepening financial access through facilitating growth of savings in Cooperatives societies (KSHS) Billion	45	Kshs 2.6M budget cut will negatively affect Mobilization of Cooperatives savings
			No. of Modernized co-operatives ginneries	1	

Sub-Programme 1.4: Co-operative management and investment	Commissioner Co-operative Development & Co-operative Finance and marketing	Participation in local and international exhibition /Conferences	No. of Exhibition held	11	Kshs 63M budget cut will negatively affect the promotion of Kenyan Coffee
5)General Administration, planning and support services	FINANCE, ACCOUNTS & CPPMU	Administrative support services	%Administrative Activities.	100	Kshs 49.6M budget cut will adversely affect provide efficient support service for delivery of Co-operative Development and Management Programme.

7. OTHER RELEVANT INFORMATION REGARDING THE PROPOSED SUPPLEMENTARY ESTIMATES I FY 2023/24

The State Department requires reinstatement of **Kshs 174,827,530** Operation and Maintenance (O&M) budget and additional **Kshs 50M** to facilitate the cabinet Secretary's office.

(II) SHORTFALLS/GAPS IN THE BUDGET REQUIREMENTS

- (a) Requirements on funds for refurbishment of c's office NSSF building 11th floor block A Kshs. 38,131,935**
- (b) Budget for O&M for C'S office Kshs. 50,000,000**
- (c) Resultant annual rent requirement for additional office space Kshs. 8,872,830**
- (d) Funds to support infrastructure development in Meru (NEW KPCU) Kshs. 600,000,000**
- (e) Construction of Meru Central Dairy Cooperatives Union Animal Feed Production Plant Kshs. 100,000,000**
- (f) Allocation to boost Cooperatives and Agricultural Development Kshs. 700,000,000**



REPUBLIC OF KENYA
MINISTRY OF INVESTMENTS, TRADE AND INDUSTRY
STATE DEPARTMENT FOR TRADE
Office of the Principal Secretary

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KENYATTA AVENUE
P.O. Box 30430 - 00100
GPO NAIROBI - KENYA

Ref: MITI/SDT/3/11 VOLXVII/(158)
2023

Date: 19th September,

Mr. Samuel Njoroge, CBS
Clerk of the National Assembly
Clerk Chambers
Parliament Buildings
NAIROBI

Dear

**RE: REQUEST FOR REPORTS ON BUDGET IMPLEMENTATION FOR
FINANCIAL YEAR 2022/23 BY THE DEPARTMENTAL COMMITTEE ON
TRADE, INDUSTRY & COOPERATIVES.**

Reference is made to a letter from the National Assembly Ref : NA/DDC/TRADE/41 dated 24th August, 2023 on the above subject.

The following is the financial and non financial information related to the budget implementation for the financial year 2022/23. A soft copy of the same has been sent to the e-mail of the Secretariat.

1. Financial performance by Vote Program for FY 2022/23 indicating:

a. Actual revenue receipts: exchequer issues, donor and appropriation in aid (A-I-A)

Recurrent Budget Estimates FY 2022/23

Source of Funds	Gross Estimates FY 2022/23	Actual Receipts FY 2022/23	Variance
Exchequer Issues	2,319,551,818.00	2,319,245,812.00	306,005.90
Other Receipts	633,200,000.00	620,927,423.00	12,272,577.00
Weights & Measures		15,789,221.00	
KNTC		593,282,317.00	
KEPROBA		11,855,885.00	
Total	2,952,751,818.00	5,259,419,047.00	12,578,582.90

Development Budget Estimates FY 2022/23

Source of Funds	Gross Estimates FY 2022/23	Actual Receipts FY 2022/23	Variance
Exchequer Issues	794,501,200.00	794,411,000.00	90,200.00
Other Receipts	0	0	0
Total	794,501,200.00	0	90,200.00

b. **Actual expenditure by Vote and Program** classified under recurrent and development and should be detailed as applicable to include economic classification; compensation to employees, use of goods and services, capital expenditure, current and capital transfers to other government agencies (and international organizations), interest payments, social contributions and subsidies

In the FY 2022/23 the State Department's approved budget was **Ksh 4,218 Million** comprised of **Ksh 2,953 Million** under Recurrent vote and **Ksh 1,265 Million** under development vote. As at 30th June,2023 the actual expenditure amounted to **Ksh 3,743.47 Million** of which **Ksh 2,942.18 Million** was under recurrent vote and **Kshs 801.29 Million** was under development vote as tabulated below;

Table 1: FY 2022/23 Approved Budget (in Kshs millions)

S/No.	Vote	FY 2022/23 Approved budget (Kshs Million)	Expenditure To date (Kshs Million)	Absorption Rate (%)
1.	Recurrent	2,953	2,942.18	99.64
2.	Development	1,265	801.29	63.34
	Total	4,218	3,743.47	88.75

Table 2: Analysis of Recurrent Approved Budget Vs Actual Expenditure (Kshs Million)

Economic Classification	FY 2022/23 Approved budget (Kshs Million)	FY2022/23 Actual Expenditure(Kshs Million)
Gross	2,952.75	2,942.19
A.I.A	633.2	632.49
NET	2,319.55	2,309.70
Compensation to Employees	615.18	605.68
Transfers	1,905.67	1,905.67
	1,905.67	1,905.67
Other Recurrent	431.90	430.83
Utilities, Supplies & Services	15.95	14.02
Rentals of Produced Assets	224.85	224.72
Insurance Costs	7.55	7.55
Subsidies	0	0
Gratuity	13.95	13.95
Contracted guards and Cleaning Services	12.41	12.14
Others	157.19	157.19

Table 3: Analysis of Development Approved Budget Vs. Actual Expenditure(Kshs. Million)

Vote 1174	Description	FY 2022/23 Approved budget (Kshs Million)	FY2022/23 Actual Expenditure(Kshs Million)
	Gross	1,265.05	794.50
	GoK	94.95	94.94
	Loans	1,170.10	699.56
	Grants	0	0
	Local A.I.A	0	0

2.Non-financial performance showing actual outputs achieved relative to the set targets in the FY 2023/24 program based budget attached as **Annex 1**

3. Quarterly project information: amount of project funding received including exchequer issues, actual expenditure and completion status attached as **Annex 2**
4. Where applicable, information on re allocations, pending payments with age of over ninety days, and any liabilities incurred.

The State Department has pending bills and personal claims totaling to **Kshs. 56.8 million** comprising of **Kshs 33.7million** and **Ksh.23.1million** for pending bills and personal claims respectively. Outstanding settlement of court award is **Kshs.18.5million** which was issued against weights and measures department in year 2019. **(attached as Annex 3)**

The purpose of this memo is to submit the above information for your further action.

Yours

Alfred Ombudo K'Ombudo
PRINCIPAL SECRETARY

Programme and Sub-Programme Performance Report-non-financial for FY 2022/23(as of 30th June 2023)

Programme	Delivery Unit	Key Output	Key Performance Indicators	Annual Target (s)	Actuals as at 30 th June 2023	Variance	Remarks
Programme 1: Domestic Trade & Enterprise Development							
Outcome: Enhanced growth of domestic trade and enterprise development							
S. P 1.1 Promotion of Local Content	DIT	Kenya Trade Portal Governance and Management Framework	No. of maintenance or upgrading carried out	1	0	(1)	No funding
		Data management and depository system	No. of reports	1	0	(1)	No funds to implement
		Contribution of retail and wholesale trade to GDP	Value of wholesale and retail trade. (in Kshs. Billion)	820	N/A	N/A	Awaits KNBS report
		Kenya Trade Development Bill	% finalization of the Kenya Trade Development Bill	100%	10%	(90)	No funding for stakeholders validation
S.P.1.2 Development, Promotion and Regulation of the Wholesale and Retail Trade	WRSC	Operational Warehouse Receipt System Services	% Completion of System development (Planning, design, development, testing and implementation)	100%	0	(100)	Lack of funds due to budget cut in FY 2022/23 supplementary and delays in disbursement of development grants
			No. of counties sensitized and trained on WRS.	5	0	(5)	
			No. of Certified Warehouses Annually	15	0	(15)	
			No. of depositors trained on warehouse receipt financing	100	0	(100)	
	KNTC	Improved productivity and marketing for rice cooperatives	No. of metric tonnes of rice		16800	4542	12258
Reduced in post-harvest losses				% reduction of post-harvest losses	35	40	(5)

Programme	Delivery Unit	Key Output	Key Performance Indicators	Annual Target (s)	Actuals as at 30 th June 2023	Variance	Remarks
							harvest losses
		Upgraded and modernized warehouses	No of warehouses upgraded and modernized	3	0	(3)	Contract awarded for Karatina warehouse and works in progress
	KOMEX	Operationalisation of KOMEX and Warehousing Receipting System	% of operationalization of KOMEX	100	85	(15)	Draft Strategic plan developed. Rule book reviewed with inputs from sector players. Engagements on technology with NSE in an advanced stage.

Programme 2: Fair Trade Practices and Compliance of Standards

Outcome: Improved Fair Trade and Consumer Protection

S.P 2.1: Enforcement of Trade Remedies Measures	Kenya Trade Remedies Agency	Trade remedies database	Trade remedies database developed	1	1	0	Training on updating of the Website/Uploading of Documents on Website and social media presence carried out
		Manufacturers and producer groups capacity built	No. of manufacturers and producer groups capacity built on trade remedies	1	0	(1)	Late disbursement of Funds
		Finalized Investigations, manuals, policies and procedures	No. of manuals, policies and procedures developed	4	4	0	Target achieved
S.P 2.2 Enforcement of legal metrology	Weights and Measures	Compliance and Standards enhanced	No. of County Standards calibrated	350	0	0	The laboratory yet to be operationalized after the AC system broke down both in the mass and volume labs. The secondary reference automatic pipette is still out of use.
			No. of weighing and measuring equipment verified at strategic national installations	120	56	(64)	Target was not achieved due to insufficient funds
		Modernized Laboratories	No of electricity and water meter laboratories refurbished	1	0	(1)	Process stalled due to budgetary cuts
		No. of water meter type	1	0	(1)	Process stalled due to budget cuts	

Programme	Delivery Unit	Key Output	Key Performance Indicators	Annual Target (s)	Actuals as at 30 th June 2023	Variance	Remarks
			approval and initial verification benches and standards installed				
			No. of field electricity and water meter verification kits installed	50	0	(50)	Process stalled due to budget cuts
		Enhanced Regulatory and Legal Framework for fair trade	Legal Metrology Regulations developed	1	0	(1)	Process yet to start due to lack of funds
			Legal Metrology Bill and Trade Descriptions Bill enacted	1	0	(1)	Process still on-going, the two Bills at the PS office
S.P. 2.3 Consumer Protection	KECOPAC	Consumer Protection enhanced	No. of regulations to operationalize Consumer Protection Act 2012	1	0	(1)	amending of the Consumer Protection Act (CPA)
			No. of traders/manufacturers sensitized on consumer protection	350	0	(350)	Insufficient funds to carry out sensitizations
			Consumer Protection Act 2012 amended	1	0	(1)	Lack of funds

Programme 3: International Trade Development and Promotion

Outcome: Expanded exports trade

S.P 3.1: International Trade	International Trade	Market access and exports diversified	No. of NTBs resolved to create market access	9	16	7	Over achievement is as a result of NTBs held virtually
			No. of commercial offices established in targeted countries to diversify and increase market access	3	3	0	Target achieved
			No. of EAC - CET reviewed/harmonized to create predictability on tariffs	9	0	(9)	Under-achievement due to recent revision of EAC-CET, in February 2022, which created 4 bandings.
		Exports growth	Total value of exports to EAC	548	N/A	N/A	Awaits KNBS report

Programme	Delivery Unit	Key Output	Key Performance Indicators	Annual Target (s)	Actuals as at 30 th June 2023	Variance	Remarks
			(Kshs. Billion)				
			Total value of exports to the rest of Africa (Kshs. Billion)	548	N/A	N/A	Awaits KNBS report
			No. of International Trade Fairs and Exhibitions coordinated	3	0	(3)	Under-achievement due to insufficient funds
		Foreign Direct Investment (FDI) growth	No. of targeted stakeholders sensitized on trade and investment opportunities arising from negotiated trade agreements (RECs, FTAs, MOUs, AGOA)	900	0	(900)	Under-achievement due to insufficient funds
			Increase in value of FDIs through inbound and outbound business engagements (Ksh. Billions)	139	N/A	N/A	N/A
S.P 3.2 Export Trade Development & Promotion and Nation Branding	KEPROB A	Kenyan Export Products Diversified	No. of New Export Product Lines Developed	30	42	12	There were so many enterprises that came from KISUMU,BUSIA,NAIROBI AND KIAMBU ,MURANGA
			No. of Small Medium Enterprises trained on exporting	120	98	(122)	Underachievement of target is attributed to lack of budget (due to budgetary cut) to undertake County Outreach programme in Nakuru and Nyamira Counties where SMEs would be trained
			No. of exporters facilitated to export for the first time	70	0	(70)	Limited budget to undertake test marketing during which the newly developed product lines would be exposed to the regional and international markets to assess acceptability and secure export orders
		Kenyan export	No. of Trade Promotion	11	9	(2)	i. Dar-es salaam

Programme	Delivery Unit	Key Output	Key Performance Indicators	Annual Target (s)	Actuals as at 30 th June 2023	Variance	Remarks
		markets diversified	events participated in AGOA, AfCFTA, EU, and GCC markets.				<ul style="list-style-type: none"> ii. International Trade Fair (DITF) 2022 Maputo iii. International Trade Fair (FACIM) 2022: International Floriculture Trade Fair 2022 in Netherlands: iv. Kenya-South Korea High Level Business Forum in South Korea 2022: v. 28th Uganda International Trade Fair in Uganda, October 2022: vi. Kenya-South Africa High Level Business Forum and Mini-Exhibition in Nairobi: vii. Germany-Kenya High Level Business Forum, March 2023: viii. Kenya-US Africa Summit in United States of America: ix. Preparations for Expo 2025 Osaka, Kansai Japan
			No. of market research conducted	3	0		Market research in Senegal, Japan and Ivory Coast not undertaken due to lack
		Nation Branding	No. of products branded with the mark of identity	750	934	184	Cumulatively, 934 products were branded with the Made in Kenya Mark during Q1, Q2 and

Programme	Delivery Unit	Key Output	Key Performance Indicators	Annual Target (s)	Actuals as at 30 th June 2023	Variance	Remarks
							Q3 of FY 2022/2023.
			No. of MDAs that adopted the Public Service Branding Guidelines	70	51	(14)	<p>Fifty-one Brand Manuals were developed and adopted among them by the following State Agencies:</p> <ol style="list-style-type: none"> 1. The National Authority for the Campaign Against Alcohol and Drug Abuse (NACADA). 2. Huduma Centre. 3. Kenya Trade Remedies Agency. 4. National Council for Population and Development. 5. State Department for Correctional Services. 6. Special Economic Zones Authority (SEZA) 7. Export Processing Zones Authority. 8. Kenya BioVax Institute. 9. National Research Fund (NRF) Kenya. 10. Probation and After Care Service. 11. Kenya Investment Authority (KenInvest) 12. Kenya National Trading Corporation Limited (KNTC) 13. Kenya Industrial Property Institute. 14. Kenya Industrial Research and Development Institute. 15. Sacco Societies Regulatory Authorities (SASRA) 16. Kenya Trade Remedies Agency. (KETRA) 17. Kenya National Innovation Agency (KNIA.) 18. The Kenya Civil Aviation Authority. 19. National Environment Management Authority. 20. Kenya Film

Programme	Delivery Unit	Key Output	Key Performance Indicators	Annual Target (s)	Actuals as at 30 th June 2023	Variance	Remarks
							Classification Board. 21. Warehouse Receipt System. 22. Micro and Small Enterprises Authority. 23. Commission of Administrative Justice. 24. National Gender and Equality Commission 25. State Department for Gender and Affirmative Action 26. State Department for Investment Sensitization session was held with the State Department for Correctional Services under the Ministry of Interior on 27 th February 2023 in preparation for development of manual and adoption of the Public Service Branding Guidelines.
Programme 4: General Administration, Support Services and Planning							
Outcome: Improved Service Delivery							
S.P 4.1 General Administration, Support, Planning and Human Resource Management and Development	Headquarters Administrative Services	Administrative Services.	Level of provision of services	100	100	0	Target achieved
	Finance and Procurement Services	Financial Support Services.	Level of provision of financial services facilitation to trade programme/ Projects	100	100	0	Target achieved
	Planning Services	Monitoring and Evaluation of projects and programmes	No. of quarterly and annual reports	5	5	0	Target achieved



REPUBLIC OF KENYA

MINISTRY OF INVESTMENTS, TRADE AND INDUSTRY

STATE DEPARTMENT FOR INDUSTRY

BUDGET IMPLEMENTATION REPORT FOR FINANCIAL YEAR 2022/23

VOTE II75

**DR. JUMA MUKHWANA, PHD
PRINCIPAL SECRETARY**

Honourable Chairperson,

Honourable Committee Members

Let me take this opportunity to thank you and Members of the Parliamentary Departmental House Committee on Trade, Industry and Co-operatives for extending invitation to the State Department for Industry to present FY 2022/23 Budget Implementation Report. This is part of your mandate as enumerated in both the Kenyan Constitution and the Public Finance Management Act, 2012.

Honourable Chairperson

1.0 INTRODUCTION

The State Department for Industry is established under Executive Order No. 1 of January 2023 under the Ministry of Investments, Trade and Industry.

Vision

A globally competitive and sustainable industrial sector.

Mission

To facilitate an accelerated growth of the industrial sector through provision of an enabling institutional, policy and legal frameworks

1.1 MANDATE OF THE STATE DEPARTMENT FOR INDUSTRY

The mandate of the State Department for Industry as outlined in the Executive Order No. 1 of January 2023 is as follows.

- Industrial Policy and Planning;
- Buy Kenya- Build Kenya Policy and strategy;
- To promote Standardization in Industry and Quality Control;
- Kenya Property Rights Policy;
- Promotion of value addition and Agro processing;
- Textile sector Development;
- Leather sector Development and promotion of value chain;
- Oversight and regulation of the Scrap Metal Industry;
- Industrial Training and Capacity Development;
- To combat counterfeiting Trade and other dealings in counterfeit goods; and
- Oversight, Administration and Enforcement of the local content policy.
- To promote and facilitate Domestic and Foreign Investments;
- Investment policy and attraction;

The State Department has;

- Nine (9) State Corporations; (SAGAs)
- One (1) training Institution; and
- Three (3) Tribunals.

Tribunals

- The Standards Tribunal
- The Intellectual Property Tribunal
- Kenya Accreditation Tribunal

Training Institute

- Kenya Industrial Training Institute (KITI)

The Autonomous Government Agencies include:

(i) East African Portland Cement Company (EAPCC)

EAPCC is responsible for manufacturing and marketing cement and cement-based products both locally and internationally. This promotes the development of both domestic and international trade, earning the country the much needed foreign exchange. The company also produces raw materials for domestic markets in construction of major infrastructure projects.

(ii) Kenya Bureau of Standards (KEBS)

The mandate of KEBS is to provide Standardization, Metrology, Quality Assurance and Inspection services through promotion of standardization in commerce and industry, provision of testing and calibration facilities, control of the use of standardization marks, undertaking educational work in standardization, facilitation of the implementation and practical application of standards and maintenance and dissemination of the International System of Units (SI) of measurements. It ensures the quality of Kenyan products and services for improved access to both local and international markets.

(iii) Kenya Industrial Property Institute (KIPI)

KIPI is charged with the mandate to administer Industrial Property Rights (IPR), provide technological information and training in IPR and promote invention and innovation. This will foster protection of innovations and intellectual property to catalyze technological development.

The Semi-Autonomous Government Agencies includes:

(iv) Kenya Accreditation Services (KENAS)

Kenya Accreditation Services (KENAS) is mandated to accredit and exercise oversight over organizations (both private and public) that carry out conformity assessment activities. These organizations include; testing laboratories, calibration laboratories, medical laboratories, certification bodies, inspection and verification bodies.

(v) Kenya Industrial Research and Development Institute (KIRDI)

KIRDI is mandated to undertake research, development and innovation in industrial and allied technologies and disseminate research findings to supports industrial development.

(vi) Numerical Machining Complex (NMC)

NMC is mandated to manufacture metallic components and other industrial products to promote industrial development. It was formed for the purposes of manufacturing motor vehicle spare parts and metal-based engineering products. It offers mechanical and engineering services to the agricultural industrial and automotive sectors.

(vii) Scrap Metal Council (SMC)

The Scrap Metal Council mandated to control and regulate the dealing in scrap metal business, and for any other purposes connected therewith. Scrap metal dealing include: old metal, second-hand metal, broken metal, defaced or old metal goods (including machinery and plant), whether wholly or partly manufactured, and any metal which is the property of any of the Governments of the East African Territories or of any service or department of the Community or of any public authority, whether ferrous, non-ferrous or ferrous-alloy, but does not include gold, silver or metals of the platinoid group

(viii) Anti-Counterfeit Authority (ACA)

The Anti-Counterfeit Authority (formerly Anti-Counterfeit Agency) was established under section 13 of the Anti-Counterfeit Act of 2008 with the mandate to enlighten and inform the public on matters relating to counterfeiting, combat illicit trade and other dealings in counterfeit goods, devise and promote training programs and co-ordinate with national, regional or international organizations involved in combating counterfeiting. The Authority is also expected to advise the Government on policies and measures to support, promote and protect intellectual property rights.

(ix) RIVATEX EA. LTD

The mandate of Rivatex East Africa Limited (REAL) as defined by the Company's Act CAP 486 is to undertake manufacturing of textiles and apparels products for commercial purposes; and to offer training, research, product development, and extension services related to textiles and apparels.

1.2 PROGRAMMES IN THE STATE DEPARTMENT FOR INDUSTRY

The State Department has three [3] Programmes and Six [6] Sub-Programmes as tabulated below.

Programmes and Sub-Programmes

TABLE 1

S/No.	Programme	Objective	Sub-Programmes
1.	Industrial Promotion and Development	To promote and facilitate industrial development through value addition, industrial infrastructure, industrial training and technology upgrading.	i. Promotion of Industrial development ii. Industrial Training and Capacity Development
2.	Standards and Quality Infrastructure and Research	To provide standards, quality infrastructure and industrial research for improved industrial performance.	iii. Standards, Conformity Assessment & Industrial property Administration iv. Industrial Performance and Improvement v. Industrial Research, Development and Innovation
3.	General Administration, planning and support services	To provide efficient support service delivery.	vi. General Administration, Planning and Support Services

Hon. Chairperson,

I wish to respond to the issues raised in your letter Ref. No.NA/DDC/TRADE/41 dated 24th August, 2023 as follows:

1. Financial performance by vote and programme for every quarter of FY 2022/2023;
2. Non-financial performance showing actual outputs achieved relative to the set targets in the FY2023/24 Program Based Budget;
3. Quarterly Project Information : amount of project funding received including exchequer issues, actual expenditure and completion status; and
4. Information on reallocations, pending payments with an age of over 90 days and any liabilities incurred.

1. FINANCIAL PERFORMANCE BY VOTE AND PROGRAMME FOR EVERY QUARTER OF FY 2022/2023

RECURRENT ACTUAL QUARTERLY EXPENDITURE BY ECONOMIC CLASSIFICATION FY 2022/2023

Economic Item & Title	Gross estimates FY 2022/23 (Kshs.)	Revised Gross Estimates for FY 2022/23 (Kshs)	Net Estimates FY 2022/23 (Kshs.)	Cumulative Expenditure (Kshs.) Q1	Cumulative Expenditure (Kshs.) Q2	Cumulative Expenditure (Kshs.) Q3	Cumulative Expenditure Q4
1) Compensation to Employees	503,510,000	391,892,880	391,892,880	91,728,296	185,999,228	275,786,546	364,586,908
Wages and Salaries Contributions	503,510,000	391,892,880	391,892,880	91,728,296	185,999,228	275,786,546	364,586,908
Social Contributions	-	-	-	0	0	0	0 -
2)Use of Goods and Services							
Utilities, Supplies and Services	34,327,883	29,264,785	29,264,785	0	0	54,000	29,163,700
Communication, Supplies and Services	8,076,445	2,260,890	2,260,890	267,539	267,539	562,599	1,919,716
Domestic Travel	28,421,681	18,846,031	16,646,031	5,354,600	8,142,300	9,747,820	16,046,031
Foreign Travel	7,244,727	1,481,366	1,481,366	1,348,888	1,380,388	1,518,587	1,675,486
Printing and Advertising	6,891,690	686,008	686,008	0	0	171,600	226,664
Rentals and Rates-Non-Residential	131,071,359	127,317,108	127,317,108	0	0	87,697,609	122,600,789
Training	26,947,505	12,472,961	7,472,961	4,383,900	4,494,100	4,770,000	9,710,300
Hospitality	7,245,090	4,585,393	4,585,393	1,065,902	1,984,565	2,340,565	4,101,161
Insurance Costs	-	-	-			0	-
Specialized Materials and Supplies	88,171,972	135,347,187	106,347,187	0	0	0	29,100,000
General Office Supplies	20,118,077	10,462,134	7,462,134	20,000	144,718	249,714	6,153,229
Fuel and Lubricants	12,330,000	4,195,498	4,195,498	0	5,000	2,685,038	4,511,538
Other Operating expenses	31,309,075	27,737,150	25,937,150		1,250,500	6,491,459	14,087,333
Maintenance Expenses –Motor Vehicles	13,627,858	3,016,514	3,016,514	104,000		768,209	1,261,558
Maintenance Expenses –other Assets	3,655,563	1,998,383	1,998,383	0		125,199	191,821
3)SUBSIDIES	-	-	-				-
Subsides for Public Corporations	-	-	-	-			-
Subsides for Private Corporations	-	-	-	-			-

4) GRANTS	2,667,950,000	1,864,277,500	1,864,277,500	466,069,375	932,138,750	1,292,077,500	1,823,277,500
Grants and Other Transfers	-	-	-	0			-
Grants and Other Transfers to International Organization	-	-	-	0			-
Grants and Other Transfers to Other Government Units	2,667,950,000	1,864,277,500	1,512,277,500	466,069,375	932,138,750	1,292,077,500	1,864,277,500
Other Transfers and Emergency Relief	-	-	-				-
5) SOCIAL BENEFITS	30,637,919	35,455,039	35,455,039	5,477,926	0	30,493,864	35,310,982
Social Security Benefits	30,637,919	35,455,039	35,455,039	5,477,926	0	30,493,864	35,310,982
6) Acquisition of Non-Financial Assets	3,453,156	532,046	532,046				47,550
Gross Expenditure	3,624,990,000	2,671,828,873	2,278,828,873				2,481,040,184
<i>Less: Appropriations-in-Aid</i>							393,000,000
Net Expenditure							2,088,040,184

RECURRENT EXCHEQUER RECEIPTS

Quarter 1	Quarter 2	Quarter 3	Quarter 4	TOTALS
584,685,591.75	583,704,644.60	421,085,002.00	603,616,856.35	2,193,092,094.70

DEVELOPMENT ACTUAL QUARTERLY EXPENDITURE BY ECONOMIC CLASSIFICATION FY 2022/2023

Economic Item & Title	Gross estimates FY 2022/23 (Kshs.)	Revised Gross Estimates for FY 2022/23 (Kshs)	Net Estimates FY 2022/23 (Kshs.)	Cumulative Expenditure (Kshs.) Q1	Cumulative Expenditure (Kshs.) Q2	Cumulative Expenditure (Kshs.) Q3	Cumulative Expenditure Q4
1) Acquisition of non-financial Assets (Fixed Capital assets)	1,394,380,000	532,380,000	532,380,000				342,125,799
Construction of Non-Residential Buildings (Offices, Schools, Hospitals, etc)	-	-	-				-
Construction of Residential buildings (including Hostels etc)	94,000,000	94,000,000	94,000,000	0	47,000,000	47,000,000	94,000,000
Refurbishment Buildings/Infrastructure and Civil Works	-	-	-				-
Construction of Buildings	-	-	-				-
Construction and Civil Works	-	-	-				-
Overhaul and Refurbishment of Construction and Civil Works	-	-	-				-
Purchase of Specialized Plant	-	-	-				-
Purchase of specialized Equipment, Plant and Machinery	-	-	-				-
Research, Feasibility Studies, Project Preparation, Design and Supervision	1,300,380,000	438,380,000	438,380,000	1,550,000	16,329,075	166,699,825	248,125,799
Rehabilitation of Civil Works	-	-	-				
2) Acquisition of Inventories, Stock and Commodities	-	-	-				-
Acquisition of Strategic Stocks	-	-	-				-
Acquisition of other Inventories	-	-	-				-
3) Acquisition of Land and Intangible Assets	-	-	-				
4) Capital Transfers to SAGAs	2,069,170,000	708,596,677	708,596,677	497,292,500	513,959,167	513,959,167	708,596,667
5) Other Expenses	38,000,000	38,000,000	38,000,000	0	10,824,500	30,048,472	38,000,000

Domestic Travel , Subsistence and other Transportation costs	-	-	-				-
Foreign Travel, Subsistence and other Transportation expenses	-	-	-				-
Training Expenses	-	-	-				-
Hospitality Supplies and Services	-	-	-				-
Office and General supplies and Services	-	-	-				-
Printing, Advertising and Information supply services	-	-	-				-
Other operating expenses	38,000,000	38,000,000	38,000,000	0	10,824,500	30,048,472	38,000,000
Gross Expenditure	3,501,550,000	1,278,976,677	1,278,976,677	498,842,500	588,112,742	757,707,464	1,088,722,466
<i>Less: Appropriations-in-Aid</i>	-	-	-				-
Net Expenditure							1,088,722,466

DEVELOPMENT EXCHEQUER RECEIPTS

Quarter 1	Quarter 2	Quarter 3	Quarter 4	TOTALS
497,292,500.00	50,613,354.00	155,509,832.15	319,956,161.60	1,023,371,847.75

RECURRENT PROGRAMME & SUB-PROGRAMME PERFORMANCE REPORT (FINANCIAL)

FY 2022/23 (AS AT 30TH JUNE, 2023)

Name of the programme & Sub Programme	Recurrent Estimates (Kshs.)	Recurrent expenditure (Kshs.)
P1. General Administration, Planning and Support Services		
SP. General Administration, Planning and Support Services	371,951,030	345,106,949
Sub- Total	371,951,030	345,106,949

P2. Industrial Development and Investment		
SP1. Promotion of Industrial Development and Investments	762,931,980	740,991,895
SP2. Promotion of Industrial Training	246,990,289	114,148,842
Sub- Total	1,009,922,269	855,140,737
P3. Standardization, Business Incubation and Research		
SP1. Business Financing & Incubation for MSMEs	213,905,574	204,742,500
SP2. Standardization, Metrology and Conformity Assessment	428,320,000	428,319,998
SP3. Industrial Research, Development and Innovation	647,730,000	647,730,000
Sub- Total	1,289,955,574	1,280,792,498
Grand Total	2,671,828,873	2,481,040,184

DEVELOPMENT PROGRAMME & SUB-PROGRAMME PERFORMANCE REPORT (FINANCIAL)		
FY 2022/23 (AS AT 30TH JUNE, 2023)		
Name of the programme & Sub Programme	Development (Kshs.)	Development expenditure (Kshs.)
P1. General Administration, Planning and Support Services		
SP. General Administration, Planning and Support Services	-	-
Sub- Total	-	-
P2. Industrial Development and Investment		
SP1. Promotion of Industrial Development and Investments	338,366,667	338,366,667
SP2. Promotion of Industrial Training	100,000,000	100,000,000
Sub- Total	438,366,667	438,366,667
P3. Standardization, Business Incubation and Research		
SP1. Business Financing & Incubation for MSMEs	715,610,000	509,046,488
SP2. Standardization, Metrology and Conformity Assessment	-	-

SP3. Industrial Research, Development and Innovation	125,000,000	125,000,000
Sub- Total	840,610,000	634,046,488

Honorable Chairperson

The State Department had various targets, KPIs and Outputs for implementation during the FY 2022/2023 as tabulated below

2. PROGRAMME PERFORMANCE REPORT (NON-FINANCIALS) FOR FY 2022/2023 RELATIVE TO THE 2023/2024 PBB								
Name of Programme	Sub-Programme	Delivery Unit	Key Output	Key Performance Indicator	Annual Target(s)	Actual as at 30th June 2023	FY 2023/24 PBB Targets	Remarks
Industrial Promotion and Development	SP 1.1: Industrial Development Promotion	RIVATEX	RIVATEX machinery and factory modernized	% Completion of Modernization (machines procured, installed & commissioned)	100%	98%	100%	ongoing
			Cotton for textile and apparel processing produced	No. of Counties Sensitized on Cotton Farming	24	12		The variance is due to the budget rationalization made during the financial year
				Amount of pesticides distributed to farmers	15,000 liters	5,000 liters	7,656 liters	We are currently in the planting season we intend to procure pesticides in the fourth quarter.
				Amount of seeds distributed to farmers	30 tonnes	5 tonnes	123 tonnes	The variance is due to the budget rationalization made during the financial

							year	
			Apparel Value Addition Units (AVAU) constructed and equipped	% Completion level of Nyando	100%	75%	100	ongoing
				% Completion level of Karichen	100%	100%	0	Project complete
		NMC	Industrial parts produced	Volume of castings produced (in tonnes)	150	35.8	300	Work in progress
				Complete Industrial machinery, tools and parts manufactured (in pieces)	460,135	32,202	480,000	Ongoing
			Modernized NMC Foundry plant & CNC & Fabrication workshops	% Completion rate of modernization	35.21	33.67	39.9	Inadequate funding
		Scrap Metal Council	Scrap Metal business controlled and regulated	Scrap Metal Rules Developed	- Scrap Metal Rules to be Developed	Draft Developed and is currently under review	Draft Developed and is currently under review	Stakeholder consultation on-going
				Operational Instruments	All Instruments developed	Only HR tools awaiting finalization. The rest are still pending	100% Operationalization of SMC	Draft organization structure complete. Human Resource Guidelines and HR policy and Manual on-going.

				Scrap Metal Dealers Licensed	500	717	700	Increased scope and sensitization activities for scrap metal dealers.			
				Organize a scrap metal conference for awareness Creation of Scrap Metal Sub-Sector	1	0	1	Delays in processes thus conference has been pushed to Q1 FY 2023/24			
				EAPCC	Construction Materials manufactured	Volume of Clinker Produced (in kilo Tonnes)	200	157		Plant refurbishment which included replacement of the Kiln Shell.	
						Volume of Cement Produced (in kilo Tonnes)	350	328		Increased clinker production	
				SP 1.2: Industrial Training and Capacity Development	KITI	Industrial skills enhanced	No. of students trained on industrial skills	4000	3500	4,500	The variance will be achieved during the May and September intake
							No. of industrial partnerships for reskilling and upskilling of workers undertaken	30	16	50	The process of linkages and partnership is on going
Infrastructure and civil works upgraded	% Rate of Completion	100	40.5			60	Insufficient exchequer				
Standards and Quality Infrastructure and Research	SP 2.1: Standards, Conformity Assessment & Industrial property Administration	KENAS	Accreditation of New conformity assessment bodies	No. of New Conformity Assessment Bodies accredited	45	23	50	There was low uptake of accreditation services			
			Assessed Conformity Assessment Bodies	No. of CABs assessed	323	193	250	There was rescheduling of assessments due to unavailability of assessors			

			Training Programmes delivered	No of training programmes delivered	45	30	50	The number of participants who registered for various courses was below average this led to rescheduling of training programmes
	KEBS	Standards developed and Products certified	No. of new standards developed	100	49.94			Austerity measures hindering funding of revenue generation activities
No. of products certified under SMEs			6,500	6,494				
No. of products certified under large firms			17,500	17,313				
	KIPI	Industrial Property Rights registered	No. of patents, utility models and industrial designs registered	1878	920			Ongoing industrial property awareness activities
			No. of National Trademarks Registered	5820	5561			Trade marks division modified some trademarks registration processes and procedures
SP 2.1: Industrial Performance and Improvement	SDI KIEP	Innovation and productivity Increased	No. of Start-ups connected to international investors, mentors, markets	260	221			Due to project lag of restructuring process
			No. of innovators trained through boot-camps (rapid tech skills)	288	256			

	SP 2.3: Industrial Research, Development and Innovation	KIRDI	Industrial technologies developed & transferred	No. of Industrial technology prototypes developed and transferred to industries	25	46	15	Positive variance attributed to new research outputs from donor funded projects and client funded consultancies
				No. of industrial product upgraded through product development	66	60		The positive variance is on account of increased publicity and marketing campaigns and also installation of new equipment at the Institute's service centers
				No. of industrial enterprises supported	940	1308		Target surpassed attributed to increase to use of incubation and training services as a result of increased Institute visibility
				Industrial Research laboratories constructed and equipped at Nairobi, South B	% Completion Rate	85	80	95
General Administratio n, planning and support services	SP 3.1: General Administratio n, Planning and Support Services	CPPMU	Monitoring & Evaluation reports	No. of M&E reports	4	4	4	Target met
			Ministerial / State Departmental Plans	Strategic plan developed	-	-	-	

			Annual Work Plans	1	1	1	Draft has been consolidated awaiting validation and approval
	Finance	Budget preparation and implementation reports	No. of MTEF reports	4	4	4	Target met
			No. of budget implementation reports	4	4	4	Target met
	Human Resource Management and Development	Human resource development promoted	No. of officers/staff trained	158	0		Training was scrapped off in the current budget
		Staff performance appraisal system implemented	% of staff under SPAS	100	0	100	Budget allocation for training was rationalized by 100%.
	Supply Chain Management	Procurement plans	Annual procurement Plan	1	1	1	Draft has been consolidated awaiting validation and approval

Honorable Chairperson,

The State Department had several projects under implementation at different completion status as tabulated below:-

3. PROJECT IMPLEMENTATION STATUS AS AT 30 TH JUNE, 2023)								
Project Name	Project	Expecte	Source	Estimate	FY 2022/23 Kshs. Millions)	Status of the	Remarks	

	Commence Date	Duration of the project	Source of Funds	Estimated Value of the Project (Kshs. Millions)	Total Disbursements	Actual Expenditure	Project/Percentage of completion	Challenges faced in implementing the project
Modernization of RIVATEX Machinery	7/1/2015	5 YEARS	GOK & DONOR	7,200	60.00	60.00	98%	Ongoing
Railway Siding & Related Infrastructure	7/1/2020	4 YEARS	GOK	1,600	6.25	6.25	3%	Moved to State Department for Investment promotion
Provision of Finances to SMES in Manufacturing Sector- KIE	7/1/2015	5 YEARS	GOK	5,350	255.23	255.23	63%	Moved to State Department for MSMEs
Modernization of NMC's Foundry Plant & Fabrication Workshop and Establishment of Hot Dip Galvanizing Project	7/1/2015	5 YEARS	GOK	1,788	38.00	38.00	35%	Ongoing
Karichen Apparels value chain	7/1/2021	2 YEARS	GOK	110	8.00	8.00	91%	Ongoing
Nyando Apparels value chain	7/1/2021	2 YEARS	GOK	118	27.50	27.50	42%	Ongoing
Construction of Industrial Research Laboratories KIRDI -South B	6/1/2013	7 YEARS	GOK	5,500	125.00	125.00	78%	Ongoing
Infrastructure and Civil Works Development- KITI	7/1/2016	5 YEARS	GOK	860	94.00	94.00	44%	Ongoing
Kenya Industry and Entrepreneurship Project (KIEP)	7/1/2018	5 YEARS	GOK & DONOR	5,665	438.38	248.13	3%	Ongoing

Establishment of One Stop Centre (OSC) for Investment and Office Part	7/1/2016	7 YEARS	GOK	200	10.00	10.00	89%	Moved to State Department for Investment promotion
Development of Athi- River textile Hub- EPZA	7/1/2014	6YEARS	GOK	8,240	46.25	46.25	66%	Moved to State Department for Investment promotion
Cotton Development (RIVATEX)- Subsidy and extension supply	7/1/2018	5 YEARS	GOK	1,187	65.70	65.70	31%	Ongoing
Construction of Investor Sheds- EPZA	7/1/2022	5 YEARS	GOK	2,693	66.67	66.67	2%	Ongoing
TOTAL				40,511.00	1,240.98	1,050.73		

Honorable Chairperson,

The Department had re-allocations approved by the National Treasury as indicated below

INFORMATION ON REALLOCATIONS

During the FY 2022/2023, the following reallocations were done: The main objective of the re-allocations was to cater for the excess votes on various expenditure items occasioned by the austerity measures, Supplementary II and reprioritization of the State Department’s programmes and activities.

Vote, Sub-Heads and Items	Provision in Printed Estimates	Excess expenditure incurred	Source of reallocations funds
0-1175-0001-01-2210801 (Boards, committees, conferences and seminars)	Ksh.509,240	1,500,000	0-1175-0002-01-2210604 (Hire of Transport and equipment)
0-1175-0002-01-2210301 (Travel costs-airlines, bus, railway, mileage allowance etc.)	Ksh.2,428,751	1,000,000	0-1175-0002-01-2210505 (Trade shows and exhibitions)
0-1175-0002-01-2210302 (Accommodation)	3,059,990	1,000,000	0-1175-0002-03-2210505 (Trade Shows and Exhibitions)
0-1175-0002-01-2210303 (Daily Subsistence Allowance)	Ksh.957,489	878,000	0-1175-0001-01-2211009 (Education and library supplies)
			0-1175-0002-01-2211009 (Education and library supplies)
			0-1175-0002-01-2220202-Maintenance of furniture and equipment
			0-1175-0002-01-2220210- Maintenance of computers, software and networks
			0-1175-0002-01-2211016-purchase of uniforms and clothing staff
			0-1175-0008-01-2211016-purchase of

			uniforms and clothing staff 0-1175-0023-01-2211016-purchase of uniforms and clothing staff 0-1175-0026-01-2210502_publishing and printing services 0-1175-0019-01-2210403-Daily Subsistence Allowance
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Honourable Chairperson,

4. PENDING PAYMENTS WITH AN AGE OF OVER 90 DAYS AND LIABILITIES INCURRED.

The State Department had total outstanding bills for the State Department (Headquarters) and the Kenya Industrial Training Institute (K.I.T.I) amounting to **Ksh 103,582,718.15** as at 30th June 2023. The pending bills comprised of **Ksh. 59,004,231.15** incurred at the State Department headquarters and **Ksh. 44,578,487.00** at the Kenya Industrial Training Institute respectively.

Table 1: Summary of Outstanding and Pending/ Historical bills

S/No	Category of Bills	State Dept. Headquarters	Kenya Industrial Training Institute (KITI)	Total [Ksh]
2	Outstanding	36,414,253.55	30,946,745.00	67,360,998.55
	Total	59,004,231.15	44,578,487.00	103,582,718.15

Finally,

Hon. Chairperson and committee members, it's my humble commitment to this committee that I will ensure prudent utilization of the resources allocated to the State Department for the implementation of various programs and projects to attain the Government Manifesto and BETA.

THANK YOU AND GOD BLESS YOU.

**DR. JUMA MUKHWANA, PhD, HSC
PRINCIPAL SECRETARY**



REPUBLIC OF KENYA

**MINISTRY OF CO-OPERATIVES AND MICRO, SMALL AND
MEDIUM ENTERPRISES (MSME) DEVELOPMENT**

**STATE DEPARTMENT FOR MICRO, SMALL AND MEDIUM
ENTERPRISES (MSME) DEVELOPMENT**

VOTE 1176

**REPORT ON BUDGET IMPLEMENTATION FOR FINANCIAL YEAR 2022/23
TO THE NATIONAL ASSEMBLY DEPARTMENTAL COMMITTEE ON
TRADE INDUSTRY & COOPERATIVES**

SEPTEMBER, 2023

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I) INTRODUCTION

The State Department was created through the Executive Order No. 1 of 2023 following the re-organization of Government after the August 2022 Elections. The State Department is charged with the responsibility of promotion and development of MSE sector through entrepreneurship and management training.

The mandate of the State Department as per the Executive Order No. 1 of 2023 includes:

- i. SME Policy;
- ii. Develop SME Financing Policy to facilitate adequate flow of credit from financial institutions;
- iii. Administration of the "Hustler Fund" for the promotion, development and enhancing competitiveness of MSMES;
- iv. Capacity Development for Entrepreneurship including access to modern management practices;
- v. Support for technology upgradation and modernization;
- vi. Establishment of integrated infrastructural facilities;
- vii. Promotion and Development of Micro and Small Enterprise and enhance their competitiveness;
- viii. Promote Progressive credit policies and practices targeting MSMEs;
- ix. Business Innovation and Incubation;
- x. Administer Preference in Government procurements to products and services of the MSMEs;
- xi. Champion subcontracting arrangements between SMEs and Large Enterprises;
- xii. Market development for MSME products and services (better access to domestic and export markets);
- xiii. Support for product development, design intervention and packaging;
- xiv. Promotion of establishment of Production clusters; and
- xv. Promotion and Development of the Cottage Industry.

1.1 Vision, Mission and Strategic Objectives of the State Department

Vision

A technologically advanced, highly productive, diversified and competitive MSMEs sector for a globally competitive economy.

Mission Statement

To create an integrated enabling environment for a highly productive and diversified MSMEs Sector through financing, incubation and entrepreneurship management and training for wealth and employment creation.

Strategic Goals/Objectives of the State Department

- i. The Strategic Objectives of the State Department include:
- ii. To facilitate growth and development of the MSMEs;
- iii. To promote progressive credit policies and practices for MSMEs;
- iv. To promote market development for MSME products and services;
- v. To promote entrepreneurial skills and business management;
- vi. To enhance business innovation and incubation for MSMEs; and
- vii. To promote a saving culture for MSMEs.

II) AUTONOMOUS AND SEMI-AUTONOMOUS GOVERNMENT AGENCIES(SAGAs)

The State Department executes part of its mandate through the following five (5) Parastatals/SAGAs and one department:

a) Micro and Small Enterprises Authority (MSEA)

The Micro and Small Enterprises Authority was established through the Micro and Small Enterprises (MSEA) Act No. 55 of 2012 section 29(1). The Act mandates MSEA to promote, develop, and regulate the MSE sector. The Act gives the Authority the mandate to formulate and coordinate policies that will facilitate the integration and harmonization of various public and private sector initiatives, for the promotion, development and regulation of the Micro and Small Enterprises to become robust industries.

b) Kenya Industrial Estates (KIE)

The Kenya Industrial Estates was established by the government of Kenya in 1967 with a mandate to promote Small and Medium Industries with focus on Rural Industrialization. Further, it is mandated to provide finances, workspace, Business Development Services (BDS) and promotion of subcontracting linkages to Micro, Small and Medium Industries (MSMIs) in order to foster the development of indigenous MSMIs countrywide.

c) Uwezo Fund

UWEZO Fund is a flagship programme for Vision 2030 established vide legal notice No. 21 of 21st February 2014 aimed at enabling women, youth and persons with disabilities access finances to promote businesses and enterprises at the constituency level, thereby enhancing economic growth towards the realization of the same and the Sustainable Development Goals No. 1 (eradicate extreme poverty and hunger) and 3 (promote gender equality and empower women). The Fund is highly devolved and adopted the concept of bottom-up approach with decision making done at the grass-root level.

d) Youth Enterprise Development Fund

The Youth Enterprise Development Fund (YEDF) was established in 2007 through the legal Notice No. 63/2007. The main purpose of the Fund is to reduce unemployment among the youth through enterprise development. The functions of the Fund include:

- i. Provide funding and business development services to youth owned or youth focused enterprises;
- ii. Provide loans to existing micro-finance institutions, registered non-governmental organizations involved in micro-financing and savings and credit co-operative organizations for on-lending to youth enterprises;
- iii. Attract and facilitate investment in Micro, Small and Medium Enterprises oriented commercial infrastructure such as business or industrial parks, stalls, markets or business incubators that will be beneficial to youth enterprises;
- iv. Support youth-oriented Micro, Small and Medium Enterprises to develop linkages with large enterprises;
- v. Facilitate marketing of products and services of youth owned enterprises in both domestic and international markets; and
- vi. Facilitate employment of youth in the international labour market.

e) Financial Inclusion Fund

The purpose of the Financial Inclusion Fund shall be to innovate, develop and deploy bottom of the pyramid financial services and products that are affordable, accessible and appropriate for the unserved and underserved persons, including credit, saving, insurance and investment products.

f) Kenya Institute of Business Training (KIBT)

The Institute was established in 1966 with the assistance of ILO/UNDP under the name Management Training and Advisory Centre (M.T & A.C). The objective of the Centre was to train and develop indigenous managers and entrepreneurs in practical management and business skills. The Mandate of the institute is to provide Business & Management Development Services to MSMEs and other Interest Groups and to provide Counselling, Extension Services and Business Information for improved performance.

III) TRANSFORMATION OF THE MSME SECTOR

The State Department for MSME is committed to the following to transform the MSME Sector:

a. Ending criminalization of work

The Government will facilitate issuance of licences by developing policies and laws that will make trading license and provision of a trading location an entitlement to every citizen who applies. The Government will work with County Governments to provide one street trading premise per 50 urban residents, with a view to increasing average daily income of informal traders by Sh 200.

b. Reduce Regressive taxation bureaucracy and regulatory compliance costs

The National Government will work with the County Government in reviewing and rationalizing all business licenses, cap total licences at 1.5 percent of turnover, and enact administrative burden law (similar to US Reduction of Paper Work Act) ensuring no business spends more than 4 person hours a month on tax and regulatory compliance.

c. Access to finance

Commit resources through the Financial Inclusion Fund to ensure financial inclusion for all MSMEs. The funds will be distributed through four products namely: Personal Loans Product; Micro Loan Product; Start-Up Loans; and Small Medium Enterprise Loan.

d. Infrastructure & Capacity Building

Establish MSME Business Development Centre in every ward, and an industrial park and business incubation centre in every TVET institution. The State Department is currently constructing CIDCs, Cold Storage Facilities, Incubation Centres and Centres of Excellence.

IV) Financial and Non-Financial Information Related to Budget Implementation for the Financial Year 2022/23

1. Financial performance by vote and program for every quarter of FY 2022/23 indicating:

a. Actual revenue receipts: exchequer issues, donor, and appropriations in aid (A-i-A); and

Table 1: Actual exchequer issues, donor, and appropriations in aid (A-I-A);

Source of Fund	Estimates	Actual Receipt
a) Exchequer Issues	422,920,281.00	395,115,727.00
b) Appropriations-In-Aid:-		
Grants	210,700,000.00	210,700,000.00
Loans		
Total Funds available (a+b)	633,620,281	605,815,727

b. Actual expenditure by Vote and Program

Two programmes and three sub-programmes were funded and implemented by the State Department in FY 2022/23:

1. Promotion and Development of MSMEs
 - a. MSMEs Development and promotion
 - b. Entrepreneurship and Business Development Services
2. General Administration, Support Services and Planning General Administration, Support Services and Planning.

Table 2: Actual expenditure by vote, programme and economic classification for FY 2022/23

Economic Classification	APPROVED BUDGET	ACTUAL EXPENDITURE
	2022/23	2022/23
Programme 1. Promotion and Development of MSMEs		
Current Expenditure	479.75	479.75
Compensation of Employees	-	-
Use of goods and Services	-	-
Grants and other Transfers	479.75	479.75
Other Recurrent	-	-
Capital Expenditure	46.00	46.00
Acquisition of Non-Financial Assets	-	-
Capital Grants to Government Agencies	46.00	46.00
Other Development	-	-
Total Programme 1	525.75	525.75
PROGRAMME 2: General Administration, Planning and Support Services		
Current Expenditure	107.87	64.08
Compensation of Employees	-	-
Use of goods and Services	89.67	64.08
Grants and other Transfers	-	-
Other Recurrent	18.20	15.98
Capital Expenditure	-	-
Acquisition of Non-Financial Assets	-	-
Capital Grants to Government Agencies	-	-
Other Development	-	-
Total Programme 4	107.87	80.06

Economic Classification	APPROVED BUDGET	ACTUAL EXPENDITURE
	2022/23	2022/23
Total 1176 State Department for Micro, Small and Medium Enterprises Development	633.62	605.81

2. Non-financial performance showing actual outputs achieved relative to the set targets in the FY 2023/24 program-based budget.

During the period under review and prior to the creation of the State Department for MSME, programmes and projects under the mandate of MSME as per the Executive Order No. 1 of 2023 were implemented by other State Departments namely:

- i. The Micro and Small Enterprise Authority (MSEA) implemented the Trade Development and promotion Programme under the State Department for Trade.
- ii. The Kenya Institute of Business Training (KIBT) implemented the Entrepreneurship and Business Development Services Programme under the State Department for Trade.
- iii. The Kenya Industrial Estates implemented the Business Incubation and Research Programme under the State Department for Industrialization.
- iv. The Youth Fund implemented the Youth Employment and Employability Scheme Programme under the State Department for Youth Affairs.
- v. Uwezo Fund implemented the Youth and Women Empowerment Programme under the State Department for Gender and affirmative Action.

Table 3: Non-Financial Performance of Programme Targets and Actual Targets in FY 2022/23

Programme	Delivery Unit	Key Outputs	Key Performance Indicators	Planned Targets	Achieved Targets	Remarks
				2022/23	2022/23	
Programme 1: Promotion and Development of MSMEs						
Outcome: Conducive Environment for growth and sustainability of MSMEs Sector						
S.P 1.1 MSMEs Development and Promotion	MSME Partnership & Resource Mobilization	MSMEs support services MSMEs support services	No. of contracts signed	4	-	Target not achieved. State Department still in the initial stages for operationalization.
			Micro Small Enterprises Authority (MSEA)	No. of cottage industries developed to reduce importation of edible oil, improve dairy and fish farming	5	0
	No. of jobs created through KYEOP (Kenya Youth Employment Opportunities)			3,500	46,509	Target achieved
	No. of CIDCs constructed			20	20	Budget cuts in FY 2022/23 has led to huge pending

						bills for CIDCs constructed in the FY
			No. of Jobs created through construction and equipping of CIDCs	2,800	2800	Target achieved
			No of Cold storage facilities constructed and operationalized	3	1	Nyandarua cold storage facility operationalized and commissioned by HE the president. Kisii and Meru Facilities equipping complete awaiting commissioning
		Market Access for MSMEs	No. of MSEs exposed to local Markets	1200	850	Target achieved
			No. of MSEs exposed to EAC trade fair (Nguvu Kazi)	350	350	
		Formal MSE Sector	No. of MSEs registered	100,000	1,434,138	Target surpassed due to rapid registration programme and linking the MSEA data base to the Hustler fund group loan products
		MSMEs support services	No. of youth trained in value	1,000	-	Target not achieved

			chain opportunities			
		Kenya youth empowerment project	No. of job opportunities created around value chains	60,000		
			Amount of credit issued to MSMEs (KSh. Millions)	300		
S.P 1.2: Entrepreneurship and Business Development Services	Kenya Institute of Business Training (KIBT)	Business development services	No. of partnerships on KAIZEN Concept	10	-	Target not achieved
			No. of MSMEs trained and counselled	2000	1813	Target not achieved due to austerity measures
			No. of firms offered consultancy	8	12	Target achieved through partnership with JICA
Programme 2: Product and Market Development for MSMEs						
Outcome: Standardized and enhanced quality of MSMEs Products and Services						
S.P 2.1: Market linkages for MSMEs	MSME Financing, Product & Market	MSMEs support services	No. of MSMEs linked to local and international markets	3,000	-	Target not achieved. The State Department is still in the initial stages of operationalization

(Domestic & Export Market)	Development		No. of products developed to meet the international market standards	20	-	
S.P 2.1 Value addition, Innovation and Incubation for MSMEs	Kenya Industrial Estates (KIE)	MSMEs Financial services	No. of enterprises financed	2,200	2,320	KIE continued with its funding of MSME's in alignment to the Bottom-Up Economic Transformation Agenda (BETA).
		MSMEs Financial services	Amount of Industrial credit issued (KSh. Million)	1,100	1,160	
Programme 3: Digitalization and Financial Inclusion for MSMEs						
Outcome: Increased Wealth Creation through MSMEs Sector						
S.P 3.1 Financial Inclusion	Financial Inclusion Fund (Hustler Fund)	MSMEs Financial services	No. of persons accessing credit (Millions)	10	22	Target achieved
			Amount of Credit Disbursed (KSh. Bn)	10	35	
S.P 3.2 Youth Employment Services	Youth Enterprise Development Fund	MSMEs Financial Services	Amount of loans disbursed to Youth to start or expand their businesses (Kshs. millions)	475	-	The effects of the significant development budget cut were greatly experienced in FY 2021/22 as seen in the drop in performance. Further, the Fund transition to an Enterprise Resource
			Amount disbursed to	700	143.8	

			Youth, (KSh. Millions)			Planning caused delays in loan disbursements
			No. of Groups trained in value chains and funded	7,000	10,000	Youth capacity build on Leather Value Chain
			No. of Youth beneficiaries of loan products	52,824	11,085	Affected by significant development cuts.
			Amount recovered from loan disbursed to youth entrepreneurs (Millions)	600	234.7	MSMEs adversely affected by the disruptions of Covid 19, supply shocks and high interest rates.
			No. of youth trained on entrepreneurship skills and awareness on Government priority programs for youth	100,000	82,700	Leveraging on strategic partnerships and collaborations with stakeholders in the youth space to provide Business Development Services to youth entrepreneurs contributed to achievement of set targets.
			No. of youth enrolled and mentored in business mentorship programs	3,500	4,815	

			No. of youth provided and facilitated to access affordable business trading spaces and business incubation/innovation services	1,500	1,528	
			No. of youth supported and facilitated to market their products	1,500	1,620	
			Number of youth facilitated to acquire and travel for jobs abroad	1,500	1,575	
S.P 3.3 Youth, Women and PWDs Empowerment	Uwezo Fund	Credit facilities to Women, Youth and PWDs	Amount disbursed to Youth, Women and PWDs Groups (KSh. Millions)	750	162.2	Target not met due to austerity measures
			No. of Groups trained and funded	5,000	1,438	

			Repayment rate for amount disbursed (%)	50	41	Youth, women and PWDs experiencing supply chain shocks, high interest rates affecting their repayment
Programme 4: General Administration, Planning and Support Services						
Outcome: Strengthened Institutional Capacity for Service delivery						
S.P 4.1 General Administration, Planning and Support Services	Administration & Support Services	Administrative Services	% level of customer satisfaction	100	-	Survey not yet undertaken to establish % customer level of satisfaction.
	Central Planning & Project Monitoring Unit (CPPMU)	Planning, monitoring and evaluation services	No. of quarterly and annual reports	5	5	Target achieved
	Finance Management Services	Financial Support Services.	No. of quarterly reports	4	4	Target achieved
	MSME Policy, Research & Development	Market access for MSMEs products and services	% value of goods supplied to government	30	-	Target Not achieved
			No. of MSMEs supplying goods to government	10,000	-	
			No. of policy developed to	1	-	

			support value chains				
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3. Quarterly project information: amount of the project funding received including exchequer issues, actual expenditure and completion status.

Table 4: Amount of the project funding received including exchequer issues, actual expenditure and completion status.

Project Name	Estimated Cost of the Project (Financing)			Timeline		FY 2022/23		Completion Stage as at 30th June 2023
	Total Estimated cost of project (Kshs. Millions) (a)	GOK	Foreign	Start date	Expected completion date	Approved GoK Budget	Actual Expenditure	
Kshs. Million								
1176100601 Uwezo Fund	6,597.6	6,597.6		1/7/2013	30/6/2024	46.0	46.0	100.0

Development Exchequer issues received was **Kshs. 46 million**.

4. Information on Reallocations, Pending Payments Liabilities Incurred

There was budget reallocation of **Kshs. 12.5 Million** within the recurrent budget for purchase of motor vehicles and payment of rent. The reallocation was approved by the National Treasury and Economic Planning vide letter Ref. No. DV/ES 1176/22/01'A' (43).

The State Department had no pending payments or any liabilities incurred in FY 2022/23.



REPUBLIC OF KENYA

**Ministry of Investments, Trade
and Industry**
State Department for Investment Promotion

REPORT ON BUDGET IMPLEMENTATION FOR THE FY 2022/23

Submitted to:

**THE DEPARTMENTAL COMMITTEE ON TRADE, INDUSTRY AND
COOPERATIVES**

September, 2023

CHAPTER ONE: INTRODUCTION

1.1. Background

The investment promotion function in Kenya dates back to early years of independence where the Government formulated various strategies and policies in an effort to boost investment growth in the country. In 1964, the Foreign Investment Protection Act was passed to provide basic investor protection. This Act was enacted as a statutory guarantee to the protection of certain approved investments in the country. In 1982, the Investment Advisory and Promotion Centre was set up under the then Ministry of Finance. It was later converted to the Investment Promotion Centre (IPC) in 1986 through the Investment Promotion Centre Act, Cap 485 of 1986, with the mandate of promoting private investments in Kenya by both local and foreign investors. In 1990, EPZ Act CAP 517, Laws of Kenya was enacted to promote and facilitate export oriented investments and to develop an enabling environment for such investments. The Act was amended in 1992 to empower IPC to issue a Certificate of General Authority to investments that have no policy, planning, security, health or environmental implication, and are not on the restricted list, viz mining, forest products, Manufacturing under Bond (MUB), Export Processing Zones, excisable goods, petroleum operations, tourism, ferries, insurance, banks, financial institutions and mortgages.

Kenya enacted the Investment Promotion Act, 2004 to promote and facilitate investment by assisting investors in obtaining the licenses necessary to invest and by providing other assistance and incentives for related purposes. In 2015, the Special Economic Zones Act 2015 was enacted to boost competitiveness by ensuring regulatory and administrative predictability, quality industrial infrastructure and market access. The objective of the zones is to attract both local and foreign investments; expand and diversify production of goods and services for domestic and export markets; promote value addition; promote local entrepreneurship through Small and Medium Enterprises (SMEs); enhance technology development and innovation; and promote County and regional industrialization by exploiting comparative advantage of local resources. The National Investment Policy 2019 was developed to anchor the role of private investment in economic development and define the respective roles of various national and county government agencies, and that of investors themselves and the private sector in general. In addition, the policy aims at codifying the roles and responsibilities in investor management to ensure a streamlined and clear investment regime in a devolved context.

In [January 2023](#), The Executive Order No 1 of 2023 on the organization of the Government of the Republic of Kenya established the State Department for Investment Promotion (SDIP) under the Ministry of Investments, Trade and Industry to coordinate attraction, facilitation and retention of local and foreign investments [and facilitate the creation a conducive business environment](#).

1.2. Mandate

The mandate of the State Department for Investment Promotion is to implement investment policy and coordinate promotion of private (foreign and domestic) investments into Kenyan economy and position Kenya as a preferred investment destination in Africa. Specific functions include:

- i. Develop and implement Investment policy and strategy;
- ii. Promote, both locally and internationally, the opportunities for investment in Kenya
- iii. Promote and Oversee the Development of Special Economic Zones, Export Processing Zones and Industrial Parks;
- iv. Coordinate the transformation of the ecosystem supporting private sector development;
- v. Develop a business reform agenda across the entirety of Government;
- vi. Champion automation and re-engineering Government business and services processes;
- vii. Drive legislative and regulatory reform on the ease of doing business and business transformation;
- viii. Coordinate engagements with the private sector/business community in respect to business climate and business transformation;
- ix. Monitor the implementation of business climate reforms as recommended by key international partners, notably: the World Bank; the World Economic Forum; the Global Investment Forum; and other international bodies and indices; and
- x. Create public awareness of reforms in the business climate and ease of doing business.

1.3. Vision and Mission

Vision Statement: The Premier Investment Destination in Africa.

Mission Statement: To promote local and foreign investments through creation of a conducive business and investment climate for a sustainable transformed economy.

1.4. Strategic Objectives

The Sub-sector focuses on the following strategic objectives to achieve its goals as outlined in the Kenya Vision 2030 Medium Term Plan IV (2023-2027), Value Chains and linkages to Bottom-Up Economic Transformation Agenda (BETA) priorities:

- i. To improve competitiveness of investment climate and business environment
- ii. To increase local and foreign investments
- iii. To increase access to economic zones and industrial parks
- iv. To increase access to information on investments
- v. To enhance investor aftercare services
- vi. To enhance Institutional capacity and performance excellence

1.5. Expected Outcomes

The expected outcomes for the Sub-sector include the following:

- i. Increased local and foreign investments
- ii. Improved competitiveness of investment climate and business environment

1.6. Autonomous and Semi-Autonomous Government Agencies

The sub sector has one (1) Autonomous and three (3) Semi-Autonomous agencies, of which three (3) receive transfers from the exchequer. The Agencies undertake various functions to support industrial development and investment promotion in the country.

The Autonomous Government Agency include:

i). Kenya Development Corporation (KDC)

Kenya Development Corporation Ltd is a Development Finance Institution mandated to promote sustainable socio-economic development by providing development finance, infrastructure finance, business support and advisory services to medium and large-scale industries, infrastructure projects and commercial undertakings in target sectors here and elsewhere.

The Semi-Autonomous Government Agencies includes:

ii). Export Processing Zones Authority (EPZA)

EPZA is mandated to promote and facilitate export-oriented investments and the development of an enabling environment. Development of all aspects of the export processing zones with particular emphasis on the provision of advice on the removal of impediments to, and creation of incentives for, export-oriented production in areas designated as export processing zones; Regulation and administration of approved activities within the export processing zones and protection of government revenues and foreign currency earnings.

iii). Kenya Investment Authority (KenInvest)

Kenya Investment Authority (KenInvest) is mandated to promote investment with core functions of; Policy Advocacy; Investment Promotion; Investment Facilitation, which includes Investor Tracking and After-care Services. It is responsible for facilitating the implementation of new investment projects, providing after-care services for new and existing investments and organizing investment promotion activities both locally and internationally.

iv). Special Economic Zones Authority (SEZA)

The Special Economic Zones Authority is mandated to promote and facilitate local and foreign investments; develop and manage SEZs (both private and public).

1.8.1.7 Programmes and Sub-Programmes implemented by the Investment Sub-Sector

The State Department for Investment Promotion executes its mandate through two (2) Programmes and six (2) sub-programmes as follows:

4.8.1.1.7.1. Programmes

- i. Investments Development and Promotion
- ii. General Administration, Planning and Support Services

4.8.2.1.7.2. Sub-programmes

- i. Business Environment and Investments Promotion
- ii. Investments Profiling and Development
- iii. Financing and Business Advisory
- iv. General Administration, Planning and Support Services

CHAPTER TWO: PROGRAMME PERFORMANCE FY 2022-2023

This chapter presents the analysis of budgetary allocations, actual expenditure and achievement of actual outputs. The overall aim of the assessment is to improve public expenditure management by examining the link between the achieved outputs and corresponding budgetary allocations. This examination is meant to ensure that priority spending is not only done with requisite efficiency but also that the budgeting itself is focused on meeting the stated Government priority programmes.

2.1 ACTUAL REVENUE RECEIPTS FY2022/23

2.1.1: Recurrent Actual Receipts

The State Department for Investment Promotion had a total approved recurrent budget of Kshs 975,758,920 during the FY 2022/23. Budget implementation commenced in quarter four of the financial year since the state Department was newly created and the process of operationalizing took longer than expected. A total of Kshs 895,955,923 was received for operationalization and provision of support to the planned programmes and projects as summarized in table 1.

Table 1: Recurrent Actual Receipts

Category	Approved Budget	Exchequer Issues				Total
		Q1	Q2	Q3	Q4	
Net Budget	473,758,920	-	-	-	401,133,598	401,133,598
Appropriations-In-Aid	502,000,000	-	-	-	493,955,923	493,955,923
Total	975,758,920	0	0	0	895,089,521	895,089,521

2.1.2: Development Actual Receipts

The State Department for Investment Promotion had a total approved recurrent budget of Kshs 1,238,121,044 during the FY 2022/23. No exchequer was issued for implementation of planned programmes and projects as summarized in table 2.

Table 2: Development Actual Receipts

Category	Approved Budget	Exchequer Issues				Total
		Q1	Q2	Q3	Q4	
Net Budget	1,238,121,044	-	-	-	-	-
Donor	-	-	-	-	-	-
Loan Appropriations-In-Aid	-	-	-	-	-	-
Total	1,238,121,044	0	0	0	0	0

2.2 ACTUAL EXPENDITURE BY VOTE AND PROGRAMME

2.2.1: Recurrent Expenditure

The recurrent expenditure in the fourth quarter of the FY represents the total expenditure of Kshs 895,089,521 against an approved budget of Kshs 975,758,920 as summarized in table 3. There was no expenditure on compensation of employees during the FY since the state department did not have a payroll and requisite tools and equipment for IPPD. Staff were therefore paid from the MDAs where they served before joining SDIP.

Table 3: Recurrent Expenditure 2022/23

Recurrent Expenditure Cumulative			
Economic Classification	Approved Budget	Total Expenditures	Balance
2100000 COMPENSATION OF EMPLOYEES	-	-	-
2200000 USE OF GOODS AND SERVICES	131,380,001	99,306,569	32,073,432
2600000 GRANTS	777,785,000	729,740,923	48,044,077
2700000 SOCIAL BENEFITS	-	-	-
3100000 ACQUISITION OF NON-FINANCIAL ASSETS	66,593,919	66,042,029	551,890
Gross Expenditure ... KES	975,758,920	895,089,521	80,669,399

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2.2.2 Development Expenditure

The State Department did not receive any exchequer for development expenditure during the FY 2022/23.

Table 4: Development Expenditure FY 2022/23

Development Expenditure			
Economic Classification	Approved Budget	Total Expenditures	Balance
2100000 COMPENSATION OF EMPLOYEES	-	-	-
2200000 USE OF GOODS AND SERVICES	-	-	-
2600000 GRANTS	1,238,121,044	-	-
3100000 ACQUISITION OF NON-FINANCIAL ASSETS	-	-	-
Gross Expenditure ... KES	1,238,121,044	-	-

The programme performance review highlights the achievements of programmes implemented during the FY2022/23 against set targets. The programmes aimed at attracting domestic and foreign investments, improving investment climate and business environment, expanding special economic zones and export processing zones. The following is a summary of key achievements:

- i. **Investment attraction and retention:** Investments worth Kshs 230.852 billion was attracted during the FY 2022/23 against a target of Kshs 100 billion. This over achievement was attributed to aggressive targeted marketing of Kenya as preferred investment destination in Africa. The investments attracted included: Moderna-75B, Taifa Gas-30B, International Committee on Red Cross- 0.135B, AAA Jumbo Car Auction Facility-0.157B, Various Investments in Special Economic Zones-9B, Various Investments in Export Processing Zones-11.56B, and Various Investors Registered by Kenya Investment Authority-74.71B.
- ii. **Investment Climate and Business Environment:** A total of ten (10) reforms on ease of doing business were undertaken, these included in Special Economic Zones (Amendment Bill, 2023, and Export Processing Authority Bill, 2023 where some of the fiscal proposed amendments were incorporated in the Finance Act, 2023. Six: (6) reform Action plans developed as part of the inputs to the Business Laws (Amendment) Bill, 2023 and shared with MDAs for implementation. The draft Investment Promotion (Amendment) Bill, 2023 has also been developed ready for further engagements with stakeholders including public participation. In addition, fifteen (15) stakeholder fora to sensitize on the implemented business reforms held.
- iii. **Expansion of Special Economic and Export Processing Zones (SEZs and EPZs):** Nine (9) new Export Processing Zones were gazette to increase the number of gazetted EPZs to 96 from 87 in 2021/22. Similarly, Nine (9) new Special Economic Zones were gazette. 10% of works at Naivasha SEZ was done, 8% of works at Dongo Kundu SEZ was achieved which included implementation of the Masterplan on relocation of Projected Affected Persons. Minimal achievements were realized in Athi River Textile Hub (65.7%) and of Railway Siding and related infrastructure (2.7%) and construction of Industrial sheds (1.86%) due to inadequate budget allocation.

Table 5: Non-Financial Performance FY 2022/23

Programme	Delivery Unit	Key Outputs	Key Performance Indicators	Planned Target			Actual Achievement			Remarks
				2020/21	2021/22	2022/23	2020/21	2021/22	2022/23	
VOTE 1177: STATE DEPARTMENT FOR INVESTMENTS PROMOTION										
PROGRAMME 1: INVESTMENTS DEVELOPMENT AND PROMOTION										
Outcome: Improved business environment and increased Investments (Local & Foreign Investments)										
SP 1.1: Business Environment and Investments Promotion	SEZA	Special Economic Zones	% completion of the Naivasha SEZ	-	-	20	-	-	10	Budgetary cuts affected the implementation of the project.
			% completion of the Dongo Kundu SEZ	-	-	10	-	-	8	Target missed due to budget cuts
		Investments both local and foreign in SEZs attracted	Level of Operationalization of SEZA (%)	-	-	60	-	-	60	The SEZA CEO recruited and appointed, while the posts of senior management staffs have been advertised
			No. of SEZ zones Gazetted and Facilitated	-	-	6	-	-	9	Over achievement in the FY 2022/23 was due to improved business environment..

Programme	Delivery Unit	Key Outputs	Key Performance Indicators	Planned Target			Actual Achievement			Remarks
				2020/21	2021/22	2022/23	2020/21	2021/22	2022/23	
			Value of investments attracted at SEZs (in billions)	-	-	10	-	-	9	
		Jobs created at SEZs	No. of jobs created	-	-	2,000	-	-	2,025	The licensing of 9 SEZ developers and 36 SEZ Enterprises the number is based on actual employment.
	EPZA	EPZs Investments and exports	No. of operating Enterprises	166	162	172	144	153	165	Shortage of industrial sheds especially within Athi River Zone slowed investors entry into the program as
			No. of Zones gazetted	80	86	91	80	87	96	Target achieved.
			Value of Exports from the zones (Kshs. Million)	80,000	91,383	108,000	85,405	98,140	111,800	Target achieved
			Amount of Direct Investments (Kshs. Million)	7,000	7,904	7,342	8,118	7,128	11,560	Over achievement. Attributed to new firms which entered the EPZ program.

Programme	Delivery Unit	Key Outputs	Key Performance Indicators	Planned Target			Actual Achievement			Remarks
				2020/21	2021/22	2022/23	2020/21	2021/22	2022/23	
			Value of backward linkages created (Kshs. Million)	13,000	15,093	17,100	13,124	14,848	15,300	Target underachieved a factor attributed to inadequate raw material supply to EPZ agro processing firms
		Jobs created at EPZs	No. of new jobs created	-	-	15,782	-	-	-2,127	Job losses attributed to disruption in EPZ apparel industry due to insufficient orders in export market especially in the US which necessitated the firms to reduced employment.
		Basic infrastructure facilities (industrial warehouses) constructed	% Completion rate of Athi River Textile Hub	-	-	67.4	-	-	65.7	Underfunding has led to delayed implementation of the project. It is recommended that adequate funds be
			% completion rate of Railway Siding and related infrastructure	-	-	7.5	-	-	2.7	

Programme	Delivery Unit	Key Outputs	Key Performance Indicators	Planned Target			Actual Achievement			Remarks
				2020/21	2021/22	2022/23	2020/21	2021/22	2022/23	
			%Completion of construction of Industrial sheds	-	-	7.4	-	-	1.86	allocated for timely completion and closure.
	Department of Business Reforms and Transformation (DBRT)	Business competitiveness and ease of doing business enhanced	No. of reforms on ease of doing business in Kenya	-	-	20	-	-	10	Reform targeted re-engineering/upgrading/automation of systems, reduction of cost,time and processes and still work in progress
No. of reform Action plans developed and shared with MDAs			-	-	10	-	-	106	Target achieved	
No. of stakeholder fora to sensitize on the implemented business reforms held.			-	-	15	-	-	15	Target achieved	

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Programme	Delivery Unit	Key Outputs	Key Performance Indicators	Planned Target			Actual Achievement			Remarks
				2020/21	2021/22	2022/23	2020/21	2021/22	2022/23	
	Business Environment and Private Sector Development	Foreign Investments Attracted and Facilitated	Value of FDI attracted and facilitated (Kshs Billions)	-	-	100	-	-	135.292	This attributed to signing of MoUs by Moderna, Taifa Gas, UK Green and Kisumu County, ICRC and AA Jumbo
		Investment Promotion Missions in priority destinations conducted	No of Investment Missions	-	-	4	-	-	4	Missions conducted in USA, UK, Indonesia and Malaysia
SP 1.2: Investments Profiling and Development	KenInvest	Foreign and domestic Investments promotion and facilitation	Amount of investments attracted (in Kshs billions)	-	-	100	-	-	74.71	The Authority value of investments projects attracted and registered were not capital intensive. However, we recorded an increase compared to the previous year Kshs. 45.226bn

Programme	Delivery Unit	Key Outputs	Key Performance Indicators	Planned Target			Actual Achievement			Remarks
				2020/21	2021/22	2022/23	2020/21	2021/22	2022/23	
			No. of investment projects proposals facilitated	-	-	200	-	-	207	Target Achieved
		One Stop Shop Center	% Completion rate	-	-	100	-	-	89	The project completion was delayed due to budget rationalization
		Employment opportunities created	No. of Employment opportunities created	-	-	10,000	-	-	5,400	The projects attracted were not labour intensive.
SP 1.3: Financing and Business Advisory	KDC	Industrial credit provided	Amount of credit provided (in Billions)	-	-	2.43	-	-	2.1	Delay in downing of approved facilities
		Projects financed and Business Advisory Services	No. of new enterprises financed	-	-	50	-	-	35	Lower level of disbursement
			No. of Jobs created	-	-	350	-	-	300	Lower level of disbursement
PROGRAMME 2: GENERAL ADMINISTRATION, PLANNING AND SUPPORT SERVICES										
Outcome: Improved public service delivery										
SP 3.1: General Administration, Planning and Support Services	CPPMD	Monitoring & Evaluation reports	No. of M&E reports	-	-	1	-	-	1	Achieved
		Ministerial / State Departmental Plans	Strategic plan developed	-	-	1	-	-	1	Achieved
			Annual Work Plans	-	-	1	-	-	1	Achieved

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Programme	Delivery Unit	Key Outputs	Key Performance Indicators	Planned Target			Actual Achievement			Remarks
				2020/21	2021/22	2022/23	2020/21	2021/22	2022/23	
	Finance	Budgets preparation and implementation reports	No. of MTEF reports	-	-	3	-	-	3	<u>Achieved</u>
			No. of budget implementation reports	-	-	2	-	-	2	<u>Achieved</u>
	Accounts	Annual accounts and Financial Statements	Annual Financial report	-	-	1	-	-	1	<u>Achieved</u>
	Human Resource Management and Development	Human resource development promoted	No. of officers/staff trained	-	-	5	-	-	0	<u>Late posting of staff to the department</u>
		Develop SDIP Organizational Structure	Organizational Structure	-	-	1	-	-	1	Structure developed and submitted to PSC for approval
		Staff performance appraisal system implemented	% of staff under SPAS	-	-	100	-	-	0	Deployment of staff from various MDAs took long.
	Supply Chain Management	Procurement plans	Annual procurement Plan	-	-	1	-	-	1	SDIP Annual Procurement Plan 2022-23 prepared and implemented

2.4 PROJECT INFORMATION

The SDIP Project portfolio for FY 2022/23 included: Develop a Freeport & Industrial Parks Special Economic Zones Mombasa (Dongo Kundu) **SEZA**; Development of SEZ Textile Park Naivasha **SEZA**; Development of Athi River Textile hub- **EPZA**; Development of Railway Siding and Related Infrastructure – **EPZA**; Construction of Investors Sheds **EPZA** and Establishment of One stop shop centre for Investment – **KENINVEST**. Table 6 provides an analysis of project performance.

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Table 6: Analysis of Performance of Capital Projects FY 2022/23

Project Implementation Status FY 2022/23										
Project Name	Project Commence Date	Project End Date	Source of Funds	Estimated Value of the Project (KShs.)Millions	Total Approved Estimates FY 2022/23 (KShs.)Millions	Actual Expenditure FY 2022/23 (KShs.)Millions	Total Cumulative Expenditure as at 30th June 2023 (KShs.)Millions	Outstanding Project Cost as at 30th June 2023	Percentage of Completion	Remarks/Challenges faced in implementing Projects
1. Develop a Freeport & Industrial Parks Special Economic Zones Mombasa (Dongo Kundu)SEZA	1/7/2019	30/06/2026	GO K	4,620	-	-	360	4,260	8%	Transfer to Semi-Autonomous Government Agency
2. Development of SEZ Textile Park Naivasha SEZA	1/7/2019	30/06/2026	GO K	5,000	-	-	299	4,701	6%	Transfer to Semi-Autonomous Government Agency
3. Development of Athi River Textile hub- EPZA	1/7/2014	30/06/2026	GO K	8,240	34	-	5,344	2,896	65%	Transfer to Semi-Autonomous Government Agency
4. Development of Railway Siding and Related Infrastructure - EPZA	7/1/2020	30/06/2027	GO K	1,600	-	-	95	1,505	6%	Transfer to Semi-Autonomous Government Agency
5. Construction of Investors Sheds EPZA	1/7/2022	30/06/2026	GO K	2,693	1,196	-	-	2,693	0%	Transfer to Semi-Autonomous Government Agency

6. Establishment of One stop shop centre for Investment - KENINVEST	1/7/2016	30/06/2024	GO K	200	8	-	160	40	80%	Transfer to Semi-Autonomous Government Agency
8. Construction of an Effluent Treatment Plant Kenanic ETP - EPZA	1/7/2015	30/06/2025	GO K	2,000	-	-	250	1,750	13%	Transfer to Semi-Autonomous Government Agency
Total				24,353	1,238	-	6,508	17,845		Underutilization attributed to lack of exchequer release

2.5: Pending Bills

The State Department did not have any pending Bills during FY 2022/23

Table 7: Summary of Pending Bills

Type/Nature	Due to lack of Exchequer			Due to Lack of Provision		
	2020/21	2021/22	2022/23	2020/21	2021/22	2022/23
1. Recurrent	0	0	0	0	0	0
Compensation of Employees	0	0	0	0	0	0
Use of Goods and Services e.g. Utilities, domestic or Foreign travel etc	0	0	0	0	0	0
Social Benefits e.g. NHIF, NSSF	0	0	0	0	0	0
Other Expenses	0	0	0	0	0	0
2. Development	0	0	0	0	0	0
Acquisition of non-Financial assets	0	0	0	0	0	0
Use of Goods and Services	0	0	0	0	0	0
Others -Specify	0	0	0	0	0	0
Total Pending Bills	0	0	0	0	0	0

**The State Departments does not have any Pending Bills*

