


REPUBLIC OF KENYA

THE NATIONAL ASSEMBLY PAPERS LAID	
 HARAMBEE	2 <sup>nd</sup> JUN 2020
BY:	LAM
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**MINISTRY OF INDUSTRIALIZATION, TRADE  
AND ENTERPRISE DEVELOPMENT**

**CABINET SECRETARY REPORT**

TO

**PARLIAMENT**

**FOR THE FY 2018/2019**

BY

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**CABINET SECRETARY**

6<sup>TH</sup> MAY, 2020



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## **REPORTING TO PARLIAMENT**

This report is prepared in accordance with the requirement of the Constitution of Kenya Article 153(4). The Cabinet Secretary, Ministry of Industrialization, Trade and Enterprise Development provide the Parliament with full and report on all matters under the Ministry highlighting the Financial Year 2018/19 and other background matters.

As per the Executive order, the Ministry of Industrialization has two State Departments namely:

- i. State Department for Industrialization.
- ii. State Department for Trade and Enterprise Development.

## **MINISTRY'S VISION, MISSION AND CORE VALUES**

### **VISION**

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A leading agent for globally competitive and sustainable industrial, trade and enterprise development sectors

### **MISSION**

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To facilitate an accelerated growth of the Industrial, Trade and enterprise development sector through provision of an enabling institutional, policy and legal frameworks.

### **CORE VALUES**

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Values are an integral part of an organisation's culture, and they create a sense of identity, belonging and purpose. To this end, the Ministry seeks to uphold the following core values:

- 🏆 **Customer focus:** We are committed to upholding the highest standard in our service delivery to enhance customer satisfaction;
- 🏆 **Integrity and transparency:** We are committed to honesty, impartiality and transparency while delivering services;

- 🏢 **Team work:** We will deliberately nurture team spirit, collaboration, consultation and adopt participatory approach in discharging ministerial mandate;
- 🏢 **Professionalism:** We will maintain high level of adherence to set standards through continuous competency development;
- 🏢 **Creativity and innovativeness:** We will continuously be open and proactive in seeking better, acceptable and efficient methods of production and service delivery.
- 🏢 **Effectiveness and Efficiency:** We will be guided by operational, rationalization and cost saving measures;
- 🏢 **Equity and Inclusivity:** We will mainstream gender, youth and special groups' issues in the distribution of resources, responsibilities and opportunities in the Ministry.

**STATE DEPARTMENT FOR INDUSTRIALIZATION**

## **CHAPTER 1:INTRODUCTION**

### **1. Background**

The manufacturing sector has been identified as the key driver for economic growth and development under the “Big Four” Plan. Its overall goal is to increase its contribution to Gross Domestic Product (GDP) by at least 15% by 2022; increase level of foreign direct investments to \$2 billion; and improve ease of doing business ranking from 80 in 2017 to 50 by 2022. This will propel Kenya towards becoming Africa’s industrial hub. The sector has a high potential of investment attraction, employment creation, export expansion, stimulus for agricultural sector growth and provision of forward and back ward linkages in all other sectors. The sector has a strategic role in technology and innovation as it is a major platform for diffusion of new technologies to other sectors of the economy.

The sector’s strategic interventions under the “Big Four” include: the textiles and apparel including the revitalization of cotton; leather and leather products; agro-processing; manufacture of construction materials; oil, mining and gas; iron and steel; manufacture of ICT products and business process outsourcing; and fish processing. The enablers include: improved ease of doing business environment; special economic zones/industrial parks development; SMEs development; market access and products standards development.

The sector also has a high potential for employment creation; has strong forward and backward linkages and spill-over effects; provides demand stimulus for growth of the agricultural sector and offers significant opportunities for export expansion. The sector also plays a critical role in the realization of SDGs 8 and 9 on promotion of sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all as well as building resilient infrastructure, promoting inclusive and sustainable industrialization and fostering innovation.

The existence of international and regional agreements and obligations has presented an opportunity for the country to implement new plans, programmes and projects to achieve them. These include the EAC Industrialisation Policy 2012-2032; the EAC Industrialisation Strategy 2012-2032; EAC Vision 2050; African

Union Agenda 2063; African Continental Free Trade Area (AfCFTA); United Nations Climate Change Convention and the Agenda 2030 for Sustainable Development.

### **1.1. Mandate**

The State Department for Industrialization has been established under the Executive Order No. 1 of June 2018 (Revised in August 2018) which has placed it under the Ministry of Industry, Trade and Cooperatives, with fifteen (15) State Corporations; one (1) training Institution; and two (2) Tribunals.

The mandate includes:

- i. Industrial Policy and Planning;
- ii. SME Policy;
- iii. SME Financing Policy;
- iv. SME/Biashara Financing Policy;
- v. Buy Kenya Build Kenya Policy and Strategy;
- vi. To promote Standardization in Industry and Quality Control;
- vii. Promotion and Development of Micro and Small Enterprises;
- viii. To Promote and facilitate Domestic and Foreign Investments;
- ix. Promotion and Oversight of the Development of Special Economic Zones and Industrial Parks;
- x. Kenya Property Rights Policy (Patents, Trade Marks, Service Marks, and Innovations);
- xi. Promotion of value Addition and Agro-Processing;
- xii. Textile Sector Development;
- xiii. Leather Sector Development;
- xiv. Business Innovation and Incubation;
- xv. Promotion and development of the Cottage Industry;
- xvi. Oversight and regulation of Scrap Metal Industry
- xvii. Promotion and Development of Medium Business Enterprises; and
- xviii. Industrial Training and Capacity Development.

The prioritized programmes and projects are expected to increase the contribution of manufacturing to GDP by more than 15% and create additional 1 million jobs

yearly in the next ten years and value addition to accelerate economic growth, create jobs and reduce poverty. These programmes are also expected to increase the level of investment by five folds and improve the Ease of Doing Business ranking index to under the top 50 by 2022 and increase FDI five-fold.

## **1.2. Autonomous and Semi-Autonomous Government Agencies**

The subsector has fifteen (15) autonomous and semi-autonomous agencies. The Agencies undertake various functions and mandates to support industrial development and investment promotion in the country.

### **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. Industrial and Commercial Development Corporation (ICDC)**

ICDC facilitates industrial and economic development of Kenya through initiation, assistance or expansion of industrial, commercial and other undertakings/enterprises in Kenya or elsewhere as detailed in the ICDC Act, (CAP 445) Laws of Kenya.

#### **iii. Kenya Bureau of Standards (KEBS)**

KEBS is mandated to coordinate the development and enforcement of standards for industrial products in order to achieve production of goods and services that meet global standards. It ensures quality of Kenyan products and services for improved access to both local and international markets.

#### **iv. IDB Capital Limited**

IDB Capital Limited is a Development Financial Institution (DFI) established by Government for the purpose of promoting economic development in Kenya. This is through provision of medium and long term finance to industrial and commercial enterprises in various sectors of the economy. It is mandated to provide financial services to the industrial sector to accelerate the economic development of Kenya through the promotion, establishment, expansion and modernization of medium and large scale industrial enterprises.

#### **The Semi-Autonomous Government Agencies includes:**

##### **i. Kenya National Accreditation Services (KENAS)**

Kenya National Accreditation Services (KENAS) is established under the Accreditation Service Act of 2019. The Agency is charged with the responsibility of carrying out voluntary and mandatory accreditation of conformity assessment bodies (CABs) in specific fields of Certification and ensures a level playing field with accreditation services internationally.

##### **ii. Kenya Industrial Estates (KIE)**

KIE is mandated to provide finances, work space, Business Development Services (BDS) and promotion of subcontracting linkages to MSMEs in order to foster the development of indigenous MSMEs countrywide.

##### **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.

##### **iv. Kenya Industrial Research and Development Institute (KIRDI)**

KIRDI conducts research and development in all industrial and allied technologies including mechanical, civil, electronics, chemical engineering, energy, environment, and commodity technologies. The execution of this mandate will lead

to technological advancement through research and development and this contribute towards the country industrialization process.

**v. 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.

**vi. Micro and Small Enterprises Authority (MSEA)**

MSEA is mandated to formulate policies, coordinate, harmonize and facilitate the integration of various public and private sector activities and programmes relating to Micro and Small Enterprises.

**vii. Export Processing Zones Authority (EPZA)**

EPZA is mandated to ensure effective EPZ implementation by development, administration and designation of zones, advocacy and strategic planning, marketing and promotion of exports, licensing, monitoring and regulation and provision of investor services.

**viii. Kenya Leather Development Council (KLDC)**

KLDC was established through a legal notice No.114 of the Kenya gazette supplement. No 113 of 2011 under the Act (cap 446). It is mandated to provide direction, harmony and coordination to the leather sector in the country.

**ix. Kenya Investment Authority (KENINVEST)**

Kenya Investment Authority (Ken-Invest) is a statutory body established in 2004 through an Act of Parliament (Investment Promotion Act No. 6 of 2004) with the main objective of promoting investment in Kenya. The core functions of Ken-Invest include; 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.

**x. Special Economic Zones Authority (SEZA)**

The Special Economic Zones Authority is established through an Act of parliament (Special Economic Zones Act 2015). The Authority is mandated to promote and facilitate local and foreign investments; develop and manage Special Economic Zones across the country; the development and management of enabling environment for such investments, and for connected purposes by (1) making recommendations to the Cabinet Secretary on all aspects of designation, approval, establishment, operation and regulation of special economic zones; (2) implement the policies and programmes of the Government with regard to Special Economic Zones; identify, map and, where necessary, procure or avail to developers and operators the areas of land to be, or which have been, designated as Special Economic Zones; (3) determine investment criteria including investment threshold; (4) undertake or approve the development, operation or maintenance, as well as finance, appropriate infrastructure up to the perimeter of, or within, select Special Economic Zones, as and when deemed necessary; (5) review applications and grant licences to Special Economic Zone developers, operators and enterprises; promote and market special economic zones to potential special economic zone entities and administer a "one-stop" Centre for investors.

**xi. Scrap Metal Council (SMC)**

The Scrap Metal Council is established under the Scrap Metal Act 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 ferro-alloyed, but does not include gold, silver or metals of the platinoid group.



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## CHAPTER 2: MANUFACTURING SECTOR PERFORMANCE AND BACKGROUND MATTERS

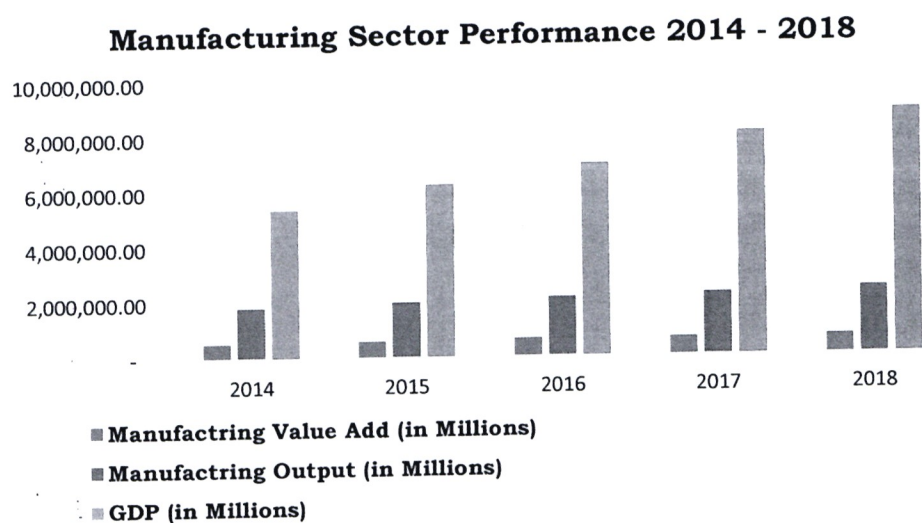
### 2. Overview of the Manufacturing Sector Performance

Manufacturing sector plays critical role in sustaining growth and generating employment as our country moves towards realization of the aspirations of Vision 2030. The manufacturing sector performance is measured by the value of output, and value added at market prices and percentage growth for the period 2014 – 2018. It also presents the employment levels and amount of industrial credit advanced with the review period.

#### 2.1. Manufacturing Sector (Output and Value Added) Performance 2014 – 2018

The table below show the increase of the manufacturing sector value added and manufacturing sector output for the period 2014 – 2018. The output has increased from 1.8 trillion to 2.41 trillion in 2014 to 2018 while the value added had increased from 538 billion in 2014 to 689 billion in 2018.

Figure 2.1-i: Performance on GDP, Output and Value addition.

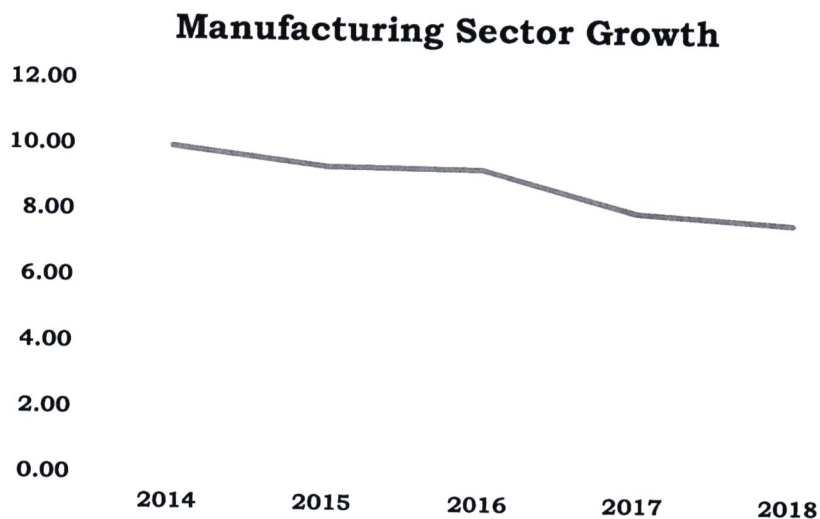


Source: Economic Surveys,

#### 2.1.1. Manufacturing Sector Contribution to GDP 2014 – 2018

The figure below shows that the growth of the sector contribution to the GDP has been in declined from a high of 10% in 2014 to a low 7.74% in 2018. This is partly attributed to a slower increase in value addition compared to the increase in the other sectors of the economy especially the financial services.

Figure 2.1.1-i: GDP growth 2014 - 2018

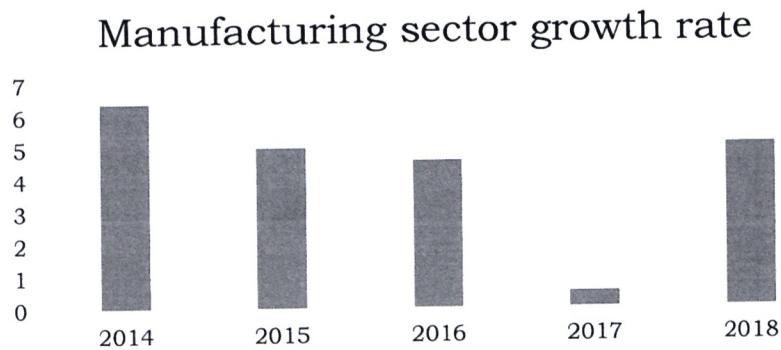


Source: Economic Surveys

### 2.1.2. Manufacturing sector growth rate

From the table below, the trend has been declining. In 2018 the increase was due to increase in production manufactured food e.g sugar, dairy, meat. Other significant growths were recorded among the selected non-food sectors comprising pharmaceuticals, electrical equipment, and motor vehicles, trailers and semi-trailers.

Figure 2.1.2-i: Manufacturing expansion



Source: Economic Surveys

### 2.1.3. Employment Levels

The table below show the value of output and compensation to employees(at current prices) in the manufacturing sector.The sector's value of output increased by 7.2 per cent in 2018 compared to a 5.3 growth in 2017 while the intermediate compensation increased by 8.0 per cent during the review period.

Table 2.1.3-i: **Output, formal employment and compensation of employees**

Year	Value of Output	Formal Employment	Compensation of employees
2014	1,820,369	287,400	147,453
2015	1,977,169	295,400	163,392
2016	2,131,907	300,800	174,768
2017	2,245,376	303,345	189,219
2018	2,407,188	307,592	206,031

Source: KNBS Economic Surveys

### 2.1.4. Credit to the Manufacturing Sector

The table below show the amount of credit advanced to the manufacturing sector for various expansion activities by the commercial banks and other industrial financial institutions from 2014 to 2018. The total credit advanced rose from 237.4 billion in 2014 to 334.4 billion in 2018.

Table 2.1.4-i: Projects and Credit advanced

Institution	No. of Projects					Credit Advanced in Kshs Millions				
	2014	2015	2016	2017	2018	2014	2015	2016	2017	2018
IDB Capital Ltd	3	5	3	3	8	74.20	252.00	129.80	200.10	551.80
Development Bank of Kenya	2	6	6	3	3	66.60	341.00	292.30	130.50	230.00
Kenya Industrial Estates	543	233	325	280	225	194.30	120.80	165.30	181.00	243.70
Industrial & Commercial Development Corporation	1	7	4	7	4	234.00	421.20	495.60	791.00	315.00
Other Commercial Banks	..	..	..	..	..	237,355.80	289,727.80	274,725.00	314,045.50	334,388.00

Source: Central Bank of Kenya

The Kenya industrial estate played a critical role in advancing loans to the micro and small enterprises whereas the IDB Capital leveraged on financing medium startups. ICDC advanced credit to the larger enterprises either requiring larger sum of credit for starting up or expanding operation.

## 2.2. Regulatory, Institutional and Policy Reforms

For the period under review, number of reforms have been undertaken which includes:

- i. Accreditation Service Act of 2019.
- ii. Draft National Automotive Policy.
- iii. Kenya Investment Policy.
- iv. Draft Kenya Leather Policy.

## 2.3. Outstanding issues in the State Department for Industrialization

The following issues are still pending:

### 2.3.1. Encroachment on industrial land

The following institutions have land earmarked for development and expansion that has been encroached on and need the support of other Government Institutions in removing the squatters, resettlement and securing the land:

- i. Numerical Machining Complex land in Athi River earmarked for the development of an Integrated iron and steel mill;

- ii. East African Portland Cement Company land at Athi river earmarked for cement production purposes; and
- iii. DongoKundu land for the development of Special Economic Zones.

### **2.3.2. Poor financial performance by State Corporations**

EAPCC Registered deterioration in both net worth and performance level manifested in declining turnover (Kshs 9,057 million in 2014 to Kshs 2,800 million in 2019) and consequently negative gross profit margin and loss from operations.

The Financing institutions (KIE and ICDC) have legacy loans which have not been cleared from their operations. This limits their ability to source for funding from the Development Partners.

### **2.3.3. Freezing of Recruitment in the Public Service**

The state Department has not been able to fill the vacant positions due to the existing circular from the Public Service Commission on recruitment by the Government. The staff establishment is 834 against an in-post of 445 as shown in table below.

Table 2.3.3-i: Staff Deployment Status

<b>Staff Distribution Summary</b>	
<b>Authorized Establishment</b>	<b>834</b>
In Post	<b>445</b>
Industrial Officers - Headquarters	26
Industrial Officers - Field	15
Kenya Industrial Training Institute - Lecturers and Instructors	35
Support Services Officers - Field	131
Support Services Officers - Headquarters	208
Support Services Officers - KITI	36
MSEA Officers Reverting Back To Ministry	17
<b>Summary Of Officers In MDA's</b>	
Industrial Property Tribunal	6
Standards Tribunal	6
Leather Council (All Officers)	18
<b>Total</b>	<b>445</b>

### **2.3.4. Pending Regulatory and Policy Reforms**

The following policies have not progressed to conclusion:

- i. Draft Kenya Leather Development Authority (KLDA) Bill.
- ii. KIRDI Bill.
- iii. Draft National Leather Policy.

## CHAPTER 3: FINANCIAL PERFORMANCE FOR FY 2018/2019

### 3. Overview

In the Financial Year 2018/2019, the State Department received a total of Kshs6,620.03 million against a requirement of Kshs 25,196 million for implementation of various programmes and projects falling under it. The budget is presented in three programmes namely:

- i. Industrial Promotion and Investment
- ii. Standards, Incubation and Research
- iii. General Administration, planning and support services

### 3.1 Recurrent Budget

Table 3.1-i: Recurrent Budget

Vote and Vote Details	Economic Classification	Allocation 2018/19 (Kshs Millions)
1175	<b>Gross</b>	3,317.01
	AIA	717.54
	<b>NET</b>	2,599.47
	Compensation to Employees	434.70
	Transfers	1,880.47
	Other Recurrent	1,001.84
<b>Recurrent Allocation for Headquarters and State Corporations</b>		
	NMC	139.91
	KLDC	54.64
	EPZA	283.27
	KenInvest	200.32
	SEZA	9.08
	Scrap Metal	4.54
	KENAS	141.65
	KIE	377.28
	MSEA	108.07
	KIRDI	561.71
	KITI	145.60
	Use of goods – Headquarters	840.79
	Social Benefits – Headquarters	5.90
	HQ Non Fin assets – Headquarters	3.87
	KITI Non Fin assets – Headquarters	5.67
	PE – Headquarters	434.70
	<b>Total</b>	<b>3,317.00</b>

### 3.2 Development Budget

Table 3.2-i: Development Budget

Vote and Vote Details	Economic Classification	Allocation 2018/19 (Kshs Millions)
1175	Gross	3,303.02
	GoK	2,735.02
	Loans	54.00
	Grants	514.00
	Local AIA	0.00

### 3.3 Capital Project Funding Levels FY 2018/19

Table 3.3-i: Capital Project Funding Levels FY 2018/19

Project Name	Est. Cost of Project (Million)	Financing		Timeline		Allocation 2018/19 (Million)	
		Foreign	GoK	Start Date	Expected End Date	Foreign	GoK
1. Development of Leather Industrial Park - <b>Kenanie</b>	4,409	0	4,409	1/7/2014	30/06/2022	0	400
2. Development of Athi River Textile hub- <b>EPZA</b>	8,240	0	8,240	1/7/2014	30/06/2022	0	820
3. Construction of Industrial Research, Laboratories - <b>KIRDI Kisumu</b>	1,892	0	1,892	1/4/2011	30/06/2022	0	100
4. Construction of Industrial Research, Laboratories, Nairobi - <b>KIRDI South B</b>	5,500	0	5,500	25/02/2013	30/06/2022	0	10
5. Modernization of <b>RIVATEX</b> Machinery	6,000	3,000	3,000	1/7/2015	30/06/2022	54	730
6. Kenya Petroleum Technical Assistance ( <b>KEPTAP</b> )	4,100	4,100	0	1/7/2016	30/06/2022	60	0
7. Provision of Finances to SMEs in Manufacturing sector- <b>KIE</b>	3,350	0	3,350	1/7/2015	30/06/2022	0	300
8. Infrastructure and civil works development <b>KITI</b>	860	0	860	1/7/2017	30/06/2021	0	175
9. Modernization of NMC's Foundry Plant & CNC & Fabrication Workshop - <b>NMC</b>	933	0	933	1/7/2018	30/06/2022	0	50
10. Kenya Youth Empowerment and	2,520	2,520	0	1/7/2016	30/06/2022	354	0

Project Name	Est. Cost of Project (Million)	Financing		Timeline		Allocation 2018/19 (Million)	
		Foreign	GoK	Start Date	Expected End Date	Foreign	GoK
Opportunities Project (KYEOP)							
11. Kenya Industry & Entrepreneurship Project (KIEP)	5,665	5,150	515	1/7/2018	30/06/2024	100	25
12. Development of Various SMES in Kenya - IDB Capital	1,500	1,500	0	1/7/2018	30/06/2022	0	0
13. Cotton Development (RIVATEX) Subsidy & Extension Support	1,150	0	1,150	1/7/2017	30/06/2022	0	100
14. Ease of Doing Business	850	0	850	1/7/2014	30/06/2022	0	25.2
<b>Total</b>						<b>568.00</b>	<b>2,735.20</b>

## CHAPTER 4: STATUS REPORT ON THE IMPLEMENTATION OF KEY PROGRAMS AND PROJECT

### 4. Overview

The State Department for Industrialization is implementing the following three programmes namely:

Table 3.3-i: Programmes under State Department for Industrialization

	<b>Programme</b>	<b>Objective</b>
1.	Promotion of Industrial development and Investment	To create enabling environment to promote and facilitate industrial development through value addition and investment
2.	Standards and Business Incubation	To provide standards for industrial products and incubation services to support MSMEs
3.	General Administration, planning and support services	To provide efficient support service delivery

#### 4.1 Programme 1: Promotion of Industrial Development and Investment

Under Programme of Promotion of Industrial Development and Investment, the following projects have been implemented or are been implemented:

##### 4.1.1 Development of Textile Hub at Athi River

This project is meant to address the limitations in terms of provision of industrial warehouses/ shed and basic infrastructure facilities (internal roads, power, water, security fence, and sewerage) that are key in attracting and retaining investors.

In **Financial Year 2013/14** there following were achieved;

- i. Number of manufacturing zones increased reached 50
- ii. Operating firms were 85,
- iii. Direct investments stood at Kshs. 48billion,
- iv. 4504 new jobs opportunities were created.

In **Financial Year 2014/15** the following were achieved;

- i. The construction of the 1st 30,000 square feet warehouses in Athi River together with requisite basic infrastructure (roads, sewer, and power supply) began.
- ii. The Power Subsidy for the Textile firms operating in the EPZs was operationalized.
- iii. Aggressive investor targeting and attraction was started with 42 major textile buyers invited to Kenya and discussions with the 2nd largest textile manufacturer in the World.
- iv. The Textile and Garments Value Chain Study was completed and implementation of the recommendations began.

In **Financial Year 2015/16** the following were achieved;

- i. Gazetted zones were 57,
- ii. Operating firms were 89,
- iii. Direct investments were Kshs 74,000 M
- iv. Total employment opportunities were 52,007
- v. Apparel firms were 42,901 and
- vi. Export under the AGOA programme stood at Kshs.66.6B.

In **Financial Year 2016/17** the following were achieved;

- i. Gazetted zones were 57,
- ii. Operating firms were 111,
- iii. Direct investments were Kshs71,000 M
- iv. Total employment opportunities were 52,942
- v. Apparel firms were 42,901 and
- vi. Export under the AGOA programme stood at Kshs. 35B.

In **Financial Year 2017/18** the following were achieved;

- i. Construction of industrial sheds were 93% complete,
- ii. Number of licensed zones were 111,
- iii. Number of operating firms were 131

iv. Direct investments were Kshs95,278 M

In **Financial Year 2018/19** the following were achieved:

- i. Completed 43,832 m<sup>2</sup> of industrial sheds comprising of 4 clusters of large industrial sheds and 8 SME sheds and 2 large industrial sheds and 3 SME sheds FY 2018/19.
- ii. 6 km of internal access and 7.5 km of trunk sewer constructed FY 2017/18.
- iii. 8.3 km of reticulation infrastructure and 6,500 cubic meters' water tank constructed FY 2017/18.
- iv. Exports level from EPZs and investments reached Kshs 73. 8 billion and Kshs 106.6 billion in 2018 respectively.
- v. The number of licensed zones was 56, 65 and 71

**In pictorial:**



**Figure 4.1.1-i:** Road construction at EPZ, Athi River



Figure 4.1.1-ii: Industrial Shed at EPZ, Athi River

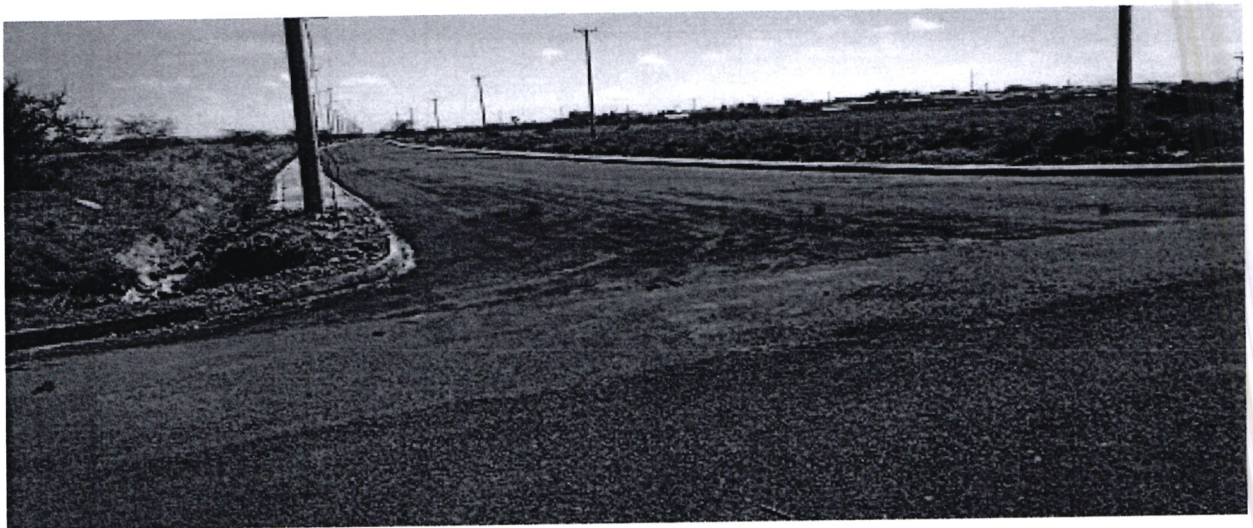


Figure 4.1.1-iii: Phase 2, Bitumen Road construction at EPZ, Athi River completed

#### **4.1.2 DongoKundu Special Economic Zones / Free Port**

The Special Economic Zones program is meant to address key factors that reduce Kenya's competitiveness as an investment destination. This will be through infrastructure provision, simplification of business regulations, value chain integration and clustering; expanded market access for SEZ goods and services, and reduced taxation.

**In financial year 2013/14** the following achievements were realized:

- i. Special Economic Zones draft bill developed and forwarded to AG's for drafting.
- ii. JICA incorporated to do Master planning and feasibility studies for DongoKundu SEZ.

**In financial year 2014/15** the achievements were as follows:

- i. 3,000 acres of land identified in DongoKundu
- ii. Master Plan for DongoKundu SEZ completed in June 2015 by JICA

**In Financial Year 2015/16** the achievements were as follows:

- i. Developed a Special Economic Zones Bill and submitted for consideration and enactment by the National Assembly.
- ii. Land has been identified in Mombasa, DongoKundu, for the development of a Special Economic Zone and
- iii. Special Economic Zones Act enacted in 2015.

During **financial year 2016/17** the following were achievements:

- i. Special Economic Zones Act Regulations developed in 2016.
- ii. Land identified and secured for the development of ICDC SME Park, Eldoret
- iii. Land identified and secured for the development of Taveta SME Park;
- iv. Land identified and secured for the Development of Science and Technology Park at JKUAT, Juja.

**In Financial Year 2017/18** the achievements were as follows:

- i. The Special Economic Zones Authority was formed and operationalized.

**In Financial year 2018/19** the achievements were as follows:

- i. Signed a Grant and loan Agreement with the Japanese Government for the implementation of the first phase of the project.
- ii. DongoKundu Land gazetted as SEZ in July, 2019 and a Special Planning Area in August, 2019.

- iii. KPA has finalized the Resettlement Action Plan (RAP) Report and National Land Commission (NLC) has received facilitation by Kenya Port Authority (KPA) to undertake resettlement and compensation in 2019.



Figure 4.1.2-i: Official Launch of SEZ - DongoKundu, Mombasa

#### **4.1.3 Development of SEZ Textile Park Naivasha**

The Naivasha SEZ at Mai-Mahiu will be developed to have common user facilities, an Inland Container Deport, Railway Marshalling Yard, logistics zone and public utility area with supporting road network. It will offer efficient support and logistical service leveraging on the new SGR line to Naivasha with off-site and on-site basic infrastructure of: Main Access Roads and Drainage; Electricity Power line & Sub-Station; Piped Water & Treatment Plant; Common Effluent Treatment Plant (CETP); Business Centre consisting of One Stop Shop and Administration Complex and a Custom Gate House.

In **Financial year 2018/19** the achievements were as follows:

- i. 1000, acres of land identified and secured (150 acres have been allocated to ICD and 850 acres for the SEZ).
- ii. The Land has been gazetted as SEZ in July, 2019 and a Special Planning Area in August, 2019.

- iii. Master plan for Naivasha Industrial Park developed.
- iv. Installed Power line (11kv) on site.
- v. Offsite infrastructure is being undertaken by relevant agencies and enablers.



Figure 4.1.3-i: Internal Container Depot at Naivasha SEZ - Mai-Mahiu

#### **4.1.4 Development of Leather Industrial Park – Kenanie**

The Leather Industrial Park is designed to provide basic infrastructure for investor in the leather and leather products sector thus help to transform the country into leather and leather products manufacturing hub. It will address challenge that prevent the sub sector from reaching its full potential of lack of appropriate production technology, low investments and high cost of production especially waste water management.

In **Financial Year 2014/15** the achievements were as follows:

- i. A blue print design of the leather park has been designed
- ii. The procurement of contractor for the construction of Effluent Treatment plant
- iii. The Leather Value Chain Study was completed and implementation of the recommendations started

In **Financial Year 2015/16** the achievements were as follows:-

- i. Conducted Feasibility study and Master planning

In **Financial Year 2016/17** the achievements were as follows:

- i. Site Office, Gate and 5.7 km Perimeter Wall was constructed

In **Financial Year 2017/18** the achievements were as follows:

- i. 15 km of Internal roads constructed

In the **Financial Year 2018/19** the achievements were as follows:

- ii. Common effluent treatment plant (CETP)% is ongoing (25% complete).

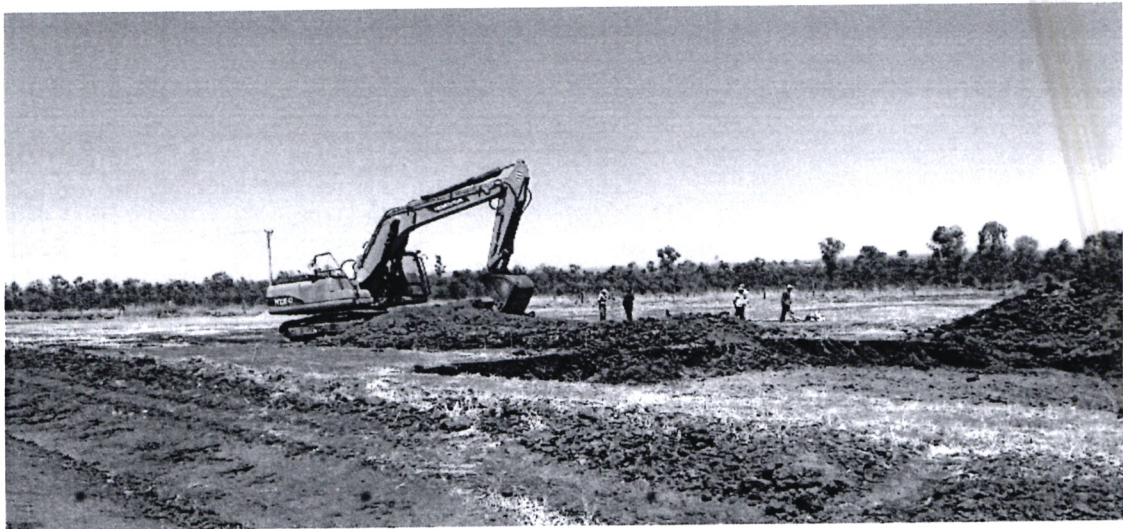


Figure 4.1.4-i: Excavation works for the construction of Leather Industrial Park - Kenanie

#### **4.1.5 Increased investments both domestic and foreign, investment promotion and one stop-shop centre establishment**

The program is geared towards increasing the level of investments both local and foreign through the establishment of one stop shop centre at Kenya Investment Authority. The Net foreign direct investments increase from 546.7 Billion to 664.6 Billion in 2018.

Under **Financial Year 2015/16** the following achievements were realized;

- i. Draft National Investment Policy was developed
- ii. Attracted Foreign Direct Investment and Domestic Investment to the tune of Kshs 224 billion
- iii. Setting up of State of the art One Stop Centre was 65% complete.

Under **Financial Year 2016/17** the following achievements were realized;

- i. Attracted Foreign Direct Investment and Domestic Investment to the tune of Kshs169 billion
- ii. One Stop Centre was completed.

Under **Financial Year 2017/18** the following achievements were realized;

- i. Attracted Foreign Direct Investment and Domestic Investment to the tune of Kshs 190billion.

Under **Financial Year 2018/19** the following achievements were realized;

- i. Development of Kenya Investment Policy, 2019.
- ii. Operationalization of one stop shop center.
- iii. Holding investment fora at local, regional and international levels.



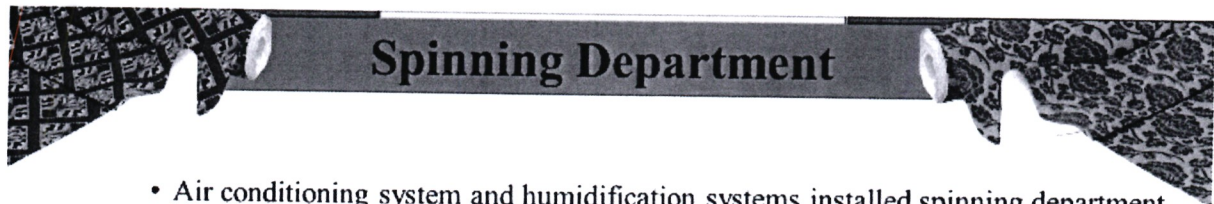
Figure 4.1.5-i: One Stop-Shop-Center at KENINVEST

#### **4.1.6 Modernization of the Rivatex machinery**

Under the project the following activities have been implemented:

- i. Completed the acquisition, installation and commissioning of new machinery for the Spinning, Reading, Preparation, and Weaving Sections of the factory in the **FY 2018/19**. Remaining with acquisition of machinery for the processing section.
- ii. Construction of industrial warehouse is complete **FY 2018/19**
- iii. Construction of the Effluent Treatment Plant and Security wall is at 80% complete.
- iv. Participated in the producing the fabric for making of uniforms for the disciplined forces under the buy Kenya build Kenya programme.

In pictorial:

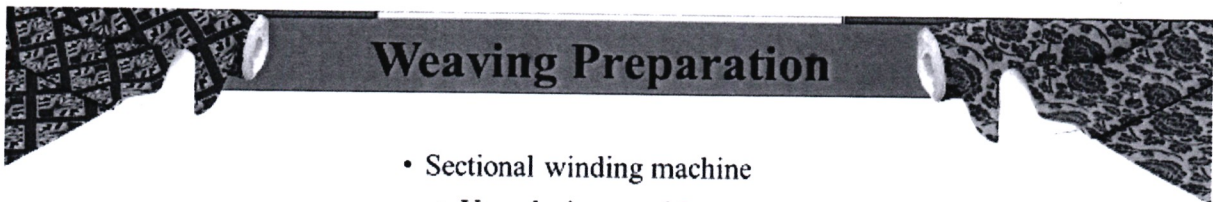


## Spinning Department

- Air conditioning system and humidification systems installed spinning department
- All machines in the department are running with efficiency of more than 95%



Figure 4.1.6-i: Air conditioning system and humidification systems



## Weaving Preparation

- Sectional winding machine
- Yarn dyeing machine
- Lifting Crane in sizing section for lifting warped beams

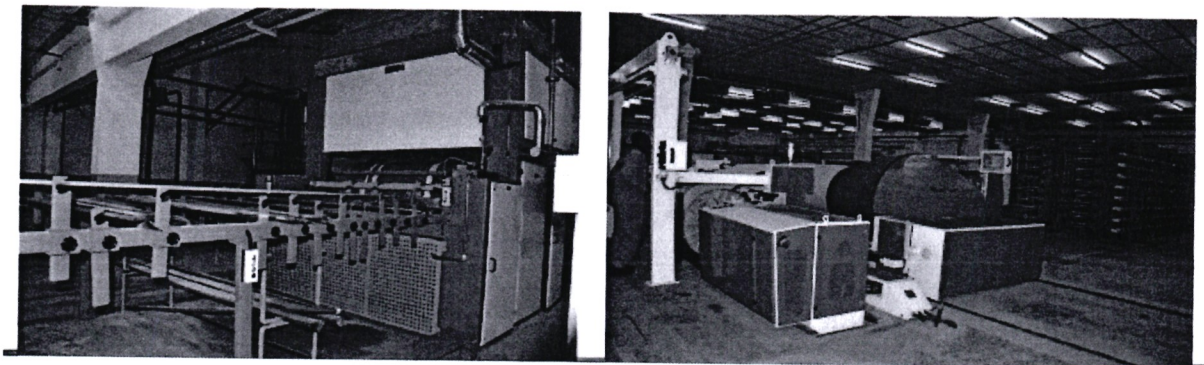


Figure 4.1.6-ii: Weaving preparation – sectional winding machine & yarn dyeing machine

## Weaving Department

- New weaving looms
- Air conditioning unit and the humidification system installed

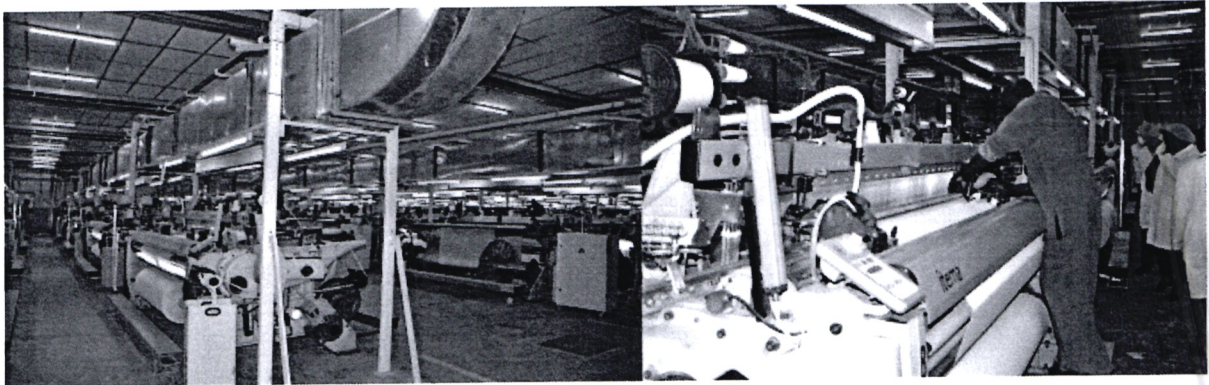


Figure 4.1.6-iii: New weaving looms

### 4.1.7 Cotton Extension Subsidy

The project aims at expanding the cotton production mainly through provision of farm inputs (seeds, fertilizers & capacity building) to farmers, extension services and coordinates the revival of ginneries for processing of cotton. Under the project the following activities have been implemented:

- i. Signed Memorandum of Understanding with 11 County Governments on cotton revitalization and supporting farmers with extension services;
- ii. Contracted 6500 no of farmers for cotton production putting 60,000 acres of land under production;
- iii. Coordinated the approval by the Cabinet the adoption and commercialization of BT Cotton through performance trials; and
- iv. Seeds distributed to farmers in the Eastern region.



Figure 4.1.7-i: Plucking of Cotton at West Pokot

#### **4.1.8 Infrastructure and civil works – Kenya Industrial Training Institute**

The project is geared towards making the Kenya Industrial Training Institute a center of excellence in providing industrial and entrepreneurship training. This is expected to create a pool of trained manpower to work in the industrial sector where there has been a mismatch of trained students and the requirements from the industry.

In **Financial Year 2014/15** the following were achieved

- i. KITI admitted 1800 students for various courses
- ii. 300 students graduated
- iii. 5 new courses in various departments,
- iv. Construction of the perimeter wall was completed and repainted all buildings.

In **Financial Year 2015/16** the following were achieved

- i. Purchased modern and specialized equipment and tools for training; 27 for leather training, 50 for textile training, and 20 for mechanical engineering.

- ii. Developed new curriculum in: Programmable logic control (PLC), Solar PVC Foundry technology, Food technology, Computer Aided Design -AutoCAD & Archi CAD, Pastry & Bread making, Cake Making & Decoration and also Textile & apparel operators.

In **Financial Year 2016/17** there following were achieved;

- i. Students enrolled was 1350

In **Financial Year 2017/18**there following were achieved;

- i. Students enrolled was 1650

In **Financial Year 2018/19**there following were achieved;

- i. Students enrolled was 2200
- ii. Completion of stalled project: Women Hostel at 75% complete; walkways and central store
- iii. Perimeter wall completed
- iv. Refurbishment of workshops and administration block

In pictorial:



Figure 4.1.8-i :Workshop at 90 % complete in KITI, Nakuru



Figure 4.1.8-ii: Walkways at 90 % complete in KITI, Nakuru

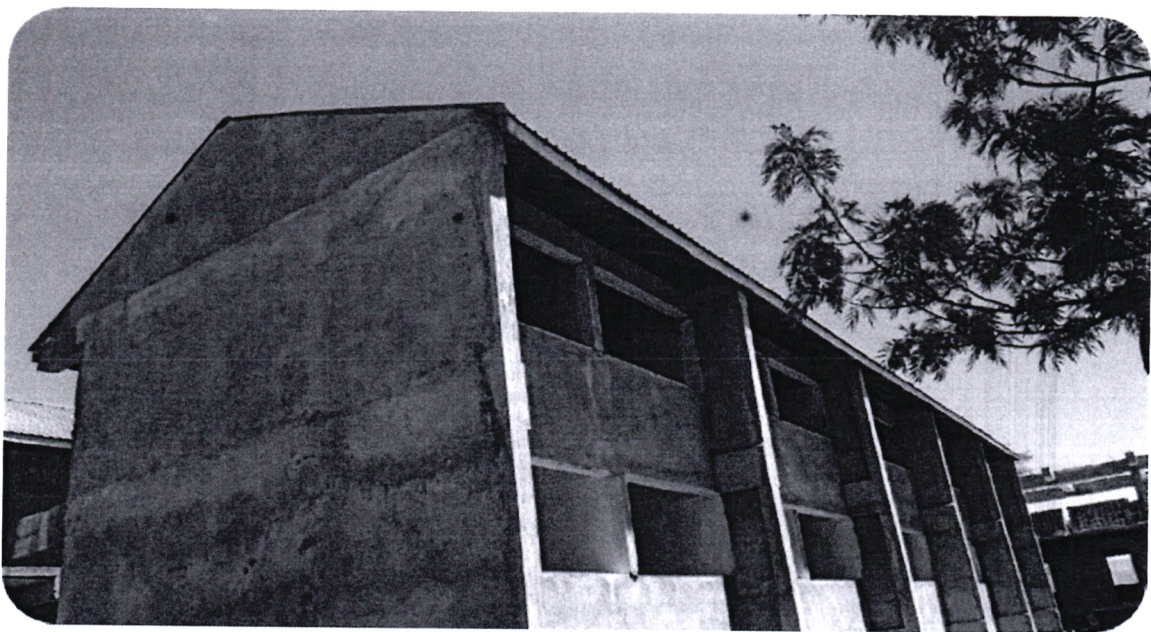


Figure 4.1.8-iii: Women student Hostel at 70 % complete in KITI, Nakuru

## **4.2 Programme2: Standards and Business Incubation**

### **4.2.1 Construction of Constituency Industrial Development Centers**

The CIDCs will provide worksite for MSEs through construction & equipping of CIDCs, training of MSEs and Capacity building. This project aims at expanding economic opportunities for rural areas for employment creation.

In **Financial Year 2014/15** the following were achieved:

- i. 165 CIDCs were completed while 24 had stalled
- ii. Two CIDCs in Kiambaa and Kitui Central have been equipped and handed over to Kenya Industrial Estate for Operationalization.

In **Financial Year 2015/16** the following were achieved

- iii. Refurbishment of 41 CIDCs completed.
- iv. Trained MSE's Operators and Machine operators.

In **Financial Year 2016/17** the following were achieved:

- i. Micro and Small Enterprises Authority (MSEA) Act was operationalized.
- ii. Facilitated 2,001 MSEs access to County, National, regional and international markets
- iii. Trained 1,352 MSEs on management and entrepreneurship,
- iv. Facilitated the creation of 41,275 jobs



Figure 4.2.1-i: Operational CIDC Othaya



Figure 4.2.1-ii: Completed CIDC Kakamega

#### **4.2.2 Construction & equipping of Industrial Research Laboratories**

Construction of industrial research facilities (infrastructure) for undertaking industrial research and development in all industrial and allied technologies including Civil Engineering, Mechanical Engineering, Textile Technology, Electrical Engineering, Mining, Power Resources, Chemical Engineering, Industrial Chemistry, Food Technology, Ceramics and Clay Technology.

In the **Financial Year 2014/15** the following were achieved:

- i. The western KIRDI region project is at 96% complete,
- ii. South C project is 35% Complete,
- iii. Developed a strategy for capacity building and attracting and retaining high caliber professionals/ staff where 71 scientists were employed.
- iv. Over 20 products and technology were developed.
- v. Designed and produced eight hundred and forty (840) Arc Welding Machine and fifty (50) Hospital Beds,
- vi. 2 tanneries were established in West Pokot and Wamunyu,
- vii. Transferred fruit processing and honey processing, cotton processing, extraction and fish leather technologies to 21 SMEs.
- viii. 3 pilot soya bean processing plants were operationalized for production of soya flour, soya milk and other related soya products

In **Financial Year 2016/17** the following were achieved

- i. Developed and commercialized 165 products under the natural product and value addition and productivity initiatives mainly in agro-processing and Natural products.
- ii. Modern state of the art Industrial Research, Technology and Innovation laboratories, administration offices and a Techno Business Centre in Kisumu completed.
- iii. Equipping of the Leather pilot plant and research laboratories was completed.

In **Financial Year 2017/18** there following were achieved

- i. Completed 54 projects in industrial technology research,
- ii. 22 new technologies to MSMEs for commercialization were completed,
- iii. Supported a total of 1,283 MSMEs through technology incubation, common manufacturing facilities, laboratory services, quality standardization services, training and capacity building services
- iv. Creation of 3,846 jobs by the MSMEs.

Under the project the following activities have been implemented by 2018/19:

**Kisumu**

- i. Completed the construction of laboratories in Food technology, Energy, Leather technology and Natural Products; and administration block **FY 2016/17**.
- ii. Acquired machinery for food, leather and textiles laboratories in **FY 2018/19**.

**Nairobi, South B**

- i. Civil and Building works done at 64% percent complete.

In pictorial:



Figure 4.2.2-i: KIRDI HQ 64%, South B, Nairobi.

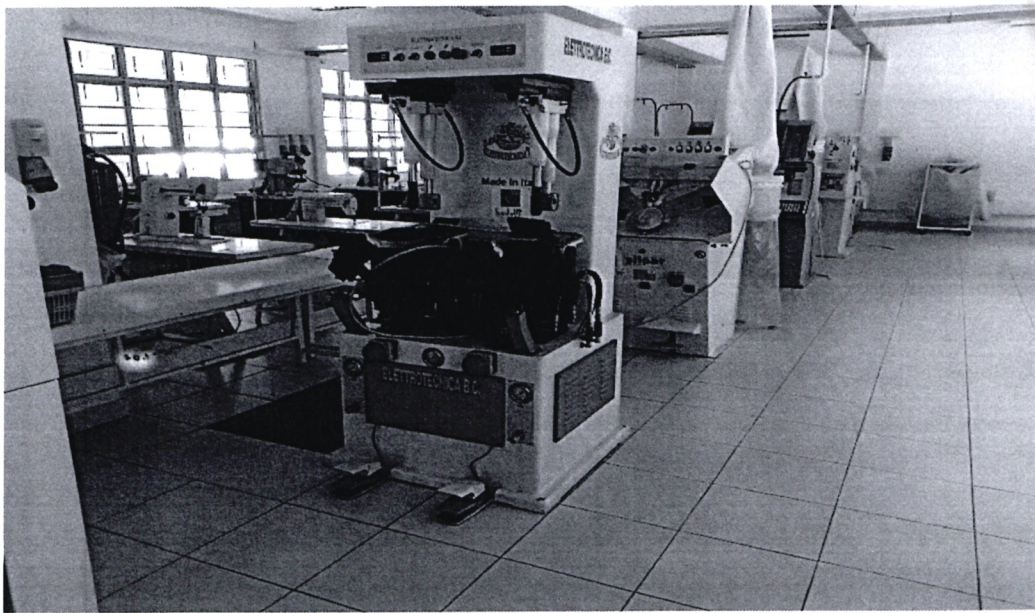


Figure 4.2.2-ii: Equipment for Laboratory in Food Technology and Energy.



Figure 4.2.2-iii: Equipment for Laboratory in Leather and Textile Technologies.

#### **4.2.3 Provision of Credit/Finance to Small, Medium & Large Enterprises**

This programme facilitates the small and medium enterprises in accessing affordable credit, work space, business advisory services and incubation services.

In **Financial Year 2014/15** the following were achieved

- i. Credit amounting to Kshs 571.6 Million was disbursed,
- ii. 1,506 new enterprises were created,
- iii. 8,601 direct jobs and 34,404 indirect jobs were created
- iv. 12,623 entrepreneurs were trained,
- v. 483 Linkages were established.
- vi. Constructed 266 industrial sheds across the country
- vii. Industrial credit advance by ICDC Kshs 481 Million

In **Financial Year 2015/16** the following were achieved

- i. Amount of credit /capital issued was Kshs 183 Million
- ii. Constructed 148 industrial working sites,
- iii. Created 1,910 new enterprises,
- iv. 10,602 direct jobs were created,
- v. Entrepreneurs trained stood at 31,453.
- vi. Industrial credit advance by ICDC Kshs 804 Million
- vii. Industrial credit advance by IDB Capital Kshs 467 Million.

In **Financial Year 2016/17** the following were achieved:

- i. Amount of credit issued was 269M
- ii. Created 742,480 and 684 new enterprises respectively
- iii. Direct jobs created were 3710
- iv. BDS training to entrepreneurs stood at 34,576.
- viii. Industrial credit advance by IDB Capital Kshs 261 Million.

In **Financial Year 2017/18** the following were achieved;

- i. Credit was disbursed Kshs. 210.3 Million

- ii. New enterprises created were 1,449
- iii. 101,881 SMEs were trained on business skills.
- iv. 1,837 MSEs were linked to market
- v. 704 SMEs incubated.
- vi. 19,204 Jobs were created.
- vii. Industrial credit advance by ICDC Kshs 514 Million
- viii. Industrial credit advance by IDB Capital Kshs 560 Million.

In **Financial Year 2018/19** the following were achieved;

- i. Completion of industrial workspaces for the SMEs.
- ii. Disbursed Kshs 401.7 million to SMEs as industrial credit.
- iii. Created 12,051 new jobs and 848 new enterprises.
- iv. Industrial credit advance by IDB Capital Kshs 638 million.
- v. Industrial Credit advanced by ICDC Kshs 969 million.

#### **4.2.4 Accreditation of conformity assessment bodies – KENAS**

The program is for promoting accreditation of conformity assessment bodies (CABs) in specific fields of Certification including: Testing Laboratories, Calibration Laboratories, Medical Laboratories, Inspection Bodies and Certification Bodies.

In **Financial Year 2014/15** the following were achieved:

- i. 20 Conformity Assessment Bodies (CAB's) were accredited
- ii. Seven awareness programmes on accreditation services were conducted,
- iii. 33 assessors were trained in the areas of inspection, testing, certification, testing and medical laboratories.

In **Financial Year 2015/16** the following were achieved:

- i. 104 Conformity Assessment Bodies (CAB's) assessed.
- ii. 124 awareness programmes on accreditation services were conducted.
- iii. 98 assessors were trained in the areas of inspection, testing, certification, testing and medical laboratories.

In **Financial Year 2016/17** the following were achieved:

- i. 90 Conformity Assessment Bodies (CAB's) assessed.
- ii. 133 awareness programmes on accreditation services were conducted.
- iii. 125 assessors were trained in the areas of inspection, testing, certification, testing and medical laboratories.

In **Financial Year 2017/18** the following were achieved:

- i. 13 new Conformity Assessment Bodies (CABs) were accredited,
- ii. 92 awareness programmes were conducted
- iii. 93 conformity assessment bodies were assessed,
- iv. 40 assessors were trained in the areas of inspection, testing, certification, testing and medical laboratories.

In **Financial Year 2018/19** the following were achieved:

- i. 28 New Conformity Assessment Bodies (CABs) accredited in housing, health, food/meat, Abattoirs, energy, transport and others sectors.
- ii. 4 accreditation schemes developed and rolled out.



Figure 4.2.4-i: KENAS 10 years Anniversary



Figure 4.2.4-ii: KENAS Celebration of 10 years with Parliamentary Departmental Committee.

#### **4.2.5 Development and enforcement of standards- KEBS**

The program is for coordinating the development and enforcement of standards for industrial products. This involves development of Standards (Company, National, and Regional & International), maintenance of Measurement Standards (Metrology) and technical support for multilateral and bilateral trade agreements.

In Financial Year 2014/15 the following were achieved:

- i. The number of products certified under large firms was 6,069 issued to large firms and 1,848 Standardization Mark permits were issued.
- ii. 460 new standards were published, 772 standards were reviewed and 30 new firms were certified on various ISO management systems.
- iii. Radiation Testing Laboratory and regional Laboratories and Offices in Kisumu were completed

In Financial Year 2015/16 the following were achieved:

- i. 533 new standards were developed.

- ii. Developed standard for e-learning tablets.
- iii. Reviewed and maintained 1,292 standards.
- iv. 2,296 permits were issued for SME products.
- v. 7,427 permits were issued for products for large firms
- vi. Laboratory upgrading project at KEBS Coast region, Mombasa Laboratory and Lake- region Kisumu office is 90 % complete.

In Financial Year 2016/17 the following were achieved:

- i. 749 new standards were developed
- ii. 2333 permits were issued for SME products
- iii. 8243 permits were issued for products for large firms
- iv. Laboratory upgrading project at KEBS Coast region, Mombasa Laboratory and Lake- region Kisumu office were completed.

In **Financial Year 2017/18** the following were achieved:

- i. 794 new standards were developed
- ii. Reviewed and maintained 999 standards for SME sector
- iii. 2,659 permits were issued for SME products
- iv. 9,076 permits were issued for products for large firms respectively.
- v. Under metrology, KEBS maintained 11 and published 2 Calibration and Measurement Capability (CMC) lines in the BIPM key comparison database.

In **Financial Year 2018/19** the following were achieved:

- i. Quality Assurance (Product certification) - Products certified under large firms stood at 10,266.
- ii. Quality Assurance (Product certification) - Products certified under SMEs stood at 3,076.



Figure 4.2.5-i: Torching on fire the confiscated Counter-feit Goods in MSA



Figure 4.2.5-ii: KEBS laboratory engineer inspecting product



Figure 4.2.5-iii: KEBS laboratory for products quality control in South B, Nairobi.

#### **4.2.6 Protection of innovations and intellectual property - KIPI**

The program is for promoting protection of innovations and intellectual property to catalyze technological development in Kenya. This will increase the registration of patents, utility models, industrial designs, and trademarks.

In **Financial Year 2014/15** the following were achieved;

- i. 271 patents and 3144 trademarks were registered

In **Financial Year 2015/16** the following were achieved;

- i. 4,083 trade marks (national) were registered
- ii. New trademarks applications stood at 4,831.

In **Financial Year 2016/17** the following were achieved;

- i. 5,500 trade marks (national) were registered
- ii. New trademarks applications stood 5000.

In **Financial Year 2017/18** the following were achieved;

- i. 5034 trade marks (national) were registered.

- ii. 457 applications were processed for patent utility models and industrial designs.

In **Financial Year 2018/19** the following were achieved;

- i. 708 applications of patents, utility models and industrial designs processed to completion.
- ii. 4,811 trademarks processed.



Figure 4.2.6-i: KIPi MD taking the PS Industrialization through the patenting process

#### **4.2.7 Modernization of NMC Foundry plant and Machining & Fabrication Workshop**

The project involves refurbishment of foundry and CNC facility; enhancement of R&D and reverse engineering capability; upgrading fabricating equipment; and enhancement of automotive manufacturing capacity.

In **Financial Year 2014/15** the following were achieved;

- i. A concept paper on development of the iron & steel sector was approved by the Cabinet paving way for a Memorandum of Understanding (MoU) between the Government of Kenya and a South Korean investor where the investor was to partner with the Government of Kenya to develop integrated steel mill among other projects.
- ii. A strategy paper for promoting the sector has been developed and drafting of Iron and Steel Bill 2012 was in progress

- iii. The process of finalizing consultancy services for feasibility study was ongoing.
- iv. Designed and developed 6.5HP and 9HP Mavuno water pumps,
- v. Designed a hydraulic brick making machines for production of quality and affordable bricks for the local market and designed &
- vi. Developed a rice harvester to enhance the mechanization within the rice sector in Kenya.

In **Financial Year 2015/16** the following were achieved;

- i. Foundry plant 30 % complete.
- ii. Fabrication of machinery, industrial spare parts and fittings.
- iii. Manufacture of the cement grinding balls.

In **Financial Year 2016/17** there following were achieved;

- i. 56 water pumps
- ii. 184 MT of production castings
- iii. 6,146 transmission parts were developed

In **Financial Year 2017/18** there following were achieved;

- i. 234 tonnes of castings
- ii. 66,652 transmission parts were produced.

In **Financial Year 2018/19** there following were achieved;

- i. 70Tons of Production castings
- ii. 40,000 transmission parts produced.

**In pictorial:**

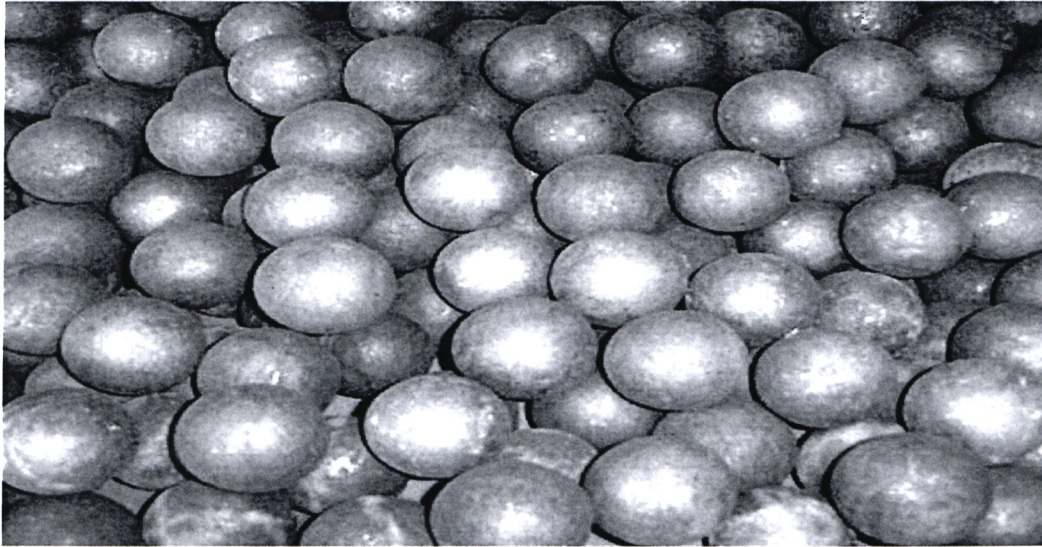


Figure 4.2.7-i: Metals balls ready for use in foundry -



Figure 4.2.7-ii: Kenya power engineer at work- NMC produces transmission parts for Kenya power transformers

## **CHAPTER 5: CHALLENGES**

### **5. Overview**

The industrial sector has continued to face a number of challenges which include; inadequate financial resources; inadequate basic infrastructure facilities; Counterfeit, Dumping and Substandard goods; unavailability of industrial land; skills and capabilities in priority sectors; high cost and quality of energy and high operational cost; business environment (investor-friendly environment and policies); limited access to financial services for industrial development, climate change; limited access to markets; limited innovation & technology development; waste management and security.

### **5.1. Challenges**

The challenges faced include:

#### **5.1.1. Inadequate financial resources (budgetary support)**

Inadequate budgetary allocation and budget cuts especially in development projects has hampered the implementation and completion of the various projects and programmes. Flagship projects and other programmes outlined in the plan required substantial amount of resources to be implemented.

#### **5.1.2. Inadequate basic infrastructure facilities**

The implementation of industrial parks / SEZ program requires huge provision of basic infrastructural facilities (including roads, power, and water) which are costly. This is vital for attracting investments in SEZs to support industrialization and encourage industrial dispersion.

#### **5.1.3. Counterfeit, Dumping and Substandard goods**

The counterfeit, sub-standard contraband and subsidized goods has continued to impact negatively on the locally produced goods. Counterfeit trade has also discouraged innovation efforts, reduced the government revenue base and some of the counterfeit goods are a health- hazard to consumers.

#### **5.1.4. Unavailability of Industrial land**

The cost, availability and ownership of land are major constraint not only to domestic industrial investment but also to foreign direct investment inflows. The

industrial land has not been comprehensively zoned by national and county governments.

#### **5.1.5. Inadequate Skills and Capabilities in priority sectors**

The Government has taken initiative to construct new technical training institutions for vocational training. The training institutions lack adequate modern equipment for training resulting to skills gap necessary for industrial development. In addition, there is a mismatch between available technical skills and market demands due to poor linkages between training institutions and the industry.

#### **5.1.6. High cost and quality of energy and operations**

Unreliable and high cost of energy for industrial enterprises and MSMEs; high cost of labour and transport make the production costly lowering the competitiveness of the products in world market. Low labour productivity in the manufacturing sector translates to high unit labour costs – the labour cost required to produce a standard unit of output.

#### **5.1.7. Unfavorable Business Environment**

Attraction of foreign direct and domestic investments in the country has been hampered by the unfavorable business environment. Although there has been remarkable progress in the World Bank Doing Business rankings, more effort is still needed to achieve the top 50 within the next plan period.

#### **5.1.8. Limited Access to financial services for industrial development**

Access to affordable long-term financing for industrial enterprises and MSMEs has remained a challenge to MSMEs inhibiting their production and technological expansion. This constrains competitiveness and growth of the manufacturing sector.

#### **5.1.9. Climate Change**

Climate change is one of the most serious global challenges of our time. Recurring drought and reduction in rainfall amount received leads to low supply of agricultural raw materials for processing and value addition. Increase in Green House Gas (GHG) emissions from the energy, transport, manufacturing,

agriculture and mining sectors, will increase the climate change and global warming effects on human population, agricultural and livestock production.

#### **5.1.10. Limited Market Access**

Most of Kenya's manufactured products are facing stiff competition in the local, regional and global market due to high cost of production (high energy costs, inefficient production methods, inadequate and inefficient road, port and rail infrastructure systems, slow movement of cargo), non-compliance to international standards and non-tariff and imports of second-hand clothes, shoes and handbags. Stringent and non-uniform application of rules of origin coupled with the non-observance of various protocols and treaties within the regional trading blocs has been a great challenge.

#### **5.1.11. Innovation and Technology Development**

Low technology utilization, low levels of innovation and use of outdated production systems has led to low productivity and competitiveness in the manufacturing sector. There are weak linkages between the technology and research institutions and the industry players. Low funding for R&D has also contributed to poor adoption of new technologies by the MSMEs.

#### **5.1.12. Export base and Value Addition**

Kenya still exports primary, semi processed and a limited range of products due to limited technological capability and information on international markets opportunities. This is as a result of limited scope for product diversification and expansion of export base. Over-reliance on the few traditional export products and markets has, over the years, led to low export earnings.

#### **5.1.13. Waste Management**

Investing into enterprises that are not using environmentally sound technologies and practices have led to increased levels of environmental degradation.

#### **5.1.14. Security**

The perception of insecurity and threat of terrorism has led to investors shying away from investing in certain areas of the country including those with rich resource endowment. In addition, the threat of terrorism has forced manufacturers

to hire extra security, install CCTVs, and other security devices and this has increased their operation costs. This has negatively impacted on local and foreign direct investments creating inequity in the distribution of industrial investments

## CHAPTER 6. CONCLUSION

The Sector is very key in contributing to economic growth and the achievement of targets set under the Medium-Term Plan (MTP) III 2018 – 2022 and Big 4 Agenda. Manufacturing sector's contribution to GDP over the last five years has been on a downward trend. In 2013, the sector contributed 10.7% to GDP but this has declined progressively to 7.7% as at 2018. The sector's output has been increasing but not as fast as the other sectors over the period on review.

In terms of resources allocation, the sector has consistently been allocated an average of 1.4% share of the overall budget despite the expanded mandate of delivering on the manufacturing pillar of the Big Four agenda. The implication of the funding short falls in budgetary is that it will negatively impact on the capacity of the Ministry to deliver on its mandate. Specifically, this entails;

- i. Delay in achieving the targets under the Big Four Agenda for manufacturing sector (contribution to the GDP growth and employment creation).
- ii. Delayed projects completion.
- iii. Increased project costs due to costs associated with delays and penalties.

The declining trend in resource allocation can be addressed through adequate funding to complete on-going projects. While the Ministry has intensified resource mobilization and engagement with the private sector /development partners to support industrial programmes, the Parliament and National Treasury is expected to increase the percentage allocation to at least 5.0% of the GDP during the next FY 2020/21 and medium term period to enable the Ministry achieve the planned targets under the Vision 2030 and Big Four Plan.

To ensure that the Sector plays its role in enhancing sustainable productivity and creation of employment opportunities through implementation of planned projects the following are recommended:

1. The Government to enhance security in order to boost confidence, protect businesses and create enabling environment to attract d potential investors which are key drivers of programmes within the Sector
2. Provide budget/resources to ensure adequate staffing in the technical departments and improve capacity of existing staff to enhance service delivery in the Sector
3. Support continuous research, development and innovation for effective and efficient delivery of services
4. Undertake continuous reforms in business processes such as simplification of business registration, tax administration and labour laws to improve business and investment environment.
5. Strengthen the Inter-Governmental Relations Framework to enhance mutual relations on the basis of consultation and collaboration between the two levels of Government (National and Counties) to hasten the project implementation.
6. Strengthen institutions dealing with counterfeit, contraband and sub-standard goods to protect the manufacturing sector
7. Embrace alternative sources of financing e.g. provision of sovereign guarantees for mega projects and Public Private Partnerships (PPPs).

**II. STATE DEPARTMENT OF TRADE AND ENTERPRISE  
DEVELOPMENT**

## **1. INTRODUCTION**

The State Department for Trade was established through Executive Order No. 1 /2016 with the following mandate: Trade Policy, Buy Kenya Policy, Promotion of Wholesale and Retail Markets, Export Promotion, Fair Trade Practices, Coordination of Regional Trade Matters (COMESA, AGOA, IORA & IGAD), Trade Negotiations Services and Advisory Services and Enforcement of International Trade Laws, Regulations and Agreements.

Trade is a major contributor to the country's economic growth and development. It creates a means through which goods and services move from producers to the final consumer. Moreover, trade creates employment opportunities in the informal, retail, wholesale and export sub-sectors thus contributing to poverty reduction. The sector also promotes Medium Small and Micro Enterprises (MSMEs) by training and linking them to large exporters to enable them participate in export trade. The Sector collaborates with all stakeholders to strengthen its overall performance and contribute to the growth prospects as outlined in the Vision 2030. This is achieved through strengthening of strategic partnerships both at local, regional and multilateral levels.

To broaden Kenya's export market base, the Sector provides leadership in negotiating for increased market access for Kenyan goods and services as well as showcasing Kenya's export potential through export promotion activities.

The State Department for Trade has undertaken various activities during the FY2016/17 in the realization of its mandate as indicated in this report.

## **2. INTERNATIONAL TRADE**

The State Department for Trade is responsible for the management of Kenya's international trade relations and the promotion and protection of its interests overseas to contribute to the country's development objectives. The department executes this mandate through:-

- i) Formulation, Implementation, Coordination, Monitoring and Reviewing of international trade policies;
- ii) Formulation and Implementation of Export Strategy;
- iii) Promotion of Bilateral, Regional and Multilateral trade relations;
- iv) Coordination of Kenya's participation in Multilateral and International trade negotiations;
- v) Undertaking Policy analysis and Research on Economic and International Trade issues;
- vi) Promoting inflow of investments;
- vii) Coordination of inward and outward trade and investment missions;
- viii) Co-ordination matters concerning, WTO, UNCTAD, ITC and other ITOs including negotiations and implementation of the relevant trade related decisions emanating from ITOs ;
- ix) Dissemination of relevant business information to the business community;
- x) Co-ordination of regional trade matters: EAC, COMESA, EAC-EU, AGOA, ACP-EU, IORA and IGAD among others;
- xi) Protection of domestic producers/industry from unfair trade practices; and
- xii) Coordination of Dispute Settlement matters arising from Multilateral, Regional and Bilateral trade.

During the FY2016/17, the Department achieved the following:-

### **2.1 Bilateral Trade and Investment**

Through various bilateral engagements, the department held discussions through Joint Trade Committees, Joint Commissions for cooperation, meetings with Ambassadors/High Commissioners representing foreign countries in Nairobi, country briefings and ministerial exchange visits, all aimed at facilitating the flow of trade. This was realized through:-

### **2.1.1 In-bound Trade and Investment Fora**

The department organized in-bound business Fora which took place on the side-lines of visiting Heads of State and other dignitaries, including Ministers. The following business fora were organized:-

- i) **Kenya – South Korea Business Forum:** The two chambers of commerce signed an agreement to promote private sector partnership. The Government of South Korea committed to opening up their market to Kenyan products e.g. flowers.
- ii) **Kenya – Ethiopia Business Forum:** The forum was held in May 2016. During the forum, Ethiopia committed to improve on cross-border trade and the implementation of the Special Status Agreement (SSA).
- iii) **Kenya – India Business Forum:** The Prime Minister of India committed to support Kenya with cancer screening equipment to be installed at Kenyatta National Hospital.
- iv) **Kenya – South Africa Business Forum:** The forum was held in October 2016. During the forum and the Senior Officials meeting, South Africa agreed to open the market for Kenyan tea to be sold in their various stores. Additionally, South Africa requested to be provided with information on available investment opportunities in Kenya and in return, will reciprocate by providing the same to Kenyan business fraternity. This was implemented and South Africa is working out on modalities on how to invest in priority areas.
- v) **Kenya – Saudi Arabia business forum:** The forum was held in April 2017 where Kingdom Paints Company of Saudi Arabia signed an MOU with Akkad Systems of Kenya to distribute Saudi Arabian paints in Kenya.
- vi) **Kenya – Qatar business forum:** The forum was held in April 2017. During the forum Dahabshil Ltd, of Kenya signed an MOU with Aladah Foreign Exchange Works of Qatar for Foreign Currency exchange.

### 2.1.2 Out-bound Trade and Investment Fora

The State Department for Trade organized out-bound trade and investment fora which took place on the side-lines of Presidential/State visits by H.E. the President of the Republic of Kenya. These included:-

- i) **Israel – Kenya Trade & Investment Forum:** The fora was held in February 2016 in Tel Aviv, Israel and attended by 80 business people including 15 from Kenya. Israel expressed desire to import Kenyan horticulture.
- ii) **France – Kenya Investment Roundtable:** The forum was held in Paris, France on 5<sup>th</sup> April 2016 where French business people expressed the desire to import tea and horticulture from Kenya.
- iii) **Germany–Kenya Investment Forum:** It was held in Berlin in April 2016. German companies expressed interest to invest in green energy, importation of coffee, tea and horticulture from Kenya. It is also during this forum that German government agreed to support Kenya in establishing vocational training centres.
- iv) **India – Kenya Business Forum:** It was held in January 2017 in New Delhi, India and Kenya participated in Gujarat Business Conference. During the bilateral meeting, India agreed to import Kenya pulses and a draft agreement on the same has been developed and sent to India for consideration.

### 2.1.3 Bilateral Meetings

In order to enhance bilateral trade, the department engaged in several meetings with trading partners, among them:-

- i) **Kenya – Zambia Bilateral meeting:** The meeting aimed at resolving the long standing Non-Tariff Barriers affecting trade in UHT milk and palm oil. The meeting agreed on a verification mission to be conducted in Kenya to resolve the NTB affecting trade in palm oil.
- ii) **Bilateral Meeting between Kenya and Jordan:** The meeting was held in December 2016 in Jordan and attended by the Principal Secretary for Trade, Dr. Chris Kiptoo, and his counterpart Eng. Yarub Quday, Minister for Industry & Trade. The meeting noted that trade between

the two countries was still low and there was need to moot strategies of increasing it. It was agreed that after signing of a bilateral trade agreement, a Joint Trade Committee and a Joint Business council be established. The Principal Secretary for Trade invited Jordanian delegation to visit the country and consider engaging in joint ventures and investments with Kenyan counterparts. The Jordan Minister for Trade & Industry informed the Principal Secretary that the Government of the Hashemite Kingdom of Jordan was to open an Embassy in Nairobi in December 2016 and encouraged the Government of Kenya likewise to open an Embassy in Amman, Jordan.

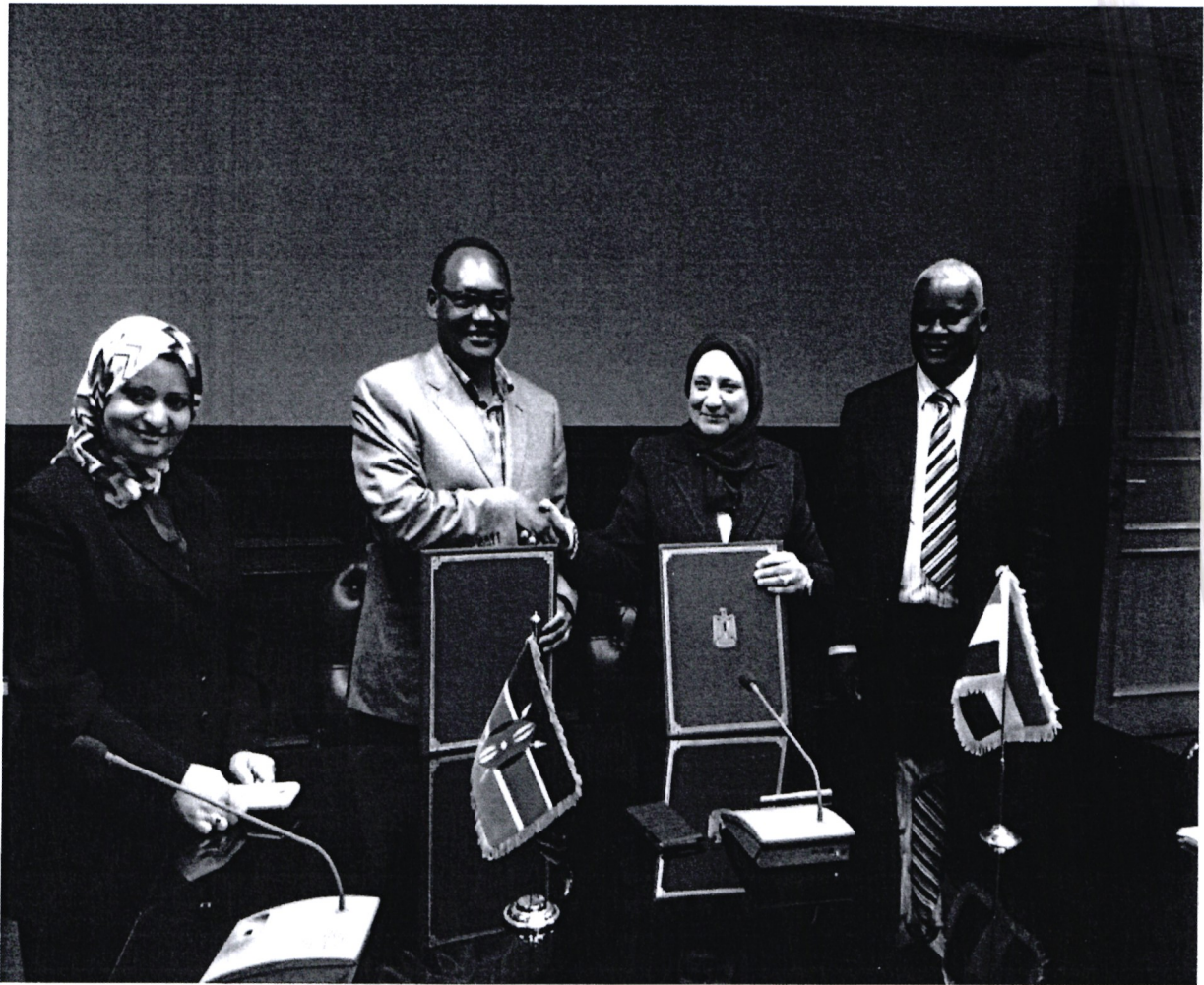


*Fig. 1: Kenya – Jordan Bilateral Trade Meeting*

iii) **Kenya-Egypt Bilateral Meeting:** The meeting was held in December 2016. The two sides signed agreed minutes of the Joint Trade Committee (JTC) meeting which highlighted areas of cooperation in investments, customs, agriculture, standardization and, small and medium enterprises. The two sides also agreed to hold a meeting of Joint Business Council by the two Chambers of Commerce and Industry.



*Fig. 2: Official opening of Joint Trade Committee meeting in Egypt in December 2016*



**Fig. 3: Exchange of Agreed Minutes between PS Trade Dr. Chris Kiptoo and Mrs Azza Mohamed, Undersecretary and Head of Central Department for Trade Agreements, Ministry of Trade and Industry in Jordan.**

iv) **Bilateral Meeting between Kenya and Jordan:** The meeting was held in April 2017. The two sides signed agreed minutes of the JTC meeting and agreed that there was need to work together towards increasing trade and investment flows between Kenya and Jordan. They also agreed to cooperate in exchange of information, experience and expertise in various sectors that including Special Economic Zones, Customs, Industrial Technology, Standards, Development of Micro, Small and Medium Enterprise (MSMEs), Agriculture, Mining, and Air transport among others.

Jordan presented a draft Free Trade Agreement and several drafts Memoranda of Understanding for Kenya to consider.



**Fig. 4: Deliberations during the Joint Trade Committee (JTC) meeting in Jordan- April 2017**



**Fig. 5: Initialing of Agreed Minutes of JTC PS Dr. Chris Kiptoo and Mr. Yousef Al Shamali, General Secretary, Ministry of Industry, Trade and Supply in Jordan**

- v) **Bilateral Meeting between Kenya and Israel:** The meeting was held in April 2017. The two Countries signed agreed minutes of the JTC meeting and emphasized their mutual interest to further continue development of the Kenyan-Israel bilateral relations in sectors of economy, trade, agriculture, energy, digital technology, tourism, health, standards, maritime, customs, environment protection, water resource management, urban development and smart cities. This is aimed at achieving their expected potential through continuous economic cooperation, trade and export development while at the same time identifying and removing trade barriers.



**Fig. 6: Deliberations during the Joint Trade Committee (JTC) meeting in Jerusalem in Israel in April 2017**

#### vi) **Participation in International Trade Fairs**

The Department participated in International Trade Fairs in Gaborone-Botswana, Kampala-Uganda and Fruit Logistica in Germany. The Fairs offered a platform for showcasing the country's products as well as interacting with both present and potential buyers. Participation in the Fairs led to numerous inquiries, some of which have translated into orders.

## **2.2 Regional Integration**

### **2.2.1 East African Community**

The East African Community (EAC) is one of the fastest growing integration arrangements in Africa. The EAC has made remarkable progress since the signing of the Treaty establishing EAC that came into force on 7<sup>th</sup> July 2000. The Treaty made provision for four pillars of integration for a full-fledged Community. The first stage of integration was a Customs Union followed by a Common Market. The realization of a Monetary Union is in progress. The EAC Customs Union protocol provides for zero internal tariffs and a common external tariff, came into operation in 2005, and became fully fledged in 2010 following the end of a five-year transitional period. **The Common Market protocol provides for the free movement of persons, services, capital labor and the right of residence and established came into force in 2007.**

**Table 1: Kenya Trade Statistics with EAC (Kshs.) (2012 – 2016)**

<b>Year</b>	<b>Export Value</b>	<b>Import Value</b>	<b>Balance Of Trade</b>
2012	152,910,777,291	30,871,782,982	122,038,994,309
2013	141,637,418,777	28,831,946,970	112,805,471,807
2014	145,927,411,660	37,872,130,863	108,055,280,797
2015	143,847,601,202	40,213,357,371	103,634,243,831
2016	138,028,839,101	32,940,683,938	105,088,155,164

**Source: EPC/ CBIK**

The table above indicates that for the period 2012 – 2016, Kenya continued to dominate intra-EAC trade, accounting for about 33.4 percent of total intra-EAC trade while Uganda and Tanzania accounted for 27.7 percent and 23.7 percent of the total intra-EAC trade respectively. The composition of intra-EAC trade was mainly dominated by agricultural commodities namely; coffee, tea, tobacco, cotton, rice, maize, and wheat flour and manufactured goods such as cement, petroleum products, textiles, sugar, confectionery, beer, salt, vegetable fats and oils, iron and steel, paper, plastics, and pharmaceutical products as in previous years.

On the other hand, EAC Partner States imports from third countries consisted of industrial products namely; cement, petroleum products, sugar, confectionery, vegetable fats and oils; iron and steel; paper, plastics, pharmaceutical products, inorganic chemical compounds, fertilizers, and agricultural products such as cereals (rice, maize, wheat flour). Though intra-EAC trade has slowed down in the past five years, Uganda continues to remain an important export destination for Kenyan exports with goods worthy Kshs. 60 Billion exported to Uganda in 2015 as compared to goods worthy Kshs. 33 Billion exported to Tanzania. Goods worthy Kshs. 17 Billion and 6 Billion were exported to Rwanda and Burundi respectively. (2016 figures are available)

**i) Achievements Realized Under the EAC Integration**

**a) Online Reporting System of Non-Tariff Barriers (NTBs)**

The NTB online reporting system is available on [www.meac.go.ke](http://www.meac.go.ke) using multiple platforms including simplified SMS code. The system was installed in Kenya with support from Trade Mark East Africa. All EAC Partner States have function a National Monitoring Committee (NMC) which hold quarterly meeting to deliberate on the outstanding NTBs, with the aim of resolving them. The NMC

reports are tabled at the Regional NTB Forums for guidance.

It is anticipated that once the online NTB reporting system -is commissioned it will play an integral part in eliminating NTBs. The system is designed to inform the existence of NTBs on real time. One hundred and sixteen (116) NTBS have been resolved cumulatively since 2009.

**b) Monitoring NTBs on the Northern Corridor**

The NMC continuously monitors and evaluates its performance in terms of traffic flow, efficiency at weighbridges, number of road blocks and police checks. In February and March, 2017, a team of key ministry experts undertook physical monitoring of NTBs along the Northern Corridor. The team visited major border points in Kenya, Namanga, Malaba, Busia, Isebania, Taveta and Lunga-Lunga. The team interacted with government officials /agencies, business community and Micro and Small Enterprises (MSMEs) at the Kenya Borders to appreciate and address challenges that affect their daily activities.

**c) Enhancement of Security on the Northern Corridor**

Kenya has enhanced security along the Northern Corridor. The Border Management Committee on Security which was launched at the Mombasa Port in July, 2016 has created synergy of stakeholders and enhancement of joint operations among agencies domiciled in the Port to eliminate cargo disappearance. Additionally, the Police Unit in charge of patrolling the highways including the Northern Corridor has been overhauled and re-tooled to combat cargo disappearance and other malpractices along Kenya international trunks.

**d) One Stop Border Posts (OSBPs)**

Kenya, through development partners has constructed six (6) OSBPs at Lunga Lunga, Taveta, Namanga, Isebania, Busia and Malaba. The NMC has continuously received progress reports on construction of the facilities. Currently, Taveta OSBP is fully operational while Namanga OSBP has been completed and agencies have moved into the facility; however it is not yet operational - due to some technical issues including cross border connectivity. It's expected to be fully operational by the end of 2017.

Construction of Isebania and Lunga Lunga OSBPs is complete and Kenya border agencies are operating in the facilities. However, due to technical issues including connectivity and water supply, the facilities are not operating according to the OSBP concept.

**e) Status Report on the Implementation of the EAC- Common Market**

In an effort to expedite implementation of the EAC Common Market Protocol provisions, the EAC Secretariat in collaboration with TradeMark East Africa and the World Bank Group developed the EAC Common Market Scorecard. The first CMS 2014 report was officially launched in December, 2014 in Arusha, Tanzania, and validated in Kenya in February, 2015 followed by the second EAC CMS 2016 report which was officially launched in 2016 in Kampala, Uganda. As of December 2016, Kenya, Uganda and Rwanda had ratified the EAC-DTA (Double Taxation Agreement) Model and deposited instruments of ratification to the EAC Secretary General. The United Republic of Tanzania and the Republic of Burundi are yet to ratify the EAC- DTA model.

Kenya has undertaken the following:-

- i) Assented to the EAC Elimination of Non-Tariff Barriers Act, 2015, and ratified in March, 2017;
- ii) Approved a road map for launching the Derivatives Market Exchange in December 2016;
- iii) Signed EPA with EU on 1<sup>st</sup> September, 2016 and subsequently ratified the Agreement;
- iv) Operationalized the Single Window System in the areas of Import Declaration Forms and pre- export verification of conformity, December, 2016;
- v) Developed a Framework for the regional Authorised Economic Operators (AEO) that entails recruiting more AEO members and enrolling them for the EAC Consultative meetings, December, 2016;

- vi) Operationalized the New EAC RoO, December, 2016;
- vii) Review the EAC CET and the RoO has commenced at the Regional and National level. Kenya has already constituted a National Task Force and engaged a consultant to review the CET and thereafter the Rules of Origin. The timeframe for National consultations and developing a national position on the CET review has been set up to December 2017;
- viii) Legislated removal of Import Declaration Forms fees and the Railway Development Levy for Partner States under the Miscellaneous Fees and Levies Act 2016;
- ix) Operationalized Mutual Recognition of Transit Licenses, 2016;
- x) Initiated the Exchange of Information on Fraud and Tax Evasion with Partner States in 2016;
- xi) The Kenya Companies Act 2015 that had been noted as a restriction to other Partner States by requiring 30% of shareholding held by Kenyan Citizens pursuant to Section 975(2) of the Companies Act has been amended;
- xii) Developed, the Draft Harmonization Policy on the Approximation of Laws in October, 2016;
- xiii) Rolled out the one year online Temporary Permit Travel Document;
- xiv) Moved the Lead Agency in Border Controls from Immigration to KRA;
- xv) Developed and operationalized the National Labour Information System (LMIS) to link jobseekers to employment opportunities. This however awaits official launch;
- xvi) Initiated the Development of the EAC Common Market Scorecard on the Free Movement of Labour, and,
- xvii) Removed the Restriction on citizens of the EAC Partner States investing in the Insurance Companies and Insurance brokerage firms that required at least one-third of the controlling interest in an insurance company registered in Kenya must at all times be held by citizens of Kenya.

During the EAC CMP negotiations, Partner States made commitments to liberalize in the following seven(7) Services Sectors, to enable service suppliers to freely move within the region and provide their services:- Business, Communication, Distribution, Education, Financial, Tourism and Travel and Transport. Below is a table showing the commitments made by the five Partner States:

**Table 2: Number of services sub-sectors committed by EAC Partner States (Annex V of the EAC CMP)**

	<b>Burundi</b>	<b>Kenya</b>	<b>Rwanda</b>	<b>Tanzania</b>	<b>Uganda</b>
Business	31	15	32	7	32
Communication	6	16	21	18	20
Distribution	3	3	4	2	4
Education	4	4	5	4	5
Financial	9	12	16	17	12
Tourism and Travel	4	3	4	4	4
Transport	16	8	22	9	22
<b>Total number of sub-sectors committed</b>	<b>73</b>	<b>61</b>	<b>104</b>	<b>61</b>	<b>99</b>

Work is ongoing to resolve some errors that were made during the negotiations that have negatively impacted on movement of some service suppliers as well as Partner States making dear commitments to facilitate a larger group of service suppliers to move within the region.

**f) Challenges faced in implementation of the EAC Customs Union and the Common Market**

The implementation of the Customs Union and Common Union has been faced challenges:-

- i) Imposition of frequent Non-Tariff Barriers by Partner States;

- ii) Distortion of the CET due to existence of exemption schemes such as Stays of Application, Duty Remission Schemes, exemption lists (Burundi, Rwanda and Uganda);
- iii) Restrictive Rules of Origin for a few products (Edible oil, salt etc.);
- iv) Poorly structured CET (Mixing intermediate and final products or basic raw material and intermediate product in same tariff band;)
- v) Non-commitment by some Partner States on recognition of Commitments made under Schedule IV, on the Free Movement of Services, where PS had committed to open up by December, 2015, especially in the area of Professional Service Suppliers. In addition to this, some PS do not recognize Mutual Recognition Agreements (MRAs) signed amongst themselves to facilitate the Free Movement of Professionals.

### **2.2.2 Common Market for East and Southern Africa (COMESA)**

The Common Market for Eastern and Southern Africa (COMESA) was established in 1994. It has 19 Member States, and is a functioning Free Trade Area since 1 November 2000. A Customs Union was launched on 7 June 2009, with a three-year transition period. With a total population of over 441 million people, and a combined GDP of about \$444 billion, COMESA offers a large market for trade and investment.

The vision of COMESA is to be a fully integrated and internationally competitive region, with improved living standards for the people, and a region that is fully part of the continental integration process. Several achievements have been made for a deeper level of economic integration particularly with the launch of the Customs Union on 7 June 2009. There has been an increase in intra-COMESA trade since the year 2000. Programs for establishing the Common Market are on-going particularly in the areas of services liberalization; agriculture; elimination of non-tariff barriers; trade facilitation; market information; visa relaxation; energy; peace and security; formulation and implementation of a regional industrial policy; formulation and implementation

of a regional intellectual property policy; as well as programs for harnessing science and technology and the Tripartite Free Trade Agreement.

Areas of negotiating interest include issues on sugar safeguards, and the Regional Integration Support Mechanism (RISM).

### **2.2.1.1 Kenya's Sugar Safeguard**

At the commencement of the implementation of the COMESA Free Trade Area in the year 2000, Kenya sought and was granted in 2002 a sugar safeguard as the sugar sector in Kenya was not able to compete with sugar from other COMESA member states. This safeguard has been extended several times since the first one in 2002. Through Directive No. 1 of 2007, Kenya was expected to do a number of things which would turn around the sugar sector and make it competitive. These includes privatizing state owned mills, conducting research into new and high sucrose content sugar cane varieties and adopting them, paying farmers on the basis of sucrose content instead of weight, maintaining the safeguard as a tariff rate quota with the quota increasing while the above quota tariff reducing until it reaches 0%, and maintaining and providing infrastructure including roads and bridges in the sugar growing areas.

The Government agency responsible for privatization has undertaken verifiable steps on privatization of the remaining public owned Mills. Research of early maturing, high yielding resistant to pest and disease cane varieties is progressing well. A total of 21 improved sugarcane varieties were released during the period 2002 - 2014 and several clones are undergoing evaluation.

The sugar industry has already partially changed the cane pricing formula from one based on cane weight to one derived from the expected cane quality and factory extraction expressed or denoted by the TC/TS ratio.

This formula links the price of cane to that of sugar and infuses a quality parameter through cane recovery.

In order to reduce the cost of production the Government has provided over Kshs. 2 billion to the sugar industry in the forms of grants for road infrastructure development during the safeguard period. The primary objective of the safeguard is to accord Kenyan sugar producers, namely farmers and millers, protection for some time. Over this period farmers and millers, in collaboration with Government and other stakeholders, were expected to address the constraints of non-competitiveness of the sector. Thus domestic production of sugar has increased over the years.

Despite the gains made by the industry during the period of protection a critical evaluation shows that it is still unable to compete on equal terms due to in build structural weaknesses such as; highly fragmented land tenure systems (0.4 ha per farmer); longer cane maturity period since they are grown in high altitude; reliance on rain fed conditions; delays in privatization due to court cases; difficult in shifting to sucrose based payments as it requires at least two years to be fully implemented. Kenya has continued to update the Council on the implementation of the safeguard.

In view of the above, during the Madagascar COMESA Heads of State and Summit held on 18-19 October 2016, Kenya sought and was granted a sugar safeguard extension for two years starting February 2017. Kenya is expected to improve her sugar sector and as such required to be providing bi annual sugar performance reports in addition to allocating the sugar quotas to COMESA Member States.

### **Impact of the Safeguard on the Kenya Sugar Sector**

The safeguard granted to Kenya was intended to shield the Kenyan sugar sector from competition arising from lower cost COMESA sugar producers. During the period of the safeguard, Kenyan stakeholders were expected to implement measures that would raise the sector's competitiveness. The safeguard would ensure that consumers of sugar in Kenya are not disadvantaged, and denied the

benefits of integration and liberalization brought about by the COMESA Free Trade Area. It was also expected that COMESA countries with export interest in the Kenyan market would not, on the whole, be disadvantaged by the protection arising from the safeguard, and that if the safeguard materially impaired any exporting country's market access; such country would be adequately compensated.

**Table 3: Sugar production, consumption, imports and exports (2006- 2015), in Metric Tonnes**

YEAR	PRODUCTION	CONSUMPTION	IMPORTS	EXPORTS
2006	475,670	718,396	166,280	13,533
2007	520,404	741,190	230,011	20,842
2008	517,667	751,523	218,607	44,332
2009	548,207	762,027	184,531	1,952
2010	523,652	772,731	258,578	47
2011	490,210	783,660	139,076	16,716
2012	493,937	794,844	238,589	434
2013	600,179	841,957	238,046	104
2014	592,668	860,084	192,121	356
2015	635,674	889,233	247,389	54

In the year 2015, Kenya produced a total of 635,674 tons of sugar compared to 502,000 tons in 2004. The area under cane cultivation has since increase to stand at 223,605 Ha as at 2015 compared to 131,507 Ha in 2004. This is a clear indication that farmers and millers are confident due to stability created by the Safeguard.

## **Challenges**

Some of the challenges include;

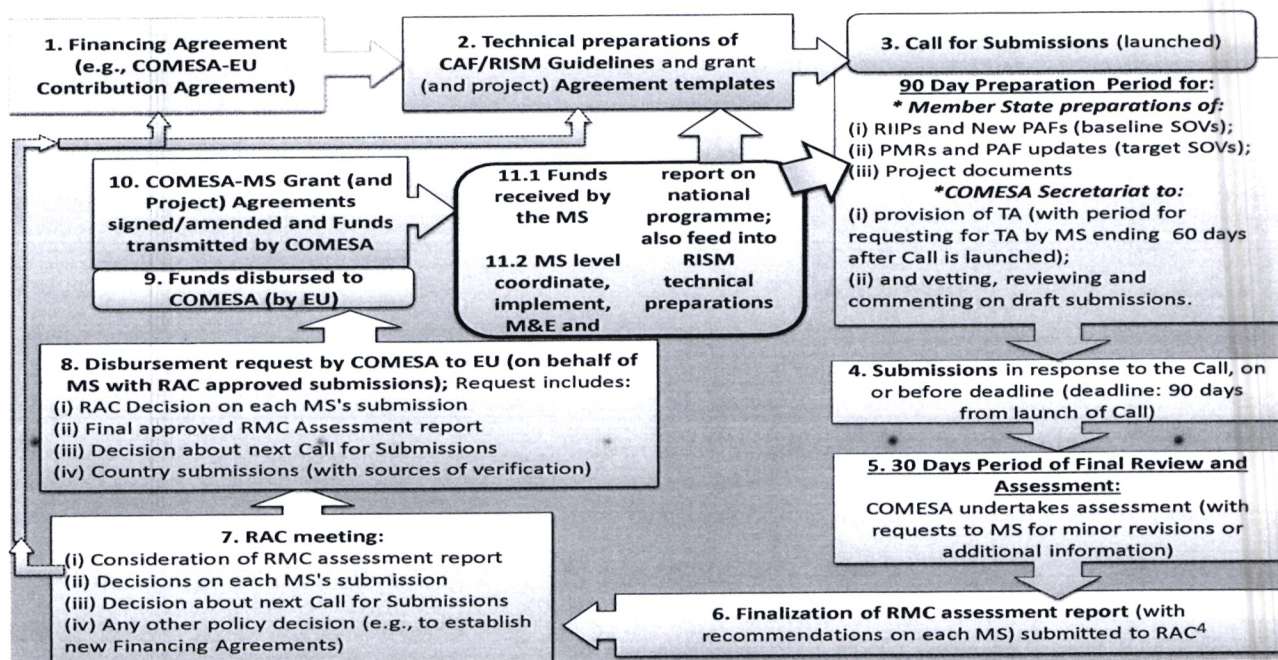
- a) Slowed down of the ongoing reforms in the agricultural sector in Kenya which is aimed at aligning all functions to the constitution;
- b) Privatization consultative process has taken time due to court cases;
- c) Low uptake of new cane varieties by farmers;
- d) Slow pace of diversification by sugar millers which is largely attributed to prohibitive FiTs for co-generated power, and,
- e) High cost of equipment, testing facilities and the long lead time required to implement cane payment based on quality.

### **2.2.1.2 COMESA RIIP FUND**

COMESA Fund is established under Article 150 of the COMESA Treaty which gives the COMESA Council of Ministers the powers to establish a special Fund for Cooperation, Compensation and Development for tackling the special problems of underdeveloped areas and other disadvantages arising from the integration process. The establishment of the Fund is anchored on the provisions of Article 60 of the Treaty which states that *“the Council shall determine what remedial steps shall be taken with respect to a Member State which has suffered substantial loss of revenue from import duties”* as a result of the application of cooperation on trade liberalization and development among COMESA countries. The COMESA Council of Ministers adopted the Fund Protocol in 2002.

The Fund delivers support through two instruments established under the COMESA Fund Protocol namely; COMESA Adjustment Facility (CAF); and COMESA Infrastructure Fund (CIF). The objective of the CAF is to provide adjustment support for countries as they implement the COMESA regional integration programmes. CAF is operationalized through the Regional Integration Support Mechanism (RISM). This is a mechanism for delivering financial

resources or performance based incentives (and technical assistance) in support of regional integration, helping Member States to achieve their regional commitments. Once the funds have been availed, COMESA Secretariat launches Calls for Submissions asking Member States to submit proposals bidding for funding as per their nominal indicative allocations. The indicative allocations are based on a number of factors including the Member states contribution to the Fund.



**Fig. 7: RISM process**

### **Kenya's Participation in RISM**

Six calls for submissions have been launched from the time the CAF became fully operational. The First call was launched in 2008 and the Second call was launched in 2010. Only Rwanda and Burundi were eligible based on actual revenue losses from trade liberalization. In July 2012 a RISM rider was introduced taking into consideration Member States facing emerging adjustment challenges during implementation of their regional integration commitments. Specifically, challenges related to the COMESA and EAC integration agenda based on the new framework provided by the revised CAF Operational Regulations. Thereafter, COMESA

Secretariat made the 3<sup>rd</sup>, 4<sup>th</sup> and 5<sup>th</sup> Calls and most recently in April, 2015 the 6<sup>th</sup> Call for submission. The RISM rider made Kenya eligible for support and a National Inter-Ministerial Coordinating Committee (NIMCC) was constituted and under the chairmanship of the COMESA Fund Focal Point. The Committee brings together public and private institutions that are implementing commitments under COMESA and EAC. The NIMCC has developed proposals for consideration under the 3<sup>rd</sup>, 4<sup>th</sup>, 5<sup>th</sup> and 6<sup>th</sup> Calls for Submissions. The proposals were approved and three tranches of resources; Euros 1,764,345, Euros 2,469,963 and Euros 1,884,913 have already been disbursed. The Committee developed another proposal under the 6<sup>th</sup> Call and submitted it to COMESA Secretariat by 29<sup>th</sup> July, 2015. The proposal targets Euros 1,921,864 additional grant resources for Kenya.

State Department for Trade has since the start of the programme received the following amounts: 2014/15 - Kshs 26,200,000; 2015/16 - Kshs 10,145,250; 2016/17 - Kshs 10,000,000 and 2017/18 - Kshs 25,000,000. The Department will continue to implement the program as expected so that it continues to benefit from the COMESA funds in terms of budgetary support.

### **Outstanding NTBS within COMESA**

Zambia has been denying Kenya market access for Kenya's Palm based cooking oil and UHT Milk NTBs which has span for over 15 years. However during a bilateral meeting held in Lusaka in March 2017 and headed by the Principal Secretary, Dr. Chris Kiptoo, CBS, it was agreed that Zambia visits Kenya with a view to resolving these two NTBs. The Department has since written to Zambia proposing the visit dates. The verification mission team will also include businessmen so that the two sides can network and exchange programs.

### **2.2.3 COMESA-EAC-SADC Tripartite FTA (TFTA)**

The Tripartite Free Trade Area Agreement (TFTA), bringing together member and partner states of the Common Market for Eastern and Southern Africa (COMESA), the East African Community (EAC) and the Southern African

Development Community (SADC) was signed in Sharm-el-Sheikh, Egypt on 10<sup>th</sup> June 2015 by representatives of the 26 countries covered by Tripartite. The 26 countries represent 48 percent of the African Union membership, 51 percent of continental GDP and a combined population of 632 million. If the TFTA countries were one country, it would be the thirteenth largest economy in the world.

### **Progress in TFTA Negotiations**

Member States that are not in FTAs were supposed to exchange Tariff Offers and negotiate. EAC (Kenya) is meant to exchange and negotiate tariff offers with SACU (Botswana, Namibia, Lesotho, Swaziland and South Africa) and Angola, Ethiopia, Eritrea and Mozambique, Egypt (for Tanzania). Member States that are already in an FTA are not supposed to exchange tariff offers because of the aquie principle. The Council of Ministers has agreed on modalities to liberalise between 60 percent – 85 percent within a phase down period of 5-8 years.

EAC and SACU have held seven bilateral negotiation meetings to exchange and negotiate tariff offers. EAC and SACU have agreed to liberalise 60 percent of the tariff lines immediately the TFTA enters into force.

Negotiations are however on going in terms of the products to be included in the bracket of the 60 percent. Negotiations are also underway on liberalisation of the remaining 25 percent. Both sides have agreed a phase down period of 5 years for the majority of products and maintain 8 years for a few tariff lines which both sides will identify. EAC rejected the initial SACU's offer since it excluded most of the products, mainly agricultural products, where EAC has comparative advantage and export interest into the SACU market. EAC therefore presented a list of those products for SACU's consideration. Similarly, SACU also submitted a list of products for EAC to consider liberalising immediately the agreement enters into force.

EAC (Tanzania) and Egypt are close to finalizing tariff offers negotiations. EAC has also prepared tariff offers to the other countries that are to negotiate with, namely; Ethiopia, Eritrea, Angola, and Mozambique, and DRC, though DRC has commenced accession to COMESA FTA with a three year phasedown period to fully accede, which will be the basis for TFTA liberalisation. Exchange of tariff offers and negotiations with these other Member States are yet to start since they have not finalized their tariff offers, thereby making the liberalisation process very slow. Outstanding work still remains in the following areas: - Rules of Origin, Trade Remedies, Phase II Negotiations Issues, Industrial Development Pillar and Infrastructure Development Pillar.

#### **2.2.4 Continental Free Trade Area (CFTA) Negotiations**

In January 2012, the Assembly of Heads of State and Government of the African Union (AU) took decisions to enhance intra-African trade and set a continental agenda for the 21st century. Key among them was the endorsement of an Action Plan for Boosting Intra-African Trade and the agreement on a roadmap to establish a Continental Free Trade Area (CFTA) by 2017. Intra-African trade is an important engine for development, economic growth and integration.

As such, the Heads of State and Government have an objective to increase intra-African trade from the current rate of 10 – 12 percent to 20-25 percent in the next decade to drive the development of the continent.

The CFTA negotiations were launched by the Assembly of Heads of State and Government of the African Union, during its 25<sup>th</sup> Ordinary Session of the Assembly that took place in Johannesburg in June 2015. During the meeting, the Assembly adopted an Indicative Roadmap for the negotiations and establishment of a Free Trade Area by December 2017.

The negotiations will be conducted in two phases, with the first covering separate agreements on Trade in Goods and Trade in Services. It is envisaged that this phase will be completed by December 2017 with the establishment of the

Continental Free Trade Area. The second phase will begin after the establishment of the Free Trade Area and will cover Investment, Intellectual Property Rights and Competition Policy.

### **Negotiating Institutions**

The negotiations are done under the following institutional framework:-

- i) High Level African Trade Committee of Heads of State (HATC)
- ii) African Union Ministers of Trade (AMOT)
- iii) Senior Trade Official ((STO) comprising of Principal/Permanent Secretaries
- iv) CFTA Negotiating Forum (comprising the Chief Negotiators from AU Member States)
- v) Technical Working Groups comprising of technical experts from member States and provide Technical input into the negotiations.

### **Progress made in CFTA Negotiations**

The following key milestones have been achieved through the engagement of the organ of the African Union Ministers of Trade (AMOT):-

- i) May 2016 - Adoption of Rules of Procedure for the Negotiating Institutions
- ii) May 2016 - Adoption of Definitions of the Principles Guiding the Negotiations namely; CFTA negotiations shall be member state/Regional Economic Community (RECs) Customs Territory driven; RECs/FTA shall form the building blocks of the process; Reservation of Acquis; Variable Geometry; Flexibility and Special & Differential Treatment; Substantial Liberalisation; MFN Treatment; Transparency and Disclosure of Information; National Treatment; Reciprocity; Decision by Consensus and Adoption of Best Practices
- iii) November 2016 - Adoption of Roadmap towards the conclusion of the CFTA Agreement

- iv) November 2016 - Establishment of Technical Working Groups namely; Legal and Institutional Affairs, Rules of Origin, Trade Remedies, Trade in Services, Customs Procedures and Trade Facilitation, Sanitary and Phytosanitary and Non-Tariff Barriers and Technical Barriers to Trade
- v) November 2016 - Adoption of the Terms of Reference for the Technical Working Groups
- vi) June 2017 - finalization of negotiating modalities for both trade in goods and for trade in services.

Outstanding areas for agreement for the modalities on tariff negotiations include the level of ambition (a range of 85-95 percent has been proposed for consideration), the inclusion of sensitive and exclusion lists and the implementation timeframe. A “Working Draft Consultation Paper” was prepared during the last CFTA NF meeting held in March 2017 as a basis for the conclusion of the modalities. In terms of Trade in Services, there is a general move towards adopting a mixed approach which would encompass a framework agreement supported by schedules of commitment for liberalisation in tandem with regulatory cooperation. There will be need to have a common understanding of how the framework for regulatory cooperation will be so as to ensure that the right by Member States to regulate is not eroded. The seven TWGs have so far held 2 meetings in February and April/May 2017 in Kigali and Nairobi respectively and have commenced consideration of the respective Annexes/ Appendices including the Framework Agreement.

Given that the Tripartite region is a critical building bloc and a launch pad to the CFTA, the Tripartite Ministers agreed on a coordination mechanism in order to ensure consistency with the commitments in the Tripartite Free Trade Area (TFTA) process, i.e the TFTA Member Countries are supposed to hold coordination meetings before engaging in the CFTA Negotiations. To this end, we should continue to support coordination of positions and using the TFTA to inform the CFTA negotiations as appropriate. At continental level, there is need

to conclude trade mapping to determine the flow, direction and volume/value of trade to establish expected benefits in the process while at national Level, there is need to conduct an impact assessment studies of the CFTA on the economy and ensure active participation in the negotiations.

### **2.2.5 EAC-EU Economic Partnership Agreement (EPA)**

The EAC Summit directed in 2002 and 2007 that EAC should negotiate trade agreements with third parties as a bloc. In view of this directive, the EAC Partner States started to negotiate EPA from September 2007 as bloc. Tanzania left SADC; and Burundi, Kenya, Rwanda and Uganda left the Eastern and Southern Africa (ESA) where they were negotiating initially and formed the EAC configuration to negotiate and conclude the EPA with the EU as a bloc. The EAC Partner States had to negotiate as a bloc in order to maintain the solidarity envisioned in the EAC Customs Union Protocol (Article 37 (4) (a)) that requires such a trade deal be signed off by all EAC Partner States to safeguard the EAC Customs Territory.

#### **Progress in EPA negotiations**

EPA negotiation was concluded in October, 2014 leading to the initialling of the agreement to signify conclusion of negotiations. Kenya, together with Rwanda, has since signed and ratified the Agreement. Rwanda is in the process of ratifying the agreement. The rest of the EAC Partner States are yet to sign due to varied reasons they have raised. Tanzania has raised concerns in the agreement that need to be addressed before they sign. However, the issues raised by Tanzania are all addressed in the EPA. On the other hand, Uganda has indicated that it will sign along with all the other EAC Partner States. Burundi has raised issues with the economic sanctions by the EU due to the political situation in that country.

### **2.2.6 African Growth Opportunity Act (AGOA)**

The African Growth and Opportunity Act, 2000 (AGOA) is a United States Trade Act, enacted on 18<sup>th</sup> May 2000 as Public Law 106 of the 200<sup>th</sup> Congress. The main objectives of AGOA are to stimulate economic growth, encourage economic integration and facilitate Sub-Saharan African (SSA) integration into the global economy. The Act originally covered the 8-year period from October 2000 to September 2008, but extended through legislative amendments to 2015 and then further extended by 10 years on 29<sup>th</sup> June 2015 to 2025.

AGOA allows duty free and largely quota free market access to the U.S. market for as many as 1,835 beneficiary products in addition to the over 4,600 GSP products tariff lines. AGOA as enacted does not provide for the development support needs of the SSA countries. The country eligibility for AGOA is determined by the US President and takes into account whether countries meet a number of requirements like making continual progress toward establishing the following: market-based economies; the rule of law and political pluralism; elimination of barriers to U.S. trade and investment; protection of intellectual property; efforts to combat corruption; policies to reduce poverty, increasing availability of health care and educational opportunities; protection of human rights and worker rights; and elimination of certain child labour practices.

#### **Progress and benefit of implementing AGOA**

AGOA being a non-reciprocal trade preference programme that provides duty free treatment to US imports of over 6400 products from eligible Sub-Saharan African countries. Kenya's exports to the US have increased, particularly in the textile/apparel sector, which still remains the leading Kenyan export product to the USA. Total exports from Kenya to US increased by 44.8 percent from KSh 29.9 billion in 2013 to KSh 43.3 billion in 2016 out of which KSh 35.2 billion in 2016 were derived from EPZ apparel exports under the AGOA framework. The employment and investment levels under the EPZ are shown in table below:

**Table 4: Employment, Investment and Exports to the US under AGOA from the EPZA Programme.**

<b>Indicator</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Employment (No.)	32,932	37,785	41,597	42,645
Investment (Kshs million)	13,465	15,051	15,708	14,413
Exports to US (Kshs million)	24,246	30,244	35,224	35,245

**Source: Economic Survey, 2017**

In 2016, 81 percent of exports to the US were from exports of textiles and apparels produced in EPZs under AGOA. Other eligible products have not been performing well in the US market due to a number of challenges related to access of USA market information, consolidation of products as USA demands bulk supply, quality/value addition issues; and sanitary and phytosanitary compliance. To increase the AGOA market share for Kenya’s products, the State Department for Trade in consultation with relevant stakeholders is in the process of developing an AGOA Strategy. The Strategy will strive to identify the products with potential for export to the USA and how to develop the product to meet the quality and quantity that a supplier in USA would demand.

### **Challenges in implementation of AGOA**

The main challenges facing Kenya’s exports to US include:

- i) Stringent Sanitary and Phyto-sanitary (SPS) measures:** Agricultural products, such as fresh produce and beef are often unable to meet US SPS requirements and are thus unable to be exported to the United States.
- ii) Lack of direct flights to the US:** For fresh produce such as cut flowers and vegetables, African producers benefit from regular, direct flights to Europe, which allow for fast delivery. In the context of EAC, there is no direct air and

sea transportation to the U.S. However, Kenya has been accorded category one status to make direct flight to US and the process is at an advance stage.

**iii) Stringent Rules of origin:** AGOA rules of origin stipulate that to be eligible the products must be grown, produced, or manufactured in one or more of the beneficiary countries or goods are subject to a 35 percent value-content rule from a single AGOA country and exported directly from an AGOA beneficiary country to the US. With these conditions, most of the products from eligible countries cannot access US market.

**iv)** AGOA is a unilateral program which can be modified or terminated in favor and at the discretion of the US Government as per the powers granted to the US president in the Act.

**v) Country eligibility:** As part of the legislation, the U.S. undertakes an annual review of all beneficiary countries to determine whether they are conforming to AGOA's conditionality. Some beneficiary countries (Burundi) in the past have lost their eligibility on political grounds and in some cases, such withdrawal of AGOA benefits has had negative economic impacts and consequences to other unintended member countries including US investors and suppliers.

**vi) Unrestrained competition from well-established and globally competitive, and in some cases, subsidized producers of textiles and apparel** particularly following the January 1, 2005, elimination of quotas previously maintained by members of the World Trade Organization (WTO).

**vii) Narrow range of exportable products:** Although AGOA allows duty free and largely quota free market access to the US market for as many as 1,835 beneficiary products in addition to the over 4,600 GSP products, tariffs on products excluded from AGOA (Kenya only exports a total of 12 product lines) especially on agricultural goods. The AGOA lists excludes some of the key products of export interests to us such as sugar, tobacco, meat, and dairy

products, which continue to be subject to tariff rate quotas (TRQs) limiting export volumes eligible for duty-free treatment.

**viii) Minimal representation in the US** - Kenyan products lack a strategic “country branding” that targets the average American consumer. This hinders the country from effectively capturing and expanding the market. There is only one Commercial Attaché covering the entire US while the private sector is not represented by business agents and major distributors. The US market is enormous, diverse and complex. There is need for enhanced information delivery and continuous business development activities for increased access to the distribution networks.

**ix) Awareness of AGOA and its requirements:** Many farmers and SMEs are not aware of the requirements of the Act, but with vigorous sensitization activities, they will be more knowledgeable and participate more in AGOA. This will enhance the supply capacity by Kenya to export wide ranging exportable products.

### **Way Forward**

**Implementation of the EAC-U.S. Cooperation Agreement on Trade Facilitation, SPS and TBT:** The EAC and US signed the EAC-US Cooperation Agreement on Trade Facilitation, SPS and TBT in 2015 and it aims to build capacity in Trade Facilitation, Sanitary and Phytosanitary (SPS) Measures, and Technical Barriers to Trade (TBT). The Cooperation Agreement commits both the EAC and the US on:-

a) **Trade Facilitation:** The Agreement commits the Parties to cooperate on customs issues, including the implementation of the WTO Trade Facilitation Agreement (TFA). The EAC Partner States undertook to notify their Category A commitments (measures to be implemented at the entry into force of the WTO TFA) to the WTO Preparatory Committee by 31<sup>st</sup> March 2015. All the Partner States have already notified their Category A measures. The US

undertook to provide to the EAC Partner States technical assistance and support for capacity to implement the provisions of the WTO TFA.

In the context of the implementation of the WTO TFA, Partner States have prepared their national trade facilitation action plans and a Regional Action Plan. The EAC Regional Action Plan was adopted by Sectoral Council for Trade, Industry, Finance and Investment (SCTIFI). This is expected to form the basis under which the US will provide technical assistance and capacity building support on trade facilitation to the EAC.

The two parties have however not agreed on the way forward regarding EAC US cooperation agreement on TF, SPS and TBT.

b) **EAC Model Investment Treaty:** The EAC and US have a Trade and Investment Framework Agreement (TIFA) signed on 16<sup>th</sup> July 2008, which establishes a framework for expanding trade and investment. In June 2012, the EAC and the US resolved to upscale the existing Trade and Investment Framework Agreement to a new Trade and Investment Partnership (TIP) that will include the following:

- A regional investment treaty;
- A trade facilitation agreement;
- Continued trade capacity building assistance; and
- A commercial dialogue between the EAC and US private sectors.

The US has a model bilateral investment treaty which it prefers to use as a basis for negotiations. The progress to date has been hampered due to lack of consensus on the approach for discussions. The EAC has informed the US of the EAC Model Investment Treaty and the need for a joint approach rather than the US Model Bilateral Investment Model Treaty. EAC has since shared the EAC Model Investment Treaty with the US and US is not agreeable into applying the EAC Model. The two parties have agreed that EAC develops a draft on a Cooperation Agreement on

Investment Facilitation. The Draft is under consideration by the EAC Partner States before it's shared with the US.

### **Recommendation**

- i) Kenya private sector to work with USA counterparts on joint venture programs aimed at capacity building Kenyan manufacturers to meet the USA market quality requirements. This could include accreditation of Kenyan quality control organizations to perform quality checks for USA buyers in Kenya.

The Kenya government should initiate engagements with the USA government, with the involvement of the private sector on how this partnership can be developed.

- ii) Kenya and the US should collaborate and coordinate business to business networks between manufacturers and buyers from both countries. Business membership organizations should be encouraged to spearhead the collaboration aimed at improving supplier /buyer relationships as well as encouraging American investments into Kenya.
- iii) Kenya recommends that financing programmes be negotiated between the AGOA eligible countries and the US partner to support manufacturing and business capacities to enhance trade in both goods and services between US and Africa
- iv) Kenya advocates for strong regional integration that provides for an opportunity to develop integrated regional demand and supply chains to meet market demands.
- v) Kenya calls upon more partners to support projects that are viable and contribute towards sustainable economic growth.
- vi) The US should work on simplifying the Rules of Origin for African beneficiaries under AGOA, conducive to greater value addition at national and regional level. A greater focus on enhancing regional dimension of the

AGOA framework is also required, especially in the context of the regional integration agenda of the EAC.

### **2.2.6 Indian Ocean Rim Association (IORA)**

The Indian Ocean Rim Association (IORA) is a regional organization with membership of 21 countries sharing common shore with the Indian Ocean. It is a region that is diverse economically, culturally and covers the Indian Ocean shores of Africa, Arabian Peninsula, the Indian subcontinent, Southeast Asia and Australia. The association scope encompasses several areas of cooperation that have been defined as the six priority areas namely:- Maritime safety and security, Trade and investment facilitation, Fisheries management, Disaster risk management, Academic, science and technology and Tourism and cultural exchanges. In order to further deepen and widen the scope of the association to pursue economic cooperation, the Association identified Blue Economy and Women Economic Empowerment as areas of special focus in 2014.

### **Opportunities in IORA**

#### **i) Trade and investment**

The Indian Ocean Rim region constitutes a big market of over 2 billion people that makes a third of the world population and a combined GDP of US \$ 7 trillion(10 percent of world GDP). In order to achieve one of the objectives of the organization which seeks the removal of impediment and lowering barriers towards a freer flow goods, services, investment and technology within the region, the IORA Action Plan 2017-2022 was adopted at the Leaders' Summit in March 2017 and targets the implementation :-

- a) A regional investment guide that will provide investment opportunities available in the region
- b) A regional trade repository that is an online reference for trade information including Rules of Origin and Tariff regimes which aims at promoting regional business activities and trade facilitation

- c) Finalization and implementation of a Memorandum of Understanding(MoU) for the promotion of SMEs which will be adopted and implemented among Member Countries with the aim of enhancing opportunities and an environment for SMEs to prosper through promoting cooperation and collaboration between participants, implementing agencies and sector associations
- d) Conducting a feasibility study on the viability and implementation of IORA Business Travel Card (IBTC). The Business Travel Card aims at facilitating easy and freer movement of the regional business community to boost trade and investment by enabling business persons explore opportunities in IORA region, conduct trade and investment activities, attend trade promotion, business meetings and strengthen joint cooperation among member countries Chambers of Commerce and Industry.

During the IORA Leaders' Summit held in March, 2017 in Jakarta, Indonesia, Kenya's proposal to facilitate trade through the easing of cabotage maritime laws with a pilot in the Western Indian Ocean (WIO) was adopted. The Kenya Maritime Authority (KMA) is in the process of finalizing the concept note to be shared with Member Countries. Further, at the sidelines of the IORA Leader's Summit the Principal Secretary for Trade engaged his counterpart from Ministry of Trade, Indonesia and agreed to establish a joint trade forum where the two countries can cooperate in areas of trade and investment. They also resolved to establish linkages between the private sectors of the two countries which culminated in the visit to Kenya of a business delegation from Indonesia led by Vice Foreign Affairs Minister of Indonesia H.E. Mr. A.M. FAchir. During the Business Forum held on 9<sup>th</sup> June, 2017 in Nairobi, the two chambers of commerce from Kenya and Indonesia signed a MoU that is aimed at strengthening and enhancing bilateral trade, economic and industrial relations and encourage business cooperation between the business communities in the two countries.



*Fig. 8: Signing of the MoU between Kenya National Chamber of Commerce and Industry and Indonesia Chamber of Commerce*

## **ii) Blue Economy**

Blue Economy is a relatively new economic concept and global technologies are still developing in some sectors with the objective of exploiting the resources. The Blue Economy has been identified as the new frontier for economic and social transformation of countries particularly the coastal or island/ocean countries for its recognized potential in generating employment, food security and poverty alleviation. In 2014, IORA adopted the Blue Economy as a priority for generating sustainable economic growth among Member Countries. It identified the following six priority areas:-Fisheries and Aquaculture, Renewable Ocean Energy, Seaports and Shipping, Seabed Exploration and Minerals, Marine Biotechnology, Research and Development and Tourism.

### **Blue Economy in the Kenya Context**

The Blue Economy remains unexploited in Kenya. However, Studies show that the Blue Economy has the potential of contributing about USD 1.7 - USD 2.3

billion to Kenya's GDP and create 100,000 to 124,000 direct jobs by 2030. Currently the country is missing out on a major resource that can invigorate economic growth, contribute to industrialization, create employment and contribute to the achievement of Vision 2030.

In recognition of this, and to tap the potential of the Blue Economy, the President constituted the Blue Economy Committee in September 2016, with the overall objective of the development of Kenya's Blue Economy. Kenya can learn from other IORA Member States as the Association provides an ideal platform to bring Member States to cooperate and share their experiences and expertise in harnessing the tremendous potential of the Blue Economy and in establishing ocean management and governance architecture for the sustainable development of an Indian Ocean blue economy. A number of Member Countries in IORA including Australia, Thailand, Singapore and India have wholly or partly mapped, invested and are developing strategies of exploiting the resources that exist in the oceans.

The organization has taken a deeper focus on the development of capacity for Member Countries to sustainably develop and benefit from the economic opportunities provided by the Blue Economy. The annual Blue Economy Conference that brings all Member Countries together provides an opportunity for governments of Member Countries to engage at the Ministerial level. Kenya participated in the Second Ministerial Blue Economy Conference (BEC II) held in Jakarta Indonesia in May 2017. The Conference resolved *inter alia* to promote transfer of technology among Member Countries in coral reef protection, conservation and restoration; promote capacity building and skill development on sustainable port infrastructure and management; cooperate and develop strategies to enhance skill development for seafarers; adopt e-custom strategies to facilitate trade and investment; and strengthen maritime connectivity in the Indian Ocean Rim region.

## **2.3 Multi-Lateral Trade**

### **i) Hosting of the 10<sup>th</sup> Ministerial Conference of the World Trade Organization (MC10) 15<sup>th</sup> – 19<sup>th</sup> December, 2015**

The 10<sup>th</sup> Ministerial Conference of the World Trade Organization (WTO) was held from the 15<sup>th</sup> to 19<sup>th</sup> December, 2015 at the Kenyatta International Convention Centre. This was after successful bidding by Kenya. The outcome was captured in a Ministerial Declaration popularly referred to as the Nairobi Package which is a set of six key Ministerial Decisions on Agriculture and issues affecting the Least Developing Countries. The Decision to eliminate agricultural export subsidies agreed in Nairobi is a significant one taken in the 20 years of the WTO existence and close to 50 years since a similar decision was taken in relation to industrial goods.

### **ii) Ratification of the WTO Trade Facilitation Agreement**

The WTO Trade Facilitation Agreement was adopted by Ministers at the 9<sup>th</sup> WTO Ministerial Conference held in Bali Indonesia in December, 2013. The Agreement aims at improving customs procedures and transparency with a view to accelerating the movement of goods into and across WTO Member states. The Agreement is expected to usher in widespread trade facilitation reforms that will reinforce Kenya's position as a regional hub for business in the Eastern African Region. It will also promote Kenya's exports to enter the global value chain as the agreement calls for simplification of trade regulations, customs procedures and cooperation and faster clearance of goods on transit.

### **iii) Establishment of the National Trade Facilitation Committee (NTFC)**

The WTO Trade Facilitation Agreement provides for the institutional arrangement for the implementation of the WTO Trade Facilitation Agreement at the national and multilateral level. Kenya concluded the national process of constituting the National Committee on Trade Facilitation that was gazetted in September, 2016.

#### **iv) Trade Remedies Law**

The law was passed in June, 2017 and assented by the President. The Law will protect domestic producers from unfair trade practices such as dumping and subsidization thereby making them more competitive. In addition, a Trade Remedy Agency is expected to be established within the state Department for Trade to undertake investigations and recommend remedial measures including imposition of extra duties and quotas.

#### **v) Hosting of the 14<sup>th</sup> Session of the United Nations Conference on Trade and Development (UNCTAD 14)**

The Fourteenth Session of the United Nations Conference on Trade and Development (UNCTAD 14) was held at the Kenyatta International Convention Centre (KICC) from the 17<sup>th</sup> to 21<sup>st</sup> July, 2016. It was the second time for Kenya to host an UNCTAD event. The Fourth Session of UNCTAD (UNCTAD IV) was held at the KICC in May, 1976. The Conference was successful and the outcome was captured in the Nairobi Azimio and Maafikiano. The Nairobi Maafikiano spells the work programme of UNCTAD for the next 4 years.

The success of the Conference reinforced Kenya as a major venue for large international events. The success of the MC10 and UNCTAD 14 has further gone to boost the resurgence of Kenya's tourism industry which had experienced challenges related negative international publicity on account of security challenges.

#### **vi) Trade in Services**

The Country has deepened its commitment within EAC region from 52 to 78 as required by the Sectorial Council for Trade, Finance and Investment (SCTFI). The national consultation was undertaken and stakeholders are in agreement with the direction taken at EAC Level.

### 3. DOMESTIC TRADE DEVELOPMENT

In order to spur domestic trade, the state Department for Trade undertakes:-

- i) Formulation, implementation, monitoring and review of domestic trade policies in collaboration with county governments
- ii) Monitoring the impact of trade policies and practices on domestic trade;
- iii) Conducting research on trade related matters e.g. in product design, marketing, distribution, and use of ICT and E-commerce;
- iv) Coordination of activities of all national institutions and agencies responsible for facilitation of domestic trade to provide trade support services through trade facilitation, access to business information, advice on standards, packaging, quality control, marketing and distributional channels
- v) Promotion of wholesale and retail trade and markets through initiatives such as:-
  - Promoting programmes on franchising in wholesale business in rural areas;
  - Developing skills upgrading programs in wholesaling and distribution;
  - Identifying areas where markets can be established
  - Establishment and construction of wholesale hubs and tier 1 retail markets;
  - Simplification of business licensing (One Stop Shop for licensing, registration and taxation);
  - Facilitating the establishment of BMOs and promotion of the formation of Producer Business Groups.
- vi) Facilitating increased access to trade finance for the development of Micro and Small Enterprises
- vii) Provision of business advisory services to BMOs to enhance competitiveness, growth and development of their enterprises

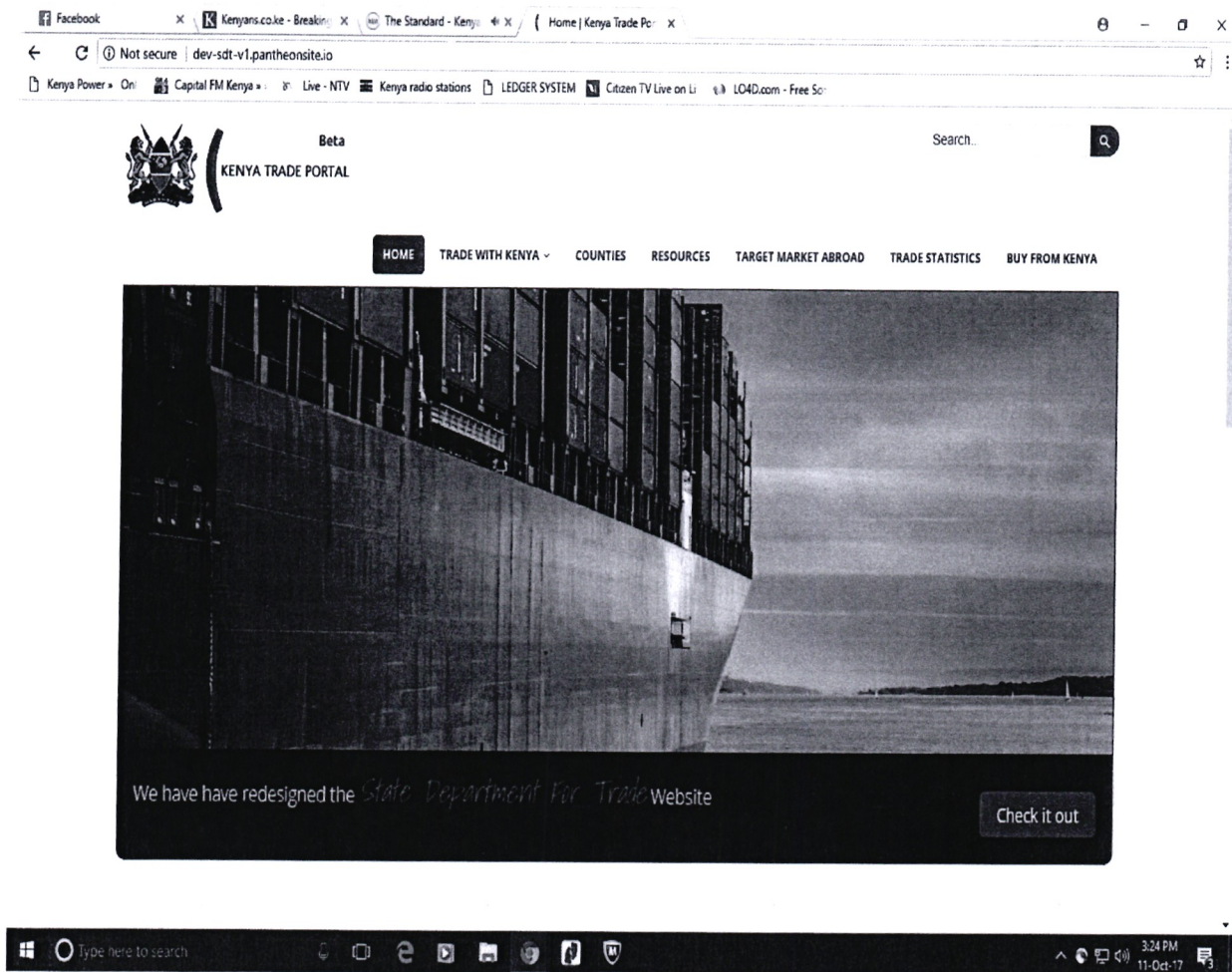
- viii) Liaison with County Governments and other relevant stakeholders on promotion of trade development programmes and activities
- ix) Undertaking local resource mapping and preparation of market profiles

The Department has undertaken the following towards the realization of the above mandate:-

### **3.1 Development of National E-Trade Portal**

The developed National E-Trade portal acts as an authoritative reference platform on all trade information and tool to run a robust trade knowledge management center through which trade policies and regulatory information will be disseminated to the public seamlessly and on timely manner. It is a single platform where all the information relating to trade is aggregated under one roof and made readily available for the trade actors. It has become necessary for the Trade Sub-Sector to change with time and engage the use of e-Trade as a faster way to develop the economy in a technologically dynamic world. Electronic Trading will improve forward and backward linkages to Trade. It is envisaged that the Portal will spur entrepreneurship and innovation, the two concepts which are pillars of the economy.

The e-Trade Portal will cut across all sectors of the economy and provide one of the most prolific sources of employment. It will also create a breeding ground for medium and large enterprises which are critical for industrialization as well generate job opportunities to the youths of this country.

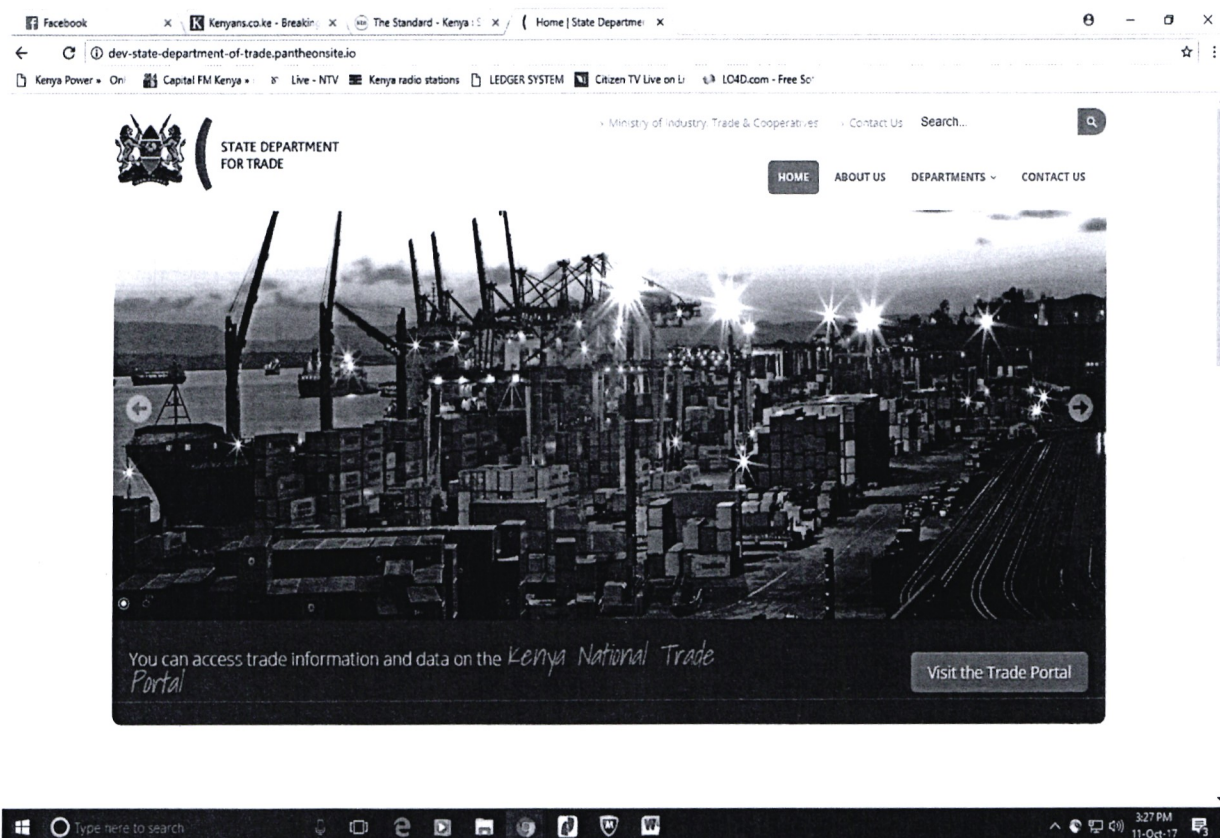


Specifically, the E-Trade portal is able to:

- i) Provide Market information on goods and services available locally, regionally and internationally
- ii) provide information on business requirements locally, regionally and internationally
- iii) provide information on business and investment opportunities Locally, Regionally and internationally
- iv) provide information on business service providers locally, regionally and internationally
- v) Provide market profiles for targeted products and markets where Kenya has a competitive advantage

### 3.2 Development of State Department for Trade Website

The SDT redesigned its website in order for it to be more responsive to internal and external users. The website is accessible through *www.trade.go.ke*. The website provides comprehensive information about the Ministry. The website shall be interactive and will provide for inquiries for additional information as may be considered necessary.



### 3.3 Trade Consultations

#### 3.3.1 Business Membership Organizations (BMOs)

The success of the retail sector in Kenya is driven by a robust supply chain, tapping from a vibrant manufacturing sector for locally produced goods and in a liberalized trade regime.

A number of challenges have however slowed down the momentum of the growth of the sector, key among them being late payment culture. This has posed a great threat to the attainment of Vision 2030 goal of promoting a vibrant retail sector as an outlet of agricultural and manufactured products. The Department

engaged relevant BMOs in order to address challenges facing the retail trade sector. The BMOs are:

- i) Suppliers Association of Kenya (AKS),
- ii) Retail Trade Association of Kenya (RETRAK),
- iii) Kenya Association of Manufacturers (KAM),
- iv) Kenya National Chamber of Commerce and Industry (KNCCI)

The Department spearheaded a series of meetings with BMOs which culminated into the undertaking of an in-depth study on Kenya Retail Sector Prompt Payment. The study recommends the development of:

- Joint Code of conduct for the retail sector for self-regulation,
- Creation of an office of fair trade practices within the State Department for Trade; and
- Regulations by Government.

### **3.3.2 Collaboration with County Governments**

In order to create synergy between the two levels of Government for purposes of enhancing trade in the country, the Department engaged County Governments in various interactive forums. The Department organized a forum with Counties in the North Rift Economic Block (NOREB) which drew top officials in charge of trade from Uasin Gishu, Elgeyo Marakwet, Samburu, Baringo, West Pokot, Nandi and Turkana counties.

The forum deliberated and agreed on areas of collaboration mechanism between the two levels of governments', key among them being collection and sharing of trade statistics and information with State Department for Trade on a quarterly basis; consulting in the development of an entrepreneurship training policy; enhancement of market access and research; and building capacity for County

governments in product development for export market. This will involve collaboration with Export Promotion Council (EPC) among other stakeholders. Other areas of collaboration include enhancement of cooperatives and producer business groups (PBGs) for value addition; sharing of available technology on value addition; harmonization of cess and charges in the NOREB counties as well as collaboration in market designs and implementation.



*Fig. 9: Participants during a Trade Forum. Sitting Center: Mrs. Ogundo (Trade Secretary), Hon. Meli and Hon. Ann leading other Forum Participants*

### **3.3.3 Wholesale and Tier one Retail Markets**

Distributors and wholesalers, especially those dealing with agricultural produce; have weak, inefficient and fragmented supply chains from producers to distributors and consumer outlets. Lack of forward and backward linkages have led to wastage particularly of agricultural perishable goods, between the farm gate and the consumer. To address the challenges of inefficiencies and

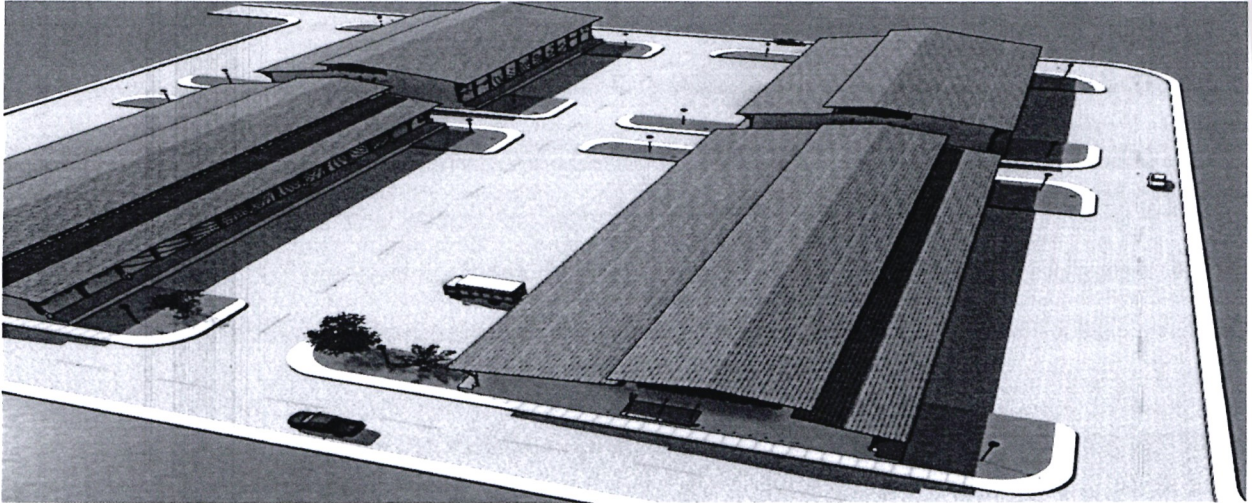
fragmentation of the supply chain experienced in the wholesale and retail trade sectors, the State department disseminated designs for wholesale hubs and Tier 1 retail markets to the counties as well as discussed the needs and benefits for the establishment of wholesale hubs and tier 1 retail markets.

A wholesale Hub which is a large scale purpose built facility (market) is designed to offer a wide range of products and services to producers and distributors. The major commodities to be marketed in the hub facility will mainly be agricultural and fish products (perishables). Some of the facilities and services to be provided in the wholesale hub include storage and cold storage facilities; warehouses; sorting, grading, washing and packing lines; quality testing facilities; movement and parking facilities for vehicles; banking services; waste and refuse treatment and disposal; bulk weighing equipment; information desks; and emergency, policing/ general security and firefighting services.

The primary functions performed by the Wholesale Hubs are as follows:

- i) Varieties of goods from different producers are assembled for sale. In case of agricultural goods, they are collected in small quantities of goods from numerous small-scale producers and stored in a go down.
- ii) Warehousing or storing of goods fills up the time gap between the production and consumption.
- iii) Assembled goods are distributed to the retailers or to the consumers directly, thus the Wholesale Hub helps in the dispersion process of marketing.
- iv) Wholesalers provide financial assistance to the retailers by supplying products on credit
- v) Proper grading of goods as per quality, size and color is conducted in the Wholesale Hub.
- vi) Wholesalers undertake all the risks associated with the ownership as they make bulk purchases and make arrangement for assembling and warehousing.

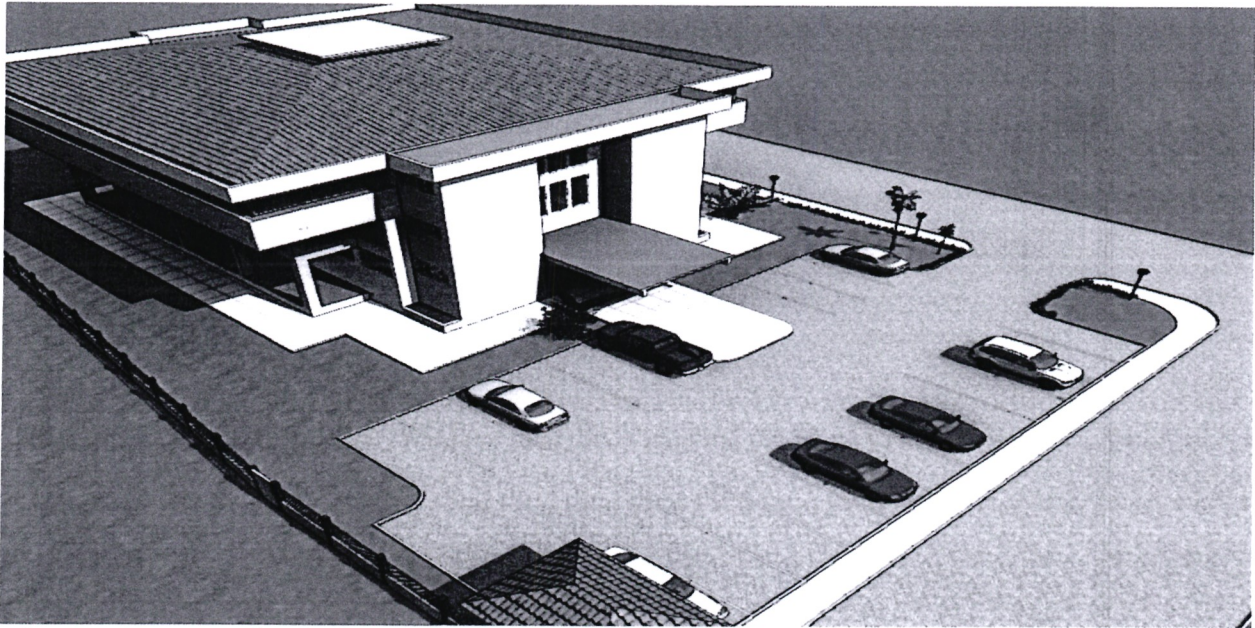
Below are Wholesale hub and Tier1 Retail Market designs shared during the interactive forum in Elgeyo Marakwet.



*Fig. 10: Model of the Proposed Wholesale Hub*



*Figure 11: Model of the proposed Wholesale hub*



*Fig. 12 Proposed wholesale hub administration block*



*Fig 13: Tier 1 Retail Market Administration Block*

### **3.4 Buy Kenya Build Kenya initiative**

The liberalization of the Trade regime in the country has brought in many advantages; however there are a number of challenges that have come to the fore. Key among them is the huge trade imbalance. In an effort to address this challenge the government through the State Department for Trade has put up

measures to encourage the consumption of locally produced goods and services while advocating for use of local materials in the manufacturing process.

In view of the above, the Department in conjunction with stakeholders from the Public and the private sector developed a Buy Kenya-Build Kenya Strategy. The implementation of the strategy will enhance competitiveness of local firms; stimulate local consumption and production; and promote industrialization which is a key priority area in Vision 2030. The Buy Kenya - Build Kenya Strategy is aimed at inculcating in the mind of all Kenyan citizens, patriotism and preference for Kenyan goods and services as a means of supporting the domestic economy.

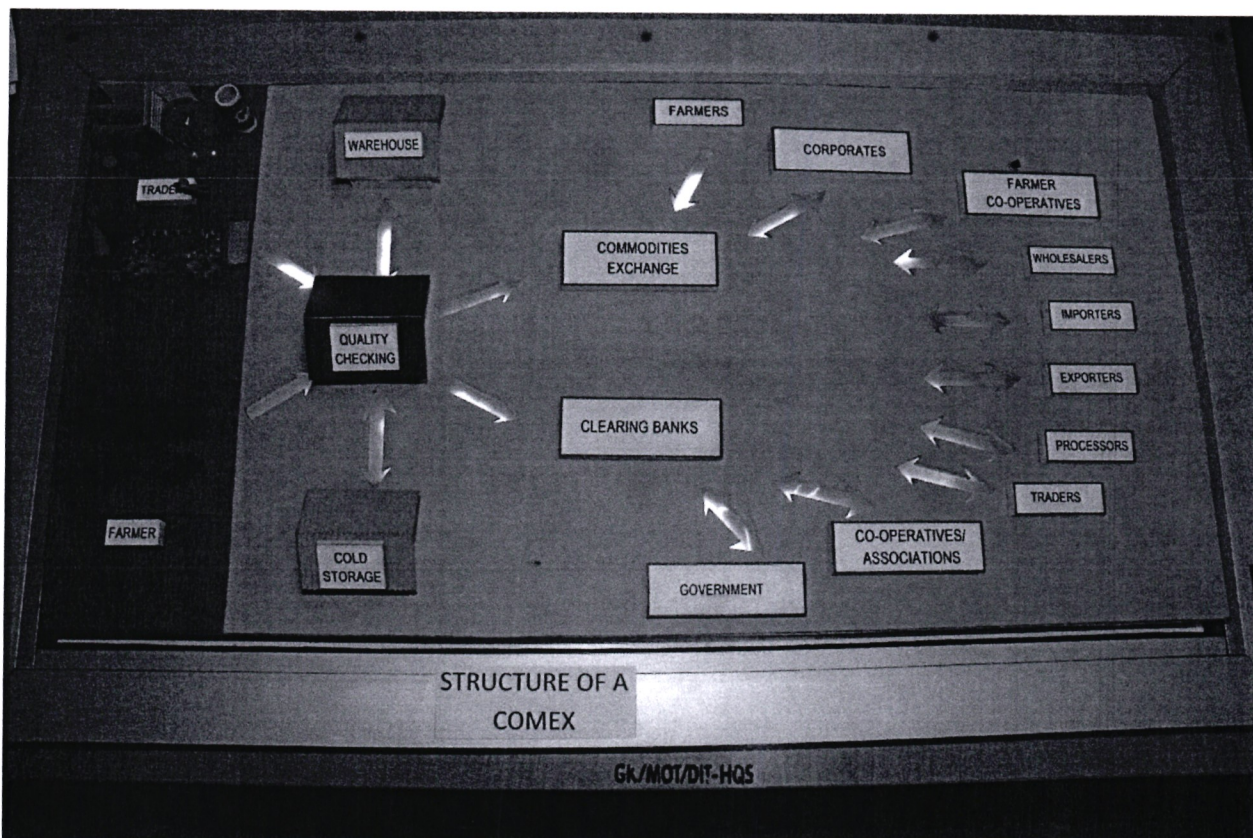
The specific objectives of Buy Kenya Build Kenya include:

- i) Identifying commodities and services where the country has competitive advantage
- ii) Enhancing competitiveness and local consumption of locally produced goods and services;
- iii) Enhancing standards and quality assurance (Facilitate branding, packaging, innovation and trade); and
- iv) Facilitating capacity building, and enforcing transparency in private and public procurement procedures and strengthening Public Private Partnerships in promotion of Buy Kenya Build Kenya strategy.

The Strategy, therefore, provides not only a road map but also a suitable framework to stimulate Kenya's economy by strongly encouraging public and private sector expenditure to favour goods and services produced locally. The State Department for Trade shall work with stakeholders in all sectors of the economy including oil and gas to identify, document and promote local content development

### 3.5 Establishment of National Commodity Exchange (KOMEX)

The Department is coordinating the process of establishing the Kenya Commodities Exchange (KOMEX) whose aim is to address challenges faced by farmers/producers due to inefficiencies mainly brought about by lack of a transparent and efficient market place where producers are exploited by middlemen. The implementation phase of project commenced with the recruitment of international experts to support the establishment of the exchange. Standards for eighteen (18) commonly traded commodities were reviewed and their interpretation guidelines developed under the Northern Corridor Integration Project (NCIP) framework. In addition, CMA Act was amended to give the Authority the mandate to regulate spot trading. Further, a review of Kenya's regulatory framework with focus on commodities trading was undertaken to assess the regulatory environment under which exchange will operate. The sub-sector has applied to the registrar of business for registration of KOMEX as a legal entity.



### ***Komex Model***

Through partnership with National Cereals and Produce Board (NCPB), KOMEX has commenced piloting of collateral management in Nakuru, Meru, Eldoret and Kisumu warehouses. The sub-sector undertook County sensitization's in Machakos, Kisumu, Kakamega, Nakuru, Kericho, Uasin Gishu, Meru, Nyeri and Muranga. It is expected that mock trading will commence in January 2018 and the exchange will be fully operational by June 2018.

### **4. Trade Fair and Consumer Protection**

The State Department for Trade through Department of Weights and Measures is the legal metrology authority in the country charged with the responsibility of ensuring consumer protection and fair trade practices in the field of measurements. Measurements play a critical role in trade, health, public safety and environmental protection and WTO data indicates that 80% of trade takes place on measurements. The Department has undertaken various initiatives towards fair trade and consumer protection which includes:-

#### **4.1 Hosting of the World Metrology Day celebrations**

The State Department for Trade in conjunction with the Kenya Bureau of Standards hosted the World Metrology Day on 20th May 2016 to celebrate the gains in measurements as well as publicize the importance of measurements to the world's socio-economic development. The World Metrology Day celebration was held at Weights and Measures complex in South C and was attended by 600 participants from both public and private sector. The Assistant Director of the OIML Secretariat- BIML (International Bureau of Legal Metrology), Mr Ian Dunmill based in France was the Chief Guest.



*Fig. 15: Mr John Wamwana, Head of Technical Division at Weights and Measures explaining to the PS, and other guests the new technology in container weight determination that had been submitted for Type Approval*

#### **4.2 Calibration of Weights and Measures Equipment**

The national Weights and Measures laboratory is the reference laboratory for all measurements in trade, health, public safety and environmental protection. It provides traceability to all measurements in these categories throughout the country. The Department calibrated 310 legal metrology standards from 21 Counties across the country aligning them to international standards for purposes of ensuring credibility of measurements in trade at international level. In addition, the Department held one sensitization workshops for the County chief officers to apprise the importance of the standards calibration.

The calibration exercise is aimed at ensuring that all measurements undertaken throughout the country are same and ensure goods produced and packaged for

export and domestic consumption in different counties have control on measurements which conform to international standards.



*Fig. 16: National Weights and Measures Laboratory – This is the reference laboratory for all legal metrology standards in the country*

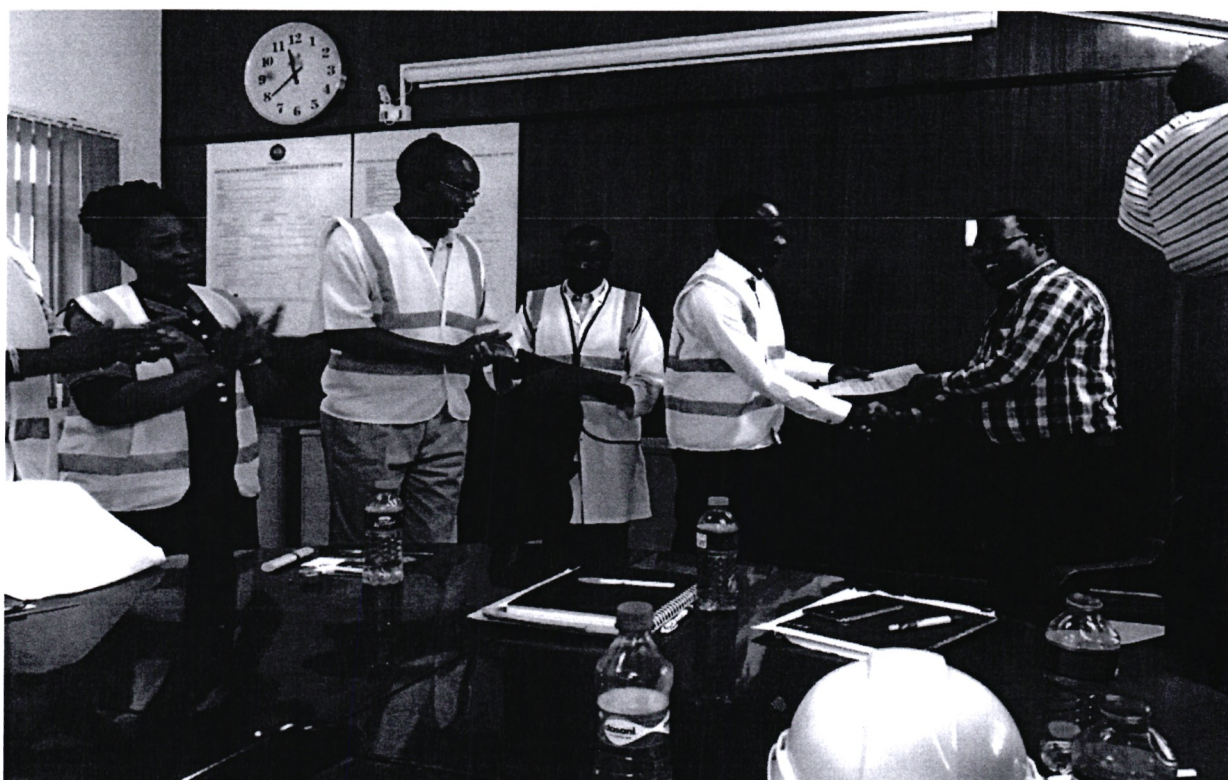
### **4.3 Type Approval**

The Department type approved measuring instruments in various sectors including two critical areas to the national economy namely:

- i) The Kenya Ports Authority measuring systems used in weighing containers at the port for weight declaration. This is a requirement by the International Maritime Organization for all seaports to have in place internationally acceptable weighing systems for weighing cargo before loading on to ships to avoid accidents at sea(Safety Of Life At Sea(SOLAS))



*Fig. 17: Weights and Measures Specialized Bulk systems testing unit*



*Fig. 18: Mr. Samson Wangusi, Senior Deputy Secretary for State Department for Trade presenting Type Approval Certificate for the SOLAS equipment to Mr. Sudi A. Mwasinago, General Manager Operations, KPA*

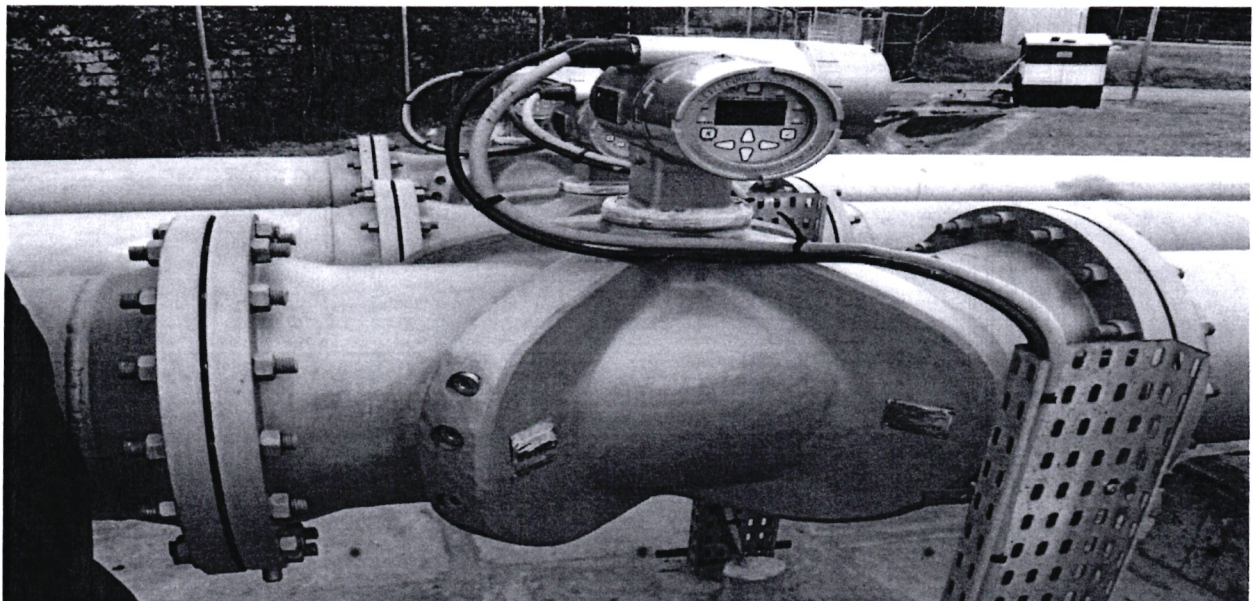
- ii) Fuel measurement by Kenya Pipeline Company at the Kenya Oil Storage Facility (KOSF) and along the pipe line for the measurement of fuel imported into the country. Two models of measurement systems were approved. An Approved Automatic Tank gauging system installed in the storage tanks at Kenya Pipeline in Kipevu, Mombasa automatically reads and stores data without human intervention. The proper performance of the Automatic tank gauging system is dependent on the storage tank construction and installation hence inspection of the internal structure and construction of the tank is essential prior to verification of the gauging system. Prior to the approval of this technology by Weights and Measures department, the KPC used a manual system utilizing dipping tapes to determine the volume of fuel received or transferred.



*Fig. 19: Manual dipping point (gauge hatch) atop a storage tank – A demonstration of the old method of fuel Measurement that was replaced by the automatic tank gauging system*

The above system was majorly dependent on the accuracy and integrity of the person taking the measurements. The new system now guarantees reproducible measurements that are automatically stored and retrievable at a later date. In

addition, one model of Ultrasonic bulk flow meters installed at various points on the pipeline to determine quantities of fuel being transported along the pipeline to the hinterland has greatly contributed to the reduction in fuel losses at Kenya Pipeline Company. Prior to the approval and installation of this technology, the pipeline had mechanical meters which would break down frequently.



*Fig. 20: Approved ultrasonic bulk flow meter installed on the main line from Kilindini port to measure fuel imported into the country, parts of EAC and the Great Lakes region*

- iii) The department also type approved 6 (six) weighing and measuring instruments in other sectors of the economy i.e weighing instruments for general trade and dispensing pumps used in petrol stations.
- iv) Renaissance visits to identify weighing and measuring equipment requiring Type Approval and placement into the verification regime.

The Department visited the Kenya National Highways Authority (KENHA) installations of the high-speed Weigh-in-Motion (WIMs) Weighbridges at Mariakani to establish the role they play in the enforcement process for the control of damage to the roads. It was established that the high-speed WIMs

play a critical role in the axle-load enforcement process since they act as the initial determinants if case a lorry is to be removed from the road for overload. It was resolved that these instruments will therefore undergo type approval and be placed under the verification regime.



*Fig. 21: Mariakani Weighbridge Station: The State department for trade delegation led by the director of Weights and Measures under the guidance of technical officers from weights and Measures assessing the contribution of the high-speed WIMs to the axle-load enforcement process*

#### **4.4 Verification at National Installations**

The Department verified 100 weighing and measuring equipment installed at national installations. These included;

- i) Eight (8) Automatic tank Gauging systems installed in bulk storage tanks. These instruments are used for the determination of the Kenya's fuel reserves at any given time in order to inform importation levels.



*Fig. 22: Weights and Measures Inspector with an attache from Rwanda Standards Board Verifying an Automatic Tank gauging system atop a bulk storage tank at KPC- Kipevu, Mombasa*

- ii) 60 bulk flow meters used along the pipeline from Mombasa to Nairobi and at fuel depots. These flow meters are key in the determination of quantities of fuel entering and tradable in Kenya, East Africa and the Great lakes region.
- iii) Six (6) bulkflow meters used by Agro-chemical and Food Company in the production and sale of raw alcohol used in the manufacture of spirits
- iiii) 20 Static Weighbridges along the EAC trunk roads for vehicle load control. These are the weighbridges controlling the load transmitted to our roads by trucks to avoid overloading thus safeguard the national road network. They are installed by the Kenya National highways Authority at strategic locations along the East African trunk road network e.g. Mariakani, Mulolongo, Gilgil, Webuye, Isebania, Malaba.

#### **4.5 Licensing and Control of Legal Metrology Technicians**

The Department renewed licenses for 900 technicians handling the repair and servicing of weighing and measuring instruments used in legal metrology work. These are persons engaged in the installation, manufacture, repair, overhaul and maintenance of weighing and measuring instruments used in trade, public safety, health and environmental protection. In addition, twenty two (22) new sellers of weighing and measuring equipment were registered.

### **5. ENTREPRENEURSHIP AND MANAGEMENT TRAINING**

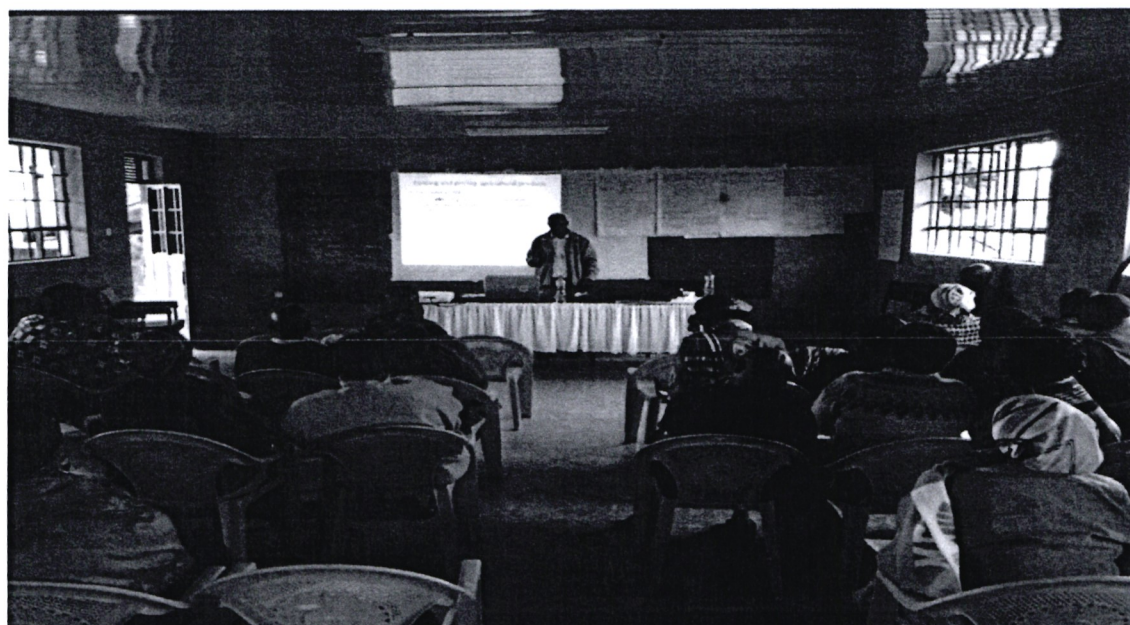
#### **5.1 Training of Micro Small and Medium Enterprises (MSMEs)**

To enhance growth of enterprises, the department through the Kenya Institute for Business Training (KIBT) provides training of MSMEs operators and other interest groups, provides counselling and extension Services to MSME operators, conducts business-based research and consultancy for MSMEs and other stakeholders and organize tailor-made training programmes for the clientele as and when need arises. This include areas like business planning, entrepreneurship, record Keeping, sourcing for business finance, marketing, costing and pricing of products among others. The department in collaboration with other stakeholders mobilises and undertakes the trainings in various parts of the country. In 2016/17 financial year, KIBT trained 2000 Joyful women entrepreneurs as per the schedule below:

**Table 5: Business Trainings conducted in FY2016/17**

No.	Date	County	Number of Participants	Place
1	17 <sup>th</sup> & 18 <sup>th</sup> January 2017	Uasin Gishu	134	Eldoret
2	19 <sup>th</sup> & 20 <sup>th</sup> January 2017	Uasin Gishu	134	Eldoret
3	23 <sup>rd</sup> & 24 <sup>th</sup> January 2017	Uasin Gishu	132	Eldoret
4	25 <sup>th</sup> & 26 <sup>th</sup> January 2017	Trans Nzoia	150	Kitale
5	27 <sup>th</sup> & 28 <sup>th</sup> January 2017	Trans Nzoia	150	Kitale
6	30 <sup>th</sup> & 31 <sup>st</sup> January 2017	Nandi	132	Kapsabet/Nandi hills
7	1 <sup>st</sup> & 2 <sup>nd</sup> January 2017	Nandi	134	Kapsabet/Nandi hills
8	3 <sup>rd</sup> & 4 <sup>th</sup> January 2017	Nandi	132	Kapsabet
9	6 <sup>th</sup> &7 <sup>th</sup> February 2017	Bungoma	100	Bungoma
10	8 <sup>th</sup> & 9 <sup>th</sup> February 2017	Bungoma	100	Bungoma
11	10 <sup>th</sup> & 11 <sup>th</sup> February 2017	Busia	100	Busia
12	13 <sup>th</sup> & 14 <sup>th</sup> February 2017	Busia	100	Busia

No.	Date	County	Number of Participants	Place
13	17 <sup>th</sup> & 18 <sup>th</sup> February 2017	Embu	126	Embu
14	20 <sup>th</sup> & 21 <sup>st</sup> February 2017	Embu	124	Embu
15	22 <sup>nd</sup> & 23 <sup>th</sup> February 2017	Murang'a	126	Murang'a
16	24 <sup>th</sup> & 25 <sup>th</sup> February 2017	Murang'a	124	Murang'a



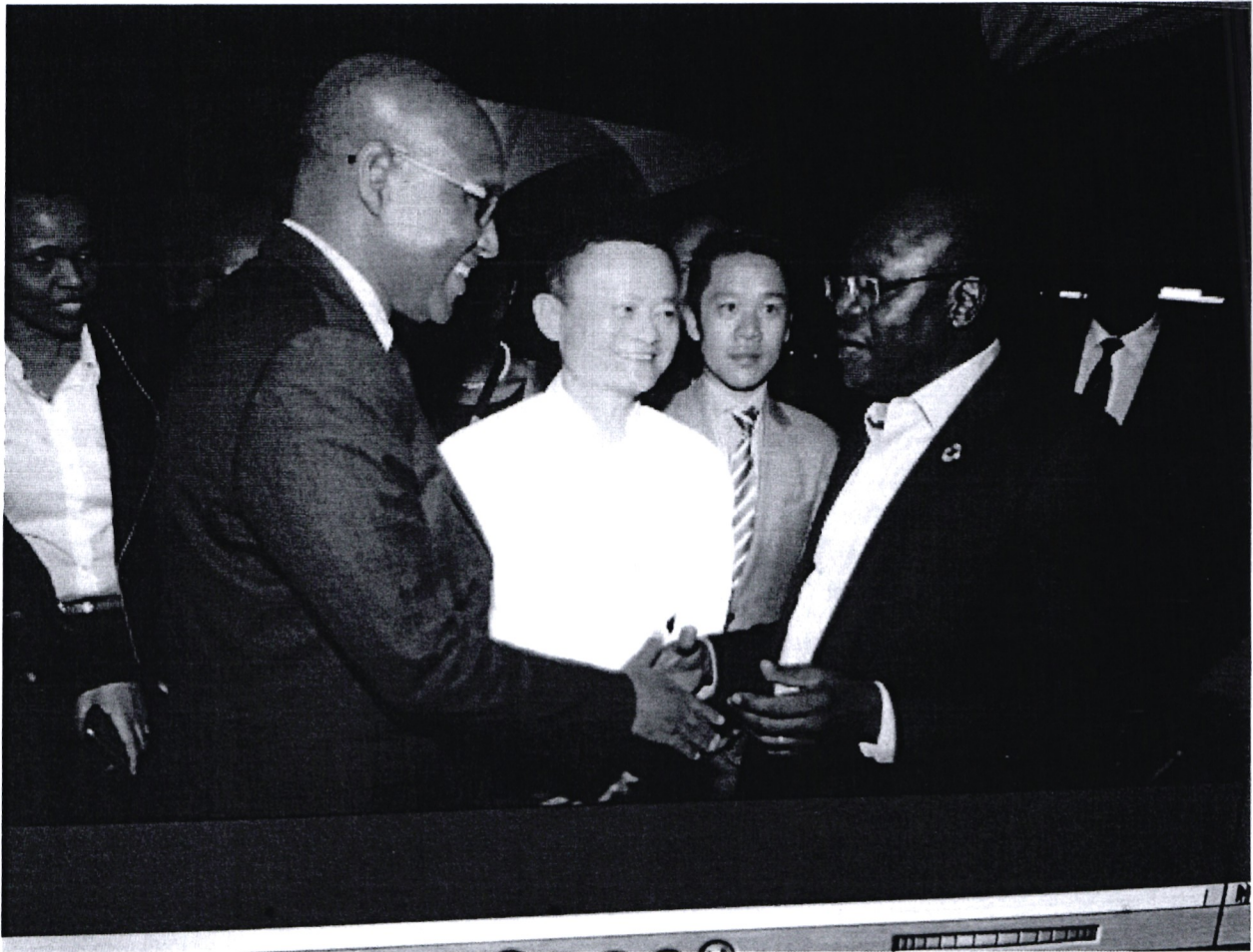
*Fig. 23: A KIBT Lecturer making a presentation*

## 5.2 Establishment of EMPRETEC Centre

EMPRETEC is a flagship capacity-building programme of the United Nations Conference on Trade and Development (UNCTAD) for the promotion of entrepreneurship and micro, small and medium sized enterprises (MSMEs) to

facilitate sustainable development and inclusive growth. EMPRETEC's core product is the Entrepreneurship Training Workshop (ETW), which aims to foster the motivation and self-confidence of participants who have chosen to start or expand their businesses. It is based on a behavioural approach designed to unleash personal entrepreneurial potential. The methodology has proved to be effective for a vast range of target audiences in advanced and less developed economies. It works equally well for mature entrepreneurs and new entrants, opportunity and necessity entrepreneurs, participants with different levels of education.

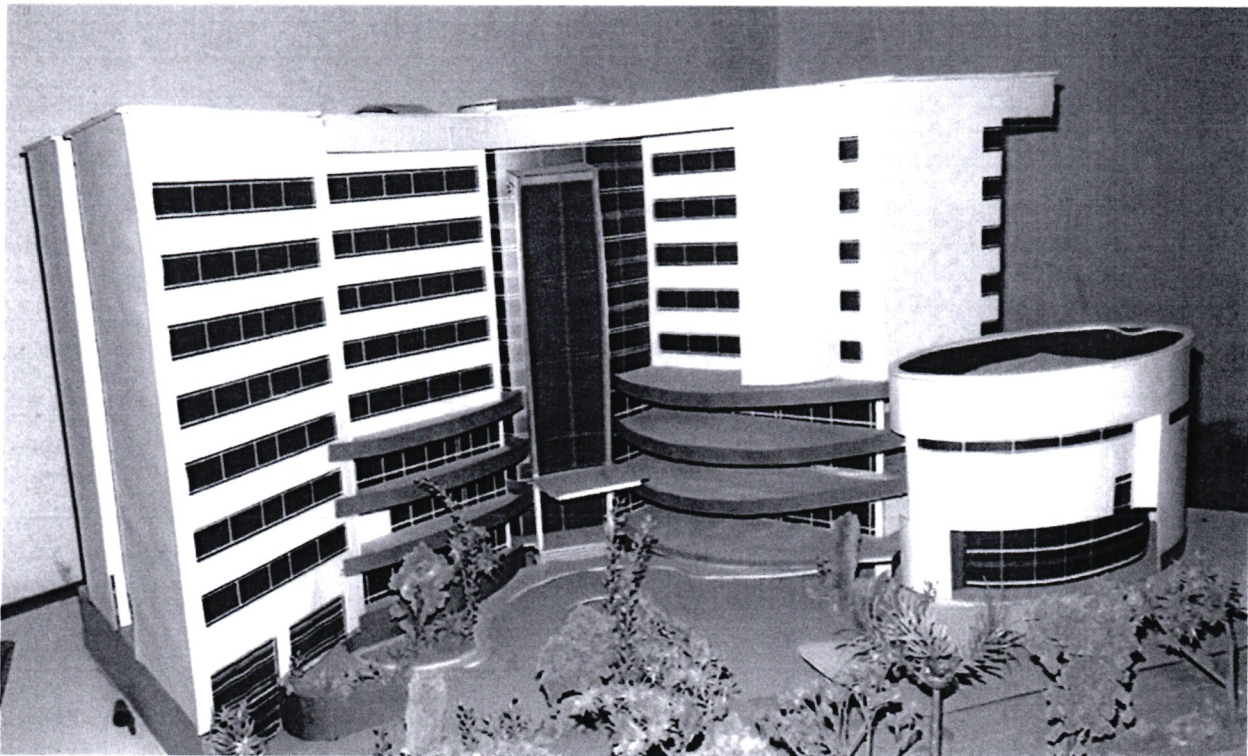
The Department engaged UNCTAD in its pursuit to establish to establish EMPRETEC in Kenya. The Centre was successfully launched in Kenya by the UNCTAD Secretary General His Excellency Dr. Mukhisa Kituyi assisted by Mr. Jack Ma, owner of Alibaba group and UNCTAD Special Advisor on Youth Entrepreneurship and Small Business. The event was graced by Hon. Adan Mohammed, Cabinet Secretary, Ministry of Industry, Trade and Cooperatives and Principal Secretary for Trade, Dr. Chris Kiptoo. The EMPRETEC Centre will be hosted at the Kenya Institute of Business Training (KIBT) Parklands Complex.



*Fig. 24: Dr. Mukhisa Kituyi during the launching ceremony of EMPRETEC. Present is Mr. Adan Mohammed, CS, Ministry of Industry, trade and Cooperatives and Mr. Jack Ma*



*Fig. 25: Mr. Jack Ma , owner of Alibaba group and UNCTAD Special Advisor on Youth Entrepreneurship and Small Business addressing at the launch of EMPRETEC*



*Fig. 26: A model of the proposed KIBT Parklands office complex*



*Fig. 27: KIBT Parklands office Complex currently under construction*

One (1) Pilot Entrepreneurship Training Workshop was successfully conducted by two UNCTAD International Master Trainers at Sarova Panafric Hotel on 15th-20th July 2017. Thirty participants were trained. In addition, One (1) International Trainer of Trainers (TOT) was conducted by four (4) UNCTAD International Master Trainers. Fourteen local and international TOTs were trained.



*Fig. 28: Mr. Musa Okwemba a KIBT trainer receiving his certificate*

### **5.3 Human Resource Development for Industrial Development Project**

The State Department for Trade in support from Japan International Cooperation Agency (JICA) implemented the Trade Training Program for SME Exporters. The programme assisted Kenya Institute of Business Training (KIBT) to enhance its capacities on management training and consultancy for micro and small enterprises (MSMEs) and entrepreneurs. As a result, the trainers of the management training for small /micro enterprises were trained and practical training programs were developed. Based on the results of the previous projects, the Project on Human Resource Development for Industrial Development was requested by the Government of Kenya through the State Department for Trade, in order to realize the productivity improvement and innovation of SMEs, and to promote the human resource development at management level in line with the aspirations of Vision 2030.

The Project aims to establish an implementation structure for the new training and consultancy programs for SMEs in KIBT, as well as to support the improvement of business performance at selected pilot enterprises through the provision of the business services. In the long run, the results of the Project are intended to contribute to the expansion of the employment opportunities through the development of business human resource and enhancement of

management foundation of SMEs. The Project started in September 2015 and is being implemented by KIBT in collaboration with training institutions, including National Productivity and Competitiveness Centre (NPCC) and Toyota Kenya Academy (TKA). The programme has achieved the following:-

- i) Trained ten (10) Master Trainers and 9 Trainers in on- site consultancy.



*Fig. 29: 10 Kenya master trainers attending training in Tokyo Japan in September - October 2016*

- ii) Capacity building of SMEs Human resource through consultancy in Production and Quality Management and Improvement, Financial Management and Marketing and Sales management



*Fig. 30: JICA experts and KIBT staff on onsite visit at one selected pilot company*

a) Pilot training for Toyota Kenya Academy



*Fig. 31: Capacity training for Toyota academy staff in August 2016*

## **6. POLICY AND REGULATORY FRAMEWORK**

### **6.1 Formulation of National Trade Policy**

The Department formulated a National Trade Policy which was approved by the Cabinet in December 2016 and launched in July 2017. The Policy aims at spurring economic growth by enhancing export growth through value addition in export oriented manufactures and in the services sector as well as pursuing diversification to fully exploit the export opportunities in the emerging markets.

### **6.2 Development of Trade Remedies Bill**

A Trade Remedies Bill was developed, approved by the Parliament and assented by the President. The implementation of the law will address issues of unfair trade practices from imports that cause material injury to Kenya's domestic industry.

### **6.3 Development of National Export Strategy**

The consultative process towards profiling the sectors and identifying the interventions that would lead to higher export performance has been undertaken. Steering committee, sector working committees have engaged with critical stakeholders with a view to developing sector strategies that will form the pillars and basis for action within the national export strategy.

### **6.4 Development of Trade Development Bill**

A draft Trade Development Bill, whose objective is to provide a legal framework for the National Trade Policy, was developed in consultation with the County Governments. The Bill has been submitted to the State Law office for legal drafting.

### **6.5 Development of Legal Metrology Bill**

A Legal Metrology Bill reviewing the Weights and Measures Act was developed. The Bill aims to make provisions for the manufacture, sale and use of weighing and measuring equipment in trade, health and safety, environment and the sale

of goods. It also aims to provide for international best practices and administration of legal metrology services in the devolved system of government. The Bill has been passed by the Parliament.

## **7. HUMAN RESOURCE MANAGEMENT AND DEVELOPMENT**

### **7.1 Recruitment and Promotions**

The State Department for Trade mandate was expanded with the inclusion of the department for international Trade. In view of this, the staffing structure was reviewed including analysing the staffing levels which led to the establishment and filling of various critical positions to enhance the Departments service delivery. In line with the analysis, the State Department filled the following posts:-

- i) Secretary Trade
- ii) Director, Research and Policy Analysis
- iii) Deputy Director, Internal Trade,
- iv) Deputy Director, External Trade
- v) Deputy Director, Kenya Institute of Business Training

In addition, the department addressed the problem of stagnation of officers by requesting a temporary waiver from the Public Service Commission. The request was granted resulting into the following internal promotions:-

- i) Assistant Director, Internal Trade JG"P" - 17 Officers
- ii) Assistant Director, External Trade JG"P"- 8 Officers
- iii) Principal Trade Development Officer (External Trade) JG"N"- 8 Officers
- iv) Chief Trade Development Officer (Internal Trade) JG"M"- 17 Officers
- v) Chief Trade Development Officer (External Trade) JG"M"- 18 Officers

Further, to address Succession Management in the Department, eighty four (84) officers were recruited at entry level in the month of May 2017 as indicated here below:

- i) Ten (10) officers recruited as Weights and Measures officers
- ii) Fifty (50) officers recruited as International Trade officers
- iii) Twenty Four (24) officers recruited as Internal Trade officers



*Figure 32: Induction session for newly recruited Staff*

By August 2017, the establishment for the Department stood at three hundred and forty three (343) officers while more staffing requests are being made to the Public Service commission (PSC) for consideration.

## 7.2 Training

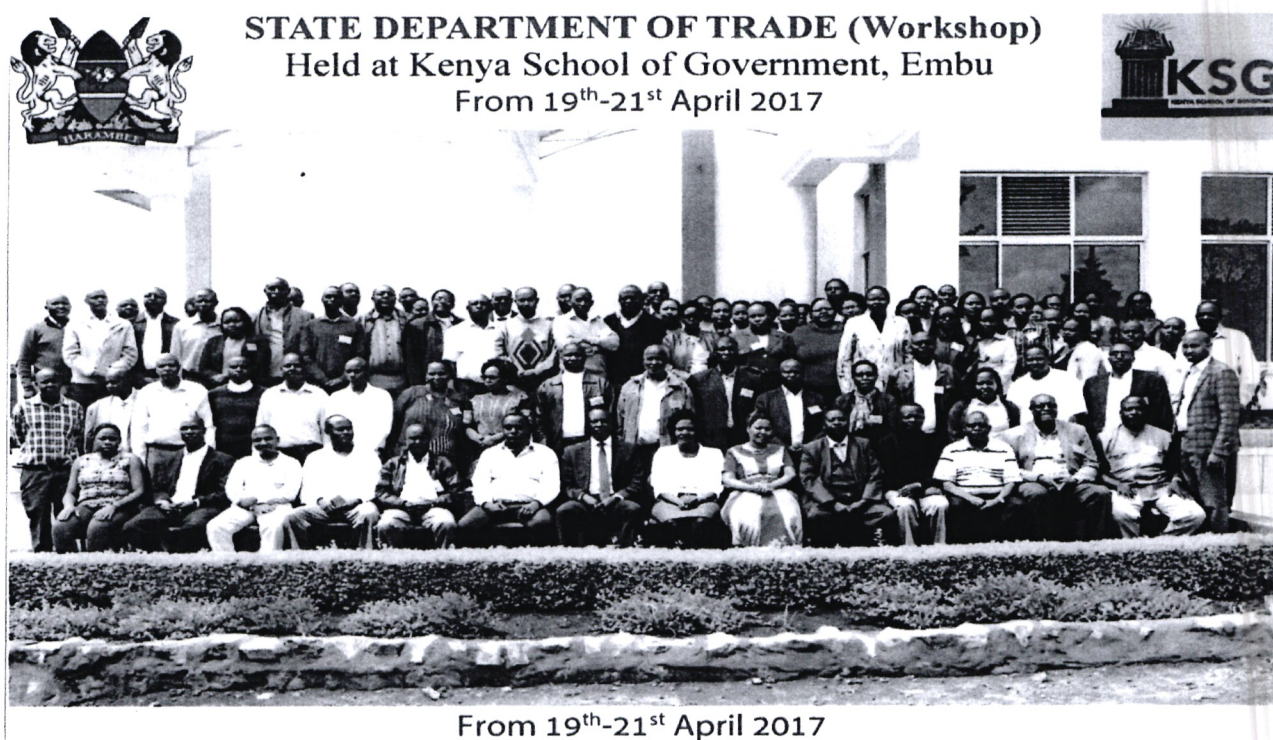
In order to enhance staff skills for efficient service delivery and carrier progression, the department sponsored officers in the following courses:-

- i) Two (2) officers undertook Senior Leadership Development Programme (SLDP)
- ii) One (1) Undertook Senior Management Course
- iii) Two (2) officers undertook Ethics & Integrity training
- iv) Two (2) officers undertook Future of HRM training
- v) Five (5) officers undertook course on Institute of HRM
- vi) Nine (9) officers undertook career progression course at the Kenya Scholl of Government (KSG), Matuga
- vii) Twenty one (21) heads of departments and their deputies were sensitized on the new online performance appraisal system (SPAS) which is a paradigm shift from the manual Performance Appraisal



**Figure 33: Sensitization of HODs and their Deputies on New HRM policies and SPAS at Kongoni Lodge, Naivasha.**

- viii) 168 officers sensitized on the new online performance appraisal system (SPAS)



**Figure 34: Staff attending SPAS sensitization at Kenya School of Government, Embu**

- ix) Twenty (20) officers attended a seminar on Economic and Trade for Kenya in China.
- x) Four (4) officers attended a seminar on anti-Counterfeit- facilitating legitimate trade and improving products quality in Kenya in China
- xi) Twenty two (22) students from various institutions attached to various departments within the State Department

**2018/19 FY**

## **1.0 POLICY REVIEW**

The State Department for Trade undertook the following functions: -

- i. Trade Policy;
- ii. Exports Policy;
- iii. Trade Negotiations and Advisory Services;
- iv. Liaising and Coordinating with UNCTAD and WTO on Trade Matters;
- v. Enforcement of International Trade Laws, Negotiations and Agreements;
- vi. Coordination of Multi-Agency Task Force on the Elimination of Illicit Trade and Counterfeits;
- vii. Liaison with International Trade Bodies for Development;
- viii. To combat Counterfeiting, Trade and other Dealings in Counterfeit Goods;
- ix. Facilitate and Enhance the Ease of Doing Business in Kenya;
- x. Oversight, Administration and Enforcement of the Local Content Policy;
- xi. Promotion and Regulation of the Wholesale and Retail Trade;
- xii. Promotion of Fair Trade Practices and Consumer Protection; and
- xiii. Entrepreneurship and Management Training.

In addition, the State Department is responsible for overall guidance and policy coordination for her state corporations namely: -

- i. Kenya Export Promotion and Branding Agency (KEPROBA)
- ii. Anti-Counterfeit Agency (ACA)
- iii. Kenya National Trading Corporation (KNTC)
- iv. Kenya Consumer Protection Advisory Committee (KECOPAC)

### **2.1 Strategic Goal, Objectives and Interventions**

<b>Strategic Goals</b>	<b>Strategic Objectives</b>	<b>Strategies for Interventions</b>
Promote trade and Investment	<ul style="list-style-type: none"><li>• Facilitate Business and Entrepreneurship Development</li></ul>	<ul style="list-style-type: none"><li>• Provide innovative business support services</li><li>• Enhance Accessibility to Business Information</li></ul>

<b>Strategic Goals</b>	<b>Strategic Objectives</b>	<b>Strategies for Interventions</b>
	<ul style="list-style-type: none"> <li>• Improve business environment</li> <li>• Support growth and development of wholesale and retail trade and markets</li> <li>• Develop an integrated trade data information system.</li> </ul>	<ul style="list-style-type: none"> <li>• Monitor the impact and Review the implementation of trade related legislations and regulations</li> <li>• Continuous engagement, information sharing and interaction between the National and County Governments on trade development issues.</li> <li>• Facilitate the improvement of supply chain efficiency in wholesale and retail sector</li> </ul>
Promote fair trade practices and Consumer Protection	<ul style="list-style-type: none"> <li>• Ensure conformity of trade measurement with international standards</li> <li>• Promote uniformity of trade measurement</li> <li>• Improve consumer protection</li> <li>• Eliminate dumping (subsidized goods &amp; trade remedies measure)</li> </ul>	<ul style="list-style-type: none"> <li>• Harmonize legal metrology standards in line with the international standards</li> <li>• Ensure accuracy of legal metrology equipment for use for trade</li> <li>• Control the manufacture, sale and repair of weighing and measuring equipment to ensure compliance</li> <li>• Improve legal metrology policy environment</li> <li>• Enhance public awareness of legal metrology service</li> <li>• Operationalize the Consumer Protection Act</li> </ul>
Promote Export Trade and Regional Integration (COMESA, COMESA-EAC-SADC Tripartite FTA, AFRICA CONTINENTAL FTA)	<ul style="list-style-type: none"> <li>• Broaden and deepen the export markets</li> <li>• Diversify Kenya's export products</li> <li>• Marketing of Kenyan products.</li> </ul>	<ul style="list-style-type: none"> <li>• Penetrate Africa emerging markets such as Nigeria, Angola, DRC, Ghana and South Sudan</li> <li>• Diversify Kenyan's exports</li> <li>• Deepen COMESA, TFTA Regional Integration</li> <li>• Increase market access to Africa through the AfCFTA initiative</li> <li>• Increase Integration of Micro, Small and Medium Businesses into the Global Market Value Chains</li> </ul>

<b>Strategic Goals</b>	<b>Strategic Objectives</b>	<b>Strategies for Interventions</b>
Improve capacity for service delivery	<ul style="list-style-type: none"> <li>• To enhance the Ministry's capacity for quality service delivery</li> <li>• To attract, develop and retain competent and motivated workforce</li> </ul>	<ul style="list-style-type: none"> <li>• Restructure the Ministry and its agencies for better service delivery</li> <li>• Strengthen human resource capacity of the Ministry and its agencies</li> <li>• Improve institutional culture to effectively respond to the needs of the business sector and the wider stakeholders</li> <li>• Re-engineer key processes to improve service delivery</li> <li>• Implement the e-Government strategy</li> <li>• Publicize the Ministry and its agencies activities for public awareness</li> <li>• Improve the work environment</li> <li>• Strengthen monitoring and evaluation systems</li> </ul>

## 2.2 Summary of flagship projects/other projects in Trade

- a) **Establishment of EMPRETEC Centre**
- b) **Development of an Export Development Strategy**
- c) **Profile 1000-1500 Producer Business Groups to identify their needs and interventions**
- d) **Establishment of Kenya Multi Commodities Exchange:**

### **Other programmes:**

- I. Review the laws covering companies and other associations to improve the business environment, reduce red tape and provide a predictable regulatory framework for business. This will enhance the ease of doing business.

- II. Establish an information system on goods and services that will collect, collate and disseminate trade information through Business Information Centers (BICs).
- III. Development and institutionalization of capacity building and training programmes on technology, value addition and business procurement negotiation skills for the traders' association and their members (Producer Business Groups/Business Membership Organizations)
- IV. Construction of Legal Metrology laboratories in 47 counties to meet international best practices.
- V. Provision of entrepreneurial and management training, consultancy and counseling services to Micro, Small and Medium scale enterprises and other interest groups (MSMES), based on a comprehensive Training Needs Assessment.
- VI. Increase integration of MSMES into the market value chains through Trade exhibitions and Cross Border Trade Associations (CBTAs).
- VII. Diversify export products and markets through market research in high potential markets and participation in export promotion programmes such as World Expositions; trade missions, specialized trade fairs such as Specialty Coffee Association of America (SCAA); Solo exhibitions, incoming buyer missions and familiarization tours of Kenya's export production system.

	<b>MTP OUTCOME INDICATOR</b>	<b>III MTP OUTCOME TARGET 18/19</b>	<b>ACTUAL ACHIEVEMENTS</b>	<b>REMARKS</b>
	<b>Flagship Projects</b>			
1.	Number of Producers Business Groups profiled and facilitated	1500 Producers Business Groups profiled and facilitated	Producer Business Group (PBG) Intervention Strategy was finalized and approved.	Facilitation of PBGs using the strategy developed was not possible due to lack of funds
2.	Facilitate access to credit by Micro, Small and Medium Enterprises (MSMEs)	Policy reforms to improve business environment for MSMEs	No progress	Target not achieved due to insufficient funding.

**Other Programmes/ Projects**

	Transparent, efficient and structured trading system	One(1) sensitization on for a conducted	Sensitizations Held in Homa Bay, Siaya, Bomet , Vihiga and Kakamega counties on counties engagement strategy.	More sensitizations needs to be done.
2.	Number of MSMEs provided with business skills by the Kenya Institute of Business Training (KIBT)	2,000 potential trainees sensitized	2419 trainees trained on consultations and entrepreneurship	Target of 5000 not reached due to insufficient funds.
3.	Number of (MSMEs) trained through the EMPRETEC Centre	Operationalize the EMPRETEC Centre	Trainers of Trainers for the EMPRETEC Centre have been trained. One (1) Pilot Entrepreneurship Training Workshop and International Train	Operationalization of the centre is awaiting completion of KIBT Parklands Building
	Develop and conduct entrepreneurial and management training programmes for 13,000 MSMEs	3760 MSMEs to be trained through the entrepreneurial and management training programmes	2970 MSMEs operators trained	Negative variance was due to delay in funds release and lack of vote for regional offices
	Equip MSMEs with specialized skills through provision of Business consultancy services	Provide 6 firms with Business consultancy for MSMEs and other stakeholders	6 firms provided with business consultancy	6 firms provided with business consultancy

4.	Diversify export products and markets through market research in high potential markets	Two (2) trade missions undertaken.	Undertook trade mission to Ghana for trade promotion and bilateral engagement.	Trade mission to Ghana was successful.
	Capacity building on technology, value addition and business procurement negotiation skills for the traders' association members	Assist at least 330 SMEs to be trained under Export Trade Training and Export Awareness programme	280 SMEs trained under Export Trade Training and Export Awareness programme	Only 280 SMEs reported for training
5.	Expansion of export base by establishing a Centre for Product Design and Development.	Market analysis finalized.	Market analysis for 6 countries were completed.	China and EAC completed.
6.	Increase market access of Kenya export and inflow of FDI through Signing bilateral Trade and investment agreements.	Ten (10) BTAs identified and reviewed.	Ten (10) Bilateral Trade Agreements/Memorandum of Understanding (MOUs) were negotiated and signed. Among them are Sri-Lanka, Nigeria, Qatar, Ghana, Egypt and Jordan	Exports to countries which Kenya signed BTAs with has not significantly changed. It takes some time to realize benefits of BTAs.
7.	Increased access of Kenyan goods to EU by signing the Economic Partnership	Conclude negotiations for Economic Partnership Agreement (EPA)	Economic Partnership Agreement (EPA) was concluded, ratified by the	Rwanda has signed EPA. The other partner states have not signed EPA with EU.

Agreement (EPA) between the EAC Partner States and the EU.	between the EAC Partner States and the EU.	National Assembly and signed by Kenya.	
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- VIII. Attract investments in the export related value chain for production Of value added products.
- IX. Develop an Export Development Strategy.
- X. Develop an e-trade policy
- XI. Conclude negotiations for Economic Partnership Agreement (EPA) between the EAC Partner States and the EU
- XII. Take deliberate steps towards the removal of tariff and non-tariff barriers and seek the support and collaboration of our trading partners.
- XIII. Conclude negotiations on COMESA-EAC-SADC Tripartite FTA and AfCFTA

### 3.2 Brief Description of Results

#### a) Establishment of Distribution Infrastructure to improve market access for Kenyan exports:

The feasibility study and analyses for the Warehousing project in Lubumbashi, the Democratic Republic of Congo has been undertaken and suitable facilities identified. The establishment of the distribution Infrastructure is now awaiting formalization of legal entity and legal requirements both in DRC and K

#### b) Other Programmes/Project

- i. Establishment of a National Commodities Exchange:- During the period under review, Following the Cabinet Directive in January 2019, the National Commodities Exchange was registered under the name **“Kenya National Multi-Commodities Exchange Limited (KOMEX)”** as a Private company limited by shares under the Companies Act of 2015, with an authorized capital of Ksh.2 Billion. As directed by Cabinet, the KOMEX Board was constituted composed of the following: Principal Secretaries for the National Treasury and Planning, Trade, Cooperatives, ICT and CEO of the Nairobi Securities Exchange (NSE). Following the registration of KOMEX, the Board embarked on the process of its capitalization in order to raise the proposed paid-up capital of Ksh.2 Billion. The Sub-Sector developed the capitalization plan, issued the Information Memorandum (IM) and invited subscription. Eleven (11) potential subscribers expressed interest but only four (4) returned the IM and committed to inject Ksh. 265 million. In developing the necessary legal framework for establishment and operationalization of exchanges, the Capital Markets Act was amended to provide for regulation of spot commodities trading by the Authority. In addition, the Warehouse Receipt System (WRS) Act, 2019 was enacted to regulate warehouse licensing, certification, standards and

grading, as well as issuance of WRS receipts traded in the Exchange. The WRS and Commodities Market Regulations were developed and subsequently subjected to stakeholder engagement in July 2019. KOMEX office location was identified at the new KIBT Parklands Building.

- ii. During the review period the Ministry through Kenya Institute of Business Training (KIBT), trained 7,742 Micro, Small and Medium entrepreneurs, provided on-site consultancy to twenty (20) firms under the Human Resource Development for Industrial Development (HRDID/JICA Project) and conducted Training of Trainers (ToTs) under the Empretec Programme. The Sub-Sector also finalized partitioning of two (2) floors of the new KIBT Parklands Complex. Kenya Institute of Business Training (KIBT) has already occupied part of the building and the rest have been earmarked to provide office space to the new Kenya Export and Branding Agency (KEPROBA), Kenya National Chamber of Commerce and Industry (KNCCI), Kenya National Multi-Commodities Exchange (KOMEX) and Kenya Trade Remedies Agency (KETRA) among others
- iii. The sub-sector through Brand Kenya Board identified counties as key in building the Kenyan brand and thus has developed a generic strategy to guide all aspects of branding of counties as sub-bands of the country brand. The 47 Counties have been trained on the branding guidelines during regional workshops. Feedback from such forums informed the need to undertake a survey of the competitiveness of all the 47 counties. The Board undertook the county competitiveness survey to understand their branding attributes.
- iv. Over the review period, 80% of Tripartite Free Trade Area (TFTA) Rules of Origin (RoO) and 70% of Africa Continental Free Trade Area (AfCFTA) Rules of Origin were concluded to facilitate market access of Kenya wholly produced goods. In addition, to improve market access for Kenya goods and services, the Sub-Sector; negotiated removal of Non-Tariff Barriers (NTBs), reviewed the East African Common External Tariff (EAC CET) and negotiated tariff offers with Southern African Custom Union (SACU). To increase Foreign Direct Investments (FDIs), the Sub-Sector organized and coordinated out-bound trade and investment fora on the sidelines of Presidential/State visits to Mauritius, Mozambique, and Namibia.
- v. In the review period, Operationalization of the KETRA and recruitment process of the board was initiated, office space acquired and secretariat established. The Agency will provide a defense mechanism for Kenya goods and services.
- vi. During the period under review, the Sector continued collaborating with other stakeholders in the fight against counterfeits and creating awareness in anti-counterfeits through sensitization seminars/workshops. The Sub-Sector: seized counterfeit goods

estimated to be worth more than Ksh.2.13 Billion; concluded cases in courts and destroyed goods worth over Ksh.504 Million; and strengthened the institution by reviewing the Anti-Counterfeit Act 2008 through the Statute Law (Miscellaneous Amendments) of 2018. In addition, the Sub-Sector launched the National Action Plan to Combat Illicit Trade and strengthened the institutions capacity by recruiting forty-six (46) additional staff.

- vii. During the review period, the Sector through the Department of Internal Trade coordinated the development and implementation of the Buy Kenya Build Kenya Strategy which encourages Public and Private Sector to purchase locally manufactured goods and services. The procurement of locally manufactured goods by the Public Sector is intended to support the manufacturing Sub-Sector.

### **3.3. Assessing Progress**

The data on the projects/programmes under the MTP III for FY 2018/19 was collected through quarterly reporting by the implementing agencies/departments. Regular monitoring of the implementation of projects/programmes was undertaken on a quarterly basis. The Unit charged with the responsibility of collecting data faced challenges in financing the evaluation exercise due to the fact that the most programmes/projects had not factored M&E component in the budget.

### **4.0 IMPLEMENTATION CHALLENGES**

The following constraints/ challenges in implementing the 3<sup>rd</sup> Medium Term Plan during the period of financial year 2018/19

#### **a) Inadequate funding, austerity measures, Budget cuts and exchequer delays**

Despite the sector contributing more than 10 percent to the GDP and employment creation, its budget allocation has been below 0.2 percent of the allocation to Government programmes. The funding has been inadequate to enable it effectively deliver its mandate.

The Sector's funding for Vision 2030 flagship projects and programmes thus delaying the implementation process.

#### **b) Unclear Roles between National Government and County Government**

With the transfer of some functions to the County Governments including construction of markets, there has been confusion on who has the responsibility to construct the whole hubs and Tier 1 retail markets. This has delayed the

implementation of the flagship projects under the Trade Sector. There is therefore need for the National Government and County Governments to collaborate in implementation of flagship projects that are implemented at the County Level.

**c) Influx of sub-standard, counterfeits and contra-band goods**

The influx of substandard, counterfeit and contra-band products into the local market has reduced the market share for locally manufactured goods. This has discouraged innovation efforts, negatively impacted on local industrial growth, reduced the government revenue base and negatively affected domestic trade.

**d) Unfavorable Business Environment**

Unconducive licensing and regulations by several agencies including County Governments has led to high cost of doing business and low competitiveness. In addition, inadequate modern wholesale and retail markets, particularly for the fresh agricultural products; lack of adequate business management skills; high transportation costs resulting from inadequate development of hard infrastructure inhibit the growth of trade.

**e) Lack of Legislation**

Lack of legislation to anchor the Wholesale and Retail Trade Regulations of the Retail Trade Sector has hampered enforcement of the developed regulations. This has also affected the gazettment of the National/County Technical Committee on Trade to steer the implementation of the National Trade Policy. Trade Development Bill which was to enhance the implementation of National Trade policy has not been finalized.

## **5.0 Key Lessons learnt**

During the period under review, targets were ambitiously set based on budgetary projections that have not been met through the normal MTEF budgeting process. Needless to say that attainment of such targets is not feasible at the current funding levels. It is imperative that that the MTP be flexible to allow for end term review of targets in line with prevailing sectors performance, available resources and emerging issues/challenges.

## **6.0 Conclusion and Way Forward**

The implementation of the projects under the review period is negatively majorly affected by lack of funds. The following are proposed recommendations;

- i. It is imperative to continue pursuing diversification of the exports range and value addition measures to improve the competitiveness of Kenya's products in the global market.
- ii. There is need for prioritization of funding for flagship projects during budget making process.
- iii. Enhance funding to the departments so that the planned activities can be carried out as scheduled
- iv. Development of funding proposals to be submitted to various development partners
- v. Procurement of additional vehicles and office equipment that will facilitate the provision of services by the sector.
- vi. Fast track the development and passing of the Trade Development Bill to enable successful enforcement of the developed Retail Trade Regulations.
- vii. Holding regular consultative forums with the counties. These forums will lead to improved working relations between the National Government and the counties.
- viii. Regular follow-ups to be made on assignments that are being facilitated by other MDAs

## **DEPARTMENTS AND SAGAS – STATUS BRIEFS**

### **DIRECTORATE OF INTERNATIONAL TRADE (FORMERLY EXTERNAL TRADE)**

#### **FUNCTIONS**

The functions of the Directorate/Department of External Trade are:

1. Formulation, implementation, coordination, monitoring and reviewing of international trade policies;
2. Formulation and implementation of Export Strategy;
3. Promotion of Bilateral ,Regional and Multilateral trade relations;
4. Coordination of Kenya's participation in Multilateral and International

- trade negotiations;
5. Undertake policy analysis and research on economic and international trade issues;
  6. Promote inflow of investments;
  7. Promote technology transfer;
  8. Ensure consumer protection according to internal laws;
  9. Coordination of inward and outward trade and investment missions;
  10. Support national negotiations on external resources mobilization (ODA/Grants);
  11. Ensure transparency, compliance and enforcement of international trade laws/regulations and agreements;
  12. Co-ordinate matters concerning, WTO, UNCTAD, ITC and other ITOs including negotiations and implementation of the relevant trade related Decisions emanating from ITOs ;
  13. Dissemination of relevant business information to the business community;
  14. Consultations on the legal and regulatory framework for the establishment of Strategic Trade Controls (STC) of dual use goods in line with the UN Security Council Resolution 1540 (2004);
  15. Coordination of regional trade matters: EAC, COMESA, EAC-EU, AGOA, ACP-EU, IOR-ARC and IGAD among others;
  16. Protection of domestic producers/industry from unfair trade practices through application of appropriate trade defense instruments;
  17. Promotion of public, private sector and civil society organizations' participation in international trade matters;
  18. Analyses global trends and emerging socio-economic issues;
  19. Coordination of Dispute Settlement matters arising from Multilateral, Regional and Bilateral trade
  20. Commercial representation in Kenya Missions abroad

To undertake the above functions, the Directorate is divided into three distinct but mutually supportive Divisions. This is geared towards enhancing the performance of the various specialized trade tasks/activities at the bilateral, regional and multilateral level. These Divisions are; Multilateral, Regional and Bilateral.

### **1. Multilateral Trade And International Trade Organization (ITO) Division**

1.0 Handles all the trade matters in relation with World Trade Organization (WTO), United Nations Conference on Trade and Development (UNCTAD),

International Trade Centre (ITC), United Nations Development Programme (UNDP), World Bank (WB), United Nations Industrial Development Organization (UNIDO), World Intellectual Property Organization (WIPO), Food and Agriculture Organization (FAO), and participating in the negotiation of the meetings of these organizations

2.0 With regard to WTO;

- Coordination and preparation of negotiating positions on WTO issues
- Responsible for trade policy reviews
- Coordination of the preparation of notifications obligations under the WTO Agreements for transparency purposes
- Coordination of activities of the National Trade Negotiation Council (NTNC) & its Technical Working Groups/Committees
- Coordination of the implementation of WTO agreements

## **2. Regional Division**

- i. Handling trade matters relating to regional economic integration like COMESA, EAC, ACP/EU, IOR, and AU
- ii. Formulating and preparing negotiation positions on regional trade integration EAC, COMESA, EAC-EU, AGOA, AU, COMESA- EAC-SADC Tripartite FTA, IGAD among others
- iii. Coordination of the activities of the national consultative processes of stakeholders on regional trade and integration matters;
- iv. Undertaking the analysis of the provisions of all regional trade agreements

## **3. Bilateral Division**

- i. Formulating and implementing bilateral trade policies,
- ii. Handling matters concerning bilateral trade and commercial services abroad
- iii. Identifying and evaluating business opportunities in the export market
- iv. overseeing trade research and market intelligence for trade development
- v. organizing and coordinating incoming and outgoing business delegations, conducting trade promotional activities such as buyer/seller missions, trade missions, fairs and exhibitions
- vi. Undertaking the analysis of all bilateral trade agreements
- vii. Preparation of negotiating positions on bilateral trade

## **A. REGIONAL DIVISION**

### **6. ANNUAL ACHIEVEMENTS FOR F/Y 2018/19**

#### **1. East African Community (EAC)**

Several activities were implemented under EAC integration. Major achievement included:

##### **i. Comprehensive Review of the EAC Common External Tariff (CET)**

The Department, as a member of the National Task Force (NTF) participated in the comprehensive review of EAC CET to align the tariffs with the regional and global trading environment, promote intra and extra regional trade and investment and eliminate distortions created by staying the application of the CET. The National Report for the review was developed and submitted to the EAC Secretariat. Regional negotiations to harmonize Partner States proposals have been ongoing and have agreed on the following areas:

##### **a. categorization and classification of goods:**

- Category 1: Raw materials and Capital goods
- Category 2: Intermediate goods
- Category 3: Finished goods
- Category 4: Goods of differentiated categorization

##### **b. four tariff band structure: of**

- 0% - raw materials and capital goods,
- 10% - intermediate goods which are not available in the EAC region
- 25% - intermediate goods available in the region,
- above 25% - goods to be determined in consequent negotiations.

The CET review process is expected to be concluded by 30<sup>th</sup> October 2019.

##### **ii. Elimination of EAC Non-Tariff Barriers**

The Department coordinated Kenya's participation in the EAC Mechanism on the elimination of Non-Tariff Barriers. This included the National Monitoring Committee (NMC) meeting held on 17<sup>th</sup> – 19<sup>th</sup> September, 2018, the Regional Monitoring Committee (RMC) meeting held on 29<sup>th</sup> April - 3<sup>rd</sup> May 2019 in Nairobi Kenya and the Sectoral Council on Trade, Industry, Finance and Investment (SCTIFI) meeting held in 16<sup>th</sup> November 2018. Consequently, at the sidelines of the 38<sup>th</sup> Extra-ordinary Council meeting held on 30<sup>th</sup> January 2019, Kenya agreed with Tanzania and Uganda to hold bilateral meetings to resolve the longstanding NTBs and any other trade restrictive barriers affecting trade among them.

Bilateral meeting between Kenya and Uganda was held from 21<sup>st</sup> – 25<sup>th</sup> March 2019 in Nairobi, Kenya during the Joint Ministerial Commission(JMC) which

preceded Head of State visit of H.E. President Yoweri Kaguta Museveni. Among the resolved trade barriers included the lifting of the ban of Kenya's beef and beef products exports to Uganda which was imposed in 1996.

The bilateral meeting between Kenya and Tanzania was held on 23<sup>rd</sup> – 27<sup>th</sup> April 2019 in Arusha, Tanzania. The meeting resolved Nineteen (19) out of the thirty-seven (37) reported NTBs. The meeting also agreed on the way forward to resolve the outstanding eighteen (18) NTBs.

In addition, as part of activities in the elimination of EAC NTBs, the Department coordinated the meetings for compiling comments for the review of the EAC Elimination of NTBs Act, 2017, and the Draft Regulations, which were expected to have been adopted by the SCTIFI of May, 2019.

The EAC Elimination of NTB Act, 2017, provides a legal framework for removal of NTBs, provides a process for identification and monitoring the removal of NTBs. The Act also clearly defines NTBs, and is expected, once amended to act as a deterrent to Partner States that continue to impose trade restrictive laws, regulations, administrative and technical requirements, whose effect is to impede trade.

### **iii. 19<sup>th</sup> EAC JuaKali/Nguvu Kazi Exhibition**

The department coordinated the hosting of the 19<sup>th</sup> EAC JuaKali/Nguvu Kazi Exhibition, which was successfully held in Eldoret, Kenya, under the theme of, "*Buy MSE products and build EAC*". Over 1500 Exhibitors, (*over 900 Kenyan Exhibitors*) from EAC participated in the Exhibition. The 20<sup>th</sup> Exhibition will be held in Kigali Rwanda in December, 2019.

## **2. African Continental Free Trade Area (AfCFTA)**

The Technical Working Group (TWG) on Rules of Origin under the African Continental Free Trade Area (AfCFTA) concluded over 90% of the AfCFTA rules of origin.

In preparation to exploit the AfCFTA market opportunities the Department held two Stakeholders consultation meetings and finalized drafting tariff offers in readiness for negotiations with other AfCFTA Countries where Kenya has market access interest. Stakeholders including youth and business community were sensitized on potential trade and investment opportunities under AfCFTA.

## **3. COMESA-EAC-SADC Tripartite Free Trade Area (TFTA)**

The Tripartite Free Trade Area (TFTA) TWG concluded over 95% of TFTA Rules of origin. The Department also participated in the conclusion of Tariff offers

negotiations between EAC and SACU where products of export interest to SACU were granted free to the SACU market, either immediately or phase down within five years. Annex 1. On Elimination of import duties and an Agreement on free on movement of business persons in the tripartite region was concluded and adopted.

#### **4. African Growth and Opportunity Act (AGOA)**

The department has coordinated the formation seven (7) NC-AGOA sub-committees (by subsector). The sub-committees formulated work plans to implement the National AGOA Strategy, (2018/23). The work plans were validated by the full NC-AGOA Committee meeting and the stakeholders are in the process of implementing them.

East African Trade and Investment Hub (EATIH) organized a TOT for 26 Technical Officers from SDT and key AGOA stakeholders to capacity build them on the US market requirements under AGOA. The technical officers are expected to disseminate the knowledge to entrepreneurs at the counties, to enable them utilize the remaining years before the lapse of AGOA preferences.

Under Post AGOA, the department led a team of experts to a meeting with the American delegation under the Kenya - US Trade and Investment Working Group (TIWG) meeting held in Washington DC, May, 2019. A Kenya Proposal was submitted for US consideration for funding in support of the implementation the National AGOA Strategy.

#### **5. Common Market for Eastern and Southern Africa (COMESA)**

Kenya successfully petitioned COMESA Member States for another extension of the Kenya Sugar Safeguard which was granted for a further period of two years at the 39<sup>th</sup> Meeting of the Council of Ministers held in July 2018 in Lusaka Zambia. Subsequently and pursuant to the Council Directive No. 1 of 2007 on Kenya Sugar Safeguard, the Department in conjunction with Sugar Directorate developed the progress report and forwarded the same to Secretariat, Additionally, the Department coordinated and successfully hosted four COMESA Technical and Ministerial meetings on Industry, Transport, ICT, Infrastructure and Energy that ran concurrently at the Kenya School of Monetary Studies in June 2019.

#### **6. EAC-EU Market Access Program (MARKUP)**

MARKUP is aimed at increasing Kenyan export of specific products to the EU by way of promoting and encouraging value addition. The implementation is on two tier, the National window (for individual partner states) and regional window (for

EAC). EAC window is being implemented by ITC International Trade Center while National window is being implemented by UNIDO, United Nation Industrial Development Organization. UNIDO has presented its work plan to the National Coordination Committee that is chaired by SDT.

## **7. EAC-US Trade and Investment Agreement**

The department joined the EAC Partner States to finalize the development Cooperation Agreement on Investment Facilitation between the Partner States of the East African Community and the United States of America. Once approved by SCTIFI the draft will be shared with the US before a joint meeting is held to adopt the agreement.

### **B. BILATERAL DIVISION**

#### **STATUS OF COUNTRIES WE ARE ACTIVELY ENGAGED WITH**

##### **1. AGOA Strategy implementation**

A National Committee on AGOA was established in 2019 and sector work plans have been developed.

A Draft cab memo has been shared with National Treasury, Foreign Affairs, EAC and Regional Development, State Department of Industrialization and State Law Office for comments.

##### **2. EAC Roadshows**

Roadshows had been scheduled to be held in the second quarter of the Y/Y2019/20 with an objective of consolidating and deepening Kenya's regional markets' niches; present Kenya and her potentialities, country business potentials and future vision to the regional markets that have increasingly experienced challenges namely; Uganda, Rwanda, Burundi and the Democratic Republic of Congo. However, due to inadequate funding, this Roadshow did not take place.

A draft cabinet memo has since been prepared, requesting the cabinet to:

- i. To appreciate the challenges in the regional markets and the necessity and urgency to consolidate the regional export markets and implement specific strategic actions through the Roadshow.
- ii. To approve and authorize commitment of resources from the exchequer to enable financing of the Roadshow activities.
- iii.

### **3. USA-Kenya Bilateral Relations**

#### **Trade and Investment Working Group**

Currently, three meetings have already been held, two in Washington DC and one in Nairobi. A fourth meeting is planned for Nairobi around May/June 2020. The third TIWG meeting took place in Washington on 3rd-7th February 2020. During the third meeting, H.E President Uhuru Kenyatta and H.E Donald Trump of USA announced the commencement of the negotiation of an FTA between Kenya and USA

So far the following has been achieved from the meetings:

- i. Trade And Investment Working Group(TIWG) Technical team has been constituted
- ii. Terms of reference for the TIWG engagements have been agreed upon
- iii. Letters of confidentiality have been signed and exchanged
- iv. Exchange of information done in the two meetings held
- v. Cabinet approved the FTA negotiations with the US
- vi. USAID held a workshop with the State Department of Trade and other stakeholders to come up with a work plan for Kenya's support

The following recommendations have since been put forward with regard to the TIWG:

1. That an analytical study on the impact of FTA to guide the negotiations be carried out
2. The process be adequately funded in order for the negotiations to be undertaken conclusively.

### **4. Kenya-Pakistan Bilateral relations**

The Pakistan- Africa Trade Development Conference was held at KICC from 30-31st January 2020 with the objective of deepening market access for both countries. During the conference, the High Commission of the republic of Pakistan, proposed that the inaugural Joint Trade Committee (JTC) be held in the month of February 2020.

## **5. Kenya-Ethiopia relations**

In line with the implementation of the Special Status Agreement, the first session of the Joint Trade Committee is scheduled to be held in the month of March 2020.

Additionally, a Cross Border Trade Promotion Bazaar to facilitate export linkages between Kenyan and Ethiopian business partners through match making, B2B and B2C is scheduled to be held in Moyale in the month of April 2020 after the JTC. A Trade facilitation forum and conference to engage with cross border stakeholders is scheduled for the same period.

## **6. Kenya-UK Relations**

The UK had proposed that the two countries sign an interim trading arrangement which will ensure no interruption in trade Once BREXIT is effected. It is proposed that the current EAC-EU EPA be the framework along which the new the agreement will be based on. The two countries have since embarked on formal discussions on the same.

## **7. Kenya-South Africa Trade Week**

Kenya has negotiated market access for avocado in South Africa. There are also efforts also to eliminate non-tariff barriers that meat and meat products are facing in this market. Towards this end there is a planned high level meeting between the Cabinet secretary for Agriculture and the High Commissioner of South Africa in Kenya

During the 6<sup>th</sup> Session of the JTC held in April 2019 in Mombasa, it was proposed that the Kenya week be held in South Africa in March 2020. A follow up with South Africa with regard to the concept note for the trade week as agreed during the JTC has been made pending feedback.

## **8. Kenya-Uganda Relations**

Kenya and Uganda held their inaugural bilateral Joint Commission Cooperation in March 2019. Among the issues discussed were the long standing ban of beef and beef export products to Uganda which was lifted. The last bilateral engagement took place on 6th to 8th November 2019. Other pending issues that need to be addressed with Uganda include:

- Uganda discriminative excise duty on Kenya Juice exported to Uganda.

- Uganda discriminative verification fee on pharmaceutical inspection products.
- Varying weights in Uganda weighbridges.
- Delays in facilitation of Kenya's transit trucks and fuel tankers at Uganda - Rwanda border
- Uganda needs to replace the current weighbridges with good ones and implement Council directive of weighing goods twice at the point of Entry and Exit only
- Uganda to abolish this administrative discriminative fee on Kenya Pharma products as this violates EAC Treaty and EACMA Protocol

### **9. Kenya-Tanzania Relations**

Kenya held its 4<sup>th</sup> Bilateral meeting with Tanzania on 23<sup>rd</sup>-27<sup>th</sup> April 2019 in Arusha Tanzania. Out of the reported 37 Non-tariff Barriers reported, 19 were resolved during the meeting. During the meeting it was agreed that future meetings are held quarterly at the senior officials' level and bi-annually at the ministerial level, whereas regulatory agencies meet quarterly ahead of bilateral meetings.

### **10. Kenya-China relations**

The Inaugural session of the Kenya- China Technical Working Group on Promoting Trade was held in Nairobi on 28th May 2019.

Kenya participated in the Beijing Horticultural Expo from 2<sup>nd</sup>- 6<sup>th</sup> September 2019 where three MoUs (Stevia, Agreement on Trade Promotion, SPS Protocol) were signed during the last Bilateral Engagements

A concern was raised with regard to Kenyan flowers which are charged duty in China yet other countries have no duty charged on their flower exports to China.

### **11. Kenya-UAE relations**

The UAE – East Africa Trade mission in Kenya took place on 25th November 2019 in Nairobi, Kenya, where a Memorandum of Understanding between KNCC&I and Sharjah Chamber of Commerce and Industry was signed.

An MoU was also signed with UAE to remove Visa requirement for diplomatic passport holders as well as multiple entries.

Kenya confirmed participation in the World Expo 2020 Dubai scheduled for 20 Oct 2020 – 10 Apr 2021

## **12. Kenya India relations**

Kenya held its 8<sup>th</sup> JTC meeting with India on 23<sup>rd</sup>-24<sup>th</sup> August, 2018 in Nairobi in which various areas of cooperation were discussed. Lines of credit to the tune of USD 200 million on concessionary terms was granted to Kenya by the India Government

## **13. Kenya- Iraq relations**

Iraq remains an important market for Kenya's products. As part of promoting Kenya's products, the State Department has communicated to stakeholders on the importance of participating in the Dhiqar international conferences and exhibitions for energy, reconstruction and investment from 6-9<sup>th</sup> April, 2020.

### **PROPOSED BILATERAL ENGAGEMENTS AND JTC MEETINGS**

- a) Kenya Israel JTC: Kenya and Israel held a JTC meeting on 26<sup>th</sup> November 2018 in Nairobi. Israel has proposed dates of 22<sup>nd</sup> and 23<sup>rd</sup> June 2020 for the next JTC meeting. Preparatory meetings for the country position paper underway. However, funding remains a key challenge for coordinating and participating in the JTC meetings.
- b) Kenya-Botswana Inaugural JTC: the Composition of a Technical Working Group for the JTC is complete. A process is underway to organize for the first meeting of the technical working group but budgetary constraints have affected the process.
- c) Juba Trade Fair was to be organized by the commercial representative in Juba in 2019. Stakeholder preparatory meetings were held in Juba, but the fair was postponed to 2020 due to inadequate funding to carry out the activity.

### **MoUs ON TRADE AND INVESTMENT**

- a) Proposed Kenya-Senegal MoU on Trade and Investment: Kenya has drafted an MoU and forwarded to Senegal pending feedback. It is proposed that once the MoU is signed, a market survey be carried out by KEPROBA in liaison with the newly opened embassy.
- b) Kenya Namibia MoU on Trade and Investment: implementation of the MoU on trade and investment is underway and a follow up with Namibia is underway to agree on the dates for holding an inaugural JTC. Both countries have since shared a list of members to the JTC.
- c) Kenya-Argentina MoU on Trade and Investment: Kenya initiated an MoU pending feedback and comments from Argentina. An Inaugural meeting of the technical groups will be held after signing of the MoU

- d) Kenya-Barbados MoU on Trade and Investment: Kenya initiated an MoU pending feedback from Barbados. Barbados requested to host the first meeting of the Technical Working Group and signing of the MoU
- e) Kenya-Cuba MoU on Trade and Investment: During the State visit to Cuba, Kenya initiated an MoU with Cuba, currently pending input and comments from Cuba. It is Proposed that the inaugural Technical Working Group meeting be held in 2020 on dates to be mutually agreed upon.

#### **BILATERAL TRADE AGREEMENTS**

- a) Kenya Djibouti BTA: A BTA was signed on 9th May, 2018. There is need to initiate the inaugural Joint Trade Committee Meeting to implement the Trade Agreement. Initial technical meetings have taken place and a JTC is planned for August 2020.
- b) Kenya-Nigeria BTA: the BTA was signed in 2004 but an inaugural JTC scheduled to be held in 2019 was postponed since Nigeria did not confirm concurrence with the dates proposed by Kenya. A follow up on the dates is underway.
- c) Kenya Mozambique BTA: A BTA was signed in March 2018. An inaugural JTC is scheduled to be held once the membership of Technical Committee members is confirmed.

#### **C. MULTILATERAL AND OTHER INTERNATIONAL TRADE ORGANIZATIONS DIVISION**

1. World Trade Organizations (WTO) negotiations; WTO negotiations have stalled due to differences among the Membership. Efforts to bridge Members divergence are ongoing in different formats and configurations. Kenya has joined efforts to find consensus on the issues of interest for Kenya including the African Group and other Groupings of WTO developing Members. On WTO Reforms, Kenya is committed to safeguarding the WTO as rules based Multilateral Trading Organization and has joined a group of like – Minded Countries lead by Canada dubbed the Ottawa Group. We are preparing for the 12th WTO Ministerial Conference to be held in Nur Sultan, Astana, Kazakstan from 8th - 11th June, 2020. Kenya successfully hosted the 15th WTO Ministerial Conference in December, 2015 at the KICC. The Outcome is the Nairobi Ministerial Declaration which continues to be an important reference document on WTO Ministerial Decisions.

2. Regular Work of the WTO; Kenya has continued to perform well under the Transparency obligations to the WTO especially on Notifications under the WTO Agreements on Technical Barriers to Trade (TBT) and Sanitary and Phyto Sanitary Measures. However we behind on the notifications under the Agreement Agriculture on Agriculture which require a lot of work to be done.
3. WTO Trade Policy Review; All EAC Partner States that are WTO Members have their Trade Policies jointly reviewed since they are in a Customs Union. The 3rd Joint East Africa Community WTO Trade Policy Review was successfully undertaken in March 2019. During this Review EAC Partner were encourage to explore how to increase intra - EAC trade and reduce the number of NTBs on trade that have been increasing comparing to the previous review period.
4. Implementation of the WTO Trade Facilitation Agreement; The implementation of the Agreement is on course. The National Trade Facilitation Committee which was provides the national institutional framework for implementation was Gazetted in September, 2017 and the Secretariat to coordinate implementation is already in place at the Directorate of International Trade.
5. Implementation of the Trade Remedies Act, 2017; The Process to establish the Kenya Trade Remedies Agency under Section 3 of the Act is ongoing. The objective of the Agency is to provide the institutional framework for implementation of Trade Remedies in Kenya in accordance with WTO Law. The Agency provides for protection against unfair import trade practices for Kenya's domestic industry hence important for the Big 4 Agenda especially manufacturing. We have resource challenges and efforts are being made to explore how to mobilize resource to enable the Agency to take off.
6. War on Illicit Trade; The War on Illicit Trade within the Multi Agency Framework is ongoing. Anti - illicit Trade implementation Action Plan has Developed and implemented by Anti - Counterfeit Authority with support from the Ministry and other stakeholders. The action plan requires substantial resources for implementation and Agencies within the Muliti Agency framework are currently supporting the efforts with whatever budgetary resources they have.

## **KENYA INSTITUTE OF BUSINESS TRAINING (KIBT)**

### **1. Introduction.**

The Kenya Institute of Business Training is a department of the Ministry of Industry, Trade and Enterprise Development which plays a pivotal role in the Kenyan economy.

Through the execution of its mandate KIBT has enormously contributed towards the Gross Domestic Product (GDP) through wealth and employment creation among the MSMEs.

### **2. Mandate of the Department.**

The Institute is mandated to provide Business & Management Development Services to MSMEs and other Interest Groups. The Institute achieves its mandate through its core functions such as: -

- To provide Entrepreneurial Training to MSME operators and other interest groups
- To provide Counseling and Extension Services to MSME operators
- Conduct business-based research and consultancy for MSMEs and other stakeholders.
- To organize tailor-made training programmes for the Institute's clientele as and when need arises.

### **3. Key Targets for the Department**

#### **A) Entrepreneurship Capacity Development**

##### **Objectives**

- To undertake the training of 2,800 MSMEs
- To carry out Follow ups on 600 past trainees
- To offer onsite consultancy services to 6 firms

The matrix below shows the results achieved for the financial year 2018/2019 to date.

#### **Performance Report FY 2018/2019**

<b>S/No</b>	<b>Programmes</b>	<b>Financial Year</b>	<b>Results Achieved</b>	<b>Remarks</b>
1.	Training of MSMEs 1,500	2018/2019	1278	Targets were reviewed downwards from 2800 to

				1500 MSMEs due to budget cuts
2	Business Consultancy of 6 firms	2018/2019	6 firms offered consultancy	Companies offered consultancy were based in Nairobi Industrial area and Thika. One company called Ultra Vetis participated in the Kaizen African Award in Tunisia
3.	Counseling of 600 MSMEs	2019/2019	400 MSMEs were offered counseling services	Most of the counseling services were conducted in Nairobi and its environs

### 2019/2020

S/No	Programmes	Financial Year	Results Achieved	Remarks
1.	Training of MSMEs 2,800	2019/2020 (1 <sup>st</sup> July 2019-10 <sup>th</sup> march 2020)	1028	Targets were reviewed downwards from 2800 to 1500 MSMEs due to budget cuts
2	Business Consultancy of 6 firms	2018/2019 (1 <sup>st</sup> July 2019-10 <sup>th</sup> march 2020)	3 firms offered consultancy	Companies offered consultancy were based in Nairobi Industrial area, Athi River EPZ and Thika
3.	Counseling of 600 MSMEs	2019/2019 (1 <sup>st</sup> July 2019-10 <sup>th</sup> march 2020)	200 MSMEs were offered counseling service	Most of the counseling services were conducted in Nairobi and its environs

### **PERFORMANCE ACHIEVEMENTS SINCE 2013**

The Institute has been consistently offering Business development Services (BDS) to MSMEs throughout the country.

The matrix below shows its achievements since the year 2013

<b>S/NO</b>	<b>FINANCIAL YEAR</b>	<b>Programme Results Achieved</b>		
		<b>Training of MSMEs</b>	<b>Counseling and Follow-ups</b>	<b>Onsite Business Consultancy</b>
1.	2013/2014	2283	600	6
2.	2014/2015	2800	600	6
3.	2015/2016	6700	600	6
4.	2016/2017	3027	600	6
5.	2017/2018	2008	600	6

### **THE DEPARTMENT OF INTERNAL TRADE**

The broad mandate of the Department, which flows from the mandates assigned to the Ministry by the **Executive Order No. 1 of June 2018**, includes the following: -

- 1) Trade Policy.
- 2) Oversight, Administration and Enforcement of the Local Content Policy.
- 3) Promotion and Regulation of Wholesale and Retail Trade.

The following is the status of activities undertaken by the department in the financial year 2018/19 and background information as from the year 2013:

## **1. Creating an Enabling Legal and Regulatory Framework for Domestic Trade**

The State Department for Trade, for a while lacked a guiding legal framework to oversee its trade functions in the country. Therefore, the SDT embarked on developing an umbrella policy the National Trade Policy (NTP), to guide Departments efforts in promoting efficiency in the growth of domestic trade through transformational measures that address the constraints impeding the development of the wholesale, retail and informal sectors. The national Trade policy was finalized and launched in 2017.

The goal of the NTP is to facilitate Kenya's transformation into a competitive export led economy, enhance regional integration and widen participation in both domestic and international trade.

As part of the efforts to improve the Legal and Regulatory Framework, the Department is also participated in the Development of the Trade Bill, Retail trade Regulations and Code of Practice.

### **Achievements**

#### **Trade Bill**

- ✓ Technical Team Reconstituted
- ✓ Roadmap developed
- ✓ A new draft of Trade Development Bill and TOR have been developed to incorporate the emerging issues(Trade Remedies NEDPS, Local Content, Retail trade regulations

#### **Retail Trade regulations**

The wholesale and Retail sector's contributes significantly to the Country's GDP and plays a critical role in linking manufacturer's products to the consumers. However, the sector lacks a clear legal and regulatory framework for the sector to thrive.

The State Department for Trade in an effort to address these challenges commissioned a study on Prompt Payment by the Retail sector in Kenya which recommended that stakeholders develop a regulatory framework and a joint Code of Practice for self-regulation.

The purpose of the Code of Practice is to lay principles which encourage self-regulation and harmonize the retailers' and suppliers' ways of engagement.

The State Department in collaboration with other public and private stakeholders has also developed regulations for the sector. These regulations will be anchored on the Trade Bill.

### **Achievements**

#### **Code of Practice and Regulations for the Retail Trade Sector**

- ✓ Developed the Retail trade regulations and Code of Practice and handed them over to CAK to be incorporated in the Competition Act
- ✓ Discussions ongoing with CAK on modalities of handing over the Code of Practice and Regulations
- ✓ Code of practice was signed by both Retailers and suppliers to signify their acceptance to abide by the code.
- ✓ Trade Dispute Settlement Committee has been established launched and an inception meeting held.
- ✓ Retail Trade Regulations and Code of Practice finalized and launched
- ✓ Sensitization on Retail Trade Regulations and Code of Practice conducted in Kisumu, Mombasa and Meru counties
- ✓ Developed a tool for monitoring implementation of the Code of Practice

#### **Market Space Allocation and Market Management**

- ✓ Draft market space allocation and market management guidelines developed
- ✓ Inter-agency Technical Working Committee established to develop market allocation guidelines and standards for development of market infrastructures in the country.

#### **Harmonization of County Legislations, policies and regulations**

- ✓ Conduct surveys on County trade legislations, policies and regulations (procedures and conditionality) for the wholesale and retail trade subsector

## **E-Commerce Policy**

- ✓ Participated in the development of E-Commerce Policy

### **2. Management of Kenya Trade Information Portal**

The Kenya Trade Information Portal is an online platform whose main purpose is to provide reliable, accurate and timely information to the business community. The Portal is key in trade facilitation as it makes trade information available in real time to enhance business decision making.

The Portal was launched and operationalized in October 2017 in FY 2017/2018.

The Operationalization of the trade portal entailed the following;

- i. Management of the Portal: involves the daily running of the portal and addressing the challenges affecting the daily users.
- ii. Updating of the Portal-this involves the daily update of information from the focal organization.
- iii. Review of the Portal- This involves the periodical review of the portal and proposal to change or structure the portal in a mode that is continually useful and relevant.

### **Achievements in the FY 2018/2019**

- Held three sensitizations in Homa Bay, Bomet and Siaya counties on E-Trade Portal operation
- 27 staff trained on operations of E-Trade Portal in Siaya and Homa Bay counties
- Managed, updated and reviewed progress of the E-Trade portal

### **3. Promotion of Exportable Products**

Over the last two decades, the Government of Kenya has pursued an export led growth strategy that emphasizes on the vital role that exports play in promoting a national economic growth and development plan.

Despite the Government's recognition of the need to increase our export volumes, Kenya's export performance has been dwindling over the years. It is against this backdrop that Kenya aspires to increase exports by 25% per annum by the year 2022. To achieve this, the SDT planned to profile, develop products and link them to the existing and new markets.

### **Achievements**

- Profiling tool developed awaiting pre-testing
- Information on market potential disseminated in Bomet, Homabay, Siaya, Vihiga and Kakamega Counties

#### **4. Dissemination of Trade Information to SMEs, Business Community and Relevant Stakeholders**

The SDT has a core mandate of creating awareness on local products in the domestic, regional and international markets through trade fairs shows and exhibitions. The trade fairs, shows and exhibitions form part of the activities in the Departmental Work Plan.

#### **Achievements in FY 2018/2019**

- The Department organized and participated in both the 3<sup>rd</sup> Kenya Trade Week, 21 Source COMESA Business Summit
- Participated in the Nairobi International Trade Fair, Mombasa and Eldoret Shows.
- Participated in the Nairobi Innovation Week (NIW 2019).
- Participated in the EAC Nguvu Kazi exhibition

#### **5. Promote Access to Affordable Business Finance to SMEs**

The Trader's Joint Loans scheme (JLBs) was established by the then colonial Government in 1954 under the Local Government Act Cap 265 Section 104-106

(Repealed) The scheme operates as a revolving fund and serves all the forty-seven (47) counties.

**Objectives of the scheme was to**

- (i) Enable MSEs access affordable credit
- (ii) Assist MSEs to gain commercial experience and graduate into vibrant enterprises
- (iii) Help traders reach a standard of credit worthiness so as to access credit from the main stream commercial financial institutions

With devolvement of the Trade function in 2013, advancement of loans under the JLB scheme was halted.

The State Department of Trade in conjunction with the Intergovernmental Relation Technical Committee (IGRTC) is in the process of handing over the Joint Loans Board (JLB) Scheme to the counties.

The process requires:

- ✓ Identification and verification of assets and liabilities in all 49 joint loan boards.
- ✓ Ascertaining the financial position of the JLB
- ✓ Evaluating the current position of the management of the board

**Achievements**

- i. Pilot Audits of JLB were conducted in Kiambu, Nakuru and other Counties
- ii. Verification framework developed
- iii. Sensitization of county staff on JLB operations
- iv. Conducted a Capacity Building forum of County Secretaries on JLB operations
- v. A technical Committee constituted to fast-track the transfer process
- vi. Develop a data collection form for identification and verification of JLB Assets and liabilities

**6. Provide technical assistance to the counties on trade related matters**

The Constitution of Kenya, 2010 advocates for Cooperation between the two levels of government through capacity building and provision of technical assistance to the counties in order to develop their own county specific trade initiatives that are anchored on national framework.

### **Achievements in FY 2018/2019**

- ✓ The Department has developed Draft County Engagement strategies for each County.
- ✓ Held 1 consultative forum with CECM and COG to create synergy.
- ✓ Held five outreach programmes in Hombay, Bomet, Siaya, Vihiga and Kakamega counties

### **7. Strengthening Business Membership Organizations (BMOs) in the Trade Sector**

BMOs are a vehicle for implementation of policy reforms and improvement of the relationship between the public sector and the business community. The Government recognizes their positive role in promoting SMEs through their advocacy role, promoting members' access to markets and other support services. In light of this, BMOs become the ideal platform to enhance SMEs competitiveness so that they can exploit the opportunities presented in the export markets.

### **Achievements**

- ✓ Held 3 consultative forums with the Private Sector in Mombasa with East African Tea Trade Association (EATTA), KNCC&I- Nairobi.
- ✓ Draft Tool for monitoring the performance of BMOs developed in collaboration with the Counties.

### **8. Promoting Cross- Border SME trade through capacity building CBTAs and CBTCs in key border points on importance of Cross Border Trade**

Cross border trade in East African Community (EAC) is primarily informal which directly or indirectly escape from the regulatory framework and often go unrecorded. It plays a role in promoting regional integration through small scale trade, income generation for households and offering employment opportunities for youth and women who are the majority cross border traders. Therefore, there is need to strengthen Cross Border Trade Associations (CBTAs) and Cross Border Trade Committees (CBTCs) to enhance their capacity in supporting cross border traders.

### **Achievements**

The Department participated in the Kenya – Uganda Cross Border Administrators / Commissioners meeting.

## **9. Oversight, Administration and Enforcement of the Local Content Policy**

According to the **Executive Order No. 1 of June 2018**, the Oversight, Administration and Enforcement of the Local Content Policy is under the State Department of Trade.

However, by the time the Executive Order was out the World Bank had funded the development of the Local Content Policy under our sister department Industrialization. It was agreed that the State Department for Industry be responsible for steering the Committee in charge of developing the Local Content Policy. The State Department for Trade was charged with the development of the Local Content Guidelines as they await the finalization of the Local Content Policy to guide development of Sector Specific Regulations.

## **Achievements**

### **Local Content Policy**

Draft Local Content Policy has been developed through the World Bank funded Kenya Petroleum Technical Assistance Program (KEPTAP) under the stewardship of our sister Department of Industrialization.

### **Local Content Regulations**

- ✓ The State Department identified and prioritized 13 sectors in the development of sector guidelines/regulations. The list of the sectors is shown in footnote<sup>1</sup>
- ✓ Through the support of Kenya Association of Manufacturers (KAM) and the Business Advocacy Fund (BAF), draft guidelines for ten sectors was developed and awaits stakeholders' engagement and approval.
- ✓ Work on the remaining sectors has been delayed due to lack of funding.

## **10. Promoting Implementation of Buy Kenya, Build Kenya (BK-BK)**

The Buy Kenya Build Kenya is administered by the State Department for Industry. To support the Buy Kenya -Build Kenya Strategy HE, The President demonstrated commitment in March, 2015 by issuing a Presidential Directive that all Ministries, Department and Agencies (MDAs) set aside a minimum 40% of their procurement budgets to the exclusive consumption of locally produced goods and services. The State Department for Trade (SDT) was mandated to receive, compile and monitor compliance to this Directive.

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<sup>1</sup> Sectors prioritized in the development of sector guidelines/regulations include: Automotive and accessories; Textile and Apparel; Plastic and Rubber; Timber, Wood and Furniture; Chemicals and Allied; Electricals and Electronics; Agro-Processing (Food and Beverages); Pharmaceuticals and Medical Equipment; Metals and Allied; Building, Construction and Mining; Paper and Paper board; Leather and Footwear; and services.

The SDT has been receiving quarterly reports from MDAs and compiling compliance reports. The uptake of Presidential order is still low, only 143 out of about 446 MDAs reported during the 2018/19 FY and only 38 out of 84 MDAs who submitted comprehensive data met the 40% threshold representing about 45%. Hence the need for enhanced sensitization to be undertaken

**Summary of 40% compliance**

<b>Compliance on Procurement Threshold of at Least 40% of Budgetary Allocations</b>	
MDAs that met minimum 40 %	38
MDAs that did not meet minimum 40 %	46
Total No. of MDAs that provided sufficient information	84
The total number of institutions expected to submit the reports	447

**Achievements**

- ✓ Quarterly and annual compliance reports have been prepared since 2017/18 FY to date.
- ✓ A number of recommendations have been proposed to improve compliance by MDAs
- ✓ Draft Cabinet Memo has been prepared on recommendations proposed to improve compliance by MDAs

**11. Promote the Growth and Development of the Retail and Wholesale Trade Sector**

## **Market Space Allocation and Market Management**

- ✓ Develop guidelines for market space allocation and market management
- ✓ Share the draft market space allocation and market management guidelines with relevant stakeholders and fast-track the completion of the document for implementation.

## **Wholesale and Retail Sector**

The Kenya vision 2030 envisaged a better and more inclusive wholesale and retail trade sector

The 2030 vision for wholesale and retail trade is to move towards greater efficiency in the country's marketing system. The flagship projects are:

- Creation of at least 10 wholesale hubs and
- Building of at least 10 'Tier 1' retail markets (starting with a pilot project in Athi River);
- 1,000 – 1,500 PBGs (starting with a pilot project in Maragua, Central Province to be extended to other regions.)

## **Achievements**

Engaged the State Department for Public Works on the development of pilot design and standards for the wholesale Hubs and Tier 1 Retail markets

Market designs and standards already developed and topographic assessments undertaken to guide processes of market development

Sensitized the counties on designed standards of the wholesale Hubs

Created 1250 producer business groups and identified the constraints and proposed interventions.

## **12. Operationalize the Kenya National Multi Commodities Exchange Limited (KOMEX)**

The Kenya National Multi-Commodities Exchange (KOMEX) is a platform that links producers to consumers. It is expected to address the supply chain inefficiencies by providing a platform through which goods can be traded.

KOMEX Project is part of the Government's Big 4 Agenda on food security and manufacturing. The SDT is leading the process towards the establishment of KOMEX to enable the trading of standardized commodities. It is also designed to promote agriculture and mining sector in the country through structured trading.

A multi stakeholder steering committee and task force is in place to enhance coordination between the public and private sector actors.

### **Achievements**

#### **Assessment of National legislations**

- ✓ Assessment completed and miscellaneous amendment bill submitted to AG's Office for consideration, drafting and onward submission to the National Assembly.

#### **Development of Regulations for the Commodity Exchanges**

- ✓ Finalized Commodity Markets (Capital Markets) Regulations 2019.

#### **Development of Warehouse Receipt System**

- ✓ Draft Warehouse Receipt System Regulations 2019.

## **Office space for KOMEX**

- ✓ Office Space secured at the KIBT Parklands building.

## **Operationalization of the Board**

- ✓ Interim board in Place. Board composed of Principal Secretaries for National Treasury, Trade, Cooperatives, ICT and CEO NSE.

## **KOMEX Capitalisation and Funding**

- ✓ 4 Financial institutions expressed interest and committed to invest 265 Million.
- ✓ 4 More institutions have expressed interest and yet to commit.
- ✓ Phase 1 (Roadshow) for Farmer Cooperatives, associations, unions and value chain actors conducted in December 2019.

## **Development and Roll-out of Modern Market infrastructure (MIS) for Commodities in each County**

- ✓ Procurement process for the Technology suite initiated
- ✓ Tender awarded

## **Application of License**

- ✓ Application process initiated through request for the requirements from CMA.
- ✓ Mock application done as pre-application for license.
- ✓

## **WEIGHTS AND MEASURES DEPARTMENT (CHALLENGES)**

### **1. Lack of Standardization**

The counties consider the Department as one of the revenue streams and therefore more concerned about revenue collection as opposed to standardization of Trade equipment

## **2. Management Issues/Regional Politics**

Most counties are appointing non-technical people to head the Departments who lack the technical know-how and qualifications to efficiently and effectively deliver the mandate of the Department

## **3. Inadequate Technical Staff**

The county offices were opened without enough technical staff to man them. Due to that, a number of offices are headed by officers who are not fully qualified as Weights and Measures Inspectors. This is therefore undermines the professional conduct in service delivery.

## **4. Inadequate Standards and Testing Equipment**

Most county offices lack the basic tools of work. The few equipment owned by the National Government in Twenty one (21) regional offices were distributed in forty seven (47) counties hence insufficient. Most counties have not bothered to purchase the Legal Standards for use by the officers. This is therefore implies that a number of essential areas are not covered.

## **5. Lack of capacity building for Staff**

Counties basically lack funds for continuous technical training to meet the dynamic demands of Legal Metrology Services

## **6. Low Staff Morale**

This is basically due to stagnation. The counties are not implanting the scheme of service for Weights and Measures officers. The criteria for promotions is not defined

## **7. Insufficient or lack of Budgetary allocations**

Most counties have a challenge of performing the Legal Metrology work due to lack of financial support from the Regional Governments despite the same having been factured in the county Budgets

## **8. Lack of Technical Regulations**

In many areas meaning that many areas requiring Legal Metrology are not being covered e.g electricity meters, Water Meters, Gas meters, speed guns amongst others

## **9. Political Interference**

This is more pronounced on enforcement. Once an offence has been unearthed; there is lobbying to ensure that no Legal processes are initiated by the officers. This encourages infringement of the laws enforced by the Department. Compliance can only be assured without political manipulations

## **10. Lack of proper Metrology Infrastructure for dissemination of Measurements for Trade**

To promote trade, counties should come up with proper Legal Metrology Laboratories linked to the National Laboratory to enhance traceability. This has not been possible

## **11. Lack of Uniformity**

The aim of Legal Metrology is to come up with a uniformity in Standards. It is a reality that a number of counties are coming up with Legislations on various equipment that will kill the spirit of uniformity hence standardizations. Same/similar equipment should be treated similarly in whichever part of the country that are located. This can only be achieved through a centralized control.

## **12. Bi-Annual Calibration Programmes**

Most counties do not submit their standards for this exercise. This implies that there are no standards for use. The Law requires that standards should be submitted for the Bi-Annual Calibration to maintain their accuracy. Once this is not done, that remain to be just equipment and not standards hence their usage can be challenged in a court of Law

13. Kenya is a signatory to International Conventions on Standardization. In current scenario, resolutions of such meetings cannot be considered to the

county level since the county have the trend of making their own laws and have their own priorities this has a serious setback on regional integration especially EAC and the Continental Free Trade Area (CFTA)

## **REPORT ON KENYA CONSUMER PROTECTION ADVISORY COMMITTEE FROM 2013-2020**

The Kenya Consumer Protection Act, 2012 was assented to on the 13th December, 2012 and became effective on the 14th March, 2013. The Act provides for the protection of the consumer and to prevent unfair trade practices in consumer transactions. This Act is enforced by the Kenya Consumer Protection advisory committee created therein under section 89.

The strategic Objective of KECOPAC in the 2018/19 period was to enhance Consumer protection through several strategies -:

1. Development of legal infrastructure and capacity to implement Consumer protection Act-
  - a. The committee identified 9 sets of rules and regulations to administer the Act
  - b. Developed an official LOGO to uniquely identify KECOPAC
2. Amending the Consumer Protection Act of 2012-
  - a. The committee completed the amendment of the consumer protection Act to realize the consumer protection amendment Bill 2019
3. Marking the World Consumer Rights Day 2019-
  - a. The committee joined the Competition Authority in marking the day in Nyeri County
4. Research and Developing of the Annual Status of Consumer Protection Report
  - a. The committee engaged the research unit of the state department of trade who did a country wide survey of the status of consumer protection in 5 sectors of the economy including public Health, transport, food safety...Report to be released this year
5. Developing a five year strategic plan
  - a. A zero draft was done and submitted to the planning unit to fine tune which is now work in progress
6. Developing a consumer protection policy
  - a. A team from the research unit has been engaged to do the policy which is now work in progress
7. Develop and promote fair and ethical business practices
  - a. Trained and sensitized 62 consumers on several vulnerable areas of

rights violations in Kisii County

- b. Mapped and created a database for eleven Consumer rights and 10 regulatory bodies in the Country
- c. Investigation and prosecution of offenders...investigated 5 cases in
- d. collaboration with inspectors from Weights and Measures office

#### **ISSUES UNDER ICT**

The following two (2) initiatives/achievements were implemented/realised during the period in review:

- i. Kenya e-Trade Portal;
- ii. Website for the State Department for Trade

The Kenya Trade Portal ([www.kenyatradeportal.go.ke](http://www.kenyatradeportal.go.ke)) is an authoritative trade information platform designed to provide information on market access requirements for Kenya exports and imports of goods and services. The portal provides information on Kenya suppliers of various goods and services. The portal is operational.

It also provides opportunity for suppliers to post their offers for view by local and international buyers; and opportunity for the buyers to place orders on posted offers or any products they may desire to source from Kenya. The portal provides county trade information ranging from products available in a county, licensing requirements in counties, wholesale and retail markets as well as licensed retailers and wholesalers who could be targeted by manufacturers and other traders for distribution of goods through their outlets throughout the country.

The Website for the Department ([www.trade.go.ke](http://www.trade.go.ke)) was also implemented to interface the State Department for Trade and the outside world. The website is operational.

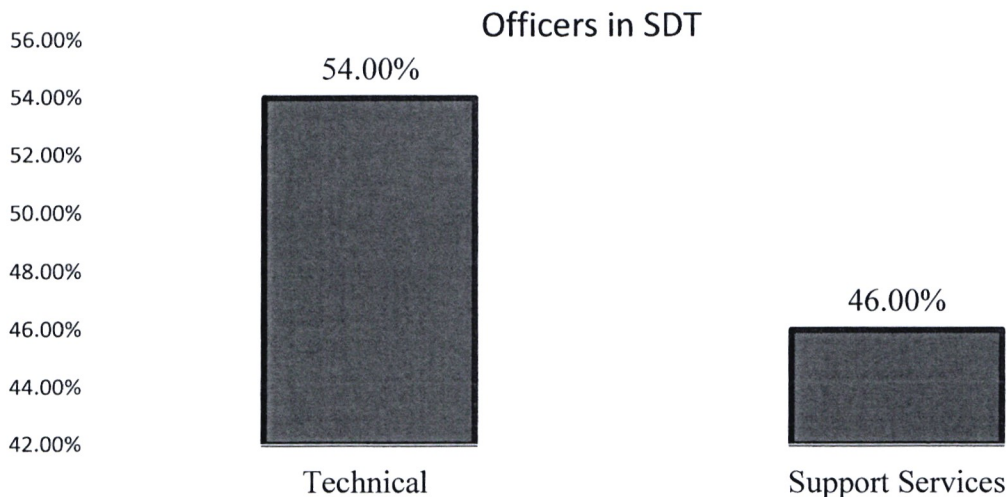
## HUMAN RESOURCE MANAGEMENT

### Mandate of HR Department

- i. Identification and filling of vacant positions in the authorized/approved staff establishment;
- ii. Continuous staff training and development;
- iii. Enhancing staff performance management systems including among others review of job descriptions, staff appraisal and performance contracting;
- iv. Review of the various scheme of service/career guidelines;
- v. Staff compensation and welfare services;
- vi. Review of Human resource policies/guidelines; and
- vii. Implementation of the decisions of the PSC (K), MHRMAC, MSPS, relevant Circulars and any other affecting Human Resources

### 1. Authorized Establishment

The State Department has an Authorized Establishment of 776 with a current inpost of 378 (54% being the technical officers).



## Summary Staff Distribution

S/No	Department	Authorized Establishment	Inpost
1.	Office of PS	1	1
2.	Secretary Trade	1	1
3.	External Trade	170	101
4.	Internal Trade	111	49
5.	Weights and Measures	70	28
6.	KIBT	163	27
<b>Sub-Total</b>		<b>516</b>	<b>207</b>
7.	Support Services	260	171
<b>Total</b>		<b>776</b>	<b>378</b>

**Note:** A Chairperson Business Premises Rent Tribunal was appointed by the Cabinet Secretary in charge of Trade. However, the operations budgetary provision is allocated to the Judiciary while Personnel Emolument is with the State Department.

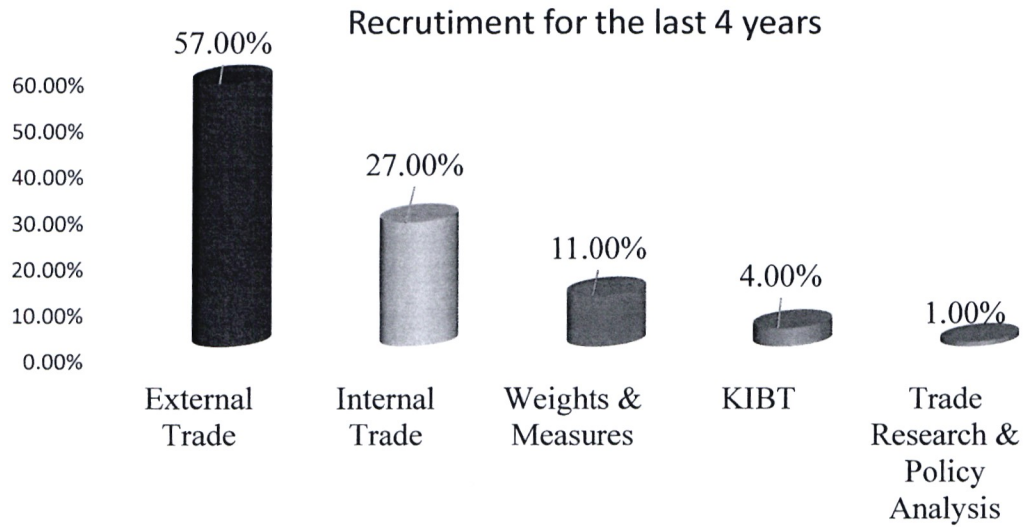
## 2. Recruitment & Promotions

### 1. Recruitment

The following is an analysis of recruitment in the last **four** years in the technical departments:

S/No	Department	No
1.	External Trade	50
2.	Internal Trade	24
3.	Weights & Measures	10
4.	KIBT	3

5.	Trade Research and Policy Analysis	1
88		



### Pending Recruitment

S/No	Designation	No. of Posts	Department	Status
1.	KIBT Lecturers II	25	KIBT	Submitted to PSC for advertisement
2.	Driver III	21	Support Services	Sorting out applications. Awaiting Treasury concurrence on the recruitment
3.	Senior Support Staff	14	Support Services	Sorting out applications. Awaiting Treasury concurrence on the recruitment

## 2. Discipline

The Department is guided by the guidelines provided in the Public Service in handling promptly the discipline cases. However, one case (here below) has been pending for the last eighteen years.

S/NO	Name	Designation	Nature of the case	ACTION TAKEN (DISMISSED)	Current Status	Reasons for case delayed beyond six (6) months
1.	George Gathu Ndirangu	Trade Development Officer II	Manslaughter	Interdicted pending the determination by the court of law	Sought update from the DPP on the Status	Delay in determination of the case by the Court

## 3. Capacity Assessment.

The Department is required to carry out Training Needs Assessment which informs the annual Training Projections. Currently, the department has developed a Training Needs Assessment Report for the period 2019-2022.

*Note: Due to the financial constraints, the department has not successfully implemented all the training projections.*

In the Financial year 2017/2018, only 35% of the officers were trained while 2018/2019, 21% of the total number of officers benefited from the training.



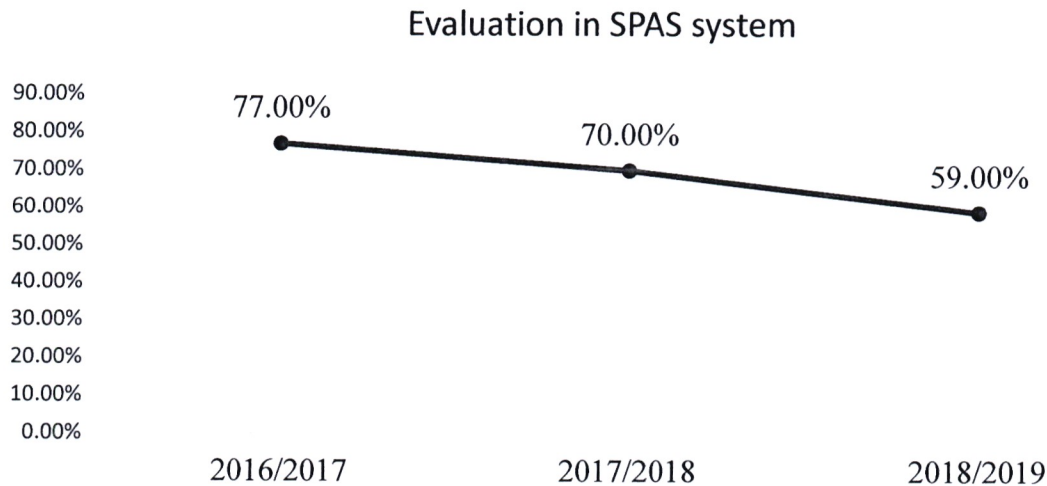
#### 4. Performance Management

The State Department is guided by the Staff Appraisal Guidelines and the Performance Contracting guidelines. In the current financial year, 248 officers have set their targets in the GHRIS while 109 have not set the targets to date.

For the last four years, the performance evaluation was as follows:

FY	Total No. of staff	No. of Staff who duly completed SPAS form	No. of officers evaluated	% of officers evaluated
2015/2016	444	The Department was combined with Tourism		
2016/2017	233	181	71	77%
2017/2018	358	254	204	70%
2018/2019	355	212	99	59

## Graphical representation of the officers evaluated



### 5. Kenya Trade Remedies Agency

The Agency was established vide the Kenya Trade Remedies Act No.32 of 2017. To operationalize the Agency, the department has achieved the following HR activities:

S/No	Activity	Status
1.	Development of HR tools <ul style="list-style-type: none"> <li>• Organizational Structure</li> <li>• Career Progression Guidelines</li> <li>• HR Policies and Guidelines</li> </ul>	Awaiting SCAC approval
2.	Recruited 3 competitive Board Members	Gazetted
3.	Identified officers for deployment to the agency for initial operationalization.	Pending

## **ANTI-COUNTERFEIT AGENCY**

The Anti-Counterfeit Authority (ACA) came into operation in June 2010 after the enactment of the Anti-Counterfeit Act No.13 of 2008.

- The Authority is under the State Department for Trade in the Ministry of Industry, Trade & Enterprise Development.
- The Vision of the Authority is “A counterfeit-free Kenya”.
- Its Mission is “To Prohibit Counterfeiting through the Promotion and Enforcement of Intellectual Property Rights”.

### **ACA’s Board**

The Board consists of 7 members who are drawn from the private and public sector institutions with a role in combatting counterfeits: -

- 1) Chairperson (appointed by the CS) – Ms. Flora Mutahi (appointed on 12.7.18).
- 2) PS, State Department of Trade – Michael Onyancha, Director, Weights & Measures Department (8.5.17)
- 3) PS, Ministry of Finance – Joel Bett (12.5.17)
- 4) Attorney General, State Law Office – Emmanuel Bitta (20.11.14)
- 5) Commissioner for Customs, Kenya Revenue Authority – Maj (Rtd) Samuel Kariuki (29.5.18)
- 6) CEO, KEBS – Dr. Moses Ikiara (Ag. MD). (28.6.18)
- 7) CEO, Kenya Association of Manufacturers – Phyllis Wakiaga (Alt. Joseph Wairiuko).
- 8) Independent member – vacant

### **Structure of ACA**

- The Authority has three core departments and the ED’s office, namely:
  1. Enforcement and Legal Services (2 Divisions);
  2. Awareness, Research, Policy & Quality Assurance (3 Divisions);
  3. Corporate Services (3 Divisions); and
  4. ED’s office.
- Four regional offices – Mombasa, Kisumu, Eldoret, and the HQs in Nairobi.
- Current staff strength - 113 officers.

### **ACA’s Mandate**

- 1) Enlighten and inform the public on matters relating to counterfeiting;
- 2) Combat counterfeiting trade and other dealings in counterfeit goods;

- 3) Devise and promote training programs on combating counterfeiting;
- 4) Coordinate with national, regional or international organizations involved in combating counterfeiting;
- 5) Advise the government through the Cabinet Secretary on policies and measures concerning the necessary support, promotion and protection of intellectual property rights as well as the extent of counterfeiting; and
- 6) Carry out inquiries, studies and research into matters relating to counterfeiting and the protection of intellectual property rights.

### ACA's Achievements

#### 1) Performance contracting

Financial year	Composite Score	Remarks
2011/2012	2.9978	Very good
2012/2013	2.8022	Very good
2013/2014	2.9981	Very good
2014/2015	2.96	Very good
2015/2016	3.01	Good
2016/2017	2.77	Very Good
2017/2018	2.88	Very Good

#### 2) IPR Complaints Received & Processed

Financial Year	IPR Received	Investigated	Prosecuted
FY 2010/2011	38	33	13
FY 2011/2012	108	98	27
FY 2012/2013	206	202	36
FY 2013/2014	162	159	14
FY 2014/2015	205	90	39
FY 2015/2016	185	148	41
FY 2016/2017	252	234	29
FY 2017/2018	123	90	22
FY 2018/2019	240	218	71
<b>Total</b>	<b>1,519</b>	<b>1,272</b>	<b>292</b>

### 3) Value of Goods Seized & Destroyed

Financial Year	Approx. value of Seized Goods (Kshs)	Approx. value of Destroyed Goods (Kshs)
FY 2010/2011	148,886,595.00	112,821,080.00
FY 2011/2012	166,809,628.00	28,650,636.00
FY 2012/2013	182,618,733.00	599,165.00
FY 2013/2014	210,682,971.00	21,682,971.00
FY 2014/2015	44,077,359.00	298,616,807.00
FY 2015/2016	235,035,826.00	12,988,594.75
FY 2016/2017	99,285,828.00	16,162,525.00
FY 2017/2018	388,679,244.00	96,899,462.00
FY 2018/2019	1,071,197,318.00	59,545,643.00
<b>Total</b>	<b>2,547,273,502.00</b>	<b>647,966,883.75</b>

### 4) Education and Public Awareness

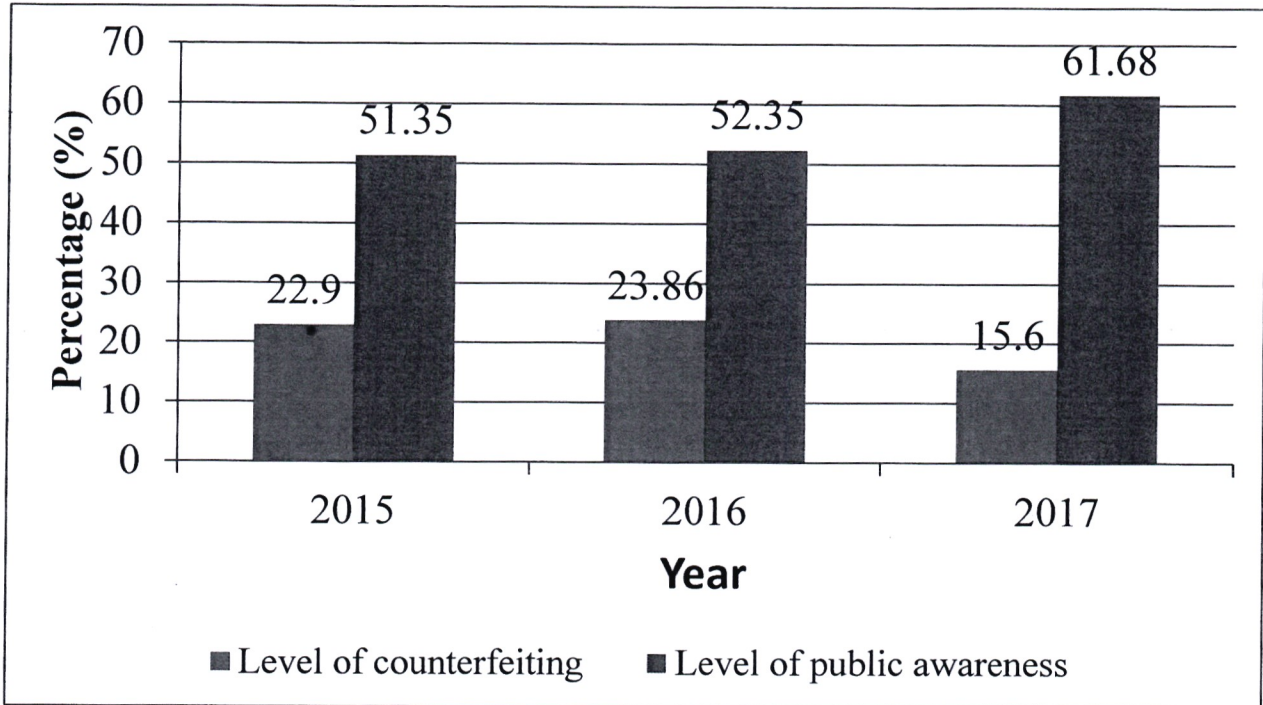
FY	Training/Sensitization		Public Outreach	
	# activities	# people reached	# activities	# people reached
2010/11	4	300	5	3,000
2011/12	5	450	5	Over 3,000
2012/13	12	1,500	10	Over 10,000
2013/14	8	1,000	33	Over 50,000
2014/15	5	300	5	1,000
2015/16	18	2,500	11	6,000

2016/17	12	2,500	15	15,000
2017/18	7	650	12	12,000
2018/19	18	1,900	22	3,000

**5) Research**

- To-date, ACA has conducted 23 in-house research reports on counterfeiting.
- Research recommendations uptake from the above research papers stands at 70%.

**Level of Counterfeiting and Public Awareness (%)**



### ACA Contribution to the Big 4 Agenda

Sector	Manufacturing	Food Security	Health	Housing
Type of counterfeited products	Electronic and electrical, beverage and alcohol, cigarettes, bottled water, food/food products, gas, clothing, shoes, chemicals	Seeds, fertilizers, agro-chemicals, animal feeds, agro-vet	Human medicine, food stuff, agro-vet, agro-chemicals	Building materials and related accessories (cement, locks, taps, sink, paint, electrical cables, electrical bulbs)

### ACA's Budgetary Allocation

	FINANCIAL YEAR	ALLOCATION (KShs.)	
		RECURRENT	DEVELOPMENT
1	2010/2011	202,000,000	-
2	2011/2012	200,067,816	-
3	2012/2013	172,951,200	36,000,000
4	2013/2014	172,051,200	59,875,000
5	2014/2015	158,600,000	20,000,000
6	2015/2016	237,352,500	56,250,000
7	2016/2017	225,402,000	12,500,000
8	2017/2018	395,402,000	-
9	2018/2019	382,494,322	50,000,000

### Challenges

1. Inadequate capacity and geographical distribution of ACA officers
2. Porous borders
3. Weak inter-agency collaboration

4. Inadequate cooperation by Intellectual Property Rights owners
5. Inadequate training of ACA inspectors
6. Inadequate understanding of IP issues by some Law Enforcement Agencies
7. Storage and destruction of counterfeit goods
8. Limited knowledge by public on issues of counterfeiting/illicit trade
9. High poverty levels, consumers' attitude & ignorance
10. High security risks to operational staff

### **Conclusion**

Kenya's vision is to become an industrialized nation by the year 2030. Enforcement of intellectual property rights is key in the achievement of this Vision and in particular the Big Four Agenda: Manufacturing, Affordable Housing, Universal Healthcare, and Food Security.

## **2.4. KENYA EXPORT PROMOTION AND BRANDING AGENCY**

### **1.0 Introduction**

In the years 2013 – 2019 the mandates of export promotion and nation branding were implemented by two separate agencies, namely the Export Promotion Council and the Brand Kenya Board. The Kenya Export Promotion and Branding Agency (Brand.KE), is a State Corporation formed from the merger of the then Brand Kenya Board and Export Promotion Council vide legal notice no. 110 of 2019. The Agency has the mandate of implementing export promotion and nation branding initiatives and policies to promote Kenya's export of goods and services.

We will briefly highlight the achievements of the two agencies as from 2012 to the date of the merger in August 2019.

### **2.0 Export Promotion Council (EPC)**

The performance of the Export Promotion Council during the period under review was been consistent and focused. This was demonstrated in the performance

within the Strategic Plan period 2012-2017 whereby the overriding mandate was delivered.

A review of the strategic activities that were planned for implementation in the 2012-2017 strategic plan shows that 51.2% was achieved while 47.8% were carried forward to the subsequent Strategic Plan.

Most of the activities under first strategic objective; to increase Kenya's export of goods and services by 20% per year over the plan period were implemented and attained a success rate of 72.66%.

### *2.1 Key Achievements of EPC*

During the implementation period of the Strategic Plan, the Council was able to achieve the following results:

- a) **Export Training and Compliance:** Over 5,000 clients benefitted from business counselling and a total of 2,788 existing and potential exporters trained under the export trade training programmes. 265 enterprises were assisted to develop new products under the product development and adaptation programme i.e. value-added agriculture and livestock, textile and apparels, metals and allied products.
- b) **Market Information:** Outreach and County engagement Programmes were undertaken in 43 Counties; trade alert bulletins were circulated bi-weekly to over 6,000 registered clients. The exporters database regularly updated upon receipt of updated details and the exporters directory was developed and is available online categorized by company/commodity.

- c) **Market Promotion and Development:** Development and implementation of the annual Kenya Export Development Programme, participation and facilitating participation of enterprises in various trade promotion activities and linking Kenyan exporters to buyers through enquiries received.
- d) **Research and Policy:** Seven (7) market researches were conducted in Ghana, Qatar, Democratic Republic of Congo, Nigeria, Ethiopia, United Arab Emirates and Angola; and reports on the findings were disseminated to stakeholders.
- e) **Risk Management and Organizational Processes:** The Council implemented the Enterprise Risk Management Framework; and Maintained ISO 9001: 2008 certification.

### 3.0 Brand Kenya Board (BKB)

During the Plan period, the country witnessed several milestones, which positively impacted on BKB's mandate. The most important, perhaps, was the promulgation of the Kenya Constitution 2010, paving way for a period of economic, political, judicial reforms and social reawakening. Specifically, these have been demonstrated through growth of various sectors of the economy enhancing confidence in Kenya as a choice destination.

#### *3.1 Key achievements of BKB*

- a) **National Identity Building Programmes:** The Board developed Citizen Engagement Programme to inspire the citizens to be proactive in changing the national identify, improve the levels of pride, patriotism and social cohesion among Kenyans. The critical component of this programme was the special Youth Attitude Change Initiative whose main objective was to facilitate interaction with the youth and inspire them to be proud and

patriotic about Kenya. Some of the projects achieved under this programme include: Youth Attitude Change-Zinduka; Dissemination of National Values and the National Youth Summit. BKB also developed and rolled out an internal communication campaign: “Nitakuwepo” that was designed to appeal to the hearts and minds of the citizens, and enhance the levels of pride, patriotism and social cohesion. BKB will continue driving such initiatives.

- b) **The Brand Master Plan:** BKB completed the development of the Kenya Brand Master Plan, a national strategy document that outlines how to address issues of Kenya’s image and identity. It provides strategies to position Kenya both internally and externally as a leading global brand.
- c) **Mark of Identity for Kenyan Goods and Services:** The Kenyan export products and services have continued to have immeasurable impact on marketing Kenya and contributing positively to the country’s image. Kenya is highly regarded as a source of high-quality products such as coffee, tea, flowers and a host of horticultural products. To exploit these attributes, a “Made in Kenya Brand Mark” for Kenyan goods and services was developed.
- d) **Public Service Branding:** The image of the Government is a critical part of national branding. In this respect, BKB developed a Branding Strategy for the Public Service, which is expected to inculcate a “uniform look and feel” within the Public Service.
- e) **Town and Cities (Later renamed Counties) Branding:** To sustain inculcate the brand image building process across the country, BKB held county branding forums in all counties. The counties are expected to develop and implement their own county branding initiatives. and
- f) **International branding initiatives:** BKB undertook various international branding initiatives to improve the country’s image internationally. These included working with Kenya’s Diaspora, participating in sporting events

with high impact on the country's image and investment programmes to attract FDIs.

### 3.2 Challenges and lessons learnt during the implementation of both Strategic Plans under the Export Promotion Council and Brand Kenya Board

Some of the key challenges and lessons learnt during the previous strategic plans period include:

- i. **Inadequate Funding:** The two organizations have for the past years received inadequate funding to aid them in realization of their mandates.
- ii. **Multi-sectoral framework approach:** Branding was a new concept that required multi-sectoral framework approach and participation of multiple stakeholders was the key challenge.
- iii. **Kenya's Patriotism** - Patriotism is the devotion to vigorous support for and/or feeling of pride for one's country. These feelings relate to one's own homeland, including historic, political, cultural, or ethnic aspects. Kenya is ranked 22nd among 47 countries in the Sub-Saharan Africa region, and its overall score is 55.1, making it the 130th freest country globally in the 2019.
- iv. **Kenya's Happiness Index** - The 2019 survey released by the Sustainable Development Solutions Network, Kenyans are ranked the 17th happiest in Sub-Saharan Africa and 121 globally with (4.509) points out of a possible score of 10.
- v. **Effects of Devolved Government System and Appreciation of Cities /Towns Ranking:** A major challenge experienced as regards Town, Cities and Counties branding, was the fact that the devolved government system necessitated the rethinking of the earlier engagements with the local authorities. Noting that the County government structures were still being established, the program faced a lot of delays and challenged.
- vi. **Lack of Framework for adoption of Rebranding the Public Service:** Rebranding

of the Public Service faced slow restructuring and reforms in government and led to delayed adoption due to lack of an adoption framework. It was observed with satisfaction that Public Service rebranding is possible and acceptable. There is also need for enhanced adoption and implementation to achieve the desired rebranding i.e. mainstreaming it through the performance contracting system.

- vii. **Kenya's Diaspora and Forging Professional Alliances and Networks:** On the diaspora involvement in the project, it was noted that Kenya's Diaspora is eager, enthusiastic, and presents a major untapped potential. There is need to form alliances and network with existing diaspora professional associations.
- viii. **Ineffective Coordination of MDAs and Stakeholders in Promoting the International Image:** It was observed that ineffective coordination of activities involving many MDAs and stakeholders remained a key challenge in promotion of International Branding with focus to image and perception. Therefore, there is need to enhance rapport and networks with relevant international stakeholders.
- ix. **Pain Areas hindering Development and Growth of Exports:** the following pain areas were identified and needed maximum attention; *High Cost Business Environment; Local Restrictions and Regulatory Requirements; Value Chain Weaknesses and raw materials inadequacy; Infrastructure Challenges; Market Competition and Terms of Trade; Inadequate market Information and Promotion; Stringent standards in the International Markets; and Slow adoption of Technology.*

## **4.0 b       FORMATION OF THE KENYA EXPORT PROMOTION AND BRANDING AGENCY**

### **4.1       Background**

The Kenya Export Promotion and Branding Agency (Brand.KE), is a State Corporation formed from the merger of the then Brand Kenya Board and Export Promotion Council vide legal notice no. 110 of 2019. The Agency has the mandate of implementing export promotion and nation branding initiatives and policies to promote Kenya's export of goods and services.

### **4.2       BrandKE's role in National Development:**

The Country is implementing the Vision 2030 and the Big Four Agenda that seeks to transform Kenya into a newly industrialized economy at upper middle-income economy. Towards this, Kenya seeks to grow her exports by 25% to enable manufacturing sector grow to 15% share of gross domestic product. The Kenya Export Promotion and Branding Agency therefore seek to promote the Kenya Country Brand and influence 6.5% annual growth of exports in an effort towards attainment of the 25% annual growth of exports enshrined in the Integrated National Export Development and Promotion Strategy (INEDPS).

### **4.3       Strategic focus of BrandKE**

To maximize on opportunities arising from the global economic environment and to appropriate the values from international trade, BrandKE proposed interventions through the following four broad value streams for strategic objectives;

- a) To develop, diversify and brand Kenyan export products
- b) To develop and diversify Kenya's export markets

- c) To manage the Image and reputation of the Kenya brand.
- d) To strengthen the institutional capacity for Brand.KE to deliver on its mandate.

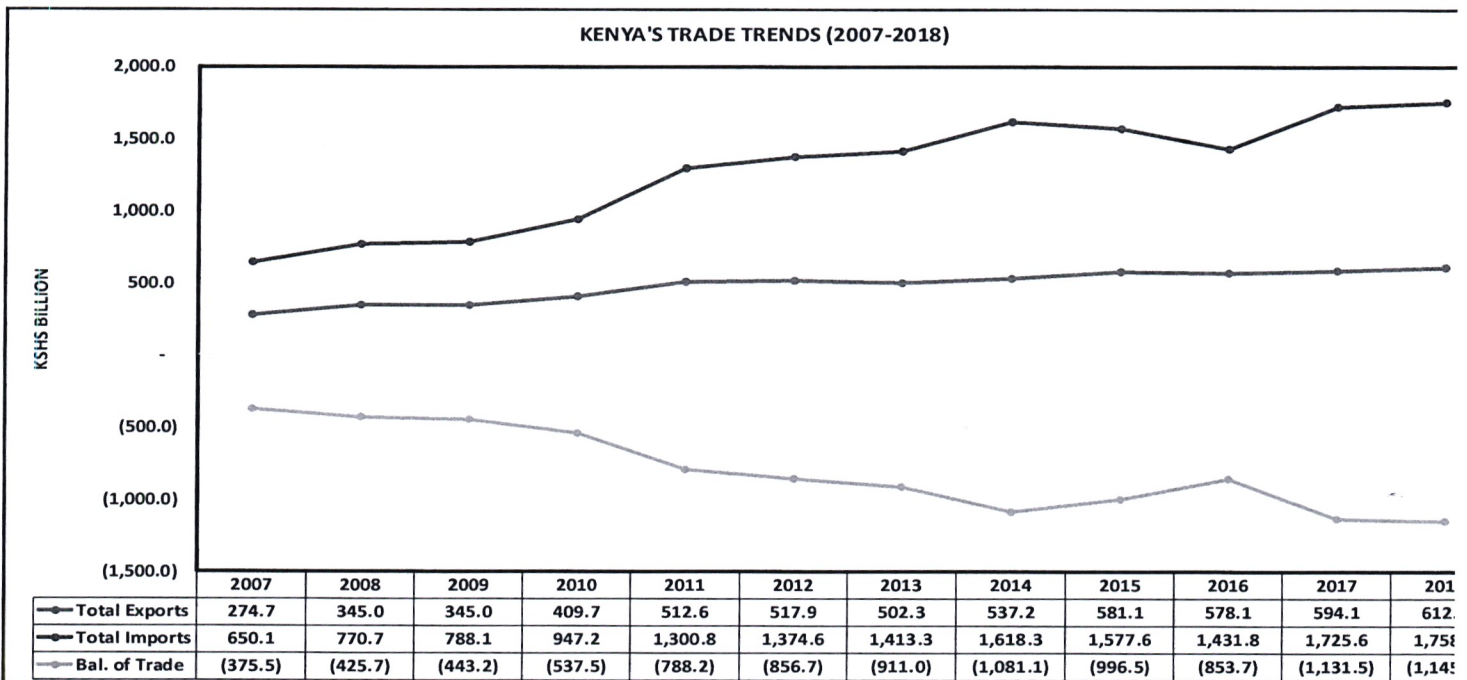
These strategic objectives are implemented through a number of strategies as enlisted below:

1. Undertake Product Research and supply surveys for Kenyan products
2. Engage regulators and stakeholders to address supply and demand side constraints.
3. Enhance the value proposition for Kenya's prioritized Products
4. Facilitate product adaptation to meet market requirements.
5. Advocate for registration of Kenyan products under geographical indications.
6. Undertake market surveys/researches.
7. Leverage on technology and innovation for market access, distribution and promotion.
8. Partner with agencies to establish distribution systems regionally and internationally
9. Organize, coordinate and participate in trade promotion activities.
10. Negotiate for market access and removal of trade barriers.
11. Establish and strengthen commercial representation in selected export markets via recruiting and deploying Commercial Attaches.
12. Advocate for the Establishment of financial facilities for promotion of Kenya's exports.
13. Creation and retention of Kenya brand visibility
14. Foster national pride and patriotism
15. Harmonize Government visual Identity Systems
16. Enhance stakeholder management, media relations and partnerships
17. Enhance the corporate image for Brand.KE

18. Enhance human resource capacity development
19. Strengthen business processes
20. Institutionalize resource mobilization
21. Legal, compliance and good governance
22. Enhance stakeholder relationship and management

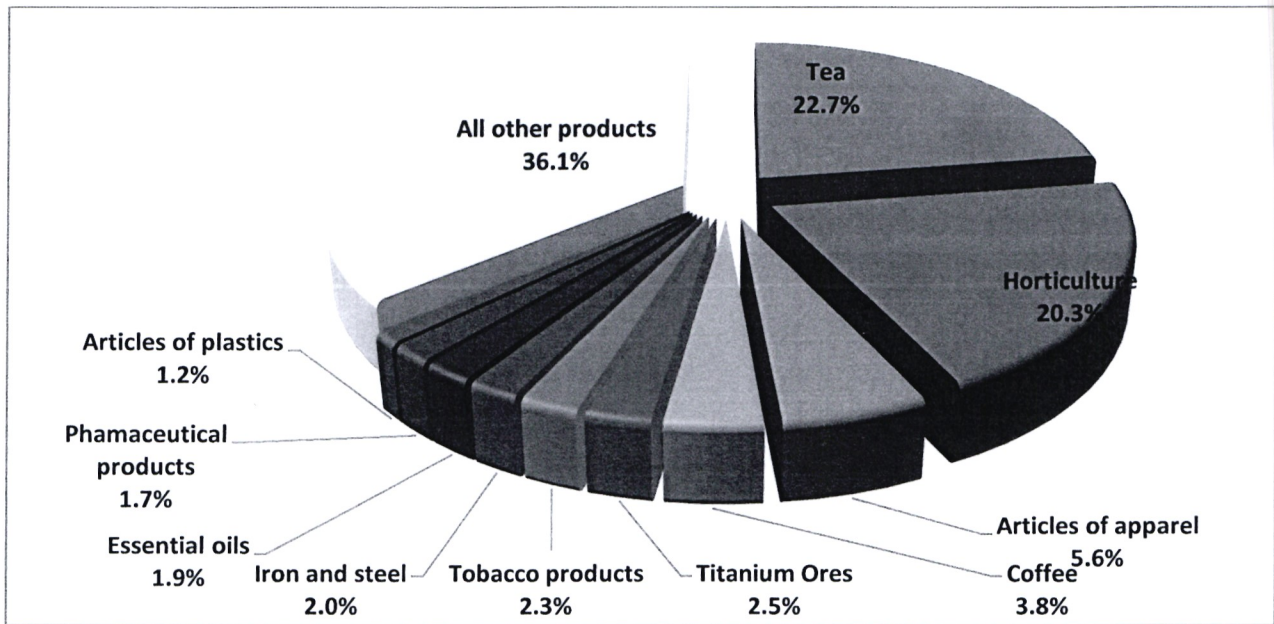
## 5.0 KENYA'S EXPORT PERFORMANCE

Kenya's total export of goods grew in value by 3.2% from Kshs. 594 billion in 2017 to Kshs. 613 billion in 2018 while imports grew by 2% from Kshs. 1.73 trillion in 2017 to Kshs. 1.76 trillion in 2018. As a result, the balance of trade deficit rose by 1.4% from Kshs. 1.13 trillion in 2017 to Kshs. 1.15 trillion in 2018 as is shown in the graph below.



Source: Kenya National Bureau of Statistics, 2019

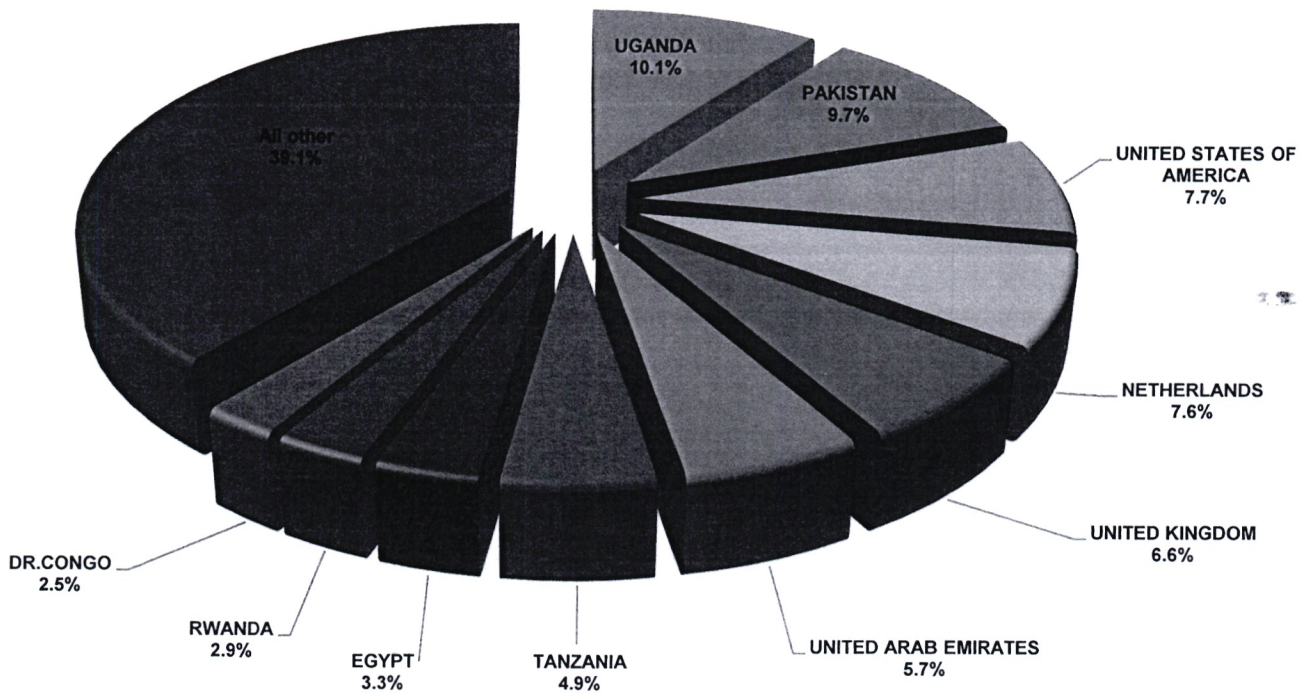
The major export products in 2018 included tea, horticulture, articles of apparels, coffee, and titanium ores. The share contribution by top ten products and top 20 products accounted for about 64% and 72% share of merchandise exports in 2018 and 2019 respectively.



*Source: Kenya National Bureau of Statistics, 2019*

In 2018, the top five export destination markets were: Uganda, Pakistan, USA, Netherlands and United Kingdom which accounted for 42% of Kenya's total exports. Exports to Uganda grew slightly by 0.1% from Kshs. 61.8 billion in 2017 to Kshs. 61.9 billion in 2018; while exports to Pakistan decreased by 7.3% to Kshs 59.4 billion in 2018 from Kshs. 64.1 billion in 2017. Kenya's exports to USA went up by 0.2% from Kshs. 47.27 billion in 2018 up from Kshs. 47.34 billion in 2017.

### % SHARE OF TOTAL EXPORTS BY COUNTRY IN 2018



*Source: Kenya National Bureau of Statistics, 2019*

The Kenya brand has ranked relatively well overtime as measured on various nation branding metrics. Future Brand ranks Kenya 63<sup>rd</sup> in 2019 in terms of perception strength, among the World Bank's top 75 countries by GDP, having improved 2 places from 2014 and 5<sup>th</sup> in Africa behind South Africa, Ethiopia, Egypt and Algeria.

Brand Finance ranked Kenya the 72<sup>nd</sup> most valuable Nation brands with a brand value of \$52 Billion in 2018

The World Economic Forum's (WEF) Global competitiveness report puts Kenya at 95<sup>th</sup> in 2019 having dropped 2 places from 2018. In the World Happiness Index, Kenya improved 3 places to rank 121<sup>st</sup> in 2019.

## **6.0 CURRENT ACTIVITIES BEING UNDERTAKEN UNDER THE BRANDKE ANNUAL WORK PLAN 2019 / 2020**

The Annual Workplan was developed based on the focus areas planned for the first year of the strategic plan. Implementation is currently in progress with the following activities having been undertaken.

- 1. Development of Strategic Plan and Workplan 2019/20 –** The draft Strategic Plan has been completed and is currently undergoing public participation as per the requirements of the Constitution.
- 2. Expo Dubai 2020 –** Planning for this activity has been ongoing with various pre-exhibition activities. The trade promotion event scheduled to commence in October 2020 and will be executed for six months.
- 3. Trade Mission to Germany and participation at the Fruit Logistica 2020, January 31 – February 11, 2020, Berlin Germany**

A trade mission was undertaken in Germany where the Kenya delegation interacted with various stakeholders and business Associations in Germany with a view to tie up trade, network and deepen trade partnerships in Germany and the EU market as a whole

A total of 48 companies in the fruit and vegetable sector participated in the Fruit Logistica trade fair and their participation was coordinated by; Kenya Export Promotion and Branding Agency (BrandKE) and the Horticultural Crops Directorate (HCD), the Fresh Produce Exporters Association of Kenya (FPEAK) and the Fresh Produce Consortium (FPC) and the Kenya Embassy Berlin, Germany. The final report on the participation will be presented in due course.

4. **Organisation of trade promotion activities in Ethiopia-** Activity ongoing, an Ethiopia trade fair and bazaar is scheduled to be held in Moyale (Kenya / Ethiopia border) on *11<sup>th</sup> March 2020* with the objective of promoting cross border trade between Kenya and Ethiopia.
5. **Organisation of trade promotion activities in Tanzania** – Activity ongoing, consultative meeting held in Nairobi on *February 17, 2020* to plan the trade mission and business forum to Tanzania in *June 2020*. An advance team is currently in Tanzania setting the ground for a successful trade mission in various cities in Tanzania.
6. **Organisation of trade promotion activities in the USA** – The agency is scheduled to participate at the Speciality Coffee Trade Fair scheduled for *April 23 – 26, 2020* in Portland Oregon, USA. A business forum will be held on the sidelines of the exhibition to promote trade and investments between Kenya and USA.

## KENYA NATIONAL TRADING CORPORATION

### 1.0 INTRODUCTION:

1.1 The Kenya National Trading Corporation is a State Corporation established in 1965 with the original mandate of Africanizing wholesale and retail trade. Over the years, the Corporation has adapted to various market changes as a result of legislations and market dynamics. In November 2010, the Corporation's mandate was once again expanded and reviewed to enable an effective response to the needs and requirements of government, businesses, the citizenry and other stakeholders.

## **1.2 THE MANDATE OF KNTC IS TO;**

- i) Participation in the promotion of wholesale/retail business and e-trade in line with Vision 2030, The Medium term plan and the parent Ministry's strategic plan.
- ii) Improving and strengthening the supply chain and distribution systems for both the formal and informal sector.
- iii) Becoming a Procurement and logistics Agent for the Government and general public at a minimal fee.
- iv) Stabilization of consumer commodity prices by ensuring balance in supply and demand by ensuring availability of stocks/goods in the country
- v) Partnership with key players to avail relevant products/input for the agricultural sector.
- vi) Promotion of the development of SMEs markets, expansion and diversification of trade in line with the Government Policy.
- vii) Participation in the distribution of goods and services in special economic zones.
- viii) Setting up trading houses in export markets

## **1.3 CURRENT OPERATIONS**

- i) Retail & Wholesale distribution of goods through depot network;
- ii) Warehousing;
- iii) Transport and Logistics Business; and
- iv) Provision of Procurement Agency Services to Government Institutions.

## **2.0 DISCHARGING THE PROCUREMENT AGENCY MANDATE**

2.1 The Corporation has been executing and implementing the mandate since 2010. In order to rationalize its benefits and optimize the mandate, KNTC has been seeking collaborative support from all MDAs; to patronize goods and services distributed by KNTC.

2.2 In discharging this role, KNTC has entered into procurement partnerships with various MDAs for procurement, supply and delivery of assorted goods and services on credit. However, some of

these engagements have resulted in accrual of trade receivables after the concerned institutions negated on the mutually agreed terms of engagement.

- 2.3 The challenge of collecting the outstanding sales proceeds of Kshs 13.5 Million continues to affect the Corporation's trading operations since the withheld amounts could not be recouped back into business nor used to settle suppliers' claims for the goods sold.
- 2.4 To ring-fence the Corporation's interests and prevent further exposure, KNTC has embarked on aggressive debt collection exercise, suspended all trade engagements with the concerned MDAs and is now vetting new entrants to avoid recurrence of the problem.

### **3.0 WAREHOUSING BUSINESS**

- 3.1 The Corporation has been carrying out warehousing business through leasing out of storage facilities for generation of rental income. The Corporation has also encountered a challenge of collecting rent from its clients. For instance, Uchumi Supermarket Ltd (USL) has accumulated rent arrears of Kshs 47 Million thus adversely affecting the Corporation's operations and ability to service its obligations to its business partners.
- 3.2 The Corporation has on numerous occasions reached out unsuccessfully to Uchumi Supermarket Ltd (USL) to streamline rent payments.

### **4.0 PROMOTION OF WHOLESALE AND RETAIL TRADE**

- 4.1 The Corporation's main function is to strengthen the supply chain and enhance distribution systems for the nation.
- 4.2 To execute this role the Corporation over time developed a depot network through which essential commodities are distributed. Apart from being good commercial outlets, most of the Corporation's 11 depots are located in high potential agricultural areas and are utilized in serving Kenyan farmers to boost agricultural output.

#### **4.3 Current depot Network;**

1. Nairobi ~ KNTC owned
2. Nakuru ~ KNTC owned
3. Kisumu ~ KNTC owned
4. Eldoret ~ KNTC owned
5. Karatina ~ KNTC owned
6. Kitale ~ Leased
7. Wote ~ Leased
8. Machakos ~ Leased
10. Meru ~ Leased

#### **4.4 The Corporation distributes in bulk a wide range of high quality products including:**

- Sugar;
- Rice;
- Magadi soda products;
- Farm-inputs;
- Cement;
- Pipes and Pipe fittings;
- Building Materials;
- Hardwares;
- Plastic wares;
- Special Government requirements; and
- Various products/raw materials manufactured by MSMEs.

#### **5.0 APPROVED KNTC TRANSFORMATION PROJECTS:**

7. The Kenya National Trading Corporation has six projects aligned to the Government's Manufacturing, Food Security and affordable housing pillars under the Government's 'Big Four' Agenda.

8. These are:

1. Provision of collateral management & warehousing receipting services;
2. Upgradation of existing warehouse infrastructure;
3. Construction of new warehouses;

4. Establishment of Regional Trading Houses;
5. Establishment of SME aggregation Centre;
6. Establishment of Common-User Cold Storage facilities; and
7. Affordable Housing Project.

**5.1.1 PROVISION OF COLLATERAL MANAGEMENT & WAREHOUSE RECEIPTING SERVICES**

5.1.2 The National Commodities exchange offers KNTC an important platform to provide supportive services to the agricultural productivity and modernization.

5.1.3 Six warehouses in Nairobi, Mombasa, Kisumu, Eldoret, Nakuru and Karatina are set for upgrading and modernization to required international Standards.

5.1.4 Modernization project entails removal of the asbestos roofing sheets and replacing them with iron sheets; installation of cyclones; equipping with laboratories; weighing and grading infrastructure among others.

**5.1.5 Storage Capacities of the selected warehouses for KOMEX:**

<b>WAREHOUSE LOCATION</b>	<b>SIZE (SQ. FEET)</b>
Nairobi	54,000
Mombasa	23,000
Kisumu	6,700
Nakuru	7,250
Eldoret	4,672
Karatina	3,600
<b>Total</b>	<b>99,222</b>

5.1.6 In addition to offering collateral management, KNTC intends to

provide warehouse receipting services for the upcoming commodities exchange so as to cushion farmers against huge post-harvest losses experienced in the country due to poor storage facilities and slump in prices as a result of glut.

5.1.7 The warehouse receipt could also operate as collateral for the farmers in need of loans from partner banks.

5.1.8 **This project is estimated to cost Kshs. 100 Million.**

## 5.2 UPGRADATION OF EXISTING WAREHOUSE INFRASTRUCTURE

5.2.1 KNTC has a huge portfolio of warehouses spread across the country i.e. in Nairobi, Kiambu, Mombasa, Kisumu, Nakuru, Eldoret and Nyeri Counties.

5.2.2 Modernization project entails removal of the asbestos roofing sheets and replacing them with iron sheets; installation of cyclones; equipping with laboratories; weighing and grading infrastructure among others.

## 5.3 CONSTRUCTION OF NEW WAREHOUSES

5.3.1 KNTC also aspires to focus on developing modular warehousing facilities in Counties that will be designated as agro processing and manufacturing centers.

5.3.2 In addition, some of the warehousing spaces will be used as holding facilities for distribution of agricultural inputs such as fertilizers, agro chemicals among others.

5.3.3 KNTC has parcels of land in Nairobi, Thika, Maragua, Naivasha, Nanyuki, Bungoma and Kericho where it intends to develop the additional warehouses.

5.3.4 **The development of new warehouses in the various parcels of land is estimated to cost Kshs. 650 million.**

## **5.4 ESTABLISHMENT OF REGIONAL TRADING HOUSES**

- 5.4.1 Another project is the establishment of Kenya Export Houses/Trading Houses in the EAC and greater COMESA Regions.
- 5.4.2 Kenya's exports including agricultural produce to the regional markets have been declining.
- 5.4.3 Establishment of Kenya Export Trading Houses in some niche markets; dedicated for Kenyan goods would greatly improve exports to EAC and greater COMESA regions.
- 5.4.4 KNTC has the warehousing expertise to be the Government Agent in implementing this project that would also act as a channeling infrastructure for products from SMEs.
- 5.4.5 Drive small holder productivity by supporting value addition in agro processing.
- 5.4.6 **This project is estimated to cost Kshs. 300 million;**

## **5.5 ESTABLISHMENT OF SME AGGREGATION CENTRE**

- 5.5.1 KNTC will reorganize some of its warehouses into aggregation centers for MSME agro-processed products overlaying a dedicated e-commerce platform in a bid to access local, regional and international markets.
- 5.5.2 KNTC will create market access for horticultural products like avocados, handicrafts, leather products etc. for the MSMEs.
- 5.5.3 KNTC will initially aggregate those products in dedicated Pack houses in Meru and Karatina and source for markets for the produce using the overlaying dedicated e-commerce platform.
- 5.5.4 KNTC has identified China Wu Yi as a partner for exporting avocado into the Chinese markets. KNTC will identify SME producer groups in conjunction with various stakeholders e.g. Counties, Horticultural Crops Directorate (HCD), Kenya Plant

Health Inspectorate Service (KEPHIS) and Export Promotion Council (EPC) among others; will profile the capacities and mobilize quality institutions such as KEBS to validate the quality of the produce.

5.5.5 In addition KNTC is working with the consulate of Mauritius in Kenya in order to widen the market access for avocado and other export products.

5.5.6 **This project is estimated to cost Kshs. 100 million.**

## 5.6 ESTABLISHMENT OF COMMON USER COLD STORAGE FACILITIES

5.6.1 KNTC plans to establish Common-User Cold Storage facilities in partnership with various County Governments.

5.6.2 KNTC will identify and install common user Cold Storage facilities in various strategic markets within the country for farmers' use to store perishable commodities at a minimal fee.

5.6.3 This intervention will greatly reduce postharvest losses incurred by small scale horticultural farmers as they source for markets.

5.6.4 **The estimation cost for this project is Kshs. 300 Million.**

## 5.7 SUMMARY OF APPROVED PROJECTS

SN	SN Project Budget Estimates (Kshs 000)	Project Budget Estimates (Kshs 000)
1.	Modernization of six KNTC Warehouses in readiness for the Commodities exchange	250,000
2.	Establishment of Warehousing Receipting Systems (WRS)	100,000
3.	Refurbishment of existing warehouse infrastructure	300,000
4.	Construction of new warehouses to create more working spaces for MSMEs	650,000
5.	Establishment of Regional trading houses	300,000
6.	Reorganizing KNTC warehouses into aggregation centres for MSMEs overlaying a dedicated e-commerce platform	100,000
7.	Establishment of Common-user Cold Storage Facilities	300,000
	<b>TOTALS</b>	<b>2 Billion</b>

## **6.0 OTHER KNTC PROJECTS:**

### **6.1 AFFORDABLE HOUSING PROJECT:**

- 6.1.1 KNTC is participating in the Technical Committee of the project;
- 6.1.2 The Corporation is expected to provide:
- 6.1.3 Aggregation services for MSMEs to produce doors for the project;
- 6.1.4 Logistics services for the doors;
- 6.1.5 Procurement services for the doors and resell to the project Contractors/NCA;
- 6.1.6 Provide bulk quality raw materials to MSMEs for production of doors.
- 6.1.7 The Corporation is currently awaiting the initial order for 100,000 doors.

### **6.2 AVOCADO EXPORTATION PROJECT**

- 6.2.1 The Corporation has commenced the registration and licensing process in consultation with HCD, KEPHIS, FPEAK and various Counties;
- 6.2.2 Market linkages are expected from China Wu Yi, HCD, EPC and Consulate of Mauritius among others.

### **6.3 MARKET INTERVENTION AND DISTRIBUTION OF KENYAN RICE**

- 6.3.1 KNTC to anchor Government market interventionary project intended to enhance market uptake and stem post-harvest losses of Kenyan Rice mostly produced in Kirinyaga and Kisumu Counties. The Corporation was on

14<sup>th</sup> January, 2020 allocated Kshs. 660 Million vide Presidential Directive.

- 6.3.2 The funds are to enable bulk purchasing of all the excess rice from Kano Plains and Mwea for onward selling to the Disciplined Forces, Prisons Services and Boarding Schools among other Government MDAs and Counties.
- 6.3.3 KNTC procured from farmers 392 tonnes of Mwea rice and 84tonnes of Sindano rice against the weekly targets of 280 tonnes and 56 tonnes respectively.
- 6.3.4 KNTC has negotiated with out-sourced transporters to lift rice from Mwea to complement Corporation's owned transport.
- 6.3.5 Currently two trucks equivalent to 56 tonnes of rice are being lifted on a daily basis from MRGM out of a potential output of 60 tonnes produced daily.
- 6.3.6 Frame work contract drafted, signed and circulated to relevant state departments.
- 6.3.7 KNTC has reached out to 2,115 Government institutions as at 9<sup>th</sup> March, 2020.
- 6.3.8 The Corporation aims to reach a target of 6,392 Government institutions by 31<sup>st</sup> March, 2020.
- 6.3.9 Sales worth Kshs 9.2million equivalent to 70tonnes sold to 24 institutions.

#### **6.4 POSITIONING OF KNTC AS A DISTRIBUTOR OF FERTILIZER TO FARMERS**

- 6.4.1 The Government positioned KNTC as distributor of fertilizer to farmers with effect from 5<sup>th</sup> March, 2020.
- 6.4.2 Countrywide DAP fertilizer prices were capped to Kshs.2,300 for a 50 Kg-bag as announced by Agriculture Cabinet Secretary.

- 6.4.3 Stocking of all KNTC Depots is ongoing to enable farmers access their fertilizer requirements.
- 6.4.4 KNTC has sold 2,000 bags since 5<sup>th</sup> March, 2020 and more orders are currently being processed for OCP and Mijingu DAP fertilizer Brands in line with the Government directive.
- 6.4.5 More partnerships are being mooted with other importers/suppliers such as Mavuno Fertilizers, MEA Fertilizers and Export Trading Group among others to enhance supply of fertilizer to farmers.
- 6.4.6 Cereal farmers countrywide stand to benefit from the dedicated supply of fertilizer.

## 7.0 CHALLENGES HINDERING DELIVERY.

- a) **Inadequate working capital:** Though the Corporation has a healthy asset base in excess of Ksh. 2 billion, it has a weak liquidity which hinders its trading operations. There is an urgent need to inject working capital into the Corporation to enable it trade and achieve profitability as well as optimally utilize the healthy asset base.

KNTC being a Commercial State Corporation does not receive any exchequer allocation hence relies on its internally generated income.

- b) Long outstanding accrued debts amounting to Ksh. 14 million to ICDC loans and Ksh.24.3 million for land rent and rates.
- c) Accumulated rent arrears of Ksh.44.7 million by Uchumi Supermarkets Limited.
- d) Delays in obtaining requisite Government approvals to allow the Corporation to leverage on its assets for trade financing.
- e) Grabbing and encroachment of Corporation's properties in Nairobi, Bungoma, Kapsabet and Nakuru; difficulty in obtaining title deeds from Ministry of Lands and delayed approval of development plan by Kenya Railway Corporation.

## 8.0 WAY FORWARD

8.1 The Corporation requires intervention in debt collection; Government budgetary support of Kshs. 2 Billion to facilitate full implementation of these transformative projects; and in lobbying for the target projects so as to fully execute and realize its expanded mandate as well as build capacity for emerging business opportunities.

### ANNEX 1: PROPERTY PROFILE

No.	LOCATION	AREA IN SQ. FEET	LOCATION	KEY FEATURES	STATUS
1	Yarrow Rd. KNTC Complex Ground & First Floor	17,784	Nairobi	Office Block	Occupied
2	Yarrow Rd. KNTC Complex Second Floor	8,892	Nairobi	Office Block	Occupied
3	GODOWN NOS. 1 - 7	82,090	Nairobi	Go - Downs	Occupied
4	GODOWN NO. 9-10	91,656	Nairobi	Go - Downs	Occupied
5	GODOWN NO. 11-12	10,184	Nairobi	Go - Downs	Occupied
6	GODOWN NO. 14	10,184	Nairobi	Go - Downs	Occupied
7	GODOWN NO. 15	10,184	Nairobi	Go - Downs	Occupied
8	GODOWN NO. 16	10,184	Nairobi	Go - Downs	Occupied
9	GODOWN NO. 17	10,184	Nairobi	Go-Down	Occupied
10	Central Warehouse (CW) NO.1 A	3,750	Nairobi	Go-Down	Occupied
11	CW NO 1B	3,750	Nairobi	Go-Down	Occupied
12	CW NO. 2	7,250	Nairobi	Go-Down	Occupied
13	CW NO. 3A	3,625	Nairobi	Go-Down	Occupied

14	CW NO. 3B	3,625	Nairobi	Go-Down	Occupied
15	CW NO.4	7,250	Nairobi	Go-Down	Occupied
16	CW NO. 5A	3,750	Nairobi	Go-Down	Occupied
17	CW NO. 5B	3,625	Nairobi	Go-Down	Occupied
18	CW NO. 6	7,250	Nairobi	Go-Down	Occupied
19	CW NO. 7	7,250	Nairobi	Go-Down	Occupied
20	CW NO. 8	7,250	Nairobi	Go-Down	Occupied
21	CW NO. 9	36,000	Nairobi	Go-Down	Vacant
22	CW NO. 10	36,000	Nairobi	Go-Down	Occupied
23	CW NO. 11A	18,000	Nairobi	Go-Down	Vacant
24	CW NO. 11B	18,000	Nairobi	Go-Down	Vacant
25	CW NO. 12	36,000	Nairobi	Go-Down	
26	CW NO. 13	9,600	Nairobi	Go-Down	Occupied
27	CW NO. 14		Nairobi	Go-Down	Occupied
28	Kitui Rd Warehouse No. 1	30,000	Nairobi	Go-Down	Occupied
29	Kitui Rd. Workshop No 3	6650	Nairobi	Workshop & Office Block	Occupied
30	Kitui Rd. Office Block	3295	Nairobi		Occupied
31	Railways Naivasha	2,400	Naivasha	Go - Down	Occupied
32	Railways Naivasha Open Space LR114/XVI/14		Naivasha	Open Space	Occupied
33	Muran'ga Township - Maragwa	0.0697 Ha	Muran'ga	Un developed	Vacant
34	Refinery Rd. Mombasa	11,080	Mombasa	Part of the godown & office block	Occupied
35	Refinery Rd. Mombasa	23,000	Mombasa	Part of the godown & office block	Vacant

36	Thika Godown	5,680	Thika	Office block	Occupied
37	Thika Plot No. 4	50,305	Thika	Open Space	Occupied
38	Thika Plot No. 1	40x75m	Thika	Open Space	Occupied
39	Thika Plot No. 2	40x75m	Thika	Open Space	Occupied
40	Thika Plot No. 3	40x75m	Thika	Open Space	Occupied
41	Eldoret LR7789/323	2,336	Eldoret	Godown	Occupied
42	Nakuru Godown no 2	7,250	Nakuru	Godown	Vacant



MINISTRY OF HEALTH NATIONAL ASSEMBLY  
OFFICE OF THE CABINET SECRETARY

Telephone: Nairobi 254 -20-2717077  
Email: cshealth2015@gmail.com  
Fax: 254 -20 - 2713224  
When replying please quote

DATE: 22 APR 2020 DAY: \_\_\_\_\_  
AFYA HOUSE W38  
CATHEDRAL ROAD  
P.O. Box 30016-00100  
NAIROBI METROPOLITAN AREA  
Tabled BY: READER  
HON ABEN SUALE  
CLERK AT THE TABLE  
20<sup>th</sup> April, 2020

Ref. No: MOH/LEGAL/055(9)

PARLIAMENT OF KENYA LIBRARY

Mr. Michael Sialai, EBS  
Clerk of the National Assembly,  
Parliament Buildings,  
NAIROBI.

① [Signature]  
② Head, Table of [Signature]  
To register, cause  
tabling and  
referred to  
committee  
21/4/20  
21/4/20

Dear Mr Sialai,

**RE: THE PUBLIC HEALTH (COVID-19 RESTRICTION OF MOVEMENT OF PERSONS AND RELATED MEASURES) (NAIROBI METROPOLITAN AREA) ORDER, 2020 – L.N. 51/2020**

We make reference to the Public Health (COVID-19 Restriction of Movement of Persons and Related Measures) (Nairobi Metropolitan Area) Order, 2020, published on 6<sup>th</sup> April, 2020.

In line with the requirements of Sections 5A and 11 of the Statutory Instruments Act, 2013, please find enclosed herewith copies of the captioned Order together with the accompanying explanatory memorandum, for your necessary action.

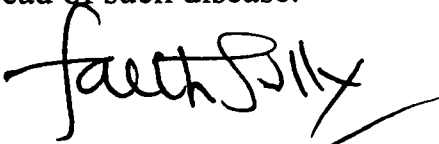

The said Order was made pursuant to section 36 of the Public Health Act and Rule 3 of the Public Health (COVID-19 Restriction of Movement of Persons and Related Measures) Rules, 2020 ( L.N. 50/2020) which vests in the Cabinet Secretary for

NATIONAL ASSEMBLY  
RECEIVED  
21 APR 2020  
CLERK'S OFFICE  
P. O. Box 41842, NAIROBI



Health the power to make rules, whenever any part of Kenya appears to be threatened by any formidable epidemic, endemic or infectious disease, to prevent the spread of such disease.

Yours

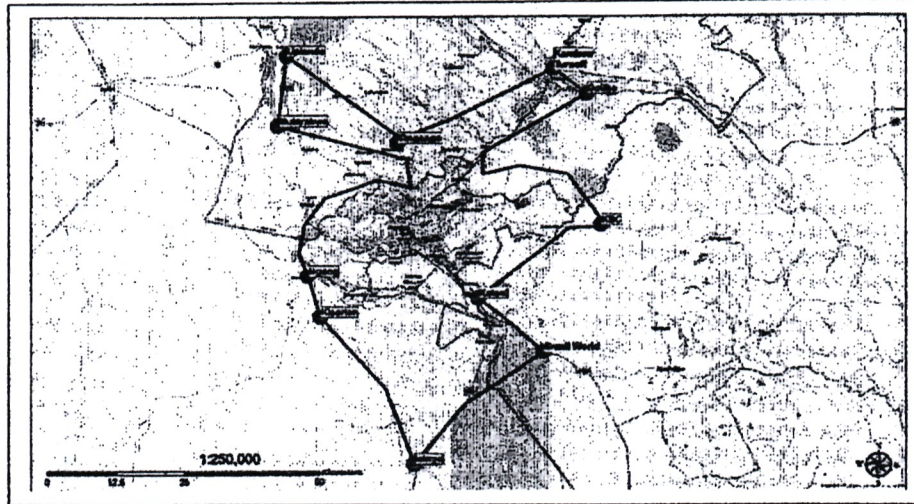
  


**HON. MUTAHI KAGWE, EGH**  
**CABINET SECRETARY.**

Encl.

Copy to: Principal Secretary

**SCHEDULE I**



Dated the 6th April, 2020.

**MUTAHI KAGWE,**  
*Cabinet Secretary for Health.*

## LEGAL NOTICE NO. 51

## THE PUBLIC HEALTH ACT

(Cap. 242)

THE PUBLIC HEALTH (COVID-19 RESTRICTION OF  
MOVEMENT OF PERSONS AND RELATED MEASURES)  
(NAIROBI METROPOLITAN AREA) ORDER, 2020

IN EXERCISE of the powers conferred by Section 36 of the Public Health Act and Rule 3 of the Public Health (Restriction of Movement of Persons and Related Measures) Rules 2020, the Cabinet Secretary for Health makes the following Order—

THE PUBLIC HEALTH (COVID-19 RESTRICTION OF  
MOVEMENT OF PERSONS AND RELATED MEASURES)  
(NAIROBI METROPOLITAN AREA) ORDER, 2020

12. This Order may be cited as the Public Health (COVID-19 Restriction of Movement of Persons and Related Measures) (Nairobi Metropolitan Area) Order, 2020.

Citation.


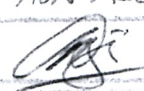
1. In this Order, unless the context otherwise requires—

Interpretation.

“Nairobi Metropolitan Area” means Nairobi City County and all the adjoining areas including Part of Kiambu County up to Chania River Bridge (Thika), including Rironi, Ndenderu, Kiambu Town; Part of Machakos County, up to Athi-River including Katani; Part of Kajiado County including Isinya, Kiserian, Ongata Rongai and Ngong Town; and all other areas as delineated on the map set out in Schedule I.

2. The Public Health (COVID-19 Restriction of Movement of Persons and Related Measures) Rules, 2020 shall be in force in the Nairobi Metropolitan Area for twenty-one days with effect from 1900HRS on Monday 6 April 2020 until 2359HRS on Monday 27 April 2020.

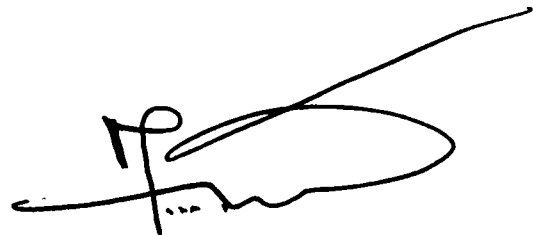
3.

 THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 22 APR 2020	BY: WEB
FILED	LEADER OF MAJORITY HON ABEN SUALE
CHIEF CLERK THE TABLE:	

**6. The Contact Person in the Ministry of Health**

The contact person at the Ministry of Health shall be the Cabinet Secretary, Hon. Mutahi Kagwe EGH or the Principal Secretary, Ms. Susan Mochache CBS.

Dated the.....<sup>20<sup>th</sup></sup> <sup>April</sup>....., 2020.



**Hon. Mutahi Kagwe, EGH**  
**CABINET SECRETARY.**

movements would have been exacerbated by the fact that the Order was made around the Easter period, which is a peak travel period as thousands of Kenyans travel upcountry for the Easter festivities. Indeed, the reported incidents of persons attempting to flout the Order by using the so-called “panya routes” serve to corroborate this apprehension.

While there is reasonable probability that the identified infected areas certainly have infected persons, not all of them have been identified, tested and isolated, partly due to limitations of contact tracing, and the time required to undertake the said contact tracing. Consequently, without the restrictions imposed by the present Order, interactions with such persons would enable community transmission across the Nairobi Metropolitan Area, thereby jeopardizing efforts at containing the spread of the disease.

It is also noteworthy that Rule 3 of the *Public Health (COVID-19 Restriction of Movement of Persons and Related Measures) Rules, 2020* (L.N. 50/2020) published in the Kenya Gazette on 6<sup>th</sup> April, 2020, gives the Cabinet Secretary the power to declare, by Order, that these Rules are in force within an area specified in the Order and such area deemed to be an infected area and to thereupon regulate and/or prescribe such activities and conduct that may be carried out in the infected area, which is, in essence, the effect of the present Order.

The Order promulgated by the Cabinet Secretary for Health provide prophylactic measures which serve to cushion the vulnerable in Nairobi Metropolitan Area from the ravages of COVID-19; it is the poor who would suffer more as opposed to other citizens if exposed to the highly infectious COVID-19 disease.

## **5. Guidance**

The Ministry of Health, the Office of the Government Spokesman and the Nairobi Metropolitan Area shall sensitize members of the public on the provisions and requirements of the present Order.

**EXPLANATORY MEMORANDUM TO THE PUBLIC HEALTH (COVID-19 RESTRICTION OF MOVEMENT OF PERSONS AND RELATED MEASURES) (NAIROBI METROPOLITAN AREA) ORDER, 2020**


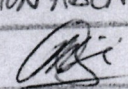
**A. The Purpose of the Order**

1. The general purpose of the *Public Health (COVID-19 Restriction of Movement of Persons and Related Measures) (Nairobi Metropolitan Area) Order, 2020* (L.N. 51/2020) is to prevent the spread of COVID-19 in the Nairobi Metropolitan Area. The specific objectives of the Order are as follows:

- (i) to provide for the restriction of movement into and out of COVID-19 infected areas in the Nairobi Metropolitan Area;
- (ii) to provide a framework for prohibiting and/or regulating certain public gatherings;
- (iii) to define hygiene conditions to be applied in public places during the restriction period; and
- (iv) to provide for penalties for violations thereof.

**2. The Legislative Context**

Section 36 of the of the Public Health Act, Chapter 242 of the Laws of Kenya gives the Minister (Cabinet Secretary) responsible for Health (hereinafter, the Cabinet Secretary) the power to make rules to prevent the spread of a formidable epidemic, endemic or infectious disease. The present Order have therefore been made in this context.

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DATE: 22 APR 2020	
DAY: WED	
TABLED BY:	LEADER OF MAJORITY HON ABEN DUALE
CLERK-AT THE-TABLE:	

### **3. Policy Background**

The World Health Organization declared COVID-19 a public health emergency on 30<sup>th</sup> January 2020. Since then, the disease continues to spread rapidly, across boundaries. The disease spreads mainly through close contact with infected persons. On 13<sup>th</sup> March 2020, Kenya confirmed its first case of COVID-19. As at 19<sup>th</sup> April 2020, there were a total of two hundred and seventy (270) confirmed cases of COVID-19 in Kenya, with fourteen (14) deaths and sixty-seven (67) recoveries.

The World Health Organization has provided guidelines on measures that need to be taken to prevent and control the spread of COVID-19. Some of these measures had been or are being implemented in several jurisdictions that have been afflicted by COVID-19. These measures include maintaining social distance; washing hands with soap and water and observing respiratory hygiene.

The provisions of the present Order seek to give effect to the foregoing prevention and control measures that have been recommended by the World Health Organization and/or implemented in other jurisdictions faced with the COVID-19 pandemic, in order to prevent and control the spread of COVID-19 in the Nairobi Metropolitan Area.

### **4. Public Consultations**

In view of the emergency circumstances occasioned by the rapid spread of COVID-19 in the Nairobi Metropolitan Area, and the need for immediate action to prevent and control the spread of the same, public consultations were not feasible prior to the publication of the Order. It would be appreciated that the measures that the Order seek to implement are reflective of the necessary executive action that, as a matter of necessity, has to be taken urgently, to prevent and contain the further spread of COVID-19 in the Nairobi Metropolitan Area.

It would also be appreciated that the objectives of the present Order would have been undermined if the Order was to be subjected to public participation prior to its publication. The purpose of the Order is to restrict movement into and out of identified infected areas in the Nairobi Metropolitan Area. Disclosing the Order prior to publication, especially through public participation, would only have led to panic reactions and pre-emptive mass movements from the infected areas, with the consequence that the Order would serve no meaningful purpose. Such mass