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THE MINISTRY OF AGRICULTURE AND LIVESTOCK DEVELOPMENT

REVISED REGULATORY IMPACT STATEMENT (RIS)

THE CROPS (FIBRE CROPS AND CROP FIBRES) REGULATIONS, 2025

APRIL 2025

1.0 Introduction

The Regulatory Impact Statement for the proposed Crops (Fibre Crops and Crop Fibres) Regulations, 2025, was prepared in accordance with the provisions of sections 6 and 7(1) and (2) of the Statutory Instruments Act, 2013. Section 6 of the Act requires the Regulation Making Authority to prepare a Regulatory Impact Statement for the proposed regulations indicating the costs and benefits of the proposed regulations on the public and stakeholders. Sections 7(1) and (2) of the Act set out the contents of a regulatory impact statement for the proposed regulations as follows:

2.0 Statement of the Objectives and Reasons for the Proposed Regulations

Purpose of the Proposed Regulations

The Purpose of the Crops (Fibre Crops and Crop Fibres) Regulations, 2025, is the development and promotion of production, processing, and marketing of fibre crops, fibre produce or fibre products and regulation of fibre crops and crop fibre industry.

Justification for the Crops (Fibre Crops and Crop Fibres) Regulations, 2025

Fibre crop products and by-products are mainly used in textiles and apparel, geotextiles, high-quality paper, health, animal feeds, environmental conservation, biofuels, manufacture of particle boards, surfboards and the marine industry, among others. The main fibre crops grown for commercial use in Kenya are sisal and cotton mainly grown in ASAL areas. In 2023, the total production of small plantations was 24,494.17 Metric Tons and 1,083.04 Metric Tons from smallholders with a net value of Kshs. 6,061,985,211.65. There are nine (9) operational sisal fibre processing factories, mainly in sisal plantation estates. About 95 % of sisal fibre produced in Kenya is exported. The rest is sold and processed by local spinning factories (Teita Estates Rope Works Division and Majani Mingi Estates Ltd - spinning factory) and cottage industries. (AFA, 2025)

Cotton is cultivated in 21 counties with notable potential in other counties such as West Pokot, Laikipia, Murang'a, Marsabit and Turkana. In 2023, cotton was grown on 30,051 acres, yielding 7,006 bales of lint of 185 Kg against an annual lint requirement of about 48,000 bales. This shortfall was met through imports. The number of cotton farmers is between 25,000 and 45,000 in any season depending on the price of seed cotton in the previous season. The value of seed cotton and lint was Kshs. 560 million. The country has a cotton spinning installed capacity of 20,000 metric tons (100,000 bales) of lint hence operating below the installed capacity. There are six (6) operational ginneries namely, Makueni Ginneries Limited, Equatorial Nut Processors Limited, Rift Valley Products Limited, Sun Gin Limited, Zayn Agro Industries Limited and Luanda Cotton Farmers Cooperative Union. Two other ginneries are upcoming in Lamu and Kwale Counties. There are also three (3) cotton spinning factories namely; Rivatex E.A Limited, Supra Textiles Mills Limited and Thika Cloth Mills Limited.

The other scheduled fibre crops are kenaf, flax and jute. There is, however, substantial potential for the development of these crops to reduce the national deficit, which is currently filled through imports. The jute species *Corchorus olitorius* is grown in Lower Midland zone 1 as a vegetable by few scattered smallholder farmers mainly in Nyanza and Western Kenya region in sandy loam

soils while *Corchorus capsularis* can be grown for fibre in Lowlands zone 2 in the Coastal region. (AFA, 2025)

Cotton has been prioritized in the Bottom Up Economic and Transformation Agenda (BETA) Plan for import substitution of cotton lint and seed cake as well as for the lint. In this plan, the area under production of cotton was expected to increase from 21,462 acres in 2022 to 103,000 acres in 2024 and increase to 160,000 acres in 2027. It is expected that the country will reduce imports of lint by 100% in 2024 and of seed cake by 50% in 2027. Key interventions to reach the targets include the development of a local certified seed system, investments in ginneries and oil mills, and the development and dissemination of Good Agricultural Practices, among others. (AFA, 2024)

The sisal value chain, on the other hand, is prioritized in the National Export Strategy of 2018. Kenya is the third largest producer of sisal after Brazil and Tanzania. The global demand is 400,000 metric tons compared to production of 300,000 metric tons, primarily driven by the construction industry and other emerging users such as the automotive industry. Key interventions proposed in the National Strategy are: awareness creation, recruitment of farmers, formation of farmer/processor associations, promotion of production of seedlings, and support investments in small-scale processing equipment, among others. Currently, sisal fibre is produced in an area of 36,000 Ha with an annual production averaging 35,000 metric tons of sisal fibre valued at about KES 6 billion. Out of this fibre, 95% is usually exported, with Nigeria, Saudi Arabia, Spain, China, Morocco and Ghana being the leading market destinations (AFA, 2024)

An enabling policy environment and framework are necessary for the fibre crops to realize the desired or set industry objectives. Previous efforts to introduce fibre crops regulations to steer the development of this industry in the year 2020 vide the Crops (Fibre Crops) Regulations 2020 failed. In 2020, the Crops (Fibre Crops) Regulations, 2020 were gazetted and published on 8th July 2020 annulled by the National Assembly. In the 2023-2024 financial year, the Authority, in consultation with the Ministry of Agriculture and Livestock Development and the Council of Governors, initiated the development of new Fibre Crops Regulations to support the development, promotion, and regulation of the industry. (AFA, 2025)

The need for regulation of this once important and now re-emerging industrial crops sector remains a priority to revamp and hasten the production and processing of fibre crops and crop fibres with significant potential for local production. The operationalization of the Crops (Fibre Crops and Crop Fibres) Regulations, 2025, is expected to play a pivotal role in realizing these goals.

3.0 Statement on the Effect of the Proposed Regulations

The following are the effects of the proposed Crops (Fibre Crops and Crop Fibres) Regulations, 2025.

3.1 Effects on the Public Sector

The proposed Regulations will have both direct and indirect effects on the public sector in the following ways:

1. These regulations will establish a clear and effective framework to regulate the operations of all actors in Kenya's fibre crops and crop fibres industry. These actors include small-scale growers, medium-scale and large-scale/estate growers, exporters, importers, warehouse operators, manufacturers, and dealers including transporters. This will enhance the industry's coherence and development.
2. There will be enhanced compliance with the provisions of these regulations coupled with increased surveillance, monitoring and inspections across all nodes of the industry. The activities within the value-chain include production, processing, marketing, grading, storage, collection, transportation, warehousing and manufacturing. This will ensure better the quality of Kenyan fibre and fibre products in accordance with the national and applicable international standards, resulting to better market prices.
3. These regulations will eliminate illegal trade practices in the fibre crops and crop fibres industry, including illegal imports, exports, manufacturing, which not only deny the Government revenue in the form of taxes but also exploit actors, especially growers.
4. A levy on fibre produce and products imports will discourage importation. This will protect the local industry from cheap and poor-quality imports that currently threaten its survival and lower the quality of Kenyan exports when these imports are re-exported as of Kenyan origin.
5. There will be improved documentation on development and trends in industry. These include actual crop acreage, trading data, registration and licensing of all active industry actors. This will, therefore, provide reliable real-time data and other important details on production and price trends, market performance, and trade volumes - both local and exports. It will thus allow for better planning, informed decisions, and proactive interventions in the industry.
6. Fibre produce and products marketing, which has remained mainly informal, unstructured, poorly organized, and ridden by unfair trade practices, will be better organized and structured. There will be harmonized trade and operations standards which will guarantee compliance with acceptable international standards to ensure Kenyan fibre produce and products grow their market share globally.
7. All industry actors will be registered and/or licensed including growers, dealers and manufacturers. Additionally, activities such as fibre crops establishment, production, aggregation, trading, manufacturing and value addition, imports and exports will be documented. This will allow for easy monitoring of the industry's performance and corrective interventions, improved industry regulation, effective compliance monitoring and enforcement across the entire industry.
8. The increase in revenue generated through the proposed fees, permits and levies can be invested in the industry. This will improve production, research and value addition,

promote trade and marketing development, and ensure industry regulation, thereby increasing returns from the industry.

9. Increased revenue will reduce the Authority's dependency on the National Treasury and Economic Planning for funding.
10. Increased production, manufacturing and value addition of fibre produce, and products will create employment opportunities across all the industry value chain nodes.
11. The adoption and implementation of the pricing formula will reduce price fluctuations in the industry. This will stabilize producer prices, dealers' incomes and regularize remittances to the government from the industry.
12. Implementation of an effective traceability system will enhance the attractiveness of the Kenya fibre crops produce and products in the more developed global markets that value traceability. This will attract better prices, increasing foreign exchange earnings from increased trade and better prices.
13. The introduction of the proposed fees and levies will generate more income for the Authority. This will ensure equity and value sharing within the industry. Additionally, there will be possible reduction in price volatility.
14. The introduction of the proposed fees and levies may make Kenyan fibre produce and products slightly expensive in the world market. This may result in the slight loss of the country's market share globally.
15. The process of adoption and operationalization of the regulations will require additional resources to facilitate public participation, development of a framework to manage the licensing and registration processes and the proposed fees and levies.

3.2 Effects on the Private Sector

The proposed Regulations will potentially affect the private sector in the following ways.

1. The private sector actors in the industry will benefit from the introduction of a well-structured, organized and regulated industry which will provide a conducive operating environment for their different businesses. This will promote fair trade and shield them from the frequent negative effects of inconsistencies or changing policy positions in the industry.
2. The pricing formula committee, comprising representatives from the various stakeholders, will determine the formula. They will ensure fair fibre crops, produce, and product pricing in the industry for the benefit of all actors by reducing price volatility. This will, therefore, stabilize markets and incomes for different actors, especially the small growers who are often reduced to mere price takers.

3. Accurate and real-time data on industry actors, crop acreage, fibre crops production, manufacturing, produce and products trade volumes and prices among others will readily be available to the industry players for better business planning and operations.
4. The fibre crops and crop fibres industry will be well streamlined and operate on common processes, procedures, and standards. This will promote fair trade practices and eliminate or reduce the emergence of unscrupulous players in the industry, especially middlemen and monopolistic cartels.
5. Fibre industry actors may be required to pay various requisite fees and levies stipulated in the proposed regulations and re-align their operations to the provisions of these regulations. This may increase their cost of doing business slightly and may result in the closure of some businesses that do not meet the specific requirements of these regulations. This will result in a decline in livelihoods for some families and reduced returns for enterprises across the industry.
6. Improved quality of Kenyan fibre produce and products will result from increased adherence to national and applicable international standards and guidelines across the industry. The industry will also enjoy enhanced monitoring and surveillance of quality in production, handling, transportation, exports and manufacturing, ensuring Kenyan products remain the world's top quality.
7. The proposed levy on imports will discourage the importation of fibre products. This will, therefore, protect the Kenyan fibre industry from cheap and often poor-quality imports that threaten its survival, ensuring its sustainability and continuity into the future.
8. The growers'/dealers' contracts will guarantee growers, especially smallholder growers, markets for their produce. This will eradicate instances where growers sell their produce cheaply due to lack of markets.
9. The proposed fees and levy will increase the cost of doing business for all industry actors, reducing returns for enterprises.
10. Local consumer prices for fibre products are likely to increase as the levy and fees costs are transferred to the end consumers. This may further reduce the already low domestic consumption of these products.
11. Increased fibre crops production, manufacturing and value addition will create jobs and business opportunities across all nodes of the value chain.
12. The industry actors may view some processes as additional bureaucratic processes. These include the requirement for permits for each consignment of produce or product

transported, and the submission of the required industry data and information to the Authority or county government, as well as the requirement for different registrations and licensing. These requirements may be time-consuming and as additional costs to their business.

3.3 Effects on Fundamental Rights and Freedoms

The proposed regulations may affect the fundamental rights and freedoms of individuals and industry players in the following ways.

i. Right to Privacy

Article 31 of the Constitution provides for the right to privacy. This right may be affected by the draft regulations. The requirement for grower associations to maintain a register of all smallholder growers, including annual production data, may raise concerns about data privacy. The obligation to share such data with government agencies may result in unauthorized access or misuse of personal and commercial information. If the regulations do not include data protection measures, the collected data could be misused or accessed without the growers' consent. The Authority should limit access to the filled forms to only required individuals within the Authority or respective County Government to mitigate the risk of data mining.

ii. Access to Information

Article 35 of the Constitution provides for the right of access to information. The traceability and reporting requirements under the draft regulations impose obligations on traders to disclose information about their fibre sources and transactions. However, if the government fails to provide adequate public information on licensing procedures, grading criteria, or industry regulations, it could hinder compliance and violate the right to access information. The draft regulations also allow the Authority to publish in the Gazette the Crop Inspectors appointed. This will ensure that the industry actors are aware of the approved Crop Inspectors.

iii. Freedom of Association

Article 36 provides for the right to freedom of association, which includes the right to form, join, or participate in the activities of an association. Promoting collective action among growers through the formation of growers' associations produces aggregation at the growers' association's levels, and grower-dealer agreements will improve farmers' negotiating power. This will enhance the economies of scale within the fibre crops and crop fibres industry.

iv. Consumer Protection

Article 46 of the Constitution provides for consumer rights and that consumers have the right to goods and services of reasonable quality and to information necessary for them to gain full benefit from goods and services for the protection of their health, safety and economic interests and to compensation for loss or injury arising from defects in goods or services. The draft regulations emphasize quality control, grading, and standardization of fibre crops and products, which align

with consumer protection by ensuring that only high-quality products reach the market. The introduction of quality standards ensures that consumers receive fibre products that meet regulatory safety and quality requirements.

v. Fair Administrative Action

Article 47 of the Constitution guarantees the right to expeditious, efficient, lawful, reasonable, and procedurally fair administrative action. The regulations introduce various licensing, registration, and compliance measures, requiring approval from government authorities at different levels. They also empower the County Executive Committee Member and the Authority to approve or reject license applications where the Authority shall indicate the reasons for the rejection.

vi. Access to Justice

Article 48 provides that the state shall ensure access to justice for all persons and, if any fee is required, it shall be reasonable and shall not impede access to justice. The regulations impose penalties for non-compliance, including criminal sanctions for operating without a license. There are clear appeal channels indicated within the regulations with elaborate timelines to hear and determine such appeals.

4.0 Statement on Regulatory & Non-Regulatory Options

This section highlights other regulatory and non-regulatory options that could be adopted to achieve the same intended objectives of the Crops (Fibre Crops and Crop Fibres) Regulations, 2025 in Kenya.

4.1 Option 1: Maintaining the Status Quo

Before considering new interventions, it is important to consider whether the problem could be resolved by making changes to practices within the existing regulatory framework, thus maintaining the status quo. Examples of this are:

- i) Making use of existing laws, regulations and/or guidelines
- ii) Simplifying or clarifying existing regulations.
- iii) Improving compliance and enforcement of existing regulations; or
- iv) Making legal remedies more accessible or cheaper.

It is, however, noted that the status of the fibre crops and crop fibres industry has not been conducive nor supportive to its growth. There is also no demonstrable capacity to support the sustainable development of the industry into the future despite the fast-growing demand for fibre produce and products locally and globally. The fibre crops and crop fibres industry and industry continue to operate with little regulation for many decades to the disadvantage of all. This situation must change if the industry is to experience positive transformation.

While recent initiatives to transform Kenya's agricultural sector in general have aimed to better organize every key industry, including fibre crops, these goals have not yet been fully achieved in the fibre crops industry. The Crops (Fibre Crops and Crop Fibres) Regulations 2025 seek to transform the fibre crops and crop fibres industry into an efficient and viable industry that

contributes significantly to the national economy and development. It also provides good returns to enterprises in the industry and transforms the livelihoods of communities where fibre crops are grown.

Maintaining the status quo, therefore, would leave the fibre crops industry in the current state with no effective regulatory framework. There will be need for transformation in crop production and technology developments, market development and value addition. This will leave the industry being non-competitive enough in the world market and thus at risk of continued declining performance. Poor performance of this industry poses a threat to the stability of the national economy and to the livelihoods of Kenyans who depend on these important industrial fibre crops.

4.2 Option 2: Passing the Regulations

The Government can achieve its policy objectives by utilizing taxpayers' money or through a range of non-spending interventions, including regulation. The objective and purpose of these regulations are the development and promotion of production, processing and marketing of fibre crops, fibre produce or fibre products and regulation of fibre crops and crop fibre industry. These regulations, complimented by other relevant legislations and regulations, seek to increase the production, processing and marketing of fibre crops in the country. They also seek to establish a conducive regulatory environment, industry structure and systems that will transform this industry into an efficient and viable industry.

In addition to developing and promoting the production, processing, and marketing of fibre crops and products, the regulations prescribe the procedures, terms, and conditions for the registration and licensing of all categories of fibre crops industry. They also provide for the maintenance of records and submission of returns to the Authority or county governments on production, processing, manufacturing, and marketing.

The regulations also prioritize produce grading, standards, and quality assurance, which will enhance Kenyan fibre produce and products across the industry in general and ensure that Kenyan fibre produce and products remain some of the best in the world in quality.

These Regulations further seek to generate additional revenue from the industry to support further growth in production and technology developments, market development, and diversification, ensuring the sustainability and competitiveness of the Kenyan fibre industry in the global arena.

However, they could also create costs for businesses and public sectors and, if overused, poorly designed, or poorly implemented, stifle competitiveness and growth.

Adoption and operationalization of the proposed Regulations will translate to the following: -

- i. These regulations will establish a clear and effective framework that will regulate operations of all actors in Kenya's fibre crops and crop fibres industry, enhancing coherence and synergy in the continued development of the industry.
- ii. They will also facilitate renewed growth and sustainable development of the fibre crops industry in Kenya and establish the necessary support structures and an enabling industry environment.

- iii. Better regulation of the industry to eliminate unfair trade practices that exploit other disadvantaged industry actors and practices that contribute to the loss of quality of Kenyan fibre products.
- iv. Enhance quality standards and guidelines for fibre crops industry operations. These include production and post-handling processes, manufacturing, produce traceability and produce quality standards, thus improving market value while reducing price volatility and market supply fluctuations.
- v. Develop and maintain a real-time database on the fibre crops and crop fibres industry, including registers of all the different industry actors, production and manufacturing and traded volumes, produce sources, prices, and market trends, among others. This will ensure better coordination, control, planning, and decision-making in the industry.
- vi. Streamline fibre produce and products' marketing for a coherent, organized, and regulated market environment. This will ensure effective oversight, improved management, and the removal of marketing hurdles that have negatively impacted this industry in the past.
- vii. Increase employment opportunities in fibre crop production, processing, industry operations, and resultant auxiliary services, thus improving the livelihoods of many families within this value chain.
- viii. Establish a fibre produce and products pricing formula committee to determine the prices of the produce and products, comprising representatives from different stakeholders to ensure fair pricing in the industry for the benefit of all actors and particularly the smallholder farmers.
- ix. Enhanced monitoring and surveillance of fibre produce and products quality, transportation, manufacturing and handling standards to maintain or improve quality of Kenyan fibre produce and products.
- x. Increased access to Kenya's traditional fibre markets and developed new alternate and diversified markets. This will guarantee industry actors reliable markets for the increasing production and price stability.
- xi. Levy on fibre imports will discourage the importation of fibre produce and products, therefore protecting the Kenyan industry from the proliferation of cheap and poor-quality imports that are a threat to the survival of the local industry.
- xii. Increased revenue from proposed levies and fees will enable the Authority to better undertake her role in the industry, including the provision of various critical services offered by the Authority. It will also ensure better regulation of the industry and market development for Kenya's fibre products.
- xiii. Increased revenue from the levy will reduce the Authority's dependency on the National Treasury for funding

The Regulations are thus important for the renewed and continued growth and sustainable development of the fibre crops and crop fibres industry in Kenya and the country in general.

4.3 Option 3: Other Practical Options

Alternatives to regulation include information and education, market-based structures, self-regulation and co-regulation. In addition, any existing policies can be improved, without further regulation, using techniques such as behavioral insight or changing enforcement practices to

improve compliance. Such approaches may be better or worse for business and the economy than an equivalent regulatory measure.

Alternatives to regulation include:

- i) **No new intervention/do nothing:** This may include making use of existing laws (or none) and regulations; simplifying or clarifying existing laws and regulations; improving enforcement of existing laws and regulations, or making legal remedies more accessible or cheaper and as discussed in the section above, status quo in the industry is likely to remain since currently there is no effective regulation framework for a fibre crops sub-industry in the country.
- ii) **Information and education:** Information and education can be used to empower the fibre crops and crop fibres industry actors, including growers, dealers, agents, processors and other industry actors and stakeholders to make their own decisions, improving choices for the mutual benefit of all. However, there are potential risks associated with this, since information and education can take time to make an impact. Access to information on research, technologies and market information in the country is still a big challenge and has remained very limited in industry. The ability to use the little available information varies among the industry actors, the fibre crops and crop fibres producers and other stakeholders. Besides, the available information may not reach all equally. It may also not be straightforward to assess how people will react or change their behavior in response to industry information available. The use of information and education, however, will increase costs for the government and businesses that will be providing the information and education required.
- iii) **Incentive/market-based structures:** The government can use economic instruments, such as taxes, subsidies, quotas and permits, vouchers, etc., as initiatives to realize the desired objectives. These initiatives, however, are only practically possible in well-developed and efficiently functioning sectors which have well-defined structures. This is unlike in the diverse fibre crops and crop fibres industry with many actors at the different nodes of the fibre crops and crop fibres value chain driven by very different objectives. Further, often these sorts of systems need their own regulation to establish the framework and may have additional costs to the government and are unlikely to be effective in the fibre crops and crop fibres industry as it is currently structured.

4.4 Alternative models of regulation:

i) **Self-regulation.**

Self-regulation entails industry players developing a framework to self-regulate an industry. This could be done using codes of conduct or practice, customer charters, standards or accreditation. In many cases, rules and codes of conduct or practice will be formulated by the industry representatives or organizations under their own initiative. In the absence of well-developed and all-inclusive industry organizations as in the fibre crops and crop fibres industry, self-regulation currently may not be effectively possible.

ii) Co-regulation.

Co-regulation is an intermediate step between state-imposed and self-regulation that involves some degree of explicit government involvement where the industry may work with the government to develop a code of practice whose enforcement would be by the industry, or a professional organization accredited by the government. In the absence of well-developed and all-inclusive industry organizations as in the fibre crops and crop fibres industry, effective co-regulation may not be possible currently in the country.

5.0 Cost-Benefit Analysis (CBA)

This section analyses the economic, environmental, and social impacts, as well as the administrative and compliance costs, of adopting the proposed Regulations. It also assesses and quantifies the proposed regulations' return on investment and how the impact of the proposed Regulations is likely to be distributed between the public and private sectors.

5.1 Economic Impacts of the Proposed Regulations

The economic impact of the proposed regulations is outlined below.

5.1.1 Economic benefits

The anticipated economic benefits of the proposed Regulations are: -

- i. Improved production, quality and value addition of Kenyan fibre produce and products, increasing returns for all industry actors including growers, dealers, manufacturers and other industry stakeholders.
- ii. Increased exports, sales volumes, and market value due to improved fibre production and product quality will result in increased foreign exchange earnings and, thus, improved balance of payments for the Country.
- iii. Growth in the traditional Kenyan fibre produce and products markets and development of new alternative markets, thereby increased sales and prices stability, assuring industry actors of stable prices and reliable markets.
- iv. Increased manufacturing, innovations and value addition of fibre produce and products in the country from increased promotion and development support.
- v. Create more jobs and business opportunities in production, handling, transportation, manufacturing, value addition, and marketing of fibre produce and products.
- vi. Eliminating unfair trade practices in the industry, including illegal imports and exports. It will also eliminate practices that may exploit disadvantaged industry actors such as smallholder growers and reduce the quality of Kenyan fibre products.
- vii. *Increased farm incomes:* The draft regulations will ensure a streamlined marketing structure with no exploitation of growers by cartels, increased production, and sales of fibre produce and products. It will also ensure better produce prices from improved produce quality, coupled with reduced price volatility through the interventions of the pricing committee, which will increase incomes for growers' families and other industry actors.
- viii. Increased revenue from proposed fees and levies will enable the Authority to better undertake its role in the industry, including regulation of the industry and market

development for Kenya's fibre crops and crop fibres industry. It will also reduce the Authority's dependency on the National Treasury for funding.

- ix. Reduced imports of cotton lint and cotton products and sisal or sisal substitutes into the country, saving the country's foreign exchange. For example, in 2023 alone, a total of 29,223 tonnes of cotton and cotton products of an estimated value of 1.26 billion shillings were imported.

5.1.2 Economic Costs

The anticipated economic costs of the proposed Regulations are: -

- i. The introduction of the proposed fees and levies will make Kenyan fibre produce and products more expensive in the world market, making them less competitive. This may lead to reduced demand, reduced volumes of offtake, and thus price instability in the industry. It may lead to loss of livelihoods for fibre crops-dependent households.
- ii. The proposed fees and levies may increase the cost of doing business for some actors in the fibre crops and crop fibres industry and thus reduce profits from investments in the industry.
- iii. Local consumer prices for fibre produce and products are likely to increase as proposed fees and levies are transferred to the end consumers, which may further reduce domestic consumption.
- iv. The implementation of these regulations will require concerted efforts and investments from the Authority, county governments, and other complementing agencies to support a rigorous and effective regulatory system.
- v. Effective monitoring for compliance across all nodes of the fibre crops value chain and industry will require significant investment to realize and sustain the benefits of the regulations.

5.2 Social Impacts of the Proposed Regulations

The Regulations are expected to have the following social impacts.

5.2.1 Social benefits

The anticipated social benefits of the proposed Regulations are:

- i. A well-regulated and growing fibre crops and crop fibres industry will enhance and create sustainability in employment opportunities, especially for rural youth in fibre crops production, processing, manufacturing, trade, and marketing processes.
- ii. Increased production and marketing of quality fibre products will translate to increased income for households in the fibre crop value chain, thus increasing households' disposable income to meet their daily needs.
- iii. Reduced tide of rural-urban migration in search of employment opportunities by creating attractive paying alternatives in the industry in the rural areas.
- iv. Improved income distribution among the rural communities in general and thus reduced inequalities. This is due to the increased production and participation in the industry by smallholder producers, aggregators, transporters, agents and dealers.

- v. Improved education levels, health care and nutrition in societies due to improved income and thus improved social well-being of the rural communities in fibre crops growing regions.
- vi. Attracting more smallholders to fibre crop production as it was during the peak fibre crop production era in 1980-1990, e.g., for cotton, from 40,000 currently to over 200,000 when the industry peaked in the mid-1980s. This will uplift livelihoods for more farm families in fibre crop growing regions.

5.2.2 Social Costs

The anticipated social costs of the proposed Regulations are:

- i. Consumer prices for fibre produce and products may increase as proposed fees and levies are transferred to the end consumers, reducing demand and thus consumption.
- ii. Reduced competitiveness of Kenyan fibre produce and products in the world market due to increased prices resulting from the levy may lead to a loss of Kenya's market share. This may threaten the livelihoods of Kenyans who depend on the value chain.
- iii. An attractive fibre crops and crop fibres industry may result in farmers putting more land into fibre crops production at the expense of food production. This will food and nutrition insecurity among families in the fibre crops growing regions.

5.3 Environmental Impacts of the Proposed Regulations

The proposed Regulations are expected to have the following environmental impacts.

5.3.1 Environmental benefits

The anticipated environmental benefits of the proposed Regulations are:

- i. The development and promotion of fibre crop production will enable the optimal production of fibre crops in traditional growing regions and encourage expansion into non-traditional growing regions, including marginal areas. This will increase crop cover in these regions.
- ii. Reduced soil degradation due to improved crop cover from the increased land area under fibre crops production and recycling of fibre crops waste and residues back in the farms.
- iii. Improved land utilization and management, especially in otherwise idle, underutilized, or low-potential and marginal farming areas.

5.3.2 Environmental costs

The anticipated environmental costs of the proposed Regulations are:

- i. Environmental degradation resulting from the installation of new or additional fibre crop processing, manufacturing, and marketing facilities and rural road infrastructure.

- ii. Increased soil degradation due to the opening of new areas or expansion of land for fibre crops production, increased soil operations and increased use of agrochemicals to support increased fibre production.
- iii. Poor disposal of increased fibre crops processing waste.

However, with proper and effective implementation of these regulations, these negative environmental impacts can be significantly mitigated and reduced.

5.4 Quantification of the Benefits

i. Documented economic benefits of fibre crops

The Fibre Crops and Crop Fibres Regulations follow Government and stakeholders' efforts to revitalize the once vibrant industry. The new Regulations align with these efforts, and there are already clear economic benefits expected.

However, it is not in doubt that fibre crops have a very significant impact on the households' livelihoods in the fibre-producing regions of the Country. Despite their current low contribution to the national economy, fibre crops have the potential to become even more important economically in the country.

a. Benefits of cotton industry in Kenya

From the available data, documented reports and studies publications, the identified key economic indicators of the cotton industry include:

- i. Kenya has significant potential for growing cotton production both in terms of area and yield. It is estimated that the country has 385,000 hectares of land suitable to produce up to 73,000 metric tons (400,000 bales) of cotton lint annually. However, only about 25,000ha are currently being utilized for this purpose by about 40,000 farmers (KNBS, 2024).
- ii. In 2006, lint yields were 303 kg/ha, and the average yield from that year to 2018 was 196 kg/ha. In comparison, countries such as Uganda and China averaged 325kg/ha and 1,535kg/ha, respectively, over the same period. This reflects major inefficiency in production in Kenya. (Obukosia et al, 2022)
- iii. Cotton production has declined from a peak of 70,000 bales in 1986 to about 10,000 bales in 2018. The current domestic annual lint consumption by the textile mills is 41,200 bales, while the demand to meet our entire textile requirements stands at about 140,000 bales (GoK, 2021)
- iv. Approximately 40,000 smallholder farmers form the production base of the cotton industry in Kenya. This is a substantial decrease from over 200,000 when the industry peaked in the mid-1980s. (GoK, 2021)
- v. The country produces an average of 20,000 bales annually against a demand potential of 200,000 bales. Despite the industry's decline, cotton is still considered one of the few cash crops with real potential for increasing employment opportunities and food security through income generation in the Arid and Semi-Arid Lands (ASALs) of Kenya. (GoK, 2021)

- vi. According to the National Steering Committee (NSC) on Revival and Revitalization of Cotton & Pyrethrum report of 2021, the target is to increase national annual cotton production from the current 20,000 bales to 113,500 bales by the year 2025. This will support the requirements for local cotton mills while significantly reducing cotton imports. (GoK, 2021)
- vii. The cotton, textile, and apparel industry is Kenya's second largest manufacturing sector and can support about 200,000 households. In 2016, the textile industry made up about 9% of total exports, bringing in \$438 million in earnings, of which 80% came from the United States market. (KIPPRA, 2020)
- viii. The main market for the few milling and apparel industries in Kenya is the US with 70% of Kenya's apparel companies selling over 80% of their products to this market and creates employment opportunities for over 20,000 people. (KIPPRA, 2020)
- ix. In the Medium-Term Plan III of the Kenya Vision 2030, value addition in cotton and textile apparel is targeted to increase cumulative investment to US\$ 2 billion with 500,000 new cotton jobs and 100,000 new apparel jobs (KIPPRA, 2020)
- x. Kenya continues to rely heavily on cotton and cotton products imports. In 2023, various cotton products were imported from Uganda and Tanzania. These included cotton seed, cotton seed cake, crude cotton oil, and cotton lint. A total of 29,223 tonnes of cotton products of an estimated value of 1.26 billion shillings was imported. (KNBS, 2024)

b. Benefits of sisal industry in Kenya

From the available data, documented reports and studies publications, the identified key economic indicators of the sisal industry include:

- i. The country is estimated to produce an average of 25,000 tonnes of sisal annually. Ten large estates account for 95% of Kenya's sisal output, employing over 100,000 people. Over 10,000 small-scale producers (out growers and smallholders) supply the remaining 5%. (AFA, 2023)
- ii. Kenya produces 20,000–25,000 metric tonnes of sisal fibre annually and contributes about 0.3% to Kenya's GDP. (Business Daily Africa, 2020)
- iii. In 2017, sisal exports earned Kenya Ksh2 billion, which increased to Ksh3.72 billion in 2019. In the 2023 financial year, 6,052.70 tons of sisal fibre were exported, valued at KES 1.39 billion. This represents a 20 percent decline from the quantity of fibre exported in 2022. (AFA, 2023)
- iv. The demand for sisal is on the rise globally. According to Cognitive Market Research, the global sisal market size is USD 1351.2 million in 2024 and will expand at a compound annual growth rate (CAGR) of 4.30% from 2024 to 2031. (Cognitive market research, 2025)
- v. Sisal is one of the fibres that has recently recorded a rapid increase in demand. This can be attributed to an increasing awareness of the need to use eco-friendly materials. However, 80% of the sisal grown in Kenya is exported as raw materials. This is a major concern and, therefore, needs to be addressed urgently. (Phologolo et al, 2012)

- vi. Kenya is one of the top producers of sisal in Africa, exporting to China, Nigeria, Saudi Arabia, and Europe earning about KES 3 billion (\$20–30 million) in foreign exchange annually. (Nation Africa, 2025)
- vii. The industry directly and indirectly employs over 300,000 people, including farmers, factory workers, and transporters. (Business Daily Africa, 2020)
- viii. In 2024, the total area under the crop was estimated at 33,424 hectares with 96% of the area being under estates and the rest under smallholder growers. This smallholder grower utilized their crop commercially, by selling their green leaf to estates and licensed dealers for further processing; while others used both traditional decortication and mobile sisal decorticators provided by the Authority to add value and sell their Fibre to licensed exporters (AFA 2025)
- ix. About 10,000 smallholders currently are dependent on sisal cultivation and sisal provides a steady source of income in arid and semi-arid areas where other crops struggle due to adverse weather conditions. (Farmers Review Africa, 2023) (Nation Africa, 2025)
- x. Large sisal plantations support infrastructure development including roads, water, electricity improvements, schools and health centres in rural areas. (Nation Africa, 2020)
- xi. Sisal is a drought-resistant crop which thrives in arid/semi-arid areas, allowing land utilization in areas where food crops fail, with. It also reduces land degradation by enhancing crop covers. (Nation Africa, 2020)
- xii. Smallholder sisal farmers produce approximately 1,247 metric tons of sisal on 1,200 hectares of land. (AFA, 2024)
- xiii. Sisal contributes to carbon sequestration and is eco-friendly, with each hectare of sisal absorbing about 15–30 tons of CO₂ annually and provides a biodegradable alternative to plastic-based products. (FAO, 2025)
- xiv. Sisal waste (98% of the plant) is used in biofuels, biogas, fertilizers, and animal feed, reducing waste. (FAO, 2025)

ii. Fibre crops value chain cost-benefit analysis

a. Cotton enterprise economic analysis

An economic analysis in the Cotton National Value Chain Development Strategy 2024-2028, by the MOALD, assessed the potential benefits of cotton enterprises in Kenya. It focused on current farmer practices, break-even points, and optimal practices for enhanced competitiveness. The analysis also examined the distribution of added value from seed cotton and seed cake.

The average yield for conventional cotton at farm level was 175 kg/acre. The economic analysis on the status, commercialization threshold, and aspired optimal practice are presented in the Table below. Farmers cultivated one acre, producing an average of 175 kg. Based on the market price of KES 72 per kg, they realized KES 12,600, leading to an annual loss of KES 16,912.

Table 5: Economic analysis of cotton enterprises at different production levels

PRODUCTION LEVELS				
Item	Unit	Current	Commercial	Optimal
Yields	Kg/acre	175	700	800
Area	Acres	1	2.5	20
Market price	KES	72	72	72
Total revenue	KES	12,600	126,000	576,000
Variable costs	KES	29,512	91,728	393,288
Profit/Loss	KES	-16,912	34,272	182,712
Monthly Profit/ Loss	KES	-2,818	5,712	30,452
Cost per unit	KES	169	52	49
Benefit cost ratio		0.4	1.4	1.5

Source: MOA&LD, 2024

Interpretation:

- i. Due to the small land, cotton producers in Kenya aim to expand to one hectare (i.e. 2.5 acres) and increase productivity to 700 kg/acre with an improved market price of KES 72 per kg. This requires a conducive, well-structured, and regulated environment.
- ii. The analysis demonstrates that farmers will earn significant profits that can improve their livelihoods when they cultivate 10 acres and increase productivity per acre to 800 kg (Table 1) with an improved price of KES 72 per kg. This translates to a profitability level of KES 30,452 per month. To realize full benefits to the farmer, strategic investments are needed to facilitate quality preservation, value addition activities, and collective marketing.
- iii. Currently, the benefit cost ratio of 0.4, which means that for every shilling invested, the grower loses 60 cents ($= 0.4 - 1$). At the aspired commercial level, the benefit cost ratio is 1.4, which means that for every shilling invested, the grower gets a return of 40 cents ($= 1.4 - 1$). At the optimal level, the BCR is 1.5, that is the grower is getting 50 cents for every shilling invested ($= 1.5 - 1$).

These commercial or optimal production levels are only achievable with a structured industry. This conducive and well-regulated environment is only possible with the right legal framework in place, hence the need for these regulations.

b. Sisal enterprise economic analysis

b.1 Smallholder Production System

OUTPUT	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Annual Gross INCOME- Yield/ha - 1000 kg @ 80/= /kg*			80000	80000	80000	80000	80000	80000	80000	80000
Sale Poles- 3200 @ Kshs 50 per pole										
sale of tow - @ Kshs 30 per Kg			1000	4500	4500	4500	4500	4500	4500	4500
A: Total Annual Gross output	0	0	81000	84500	84500	84500	84500	84500	84500	84500
B: Total Annual Costs	53500	3,000	3,000	37,000	38,000	37,000	13,500	39,000	39,000	39,000
Annual Net Income/ Ha (A-B)	-53500	-3000	78,000	47,500	46,500	47,500	71,000	45,500	45,500	45,500
Cumulative Net income	-53500	50,500	27,500	75,000	121,500	169,000	240,000	285,500	331,000	376,500
Benefit cost ratio	0.0	0.0	27.0	2.3	2.2	2.3	6.3	2.2	2.2	2.2

Source, AFA – Fibre Directorate, Sisal Handbook

Interpretation:

- The farmer had no returns in the first 2 years of the establishment of the crop.
- Gross Margin Per Ha per Year = Kshs 37,650 (Assuming market interest rates are constant through the years – Discounting of the 10th year income has not been factored).
- The fibre will be sold at a farm-gate price of Kshs 100/= per Kg. It is an ungraded hand-decorticated Sisal (UHDS) grade.

- The benefit-cost ratio (BCR) in the first two years is zero as there are no returns. The highest BCR is in the third year and is 27, meaning the farmer gets back Kshs.27 for every shilling invested by then. Thereafter, the BCR varies and averages 2.7 for the 10 years, meaning the farmer gets back Kshs.2.7 for every shilling invested over this period.
- A viable enterprise must have a BCR of more than 1.

b.2 Sisal Estate Farms Production System

	year 1	year 2	year 3	year 4	year 5	year 6	year 7	year 8	year 9	year 10
Establishment costs	7700	1450 0	100 0	0	0	0	0	0	0	0
Maintenance, Harvesting and Processing	4,500	2,25 0	126, 250	120,5 00	120, 500	120,5 00	120, 500	120, 500	120, 500	120, 500
Total costs	1220 0	1675 0	127 250	12050 0	120 500	12050 0	120 500	120 500	120 500	1205 00
OUTPUT										
Annual Gross INCOME- Yield/Ha- 1200kg @ Ksh160/kg	0	0	192, 000	192,0 00	192, 000	192,0 00	192, 000	192, 000	192, 000	192, 000
Sale Poles- 3200@kshs30	0	0	0	0	0	0	0	0	0	9600 0
Total Annual Gross	0	0	192, 000	192,0 00	192, 000	192,0 00	192, 000	192, 000	192, 000	288, 000
Annual Net Income/Ha	(12,2 00)	(16,7 50)	64,7 50	71,50 0	71,5 00	71,50 0	71,5 00	71,5 00	71,5 00	167, 500

Cumulative Net income	(12,200)	(28,950)	35,800	107,300	178,800	250,300	321,800	393,300	464,800	632,300
Benefit cost ratio	0.0	0.0	1.5	1.6	1.6	1.6	1.6	1.6	1.6	2.4

Source, AFA – Fibre Directorate, Sisal Handbook

Interpretation:

- i. The Estate has no returns in the first 2 years of establishment of the crop.
- ii. Gross Margin Per Ha per Year = Kshs 63,230 (Assuming market interest rates are constant through the years – Discounting of the 10th year income has not been factored).
- iii. The yield under estate management is higher at 1,200kg per Ha compared to 1,000 kg per Ha for smallholder farmers.
- iv. The estate production has a value price of Kshs.160 per Kg compared to Kshs.100 per Kg for small holder farmers.
- v. The benefit cost ratio (BCR) in the first 2 years is zero as there are no returns. The BCR is in the 3rd year and is 1.5, meaning the farmer is getting back Kshs.1.50 for every shilling invested by then. Thereafter, the BCR varies and averages 1.6 for the 10 years, meaning the farmer is getting back Kshs.1.60 for every shilling invested over this period.
- vi. The Estate has higher total costs (Kshs. 999,700) per Ha. compared to the smallholder farmer (Kshs. 245.500) pa Ha over the 10-year crop cycle.
- vii. The Estate has a total gross income of Kshs, 1,632,000, compared to the smallholder income of Kshs. 672,500 per Ha over the 10-year crop cycle.

From the above data, sisal production in Kenya remains a viable agricultural enterprise despite the absence of an effective and supportive regulatory framework. This is due to its resilience to harsh climates, high demand for fibre, and potential for value addition. With a conducive and supportive regulatory environment, the performance of this industry can be transformed to the benefit of all industry actors. These include higher earnings for farmers through stable pricing and quality control, better global competitiveness due to improved fibre quality, environmental sustainability through responsible farming practices, and enhanced local processing rather than exporting raw fibre, thus creating jobs.

If well-implemented, regulating fibre crops and crop fibres industry in Kenya could significantly boost exports, create jobs, and improve sustainability, outweighing the initial costs as demonstrated above for both cotton and sisal industries. However, a balanced regulatory approach that supports farmers rather than overburdens them is crucial for long-term success.

5.5 Cost-Benefit Analysis Assumptions

From the above discussions, it is quite clear that the expected economic, social, and environmental benefits from the implementation of the proposed Regulations heavily outweigh the corresponding

costs. The analysis of the cost and benefits of implementation of the draft Regulations is, however, based on the following assumptions: -

- i. The Regulations will be implemented holistically, with all their provisions implemented.
- ii. The country's and fibre crop-producing counties' development strategies, and political and policy environment will continue to prioritize and support the development of fibre crop value chains.
- iii. The climatic conditions will remain favourable for fibre crops production.
- iv. The fibre crops and crop fibres value chain actors and all other auxiliary industry actors in general will respond rationally to the implementation of the proposed Regulations and voluntarily comply with them.
- v. The additional revenue generated from the various fees and levies will be used to further develop the fibre crops and crop fibres industry.

5.6 Assessment of Return on Investment (Benefit)

The adoption and operationalization of the proposed Crops (Fibre Crops and Crop Fibres) Regulations 2025 will be critical to revitalize Kenyan fibre crops and crop fibres industry. These regulations will support the implementation of key Government development plans as envisaged in different government development strategies, including Vision 2030 and the Bottom-Up Economic Transformation Agenda.

While it is difficult to directly apportion the actual impact of these regulations, it is quite clear that industry regulation is critical for the transformation of the Kenyan fibre crop and crop fibres industry.

These regulations seek to reverse the stagnation or decline in the production of fibre crops in the country and return the industry to 1980-1990 years when this industry was one of the key economic pillars in Kenya's agricultural sector. This will be achieved by promoting fibre crops in the country. To effectively realize this, these regulations seek to regulate the sector and have proposed a set of provisions for the registration, licensing and ensuring compliance to all provisions of these regulations and all other relevant laws by all industry actors.

These proposals of the regulations, coupled with enhanced capacity building for farmers on good agricultural practices (GAPs) and other key technical areas in fibre crops production are expected to increase fibre crops production and productivity of growers' fibre crops fields. They are also expected to improve the quality of the produce while reducing post-harvest losses. This will result in increased earnings for the growers, dealers, processors and manufacturers and increased foreign exchange earnings for the country.

The increased availability of locally affordable fibre crops and products will reduce the need for cheap and poor-quality fibre product imports, saving the country's foreign exchange. Promoting collective action among the growers through the formation of growers' associations, produce aggregation at the growers' association's levels, and grower-dealer agreements will improve the

farmers' negotiating power. This will lead to better prices and other terms of trade, thus allowing farmers to benefit from the economies of scale in marketing their produce collectively.

The regulations will also promote fair trade, supporting Kenya's agricultural development and manufacturing pillars outlined in policies such as Vision 2030, ASTGS, and individual counties' CIDPs. This will help develop industry and contribute to the nation's development.

These regulations aim to enhance the country's manufacturing and value-added capacity to shift from the current situation. About 90% of fibre crops are exported as raw material, which denies the country employment opportunities and optimizes foreign exchange earnings from the fibre crops industry.

These regulations will ensure that the quality of fibre crop produce and products meet the set national and applicable international quality standards. This which will raise the demand and value of Kenya's fibre products in the global market. Compliance with these standards and the establishment of an effective traceability mechanism also envisaged in the regulations will make Kenya's fibre products more competitive in the global market. This will enable the development of new markets across the world. The regulations will also regulate fibre crop production and product imports and exports, thus controlling illegal trade actions that have negatively impacted the Kenyan local and export markets in the past.

Implementing the determination of the pricing formula for fibre produce and fibre products proposed in these regulations will ensure fair pricing across the industry. This will protect all industry actors, particularly small-holder farmers, from any form of exploitation.

The implementation of the regulations will also create numerous employment opportunities, both on-farm to increase production and off-farm to provide auxiliary services in the industry.

In broad terms, the RIA noted that the following broad benefits and returns on investment will be achieved:

- i. The Regulations will support the establishment of a well-structured, streamlined, and regulated fibre crops and crop fibre industry promoting the sustainable development of fibre crops, fibre produce, and fibre products. This will improve crop production, produce aggregation, collection and transportation, manufacturing, value addition, and quality assurance, among other things, for the benefit of all fibre crops industry stakeholders and the country.
- ii. The regulations will promote compliance with national and applicable international quality standards and an effective traceability mechanism to enhance the competitiveness of Kenya's fibre crops produce and products in the world market. They will also support the growth of existing markets and the development of new markets in the growing global market.

- iii. They will improve the production and productivity of fibre crops by enhancing access to effective agricultural advisory services, increased crop research support, and improved production and access to quality planting materials.
- iv. The regulations will support the organization of fibre crop growers into growers' associations, enabling collective marketing of fibre crops products, allowing grower-dealer agreements and optimizing economies of scale for smallholder growers.
- v. Post-harvest and quality losses will be reduced through better handling, transportation, and storage, enhanced surveillance, and compliance with other quality assurance provisions of these regulations.
- vi. The regulations will control the importation of cheap, low-quality fibre products, protect the local industry, and preserve the reputation of Kenya's exports.
- vii. Increased production, processing, manufacturing and value addition in the fibre crops and crop fibres industry will create additional jobs and business opportunities across the value chain and in the supportive industry auxiliary services.
- viii. Improved maintenance and access to reliable industry data maintained by different actors in the industry and by other service providers will provide planning and decision-making basis for the Government and private sector businesses.
- ix. Increased revenue from proposed levies and fees will enable the Authority to better undertake its role in the industry such as regulation of the industry and market development for Kenya's fibre produce and products.
- x. The creation of the pricing formula committee will reduce the price volatility of the fibre crops products, thus ensuring fair trade and sustainability in the industry.
- xi. Increased income for fibre crops growers' families resulting from increased fibre production and quality, and stable prices. This will lead to improved livelihoods and social well-being of the rural communities in fibre-crop-producing regions.
- xii. Increased production, processing, manufacturing, and exports will boost agricultural GDP, increase foreign exchange earnings, and reduce imports of low-quality fibre products, saving foreign exchange.

6.0 Reasons Why Other Regulatory Options Are Not Appropriate

This section highlights reasons why other regulatory options identified above may not be appropriate for the fibre crops and crop fibres industry.

6.1 Option 1: Maintaining the Status Quo

Maintaining the status quo will mean the country does not establish a legal and regulatory framework to guide the development, promotion, and regulation of the fibre crops and crop fibres industry for the benefit of the industry stakeholders. This will deny the industry stakeholders the prospect of benefiting from opportunities in the fibre crops industry, thus curtailing the realization of the country's development objectives.

Maintaining the status quo will impact the fibre crops and crop fibres industry as follows:

- i. Without development, promotion, and regulation, the fibre crops and crop fibres industry will remain unorganized and poorly regulated. This will lead to declining production, shrinking markets, and the persistence of unscrupulous players who undermine quality, damaging the reputation of Kenyan fibre products in global markets.
- ii. Fibre crops growers will lose the opportunity to increase their income and improve their livelihoods due to unregulated prices and low production.
- iii. Low production and quality decline will continue, reducing the incomes of growers, dealers, processors, manufacturers, and agents and negatively impacting their livelihoods.
- iv. Declining incomes will further limit capital access for smallholders and estate growers as well as processors, manufacturers, agents, dealers and traders in the industry. This will deny them the capital to re-invest in their businesses for development.
- v. The absence of accurate, real-time data will result in planning based on unreliable information, hindering the industry's growth.
- vi. Without sufficient crop research, quality planting materials, and agricultural advisory services, fibre crop production and value addition will remain low, causing the industry to stagnate or decline further.
- vii. The failure to form effective growers' associations will leave individual growers with limited market access and poor bargaining power, making them vulnerable to industry cartels or brokers.
- viii. Without a pricing committee, price volatility will continue, and growers will remain subject to cartels and brokers, preventing stable incomes.
- ix. Illegal trade practices through uncontrolled fibre crops produce and products imports and exports may be used by unscrupulous traders to impact the Kenyan domestic and main export markets negatively. This will distort demand, prices and quality and may lead to the total loss of such markets.
- x. The anticipated employment opportunities to be created by the increased fibre crops produce and products production, processing, manufacturing, trading, and other complementing services will not materialize. The sustainability of current jobs in the industry will be at risk.

The situation is undesirable, and the RIA recommends that the proposed Regulations be implemented to ensure optimal development and regulation of the fibre crops and crop fibres industry. This will benefit all stakeholders in the industry in the country. It will also enable the industry to contribute effectively to the national objectives of Vision 2030, the ASTGS, the National Agriculture Sector Strategy, the Government's BETA, the respective fibre crops producing Counties' CIDPs, and other national policies and strategies on agricultural, trade, industrialization, and economic transformation.

6.2 Option 2: Other Practical Options

Alternatives to regulation include:

i) No new intervention/do nothing

This may involve utilizing existing regulations, simplifying or clarifying existing regulations, improving enforcement, or making legal remedies more accessible or affordable. However, this approach is unlikely to bring significant change, as the fibre crops and crop fibres industry in the country currently has had no specific regulation in the past and existing applicable regulations have failed to effectively stir its growth and development optimally. The industry has, instead, been on a decline for the last 4 or so decades. In the absence of any new intervention, industry would likely remain as it currently is, and this will be to the detriment of all the industry's stakeholders and the country in general.

ii) Information and education

Information and education can empower stakeholders to make their own decisions, improving choices for the mutual benefit of all. However, information and education can take time to make an impact and may not be acceptable. This approach may also increase costs for the government, agencies, and businesses that will be providing the required information and education. The desired objectives are unlikely to be realized within a reasonable time for the common good of all.

iii) Incentive/market-based structures.

The government can use economic instruments such as taxes, subsidies, and initiatives to realize the desired objectives. These initiatives, however, are only practically possible in well-developed and efficiently functioning sectors with well-defined structures. These sorts of systems often need their own regulation to establish the framework and may have additional costs to the government. They are, however, unlikely to be effective in the fibre crops and crop fibres industry in Kenya as it is yet to be well established.

6.3 Alternative Models of Regulation

The alternative modes of regulating the fibre crops and crop fibres industry include the following:

i. Self-regulation

Though the industry has standards and a Grower's handbook (Sisal and Cotton) that may constitute a form of self-regulation framework, complete compliance of the standards set in the handbooks is yet to be realized. This makes effective self-regulation in the industry currently as it is structured not possible.

ii. Co-regulation.

Co-regulation is an intermediate step between state-imposed and self-regulation that involves some degree of explicit government involvement. The industry may work with the government to develop a code of practice. An industry or a professional organisation accredited by the

government would enforce the code. The fibre crops and crop fibres industry in Kenya currently does not have universally acceptable and all-inclusive industry representative organisation (s) that can mobilize and organize the actors towards this. Co-regulation is practically impossible in the local fibre crops and crop fibres industry as it is currently structured.

7.0 Conclusion and Recommendation

The RIA has examined the history of fibre crops and crop fibres in the industry. It has stated the justifications for allowing the proposed regulations and analysed their effects on the private and public sectors. In addition, the RIA has examined the economic, social, and environmental costs and benefits of the proposed regulations and the viability of the alternative options. It has been concluded that if the proposed regulations are implemented, they will introduce formal controls and regulations in the fibre crops and crop fibres industry. They will also establish the necessary structures and environment including compliance enforcement structures and Fibre Produce and Fibre Product Pricing Formula Committee to develop the pricing formula for fibre crops produce and fibre crop products.

The RIA recommends a further public participation phase to collect final public views and consider the comments on the proposed regulations before gazetting and implementing them in the country's fibre crops and crop fibres industry.

