REPUBLIC OF KENYA

Ministry of Industry, Trade and Cooperatives

State Department for Trade

Integrated National Export Development and Promotion Strategy

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Foreword
by H.E, the President

Kenya remains the largest economy in the East African Community. Over the years, it has diversified its market to include a thriving technology ecosystem that complements its agricultural, mining and tourism industries. International trade is therefore an important stimulant for Kenya's enhanced production, wealth and employment creation, as well as poverty eradication. Through stronger trade relations, Kenya is able to deliver to all its productive sectors diverse market outlets, specializations and quality services for its sustainable development.

The government is already taking steps towards integrating trade in economic planning in line with its Kenya Vision 2030. Trade is now among the eleven sectors that are expected to stimulate economic growth through the attainment of a 10% per annum Gross Domestic Product (GDP) growth rate. Several initiatives at the regional and global level are already laying foundation for this goal. These include national trade commitments at the World Trade Organization (WTO), East African Community (EAC), Common Market for East and Southern Africa (COMESA), Tripartite Free Trade Area between EAC, COMESA and SADC, African Continental Free Trade Area (AfCFTA), EAC-EU EPA arrangement, USA AGOA Preferential Market Access Initiative and numerous other Bilateral Trade Agreements with Kenya's trade partners.

The National Export Development and Promotion Strategy (NEDPS) therefore provides a stronger link that the country needs to efficiently exploit its trade opportunities at the regional and global trade levels. Through its value chain approach the strategy links all target export products and services from their productive stage to their identified markets. It also assigns export objectives and targets to relevant National and County government ministries, departments and agencies. The strategy thus provides a blueprint for planning and budgeting for export development and promotion and promises to reduce Balance of Trade Deficits and economic dependence within its sectors.

Continued support for the trade sector and its export growth is crucial in attaining the Kenya Vision 2030 and Big 4 development blueprints. Under the Big 4's manufacturing pillar, the government has made commitments to industrial transformation through increased outputs from 8.3% of GDP in 2017 to 15% by 2022. It is envisioned that 60% of it manufactured products will be exported with the strategy contributing to the identification and expansion of market opportunities at the regional and global level.

The implementation of the NEDP strategy will require sufficient resource outlay. This will be achieved through a coordinated approach to budgeting and accountability for export development and promotion. Increased synergy and cooperation within National and County level trade institutions will enhance production and create wealth and employment opportunities across the country. The successful implementation of the strategy will also guarantee a return of investments from our regional and international agreements as the entire country embraces and promotes its trade and export sectors.

H.E UHURU MUIGAI KENYATTA, CGH,

President of the Republic of Kenya

From the Desk of the **Cabinet Secretary**

Over the years, the Government of Kenya has embraced liberal trade policies that are geared towards stimulating economic development through optimization of potential in agriculture and industry. These policies have largely been characterized by liberal import and export trade regimes that are market driven. This policy space has further been deepened through Kenya's commitments at multilateral, regional and bilateral level, with key dividends from these commitments being the reduced import duties and barriers to market access.

Trade performance over the last 10 years however reveals horizons that the country is yet to exploit. Significantly, the period also coincides with the launch and implementation of the Kenya of Vision 2030 national long-term policy blueprint. It is apparent that exporters took advantage of the liberalized regime to increase domestic exports by an average of 9% per year over this period. However, in spite of this positive response, overall export performance missed a number of opportunities which has been demonstrated by the failure to sustain an export growth of 26% and 25% that was recorded in 2008 and 2011, respectively. Indeed for most of the years, the export growth was negative or very low.

One other missed opportunity is the diversification of exports. The destination markets for our exports have remained narrow, with only thirteen countries accounting for over 70% of our total exports on a global scale. The product base has been equally narrow, with five broad categories of products accounting for 56% of total exports. It means in earnest, that the only ray of hope for the exploitation of this opportunity lies in a diverse export base targeting our unexploited natural resources; untapped value addition possibilities in our agricultural and livestock produce; the vibrant manufacturing sector; the wealth of natural resources in the blue economy as well as the diverse services sector. All these sectors have immense potential for exports.

The other promise of hope lies in the multi-billion dollar markets in countries that Kenya already has trade arrangements for export on a duty free basis or on preferential terms. These opportunities are all challenging and at the same time beckoning us as a country to think export and produce for exports.

The National Export Development Strategy has recognized the missed opportunities and the need for harnessing and exploitation of these opportunities through export development. For all the seven productive sectors that the Strategy is focusing on, the journey towards the country's sustainable export performance starts at production level. This is the level that the country has to aim for in order to address the narrow export base challenge that it has faced over the years. Emphasis is therefore being on all stakeholders in both government and private sector pulling together towards producing the target products for the target markets. If the all stakeholders are to pull together as envisaged in the strategy, then the country will be able to achieve the 25% per year export growth target over the period 2018-2022.

Among the key contributors to this projected export growth is the manufacturing sector through the Big Four Pillar Plan, where the manufacturing sector has committed stakeholders to pursue production that leads to the sector increasing its contribution to GDP to 15% by 2022. The Strategy has identified markets for this output which should now act as a signal to stimulate industrial development.

Through the Kenya Industrial Transformation Program and the Big Four Pillar Plan, the Government is committed to providing support towards realization of the manufacturing sector's full potential. This is to be achieved through the various projects and interventions that have already been planned towards enhanced value addition among other productive activities.

The National Export Development and Promotion Strategy, further provides opportunity for the country to tap into the unexploited export potential in various services, which includes Business Services, Education Services, Financial Services, Tourism and travel services, Health services, Transport services, ICT Services and Recreation, Cultural and Sports services. The Strategy illuminates these opportunities and provides strategic interventions geared towards translating these opportunities into export realities. The Strategy holds the entire country together through its vision, which seeks to 'Transform Kenya's economy through export-led industrial, agricultural and trade in services development."

In the Strategy, therefore, lies solutions to the country's quest for employment and wealth creation through export opportunities. It provides an opportunity for the country to meet its import bills obligations through export earned foreign exchange and thereby, bolstering the strength of our economy and contributing towards economic independence.

Hon Peter Munya
Cabinet Secretary: Industry, Trade and Cooperatives

Preface by the **Principal Secretary**

Trade, in the words of an OECD report (2012) on "Policy Priorities for International Trade and Jobs"(www.oecd.org/site/tadicite/50286917.pdf), has in the last three decades become the most powerful force in the integration of the world's economy. This is a force that no country today can ignore because of the well-documented fact; that trade is "one of the most dynamic sources of growth for many countries". As noted further, this reality has been aided by "the continued rapid fall in the cost of communication and transportation," which has consequently powered the integration of goods and services markets globally, thereby creating opportunities for investments, employment creation and economic growth as countries respond to global market signals.

In line with this self-evident reality, the Government of Kenya is enjoined in appreciating the role of trade in economic development and its power in delivering economic transformation, more so through the deliberate integration of our country to the global economy. Consequently, in an effort to promote trade, the country enjoys at least four trade and investment enabling opportunities that are largely propelled by various Government initiatives. These include the Export Processing Zones and Special Economic Zones frameworks for production for exports; trade liberalisation through regional integration frameworks that the country is a signatory to, i.e. the EAC, COMESA, TFTA, CFTA and the EAC-EU EPA, all of which opens up trade in over 60 countries on a duty free basis; Preferential Trade Arrangement under the USA-AGOA framework of trade with the USA; and lastly: the numerous bilateral trade agreements focusing on preferential trade facilitation towards Kenya products' access to their various markets.

It is obvious that the impact of the aforementioned opportunities is evidenced by the 72% increase in exports between 2008 and 2017; a period that coincides with the last ten years since the launch of the *Kenya Vision 2030* policy framework. The horizon for export growth, however, seems to have been barely scratched because of the unsustainable growth trend characterised by a narrow export base and destination markets. For instance, despite the country having an opportunity to export products on a duty free basis to over 42 countries (EAC, COMESA FTA countries, EU 28 and the USA under AGOA), during this period, over 70% of total exports were destined to a measly 13 countries. Our export product base is also not fully exploited because it is only the traditional exports that have continued to dominate our exports to the World with five broad categories of products accounting for 56% of total exports.

In order therefore to propel export growth, targeting the product and destination market diversity, economic planning for export growth is a must focus for the entire country. The *National Export Development and Promotion Strategy* provides a tool for all focal sectors to plan for export growth in pursuit of the National Export Growth Agenda of an average of 25% export growth rate per year over the period 2018-2022. This target is not far-fetched because the country is on record as having posted 26% export growth in 2008 and 25% in 2011. This growth is to be powered by sectoral production for export activities through National and County Governments and Private Sector leadership in manufacturing, agriculture, livestock and fisheries. Others are the mining, petroleum, handicraft as well as trade in Services which include business services, education services, financial services, tourism and travel services as well as Health, Transport, ICT and Recreation, Cultural, and Sports services). Moreover, there are cross-cutting issues (Trade Finance; Foreign markets representation; Trade facilitation; Export Promotion; Investment Promotion for Export Development; and Cross Border Trade facilitation).

The NEDP Strategy has recognised the immense resource requirements for its implementation and proceeded to provide a nationwide framework for resource mobilisation. This is primarily through the provision of a platform for coordinated approach to the annual budget process for export development and promotion right across the National and County Government levels. The key target under this arrangement would be each year's projected export growth for specific products and services. It is thus hoped that this will not only guarantee resources for implementation of the strategy but also avoids the likely resource wastage that usually emanates from duplication of efforts especially when concerned institutions operate in silos.

Besides, the NEDP Strategy also provides a framework for coordinating Development Partners support to export development. This coordination is expected to ensure optimal utilisation of such support towards the national agenda of export growth.

Overall, I can say without much equivocation that the projected export growth will be assured as a result of the robust institutional framework that allows for a better coordinated approach in planning for export production and promotion as well as ensuring annual accountability for results. Indeed, this institutional framework is to be powered by the NEDPS Delivery Unit that will be charged with ensuring timely implementation of the planned activities and prompt reporting of the progress to the Presidency and the Council of Governors regularly.

Dr Chris Kiptoo

Principal Secretary, State Department of Trade
Ministry of Trade, Industry and Co-operatives

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List of Acronyms

AAK	Agrochemicals Association of Kenya
AAR	Africa Air Rescue
ABNJ	Areas Beyond National jurisdiction
ACA	Africa Cashew Alliance
ACP	African Caribbean and Pacific
AEA	Agricultural Employers Association
AFA	Agriculture & Food Authority
AfDB	African Development Bank.
AGOA	African Growth and Opportunity Act
APCC	Asian Pacific Coconut Community
APSEA	Association of Professional Societies of East Africa
ASAL	Arid and Semi-Arid areas
ASEAN	Association of Southeast Asian Nations
AU	Africa Union
BOT	Balance of Trade
BRICS	Brazil, Russia, India, China and South Africa
CAADP	Comprehensive Africa Agricultural Development Program
CBA	Commercial Bank of Africa
CBK	Central Bank of Kenya
CEC	County Executive Committee
CET	Common External Tariff
CMA	Capital Markets Authority
CODE	Code of conduct for Responsible Fisheries
COFI	FAO Committee on Fisheries
COMESA	Common Market for East and Southern Africa
COTU	Central Organization of Trade Unions
CPC	United Nations Central Product Classification
CTC	Cut-Tear-Curl
DTB	Diamond Trust Bank
EAC	East African Community
EAP	Employee Assistance Program
ECCAS	Economic Community of Central African States
ECOWAS	Economic Community of West African States
EEZ	Exclusive Economic Zone
EPA	Economic Partnership Agreement
EPC	Export Promotion Council
EPZA	Export Processing Zones Authority
ERS	Economic Recovery Strategy
EU	European Union
FAO	Food and Agriculture Organization
FKE	Federation of Kenya Employers
FOSS	Flowers & Ornamentals Sustainability Standard
FPEAK	Fresh Produce Exporters Association of Kenya
FTA	Free Trade Area
GATS	General Agreement on Trade in Services
GCC	Gulf Cooperation Countries
GDP	Gross Domestic Product
HCD	Horticultural Crops Directorate
ICT	Information Communication and Technology
IMF	International Monetary Fund
IOTC	Indian Ocean Tuna Commission
IPOA	International Plan of Action to Prevent, deter and eliminate IUU fishing
IRA	Insurance Regulatory Authority
ITC	International Trade Centre
ITC	International Trade Centre
IUCN	International Union for Conservation of Nature
IUU	Illegal Unreported Unregulated fishing
KALRO - TRI	Kenya Agriculture & Livestock Research Organization - Tea Research Institute
KAM	Kenya Association of Manufacturers
KBA	Kenya Bankers Association
KCB	Kenya Commercial Bank

KEBS	Kenya Bureau of Standards
KEPHIS	Kenya Plant Health Inspectorate Service
KEPSA	Kenya Private Sector Alliance
KES	Kenyan Shillings
KESMn	Kenyan Shillings in Millions
KFC	Kenya Flower Council
KFS	Kenya Fisheries Services
KHC	Kenya Horticultural Council
KHCPi	Kenya Horticulture Competitiveness Program
KIPPRA	Kenya Institute for Public Policy Research and Analysis
KMFRI	Kenya Marine & Fisheries Research Institute
KNBS	Kenya National Bureau of Statistics
KNCCI	Kenya National Chamber of Commerce & Industry
KNGA	Kenya Nuts Growers Association
KPLC	Kenya Power & Lighting Company
KRA	Kenya Revenue Authority
LVFO	Lake Victoria Fisheries Organisation
M&E	Monitoring and Evaluation
MAR	Market Access Regulation
MCS	Monitoring Control & Surveillance
MDAs	Ministries and Departmental Agencies
MDG	Millennium Development Goals
MRAs	Mutual Recognition Agreements
MRLs	Maximum Residue Levels
MSY	Maximum Sustainable Yield
MT	Metric Tons
NEDPS	National Export Development Promotion Strategy
NEMA	National Environment Management Authority
NES	National Export Strategy
NOCD	Nuts and Oil Crops Directorate
NUTPAK	Nut Processors Association of Kenya

PBK	Pyrethrum Board of Kenya
PCPB	Pest Control Products Board
PPCK	Pyrethrum Processing Company of Kenya
PPP	Public Private Partnerships
PRSP	Poverty Reduction Strategy Paper
RFB	Regional Fishery Body
RFMO	Regional Fisheries Management Organisation
ROO	Rules of Origin
RPOA	Regional Plan of Action
SACU	Southern African Customs Union
SADC	South African Development Community
SDGs	Sustainable Development Goals
SDI	State Department of Industry
SDT	State Department of Trade
SEZ	Special Economic Zone
SFPA	Sustainable Fish Framework Agreement
SPS	Sanitary and Phyto-Sanitary
SWGs	Sector Working Groups
SSWGs	Sub-Sector Working Groups
TBT	Trade Barrier to Trade
TD	Tea Directorate
UK	United Kingdom
UNCLOS	United Nations Convention on Law of the Sea
UNCTAD	United Nations Conference on Trade and Development
UNEP	United Nations Environment Programme
USA	United States of America
USAID	United States Agency for International Development
USD	United States Dollars
VMS	Vessel Monitoring System
W/120	WTO Services Sectoral Classification List
WB	World Bank
WTO	World Trade Organization

Executive Summary

1.0 Introduction

For the last 30 years, Kenya has pursued an export led growth of her economic development following the radical shift in trade policy from an inward to an outward approach that was advocated in *Sessional Paper No. 1 of 1986 on Economic Management for Renewed Growth.* This policy re-orientation is further reinforced in the Kenya Vision 2030 policy framework that foresees trade as a key contributor to economic growth, targeting a rate of 10% per year.

Export led growth strategy is premised on the now acknowledged role of exports in national economic growth and development. The experiences of Taiwan and South Korea in the 1960's and 1970's, Malaysia, Thailand, and Singapore in the 1970's, China in the 1980's, and eventually India in the 1990's, provide strong evidence that exports can play a leading role in supporting rapid economic growth, boosting emergence of a modern manufacturing sector, providing employment, and reducing poverty[1]. This experience, especially demonstrated by the quest of Bangladesh for export diversification, provides international benchmarking for this Kenya's National Export Development and Promotion Strategy (NEDPS).

The Government of Kenya in support of the export led growth policy, has over the years pursued a number of export marketing incentives. These include the Manufacturing Under Bond (MUB) scheme, Export Processing Zones (EPZ) and Duty Remission Facility. Other land mark achievements that the Government has pursued in support of export led-growth policy include membership in Common Market for Eastern and Southern Africa (COMESA) Free Trade Area (FTA), and the East African Community (EAC) Customs Union, through which exports of products that originate from Kenya can access over 20 countries on duty free or on preferential duty basis.

Further impetus towards Kenya's export led growth orientation was provided under the Cotonou Agreement of 2000, where Kenya along with other African Caribbean and Pacific (ACP) countries were granted duty free market access into the European Union for most of the products originating from this regional bloc. The Government has sustained this momentum in the European Union (EU) market access by transitioning into Economic Partnership Agreement (EPA) under the EAC-EU Economic Partnership Agreement (EPA) framework. Through this framework Kenya's exports to the EU enjoy duty free and quota free market access, even as the EAC region seeks to regularize and sign the EPA.

The horizon for support of Kenya's export led growth approach received further boost from the United States of America (USA) under the African Growth and Opportunity Act (AGOA) which was enacted in May 2000, opening up the USA market for about 6,000 tariff lines. The preferential trade arrangement regime remains in force until 2025 following its recent extension by the USA government.

The Government of Kenya in further effort towards supporting the country's export led growth strategy, was among the first countries to sign the WTO Multilateral Agreements. This action worked favourably towards further opening the horizon for Kenya's exports into the global market consisting of over 140 countries that are WTO members.

1 *Bangladesh: Strategy for Export Diversification 2015-2020 - Breaking into new markets with new products*

Further effort towards supporting the country's export led growth strategy is evident in the Government's engagement in the COMESA, EAC and SADC Tripartite Free Trade Area (TFTA) which was signed in July 2014 by 26 countries that belong to these three regional blocs.

Kenya is also among the first AU member countries that have already signed the Continental Free Trade Area (CFTA) under the African Union framework, which seeks to open up the entire continent's market for goods and services.

Despite these efforts, Kenya's export performance has been dismal, growing at an average of 10% over the period 2000 to 2016. Moreover export performance in the latter part of this period (2012-2016) was posting an average of 3%; with negative growth rates posted in 2013 and 2016.

At this level of growth, total exports by value have not managed to match imports which have remained relatively higher; standing at 3 times the value of exports by 2016. This has led to acute Balance of Trade (BOT) deficit that needs to be resolved through enhanced export growth.

The fundamentals behind the country's poor export performance over the years seem to lie in a combination of narrow export destination markets, with 13 countries accounting for about 70% of all Kenya's exports in 2016, and narrow product base, with 5 broad product categories accounting for 56% of the total exports by value. The situation has been aggravated by lack of a National Export Strategy (NES); the first ever NES having expired in 2007 before it was implemented.

NEDPS Export Growth Target

The NEDPS seeks to reverse the downward trend of Kenya's export performance by way of targeted sectoral export growth through the value chain approach that ensures direct link of domestic sector value chains to target destination markets. The national export growth strategy is driven by the overriding national goal of closing the Balance of Trade Deficit through export growth, factor productivity and stimulating overall factor employment and economic development. The targeted export growth rate that will deliver a BoT surplus by 2022 is estimated at an average annual growth rate of 25% rising from an envisaged slump in exports in 2017 and to gradually rise over the subsequent years from 15% in 2018 to 35% in 2022. In adopting this target, all the stakeholders in all the NEDPS focal sector consultative meetings noted that the target is realistic and could even be surpassed in some sectors if all the identified export constraints are substantially addressed through pragmatic results oriented interventions.

Vision of NEDPS

The Vision of the National Export Development and Promotion Strategy is to "Transform Kenya's economy through export led growth in industrial, agricultural and trade in services development."

Sectoral Coverage

National export development agenda will be pursued within the framework of the following sectors, which were picked for inclusion in the NEDPS on account of their potential contributions to GDP and based on their current export performance: Manufactured products; Agriculture; Livestock & Livestock products; Fisheries; Handicrafts; Emerging sectors (Mining and Petroleum); and Trade in Services; *(Business Services, Education Services, Financial Services, Tourism and travel services, Health services, Transport services, ICT Services and Recreation, Cultural and Sports services).* Concurrently, the following Cross-Cutting Issues were identified; *(Trade Finance; Foreign markets representation; Trade facilitation; Export Promotion; Investment Promotion for Export Development; and Cross Border Trade facilitation).*

2.0 Manufacturing Sector

The manufacturing sector plays a central role in Kenya's economic growth, contributing an average of 10% to the Gross Domestic Product (GDP) over the five-year period 2012-2017. At this level of contribution the sector takes the second position after agriculture in terms of contribution to GDP.

It is noteworthy that the manufacturing sector had witnessed decline in its contribution to GDP from 11% in 2012 to 8.4% in 2017. There is nevertheless scope for the sector to enhance its contribution to GDP, going forward, especially through exploitation of value addition prospects and tapping into export opportunities in regional and international markets.

The prospect for increasing the share of the manufacturing sector output in total GDP lies in Sessional Paper No. 9 of 2012 on National Industrialization Policy framework (2012-2030). The paper outlines policy framework for industrial development targeting value addition and enhancing the role of SMEs in industrial development. Further impetus towards realisation of this policy objectives is provided in the Mid-Term strategy vide the Kenya Industrialization Transformation Programme (KITP)[2] of 2015 which prioritises the sector to be focused on industrial development over the period, as is also emphasised in the Medium Term Plan III (2018-2022)

Envisaged industrial transformation interventions are expected to stimulate industrial output, leading to the manufacturing sector's output contribution to GDP rising from 8% (or KES 648 billion) in 2017 to 15% of GDP (or KES 2.2 trillion) by 2022. The NEDPS provides a listing of export markets that will be needed as outlets for the manufacturing sector's enhanced output. This enhancement will be realised through projected growth of manufactured exports at an average of 31% per year over the period 2018 to 2022.

The priority industries that will drive manufactured exports growth are as follows: Food Beverages and Tobacco; Textile and Apparels; Leather and Leather Products; Metal and Allied; Chemical and Allied Industries; Pharmaceutical and Medical Equipment; Plastics; Light Engineering; Furniture; Automotive and Automotive parts; Motor vehicles and parts and accessories.

The main opportunity to realise the projected export growth lies in the unexploited production potential of the manufacturing sector as a result of supply side constraints as well as restrictive business environment that has undermined competitiveness of the manufactured exports. The other opportunity for projected growth of manufactured products exports lies in the unexploited market potential in some of the lead destination markets. In total, assuming that Kenya aims at taking a 5% share of these markets, this opportunity translates to USD 21.9 billion. These markets include: EAC, COMESA, Central and West Africa, EU, USA, GCC, China and India among others.

The feasibility for the country to exploit the underlying potential for export growth lies in the already concluded trade agreements as well as the preferential trade arrangements that afford Kenya opportunity to export into most of these markets on duty free and quota free basis. Flexible rules of origin, especially in the EAC, COMESA, FTA, CFTA, EU and the USA AGOA trade regime offer an opportunity for the manufacturing sector to produce varying products, even if through minimal value addition or specific processing, to export the finished products to these markets on duty free, quota free basis.

To unlock the manufacturing sector's export potential a host of interventions have been proposed, with most strategic weight placed on provision of business enabling environment, value chain

2 *Kenya Industrialization Transformation Programme (2015)*

strengthening, factor productivity and export promotion enhancements. The resource requirement for these interventions over the period 2018 to 2022 is estimated at KES 6.5 billion.

3.0 Agriculture Sector

Agriculture plays a pivotal role in Kenya's economic development as evidenced by its 26% direct contribution to the GDP and its 65% contribution to total national exports. In view of its strategic significance, the sector has been singled out among sectors that will drive the country's national export growth agenda. The prospects of the sector's contribution to enhanced export performance are hinged on the following developments:

a) Devolution of the agricultural industry creating an opportunity of focused promotion of agricultural products for export market at county level;

b) Kenya's regional and global commitments on the implementation of the Comprehensive Africa Agricultural Development Programme (CAADP), Agenda 2063 of the African Union (AU) and Sustainable Development Goals (SDGs); and

c) Interventions that the Government has planned to pursue under MTPIII period (2018 – 2022), which are expected to spur the growth of the sector to an average rate of 7.7 percent over this period.

The following industries/subsectors have been identified for purposes of developing and promoting agricultural exports: Coffee - value added and specialty; Tea - value added and specialty; Horticulture *(Cut Flowers, Fruits (mangoes, avocadoes, passion fruit); Nuts - Macadamia and Cashew Nuts; Vegetables (Cabbages, carrots, assorted vegetables, french beans and snow peas); Herbs (rosemary, dill, marjoram, basil, mint, parsley, coriander, curry leaves & celery and Spices (chilies thin, long, bullet & birds eye);* Pulses *(dry beans, kidney beans, white pea beans, green grams, cow peas, lentils and pigeon peas);* Khat-Miraa; Sisal fibre and sisal fibre products; Pyrethrum Extract; and, Gum Arabic.

In order for agriculture to contribute towards the national export growth agenda, agricultural exports are projected to grow at an average of 25% per year. This target export growth rate varies for specific industries and subsectors, but the least expected rate of growth is 25% pa. Through sectoral consultations, all stakeholders of the industry and its various sub-sectors embraced the projected enhanced export targets as achievable, provided the identified constraints to agricultural export performance were addressed.

So far, the constraints are already being addressed through programmed interventions under the NEDPS, ranging from value chain strengthening, to ensuring adequate and consistent export quality products supply in response to export market opportunities and preferences. Emphasis is made on promoting production of target agricultural produce and enhancing value addition, using identified and proven export market opportunities as stimulants or incentives. Robust export financing as well as a supportive business enabling environment to enhance competitiveness of Kenya's agricultural exports is proposed as part of this NEDPS.

Opportunity to enhance agricultural exports is evidenced in the revealed destination market potential (of which markets?), where for all target agricultural products, the country can raise her annual exports to these markets to USD10 billion per year if Kenya aims to take a share of 5% of these countries' annual market size of their agricultural products consumption. The only exception to this target rate of exports is for the tea sub-sector, where Kenya already commands 10% of the target destination countries' tea market. If the 5% share in destination market for agricultural exports were to be achieved, for the rest of the agriculture sector and sub-sectors, this would increase the current agricultural exports value to these countries from USD2.1billion to USD11billion.

To translate the projected opportunities into reality, NEDPS has proposed specific interventions across all the focal agro-industries and sub-sectors. The resource requirement for implementing these interventions over the period 2018 to 2022 is estimated at KES32.6 billion.

4.0 Livestock Sector

The livestock sector contributes about 50% of the total agricultural income of Kenya's population and about 12% to the total GDP. It is estimated that 10 million Kenyans living in the ASALs derive their livelihood largely from livestock and livestock products. The sector, therefore, will play a significant role in reversing poverty levels, particularly in the ASALs, and contributing to the overall Kenya Vision 2030 economic development objectives.

The livestock sector has the potential to provide adequate supply of all dairy and meat products and their by-products to meet domestic needs as well as generate surplus quantities for export. The livestock sector comprises of the following sub sectors: the dairy; beef; sheep and goats meat (muttons and chevons); piggery; camels for meat and dairy; the poultry industry and apiculture. Other emerging non-conventional livestock sub-sectors with export interests include donkey and rabbit production.

The broad livestock sector therefore constitutes a national export resource base that has been identified as potentially instrumental in contributing to the national export growth agenda, trade driven employment creation and poverty eradication among the populations that derive their livelihoods from the sector. The livestock sector also has considerable potential as a base for industrial transformation of its various primary produce into value added processed products for high value export trade.

The livestock sector's contribution to the national export agenda will be effected through the following sub-sectors/industries:

a) Live Animals

Kenya is a key player in live livestock exports into the Middle East and Gulf Cooperation States. The bulk of the livestock is presently exported informally through Somalia and Djibouti seaports because of the inadequate quarantine infrastructure in Kenya to meet destination market requirements, among other constraints facing this sector.

The opportunity to enhance exports of live animal lies in the strategic effort that has been made by the National and County Governments under MTP II (2013-2017) to provide quarantine infrastructure and facilities to support livestock export trade. Further opportunity lies in the programmed interventions under MTP III (2018-2022) geared towards completing the agenda of MTPII and scaling up the sector's capacity to trade in live animals.

These efforts would position the country to increasing her live animal exports to the following target destination markets, whose annual market size is estimated at USD1.8 billion: Gulf Cooperation Council (The United Arab Emirates, Bahrain, Saudi Arabia, Oman, Qatar, Kuwait and Yemen) and the livestock deficient COMESA member countries. This opportunity is intended to be exploited through a number of interventions that are proposed in the NEDPS. The resource requirement for implementing these interventions is estimated at KES6.2 billion with the bulk of the resources going into enhancement of production of quality livestock, for both export and domestic market consumption.

b) Meat Industry

The Kenya meat industry produces the following meat varieties: beef, chevons, muttons, pork, poultry meat, camel meat and rabbit meat. The focus has been on production for domestic market with very limited volumes being destined to export markets. As evidenced in the table below, (there is no table below) all categories of meat production recorded impressive growth between 2013 and 2016. In total, meat production increased by 71% from 431,870 MT in 2013 to 738,108 MT in 2016. Beef is the leading meat product category followed by poultry, chevons or goat meats, mutton, rabbit and camel meat. Donkey meat for exports is an emerging as another meat product category and is being produced in Baringo and Nakuru Counties for the Chinese market.

Key limitations to development of meat exports trade include weak policy frameworks, including legal and regulatory frameworks which have been further exacerbated by weak coordination of livestock sector management systems ranging from between county and national governments. Further, the seven accredited export abattoirs are inadequate to support robust meat export growth. The abattoirs are presently operating at under capacity, despite the huge livestock population, signifying weak and dysfunctional linkages within the livestock production and meat export value chain.

There is immense opportunity for Kenya to enhance her meat exports within the NEDPS framework targeting the following target destination markets: Saudi Arabia, UAE, Qatar, EU, EAC, the livestock deficit COMESA member countries and ECOWAS. These countries have a combined annual meat export market value that is estimated at USD57 billion. Therefore if Kenya were to aim at increasing her market share in these markets from the current 0.06% to 5% that would translate into raising the country's annual meat exports from the current USD34m to USD2.8 billion. In pursuing this goal the country could ride on the popularity of Kenyan meat in the Middle East countries such as the United Arab Emirates (UAE), Oman, Qatar and Bahrain countries and the unexploited organic meat products from animals that are grazed by pastoralist communities in natural pastures. Presently the organic products enter the meat value chain with no recognition of this uniquely premium high value price earning attribute.

To exploit the meat export potential, a number of interventions have been proposed within the NEDPS framework. The resource requirement for implementing these interventions is estimated at USD1.4billion over the period 2018 to 2022.

c) Dairy Industry

The dairy industry is the single largest component within the agricultural sector accounting for between 3% and 4% of the National GDP and 12% of the agricultural GDP. Dairy production supports approximately 1.8 million rural households in addition to over 700,000 jobs along the dairy value chain. Dairy production in Kenya is dominated by smallholder farmers who produce over 80% of the milk.

Kenya is one of the largest producers of dairy products in Sub Saharan Africa with an estimated herd of about 3.5 million improved dairy cattle, 14.1million indigenous cattle, 270,400 dairy goats, and 2.97 million dairy camels. The total annual milk production is estimated at 5.7 billion litres.

Cattle account for about 88% of Kenya's total milk production while camels and goats contribute the rest. According to the Sessional Paper of 2014 on Livestock Policy, milk production is projected to increase by between 4.5% and 5% annually in the next ten years and by the year 2030, it is envisaged that the annual milk production in Kenya will increase to about 12 billion litres. This targeted growth may however, need revision in view of the export angle that is being introduced through the NEDPS, where an ambitious average growth in dairy products exports is envisaged at 25% per year over the period 2018 to 2022.

The opportunity to pursue the export growth target for the dairy sub-sector lies in export potential in the following target destination markets for dairy products: EAC, COMESA, ECOWAS, ECCAS and Gulf Cooperation Council (Saudi Arabia, UEA, Qatar, Bahrain, and Kuwait) and select Middle East Countries. The annual dairy products market size of these target regional blocks and countries combined is estimated at USD9.7billion against Kenya's current annual exports of USD9 million to the same markets (or 10% of their combined potential). Therefore, if Kenya were to aim at increasing her dairy products export market share in these markets to 5%, it would translate to USD487million dairy products exports value.

To achieve this will require various constraints to dairy products export performance to be addressed in the context of NEDPS framework. These constraints are to be addressed through a number of interventions that are designed to stimulate production of dairy products for export market. The resource requirement for implementing these interventions is estimated at KES5.5 billion over the period 2018 to 2022.

d) Honey Industry

Beekeeping or apiculture is well established in Kenya and has potential to be successfully carried out in about 80% of the country. Apiculture is especially suitable in the semi-arid areas where rain-fed agriculture is difficult. Beekeeping contributes to incomes as well as food security through provision of honey, beeswax, propolis and pollination. According to Sessional Paper of 2014 on Livestock Policy, the country's potential for apiculture development is estimated at over 100,000 tons of honey and 10,000 tons of beeswax. At the moment, only about 20% of this potential is being exploited for trade due to a number of constraints that have been identified.

This low level of honey production is reflected in the dismal export performance, where according to the ITC Trade Map data, Kenya honey exports recorded a decline of 73% from USD130,116 in 2012 to USD26,976 in 2016. In order to revert to the 2016 level of export, honey exports would need to grow at an average of 40% per year over the period 2018 to 2022. The opportunity to achieve this export target level lies in the known constraints whose solutions have been mapped out through strategic interventions throughout the apiculture value chain.

Destination market potential also presents an opportunity for further growth in honey and beeswax production and exports. This opportunity arises from the annual honey market size of USD1.9 billion in the following regions and countries that are targeted under the NEDPS for purposes of promoting honey exports - EU, USA, China, Gulf Cooperation Council States (Saudi Arabia, UEA, Qatar, Bahrain, Kuwait and Oman), Japan, Canada and EAC.

The resource requirement to address the various constraints and promote development and promotion of honey exports is estimated at KES2.2 billion over the period 2018-2022.

Over 90% of these resources go into supporting production of honey through addressing value chain weaknesses, enhancing quality in response to destination market requirements and research and development targeting development of honey and honey products that respond to destination market consumer preferences.

e) Germplasm Trade

Kenya has invested heavily in animal and plant genetic resources (Germplasm) in response to food security challenges, and lately climate change. These investments have driven the country to export Germplasm (animal genetic resources in particular) to a number of countries in the region to facilitate their stocking of livestock for meat or dairy.

The growing demand for Germplasm provides an opportunity to increasing exports of these genetic resources within the NEDPS framework. To realise this opportunity, constraints that limit exploitation of the potentials of Germplasm exports have been programmed to be addressed through a host of interventions. The resource requirement to implement these interventions is estimated at KES875m over the period 2018-2022.

5.0 Fish Industry

The fisheries industry is one of Kenya's 'Blue Economy' industries that have been singled out by the Government as critical in tapping the huge resource base of the Blue Economy in pursuit of the country's Vision 2030 double-digit economic growth rate. The fish and fisheries products are sourced from the vast marine and inland water resources that the country is endowed with, which have in the recent past supported emergence of fish processing industry which however, still remains at an infancy stage. The industry has potential to be a key contributor to Kenya's foreign exchange earnings as evidenced by the listing of fish and fish products among the top ten principal exports at the industry's peak performance period some ten years ago.

In order for the fish and fish products to contribute effectively and consistently to the national agenda of export growth, challenges that have led to the decline in exports of fish and fisheries products by 184% from KES5.4bn in 2012 to KES1.9bn in 2016 will need to be addressed. The challenges and constraints have been identified and appropriate interventions proposed in the NEDPS. The resource requirement to implement the proposed interventions is estimated at KES217 billion. This includes projected resources towards sustainable resource management to guarantee availability and growth in population of fish stock, development of fish port to facilitate the 30% compulsory landing of fish caught in Kenyan maritime waters by foreign fleets; more stringent regulatory and naval monitoring measures to address challenges of unauthorised and unregulated fishing within Kenya's exclusive economic zone; and promoting regulated cage fish farming and improved aquaculture; and promoting fish exports to target destination markets.

Besides massive water mass resources, Kenya's opportunity to increase her exports of fish and fish products lie in the export market potential in the following countries and regions, which will be targeted under the NEDPS: EU, USA, Japan, China, Middle East, COMESA. The annual market size of fish and fish products in these countries and regions is estimated at USD71billion. If Kenya was to aim at increasing her share of these countries and regions fish and fish products markets from 0.05% to 5%, that would translate to an increase in annual fish exports to USD3.5billion from the current level of USD36million.

6.0 Mining Industry

Kenya's mining industry is at its nascent stage owing to lost opportunity for its development since independence, up to 2016. This was as a result of the mining sector's development being pegged on the archaic colonial Mining Act of 1940. As a result, the country's mining and minerals resources sector failed to attract adequate investments and remained dormant leading to its contribution to Kenya's economy being minimal. It is currently standing at about one percent of the GDP.

The Mining Act of 1940 has since been repealed and replaced by the Mining Act of 2016. The 2016 Mining Act is informed by the robust Mining and Mineral Resources Policy of 2016 whose overall goal was to set out frameworks, principles, and strategies for exploration and exploitation of mineral resources for the country's enhanced socio-economic development.

Building on this policy and legal framework, the following minerals, whose deposits are known, form the immediate target for mineral export development and promotion: soda ash, fluorspar, titanium, gold, coal, manganese, iron ore, gypsum, diatomite, chromite, limestone, and silica sand. There are also indications that the country is potentially rich in rare earth minerals and other types of minerals which are likely to be discovered with increased investment in mineral exploration.

Because of its great potential to contribute to achieving high export led economic growth rates envisioned under Kenya Vision 2030, the mining and mineral resources sector has been included as a priority sector under the economic pillar of the Kenya Vision 2030 and its Second Medium Term Plan (2013-2017) and third Medium Term Plan (2018-2022).

This new policy development initiative is an opportunity for the mineral industry to contribute towards national export agenda within the NEDPS framework, with following being the priority export minerals: Carbon Dioxide, Fluorspar, Gemstones and Gold, Magadi Soda (soda ash), and Titanium sands. There is also ample opportunity for value addition of mineral products, in order to capture high value global markets for valued added mineral and mineral by-products.

Exports of mineral products are targeted to be exported to the following select destination regional market blocs and countries, whose annual minerals market size is estimated at USD144billion: EU, Middle East, UAE, Japan, EAC, COMESA, SACU, ECOWAS and ASEAN. If Kenya were to target export market share of 5% in these markets, the value of her annual exports of mineral and mineral products would shoot to USD7.2 billion up from the current USD44 million (according to ITC Trade Maps data).

To exploit this export potential, a number of constraints and challenges that limit the country's mineral export performance need to be addressed. These specific constraints have been identified and remedial intervention measures proposed. The resource requirement for addressing these challenges is estimated at KES14billion of the period 2018-2022.

7.0 Gas and Oil (Petroleum)

Petroleum industry has come into the limelight of national export agenda as a result of the commercial oil quantity discoveries and subsequent development towards commercial production. The industry is broadly divided into three segments namely: upstream (exploration and production), mid-stream (storage, refining, transportation, transformation processing into petrochemicals, fertilisers, textile and pharmaceuticals) and downstream (supply and distribution).

The upstream segment of the petroleum sector value-chain primarily involves the processes of exploration, development and production of crude oil and natural gas. This segment has to date been dominated by investment in exploration, with very limited investment so far in production, except on trial basis, that is expected to have started in Turkana, Lokichar Oil fields. However, there are prospects for the crude oil exports from this segment once commercial production starts under the Project Oil Kenya which is currently being transitioned into the development phase. This phase entails drilling of up to 500 development wells, construction of Central Processing Facility (CPF) in Lokichar, into which crude oil from these wells will be pumped to facilitate separation of water, crude oil and any gases, ready for evacuation through an 820 km heated crude oil pipeline running from Lokichar to the marine oil terminal in Lamu Port. The pipeline construction is part of the development phase activities.

During Phase 1 of the development phase, which is expected to be completed by 2021, about 60,000 barrels per day (bpd) will be produced. Using a conservative price per barrel of US$60 (current price is US$70), the annual revenue will be about US$1.314billion (i.e. 60,000 barrels x 365days x $60 per barrel).

The target destination market for petroleum products includes countries in the following regional blocks non-oil producing EAC, COMESA, SACU, ECCAS and ECOWAS. The annual market size for petroleum products in these markets is estimated at USD4billion. This is the potential that the country will aspire to exploit building on its current experience.

In order for Kenya to exploit this her oil and petro-chemical products potential, a number of interventions that support development phase activities and eventual export promotion of petroleum products have been proposed. The resource requirement to implement these interventions is estimated at KES 317million in addition to the resources needed as per the Oil and Gas MTPIII budget and the Development Phase Investments of Project Oil Kenya Partners.

8.0 Handicraft Industry

The global market value for handicrafts is estimated at US801.8billion and is projected to grow to USD 855.7 billion by 2020. These estimates are extrapolated from the home accessories market often used to estimate the demand for handcrafted goods. According to the NEDPS Handicraft Sector Working Group, Kenya's share of this market is quite small, given the country's annual average exports of USD15 million. The untapped export potential of Kenya's handicraft industry compared to the magnitude of global handicraft trade paint a bright future for the handicraft sector. This prospect is to be exploited through strategic interventions that have been proposed in this strategy to address a myriad of constraints that have hitherto impeded handicraft export growth.

The handicraft products targeted for export trade under the NEDPS, based on existing and potential capacity for their production are as follows: Handmade/hand-decorated fabrics, Leather crafts, Basketry, Woodwork & Crafts, Metalwork & Crafts, Jewellery, Soap Stone carving, Pottery and Ceramics, Beads, and Traditional Artefacts. A review these products' current exports values reveal a decline of 58% over a four-year period, from USD67.2 million in 2012 to USD28.3 million in 2016. The hardest hit was handmade and decorated fabric handcrafts which had accounted for 79% of total handicraft exports in 2012. The immediate goal under the NEDPS framework will be to support the development and promotion of these products' exports targeting to increase the exports to the 2012 level as a minimum. This will require handicraft exports to grow at an average of 25% over the four-year period 2018 – 2022.

The projected export growth is contingent on constraints and challenges that have limited handicraft export performance in the past being addressed. The strategy has proposed various interventions which are designed to address these constraints and to stimulate handicraft production for export. The resource requirement to implement intervention activities foreseen under the NEDPS is estimated at KES5.2 billion over the period 2018 to 2022. Out of these required resources, 88% is to go into supporting new products development and production of handicraft products designed for specific exports markets and promotion of the handicraft products in the identified destination markets.

The prospects for handicraft export growth are quite bright going by the target destination country annual market size estimates that over the period 2014-2016 were estimated at USD353 billion. These target market countries and regions are as follows: USA, EU, Middle East, Japan, China, EAC, COMESA, and Gulf Cooperation Countries (GCC). Kenya's exports to these markets over the same period averaged USD57mn or 0.02% of these countries' combined market size. Therefore, if Kenya were to aim at taking a 5% share in these target markets, Kenya's handicraft exports would increase in value to USD17.6 billion per year. This is the horizon of Kenya's handicraft export possibilities that will be pursued under the NEDPS.

9.0 Trade in Services

Trade in services, as illustrated by its 60% contribution to GDP, plays a significant role in Kenya's economic growth. This fact is acknowledged in Vision 2030, where the services sector has been identified as one of the priority sectors to drive Kenya's integration into the international network trade system and to contribute towards generation of sustainable export led growth rate at 10% per annum.

The prospect of trade in services to boost Kenya's exports is evidenced in the role that trade in services plays in the global economy. This is evidenced in the IMF Article of February 2017[3], which states that; *"services currently constitute one-fourth of world trade and an increasingly important component of global production". The Article further reveals that "exports of services are not only gaining strong momentum and catching up with exports of goods in many countries, but they could also trigger a new wave of trade globalization".* Kenya is already reaping from this market development through its Diaspora community, which in 2015 remitted KES145.4 billion[4] (or USD1.43 billion)[5].

The potential for Kenya to enhance her exports of services lies in the opened or liberalised markets for trade in services under the EAC and COMESA regional integration framework as well as among the WTO Member Countries under the General Agreement on Trade in Services (GATS). The focal categories of services that are targeted for export in the NEDPS to deliver this opportunity to Kenya are as follows: Business Services, Tourism and Travel Services, Education Services; Health Services; Financial Services; Information, Communication and Telecommunication (ICT); Recreational, Cultural and Sporting Services; and Transport and Logistics.

Under each of the services categories, specific opportunities for enhancing the services exports have been identified, as well as the limiting factors. Appropriate interventions, building on each sub-sector's current situation and opportunities have been proposed. Synopses of these opportunities for each sub-sector are as provided below:

3 *Refer Article by IMF Staff published in February 2017 (World Trade in Services: Evidence from a New Data Set) - using the link: http://pubdocs.worldbank.org/en/815061480467907896/World-Trade-in-Service-February-2017.pdf*

4 *This according to Central Bank of Kenya monthly diaspora remittance monthly survey report based on formal channels that include commercial banks and other authorized international remittances service providers in Kenya*

5 *Kenya National Trade Policy, June 2017*

a) Business Services

Business services are inputs in the production and distribution of other products, both goods and services. These services play a critical role in the flow of trade and economic growth of any economy. Therefore as any country pursues economic development, demand for these services rises, thus triggering trade in the same. According to the WTO Services Sectoral Classification List (W/120), there are six sub-sectors under the Business Services Sector, namely; Professional Services, Computer and Related Services, Research and Development Services, Real Estate Services, Rental/ Leasing Services without Operators, and other Business Services.

The specific business services that Kenya has committed to liberalise under the EAC are included in this NEDPS as the priority services to be focused on to deliver services exports targets in contribution towards the national agenda of export led development over the period 2018-2022. The focus is on services that include the following:

i) Professional Services;

ii) Technicians and Associate Professionals;

iii) Craft and Related Trades Workers;

iv) Computer and Related Services;

v) Research and Development; and

vi) Leasing or Rental Services.

Kenya's exports of business services have so far taken place in unstructured manner and mainly through individual professional's efforts. Despite this limitation, the volume of this line of trade is quite significant as demonstrated by remittances from the Kenya Diaspora community. Opportunity to scale up these exports potential lies in addressing the constraints that have been documented in the NEDPS. These range from restrictive requirements in some of the destination markets and include non-recognition of qualifications held by Kenyan professionals. This can easily be overcome through conclusion of Mutual Recognition Agreements and other business services trade facilitative bilateral agreements between Kenya and target destination markets.

This Strategy has formulated interventions designed to address constraints to export of business services. The resource requirement to implement activities towards elimination of these constraints and developing and promoting export of business services is estimated at KES280million over the period 2018-2022.

b) Education Services

According to the WTO General Agreement (GATS)[6] education services are commonly defined by reference to the following four categories of education services: Primary Education Services; Secondary Education Services; Higher (Tertiary) Education Services; and Adult Education. The evidence from global trends in education services shows deliberate efforts by countries to position themselves as destination countries for international students seeking quality education. This is mainly for the higher education services which as observed by Jane Knight (2002)[7] "is a billion dollar industry, including recruitment of international students, establishment of university campuses abroad, franchised provision and online learning".

This view is further corroborated by evidence gathered by the WTO, demonstrating tremendous growth in education services worldwide, particularly at the tertiary level. This is demonstrated by the

6 *https://www.wto.org/english/tratop_e/serv_e/w49.doc*

7 *Jane Knight, 2002:"Trade in Higher Education Services: Implication of General Agreement on Trade in Services", A Paper published by The Observatory on Borderless Higher Education, London, UK*

increasing number of students going abroad for study, joint research projects between academic institutions in different countries, exchange programmes, establishment of campuses in other countries, and partnerships between academic institutions in different countries.[8] According to the UNESCO Institute for Statistics (UIS), in 1980 the population of internationally mobile students was about 1.1 million. The number increased slightly to 1.3 million in 1990 but by 2009 had tripled to 3.4 million. The number of mobile students is expected to grow to 8 million by 2020[9].

Kenya is already participating in the global trade in education services as illustrated by the increasing number of foreign students coming to Kenya for higher education. This is despite lack of a deliberate policy and strategy for education services export. The country is however well positioned to enhance education services exports as evidenced in the education sector's vision, which seeks to ensure the sector positions itself as "a globally competitive education, training, research and innovation system for sustainable development".

This Strategy has identified constraints that limit full exploitation of education services export opportunities and formulated interventions to address the constraints. The resource requirement to implement activities under each of the proposed interventions is estimate at KES235million over the period 2018-2022. Implementation of these activities will see the share of Kenya's trade in education services rise, building on already well established higher education training institutions, with enhanced capacity to accommodate local and international students. This includes tertiary technical training institutes that are offering internationally recognized certificates and 70 public and private universities (as at 2015/2016) with campuses spread across the country.

c) Financial Services

Financial Services as defined by WTO GATS[10] include all insurance and insurance-related services, and all banking and other financial services (excluding insurance). The significance of the financial sector in an economy is underscored by the WTO[11] which in this reference noted that the sector *"is estimated to involve USD1.2trillion per day in foreign exchange transactions. International financing extended by banks around the world reporting to the Bank for International Settlements is estimated at USD6.4 trillion, including $4.6 trillion net international lending. Total world banking assets are put at more than $20 trillion, insurance premiums at $2 trillion, stock market capitalization at over $10 trillion and market value of listed bonds at around $10 trillion. In addition, practically every international trade deal in goods or services requires credit, capital, foreign exchange and insurance".* This was in 1998. Although current data on the above volume of financial sector business is not available, the sector's financial transactions are much higher given the increase in trade of goods and services between 1998 and 2017.

The role of financial services in economic development is further affirmed in the Journal of Business Review[12], where its positive contribution to the economic development of WTO countries that are referred to as BRICS economies (Brazil, Russia, India, China and South Africa, for the period 1990-2012) was confirmed.

This reality is echoed in Kenya, where Financial Services Sector (FSS) has been identified as one of the 6 priority sectors under the economic pillar of the Kenya Vision 2030 that are expected to play a critical role in ensuring the country attains a 10% Gross Domestic Product (GDP) growth rate

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8 *See World Trade Organisation: Background Note by the Secretariat on Education Services. S/C/W/49. 23 September 1998.*
9 *Chiao-Ling Chien (UNESCO Institute for Statistics) and Felly Chiteng Kot (Georgia State University) New Patterns in Student Mobility in the Southern Africa Development Community. A paper published by UNESCO Institute for Statistics.*
10 *https://www.wto.org/english/docs_e/legal_e/26-gats.pdf*
11 *www.wto.org/english/thewto_e/minist_e/min96_e/financia.htm*
12 *http://journals.sagepub.com/doi/pdf/10.1177/0972150915610727*

by the year 2030. Financial sector, going by the latest statistics from the Central Bank of Kenya is well positioned to contribute towards this target. This is through robust institutional framework in the banking sector which include 43 banking institutions (42)1 commercial banks and 1 mortgage finance company), 8 representative offices of foreign banks, 13 Microfinance Banks (MFBs), 3 credit reference bureaus (CRBs), 17 Money Remittance Providers (MRPs) and 77 foreign exchange (forex) bureaus.

Kenya's strongest financial services export performance has been registered in banking in the form of offshore commercial presence of Kenyan incorporated banks Eastern Africa region. Presently, four Kenyan banks, namely Kenya Commercial Bank, Equity Bank, Fina Bank and Commercial Bank of Africa have more than 63 branches in Rwanda, Uganda, Tanzania and South Sudan.

Kenyan insurance companies are also exporting insurance services in the region pursuant to the already established demand for both life and non-life insurance products in the COMESA and EAC region. This demand is projected to rise as more households join the middle income class and as the market for project risk coverage increase, driven by the ongoing investment in infrastructural projects across the region.

The Kenyan insurance companies that are contributing towards export of insurance services include Britam, which has subsidiaries or affiliated operations in Uganda, Tanzania, Malawi, Mozambique, South Sudan and Rwanda. ICEA Lion, formed out of a 2011 merger with Insurance Company of East Africa and Lion of Kenya Insurance Company, operates in Uganda and Tanzania. Jubilee Insurance which is a market leader has operations in Tanzania, Uganda, Mauritius and Burundi. These foot prints of Kenya insurance services exporter institutions form the baseline for the country to spur exports of these services.

In order for the country to exploit opportunity in financial services trade, a number of constraints that have been identified in the course of formulating this Strategy will need to be addressed. The strategy has identified interventions that form the framework for pursuing activities geared towards resolving these constraints. Resource requirement to implement these activities is estimated at KES341million over the period 2018 to 2022.

d) Tourism and Travel Services

The WTO General Agreement on Trade in Services (GATS) has categorised Tourism and Travel into four categories: i) Hotels and Restaurants; ii) Travel Agencies and Tour Operators' services; iii) Tourist Guide services. As evidenced in Kenya's commitments under the EAC and the WTO, the country has export capabilities in all the four categories of tourism and travel related services.

Tourism plays a key role in economic development, contributing 7.5% of GDP in 2016. This was however lower than the sector share of contribution to the GDP in 2012 when it was estimated at 12%. The sector has been identified as one of the key components of the economic pillar of Vision 2030.

Tourism and travel services over the NEDPS period 2018-2022 will be driven by the following emerging tourism services have been identified by the Ministry of Tourism as areas of export opportunity, besides the traditional travel and safari tourism that has this far dominated Kenya's tourism services:

i) Medical tourism: Nairobi has various excellent medical facilities with the potential to draw medical tourists from neighbouring countries or within Kenya. These have not been specifically developed or packaged for medical tourism purposes so some development in terms of new Medicare products and markets is required;

ii) Health and wellness: Kenya has natural resources that lend themselves towards health and wellness tourism, e.g. hot springs, but these require development from a product and market perspective;

iii) Sports tourism: Kenya's excellent sporting performance in certain sporting codes is well known globally, e.g. athletics, but there are other sporting codes that currently exist or that have potential for development, e.g. golf, but are not known either due to lack of products or poor packaging and marketing;

iv) Agri-tourism: Whilst Kenya has a strong agricultural sector, tourism packaged products specifically related to this sector are lacking and market knowledge regarding the same requires improvement;

v) Export of skilled tourism professionals;

vi) Export of Meetings, Incentives, Conferences and Exhibitions (MICE) packages especially for business tourism; and

vii) Enhancement of beach Tourism products.

The Strategy, building on the work done by the Ministry of Tourism has identified a number of constraints and areas of further development in order for the export opportunity for tourism and travel services to be fully exploited. The resource requirement to implement activities under specific areas of interventions towards development and promotion of tourism and travel services is estimated at KES67million plus MTPIII Tourism & Travel Budget.

e) Health Services

According to WTO GATS, Health services are defined to include (i) hospital services—including services delivered under the direction of medical doctors chiefly to inpatients, aimed at curing, reactivating, and/or maintaining health status; (ii) other human health care services—including ambulance services and residential health facilities services other than hospital services; (iii) social services—including welfare services, child day-care, and guidance and counselling; and, (iv) other health services.

International trade in health services, including its most prominent 'medical tourism' is a multi-trillion dollar trade that is growing rapidly as a result of globalisation of health services that has been made possible by ease of travel and technological advances in information systems and communication that allow patients or third party purchasers of health care the possibility to seek out treatment of similar quality at lower cost and more immediately from abroad. Further growth in health services export is projected to occur as a result of increased portability of health insurance cover, both public and private is postulated to further increase patient mobility[13].

Trade in health services takes place under any of the four modes of services supply as defined by the WTO GATS - Cross border delivery (mode 1), Consumption abroad (mode 2), Commercial presence (mode 3) or temporary movement of natural persons to offer the service (mode 4). A brief synopsis of each of these modes helps create understanding of how to exploit opportunities in health services export.

Cross-Border Delivery of Health Services (Mode 1) - This mode of health services delivery involves the shipment of clinical and data services captured in diagnostic reports and samples through traditional mail channels and increasingly, the electronic delivery of health services using interactive audiovisual, and data communications for diagnostics, second opinions, lab testing, surveillance,

13 See *OECD note on health services trade at http://www.oecd.org/els/health-systems/international-trade-in-health-services.htm*

consultations, transmission of and access to specialised data, records, and information, and continuing medical education and upgrading of skills.

For a country aspiring to promote exports of health services through mode 1, lessons from R. Chanda (2017) come in handy where the author notes some countries having engaged in a variety of telehealth services such as telepathology, teleradiology, and telepsychiatry and many cross-border telemedicine initiatives have emerged. Another example from the study that is worth of mention is telediagnostic, surveillance, and consultation services that are provided by US hospitals to hospitals in many Gulf countries and to some countries in Central America. The study further notes that "Telepathology services are provided by Indian doctors to hospitals in Nepal and Bangladesh and telediagnostic services are provided by hospitals in the People's Republic of China's coastal provinces to patients in Taipei,China; Macau, China".

Consumption Abroad or (Mode 2) - This mode of supply of health services involves movement of persons from their country of residence to another for purposes of medical treatment or services. As noted in R. Chanda (2017), this may be for purposes of diagnostics, treatment, and rehabilitation and follow up services. It is through this mode of supply that medical tourism is promoted. R. Chanda (2017) places the number of medical tourists annually at around 14million with an estimated value that ranges between USD60billion and USD100 billion. The key drivers of health services trade under mode 2 include "differences in cost, quality, and availability of treatment across countries as well as factors such as natural endowments, existence of alternative medicines and treatment procedures, long waiting lists for treatment in the source country, and cultural, linguistic, and geographic proximity between sending and receiving countries" R. Chanda (2017). The demand is identified as coming from patients from developed and developing countries.

Commercial Presence or (Mode 3) - This mode of health services trade involves establishing health facilities such as hospitals, clinics, diagnostic and treatment centres, and nursing homes across countries. On the feasibility of pursuing this trade opportunity R. Chanda (2017) observes that the establishment of the health facilities may be through joint ventures, alliances and management tie-ups between healthcare organisations across countries and regional networks of healthcare providers which may be engaged in delivering healthcare through modes 1 and 2. The business models which the study quotes as medium through which supply of health services under mode 3 include: *"acquisition of facilities, management contracts, and licensing arrangements with some degree of local participation to ensure access to certified and adequately trained local persons and to ensure local contacts and commitment"*.

Temporary Movement of Health Personnel or (Mode 4) - This mode involves temporary cross border movement of medical professionals such as doctors, medical specialists, nurses, paramedics, midwives, technicians, consultants, trainers, health management personnel, and other skilled and trained health related professionals. Middle East is identified in R. Chanda (2017) as an important host market for a wide range of health professionals from developed and developing countries, including doctors, nurses, X-ray technicians, lab technicians, dental hygienists, physiotherapists, and medical rehabilitation workers. Movement of health professionals on temporary basis to destination markets under a negotiated framework is viewed to be a solution to the brain drain of health professionals that occurs as a result of permanent movement of these professionals. Therefore, besides promoting export growth, exports of health services under mode 4 works towards solving the health sector brain drain challenge.

Kenya's health services trade is guided by the Kenya Healthy Policy (2014-2030) whose goal is **"to attain the highest possible standard of health in a responsive manner"**. This goal is to be achieved through interventions geared towards supporting *equitable, affordable, and high-quality health and related services at the highest attainable standards for all Kenyans.* Delivery of healthcare services in Kenya is done under the following two sub-systems:

a) Public-Sector Healthcare System

b) Healthcare System Run by Private Sector, FBOs and NGOs.

The policy is silent about export of health services. However, despite lack of a clear cut policy on health services exports, Kenya is one of the few African countries that, according to the World Bank Survey 2014[14], are exporting health services mainly under mode 2 (consumption abroad - where Kenyan hospitals have provided medical care to patients from across the region). Kenya's health sector continues to be a medical destination for the EAC region, and in some instances, the Central African region. This means that country has the potential to be a strong competitor to other leading medical tourism destinations in Africa. Kenya's competitiveness in this space can be driven by Public Private Partnerships in the health sector to deliver quality health services, including medical facilities, education and research centres.

This Strategy contains strategic interventions that promote development and provision of specialized medical services in Kenya that are currently missing or whose prices are out of range. It also advocates improvement of quality of health services provided by hospitals in order to attract foreign patients. It encourages development of export of professional services under mode 4 which guarantees against brain drain while providing doctors and other medical practitioners to provide professional services through cross border arrangement on temporary basis while using Kenya as their base. It also encourages importation of specialised medical professional services through value add model that serves to promote Kenya as a preferred destination country for certain specialised treatment where the country may be having a shortage of qualified personnel of international repute. This battery of strategic interventions will work towards retaining high quality doctors in the Kenyan market and serve to increase Kenya's potential to export health services to more African countries by serving patients currently going abroad for medical treatment, besides supporting Government policy towards promotion of medical tourism.

The strategy has identified Strategic Interventions with specific activities geared towards promoting export of health services. The resource requirement for implementation of these activities over the period 2018-2022 is estimated at KES3.3 billion.

f) Transport Services

According to the Sectoral Classification of Services (W/120), Transport Services is defined in terms of the following constituent sub-sectors: maritime transport services; internal waterways transport; air transport services; space transport; rail transport services; road transportation services; pipeline transportation; services auxiliary to all modes of transport such as cargo- handling services, storage and warehouse services, freight transport agency services; and other transport services. The services under each of the above sub-sectors include passenger transportation, freight transportation and rental of vessels, maintenance and repair of vessels, pushing and towing services, and supporting services under each.

Trade in transport services derives demand from trade in goods and services, where transport services are required to facilitate delivery of goods or services to destination markets. According to the WTO trade in transport services is a multibillion dollar business. This is evidenced by export

14 Nora Dihel and Arti Grover Goswani, World Bank (2014): What Determines or Hinders Intra-African Trade in Health Services? Some Results from Mobile Surveys

in transport services, which in 2016 stood at USD853 billion[15]. Therefore, as the world economy rebounds, triggering increase in trade and movement of people, the figures of transport services export will definitely shoot up. Sea freight leads in the share of global transport services followed by air freight.

Kenya is positioned to claim a share in the global transport services exports because of the ongoing initiatives in the transport sector, such as the ongoing installation of Standard Gauge Railways (SGR). The first area of opportunity emanates from the commitments that Kenya has undertaken at the WTO covering Air Transport Services and Road Transport Services.

Further opportunities arise from the liberalisation of transport services under the EAC and COMESA trade arrangements, where the country has taken commitments in the following three sub-sectors: air transport (only aircraft repair and maintenance, supporting services for air transport – selling and marketing of air transport services and computer reservation system services); Road transport (only passenger transportation, freight transportation, maintenance and repair of road transport equipment, and supporting services for road transport services); maritime transport (only maintenance and repair of vessels).

In view of Kenya's commitment under the WTO on Transport Services, as well as the revealed export potential, the following transport sub-sectors have been identified for purposes of export targeting under NEDPS:

a) Maritime Transport Services
b) Air Transport Services
c) Road Transport Services
d) Rail Transport Services

In order for Kenya to enhance her transport services exports, constraints facing each of the categories of exports will need to be addressed. The framework to addressed these constraints has been designed through strategic interventions formulate to target each of the constraints. The resource requirement for implementation of the activities under each of these areas of intervention is estimated at KES495million plus.

g) Information, Communication and Telecommunication (ICT)

Kenya is among the 108 WTO member countries that made commitments in 1994 to facilitate trade in telecommunication services through her schedule of commitment GATS/SC/47 dated April 1994. The commitments encompassed the following telecommunication services:

a) Vending of telecommunications terminal equipment;
b) Installation and maintenance of telecommunications terminal equipment;
c) Voice telephone services: Limited to international home country direct Services; and
d) Audiovisual Services:
    i) Motion picture and video tape production services (excluding distribution services);
    ii) Motion picture projection services.

In 1999, Kenya made the following further commitments through 2nd Supplement to GATS/SC/47 dated 18th November 1999, in response to the global development on telecommunication services which the country had already embraced:

15 *World Trade Statistical Review 2017 – WTO Publication*

i) Telecommunications services (excludes video and audio broadcast services);

ii) Value added services (which included: electronic mail; voice mail; on-line information and data base Retrieval; electronic data inter charge, among others);

iii) Satellite based (mobile services; cellular/mobile telephone; personal communications services; and paging); and

iv) Terrestrial based

    i) Mobile Services;

    ii) Cellular/Mobile telephone;

    iii) Personal communications services; and

    iv) Paging.

The reforms that the 108 WTO member countries embraced through the commitments they took included the establishment of new telecoms companies, both domestic and foreign direct investment in existing companies (some of which are wholly or partially state owned) and cross-border transmission of telecoms services. Participation in this WTO GATS driven global reform positioned Kenya as a key player in the global telecommunication services trade, which the WTO[16] estimates to be worth over US$1.5 trillion in revenue, with 40% of this being accounted for by mobile services.

Kenya's role in the global ICT arena is aided by over 10 years of reforms geared towards national policy and legal frameworks conformity with these international commitments, besides enhancement of efficiency in economic activities through improved ICT services. Presently ICT Policy, Legal and Regulatory Frameworks, comprise the National ICT Policy, Kenya Information and Communications Act 2014, Postal Corporation Act No. 2 (Amendment 2013), Media Council Act 2013, National Public Communication Policy, National Broadband Strategy and National Language Policy 2015.

The impact of this reform process is witnessed in the exponential growth and development of the ICT sector in Kenya since 2000. The sector has been dominated by unprecedented rates of mobile phone penetration and attendant success in innovations of services riding on mobile phones, especially mobile money and mobile applications, including M-Pesa[17] for which Kenya has a strong reputation.

Economic sectors which have benefited most from this growth include the financial sector which has become more inclusive as a result of mobile money and related applications, agricultural sector, the distribution sector where e-commerce has been redefined by mobile money, education and health sectors where new ICT innovations are redefining new methods of impacting education and delivery of health services, especially in the rural areas which have traditionally lacked access.

Kenya is already exporting ICT services. It is among the few African countries that is exporting software development services to global technology firms in the USA, India, South Africa, Spain, Germany, etc. There are tremendous opportunities to develop technology innovations by Kenyan professionals and firms to alleviate the shortage of health professionals, and to serve patients across borders. For example, ICT business to business innovations can be used to facilitate e-health and telemedicine where facilities such as radiology machines and human resources such as doctors are shared across widely distributed hospitals, within the country and across borders as Kenya pushes forward in developing its health tourism sub-sector.

16 *https://www.wto.org/english/tratop_e/serv_e/telecom_e/telecom_e.htm*
17 *A Kiswahili term for mobile money.*

Another area of opportunity for Kenya to exploit ICT services export potential is mobile phone-based applications, which can be used to provide various medical services including data analytics where exploitation of anonymized and aggregated data offers opportunities for innovation and the development of new services and alternative revenue streams for ICT firms. Further, the development of wellness applications for mobile phones, and sensors for diagnostics and monitoring applications can reduce the need for high numbers of health workers, while ensuring access to health services by more citizens.

Opportunities also exist for development of ICT innovations to revolutionize business to business supply of education, health, travel and research services in Africa, and the world at large. Evidence already exists of ICT revolutionizing the financial sector in Kenya through mobile money solutions. MPESA concept has been exported throughout the world, and many countries are replicating the Kenya MPESA's success, expanding it into other services, such as savings, credit, e-commerce and government services transactions and information dissemination.

It is instructive that research on ICT products and services indicate that importers of ICT services make a decision to purchase based on the following factors: price competitiveness, technical competency, flexibility in delivery, financial stability of supplier, and ICT service capabilities. To diversify its exports, Kenyan service suppliers in this space need therefore to ensure that they are competitive in all the five factors.

This strategy has identified constraints that need to be addressed in order to further exploit the potential of the country's ICT export services. This is to be addressed through activities that have been prescribed under various strategic interventions that are formulated, specifically targeting these challenges. The resource requirements to implement these interventions KES530million in addition to ICT sector budgetary resources under MTPIII.

h) Recreational, Cultural and Sporting Services; and

The WTO Services Sectoral Classification List (W/120) lists the following sub-sectors as part of Recreational, Cultural and Sporting Services (other than audiovisual services): Entertainment services; News Agency services; Libraries, archives, museums and other cultural events; and Sporting and other recreational activities. It is estimated that only fifty eight WTO members have made commitments in the sector.[18] These members have primarily made commitments only in the entertainment and sports sub-sectors.

Some of the services in the sporting and other recreational services sub-sector include: coaching and training services; referee and umpiring services; administration and management of sports teams, clubs, institutes and other sports facilities; sports agents services, sports drug testing services; instruction in coaching and training of sports or health, leisure and fitness activities, instruction in referee and umpiring services; sports event promotion services; sports event organization services; and sport facility operation services.

Under the entertainment sub-sector tradable services include: theatre and film production services; singing groups, band and orchestra entertainment services; services provided by authors and composers; individual artists; discotheque and dance instructor services; managers; and music trainers, publishers, promoters and distributors among others.

Despite only a few WTO members having taken commitments to liberalize trade in Recreational, Cultural and Sporting Services, there is growing significance of trade in these services. For example, the sports and leisure industry in New Zealand is growing especially with regard to sporting

18 *Dorothy Riddle. Business Guide to the General Agreement on Trade in Services. Commonwealth Secretariat.*

disciplines and health, leisure and fitness activities; and the development and management of sports and fitness facilities.[19]

The entertainment sub-sector is also growing tremendously in some Asian and African Countries. In India, the entertainment sub-sector has grown immensely and is largely concentrated in the private sector. The overall size of the film industry in India is estimated to be $2.32 Billion with big Indian movies estimated to earn $7-10 Million overseas.[20] In Africa, Nigeria is leading in the film industry. According to a 2014 report of the United States International Trade Commission, the Nigerian film industry (also known as Nollywood) generates an average of $600 million annually for the Nigerian economy with the most of these receipts coming from the African Diaspora. It is estimated that over one million people are currently employed in the industry making it Nigeria's largest employer after Agriculture.[21]

The Kenyan entertainment and media market was worth US2.1billion in 2016.[22] It is estimated that by 2020, it will have hit USD3billion (this figure includes media advertising services which are currently very vibrant. According to the PricewaterhouseCoopers (PWC) Entertainment and Media Outlook 2016-2020, Kenya will enjoy strong growth in the music industry in the next five years as a result of its strong mobile music sector. The projection of Kenya's music revenue as at 2020 is US$29 Million.

There is also potential to develop film industry building on the country's landscape, which has been rated as attractive location for shooting movies. This potential is evidenced in several Hollywood movies that have been partly shot in Kenya such as the *First Grader, Tomb Raider, The Cradle of Life, Rise and Fall of Idi Amin, Out of Africa, Nowhere in Africa, White Mischief, Cry Freedom, the Constant Gardner*, among others. The release of some of these Hollywood movies led to scores of tourists visiting Kenya to experience the wildlife safari.

Kenya's opportunity for exports of sports is demonstrated by her great athletes who are known world over for scoping awards worth millions of shillings in track and marathon events. In addition, its rugby team has recently been on the map for performing well in Rugby competitions around the world.

This potential has been taken a notch higher by a number of institutions have been organizing themed sports events all over the country that have attracted both local and international participants. These include: the Lewa Marathon aimed at raising funds for conservation and community projects in and around Northern Kenya; the Standard Chartered Nairobi Marathon that is held once a year; the Tusker Safari Seven Rugby Tournament; Safari Rally which is the only African event on the World Rally circuit and believed to be the toughest of the fourteen international rally courses; Rhino Charge, a motor sports event held annually to raise money for conservation; football matches and the Kenya Open Golf Championship.

The Recreation, Cultural and Sports sub-sector faces numerous challenges that limit the country's full exploitation of the lucrative global export market for these services. The NEDPS has formulated within it interventions that are designed to address these constraints and challenges. The resource requirement for implementation of activities under each of the specific interventions is estimated at KES850m over the period 2018-2022.

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19 *Negotiating Proposal on Sporting Services: Communication from New Zealand. WTO Council for Trade in Services, S/CSS/W/94. 26 June 2001.*

20 *Digitization and Mobility: Next Frontier of Growth for M&E. Deloitte.*

21 Nigeria's Film Industry: Nollywood Looks to Expand Globally. United States International Trade Commission (USITC) Executive Briefing on Trade, October 2014.

22 The PricewaterhouseCoopers (PWC) Entertainment and Media Outlook 2017-2021: An African Perspective. 8th Annual Edition, September 2017.

10.0 Cross Cutting Issues

Cross cutting issues refers to factors that affect export performance across all NEDPS focal sectors. These issues include: Trade Finance; Foreign markets representation; Trade facilitation; Export Promotion; Investment Promotion for Export Development and Cross Border Trade facilitation. A synopsis of each of these issues gives the area of concern and proposed interventions to ensure these issues support development of capacity and promotion of exports.

1. **Trade Finance:** The key issues of concern here relate to inadequate financial products to support production for export and eventual export financing. The concern among SMEs is total lack of export trade specific credit and where it is available terms are not cognizant of their special circumstances, e.g. lack of collateral security and cash flow levels necessary to sustain business during the trade credit period (usually 60 to 90 days). Among the trade finance interventions foreseen in this strategy are as follows:

   i) Mainstream export trade specific facilitation in Kenyan banking industry to stimulate increase in allocation of resources to finance export trade amounting to cumulative sum of KES 4.2 trillion over the period 2018-2022, rising from KES 495 million in 2018 to KES1.3 trillion in 2022. This projection was based on historical correlation of trade finance and value of exports between 2012 and 2016. This ratio was used to extrapolate trade finance required to support the projected export growth over the period 2018-2022;

   ii) Setting up a specialized Export Finance Agency to provide Finance for export development, and to address SMEs and other enterprises financial requirement needs for export development that may not be met by mainstream conventional banking institutions. The resource requirement for this intervention is estimated at KES26mn;

   iii) Establishment of an Export-Import Bank to catalyze availability and access to export trade finance and thus complementing mainstream banking institutions while also meeting unmet needs for exporters in pursuit of the national export development agenda. The resource requirement for this intervention is estimated at KES500 billion.

2. **Foreign Markets Representation:** The challenges that the country faces on foreign market representation are manifested in the lack of, and in some cases, inadequate commercial representation in target export markets. Other challenges include:

   a) Lack of clear policy and criteria for posting commercial representation in foreign missions;

   b) Inadequate funding and staffing of export trade representative offices;

   c) Weak connection of representative with Kenyan business community and the national export agenda; and,

   d) Invisible trade representatives due to weak branding and low publicity of Kenyan foreign markets representation offices.

   The NEDPS has formulated interventions geared towards addressing the above challenges. The resource requirement for implementing activities under each of the areas of interventions is estimated at KES 840 million for the period 2018 to 2022.

3. **Trade Facilitation**

   Kenya has made major reforms in trade facilitation aided by her commitments at the regional level (EAC and COMESA) as well as at the WTO. She was among the first WTO member countries to sign and ratify the WTO Trade Facilitation Agreement. The national framework for implementation of this agreement is already in place through the Gazetting of the National Trade Facilitation Committee.

Despite these positive developments, there are a number of challenges that face trade facilitation and which need to be addressed in the context of the national export growth agenda. These include the following:

a) Areas of concerns in the World Bank Doing Business Index that touch on Trade Facilitation

b) Low awareness of trade facilitation measures put in place (such as the recent and ongoing customs reforms, product quality standards and sanitary and phytosanitary (SPS) measures, etc.)

c) Lack of Standards and SPS Measures for some of the Target Export Products

d) Instances of inaccessibility of Customs, Standards and SPS services, especially for businesses located out of the major cities/towns

e) Inadequate Quality and Food Safety Testing Facilities across the Country

f) Delays caused by proliferation of police road blocks along the Highways

g) Poor State of Rail Network and Facilities for Safe Movement of Goods Across the EAC and COMESA Region

h) Poor and Expensive Air travel Network especially in the EAC and COMESA region making it expensive to facilitate intra-regional trade competitively.

This Strategy has proposed interventions designed to address the above challenges using a multi-institutional approach, where export development is the common denominator to catalyze improvements in export trade facilitation. Resource level requirement for implementation of the foreseen activities is estimated at KES 353 million for the period 2018-2022.

4. Export Promotion

The rationale for export promotion is derived from the role of exports in national economic growth. Focus and concentration on priority list of economic sectors has been emphasized in economic development literature as an integral part of export promotion because it guarantees visible targeted returns as performance is tracked in the specific priority sectors and to specific firms within those sectors. This approach has already been integrated into NEDPS where, eight priority sectors have been identified. These sectors form the focal platform for NEDPS and entailed export promotion programmes.

Export Promotion Council (EPC) is the Agency that has since its establishment 1992 been bestowed with the responsibility of promoting exports. EPC has pursued an export promotion strategy within the following thematic areas:

a) Market Development and Promotion.

b) Trade Information and Business Counselling Services (TIBS).

c) Enterprise and Product Development (EPD).

d) Research and Policy Facilitation.

EPC's effort to promote export has been hampered by several weaknesses, whose impact is manifested in the poor performance of exports as earlier discussed. These constraints include: Inadequate budgetary allocations; Weak legal framework; Inadequate visibility; Low staffing levels; Limited National reach; Lack of a comprehensive and updated database of Kenya's exporters; Weak linkages with overseas market systems; Weak synergies with foreign missions; Weak capacity to implement findings of market intelligence; Low prioritization of the export sector; Weak monitoring and evaluation system; Inadequate ICT infrastructure; and Lack of data capture system (trade) as a result of low responses to export trade enquiries.

These constraints need to be overcome in order for export promotion to play its rightful place in supporting the national agenda of growth of exports at a rate 25% per year over the period 2018-2022. This is to be achieved through various interventions that have been proposed to help achieve the following strategic objectives of export promotion within the NEDPS framework:

1. Institutional Strengthening of Export Promotion Council with a view to ensuring its status and capacity is commensurate with its envisaged role of promoting exports;
2. Identification and mapping out present and potential exporters in all the NEDPS focal sectors as a platform to be used for targeted, sustainable and verifiable export growth;
3. Designing and implementation export promotion programmes geared towards delivery of NEPDS objectives as well as sectoral export growth targets; and
4. Establishment and adequately seeding of an export promotion Fund to finance various envisaged catalytic export promotion programmatic activities.

The resource requirement for implementation of the activities under each of the above four broad areas of interventions is KES2.5 billion over the period 2018-2022. The return to the country is attainment of export growth by an average 25% per year through product and destination country markets diversification and enhanced market share in the destination markets. The targets to be pursued through the envisaged export promotion programme include:

i) Diversification of Kenya's destination markets to ensure Kenyan exports go to all countries identified as potential markets for every export product category as stipulated in the NEDPS.

ii) Increase in each of the focal products market share in the respective identified destination market to a minimum of 5% of the target market's size of the specific product category.

iii) Contribute towards increased export growth at a rate of 25% per annum. This will translate into increased value of exports from the current level of KES578 billion to KES1.8 trillion by 2022.

5. Investment Promotion in Support of Export Development

Sectoral analysis of Kenya's export performance and destination market potential reveals inadequate supply of exportable goods and services as the key constraint to Kenya's export performance. This conclusion was arrived at after identifying annual export market opportunity for the target NEDPS priority sectors in excess of USD40 billion per year. This was based on the assumption that Kenya's export development and promotion could translate into the country enhancing her market share for each of the target products to a minimum of 5% of these countries' market size of the targeted product categories.

In order for the country to exploit this export opportunity, productive capacity in all focal NEDPS economic sectors require increased investments to facilitate enhancing supply capacity in response to export demand opportunities. This calls for investment promotion targeting these sectors with an aim of creating awareness among prospective domestic and foreign direct investors on export market opportunities and business case for investing in these sectors, given the government's commitment to opening up destination markets through NEDPS export development and promotion initiatives. This effort will build on the improved investment climate and the raft of fiscal and non-fiscal incentives that have been put in place.

Investment promotion geared towards stimulating investments in export development will be driven by the revealed export opportunities across all NEDPS focal sectors. This will be done within the framework of the following Strategic Objectives:

1. Promotion of investments in NEDPS focal sectors, with special focus on SMEs, Youth and Women Owned enterprises;
2. Applying fiscal policies and incentive regimes that encourage investment in export markets development;
3. Funding export markets development ventures to address the low financial resource allocations and investment gap in export markets development financing; and
4. Improvement of 'Doing Business Environment' through focus on Doing Business Index parameters on which the country is still lagging behind

The NEDPS has formulated strategic interventions under each of the objectives that are designed to ensure that intended objectives of investment promotion for export development are achieved. The resource requirement for implementing activities under these areas of interventions is estimated at KES 978 million over the period 2018 to 2022.

6. Cross Border Trade

Cross Border Trade (CBT) refers to exports and imports of goods and services between two neighbouring countries, fuelled by cultural and historical ties, with communities on either side of the borders having very close social, economic or even family ties. This definition is affirmed by the Rwanda National Cross Border Trade Strategy, which defines CBT as "trade in legitimately produced goods and services between neighbouring countries".

Kenya National Bureau of Statistics (KNBS) has recognized the significance of informal cross border trade and introduced annual surveys to capture its magnitude. This is motivated by need to correct under reporting of external trade statistics and Balance of Payment situation. For purposes of these surveys, KNBS defines[23] unrecorded Informal Cross-Border Trade (ICBT) as: *"trade transactions of goods that involve residents and non-residents across the economic boundaries that are largely not recorded by Customs authorities".*

Under NEDPS, Cross Border Trade will contribute towards export development and promotion through the following strategic objectives that are designed to address myriad of challenges to full exploitation of the CBT related opportunities:

1. Promotion of sustained supply of legitimate exports to cross border markets through strengthening the linkages between cross border network trade and the respective value chains;
2. Building capacity of cross border traders to enable sustained uptake of value chain output supplies for either sides of the cross border markets;
3. Provision of market infrastructure to support cross border trading along Kenyan borders with all her five neighbours; and

23 Refer: https://www.knbs.or.ke/informal-cross-border-trade-survey-2nd-cycle-2015-16/

4. Promotion of formal cross border market access for legitimate Kenyan exports.

Under each of these areas of strategic objectives, interventions geared towards stimulating cross border trade through addressing challenges and capitalizing on existing opportunities have been formulated. Resource requirement for implementation of the activities under each of the intervention areas are estimated at KES 770 million.

11.0 Institutional Arrangement for NEDPS Implementation

The institutional arrangement for the NEDPS implementation is informed by the value chain approach on which its design and formulation was based. In a nutshell, NEDPS foresees a multi-institutional implementation arrangement being established in order to guarantee envisaged results at policy level, productive sector level, trade facilitation service level as well as at the destination market development level. Specifically the Strategy foresees lead institutions collaboratively coordinating and delivering export trade development results at the following levels:

a) Business enabling policy and environment for to support and facilitate export trade in all target sectors

b) Mapping out present and potential exporters of the target export products and services and running capacity building programmes for enhancement of their export trade capabilities,

c) Resource mobilization to support various export development programmes and initiatives as foreseen in the Strategy

d) Production capacity enhancement for exportable goods and services, aiming at achievement of the NEDPS overall national export targets

e) Trade facilitation focusing on information on destination market opportunities and requirements and support to target exporters to meet destination market demand requirements

f) Export promotion geared towards raising Kenya's share in each of the identified destination market segments to a minimum of 5% of the respective destination market size of the specific focal products.

Implementation of the NEDPS will require that all respective State Ministries, Departments and Agencies (MDAs), private sector institutions and Development Partners in specific export target value chains work together to ensure that no institutional related constraints compromise the NEDPS objective of enhancing growth of national exports at an average annual rate of 25% per year for the plan period 2018 - 2022. This approach is therefore the basis for the sectoral and sub-sector working groups, which form a platform for coordination of the value chain activities towards development and promotion of exports.

11.1 National Level Institutional arrangement

The NEDPS is expected to play a pivotal role in achievement of industrial transformation under the framework of the four pillars of economic transformation and development which the country is pursuing over the period 2018-2022. This will be through delivery of markets for industrial manufactured and agricultural value-added products. In addition, NEDPS is central to the country's search for creation of wealth through exploitation of export potential across all the target NEDPS sectors, whose export potential value is estimated at over USD 40 billion. The transmission mechanism for this export led transformational change in the economy will be through enhanced investments in target export products and services sectors new export products and services development, employment creation, and reduced Balance of Trade deficit, among other strategic means. At the National Level the institutional structure for NEDPS implementation has two levels as follows:

a) *Presidency/Council of Governors Round Table*

The expected high value results from NEDPS implementation, especially the role in delivery of the four pillar framework for economic transformation requires that the Strategy is given high level recognition and facilitation as one of the vehicles to deliver results of the four pillar framework, especially on industrial transformation and food security.

As illustrated in the overall institutional structure of NEDPS implementation shown in the chart below, this highest level of reporting will be at the Presidency/Council of Governors Level.

At this level key highlights of achievements, lessons, opportunities and challenges will be tabled, demonstrating actual contribution of exports to the targets of four pillar framework of economic transformation on a going basis. This High Level of NEDPS institutional framework will thus provide impetus to ensure that the whole country rallies behind the Strategy. The driving force will be the expected reality that NEDPS implementation amount to transforming Kenya into an exporting nation, especially for so many products and services categories that the country has not been exporting before despite having export potential for the same.

b) *National NEDPS Implementation Task Force*

The day to day responsibility for implementing the NEDPS will be vested in the NEDPS implementation Task Force. The role of the Task Force committee will be to ensure that all Sector Working Groups are accountable for the projected sectoral or sub-sector export growth and that they implement various sectors strategies as agreed. The Task Force committee, through this coordination role will produce annual work plans and periodic progress reports for submission and consideration by the Highest Level of reporting on a regular and timely basis.

The National Steering Committee (Implementation Task Force) will have the following levels - Policy level, where NEDPS will be chaired by the Cabinet Secretaries of the Ministries appointed as chairs of the specific sectors. Their Co-Chairs will be the nominated CEOs of corresponding Private Sector Organizations/Associations.

At Senior Officials Level, NEDPS will be chaired by the Principal Sectary, State Department for Trade, with representatives of corresponding private sector associations as co-chair. At the technical level, NEDPS will be chaired by Directors. The table below lists sectors, sector chairs and co-chairs on the basis of the institutional framework of the NEDPS.

Table C1/1: List of NEDPS Sector and Respective Chairs and Co-Chairs

Sector	Chair	Co-Chair and Convener
NEDPS Coordination and Implementation tracking	State Department for Trade	KEPSA
Manufacturing Sector	Ministry of Industrialization and Enterprise Development	KAM
Agriculture	Ministry of Agriculture	KEPSA
Livestock	Ministry of Livestock Development	Kenya Livestock Development Council

Sector	Chair	Co-Chair and Convener
Fisheries	State Department of Fisheries	AFIPEK
Handicraft	State Department of Trade	KEPSA
Mining and Petroleum	State Departments for Mining and Petroleum	KEPSA
Trade in Services	State Department of Trade	APSEA
Cross Cutting	National Treasury	KEPSA

11.2 Sectoral/Subsector Level Arrangements

Implementation of NEDPS will also take place at Sector and Subsector levels where focus and concentration through engagement is expected to deliver the expected export growth for the specific products and services categories.

Lessons gathered during the formulation of NEDPS demonstrate that at sector and subsector levels is where constraints to export, and strategies to overcome the challenges for the sake of export growth are known, from a practical point of view. The strategy is therefore designed with this reality in mind. For each sector and subsectors, constraints to export growth have been identified and strategic interventions to drive export growth towards NEDPS targets specified.

The institutional arrangement for NEPDS implementation at sector/subsector levels will therefore require formation of the NEDPS implementation sectoral/sub-sectoral Task Forces with the sole aim of implementing the strategies that have been provided in the NEDPS. In some sectors such as manufacturing, horticulture and fisheries, for example, such structures are already in place and need to have export agenda mainstreamed in their business, especially as partners with Government in implementing the NEDPS. This exercise is a priority immediately after the NEDPS is officially launched. Instruments for operationalization of the sector/subsector Task Forces are detailed in the NEDPS sector/subsector specific chapters which clearly provide the interventions and implementation plans for ease of reference and guidance in the implementation process.

These sector/subsectors Task Forces and implementation plans will form platforms through which various NEDPS initiatives and interventions will be pursued as outlined in each sector/subsector export development and promotion strategies. The various sectoral/sub-sectoral Task Forces for NEDPS implementation are as outlined in the table below.

A

Background and Context of the National Export Development and Promotion Strategy

A1 Introduction

A1/1.1 Background

For the last 30 years, Kenya has pursued an export led growth of economic development following the radical shift in trade policy from an inward to an outward approach that was advocated in *Sessional Paper No. 1 of 1986 on Economic Management for Renewed Growth.* This policy orientation is further reinforced in Vision 2030 that foresees trade as a key contributor to economic growth target rate of 10% per year.

Export growth led strategy is premised on the now acknowledged role of exports in economic growth and development. The experiences of Taiwan and South Korea in the 1960's and 1970's, Malaysia, Thailand, and Singapore in the 1970's, China in the 1980's, and eventually India in the 1990's, provide strong evidence that exports can play a leading role in supporting rapid growth, boosting the emergence of a modern manufacturing sector, providing employment, and reducing poverty[24]. This experience, especially quest by Bangladesh for export diversification provides international benchmarking for Kenya's National Export Development and Promotion Strategy (NEDPS).

The Government of Kenya, in support of the export led growth policy, has over the years pursued a number of export incentives. These include Manufacturing Under Bond scheme, Export Processing Zones and Duty Remission Facility. Other land mark achievements that the Government has pursued in support of export led-growth policy include Common Market for Eastern and Southern Africa (COMESA) Free Trade Area (FTA) and the EAC Customs Union, through which exports of products that originate from Kenya can access over 20 countries on duty free basis or on preferential duty (in the case of the few COMESA countries that are not implementing the full FTA). Major customs and trade facilitation reforms under these two regional arrangements add up to the supportive environment for export growth which Kenya products, along with those of the other member countries enjoy.

Further impetus towards Kenya's export led growth orientation was provided under the Cotonou Agreement of 2000, where Kenya along with other African Caribbean and Pacific (ACP) countries were granted duty free market access in the European Union for most of the products originating from this region. The Government has sustained this momentum in the European Union (EU) market access by transitioning into Economic Partnership Agreement (EPA) under the EAC-EU EPA framework. Through this framework Kenya's exports to the EU enjoy duty free and quota free market access, even as the EAC region seeks to sign the EPA agreement.

The horizon of support for Kenya's export led growth approach received further boost from the United States of America (USA) under the African Growth and Opportunity Act (AGOA) which was enacted in May 2000, opening up the USA market for about 6,000 tariff lines. The preferential trade arrangement remains in force until 2025 following its recent extension by the USA government.

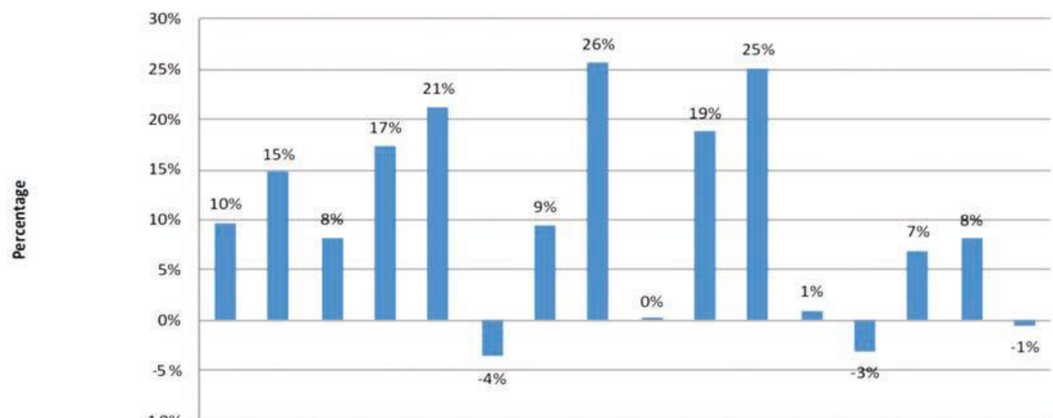
The Government of Kenya, in further effort towards supporting the country's export led economic growth strategy, was among the first countries to have signed the WTO Multilateral Agreements. This action worked towards further opening the horizon of Kenya's exports into the global market of over 140 countries that are WTO members. Kenya's export growth under this multilateral arrangement stands to benefit from numerous instruments for promoting fair global trade, including the recent Trade Facilitation Agreement which obliges countries to observe transparency in trade facilitation procedures and processes with a view to eliminating Non-Tariff Barriers that are procedure/process based.

24 *Bangladesh: Strategy for Export Diversification 2015-2020 - Breaking into new markets with new products*

Further effort towards supporting the country's export led economic growth strategy is evidenced by the Government's engagement in the COMESA, EAC and SADC Tripartite Free Trade Area (TFTA) which was signed in July 2014 by the 26 countries that belong to the three regional economic blocs. Kenya is also among the first African countries to have signed the Continental Free Trade Area under the African Union framework, which seeks to open up the entire continent's market for trade in goods and services.

Despite these efforts, Kenya's export performance has been dismal, growing at an average of 10% over the period 2000 to 2016. Moreover, as evidenced in the chart below, export performance in the latter part of this period (2012-2016) was much lower, posting an average annual growth of 3%, with negative growth rates posted in 2006, 2013 and 2016.

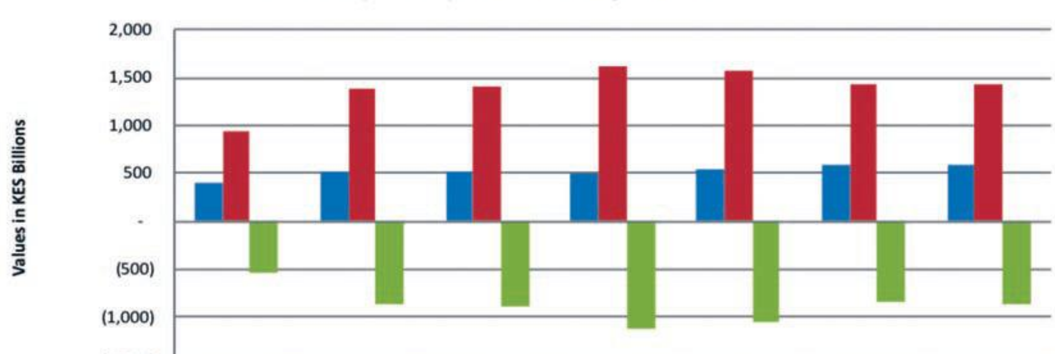
Chart 1: Kenya Annual Exports growth rate (%)



	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Exports growth rate	10%	15%	8%	17%	21%	-4%	9%	26%	0%	19%	25%	1%	-3%	7%	8%	-1%

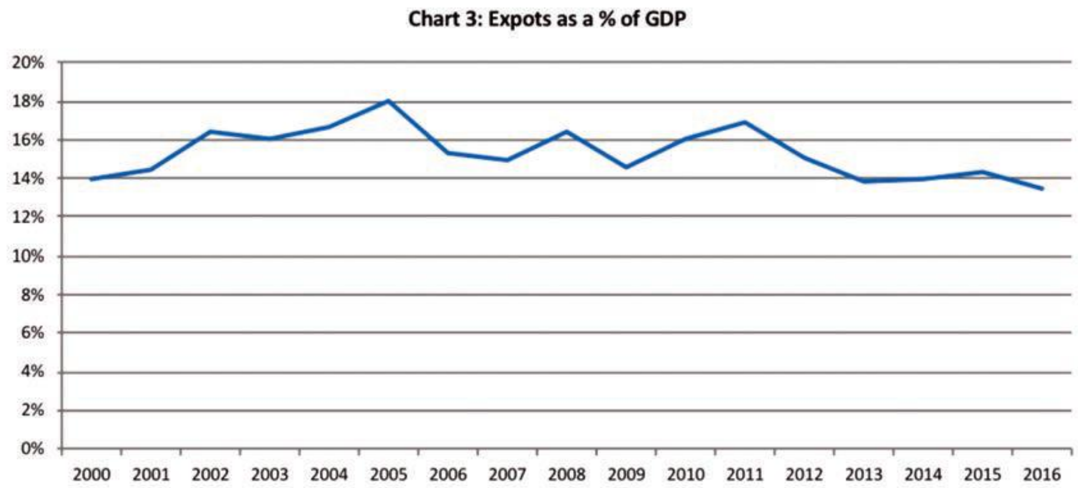
At this rate of growth, Kenya's exports have not managed to match the growth rates of her imports, whose absolute values as evidenced in the chart 2 below, have remained very high, standing at 3 times the value of exports by 2016. This has led to acute Balance of Trade (BOT) Deficit that needs to be resolved through a combination of enhanced export growth and rationalised reduction of imports through well calibrated import substitution manufacturing strategy.

Chart 2: Exports, Imports and BOT, Figures in KESBillions



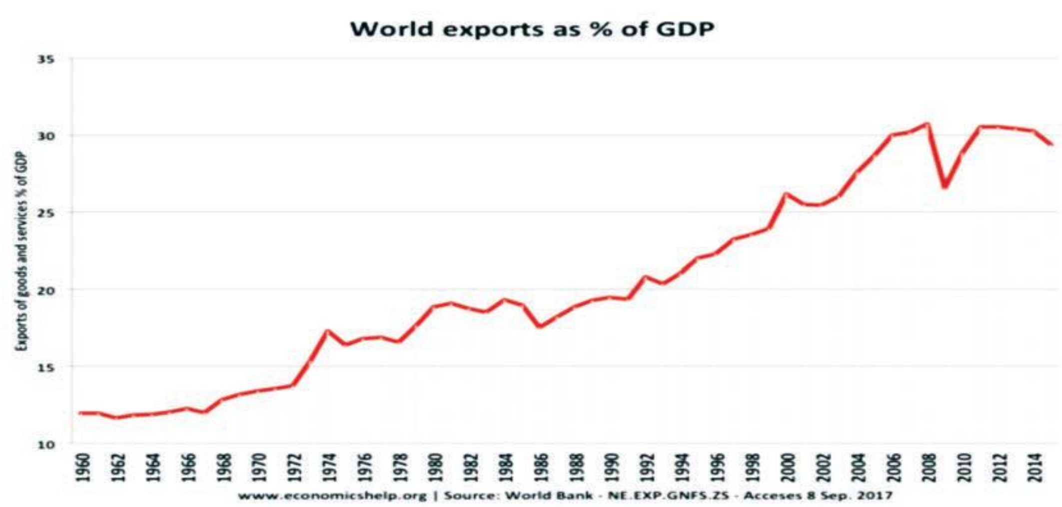
	2010	2011	2012	2013	2014	2015	2016
Total Exports	410	513	518	502	537	581	578
Total Imports	947	1,375	1,413	1,618	1,578	1,432	1,432
Balance of Trade	(537)	(862)	(895)	(1,116)	(1,040)	(851)	(854)

The role of exports in Kenya's economic growth, as measured by percentage share of exports in GDP, has also been waning, with a worrisome trend having been posted from 2012 through to 2016, where the share of exports in GDP, at 13% was below the level of 14% that was recorded in 2000.



The role of Kenya's exports in driving economic growth is thus far below the level of world standards[25] which as evidenced in the chart below ought to have been around 30% as opposed to the recorded level of between 13% and 14%.

Chart 4: World exports as % of GDP



Source: World Bank

The fundamentals behind Kenya's poor export performance over the years evidently lie in both the narrow destination markets for her exports, with 13 countries accounting for about 70% of all Kenya's exports in 2016, and the narrow exportable products base, with only 5 broad product categories accounting for as much as 56% of the total exports.

The situation has been aggravated by lack of a National Export Strategy (NES), with the first ever NES having expired in 2007[26] without being implemented! The negative consequence of this

25 *Refer: https://www.economicshelp.org/blog/7164/trade/importance-of-exports-to-the-economy/*
26 *Kenya National Export Strategy (2003-2007)*

omission is evident in the State Department of Trade 'Report on Trade Flow Analysis - April 2016[27]'. According to this study, Kenya's export products lost market share in both the EAC, COMESA as well as in other traditional markets for the country's export products. Hitherto, there has been no documented evidence of strategic actions taken to regain any of the lost markets, especially for the agro-processed and manufactured products.

A1/1.2 Export Growth target Objective under the NEDPS

In view of the foregoing, the National Export Development and Promotion Strategy (NEDPS) seeks to reverse the downward trend of Kenya's export performance through targeted export growth. The national export growth target objective is driven by the overriding national goal of closing the Balance of Trade Deficit through export growth and stimulating factor employment and overall economic development. The export growth rate that will deliver a BoT surplus by 2022 is estimated at an average annual growth rate of 25% rising from an envisaged slump in exports in 2017 to a gradual rise over the years from 15% in 2018 to 35% in 2022. In adopting this ambitious export growth target, the key stakeholders in all the NEPDS focal sector consultative meetings noted that the target is indeed realistic and could even be surpassed in some sectors if all the impeding constraints are addressed through pragmatic result oriented interventions.

Table 1: Actual versus Projected export growth target under NEDS, figures in KES Billions (millions)

TRADE FLOW	Actual Export and Import Performance (2010 - 2016)						
	2010	2011	2012	2013	2014	2015	2016
Total Exports	410	513	518	502	537	581	578
Total Imports	1,357	1,301	1,375	1,413	1,618	1,578	1,432
Balance of Trade	-947	-788	-857	-911	-1,081	-997	-854
TRADE FLOW		**Projections - Exports and Imports (2017-2022) - Figures in KES Billions**					
	2016	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
Total Exports	578	575	661	794	992	1,289	1,805
Total Imports	1,432	1,729	1,764	1,781	1,763	1,746	1,728
Balance of Trade	-854	-1,154	-1,102	-988	-772	-456	77
Annual projected export growth		-0.50%	15%	20%	25%	30%	35%
Average annual export growth (2018-2022)							25%

Source: *KNBS, Economic Surveys (various issues) for actual export/import performance; Own computation for projected export/import performance*

Prospects for achieving the targeted export growth lie in strategic exploitation of the high potential in untapped new markets and expandable export potential in existing markets as revealed through preliminary analysis of Kenya's exports trade performance. These export trade expansion initiatives will be aimed at markets that include the following regional blocks and countries:

a) The EAC - a Customs Union of 6 countries with a combined population of 170 million (including Kenya). Kenya has an opportunity to export any products that qualify under the EAC Rules of Origin (ROO) to the entire bloc of 6 countries on duty free basis;

b) The COMESA – made up of 20 countries with a combined population of 470 million people. Kenya has an opportunity to export any products that qualify under the COMESA Rules of Origin to all the 20 countries on preferential tariff basis;

27 *State Department for Trade (2014) - Kenya Exports to EAC Trade Flow Analysis Report (April 2014)*

c) The EU – made up of 28 countries with a combined population of 505 million people. Kenya, under Economic Partnership Agreement dispensation, has an opportunity to export any products that qualify under the Market Access Regulation (MAR) Rules of Origin to all the 28 countries on duty free quota free basis. Once the EPA becomes effective, the more flexible MAR ROO will be a key driver and catalyst of Kenya's exports to the EU;

d) The USA - a country with a population of 323 million people. Kenya has an opportunity to export over 6,000 tariff lines to the USA under AGOA on duty free quota free basis;

e) Countries that Kenya has concluded bilateral trade agreements with, (numbering over 30 countries) and excluding those that fall under the above multilateral trade arrangements, also offer additional opportunities for growing exports; finally; and

f) Countries in which Kenya has physical presence through her established Foreign Service diplomatic missions and Consular offices offer additional opportunities to grow her export trade.

In addition, export growth will be driven by sectoral initiatives in all the NEDPS focal productive sectors, where export growth opportunities have been identified and appropriate interventions to stimulate production for exports provided for under each sector. Through sectoral consultative process, each sector was able to come up with export growth targets to be pursued under the NEDPS. In each sector, average annual growth target is set at 25% or above, depending on sectoral dynamics as discussed in each sector.

A1/1.3 The Vision

The Vision of the National Export Development and Promotion Strategy is to 'Transform Kenya's economy through export led industrial, agricultural and trade in services development';

A1/1.4 Overall and Specific Objectives

The overall aim of the Strategy is to increase Kenya's exports share in the target regional and global markets through sustained production of goods and services for export. The specific objectives include the following:

a) Stimulate production of goods and services for target export markets;

b) Catalyze strengthening of export value chains to ensure coordinated and sustainable approach to export development by responding to regional and global market demand;

c) Catalyze development of business enabling environment to stimulate and facilitate export trade development

d) Facilitate diversification of exportable products range and broadening of destination markets base;

e) Deepen the existing export markets with a view to exploiting and taking advantage of the available extra consumer demand capacity of the markets;

f) Diversify the exportable product-mix away from a the limited number of traditional range of exports.

g) Enhance the competitiveness of Kenyan exports through value addition, improved quality and factor productivity, and reduced overall cost of production;

h) Strengthen the institutional capacity of export support networks responsible for trade facilitation, such as KEBS, KEPHIS and Weights and Measures agencies; and

i) Enhance market access and opening up of new markets for Kenyan exports through informed strategic Economic Diplomacy.

A1/1.5 Scope of the Strategy

Export growth targets, according to the terms of reference for developing the NEDPS, B1/will be driven by exports from the following sectors, where specific high potential exportable products have been proposed under each sector chapter in this strategy.

a) Manufactured products;

b) Agriculture;

c) Livestock & Livestock products;

d) Fisheries;

e) Handicrafts;

f) Emerging sectors (Mining and Petroleum);

g) Trade in Services

   i) Business Services

   ii) Education Services

   iii) Financial Services

   iv) Tourism and travel services

   v) Health services

   vi) Transport services

   vii) ICT Services

   viii) Recreation, Cultural and Sports services

Efforts towards development of exports will be complemented by strategic interventions under the following Cross cutting Issues:

a) Export Trade Finance;

b) Foreign markets representation;

c) Export Trade facilitation;

d) Export Promotion;

e) Investment Promotion for Export product manufacture and Import substitution industrial Development; and

f) Cross Border Trade facilitation.

A1/1.6 Overview of the Strategy Development

The work on the development of the National Export Development and Promotion Strategy commenced in October 2016 through the formation of the following Sector Working Groups (SWGs) - Agriculture, Manufacturing, Fisheries, Handicraft, Trade in Services, Emerging sectors and Crossing cutting issues. Technical officers from Government Line Ministries, Departments and Agencies as well as Private Sector Associations, were seconded by these institutions to steer the development of NEDPS through provision of sector inputs. Through successive working sessions conducted between February and May 2017, the SWGs were able to develop criteria for selecting priority export sectors. Building on these criteria, each of the SWGs generated background reports as a guide and a resource for the development of the strategy.

Substantive work towards the formulation of the strategy started in October 2017. This involved extensive literature review and consultations at national level through dedicated SWG sessions and at County level through dedicated sessions for County Executive Committees (CEC) for Trade.

The first round of consultations at both the national and county government level took place in November and December 2017. During these consultations, stakeholder inputs focusing on sectoral constraints to export performance and proposed interventions were obtained. This consultative process was also used to establish stakeholder institutions that will drive implementation of the strategy. This paved the way for the formulation of the Draft National Export Development and Promotion Strategy. The draft strategy was subjected to validation sessions at national level under the SWGs framework and at county level during dedicated sessions of the CECs for trade in January and February 2018 respectively.

The overall outcome of the exercise on formulation of the NEDPS is sector specific export development and promotion strategies for the following NEDPS focal sectors:

a) Manufactured products

b) Agriculture

c) Livestock & Livestock products

d) Fisheries

e) Handicrafts

f) Emerging sectors (Mining and Petroleum)

g) Trade in Services
   - *i) Business Services*
   - *ii) Education Services*
   - *iii) Financial Services*
   - *iv) Tourism and travel services*
   - *v) Health services*
   - *vi) Transport services*
   - *vii) ICT Services*
   - *viii) Recreation, Cultural and Sports services*

h) Cross Cutting Issues, covering:
   - *i) Trade Finance*
   - *ii) Foreign markets representation*
   - *iii) Trade facilitation*
   - *iv) Export Promotion*
   - *v) Investment Promotion for Export Development*
   - *vi) Cross Border Trade facilitation*

Export Development and Promotion Strategies, and Resource Requirement and Implementation Plan for each of these sectors are discussed in the section B of this report. Section C covers National Institutional Arrangements for Implementing the NEDPS.

B SECTORAL STRATEGIES

B1 Manufacturing Sector

B1/1.1 Situational Analysis of the Manufacturing Sector

The manufacturing sector plays a central role in Kenya's economic growth, contributing an average of 10% of the Gross Domestic Product GDP) over the period 2012-2017. At this rate the sector takes the second position after agriculture in terms of contribution to GDP.

The Manufacturing sector has witnessed decline in its contribution to GDP from 11% in 2012 to 8.4% in 2017. There is scope however, for the sector to enhance its contribution to GDP, especially through exploitation of value addition prospects and tapping into export trade opportunities in regional and international markets. The prospect for realizing this scope lies in the Sessional Paper No. 9 of 2012 on the National Industrialization Policy Framework (2012-2030) which has outlined the policy parameters for Kenya's industrial development targeting value addition and enhancing the role of SMEs in industrial development. Further impetus towards realizing the national industrialization policy objectives is provided in the Mid-term strategy vide the Kenya Industrialization Transformation Programme (KITP)[28] of 2015 which prioritizes the sectors to be focused on in the industrial development programme over the period and as emphasized in the Medium Term Plan III (2018-2022).

The manufacturing sector has been singled out as one of the four pillars the Government of Kenya is looking upon for transforming the economy through industrial growth aimed at employment creation and poverty elimination. This strategic outlook is in response to the high level of youth unemployment, elusive Gross Domestic Product growth that has remained below the Vision 2030 target of 10%, and the high external debt levels.

The hope of the manufacturing sector to contribute successfully towards this set goal lies in historical evidence of countries that relied on the sector to drive economic development. This evidence is for example provided in the World Bank (2008).[29] Out of the thirteen countries that were studied, ten countries were singled out as success stories, where their economic growth was manufacturing-led. These countries are Brazil, China, Indonesia, Japan, the Republic of Korea, Malaysia, Singapore, Taiwan, China and Thailand. In addition to these ten countries, two additional countries were singled out as being potentially on track to achieve high and sustained manufacturing-led growth, namely: India and Vietnam. Both of these countries were observed in the report as having recorded rapid industrial growth up to the 2008 global economic crisis.

As observed in several studies on these success story countries, industrial transformation was achieved as a result of deliberate policies that oriented private corporate sectors to rapidly raise the level and diversity of manufactured products (Nimrod Zalk (2014)[30]. The types of support given included incentives to export and the extension of various forms of concessional finance (Amsden, 2003; Reinert, 2008; Studwell, 2013). Interest and exchange rate setting as well as capital allocation policies were frequently geared to promote industrialization. These countries' policies for infrastructure and skills development were also geared towards promoting manufacturing sector.

28 *Kenya Industrialization Transformation Programme (2015)*
29 *The World Bank (2008): The Growth Report: Strategies for sustained growth and development'' by the Commission on Growth and Development*
30 *Nimrod Zalk, Industrial Development and Strategy Advisor, Department of Trade and Industry, South Africa, February 2014* (http://www.econ3x3.org/article/what-role-manufacturing-boosting-economic-growth-and-employment-south-africa).

As observed by Nimrod Zalk (2014), evidence of the impact of manufacturing sector growth on economy-wide growth and employment has also been proved using the Kaldor's hypothesis. According to the author of this hypothesis, Nicholas Kaldor, the manufacturing sector demonstrates a unique characteristic: the capacity to generate 'dynamic increasing returns'. That is, *"manufacturing not only has the potential to increase its output more than proportionate to the increase in inputs (i.e. increasing returns to scale), but also: the faster the rate of growth of output in manufacturing, the faster the rate of growth of both manufacturing and economy-wide productivity (dynamic increasing returns)"* (Thirlwall, 1983). (NB; validity of the positive multiplier effects of Kaldor's hypothesis however, presupposes that significant numbers of upstream nodes of value-chain activities that feed into the manufacturing sector are located within, and not outside the national economy. In which case validity of Kaldors's hypothesis precludes manufacturing using externally sourced raw materials and other inputs such as is presently happening in Kenya's EPZs)

Results from a number of researchers[31] that have tested Kaldor's hypotheses across and within a range of developing countries show a positive correlation between manufacturing sector growth with GDP growth. This implies that manufacturing is the core driver of GDP growth and employment creation while other sectors – particularly many services sectors – are likely to grow on the basis of the growing demand *derived* from (and resulting from) an increasing GDP. Thus growth and employment in most services sectors *follow rather than lead* growth in GDP.

It is against this backdrop that the Government of Kenya has set the pace for the manufacturing sector to lead in economic growth by assigning it a 15% contribution in GDP by 2022, up from the 2017 level of 8.3%. In order for the manufacturing sector to make the 15% contribution to the GDP by the end of 2022, however, the sector output will need to increase from KES 648billion in 2017 to KES 2.2trillion in 2022, growing at an annual rate of 18% in 2018 and rising gradually to reach 26% by 2022. As illustrated in the simulations in the table below, these numbers are premised on a manufacturing sector fuelled GDP growth from the current annual growth rate of 7.2% to the Vision 2030 GDP growth target of 10% by 2022.

Table B2/1: Targeting manufacturing sector contribution to GDP (Figures in KES Billions)

	2011	2012	2013	2014	2015	2016
Actual output						
GDP at market price	3,726	4,261	4,745	5,402	6,284	7,194
GDP at market price growth rate (%)		14%	11%	14%	16%	14%
Manufacturing sector output	438	469	507	538	589	654
Manufacturing sector contribution to GDP	12%	11%	11%	11%	11%	10%
Manufacturing Sector growth rate (%).		7%	8%	6%	9%	11%
	2017	**2018**	**2019**	**2020**	**2021**	**2022**
Projected output						
GDP at market price	7,749	8,524	9,547	10,883	12,625	14,897
GDP growth rate (%)	7.2%	6.5%	7.5%	8.5%	9.5%	10.0%
Manufacturing sector output	648	767	1,050	1,415	1,767	2,235
Manufacturing sector contribution to GDP	8%	9%	11%	13%	14%	15%
Manufacturing Sector growth rate p.a.	3%	18%	37%	35%	25%	26%

Source: *KNBS, Economic Survey (various issues)*

31 *Dasgupta & Singh 2005; Millin&Nichola 2005; Wells &Thirlwall 2003*

The Government has singled out the following sectors as key drivers of the manufacturing sector growth and will accordingly roll out a program towards their accelerated development in the period 2018-2022 as envisaged under the Kenya Vision 2030 MTP III:

Table B2/2: Scope of industrial transformation program (Scope of Priorities sub-sector under the Big four Agenda)

Sector	Proposed Industrial Transformation interventions
Textile and apparel	a) Development of Athi River Textiles Hub & Enhancement of Textile Sector b) Fund Textile Firms c) Revitalize cotton value addition through development of ginning and spinning capacity d) Training of textile & apparel workers
Leather and Leather products	a) Development of Leather Industrial Park in Kinanie b) Train and equip Leather shoes and leather goods manufacturers c) Develop Kajiado Leather Factory d) Leather Investment Promotion & Targeting e) Development and review of Leather Sector policies
Agro-processing	a) Expand capacity for agro-processing to produce for local and export markets: b) Implement Mombasa Food Hub at Dongu Kundu Special Economic Zone c) Develop warehousing and cold chain sites: d) Funding development of factories e) Agro-processing Investment Promotion & Targeting
Oil, Mining and Gas	• Promote value addition in oil and gas and mining sectors
Iron and Steel	a) Development and Review of Iron and Steel Policy & strategy b) Development of an Iron and Steel Plant c) Securing NMC Athi Land for Industrial Park along SGR d) Construct a Hot Dip Galvanizing Plant at NMC
Construction material	• Promote the development of affordable construction materials
ICT Assembly	• Develop IT entrepreneurship program to support the sector • Computer, light electronics and IT related parts assembly/ manufacturing
Fish Processing	• Identify 2 aquaculture investors • Identify key local/foreign investors to invest in fish feed mills
ENABLERS	
Business Environment	• Operationalize the National investment Council • Improve Ease of doing business ranking to 50th from 80th globally by 2022
Industrial Parks/ Zones	• Develop 3 Public driven Special Economic Zones • Promote Private-led Industrial parks/Zones
SME Development	• Establish and Operationalize Biashara Bank • Establishment of Centers of Excellence and Common manufacturing facilities.
Standards, Innovation and Intellectual Property Rights	• Develop and Review products standards • Strengthen the accreditation system • Enhance the innovation ecosystem and enforce IPR

The industrial transformation program constitutes a great opportunity in support of the country's quest for export led economic growth, specifically through increased production of goods for the export markets. This is to be in direct response to the already identified inadequate supply of manufactured products for exports, especially in the specific sectors identified by the NEDPS.

The greatest threat, from an export perspective is producing products that do not meet destination market requirements and quality specifications. This threat needs to be forestalled by ensuring that destination market needs are well known and their specifications factored in the industrial transformation investments to ensure synchronization of the various industrial production processes and outputs with destination market requirements. This can only be achieved through an integrated approach to industrial development and export development and promotion. The NEDPS provides this framework and would thus forestall this threat.

The scope of manufacturing sector exportable products-mixes under the NEDPS goes beyond the above KITP sub-sectors. Additional sub-sectors have been included for purposes of targeting under NEDPS because of their current contribution to manufactured product exports to existing markets as well as existing potential to expand this contribution based on untapped destination market opportunities. In view of this, the sub-sectors that are being targeted by the NEDPS are as follows:

a) Food Beverages and Tobacco;
b) Textile and Apparels;
c) Leather and Leather products;
d) Metals and Allied;
e) Chemical and Allied Industries;
f) Pharmaceuticals and Medical Equipment;
g) Plastics products;
h) Light Engineering;
i) Furniture;
j) Automotive and parts; and
k) Building materials.

The products from these sectors already account for over 90% of Kenya's exports of manufactured products as evidenced in the Economic Survey *(2017) and previous years' issues),* where most of these products are listed as 'principal export products' that contributed towards national export growth.

B1/1.2 Manufacturing Sector Export Performance and Export Growth Target for the Period 2018 – 2022

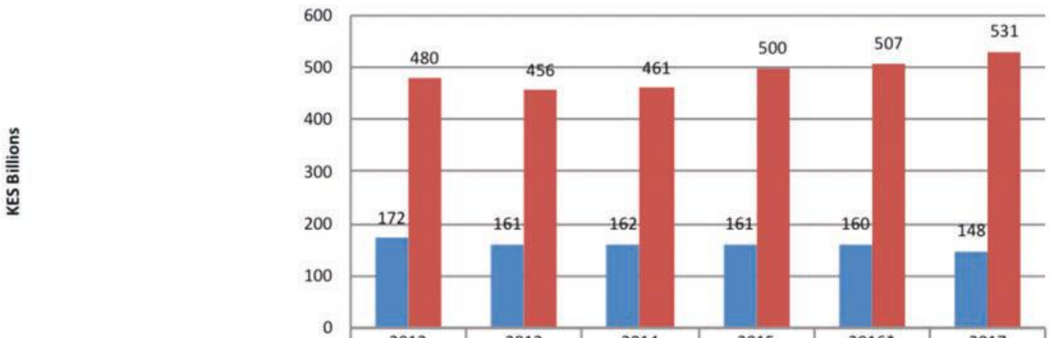
B1/1.2.1 Manufactured products export performance over the period 2012 to 2017

According to the Economic Survey (2017), performance of manufacturing sector exports over the period 2012 to 2017 declined by 7% from KES172 billion in 2012 to KES148 billion in 2017.

As evidenced in the chart below, between 2013 and 2015 exports of manufactured products more or less stagnated at around KES161 billion, before posting decline to KES160 billions and KES148 billion in 2016 and 2017 respectively.[32]

32 *Manufactured export performance is computed from Economic Survey 2016, Table 6.4(a)*

Chart B1/1: Performance of manufactured products exports and total exports (2012 - 2017) - Figures in KES Billions ***(Source - Economic Surveys, KNBS)***



	2012	2013	2014	2015	2016*	2017
Subtotal Manufactured Products Exports	172	161	162	161	160	148
Total Exports	480	456	461	500	507	531

The dismal performance of manufactured exports is attributed to sustained decline in exports of all manufactured products between 2012 and 2016, with exception of the following products which recorded increase in exports between 2012 and 2017. This is in turn partly attributed to some of the export destinations within EAC and COMESA, such as Uganda, adopting import substitution industrialization policy.

Commodity	% change between 2012 and 2017
Articles of apparel and clothing accessories. ..	38%
Edible products and preparations, n.e.s. ..	64%
Insecticides and fungicides	45%
Manufactures of base metal, n.e.s.	14%
Medicinal and pharmaceutical products .. .	17%
Pigments, paints, varnishes and related materials ..	19%
Salt	20%
Textile yarn	11%

Over the period 2012-2017, manufacturing sector exports as a share of the sector's gross output declined from 45% in 2012 to 28% in 2017. The implication of this is that manufacturing sector shifted gradually from export market to domestic (Kenya) market, or that Kenya's manufactured exports were displaced by others in key destination markets due to various possible reasons, such as loss of competitiveness; a trend that is rather worrying given the huge export potential in the regional and global market as is demonstrated under each of the specific NEDPS focus manufacturing sector industries, discussed later in this strategy document.

B1/1.2.2 Manufacturing Sector's Export Growth Target for the period 2018-2022

During the manufacturing sector consultative sessions held in November 2017, there was consensus that the manufacturing sector can indeed aim at growing exports to match the National Export growth target rate of 25% per year over the period 2018 to 2022. The sector thus, adopted an average growth target of 26% per year. This rate was, however, adjusted upwards to 31% to accommodate higher manufacturing sector output following Government pronouncement of the sector being among the four legacy pillars for economic transformation over the period 2018-2022. According to this new development vision, the sector is expected to increase its contribution to GDP from 10% in 2017 to 15% by 2020.

In response to the government target, manufacturing sector has projected its contribution to GDP at 9% in 2018, up from 8.3% in 2017, rising to 11% in 2019, 13% in 2020, 14% in 2021 and 15% in 2022. As illustrated in the table below, for the manufacturing sector to attain a 15% contribution to GDP, its output will need to increase from the estimated KES648 billion in 2017 to KES2.2 trillion by 2022.

Going by the past performance (2012-2017) of the manufacturing sector, an average of 37% of total gross manufacturing sector output was exported, with the balance, 63% being absorbed in the domestic economy. As illustrated in the table below, during the period 2018-2022, the key driver of manufacturing sector output growth under the Big 4 Agenda will be export growth, where the share of manufactured exports to total manufacturing sector output is projected to rise from 36% in 2018 to 55% in 2022. Increased domestic consumption would however, well also supplement the export growth driver with expected improvements in the domestic economy resulting in higher family income and employment levels.

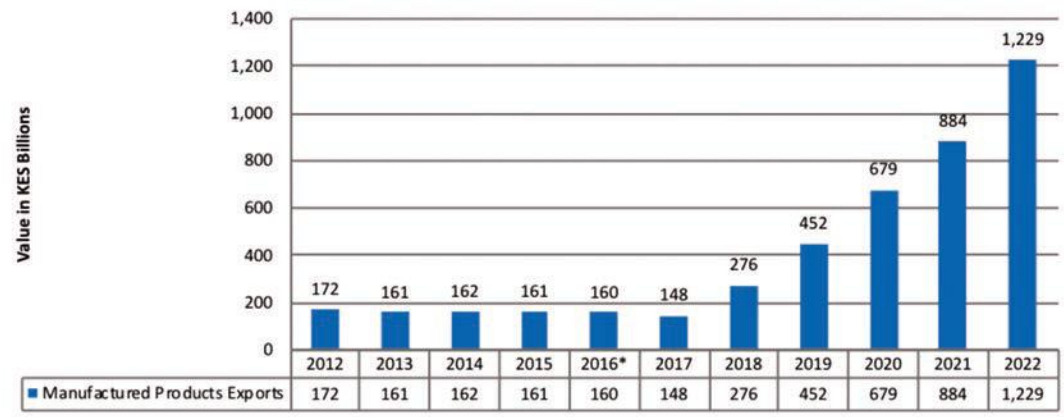
Table B2/3: Manufactured products export - Actual: (2012-2017), Projected (2018-2022)

	2011	2012	2013	2014	2015	2016
GDP at market prices	3,726	4,261	4,745	5,402	6,284	7,194
GDP growth rate (%) per year		14%	11%	14%	16%	14%
Manufacturing sector output	438	469	507	538	589	654
Manufacturing sector contribution to GDP	12%	11%	11%	11%	11%	10%
Manufacturing sector output growth (%) per year		7%	8%	6%	9%	11%
Manufactured Products Exports		172	161	162	161	160
Manufactured Exports share in Manufacturing sector Output		45%	40%	39%	38%	36%
Manufactured export growth			-7%	1%	-0.3%	-1%
	2017	**2018**	**2019**	**2020**	**2021**	**2022**
GDP at market prices	7,749	8,524	9,547	10,883	12,625	14,897
GDP growth rate p.a.	7.2%	6.5%	7.5%	8.5%	9.5%	10.0%
Manufacturing sector output	648	767	1,050	1,415	1,767	2,235
Manufacturing sector contribution to GDP	8%	9%	11%	13%	14%	15%
Manufacturing sector output growth (%) per year	3%	18%	37%	35%	25%	26%
Manufactured Products Exports (KES Billion)	148	276	452	679	884	1,229
Manufactured Exports share in Manufacturing sector GDP	23%	36%	43%	48%	50%	55%
Manufactured export growth	-7%	87%	64%	50%	30%	39%
NEDPS Average Target growth rate for manufacturing sector export						54%

Source: *KNBS, Economic Survey and Own computations for projected figures*

Strategically, therefore, there is need to stimulate demand for Kenya's manufactured products in destination export through various export development and promotion interventions that have been proposed under the NEDPS. These interventions are expected to drive the manufacturing sector export growth from -7% in 2017 to 39% by 2022, or an average of 54% over the period 2018 to 2022. This will trigger manufactured exports to increase from the projected level of KES276 billions in 2018 to KES1.2 trillion by 2022. The graph below shows the actual and projected manufacturing sector exports over the NEDPS period (2018-2022).

Chart B1/2: Manufactured Products Exports: Actual (2012-2017), Projected (2018-2022) - Value in KESBillions, Source - Economic Surveys, KNBS



The immediate drivers of manufacturing export growth will be recapturing lost market share in regional markets, targeting the products that have recorded market share decline and addressing causal factors with a view to reclaiming these markets. The other immediate driver will be export promotion to expose already existing Kenyan brands to consumers and traders targeting the regional and international markets where Kenya has preferential market access arrangement. The medium term driver of manufacturing export growth though, will be the enhanced manufacturing sector output through the Kenya Industrial Transformation Program which aims at huge investments in the textile and apparel sector, leather and leather products, agro-processing, among other sectors.

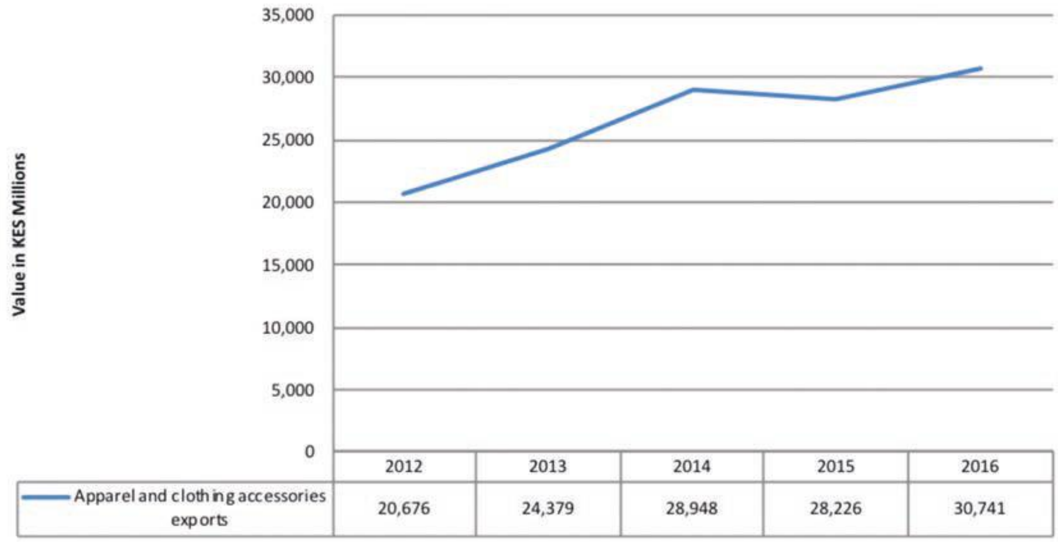
B1/1.3 Target Manufactured Products and Destination Markets Opportunities to Drive Export Growth

The value chain approach to enhance productivity of the manufacturing sector is be used focusing on each segments of the value chains for the targeted subsectors by diagnosing the impediments and developing the interventions to address them.

B1/1.3.1 Textile and apparel products

The significance of the textile and apparel sector in Kenya is evidenced by the position that apparel takes as one of the principal manufactured products exports, having accounted for 19% of total manufactured products exports in 2016. The sector has enjoyed a 33% increase in exports from KES21billion in 2012 to KES31 billions by 2016.

Chart B1/3: Apparel and clothing accessories exports (2012-2016) Figures in KESMillions - Source - Economic Surveys, KNBS



The value chain for this subsector comprises of: Production of fibers (Natural and synthetic); ginning of natural fibers; production of fabric; production of garments/apparels and Accessories, branding and distribution. These are the areas that will be analyzed to diagnose the problems and develop interventions to enhance productivity and competiveness for the export markets; targeting especially upstream value-chain activity nodes namely, domestic cotton growing and ginning, spinning and textile fabrication that feed raw materials to garment and apparel manufacturers located both inside and outside EPZ industrial parks.

The key driver of apparel exports has been the USA market under AGOA. The firms behind the exports are mainly the ones within the EPZ framework (21 large companies) and those operating outside the EPZ 170 medium and large companies. In addition to these firms there are more than 70,000 micro and small firms that are engaged in apparel production. The products that are being produced for exports fall under the 40 HS Headings spread across all the 4 Apparel HS Chapters 60, 61, 62 and 63 as illustrated in the table below.

Table B2/5: NEDPS target Apparel and clothing products

HS Chapter	Product	Number of HS Headings
60	Knitted or crocheted fabrics	6
61	Articles of apparel and clothing accessories, knitted or crocheted	17
62	Articles of apparel and clothing accessories, not knitted or crocheted	17
63	Other made up textile articles; sets; worn clothing and worn textile articles; rags	10
Total HS Headings where Kenya has revealed export potential		40

A market scan of markets that Kenya could target for exports of apparel, based on these countries' recorded imports from the rest of the world *vis-a-vis* from Kenya, reveals a market of USD182bn that could be targeted. The countries and region with these consolidated potential are USA, EU, Japan, Middle East, and COMESA.

Table B2/6: Kenya's apparel exports and select countries/regions[33] destination market potential

Product code	Product label	Kenya's exports to the world - Average 2014 - 2016 (USD mn)	Select countries/ regions imports from Kenya Average 2014 - Average 2014 - 2016 (USD mn)	Select countries regions imports from the world - Average 2014 - 2016 (USD mn)	Kenya's Export opportunity assuming a 5% market share (USD mn)
60	Knitted or crocheted fabrics	0.7	0.9	5,730	286
61	Articles of apparel and clothing accessories, knitted or crocheted	153	146	76,285	3,807
62	Articles of apparel and clothing accessories, not knitted or crocheted	216	215	76,312	3,805
63	Other made up textile articles; sets; worn clothing and worn textile articles; rags	24	20	24,611	1,230
Total		**394**	**382**	**182,938**	**9,128**

Source: *Computation from ITC Trade Maps*

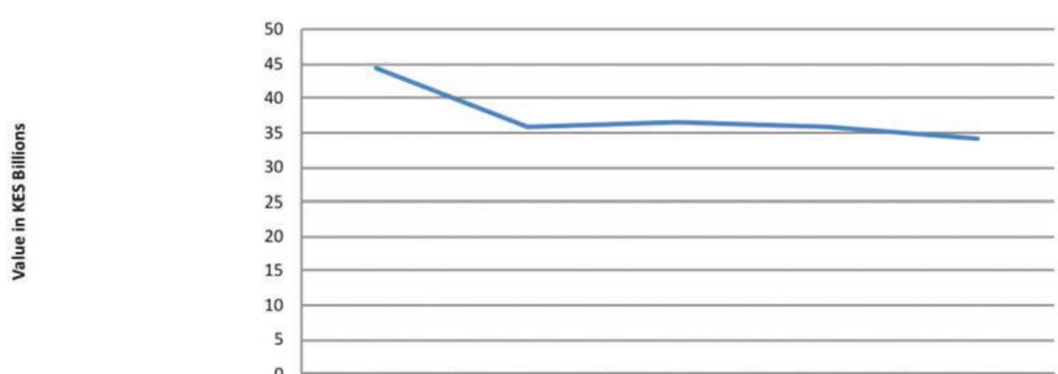
If Kenya through NEDPS intervention were to aim at a 5% market share of this consolidated market, this would translate to apparel exports valued at USD 9.1 billion compared with the current annual average level of USD 394 million. These figures represent the possibilities for enhancing apparel exports through market diversification beyond the USA and product diversification targeting these new markets, to ensure full development of export capabilities in all the 40 HS Headings of the Apparel HS Chapters.

B1/1.3.2 Agro-processing industry

Agro-processing is the lead sub-sector in Kenya's exports of manufactured products, accounting for 21% of total manufactured exports in 2016. The subs-sector export growth relies on its efficacy and reliable quality and quantity production of various raw materials from various agricultural value chains, such as vegetables, oil crops, fruits, nuts, livestock and fish.

The sector has however experienced a decline of 23% of exports from KES44 billion in 2012 to KES34billion in 2016. The drivers of these exports have been the following products: Tobacco and tobacco manufactures, animal and vegetable oils, sugar confectionery, edible products and preparations (processed foods, juices, pastas, tomatoes pastes, etc.), beer made from malt and margarine.

Chart B1/4: Food, Beverage and Tobacco Exports (2012 to 2016), value in KESBillions) - Source - Economic Surveys, KNBS



	2012	2013	2014	2015	2016*
Food, Beverage and Tobacco	44	36	37	36	34

33 *The following are the select destination countries/regions based on revealed export market potential - USA, EU, Japan, Middle East, and COMESA*

Information about the number of industrial establishments or companies in the agro processing industry sub-sector of the manufacturing sector is scanty. From the KAM database, there are vibrant industries that are behind the export numbers which can be counted to drive agro-processed products in the period 2018-2022. According to information obtained from KAM, KEBS and other stakeholders during sector consultative sessions in November 2017, there are also numerous SMEs that are also producing these products targeting domestic market but with potential to export if technology, quality standards and capacity related constraints can be addressed. A major challenge is that there is lack of a comprehensive database of SMEs in the agro-processing industry. Only a handful of SMEs are members of business organizations, such as the KAM, KNCCI or KEPSA.

Going by recorded agro-processed products exports, the product base is broader than the six product categories that dominate the sub-sector's exports. These products fall under 40 headings of the following HS chapters.

Table B1/7: NEDPS target Agro-processing[34] industries products

HS Chapter	Product Description	Number of Headings
2	Meat and edible meat offal	7
4	Dairy produce and natural honey	7
15	Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal or vegetable waxes	10
16	Preparations of meat, fish or crustaceans, molluscs or other aquatic invertebrates	3
18	Cocoa and cocoa preparations	2
19	Preparations of cereals, flour, starch or milk; pastrycooks' products	5
20	Preparations of vegetables, fruit, nuts or other parts of plants	9
21	Miscellaneous edible preparations	6
22	Beverages, spirits and vinegar	9
24	Tobacco and manufactured tobacco substitutes	3
Total HS Headings where Kenya has revealed export potential		61

The target markets that will drive agro-processed products are as follows: EAC, COMESA, EU, China, Japan, Middle East, UAE and Saudi Arabia whose annual average market size, as illustrated in the table below is estimated at USD105 Billion, against Kenya's average export to these markets, estimated at USD215million. Therefore, the scope for developing agro-processed products targeting these markets is quite wide and represents a great opportunity through NEDPS interventions.

Table B1/8: Kenya exports of agro-processed products and select[35] destination countries' and regions' market potential

Product code	Product label	Kenya's exports to the world - Average 2014 - 2016 (USD mn)	Select countries/ regions imports from Kenya - Average 2014 - 2016 (USD mn)	Select countries regions imports from the world - Average 2014 - 2016 (USD mn)	Kenya's Export opportunity assuming a 5% market share (USD mn)
15	Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal or vegetable waxes	71	57	23,503	1,172
16	Preparations of meat, fish or crustaceans, molluscs or other aquatic invertebrates	15	4	8,951	447
18	Cocoa and cocoa preparations	4	1	6,135	307
19	Preparations of cereals, flour, starch or milk; pastrycooks' products	10	5	14,587	729

34 *Meat and edible meat offal and Dairy produce and honey are covered under livestock*
35 *The following are the selection destination countries/regions based on revealed export potential for agro-processed products - EAC, COMESA, EU, China, Japan, Middle East, UAE and Saudi Arabia*

Product code	Product label	Kenya's exports to the world - Average 2014 - 2016 (USD mn)	Select countries/ regions imports from Kenya - Average 2014 - 2016 (USD mn)	Select countries regions imports from the world - Average 2014 - 2016 (USD mn)	Kenya's Export opportunity assuming a 5% market share (USD mn)
20	Preparations of vegetables, fruit, nuts or other parts of plants	135	14	9,746	487
21	Miscellaneous edible preparations	49	31	13,080	652
22	Beverages, spirits and vinegar	58	54	13,913	693
24	Tobacco and manufactured tobacco substitutes	115	48	14,964	734
Total		**457**	**214**	**104,879**	**5,221**

Source: Computation from ITC Trade Maps

If the country aims at taking a share of 5% of these markets that would translate to agro-processed exports of USD5.2billion up from the current USD215 million. This presents a business case for targeted agro-processed products exports, aiming at increasing market share in these markets as the return to the investments in NEDPS interventions.

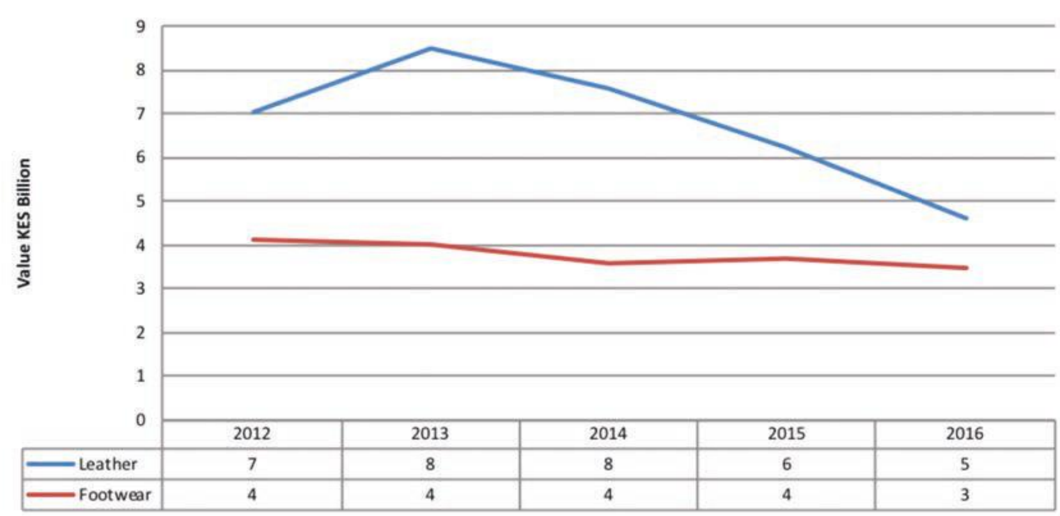
B1/1.3.3 Leather and Leather Products

The current state of the leather sector is characterized by over 85% of leather export being 'wet blue' leather, implying a huge potential for export of leather products through value addition of this raw material.

The value chain for this subsector comprises of: Production of livestock (Animal Husbandry); slaughter house and preservation of hides and skins; tannery; production of leather goods; marketing and distribution. These are the areas that will be analyzed to diagnose the problems and develop interventions to enhance productivity and competiveness for the export market.

The opportunity is even higher if the current challenges in production of quality hides and skins are addressed. The Government, under the Manufacturing Sector Pillar of Economic Transformation over the period 2018-2022 foresees the leather and leather industrial sector playing a crucial role in the industrial transformation of the economy. The transmission mechanism for this transformation is moving processing further from wet blue into crust finished leather, and production of leather products such as shoes, belts and bags for local and export markets. Against the backdrop of this zeal is the decline in the leather and footwear exports by 46% and 13% respectively between 2013 and 2016.

Chart B1/5: Leather and Footwear Exports, KES Billions (Source - Economic Surveys, KNBS)



The products that will drive exports of leather products and footwear under the NEPDS frame are as follows: bags, belts, trunks, suitcases, vanity cases, executive-cases, briefcases, school satchels, spectacle cases, articles of apparel and clothing accessories of leather or composition leather, saddlery and harness for animal mounting including traces, leads, knee pads, muzzles, saddle cloths and leather shoes. For purposes of NEDPS product targeting, Articles of leather are under 4 HS Headings while footwear is under 6 HS Headings.

The target markets that could drive leather products and footwear export growth have an estimated market size of USD31 billion for articles of leather against KES3m current level of Kenya's exports of these products. The market size is even higher for footwear, which is estimated at USD46 billion against Kenya's exports of USD29m. The markets include EAC, COMESA, EU, USA, Japan, Middle East and UAE.

Table B1/9: Kenya's articles of leather and footwear exports and select[36] destination countries/region's market potential

Product code - HS Chapter	Product label	Kenya's exports to world. - Average 2014 - 2016 (USD mn)	Select regions imports from Kenya - Average 2014 - 2016 (USD mn)	Select regions imports from world - Average 2014 - 2016 (USD mn)	Kenya's Export opportunity assuming a 5% market share (USD mn)
42	Articles of leather; saddlery and harness; travel goods, handbags and similar containers; articles of animal gut (other than silk-worm gut)	3	2	30,864	1,543
64	Footwear, gaiters and the like; parts of such articles	29	25	46,158	2,307

Source: *Computation from ITC Trade Maps*

If Kenya were to target a 5% share in these markets, this would translate to USD1.5bn exports of articles of apparel and USD2.3bn of footwear against the current level of USD3mn and 29mn respectively. This will require huge investment in the leather and footwear industry targeting this market potential.

B1/1.3.4 Pharmaceutical and medical equipment

Kenya's health sector is valued at USD 3.5 billion and contributes approximately 6% to the country's GDP. The sector is expected to grow at a faster rate than the overall economy. Growth is estimated at an average compound annual growth rate of 10.8% from 2014 to 2019. The reasons for this projected growth include: Increase in government contribution, A growing population at about 2.6% annual growth rate, Economic growth: estimated at 7% GDP growth in 2016 and growing trends in non-communicable and communicable diseases among other favourable factors. Kenya spends approximately 8% of its GDP on health care.

The number of companies engaged in manufacturing and distribution of pharmaceutical products in Kenya continue to expand, driven by the Government's efforts to promote local and foreign investment in the sector and the national agenda of the Big Four. There are presently about 40 pharmaceutical manufacturers in Kenya.

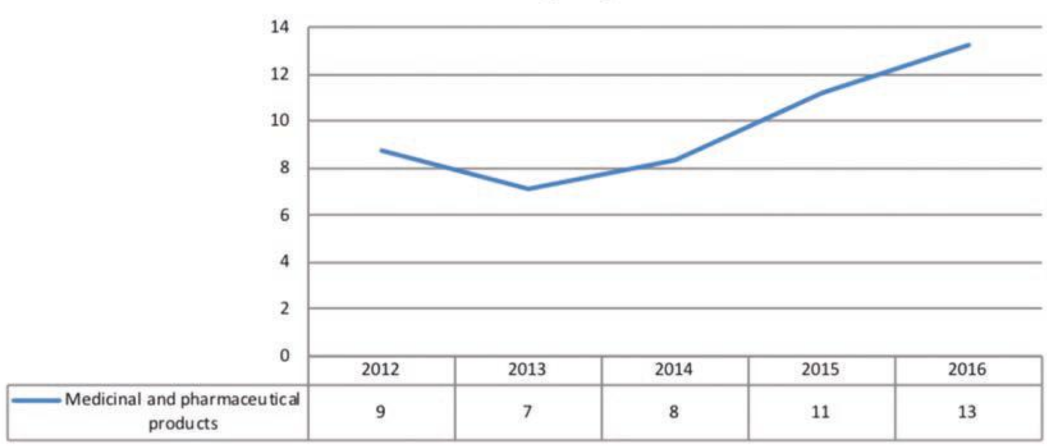
36 *The following are the select destination countries/regions based on revealed export potential for leather and footwear products - EAC, COMESA, EU, USA, Japan, Middle East and UAE*

Kenya is currently the largest producer of pharmaceutical products in the COMESA and EAC region. The value chain for this subsector comprises of: Production of active ingredient and other inputs; formulation of the ingredients into pharmaceutical products; packaging and branding and; marketing and distribution. These are the areas that will be analyzed to diagnose the problems and develop interventions to enhance productivity and competiveness for the export market.

The products manufactured by the pharmaceutical companies in the country for both local and international markets include Antibiotics, Antimalarials, Antiamoebics, Analgesics, Antidiarrheals, Antacids, Tranquillisers, Antispasdics, Vitamins and Antiulcers. These drugs are used in various medical areas including Anti-Infective, Gastrointestinal, Analgesic/Anti-inflammatory, Cardiovascular and Respiratory therapeutic segments. Kenya became the second African country after South Africa to start producing generic antiretroviral drugs in the continent.

As evidenced in the chart below, the sector has enjoyed a 34% increase in exports from KES9billion in 2012 to KES13billion in 2016.

Chart B1/6: Medicinal and pharmaceutical products exports (2012-2016) - Figures in KESBillions (Source - Economic Survey, KNBS)



Pharmaceutical exports have been driven by products that fall under 4 HS Headings which demonstrates the country's pharmaceutical products capability that the country can tap into in pursuit of NEDPS export growth targets. Given the huge untapped market, as discussed below, the focus of the country will be to expand production and promote export of the pharmaceutical products.

The target market to drive exports of pharmaceutical products is COMESA, EAC and Rest of Africa, where total market size is estimated at USD13billions. Kenya is only able to export an average of USD63 million to this backyard market.

Table B1/10: Kenya's pharmaceutical products exports and select regions[37] destination market potential

Product code	Product label	Kenya's exports to world. - Average 2014 - 2016 (USD mn)	Select regions imports from Kenya - Average 2014 - 2016 (USD mn)	Select regions imports from world - Average 2014 - 2016 (USD mn)	Kenya's Export opportunity assuming a 5% market share (USD mn)
30	Pharmaceutical products	96	64	13,633	678

Source: Computation from ITC Trade Maps

37 *The following are the select destinations regions for pharmaceutical products exports based on revealed export potential - COMESA, EAC and Rest of Africa*

The main challenge for the Pharmaceutical manufacturers in Kenya is the adherence to the requirements under the Good Manufacturing Practice (GMP).

A 5% increase in the market share of the EAC, COMESA and Rest of Africa pharmaceutical products markets will translate to exports worth USD678mn up from the current level of USD64mn.

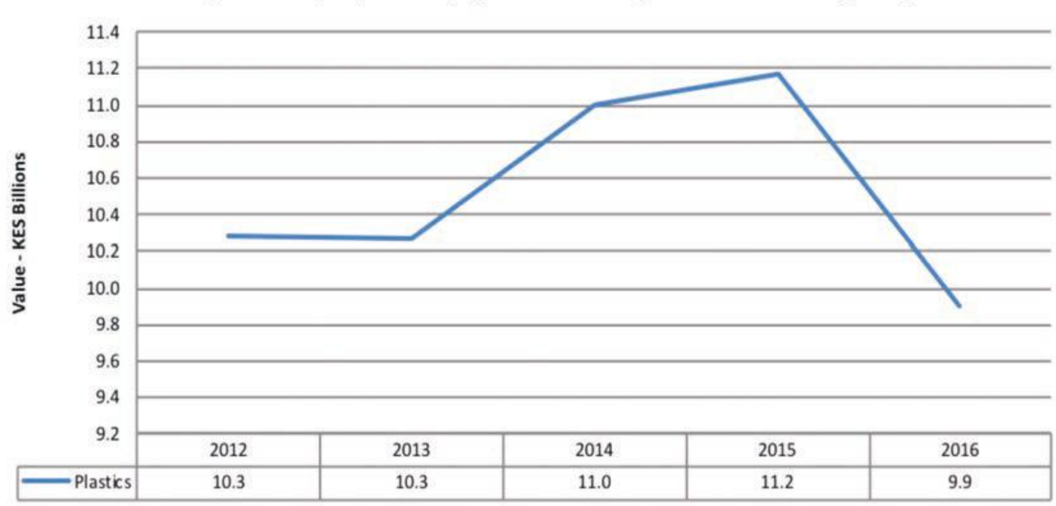
B1/1.3.5 Plastics and Articles of Plastics

The plastic industry in Kenya is quite vibrant as demonstrated by articles of plastics being among the top principal exports of the manufacturing sector. Articles of plastics produced by the industry include house goods such as utensils, furniture; construction material such as pipes, window and doorframes; packing materials - mainly boxes and bottles, among others. Given the nature of these products, the industry is poised to play a pivotal role in the efforts to increase the level of manufactured products exports.

The value chain for this subsector comprises of: Production of basic raw materials and other inputs; moulding into final products; packaging and branding and; marketing and distribution. These are the areas that will be analyzed to diagnose the problems and develop interventions to enhance productivity and competiveness for the export market.

A review of export performance of articles of plastics shows tremendous performance between 2013 and 2015. During this period exports increased from KES10.3bn in 2013 to KES11.2bn in 2015. In 2016, however, the exports declined by 11% to KES9.9bn owing to the challenges facing the sector, which included non – tariff barriers (NTBs) in the regional market and high cost of production associated with electricity cost and the unconducive business enabling environment as indicated in the section on constraints.

Chart B1/7: Plastics exports, 2012-2016, Figures in KES Billions (Source - Economic Surveys, KNBS)



The articles of plastic that will be targeted by the NEDPS fall under 39 Headings of HS Chapter 39). The regions that Kenya will need to target for purposes of promoting exports of article of plastic are EAC, COMESA and rest of Africa (ECOWAS and ECCAS) where as illustrated in the table below the market size is estimated at USD11.7bn against Kenya's exports ofUSD103mn.

Table B1/11: Kenya's articles of plastics exports and select[38] destination regions market potential

Product code	Product label	Kenya's exports to world. - Average 2014 - 2016 (USD mn)	Select regions imports from Kenya - Average 2014 - 2016 (USD mn)	Select regions imports from world - Average 2014 - 2016 (USD mn)	Kenya's Export opportunity assuming a 5% market share (USD mn)
39	Plastics and plastic products	121	103	11,817	586

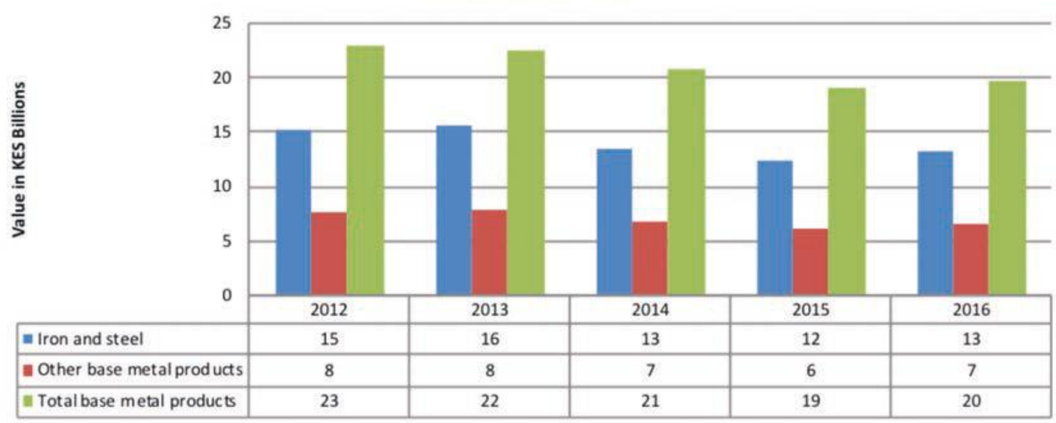
Source: *Computation from ITC Trade Maps*

If Kenya were to target a 5% share in these markets, this would translate to USD586mn exports of articles of plastic against the current level of USD103mn. This will require a huge investment in the plastic industry targeting production of articles of plastic that have revealed regional market potential.

B1/1.3.6 Metal and allied products

Base metals accounted for 12% of total manufactured exports in 2016. These products, however, recorded a decline of 14% from KES23bn in 2012 to KES20bn in 2016. The exports are dominated by iron and steel, which accounted for an average 66% of metal exports. This means that iron and steel will play a pivotal role in driving exports of metal and allied industries in pursuit of the NEDPS export growth target.

Chart B1/8: Base metal products exports - 2012-2016, Figures in KES Billions (Source: KNBS Economic Survey, 2017)



The value chain for this subsector comprises of: extraction of the ores: smelting; production of intermediate and final products; branding, marketing and distribution. These are the areas that will be analyzed to diagnose the problems and develop interventions to enhance productivity and competiveness for the export market.

Going by Kenya's recorded base metal products exports in the ITC Trade Maps between 2014 and 2016, the product base that will drive exports of base metal products under the NEDPS fall under the following 4 HS Chapters and 70 HS Headings (Refer Annex 1 for details of the specific HS Headings).

38 *The following are the selection destination regions based on revealed export potential for plastic products - EAC, COMESA and rest of Africa (ECOWAS and ECCAS)*

Table B1/12: NEDPS target base metal products

HS Chapter	Product Description	Number of Headings
72	Iron and steel	22
73	Articles of iron or steel	25
76	Aluminium and articles thereof	12
83	Miscellaneous articles of base metal	11
Total HS Headings where Kenya has revealed export potential		**70**

The markets that could be targeted to drive exports of base metal products are within the following Regional Blocs in Africa: EAC, COMESA, ECOWAS and ECCAS. As a result of the economic boom associated with envisaged infrastructural and industrial development the regional blocs have an estimated annual total market size of base metal products of USD23 billion against Kenya's exports of these products which is estimated at USD139mn per year.

Table B1/13: Kenya exports of metal and allied industries products and select[39] destination regions market potential

Product code	Product label	Kenya's exports to world. - Average 2014 - 2016 (USD mn)	Select regions imports from Kenya - Average 2014 - 2016 (USD mn)	Select regions imports from world - Average 2014 - 2016 (USD mn)	Kenya's Export opportunity assuming a 5% market share (USD mn)
72	Iron and steel	90	77	11,221	557
73	Articles of iron or steel	43	27	8,739	436
76	Aluminium and articles thereof	35	18	2,040	101
83	Miscellaneous articles of base metal	19	18	1,684	83
Total		**187**	**139**	**23,685**	**1,177**

Source: Computation from ITC Trade Maps

If Kenya were to target a 5% share in these markets, this would translate to USD1.2bn exports of base metal products against the current level of USD139mn. This will require huge investment in the base metal industry, especially iron and steel as well as aluminium industry targeting the revealed regional market potential for products of base metal industries.

B1/1.3.7 Chemical and Allied industries

The products of Chemical and Allied industries that are being produced in Kenya, according to the trade flow data include essential oils and beauty products, soaps and detergents, insecticides, lubricant preparations, shoe polish, organic composite solvents and thinners, among many other products.

The products fall under HS chapters 33, 34 and 38 and are distributed across 31 HS Headings of these chapters as illustrated in the table below (Refer Annex 1 for the details on the specific Headings).

39 *The following are the select destination regions based on revealed export potential for metals products - EAC, COMESA, ECOWAS and ECCAS*

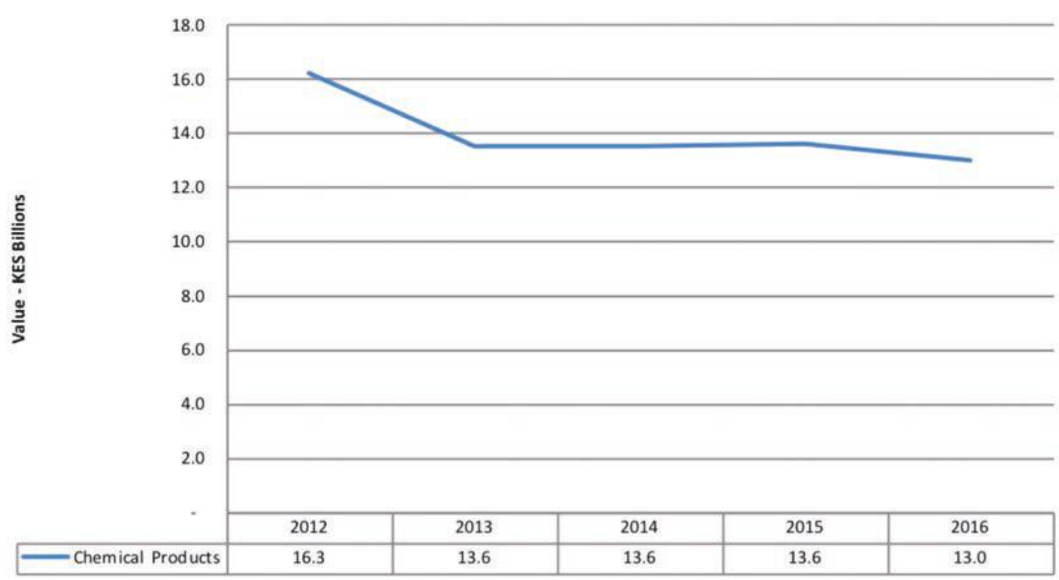
Table B1/14: NEDPS target Chemical and Allied industries products

HS Chapter	Product Description	Number of Headings
33	Essential oils and resinoids; perfumery, cosmetic or toilet preparations	7
34	Soaps, organic surface-active agents, washing preparations, lubricating preparations, artificial waxes, prepared waxes, shoe polish, scouring powder and the like, candles and similar products, modelling pastes, dental wax and plaster-based dental pre	6
38	Miscellaneous chemical products	18
Total HS Headings where Kenya has revealed export potential		**31**

The value chain for this subsector comprises of: Production of basic and intermediate inputs; formulation of intermediate and final products; packaging and branding and; marketing and distribution. These are the areas that will be analyzed to diagnose the problems and develop interventions to enhance productivity and competiveness for the export market.

The exports of chemical products have recorded a decline of 20% from KES16.3bn in 2012 to KES13.2bn by 2016. Essential oils dominate the exports, accounting for an average of 78% of total exports of chemical products over the period 2012-2016. The decline in chemical products exports is mainly accounted for by the corresponding decline in essential oils, which during this period recorded a decline of 32% from KES13.6bn in 2012 to KES9.1 billion in 2016.

Chart B1/9: Chemical products exports - 2012-2016, Figures in KES Billions (Source - Economic Surveys, KNBS)



The challenge in the sector is to increase exports of the chemical products to reverse the declining trend. The destination markets that offer the promise for chemical products exports are EAC, COMESA and Rest of Africa (ECOWAS and ECCAS). According to the ITC database computations, the market stands at USD5.9 billion against Kenya's exports of USD92 million.

Table B1/15: Exports of Chemical products and select[40] destination regions market export opportunities

Product code	Product label	Kenya's exports to world - Average 2014 - 2016 (USD mn)	Select regions imports from Kenya - Average 2014 - 2016 (USD mn)	Select regions imports from world - Average 2014 - 2016 (USD mn)	Potential Kenya's Export opportunity assuming a 5% market share (USD mn))
33	Essential oils and resinoids; perfumery, cosmetic or toilet preparations	19	15	1,212	61
34	Soaps, organic surface-active agents, washing preparations, lubricating preparations, artificial waxes, prepared waxes, shoe polish, scouring powder and the like, candles and similar products, modelling pastes, dental wax and plaster-based dental pre	72	59	667	33
38	Miscellaneous chemical products	22	18	4,025	201
Total		**113**	**92**	**5,904**	**295**

Source: *Computation from ITC Trade Maps*

If Kenya were to pursue a 5% market share in these markets that would translate to USD295mn up from the ITC recorded export of USD114million

B1/1.3.8 Light engineering

According to COMESA (2016)[41] Light Engineering is defined to cover products falling under the following chapters:

a) HS Chapter 85 - Electrical machinery and equipment and parts thereof; sound recorder, televisions;

b) HS Chapter 74 - Copper and article of;

c) HS Chapter 84 - Machinery, mechanical appliances and parts thereof;

d) Hs Chapter 72 - Iron and steel.

The value chain for this subsector comprises of: fabrication of intermediate and final products from iron and steel and allied industries and; packaging and branding, marketing and distribution. These are the areas that will be analyzed to diagnose the problems and develop interventions to enhance productivity and competiveness for the export market.

To determine focal products for pursuit in the Kenya export strategy, rigorous trade flow analysis and industry consultation was undertaken. According to the results of this exercise and consultation with stakeholders during sectoral consultative sessions in November 2017, the focus for the Light Engineering industry will be on 8 HS Heading in HS Chapter 85 (Refer the table below for details). These are the products that the country has huge revealed immediate capacity to exploit over the period 2018-2022 and realize export growth.

40 *The following are the select destination regions based on the revealed export potential for base metals - EAC, COMESA, ECOWAS and ECCAS*

41 *COMESA (2016), Light Engineering Sector Needs Assessment and Implementation Plan Report, under the ACP-EU TBT Program*

Table B1/16: NEDPS target Light Engineering industries products

Product code	Product label
‘8501	Electric motors and generators (excluding generating sets)
‘8502	Electric generating sets and rotary converters
‘8503	Parts suitable for use solely or principally with electric motors and generators, electric ...
‘8504	Electrical transformers, static converters, e.g. rectifiers, and inductors; parts thereof
‘8506	Primary cells and primary batteries, electrical; parts thereof (excluding spent)
‘8507	Electric accumulators, incl. separators therefor, whether or not square or rectangular; parts ...
‘8509	Electromechanical domestic appliances, with self-contained electric motor; parts thereof (excluding ...
‘8511	Electrical ignition or starting equipment of a kind used for spark-ignition or compression-ignition ...
‘8513	Portable electric lamps designed to function by their own source of energy, e.g. dry batteries, ...
‘8516	Electric instantaneous or storage water heaters and immersion heaters; electric space-heating ...
‘8517	Telephone sets, incl. telephones for cellular networks or for other wireless networks; other ...
‘8518	Microphones and stands therefor (excluding cordless microphones with built-in transmitter); ...
‘8523	Discs, tapes, solid-state non-volatile storage devices, “smart cards” and other media for the ...
‘8525	Transmission apparatus for radio-broadcasting or television, whether or not incorporating reception ...
‘8526	Radar apparatus, radio navigational aid apparatus and radio remote control apparatus
‘8527	Reception apparatus for radio-broadcasting, whether or not combined, in the same housing, with ...
‘8528	Monitors and projectors, not incorporating television reception apparatus; reception apparatus ...
‘8529	Parts suitable for use solely or principally with transmission and reception apparatus for ...
‘8531	Electric sound or visual signaling apparatus, e.g. bells, sirens, indicator panels, burglar ...
‘8534	Printed circuits
‘8535	Electrical apparatus for switching or protecting electrical circuits, or for making connections ...
‘8536	Electrical apparatus for switching or protecting electrical circuits, or for making connections ...
‘8537	Boards, panels, consoles, desks, cabinets and other bases, equipped with two or more apparatus ...
‘8538	Parts suitable for use solely or principally with the apparatus of heading 8535, 8536 or 8537, ...
‘8539	Electric filament or discharge lamps, incl. sealed beam lamp units and ultraviolet or infra-red ...
‘8541	Diodes, transistors and similar semiconductor devices; photosensitive semiconductor devices, ...
‘8543	Electrical machines and apparatus, having individual functions, n.e.s. in chapter 85 and parts ...
‘8544	Insulated “incl. enamelled or anodised” wire, cable “incl. coaxial cable” and other insulated ...
‘8545	Carbon electrodes, carbon brushes, lamp carbons, battery carbons and other articles of graphite ...
‘8548	Waste and scrap of primary cells, primary batteries and electric accumulators; spent primary ...

There are existing industries that will be supported to drive export growth of this sector products apart from attracting new investors into the sector.

The existing industries already have huge enough installed capacity to supply the regional demand. They, however, suffer from unutilized capacity estimated at about 50% as a result of challenges in production and regional market access barriers. Key among these barriers and related challenges are:

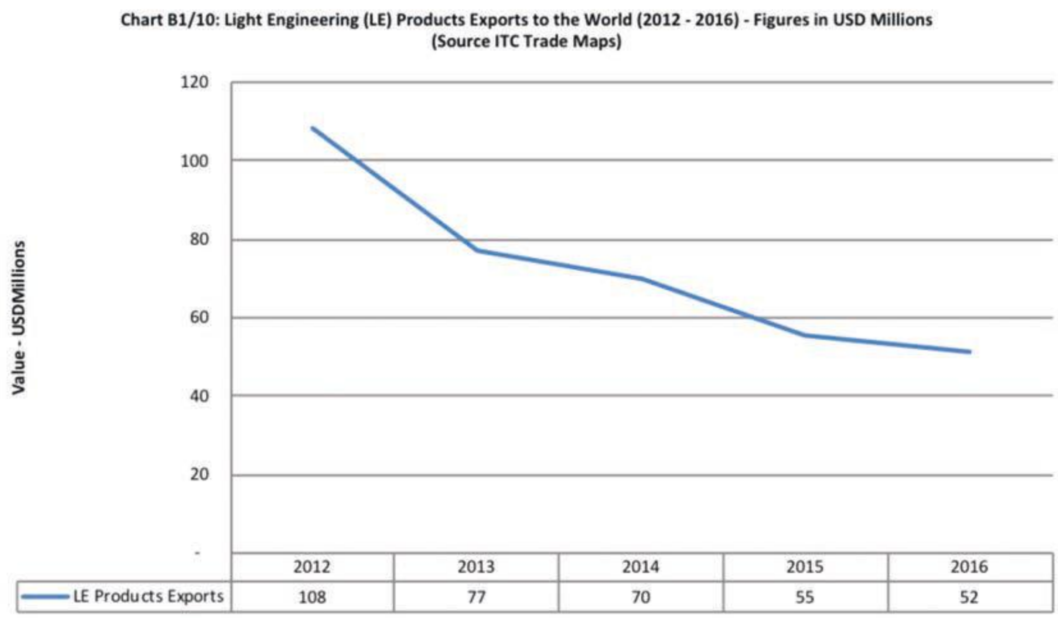
a) Customs tariff on raw materials, not conducive for local manufacturers. Finished product and raw materials are rated at the same tariff levels for duty and VAT;

b) Cheap low quality Imports from China, India, Far East, that in some cases are substandard; and,

c) Lack of harmonized regional standards for Light Engineering products.

d) Inadequate supply of quality raw materials.

These challenges are manifested in the performance of Kenya's exports of Light Engineering products, which as illustrated in the chart below, witnessed a decline of 52% from USD108 million in 2012 to USD52millions in 2016.



As evidenced in the table below, all the 39 HS Headings that account for over 95% of Kenya's exports recorded huge drop in exports between 2012 and 2016 ranging between 10% and 98%.

Table B1/17: Kenya Light Engineering products export performance (2012 to 2016) - Figures in USD Millions

Product code	Product label	2012	2013	2014	2015	2016	Growth (2012-2016) - %
'8517	Telephone sets, incl. telephones for cellular networks or for other wireless networks; other	22.7	12.6	4.3	15.1	7.3	-68%
'8507	Electric accumulators, incl. separators therefor, whether or not square or rectangular; parts ...	19.2	18.9	20.3	12.8	11.0	-43%
'8544	Insulated "incl. enamelled or anodised" wire, cable "incl. coaxial cable" and other insulated	13.1	11.0	11.6	6.8	5.8	-56%
'8502	Electric generating sets and rotary converters	8.7	3.8	4.9	1.4	0.6	-93%

Product code	Product label	2012	2013	2014	2015	2016	Growth (2012-2016) - %
‘8501	Electric motors and generators (excluding generating sets)	8.2	2.7	2.7	1.1	0.5	-94%
‘8537	Boards, panels, consoles, desks, cabinets and other bases, equipped with two or more apparatus ...	4.1	3.2	3.7	4.2	3.4	-18%
‘8506	Primary cells and primary batteries, electrical; parts thereof (excluding spent)	3.9	2.7	1.9	0.3	0.1	-98%
‘8525	Transmission apparatus for radio-broadcasting or television, whether or not incorporating reception ...	3.7	5.9	2.7	0.5	0.4	-89%
‘8528	Monitors and projectors, not incorporating television reception apparatus; reception apparatus ...	3.3	1.4	4.4	0.8	0.3	-92%
‘8541	Diodes, transistors and similar semiconductor devices; photosensitive semiconductor devices, ...	2.6	1.6	2.9	1.3	2.4	-10%
‘8504	Electrical transformers, static converters, e.g. rectifiers, and inductors; parts thereof	2.6	0.7	1.7	1.3	1.8	-33%
‘8516	Electric instantaneous or storage water heaters and immersion heaters; electric space-heating	2.2	0.9	0.7	0.2	0.3	-86%
‘8536	Electrical apparatus for switching or protecting electrical circuits, or for making connections ...	1.9	2.3	1.1	0.8	0.5	-71%
‘8529	Parts suitable for use solely or principally with transmission and reception apparatus for ...	1.7	1.2	1.1	2.8	1.5	-11%
‘8527	Reception apparatus for radio-broadcasting, whether or not combined, in the same housing, with ...	1.6	1.9	0.3	0.0	0.1	-95%
‘8523	Discs, tapes, solid-state non-volatile storage devices, “smart cards” and other media for the ...	1.5	0.4	0.5	0.7	0.5	-68%
‘8543	Electrical machines and apparatus, having individual functions, n.e.s. in chapter 85 and parts ...	1.2	0.5	0.2	1.1	0.4	-68%
‘8548	Waste and scrap of primary cells, primary batteries and electric accumulators; spent primary ...	0.8	0.0	0.2	0.5	0.8	7%
‘8535	Electrical apparatus for switching or protecting electrical circuits, or for making connections ...	0.6	1.8	0.5	0.2	0.1	-85%

Product code	Product label	2012	2013	2014	2015	2016	Growth (2012-2016) - %
‘8538	Parts suitable for use solely or principally with the apparatus of heading 8535, 8536 or 8537,	0.6	0.3	0.5	0.6	0.2	-68%
‘8511	Electrical ignition or starting equipment of a kind used for spark-ignition or compression-ignition ...	0.5	0.2	0.1	0.3	0.0	-91%
‘8503	Parts suitable for use solely or principally with electric motors and generators, electric ...	0.5	0.2	0.5	0.3	0.0	-91%
‘8526	Radar apparatus, radio navigational aid apparatus and radio remote control apparatus	0.4	0.1	0.3	0.3	0.1	-69%
‘8534	Printed circuits	0.4	0.3	0.1	0.0	0.1	-75%
‘8513	Portable electric lamps designed to function by their own source of energy, e.g. dry batteries, ...	0.4	0.1	0.3	0.2	0.0	-89%
‘8509	Electromechanical domestic appliances, with self-contained electric motor; parts thereof (excluding ...	0.2	0.1	0.1	0.1	0.1	-72%
‘8518	Microphones and stands therefor (excluding cordless microphones with built-in transmitter); ...	0.2	0.3	0.1	0.1	0.1	-36%
‘8531	Electric sound or visual signalling apparatus, e.g. bells, sirens, indicator panels, burglar ...	0.2	0.2	0.1	0.4	0.1	-26%
‘8545	Carbon electrodes, carbon brushes, lamp carbons, battery carbons and other articles of graphite ...	0.1	0.0	0.1	0.1	0.1	-27%
‘8539	Electric filament or discharge lamps, incl. sealed beam lamp units and ultraviolet or infra-red ...	0.1	0.2	0.3	0.3	0.2	68%
Sub-total		107.5	75.5	68.2	54.7	38.9	-64%
Other Light Engineering products		0.7	1.4	1.6	0.8	12.1	1628%
Grand Total		107.9	76.9	69.8	55.4	50.9	-52%

Source: *ITC Trade Maps, Growth data is own computation*

The immediate challenge therefore is how to increase exports of the Light Engineering products to reverse the declining trend in order to attain the manufacturing industry export growth target of 39% per year over the NEDPS period (2018-2022).

According to the destination market potential survey done in the course of formulating this strategy, the market that have potential are EAC, COMESA and ECCAS, where estimated annual market size is USD17.5 billions against Kenya’s annual exports to this region estimated at KES72 million.

Table B1/18 Kenya export of Light Engineering Products (Electrical Machinery and Equipment Parts) and select[42] destination regions markets potential

Product code	Product label	Kenya's exports to world - Average 2012 - 2016 (USD mn)	Select regions imports from Kenya - Average 2012 - 2016 (USD mn)	Select regions imports from world - Average 2012 - 2016 (USD mn)	Kenya's Export opportunity assuming a 5% market share (USD mn)
85	Electrical machinery and equipment and parts thereof (Light Engineering)	72	72	17,536	877

Source: *Computation from ITC Trade Maps*

If Kenya were to pursue a 5% market share in these regional markets, that would translate to USD877mn. Given that these markets, especially EAC and COMESA are fully liberalized under the EAC and COMESA common market trade regime, Kenyan goods enjoy duty free treatment, a factor that contributes to the competitiveness of these products vis-a-vis similar products from the rest of the world. It is therefore possible for Kenya to not only reclaim the lost market but also aspire, through the NEDPS, to increase her market share of Light Engineering products in EAC and COMESA, subject to any countermeasure industrialization policies in the destination markets.

B1/1.3.9 Furniture and Furnishings industry

The Government has singled out the furniture industry as one of the key drivers of industrial transformation because of its envisaged role in employment creation and economic growth.

The value chain for this subsector comprises of: tree forestry, timber industry, plastic, leather, textile and metal accessories; design, fabrication and assembly of intermediates into final products and; packaging and branding, marketing and distribution. These are the areas that will be analyzed to diagnose the problems and develop interventions to enhance productivity and competiveness for the export market.

In line with furniture acceleration plan *('Furniture Industry Situational Analysis and Strategy Report'),* the initial target market for the sector will be the domestic market, whose size was estimated at USD496million in 2013 and projected to grow at an annual growth rate of 10% in the coming years. Going by this projection, the furniture market in 2017 ought to have stood at about USD694million. The report cautioned need to promote the industry in order to safeguard its future from threat emanating from imported furniture, whose share in the domestic market at the time was 13%.

The other markets to be developed include regional and global market, estimated at USD140billion. The, regional market size is estimated USD2.2 billion, while Kenya's current share is about 1.4%.

the products that will be focused in the NEDPS are six products code under HS Chapter 94. For these products there are already existing producers and traders.

Table B1/19: NEDPS target furniture industry products

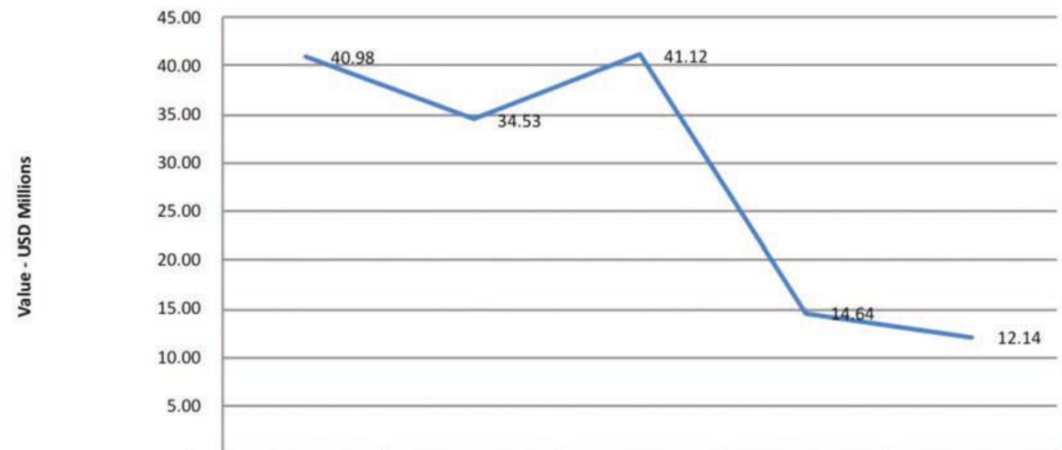
Product code	Product label
'9402	Medical, surgical, dental or veterinary furniture, e.g. operating tables, examination tables, ...
'9404	Mattress supports (excluding spring interiors for seats); articles of bedding and similar furnishing, ...
'9406	Prefabricated buildings, whether or not complete or already assembled
'9401	Seats, whether or not convertible into beds, and parts thereof, n.e.s. (excluding medical, ...

42 *The following are the select destination regions based on the revealed market potential for Light Engineering Products - EAC, COMESA and ECCAS*

Product code	Product label
'9403	Furniture and parts thereof, n.e.s. (excluding seats and medical, surgical, dental or veterinary ...
'9405	Lamps and lighting fittings, incl. searchlights and spotlights, and parts thereof, n.e.s; illuminated ...

The immediate challenge that confronts efforts to promote export of furniture is the sustained decline in exports, which as evidenced in the graph below plummeted by 70% from USD41million in 2012 to USD12.1 million in 2016.

Chart B1/11: Furniture exports, 2012-2016 (Figures in USD Millions) - Source ITC Trade Maps



	2012	2013	2014	2015	2016
Furniture exports	40.98	34.53	41.12	14.64	12.14

As revealed in the table below, the decline was posted in all products, with exception of the tariff on lamps and lighting fittings (HS Heading 9405).

Table B1/20: Kenya furniture products export performance (2012 to 2016) - Figures in USD Millions

Product code	Product label	2012	2013	2014	2015	2016	Growth (between 2012 and 2016) %
'9402	Medical, surgical, dental or veterinary furniture, e.g. operating tables, examination tables, ...	1.46	0.49	0.41	0.04	0.03	-98%
'9404	Mattress supports (excluding spring interiors for seats); articles of bedding and similar furnishing, ...	8.26	7.93	5.52	0.22	0.32	-96%
'9406	Prefabricated buildings, whether or not complete or already assembled	14.53	8.76	15.01	5.05	3.90	-73%
'9401	Seats, whether or not convertible into beds, and parts thereof, n.e.s. (excluding medical, ...	1.13	1.13	0.90	0.62	0.81	-28%
'9403	Furniture and parts thereof, n.e.s. (excluding seats and medical, surgical, dental or veterinary ...	13.33	13.33	13.26	4.59	4.70	-65%
'9405	Lamps and lighting fittings, incl. searchlights and spotlights, and parts thereof, n.e.s; illuminated ...	2.27	2.90	6.03	4.12	2.38	5%
Total		**40.98**	**34.53**	**41.12**	**14.64**	**12.14**	**-70%**

Source: *ITC Trade Maps, Growth data is own computation*

Some of the contributory factors towards poor performance of the furniture industry include:

a) Limited and unreliable supply of inputs (sawn timber, wood-based panels, other inputs) constrains industry growth and increases dependence on imports;

b) Insufficient investment in technology, design, skills, and supply chain results in limited availability of industry-specific skills and low levels of productivity;

c) Limited access to furniture outlets for *Jua Kali* producers means the sector cannot fully tap growing consumer demand (furniture trade outlets meet demand with majority imports);

d) Limited collaboration and cooperation both within and between the formal and Jua Kali sectors results in limited outsourcing and specialization in both segments; and,

e) Lack of official industry association to represent sector interests, promote PPPs and Kenyan furniture, and share best practices.

Table B1/21: Kenya export of furniture and select[43] destination regions market export opportunity

Product code	Product label	Kenya's exports to world. - Average 2012 - 2016 (USD mn))	Select regions imports from Kenya - Average 2012 - 2016 (USD mn)	Select regions imports from world - Average 2012 - 2016 (USD mn)	Kenya's Export opportunity assuming a 5% market share (USD mn)
94	Furniture; medical and surgical furniture; bedding, mattresses, mattress supports, cushions and similar stuffed furnishings; lamps and lighting fittings, not elsewhere specified; illuminated signs, illuminated name-plates and the like; prefabricated	34	34	2,511	126

Source: *ITC Trade Maps, Kenya's Export Opportunity - Own Computation*

If Kenya were to aspire to increase its market share of furniture products in these regional blocks by 5%, that would translate to USD126mn.

B1/1.3.10 Automotive and Parts Industry

Kenya's motor vehicle industry is poised to play a significant role in the country's effort to increase national exports through industrial transformation. This hope comes from the fact that the exports of vehicles and trailers are listed among the top 47 products listed in the Economic Survey as Kenya's Principal export products in the same league as top performance products such as coffee, tea, horticulture, among others.

The value chain for this subsector comprises of: fabrication of intermediate and final products from iron and steel and allied industries, glass, rubber, leather and plastics and; packaging and branding, marketing and distribution. These are the areas that will be analyzed to diagnose the problems and develop interventions to enhance productivity and competiveness for the export market.

43 *The following are the select destination regions markets based on revealed export potential for furniture - EAC, COMESA and ECCAS*

The specific products to drive exports from the automotive and parts industry are as detailed in the table below. These are the products that Kenya is reported, in ITC Trade Maps, to have exported between 2012 and 2016.

Table B1/22: NEDPS target automotive and parts industry products

Product Code	Product Label
'8711	Motorcycles, incl. mopeds, and cycles fitted with an auxiliary motor, with or without side-cars; ...
'8703	Motor cars and other motor vehicles principally designed for the transport of persons, incl. ...
'8701	Tractors (other than tractors of heading 8709)
'8708	Parts and accessories for tractors, motor vehicles for the transport of ten or more persons, ...
'8716	Trailers and semi-trailers; other vehicles, not mechanically propelled (excluding railway and ...
'8712	Bicycles and other cycles, incl. delivery tricycles, not motorised
'8702	Motor vehicles for the transport of >= 10 persons, incl. driver
'8707	Bodies, incl. cabs, for tractors, motor vehicles for the transport of ten or more persons, ...
'8704	Motor vehicles for the transport of goods, incl. chassis with engine and cab
'8714	Parts and accessories for motorcycles and bicycles and for carriages for disabled persons, ...

The immediate challenge that the country faces is to counter factors that have precipitated the decline in vehicles, trailers and parts between 2012 and 2016. This concern is evidenced in the graph below, which illustrates the decline in Kenya's vehicle, trailers and parts exports from USD76bn in 2012 to USD24bn by 2016.

Chart B1/12: Motor vehicles, Trailers, Motor Cyles and Accessories Exports, 2012-2016 (Value in USD Millions) - Source ITC Trade Maps

	2012	2013	2014	2015	2016
Motor vehicles Exports	76.85	77.95	67.17	35.70	24.16

As demonstrated in the table below, the decline is recorded in all categories of vehicles, trailers and parts of various HS Headings, ranging between 48% and 98%.

Table B1/23: **Kenya motor vehicle industry export performance (2012 to 2016) - Figures in USD Millions**

Product Code	Product Label	2012	2013	2014	2015	2016	Growth (between 2012 and 2016) %
'8711	Motorcycles, incl. mopeds, and cycles fitted with an auxiliary motor, with or without side-cars; ...	0.61	0.57	0.33	0.32	0.04	-93%
'8703	Motor cars and other motor vehicles principally designed for the transport of persons, incl. ...	6.58	3.88	6.23	2.95	0.36	-94%
'8701	Tractors (other than tractors of heading 8709)	6.60	5.02	5.26	0.73	0.71	-89%
'8708	Parts and accessories for tractors, motor vehicles for the transport of ten or more persons, ...	4.72	3.44	3.22	2.08	1.97	-58%
'8716	Trailers and semi-trailers; other vehicles, not mechanically propelled (excluding railway and ...	30.68	30.84	22.89	13.44	12.28	-60%
'8712	Bicycles and other cycles, incl. delivery tricycles, not motorised	0.30	0.18	0.16	0.04	0.02	-94%
'8702	Motor vehicles for the transport of >= 10 persons, incl. driver	13.01	16.99	15.69	9.76	6.77	-48%
'8707	Bodies, incl. cabs, for tractors, motor vehicles for the transport of ten or more persons, ...	1.59	1.09	1.23	0.20	0.15	-90%
'8704	Motor vehicles for the transport of goods, incl. chassis with engine and cab	12.72	15.92	11.80	5.48	1.83	-86%
'8714	Parts and accessories for motorcycles and bicycles and for carriages for disabled persons, ...	0.05	0.02	0.37	0.72	0.02	-55%
Total		**76.85**	**77.95**	**67.17**	**35.70**	**24.16**	**-69%**

Source: *ITC Trade Maps*

Prospects for the motor vehicle exports lie in the regional market, principally EAC, COMESA and rest of Africa. The market size of the vehicles, trailers and parts is estimated at USD27.9bn per year. This is against Kenya's exports to these regional blocs, which averaged USD56mn.

Table B1/24: **Kenya export of vehicles, trailers and parts select[44] and destination regions market potential export**

Product code	Product label	Kenya's exports to world. - Average 2012 - 2016 (USD mn)	Select regions imports from Kenya - Average 2012 - 2016 (USD mn)	Select regions imports from world - Average 2012 - 2016 (USD mn)	Kenya's Export opportunity assuming a 5% market share (USD mn)
87	Vehicles and parts and accessories thereof.	56	56	27,919	1,396

Source: *ITC Trade Maps, Kenya's Export Opportunity - Own Computation*

If Kenya were to target gaining a share of 5% of this regional bloc's market size that would translate to annual exports of vehicles, trailers and parts estimated at USD1.4billion. The prospects for the country to realize this target lie in the country's already established vehicle assembly as well as parts manufacturing industries.

44 *The following are the select destination regions markets based on revealed export potential for motor vehicles - EAC, COMESA and ECCAS*

B1/1.4 Constraints to Exports of Manufactured Products

The sluggish growth of manufacturing sector exports over the years are attributed to a number of constraints which have to be overcome in order to convert the prospect for manufacturing exports growth at an annual average of 26% per annum over the period 2018 to 2022 to a reality. These constraints are documented in recent studies and were also validated during the NEDPS manufacturing sector working group consultative sessions towards the development of the strategy. The constraints apply across all the target sub-sectors with varying degree of intensity.

a) High cost of electricity, labours and inputs which make Kenya's manufactured product exports less competitive in the target markets;

b) Lack of adequate and affordable land to support establishment of competitive manufacturing ventures;

c) Inadequate fiscal policies to support manufacture for export markets, exemplified by delays in VAT refund, punitive VAT computation formula and taxing of raw and intermediate products, thus making end products less competitive in the destination markets;

d) Prohibitive Business Enabling Environment as documented by the World Bank 'Ease of Doing Business Index';

e) Inadequate awareness of export driven manufacturing sector opportunities to elicit private sector response and investments;

f) Inadequate capacity of Standards and SPS competent authorities to support manufacturing sector in production of exports in line with destination market requirements;

g) Weak value and supply chains characterized by severe shortage of raw material and excess capacity in industrial establishments;

h) Inadequate finance instruments (long terms and short term) in support of production of manufactured products for export;

i) Inadequate awareness of manufacturing technology to produce target products in response to destination market opportunities;

j) Weak and inadequate skills capability for application in the manufacture of products for target markets;

k) Inadequate capacity among some existing industries (especially SMEs) for sustainable supply of large orders in destination markets;

l) Weak trade facilitation support (Standards, SPS, Customs, Logistics);

m) Non-Tariff Barriers to regional markets of EAC and COMESA, among others;

n) Lack of awareness of destination market opportunities and export potential, market access requirements, quality standards, SPS measures and potential buyers;

o) Non exposure of Kenya suppliers and brands in target destination markets;

p) Weak export promotion and foreign market representation of Kenyan brands;

q) Low uptake of research development and innovation; and,

r) Influx of illicit goods and counterfeits.

B1/1.5 Strategic Objectives and Interventions towards Development and Promotion of Exports of Manufactured Products

The Manufacturing sector export growth will be driven by interventions targeting the various constraints through the following strategic objectives:

a) To establish a data base of manufacturing sector exporters in all focal sub-sectors and exporter support system for enhanced production and export of manufactured products exports;

b) To promote development of enabling business environment for target manufactured products to ensure their competitiveness in destination markets;

c) To promote production of manufactured products in all NEDPS focal sub-sectors for target export markets;

d) To promote destination market access of all targeted manufactured products in the identified destination markets; and

e) To resolve NTBs that Kenyan manufactured products face in the domestic and destination markets.

B1/1.5.1 Strategic Interventions and Resource Requirements towards Development and Promotion of Exports of Manufactured Products

Strategic Objective #1:

To establish a data base of manufacturing sector exporters in all focal sub-sectors and exporter support system for enhanced production and export of manufactured products exports

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KESM)
1) Conduct rapid national audit/baseline survey to establish existing export manufacturers (including SMEs) that will drive the projected growth of sectoral exported	State Departments for Trade and Industry, County Governments, KAM and KNCCI	35
2) Develop a system for nation-wide continuous registration/listing of new entrants or exits in each of the focal sub-sectors	State Departments for Trade and Industry, County Governments, KAM and KNCCI	5
3) Establish and operationalize a joint public/private sector unit to monitor performance of manufacturing sector exports in all the target sub-sectors in response to interventions being pursued under the NEDPS	State Departments for Trade and Industry, County Governments, KAM and KNCCI	25

Strategic Objective #2:

To promote development of enabling business environment for target manufactured products to ensure their competitiveness in destination markets

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KESM)
1) Review the VAT refund computation formula and ensure VAT for exporters is paid within 60days	National Treasury, KRA, KEPSA, KAM, KNCCI	2
2) Abolish Import Declaration Fees of 2% for raw materials and inputs used for manufacturing	National Treasury, KRA, KEPSA, KAM, KNCCI	2
3) Abolish Railway Development Levy of 1.5% for raw materials and inputs used for manufacturing	Kenya Railway, National Treasury, KRA, APSEA, KAM, KNCCI	2
4) Reduction of energy cost to US$.0.09 from current US$0.14-0.16) and apply uniformly 50% lower charges between 10:00pm and 6:00am. to bona fide manufacturers	State Department of Energy, KEPSA, KAM, KNCCI	2
5) Review the EAC CET and implement the new CET regime	State Departments of Trade and Industry, National Treasury, KEPSA, KAM, KNCCI	2
6) Allow netting of cost of the consumable excise tax stamp against excise duty paid	National Treasury, KRA, APSEA, KAM, KNCCI	2
7) Harmonize Counties fees and levies and make them a one-off levy and implement a single collection mutual recognition.	County Governments, State Department for Trade, APSEA, KAM, KNCCI	5
8) Allow performance-based wage increment through de-pegging piece rate from minimum wage. Widen tax free bracket to 25000	State Departments for Labour, Industry and Trade, COTU, APSEA, KAM, KNCCI	3
9) Increase the number of Agents for PVOC	KEBS, State Department of Trade, APSEA, KAM, KNCCI	4

Strategic Objective #3:

To promote production of manufactured products in all NEDPS focal sub-sectors for target export markets

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KESM)
1) Prepare and disseminate sub-sector annual specific destination market export opportunities and potential	State Departments for Trade and Industry, KEPSA, KAM, KNCCI	10
2) Prepare and disseminate annual destination market access requirements *(Tariffs, Rules of Origin, Non-Tariff Charges, Standards, SPS and Food Safety standards)* for target products	State Department for Trade, Kenya Missions Abroad, KEBS, KEPHIS, DVS, MOH Port Health, KEPSA, KAM, KNCCI	50

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KESM)
3) Promote, through PPP or Whole Private Sector Owned, nationwide establishment of Industrial Parks with requisite ready to use infrastructure and facilities pursuant to *'Industrial Cluster development model'* or '*Common User Facilities model'* for target manufactured products for export, complete with one stop quality assurance and ready to export trade facilitation services. The main target being SMEs and new entrants in manufacturing sector for export business	State Departments for Trade, Industry and Lands, County Governments, KENIVEST, KEBS, KEPHIS, DVS, MOH Port Health, KEPSA, KAM, KNCCI	500
4) Promote product development and branding services by accredited service providers to address standards, quality and volume requirements of target markets	State Department for Industry, Trade, KEPSA, KAM and KNC KEBS, KIRDI, Kenya Industrial Estate (KIE), KENAS, KIPI, KEPHIS, DVS, MOH Port Health, KEPSA, KAM, KNCCI	100
5) Provide technology and skills upgrade/ development or acquisition Revolving Fund to promote use of latest and efficient technology in the Export drive Industrial Parks	State Department for Industry, Trade, KIRDI, KEBS, KENAS, KIPI, KEPSA, KAM and KNCCI	2,000
6) Provide an export production Revolving Fund for manufacturers targeting financial support for post and pre-export financing where verified orders are in place	State Departments of Industry, Trade, KIRDI, KEBS, KENAS, KIPI,KENINVEST, KEPSA, KAM, KNCCI	2,000

Strategic Objective #4:

To promote market access of all targeted manufactured products in the identified destination markets

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KESM)
1) Prepare annual market intelligence surveys for target manufactured products in target destination markets	State Department for Trade, Kenya Missions Abroad, EPC, KEPSA, KAM, KNCCI	100
2) Disseminate market intelligence surveys to target sectors/businesses using the Kenya National Trade Portal	State Department for Trade, EPC, KEPSA, KAM, KNCCI	2
3) Identify destination market marketing Agencies for Kenyan products and engage them to drive Kenya's export market share working closely with the private sector. Payment for the services to be tied to market share increments/concluded and delivered deals	State Department for Trade, EPC, KEPSA, KAM, KNCCI	1,000

4)	Lease warehousing/distributorship center facilities, using a cost recovery model, for target manufactured products in destination markets to ease visibility and distribution of Kenyan products in these markets	State Department for Trade, EPC, KEPSA, KAM, KNCCI	500
5)	Provide matching grants to support exporters of target manufactured in scheduled export promotion events, Business to Business or Business to Consumers specific events in target destination markets	State Department for Trade, EPC, KEPSA, KAM, KNCCI	200
6)	Target Manufacturers listing in regional/ continental/global e-commerce platforms to enhance visibility and complement market access initiatives	KEPSA, KAM, KNCCI	firm level investments

Strategic Objective #5:

To resolve NTBs that Kenyan manufactured products face in the domestic and destination markets

	Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KESM)
1)	Develop trade facilitation institutions' exports requirements positive list and service charter for all target manufactured exports to facilitate efficiency in export facilitation	State Department for Trade, KEBS, KEPHIS, DVS, KEPSA, KAM, KNCCI	5
2)	Develop market access requirements positive list as a medium for facilitation of regional trade and pursue its adoption and implementation at regional level (EAC & COMESA)	State Department for Trade, KEBS, KEPHIS, DVS, KEPSA, KAM, KNCCI	5
3)	Pursue development of positive of market access requirements, through bilateral trade relationship with target market countries, covering of target NEDPS products for the specific market	State Department for Trade, KEBS, KEPHIS, DVS, KEPSA, KAM, KNCCI	5
4)	Develop win-win framework for prompt resolution of reported NTBs through bilateral initiatives between Kenya and other target markets bilateral Partner countries	State Department for Trade, KEBS, KEPHIS, DVS, KEPSA, KAM, KNCCI	5
5)	Establish prompt NTB resolution call centers where private sector facing NTBs can call upon to obtain help and encourage bilateral trade partners to do the same in the spirit of promoting bilateral trade between the two countries	State Department for Trade, KEBS, KEPHIS, DVS, KEPSA, KAM, KNCCI	5
6)	Strengthen Kenya NTB Monitoring Committee and System	State Department for Trade, KEBS, KEPHIS, DVS, KEPSA, KAM, KNCCI	5

B1/1.6 Resource Mobilization Plan for Development and Promotion of Manufactured Products Exports

The estimated resource requirements for implementation of the manufactured products export development and promotion strategy is KES6.5 Billion. The specific interventions under each of the Strategic Objectives and accompanying resource requirements are as provided under the section on 'Strategic Interventions and Resource Requirements'. The sources of funds and Lead Agencies in mobilization of the funds are as listed in the resource mobilization plan below. The institutional structure through which the funds for ICT Services export development and promotion will be mobilized is the 'Manufacturing Sector Working Group' of NEDPS Trade in Services Sector Working Group. At the Manufacturing Sector SWG, The Private Sector Stakeholders in the Manufacturing Sector will take lead role in driving the agenda for health services exports with Government playing a facilitative role to ensure requisite resources and enabling environment for development and promotion of the exports of these services.

Table B2/25: Resource Mobilization Plan for Development and Promotion of Manufactured Products Exports

SO#	Strategic Objective/ Focal Areas of Intervention	Amount Required (KESMn)	Estimated NEDPS Annual Resource Requirement (KES Millions)					Source	Lead Agencies in Resource Mobilization
			2018/19	2019/20	2020/21	2021/22	2022/23		
1	To establish data base of manufacturing sector exporters in all focal sub-sectors and exporter support system for enhanced production and export of manufactured products exports	65	13	13	13	13	13	MDAs and County Governments' MTPIII Annual Budgets, Private Sector programs, Development Partners	State Department for Industry/ County Government Counterpart/ KEPSA/ KAM/KNCCI/ KenInvest
2	To promote development of enabling business environment for target manufactured products to ensure their competitiveness in destination markets	24	5	5	5	5	4		
3	To promote production of manufactured products in all NEDPS focal sub-sectors for target export markets	4,660	932	932	932	932	932		
4	To promote market access of all target manufactured products in the identified destination markets	1,802	361	361	360	360	360		
Total Manufacturing		6,551	1,311	1,311	1,310	1,310	1,309		

B1/1.7 Implementation Plan towards Development and Promotion of Manufactured Products Exports

Strategic Interventions/ Program Activities	Implementing Agencies	2018				2019				2020				2021				2022			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
To establish data base of manufacturing sector exporters in all focal sub-sectors and exporter support system for enhanced production and export of manufactured products exports																					
1) Conduct rapid national audit/ baseline survey to establish existing export manufacturers (including SMEs) that will drive the projected growth of sectoral exported	SDI, SDT, KEPSA, KAM, KNCCI. MSEA																				
2) Develop a system for nation-wide continuous registration/ listing of new entrants or exits in each of the focal sub-sectors	SDI, SDT, KEPSA, KAM, KNCCI, MSEA																				
3) Establish and operationalize a joint public/private sector unit to monitor performance of manufacturing sector exports in all the target sub-sectors in response to interventions being pursued under the NEDPS	SDI, SDT, KEPSA, KAM, KNCCI, MSEA																				
To promote development of enabling business environment for target manufactured products to ensure their competitiveness in destination markets																					
1) Review the VAT refund computation formula and ensure VAT for exporters is paid within 60days	SDI, SDT, KEPSA, KAM, KNCCI, MSEA																				
2) Abolish Import Declaration Fees of 2% of the value of the declared imports	SDI, SDT, KEPSA, KAM, KNCCI, MSEA																				
3) Abolish Railway Development Levy of 1.5% of the value of the declared imports	SDI, SDT, KEPSA, KAM, KNCCI, MSEA																				
4) Reduction of energy cost to US$.0.09 from current US$0.14-0.16) and apply uniformly 50% lower charges between 10:00pm and 6:00am. to bona fide manufacturers	SDI, SDT, KEPSA, KAM, KNCCI, MSEA																				
5) Review the EAC CET and implement the new CET regime	SDI, SDT, KEPSA, KAM, KNCCI, MSEA																				
6) Allow netting of cost of the consumable excise tax stamp against excise duty paid	SDI, SDT, KEPSA, KAM, KNCCI, MSEA																				

Strategic Interventions/ Program Activities	Implementing Agencies	2018				2019				2020				2021				2022			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
7) Harmonize Counties fees and levies and make them a one-off levy and implement a single collection mutual recognition.	SDI, SDT, KEPSA, KAM, KNCCI, MSEA																				
8) Allow performance-based wage increment through de-pegging piece rate from minimum wage. Widen tax free bracket to 25000	SDI, SDT, KEPSA, KAM, KNCCI, MSEA																				
9) Increase the number of Agents for PVOC	SDI, SDT, KEPSA, KAM, KNCCI, MSEA																				
To promote production of manufactured products in all NEDPS focal sub-sectors for target export markets																					
1) Prepare and disseminate sub-sector annual specific destination market export opportunities and potential	SDI, SDT, KEPSA, KAM, KNCCI, MSEA																				
2) Prepare and disseminate annual destination market access requirements *(Tariffs, Rules of Origin, Non-Tariff Charges, Standards, SPS and Food Safety standards)* for target products	SDI, SDT, KEPSA, KAM, KNCCI, MSEA																				
3) Promote, through PPP or Whole Private Sector Owned, nationwide establishment of Industrial Parks with requisite ready to use infrastructure and facilities pursuant to *'Industrial Cluster development model'* or *'Common User Facilities model'* for target manufactured products for export, complete with one stop quality assurance and ready to export trade facilitation services. The main target being SMEs and new entrants in manufacturing sector for export business	SDI, SDT, KEPSA, KAM, KNCCI, MSEA																				
4) Promote product development and branding services by accredited service providers to address standards, quality and volume requirements of target markets	SDI, SDT, KEPSA, KAM, KNCCI, MSEA																				
5) Provide Technology and skills upgrade/development or acquisition Revolving Fund to promote use of latest and efficient technology in the Export drive Industrial Parks	SDI, SDT, KEPSA, KAM, KNCCI, MSEA																				

Strategic Interventions/ Program Activities	Implementing Agencies	2018				2019				2020				2021				2022			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
6) Provide an export production Revolving Fund for manufacturers targeting financial support for post and pre-export financing where verified orders are in place	SDI, SDT, KEPSA, KAM, KNCCI, MSEA																				
To promote market access of all target manufactured products in the identified destination markets																					
1) Prepare annual market intelligence surveys for target manufactured products in target destination markets	SDI, SDT, KEPSA, KAM, KNCCI, MSEA																				
2) Disseminate market intelligence surveys to target sectors/businesses using the Kenya National Trade Portal	SDI, SDT, KEPSA, KAM, KNCCI, MSEA																				
3) Identify destination market marketing Agencies for Kenyan products and engage them to drive Kenya's export market share working closely with the private sector. Payment for the services to be tied to market share increments/concluded and delivered deals	SDI, SDT, KEPSA, KAM, KNCCI, MSEA																				
4) Lease warehousing/ distributorship center facilities, using a cost recovery model, for target manufactured products in destination markets to ease visibility and distribution of Kenyan products in these markets	SDI, SDT, KEPSA, KAM, KNCCI, MSEA																				
5) Provide matching grants to support exporters of target manufactured in scheduled export promotion events, Business to Business or Business to Consumers specific events in target destination markets	SDI, SDT, KEPSA, KAM, KNCCI, MSEA																				
6) Target Manufacturers listing in regional/continental/ global e-commerce platforms to enhance visibility and complement market access initiatives	SDI, SDT, KEPSA, KAM, KNCCI, MSEA																				

B2 Agriculture Sector

B2/1.1 Overview of Agriculture Sector

B2/1.1.1 Significance of agriculture sector and prospects for its contribution to export growth

Agriculture plays a pivotal role in Kenya's economic development as evidenced by its 26% direct contribution to the Gross Domestic Product (GPD) and 27% indirect contribution to the GDP through linkages with other sectors. The sector is also a major source of livelihood through its employment of more than 40% of the total population and more than 70% of Kenya's rural people.[45]

The sector is expected to play a key role in the national search for drivers of export led economic growth over the NEDPS period (2018 - 2022), given its current contribution to the total exports being 65% and the unexploited opportunities that have been revealed during the formulation of this strategy.

The prospects of the sector's contribution to export performance are hinged on the following imperatives:

a) Devolution of the agricultural industry creating an opportunity for focused promotion of agricultural production and agro-products processing for domestic and export markets at the county level;

b) Kenya's regional and global commitments to the implementation of the Comprehensive Africa Agricultural Development Programme (CAADP), Agenda 2063 of the African Union (AU) and the UN Sustainable Development Goals (SDGs); and

c) Interventions that the Government has planned to pursue under MTPIII period (2018 – 2022), which are expected to spur the growth of the agricultural sector to an average rate of 7.7 percent over this period.

B2/1.1.2 Export performance and targeted export growth under NEDPS

The lead export products which presently account for over 90% of agricultural exports include the following: horticulture (cut flowers, fruits, vegetables, herbs, spices and nuts), coffee, tea, pulses, pyrethrum extract, and sisal products. As evidenced in the table below, the exports of these products recorded an average growth rate of 5% per year over the period of 2011 to 2016, rising from KES 207.8 billion in 2011 to KES 258.1 billion in 2016.

A review of the constraining factors as detailed in the sections focusing on the focal products below reveals potential for increase in exports of these products. The destination market scan, which shows the dismal share of Kenya's agricultural exports in destination markets, also further reveal export potential that these products could tap, thus spurring Kenya's growth of agricultural exports.

In recognition of this potential reality, agriculture stakeholder institutions endorsed a projected average annual growth rate of 25% for the target agricultural products during the NEDPS period, 2018 - 2022.

Projected growth rate for Pyrethrum extract, according to the figures submitted by AFA, Pyrethrum and other Industrial Crops Directorate, is significant, with exports of these products projected to increase from the envisaged KES 220 million in 2017 to KES 3.5 billion in 2022, as a result of the

45 *FAO Kenya - http://www.fao.org/kenya/fao-in-kenya/kenya-at-a-glance/en/*

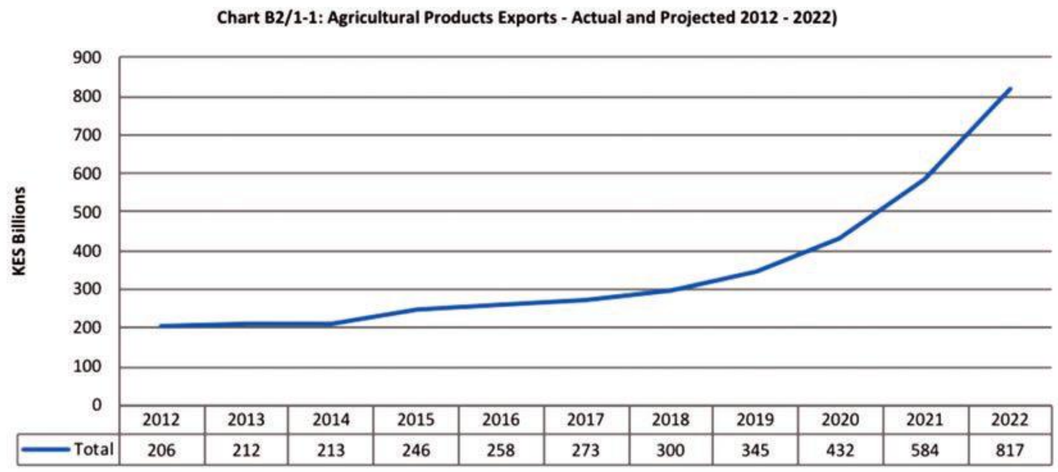
reforms that are already ongoing in the sector, thus opening production to more players and raising opportunities for increased Pyrethrum and Pyrethrum extract production. The table below provides actual and projected export growth for each of the target products.

Table B2/1-1: Agricultural export performance, Actual (2012-2016) and Projected (2017 - 2022) - Figures in KES Billions

Agricultural Exports, Actual (2012-2016) and Projected (2017 - 2022) - Figures in KES Billions						
	2011	2012	2013	2014	2015	2016
Horticulture	83.3	81.1	89.3	97.1	101.0	110.3
Coffee, unroasted	20.9	22.3	16.3	19.9	20.6	21.4
Tea	102.2	101.4	104.6	94.0	123.0	124.5
Sisal	1.2	1.2	1.0	1.3	1.5	1.8
Pyrethrum Extract	0.2	0.2	0.2	0.2	0.2	0.1
Total	207.8	206.2	211.5	212.5	246.3	258.1
Projected Exports (Figs in KES Billions						
Commodity	2017	2018	2019	2020	2021	2022
Horticulture	120	132	152	190	257	359
Coffee, unroasted	22	24	28	35	47	66
Tea [Value Added under NEDPS]	128	141	162	203	274	383
Sisal	2	2	2	3	4	5
Pyrethrum Extract	0	0	1	2	3	4
Total	273	300	345	432	584	817
		10%	15%	25%	35%	40%
5 Year Average						25%

Source: *KENBS Economic Survey. AFA, Pyrethrum and other Industrial Crops Directorate for pyrethrum extract*

Therefore, over the NEDPS period, agricultural exports are expected to grow by an average of 25% driven by annual export growth of 10% in 2018, which rises subsequently to 40% by 2022, charting the growth path as illustrated in the graph below.



B2/1.1.3 Priority products for driving agricultural exports

The following agricultural products have been prioritized for export development based on the selection criteria used by Agriculture Sector Working Group and further information obtained during stakeholder consultative sessions during the formulation of the strategy. Prioritization is also driven by reforms and strategic direction that has been provided under each of the commodity products, all geared towards enhancement of their production and export growth development.

a) Coffee - value added and specialty;

b) Tea - value added and specialty;

c) Horticulture:

   i) Cut Flowers;

   ii) Fruits - mangoes, avocadoes, passion fruit);

   iii) Nuts - Macadamia and Cashew Nuts;

   iv) Vegetables - cabbages, carrots, assorted vegetables, french beans and snow peas;

   v) Herbs (rosemary, dill, marjoram, basil, mint, parsley, coriander, curry leaves & celery) and Spices (chilies thin, long, bullet & birds eye);

d) Pulses – dry beans, kidney beans, white pea beans, green grams, cow peas, lentils and pigeon peas;

e) Khat-Miraa;

f) Sisal fibre and fibre products;

g) Pyrethrum Extract; and,

h) Gum Arabic.

B2/1.2 Coffee Industry

B2/1.2.1 Situational Analysis of the Coffee Industry

Coffee is the fourth largest foreign exchange earner in Kenya after tea, tourism and horticulture. While Coffee export volume has decreased from 55,151 tonnes in 2007 to 45,303 tonnes in 2016, the value of exports has increased from KES 10 billion to KES 21 billion, for the same time period[46].

The coffee sub-sector directly and indirectly supports close to 5 million people because of its transformative nature, right from farm to cup, along the value chain. It also contributes about 1% to the GDP and accounts for 8% of the total agricultural export earnings for Kenya.

Kenya exports its coffee to traditional, specialty and emerging markets. The specialty market absorbs mainly premium coffee variants compared to other traditional markets, which concentrate more on volume than quality. Kenya's traditional export markets are Germany, Belgium, United Kingdom, Sweden and Finland.

Emerging markets include Korea, United Arabs Emirates and China. Both Switzerland's (the world's largest coffee buyer) and South Africa's markets have expanded rapidly over the last 4 years to join the ranks of emerging markets.

Specialty markets are mainly the USA and Japan. These two countries buy coffee through direct sales of preferred premium grades such as AA's, AB's and PB's.

46 *NEDPS - Agriculture Sector Working Group Report (October 2017)*

Potential markets for Kenya's coffee include countries in Africa such as Djibouti, Eritrea, Rwanda, South Sudan, Sudan, Tanzania, Uganda, Egypt, DRC and Zambia. Kenya exported up to 22,579 bags to these destinations in 2013 compared to only 762 bags exported in 2016 to 2 destinations of Nigeria and Sudan. The preference of the African market is mainly value added coffee (roasted). Other potential markets are in the Middle East. Countries such as Saudi Arabia, Israel, Jordan and Syria have shown immense interest in Kenya's coffee over the last 4 years. However, this region is unique for its preference of lower quality coffee such as MH's and ML's. (Some of the EAC member countries mentioned here as potential new markets for Kenya's Coffee, are themselves also producers of the commodity. Is it realistic that they would buy from Kenya what they produce?)

The national land area under coffee is estimated at 114,500 hectares and projected to increase to 117,500 hectares by the 2022/23 coffee year, according to estimates by the Coffee Directorate. Coffee production trends have however, continued to remain flat over the last 5 years since 2012/13 following a near cyclic pattern, but have started to pick up due to both the National and County Governments' efforts to revive it through projects such as Integrated Coffee Productivity Initiative (ICPI) and smallholder farmer financing scheme through the Commodities Fund.

Despite the low production level witnessed in 2016/17 amounting to 38,209 MT, production has not since, however declined to the lowest level witnessed in 2010/11 of 36,629MT. Coffee production in 2016/17 crop-year was nevertheless lower at 38.2 thousand tons, down from 46.1 thousand tons produced in 2015/16 crop-year. The decline could be attributed mainly to harsh weather conditions experienced in the past one year *(AFA-Coffee Directorate*).

Kenya's coffee production is predominantly smallholder, except for Kiambu County where large plantations have dominated the landscape. In addition, the sector continues to grapple with other challenges including: increasing cost of labour and other inputs; erratic weather conditions; high incidences of pests and diseases; competition from other farm enterprises; and poor governance of coffee marketing cooperatives. Programs that are aimed at opening up new production areas and the rehabilitation of abandoned farms continue to be implemented by both the national and county governments. Co-operatives, which bring together smallholder farmers with less than 5 acres on coffee, continue to dominate production, producing about 70% of the total national annual production for the period 2012/13 to 2016/17.

Historically an approximated 95% of Kenyan coffee is exported as green beans, which are exported for processing at various destinations. The high quality Kenyan coffee is used to blend with lower quality beans from other coffee producer countries. Very little coffee presently undergoes value addition in the country. This is largely because the existing high technologies used in coffee value addition activities in high-end markets are expensive and unaffordable to the domestic coffee processors and farmers.

The key strategic services provider institutions in the coffee industry include Agriculture & Food Authority (AFA) / Coffee Directorate as the coffee sector regulator; Coffee Research Foundation, providing research and development services; Nairobi Coffee Exchange; the Kenya Plant Health Inspectorate Service (KEPHIS), Kenya Bureau of Standards (KEBS) and the Pest Control Products Board (PCPB).

Currently, the coffee sub-sector is facing unprecedented challenges that have drastically affected the production levels. Key among them are; low earnings from coffee despite its premium quality, delayed coffee payments, mismanagement and inefficiencies in farm producer co-operatives, restrictive coffee laws, high cost of production and lack of direct access by farmers to the trading floor. In this respect, His Excellency the President appointed the National Task Force on Coffee Sub-Sector Reforms to examine these challenges and recommend comprehensive strategies to transform the sub-sector. The Coffee Task Force Report 2016 proposed key recommendations, which are aimed at transforming the coffee sub-sector.

For continued growth in coffee export performance, the industry will build on its strengths and opportunities which include ideal climatic conditions, in spite of realities of climate change, a wide cumulative pool of coffee knowledge developed over the years of research work, continued collaboration with International Coffee Organization, enhancement of the world renowned premium coffee quality, encouraging policy initiatives for more growers to invest in coffee production in collaboration with county governments and increasing productivity, promoting irrigated production, optimization of value addition, commercialization of coffee by-products and diversifying destination markets. For purposes of tracking coffee export performance under NEDPS, the following classification of coffee under HS Heading 0902 of HS Chapter 9 will be used.

Product code	Product label
'0901	Coffee, whether or not roasted or decaffeinated; coffee husks and skins; coffee substitutes ...

B2/1.2.2 Coffee Export Potential in Target Destination Countries and Regional Markets

Table B2/2-1: Kenya exports of coffee and select[47] destination countries/regions market opportunities

Product code	Product label	Kenya's exports to world - Average 2014- 2016 (USD mn)	Select countries/ regions imports from Kenya - Average 2014 - 2016 (USD mn)	Select countries/ regions imports from world. Average 2014 - 2016 (USD mn)	Kenya's Export opportunity assuming a 5% market share (USD mn)
'0901	Coffee, whether or not roasted or decaffeinated; coffee husks and skins; coffee substitutes ...	231	125	18,355	918

Source: *Computation from ITC Trade Maps*

Therefore, if Kenya were to target a share of 5% of these regional blocs/countries market, that would translate to USD918mn. This target will be pursued through various interventions that are proposed later in this section of the strategy.

B2/1.2.3 Constraints to Coffee Export Performance

Coffee exports have over the years faced numerous constraints, as documented in several reports, including the following latest reports - Coffee Task Force Report (May 2016) and The NEDPS Agriculture Sector Working Group report (October 2017). These constraints were further validated during stakeholder consultative sessions in the course of drafting this strategy. They include the following:

a) Weak legal and institutional framework and enforcements, including weak coordination/low synergy between National and County Governments;

b) Inadequate coffee marketing systems and arrangements;

47 *The following are the select destination countries and regions based on revealed export potential - EU, USA, Japan, China, COMESA, EAC, ECOWAS, ECCAS, SACU, GCC and Middle East*

c) Weak coffee production support systems including extension services leading to low volume production for specialty coffee market;

d) Declining acreage under coffee putting a threat to sustained increase in coffee production;

e) Low domestic value addition, as a result of restrictive regulations on value addition, leading to the bulk of Kenyan coffee being exported as unroasted coffee beans, with valued added coffee making up an insignificant share of Kenya's total coffee exports;

f) High cost of production across the coffee value chain (labour, energy, farm and ex-farm gate processing inputs, marketing, leading to underutilized milling capacity and low factor productivity);

g) Over reliance on traditional export markets, especially Europe which imports over 60% of Kenya's green coffee beans;

h) Increasingly erratic and unfavourable weather conditions due to effects of climate change;

i) Fluctuating global coffee prices; and

j) Too many stringent market requirements and industry standards to comply with.

B2/1.2.4 Strategic Objectives and Interventions towards Development and Promotion of Coffee Exports

B2/1.2.4.1 Strategic Objectives towards Development and Promotion of Coffee Exports

The following set of strategic objectives provide a framework within which necessary interventions geared towards addressing constraints to coffee export performance will be provided:

a) To provide a Business Enabling Environment in support of production of specialty and value added coffee;

b) To strengthen and build technical and financial capacity of producers and exporters of value added and specialty coffee;

c) To promote increased volume production of value-added and specialty coffee for more exports.

B2/1.2.4.2 Strategic Interventions and Resource Requirements for Development and Promotion of Coffee Exports

Strategic Objective #1:

To provide a Business Enabling Environment in support of production of Specialty and Value Added Coffee

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KESM)
1) Establish a national framework for coordination of development of specialty and value added coffee for exports between National and County Governments towards promoting Kenya as a preferred source of specialty coffee and branded value added coffee	State Departments for Agriculture, AFA-Coffee Directorate, County Governments, Coffee Sector Implementation Committee (CSIC), Coffee Processors (KEPSA, KAM and KNCCI)	5

48 This entails combining various licenses (pulping, milling, and grower marketer) along the value chain into one grower miller license.
49 For instance, a coffee dealer or any other entity associated with a dealer shall not be licensed as a commercial miller or a broker. A code of ethics that specifies the different roles shall be developed by the regulator.

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KESM)
2) Provide an enabling legal and regulatory framework for coffee exports through the following measures		
3) Development of legal framework to strengthen coffee marketing through: i) Enactment of new coffee subsector regulations; *ii) Review of laws to allow coffee growers to directly trade their coffee in the Nairobi Coffee Exchange (NCE)[48];* *iii) Review of laws to ensure that cross ownership does not exist along the marketing chain[49]; and,* *iv) Enactment of Geographical Indications Law*	State Departments for Agriculture, AFA-Coffee Directorate, County Governments, Coffee Sector Implementation Committee (CSIC), Coffee Processors (KEPSA, KAM and KNCCI)	5
4) Strengthening coffee exports through the Nairobi Coffee Exchange (NCE) through: *i) Establishment of NCE as a body corporate and as a public company limited by guarantee;* *ii) Modernization of NCE and enhancement of its capacity;* *iii) Establishment of Central Depository Unit (CDU) for settlement and payment of coffee proceeds; and,* *iv) Creation of a sales window to cater for local roasters with appropriate trading rules and catalogue by NCE.*	State Departments for Agriculture, AFA-Coffee Directorate, County Governments, Coffee Sector Implementation Committee (CSIC), Coffee Processors (KEPSA, KAM and KNCCI)	5
5) Strengthening primary coffee processing through review of the five acre rule for pulping license[50]	State Departments for Agriculture, AFA-Coffee Directorate, County Governments, Coffee Sector Implementation Committee (CSIC), Coffee Processors (KEPSA, KAM and KNCCI)	5
6) Address concerns on other cross cutting agriculture through fast tracking review of other laws that impact on coffee exports indirectly through: *i) Amendment of the Crops Act of 2013 and AFA Act of 2013;* *ii) Amendment of the Cooperative Act in order to enforce effective management of cooperatives; and,* *iii) Fast-tracking of enactment of Warehouse Receipt Systems Bill of 2015.*	State Departments for Agriculture, AFA-Coffee Directorate, County Governments, Coffee Sector Implementation Committee (CSIC), Coffee Processors (KEPSA, KAM and KNCCI)	5

Strategic Objective #2:

To Strengthen and Capacity Build Producers and Exporters of Value Added and Specialty Coffee[50]

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KES M)
1) Undertake a baseline survey to establish producers of value added and specialty coffee for exports, the associations or cooperatives that they belong to and their needs in the context of value added and specialty coffee production for exports.	State Departments for Agriculture, AFA-Coffee Directorate, County Governments, Coffee Sector Implementation Committee (CSIC), Coffee Processors (KEPSA, KAM and KNCCI)	10
2) Promote integration of value added and specialty coffee producers who do not belong to any association or cooperatives in existing associations or cooperatives that promote production and export of these products	State Departments for Agriculture, AFA-Coffee Directorate, County Governments, Coffee Sector Implementation Committee (CSIC), Coffee Processors (KEPSA, KAM and KNCCI)	10
3) Support integration/development of nationwide information system on value added and specialty coffee producers and exporters to enhance their visibility in the global market place	State Departments for Agriculture, AFA-Coffee Directorate, County Governments, Coffee Sector Implementation Committee (CSIC), Coffee Processors (KEPSA, KAM and KNCCI)	10
4) Develop capacity building program for strengthening value added and specialty coffee producers and exporters *i) Identify all existing support programs for production and export of value added and specialty coffee, their focus and gaps in driving exports of these products to ensure synergy in the development of nationwide comprehensive support program in response to value added and specialty coffee export market opportunities* *ii) Develop a capacity building program to create awareness and promote production of value added and specialty coffee to meet destination markets requirements and to exploit destination market opportunities*	State Departments for Agriculture, AFA-Coffee Directorate, County Governments, Coffee Sector Implementation Committee (CSIC), Coffee Processors (KEPSA, KAM and KNCCI)	200
3) Support implementation of the value added and specialty coffee exports capacity building program	State Departments for Agriculture, AFA-Coffee Directorate, County Governments, Coffee Sector Implementation Committee (CSIC), Coffee Processors (KEPSA, KAM and KNCCI)	As per coffee exports capacity building program

50 According to the Coffee National Task Force on Coffee Subsector. "The rule ought to be revised and pulping license issuance be based on having acres or s production level of at least 20,000 kgs of cherry per year for three-years average."

Strategic Objective #3:

To Promote Production of Specialty Coffee for Exports

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KES M)
1) Provide information on appropriate specialty coffee seedlings including conditions and crop husbandry for successful production of	State Departments for Agriculture, AFA-Coffee Directorate, County Governments, Coffee Sector Implementation Committee (CSIC), Coffee Processors (KEPSA, KAM and KNCCI)	10
2) Provide information on certified suppliers/dealers in approved specialty coffee seedlings	State Departments for Agriculture, AFA-Coffee Directorate, County Governments, Coffee Sector Implementation Committee (CSIC), Coffee Processors (KEPSA, KAM and KNCCI)	10
3) Establish demonstration centers/training facilities on best practice on production of specialty coffee for exports	State Departments for Agriculture, AFA-Coffee Directorate, County Governments, Coffee Sector Implementation Committee (CSIC), Coffee Processors (KEPSA, KAM and KNCCI)	300
4) Provide financial support on a cost recovery basis, using Coffee Export Development Revolving Fund, to small scale coffee farmers and small coffee estate (20 acres and below) for promoting increase in acreage under coffee, enhancing use of fertilizer and other inputs that are required to enhance productivity of coffee trees[51]	State Departments for Agriculture, AFA-Coffee Directorate, County Governments, Coffee Sector Implementation Committee (CSIC), Coffee Processors (KEPSA, KAM and KNCCI)	2,000
5) Provide, on a cost recovery basis, and using Coffee Export Development Revolving Fund, extension service to ensure high productivity of specialty coffee	State Departments for Agriculture, AFA-Coffee Directorate, County Governments, Coffee Sector Implementation Committee (CSIC), Coffee Processors (KEPSA, KAM and KNCCI)	500
6) Promote contract farming among specialty coffee producers and exporters, with severe conditions to discourage diversion of products being produced under such a framework to competitors	State Departments for Agriculture, AFA-Coffee Directorate, County Governments, Coffee Sector Implementation Committee (CSIC), Coffee Processors (KEPSA, KAM and KNCCI)	10
7) Prepare and disseminate sub-sector annual specific destination market export opportunities and potential for value added and specialty coffee	State Departments for Agriculture, AFA-Coffee Directorate, County Governments, Coffee Sector Implementation Committee (CSIC), Coffee Processors (KEPSA, KAM and KNCCI)	10

Strategic Objective #4:

To Promote Production of Value Added Coffee for Exports[51]

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KES M)
1) Prepare and disseminate sub-sector annual specific destination market export opportunities and potential for value added coffee	State Departments for Agriculture, AFA-Coffee Directorate, County Governments, Coffee Sector Implementation Committee (CSIC), Coffee Processors (KEPSA, KAM and KNCCI)	10
2) Prepare and disseminate annual destination market access requirements *(Tariffs, Rules of Origin, Non-Tariff Charges, Standards, SPS and Food Safety standards)* for value added coffee	State Departments for Agriculture, AFA-Coffee Directorate, County Governments, Coffee Sector Implementation Committee (CSIC), Coffee Processors (KEPSA, KAM and KNCCI)	50
3) Promote, through PPP or Wholly Private Sector Owned, demand led and buyer centered establishment of value added coffee Processing Hubs/*Common User Facilities* for production of value added, using Coffee Export Development Revolving Fund. The main target being SMEs and new entrants in manufacturing sector for export business	State Departments for Agriculture, AFA-Coffee Directorate, County Governments, Coffee Sector Implementation Committee (CSIC), Coffee Processors (KEPSA, KAM and KNCCI)	2,000
4) Promote product development and branding services by accredited service providers to address standards, quality and volume requirements of target markets	State Departments for Agriculture, AFA-Coffee Directorate, County Governments, Coffee Sector Implementation Committee (CSIC), Coffee Processors (KEPSA, KAM and KNCCI)	200
5) Provide Technology and skills upgrade/development or acquisition through Revolving Fund facility to promote use of latest and efficient technology in value added coffee production	State Departments for Agriculture, AFA-Coffee Directorate, County Governments, Coffee Sector Implementation Committee (CSIC), Coffee Processors (KEPSA, KAM and KNCCI)	2,000
6) Provide an export production Revolving Fund for value added coffee producers for export targeting financial support for post and pre-export financing where verified orders are in place	State Departments for Agriculture, AFA-Coffee Directorate, County Governments, Coffee Sector Implementation Committee (CSIC), Coffee Processors (KEPSA, KAM and KNCCI)	2,000

Strategic Objective #5:

To Promote Exports of Value Added and Specialty Coffee

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KESM)
1) Promote Kenya as a specialty and value added coffee exporting nation by hosting Annual Coffee Festival to promote 'Source Kenya Coffee' targeting buyers from target destination markets and using a cost recovery model	State Department for Trade, EPC State Departments for Agriculture, AFA-Coffee Directorate, County Governments, Coffee Sector Implementation Committee (CSIC), Coffee Processors (KEPSA, KAM and KNCCI)	100

51 Such subsidy will boost coffee production in the immediate term from the current average production of 2kgs of cherry per tree per year to 8kgs within 2-4 years

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KESM)
2) Undertake Exhibitions and Trade Fairs in target destination market on a cost recovery model coupled with matching grants for exporters	State Department for Trade, EPC State Departments for Agriculture, AFA-Coffee Directorate, County Governments, Coffee Sector Implementation Committee (CSIC), Coffee Processors (KEPSA, KAM and KNCCI)	150
3) Provide matching grants to support exporters of coffee in scheduled export promotion events, Business to Business or Business to Consumers specific events in target destination markets	State Department for Trade, EPC State Departments for Agriculture, AFA-Coffee Directorate, County Governments, Coffee Sector Implementation Committee (CSIC), Coffee Processors (KEPSA, KAM and KNCCI)	100
4) Prepare annual market intelligence surveys for value added and specialty coffee in target destination markets	State Department for Trade, EPC State Departments for Agriculture, AFA-Coffee Directorate, County Governments, Coffee Sector Implementation Committee (CSIC), Coffee Processors (KEPSA, KAM and KNCCI)	100
5) Disseminate market intelligence surveys to target value added and specialty coffee producers and exporters using the Kenya National Trade Portal	State Department for Trade, EPC State Departments for Agriculture, AFA-Coffee Directorate, County Governments, Coffee Sector Implementation Committee (CSIC), Coffee Processors (KEPSA, KAM and KNCCI)	2
6) Identify destination market marketing agencies for value added and specialty coffee and engage them to drive Kenya's export market share working closely with the private sector. Payment for the services to be tied to market share increments/concluded and delivered deals	State Department for Trade, EPC State Departments for Agriculture, AFA-Coffee Directorate, County Governments, Coffee Sector Implementation Committee (CSIC), Coffee Processors (KEPSA, KAM and KNCCI)	1,000
7) Lease warehousing/distributorship centre facilities, using a cost recovery model, for value added and specialty coffee exports in destination markets to ease visibility and distribution of Kenyan products in these markets	State Department for Trade, EPC State Departments for Agriculture, AFA-Coffee Directorate, County Governments, Coffee Sector Implementation Committee (CSIC), Coffee Processors (KEPSA, KAM and KNCCI)	1000
8) Target value added and specialty coffee producers and exporters listing in regional/continental/global e-commerce platforms to enhance visibility and complement market access initiatives	KEPSA, KAM, KNCCI	firm level investments

B2/1.2.5 Resource Mobilization Plan for Development and Promotion of Coffee Exports

The estimated resource requirement for implementing the coffee export development and promotion strategy is KES11.8 billion. Over 90% of the estimated resources or KES11.9billion will go towards developing production capacity for exportable specialty and value added coffee. The specific interventions under each of the Strategic Objectives and corresponding resource requirements are as provided under the section on 'Strategic Interventions and Resource Requirements'. The sources of funds and Lead Agencies to engage in mobilizing the funds are as listed in the resource mobilization matrix below. The institutional structure through which the funds for export coffee development and promotion will be the 'Coffee Sub-Sector Working Group' of NEDPS Agriculture

Sector Working Group. At the Coffee SSWG, Private Sector Stakeholders in the Coffee sector, AFA-Coffee Directorate and County Government Counterpart on coffee and other Government Agencies will take the lead role.

Table B/2-2: Resource Mobilization Plan for Development and Promotion of Coffee Exports

SO#	Strategic Objective/ Focal Areas of Intervention	Amount Required (KES Millions)	Estimated NEDPS Annual Resource Requirement (KES Millions)					Source	Lead Agencies in Resource Mobilization
			2018/19	2019/20	2020/21	2021/22	2022/23		
Coffee									
1	To provide Business Enabling Environment in support of production of specialty and value added coffee	25	5	5	5	5	5	MDAs and County Governments' MTPIII Annual Budgets, Private Sector Investments, coffee development programs and Development Partners	AFA - Coffee Directorate, County Government Counterpart, KenInvest, KEPSA
2	To strengthen and capacity build producers and exporters of value added and specialty coffee	230	46	46	46	46	46		
3	To promote production of specialty coffee for exports	2,840	568	568	568	568	568		
4	To Promote Production of Value added Coffee for exports	6,260	1,252	1,252	1,252	1,252	1,252		
5	To Promote Exports of Value added and Specialty Coffee	2,452	490	490	490	490	490		
Sub-Total Coffee		11,807	2,361	2,361	2,361	2,361	2,361		

B2/1.2.6 Implementation Plan towards Development and Promotion of Coffee Exports

Strategic Interventions/ Program Activities	Implementing Agencies/ Stakeholder Institutions	2018				2019				2020				2021				2022			
		Quarters				Quarters				Quarters				Quarters				Quarters			
		1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
SO#1: To provide Business Enabling Environment in support of production of specialty and value added coffee																					
Establish a national framework for coordination of development of specialty and value added coffee for exports between National and County Governments towards promoting Kenya as a preferred source of specialty coffee and branded value added coffee	State Departments for Agriculture, AFA-Coffee Directorate, County Governments, Coffee Sector Implementation Committee (CSIC), Coffee Processors (KEPSA, KAM and KNCCI)																				

Strategic Interventions/ Program Activities	Implementing Agencies/ Stakeholder Institutions	2018				2019				2020				2021				2022			
		Quarters				Quarters				Quarters				Quarters				Quarters			
		1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
Provide an enabling legal and regulatory framework for coffee exports through the following measures:	State Departments for Agriculture, AFA-Coffee Directorate, County Governments, Coffee Sector Implementation Committee (CSIC), Coffee Processors (KEPSA, KAM and KNCCI)																				
Development of legal framework to strengthen coffee marketing through:																					
Enactment of new coffee subsector regulations																					
Review of laws to allow coffee growers to directly trade their coffee in the NCE																					
Review of laws to ensure that cross ownership does not exist along the marketing chain																					
Enactment of Geographical Indications Law																					
Strengthening coffee exports through the Nairobi Coffee Exchange (NCE) through:																					
Establishment of NCE as a body corporate and as a public company limited by guarantee																					
Modernise NCE and enhance its capacity																					
Establishment of Central Depository Unit (CDU) for settlement and payment of coffee proceeds																					
Creation of a sales window to cater for local roasters with appropriate trading rules and catalogue by NCE																					
Strengthening primary coffee processing through review of the five acre rule for pulping license																					
Address concerns on other cross cutting agriculture through fast tracking review of other laws that impact on coffee exports indirectly through:																					
Amendment of the Crops Act of 2013 and AFA Act of 2013.																					
Amendment of the Cooperative Act in order to enforce effective management of cooperatives.																					
Fast-tracking of enactment of Warehouse Receipt Systems Bill of 2015.																					

Strategic Interventions/ Program Activities	Implementing Agencies/ Stakeholder Institutions	2018				2019				2020				2021				2022			
		Quarters				Quarters				Quarters				Quarters				Quarters			
		1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
Undertake a baseline survey to establish producers of value added and specialty coffee for exports, the associations or co-operatives that they belong to and their needs in the context of value added and specialty coffee production for exports.	State Departments for Agriculture, AFA-Coffee Directorate, County Governments, Coffee Sector Implementation Committee (CSIC), Coffee Processors (KEPSA, KAM and KNCCI)																				
Promote integration of value added and specialty coffee producers who do not belong to any association or cooperatives in existing associations or cooperatives that promote production and export of these products																					
56Support integration/ development of nationwide information system on value added and specialty coffee producers and exporters to enhance their visibility in the global market place																					
Develop capacity building program for strengthening value added and specialty coffee producers and exporters																					
Support implementation of the value added and specialty coffee exports capacity building program																					
SO#3: To promote production of specialty coffee for exports																					
Provide information on appropriate specialty coffee seedlings including conditions and crop husbandry for successful production of	State Departments for Agriculture, AFA-Coffee Directorate, County Governments, Coffee Sector Implementation Committee (CSIC), Coffee Processors (KEPSA, KAM and KNCCI)																				
Provide information on certified suppliers/dealers in approved specialty coffee seedlings																					
Establish demonstration centers/ training facilities on best practice on production of specialty coffee for exports																					
Provide financial support on a cost recovery basis, using Coffee Export Development Revolving Fund, o small scale coffee farmers and small coffee estate (20 acres and below) for promoting increase in acreage under coffee, enhancing use of fertilizer and other inputs that are required to enhance productivity of coffee trees																					

Strategic Interventions/ Program Activities	Implementing Agencies/ Stakeholder Institutions	2018 Quarters				2019 Quarters				2020 Quarters				2021 Quarters				2022 Quarters			
		1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
Provide, on a cost recovery basis, and using Coffee Export Development Revolving Fund, extension service to ensure high productivity of specialty coffee																					
Promote contract farming among specialty coffee producers and exporters, with severe conditions to discourage diversion of products being produced under such a framework to competitors																					
Prepare and disseminate sub-sector annual specific destination market export opportunities and potential for value added and specialty coffee																					
SO#4: To promote production of value added coffee for exports																					
Prepare and disseminate sub-sector annual specific destination market export opportunities and potential for value added coffee																					
Prepare and disseminate annual destination market access requirements *(Tariffs, Rules of Origin, Non-Tariff Charges, Standards, SPS and Food Safety standards)* for value added coffee																					
Promote, through PPP or Wholly Private Sector Owned, demand led and buyer centred establishment of value added coffee Processing Hubs/ *Common User Facilities* for production of value added, using Coffee Export Development Revolving Fund. The main target being SMEs and new entrants in manufacturing sector for export business																					
Promote product development and branding services by accredited service providers to address standards, quality and volume requirements of target markets																					
Provide Technology and skills upgrade/development or acquisition through Revolving Fund facility to promote use of latest and efficient technology in value added coffee production																					

Strategic Interventions/ Program Activities	Implementing Agencies/ Stakeholder Institutions	2018 Quarters				2019 Quarters				2020 Quarters				2021 Quarters				2022 Quarters			
		1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
Provide an export production Revolving Fund for value added coffee producers for export targeting financial support for post and pre-export financing where verified orders are in place																					
SO#5: To promote exports of vale added and specialty coffee																					
Promote Kenya as a specialty and value added coffee exporting Nation by hosting Annual Coffee Festival to promote 'Source Kenya Coffee' targeting buyers from target destination markets and using a cost recovery model	State Department for Trade, EPC State Departments for Agriculture, AFA-Coffee Directorate, County Governments, Coffee Sector Implementation Committee (CSIC), Coffee Processors (KEPSA, KAM and KNCCI)																				
Undertake Exhibitions and Trade Fairs in target destination market on a cost recovery model coupled with matching grants for exporters																					
Provide matching grants to support exporters of coffee in scheduled export promotion events, Business to Business or Business to Consumers specific events in target destination markets																					
Prepare annual market intelligence surveys for value added and specialty coffee in target destination markets																					
Disseminate market intelligence surveys to target value added and specialty coffee producers and exporters using the Kenya National Trade Portal																					
Identify destination market marketing agencies for value added and specialty coffee and engage them to drive Kenya's export market share working closely with the private sector. Payment for the services to be tied to market share increments/ concluded and delivered deals																					
Lease warehousing/ distributorship centre facilities, using a cost recovery model, for value added and specialty coffee exports in destination markets to ease visibility and distribution of Kenyan products in these markets																					
Target value added and specialty coffee producers and exporters listing in regional/continental/ global e-commerce platforms to enhance visibility and complement market access initiatives																					

B2/1.3 Tea Industry

B2/1.3.1 Situational Analysis of the Tea Industry

The tea industry is one of the prominent enterprises in Kenya's agricultural sector, contributing an average of 40% of the total agricultural crop output by value over the period 2012-2016. Over this period, the industry posted a 16% growth in value output from KES100 bn in 2012 to KES117 bn by 2016. The tea industry is Kenya's top foreign exchange earner, which in 2016 recorded an export value of KES124.5billion, accounting for 48% of total agricultural crop exports value in that year, thus leading all other prominent crops such as coffee, horticulture and various industrial crops.

According to the Tea Task Force Report (2016), the exemplary performance of the tea industry output is attributed to the well-structured production system comprising two complementary parallel value-chains, one smallholder value chain and the other, estate value chain. The tea auction in Mombasa, which occupies the strategic convergent end-segment of the two value-chains is where both the two parallel value chains market their tea to the international market through brokerage firms at the auction. Kenyan tea that is marketed fresh directly from various factories is known for its high quality, so it attracts good prices at the auction. Some of the export teas are, however, sold through direct contract sales.

A further feature of the Kenyan tea industry is the second level of the value chain, where value-adding blending and packaging occurs. According to the Tea Task Force Report (2016), most of the tea value addition takes place outside Kenya in the consumer countries, from where the packaged blended tea is later exported to other parts of the world, including Kenya. This scenario is attributed to the tradition, where Kenyan tea has been exported in bulk, as a raw material for the tea blending processing industry in final consumer or intermediary countries by tea trading multi-nationals... This trend of using Kenyan tea essentially as a quality enhancing blender has been sustained by the high quality of the Kenya tea. This has made it a much sought product by leading tea companies for blending and adding the premium taste to the most respected tea brands in the world.

The trend of bulk tea export has continued despite the effort of the Government of Kenya (GOK), through the Tea Directorate (TD) and other stakeholders to encourage tea processing to be done in Kenya. From Kenya's perspective, considerable improvement in her foreign exchange earnings would be realized if the blending and finish packaging of global tea brands were to be done in the country. This goal has however, remained elusive due to policy constraints and other inhibiting factors as discussed later under the section on constraints to tea export performance. However, as noted by the Tea Board of Kenya (now Tea Directorate), there is an emerging vibrant value-added sub-sector, led by the Tea Packers Association, which aims to provide the distributive trade sector and their consumers worldwide with pure Kenyan branded teas, blended at source *(EPZA 2005)*[52]. This is the future, which the National Export Development Strategy seeks to harness and encourage.

This future is guaranteed by the tea industry stakeholders' unanimity, through the Tea Task Force, on need to enhance Kenya's tea exports through value addition processes, which include packing branded Kenyan teas ready for consumption, and marketing it as such. Some of these new products already face market entry challenges and may require special support in the area of market access. Most of the diversified tea products forms that are currently being sold in the international markets are processed and delivered on order. For example, white tea is being exported to Japan. However, the Task Force observed that not many tea factories were engaging in product diversification due to several constraints such as lack of adequate market knowledge and risk averseness.

52 *Tea and Coffee Industry in Kenya; EPZA (2015)*

To support the dream of value added tea production for export trade, there is urgent need to guarantee continued increase in tea production, which is currently threatened by declining productivity associated with moribund tea bushes among most of the smallholder tea farmers. This is because of the low replacement of ageing and declining quality tea bushes kept by small-holder farmers, which negatively impacts on their farm productivity and tea quality.

The hope for high productivity in tea production has been ignited by the KALRO-TRI high yielding tea clones, which have been developed through Research and Development. This has led to the discovery of the purple tea, which is a special variety with unique properties that are favourably comparable to green and black teas *(KIPPRA Special Paper No. 17, 2017)*.

At institutional, policy and regulatory levels, there are challenges which the Tea Task Force Report (2016) have already noted and pointed out, leading to following recommendations:

a) The strengthening of the Tea Directorate and Tea Research Institute in view of the strategic position of tea in the domestic economy of Kenya and in the global tea industry as a whole;

b) Ring fencing the autonomy of the Tea Directorate within AFA to secure its semi-autonomy policy space;

c) Enhanced linkages of the Tea Directorate with Tea Industry stakeholders at local and global levels;

d) Amending relevant laws to revert back to the Tea Board of Kenya and Tea Research Foundation of Kenya their respective original strategic mandates; and

e) Finalising National Tea Policy and Tea Regulations so as to provide a functional platform for Counties to uniformly implement the Tea Policy, rather than each County developing its own policies and regulations which may be in conflict with national strategies and policies and thus destabilising to the industry.

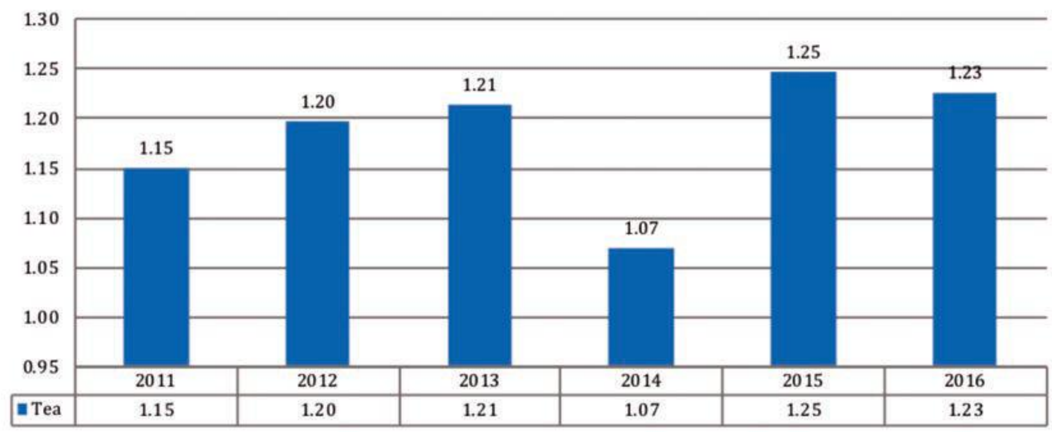
Whilst building strengths of the tea sector institutions and value-chain as discussed above, the tea industry growth will be propelled further through product diversification such as by introducing exportable products of Purple tea variety, White/Silver, Oolong, Iced tea, etc, and domesticating commercially viable value addition through large-scale blending, packaging, branding and profiling for export marketing of Kenyan speciality teas. Other opportunities include adoption of mechanized plucking, engagement with the labour unions on adoption of plucking machines, adopting new clones as well as providing the financial support required for replacement of ageing unproductive tea bushes, and adopting climate resilient tea clones. For purposes of tracking tea export performances under NEDPS, the following classification of tea under HS Heading 0902 of HS Chapter 9 will be used.

Product code	Product label
'0902	Tea, whether or not flavoured

B2/1.3.2 Tea Export Performance

Tea export by volume has been on the increase, posting a 27% increase from 376,996 m. tons in 2012 to 479,969 m. tons in 2016. In value terms, and as evidenced in the chart below, tea exports recorded an increase of 14% from USD1.1bn (or KES102bn) to USD1.23 billion or KES124bn in the corresponding two years. According to the Tea Sector Task Force Report (2016), Kenyan tea exports by volume has been growing at an average rate of 3% per annum, that is 1.1% above the global rate of growth.

Chart B2/2-1: Kenya Tea Exports, 2011-2016; Figures in USDBillion, *(Source KNBS Economic Survey, converted to USD using KRA recommended exchange rates)*

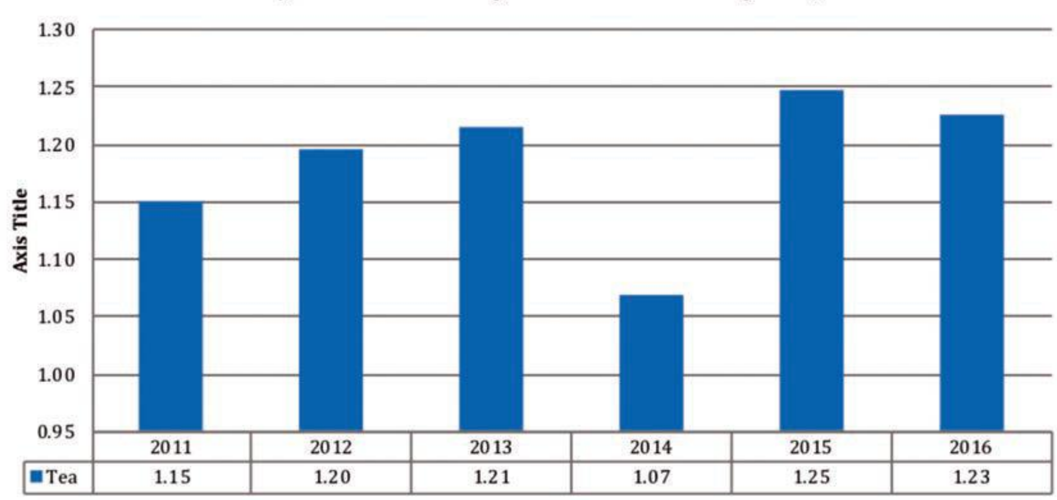


It is however worth noting that over the review period, 2012 – 2016, the tea export growth in value terms was interrupted in 2014 by a slump in the value of tea exports, which dropped from US1.21bn or KES104.6bn to USD1.07bn or KES94bn. The drop was associated with decline in export prices because in volume terms tea exports had increased from 446,033tons in 2013 to 456,492 tons in 2014. This demonstrates vulnerability of the commodity exports value to global tea price fluctuations, which could be shielded through more exports of value added products, which are not as sensitive to price fluctuation as bulk teas.

Kenya is currently listed among the top seven producers of tea. The other six countries are China, Sri Lanka, India, Vietnam, Argentina and Indonesia. While Kenya and India export Black CTC teas, China exports Green tea, While Sri Lanka, Vietnam, Argentina and Indonesia export Black Orthodox tea. Collectively, the seven tea producing countries account for 90% of the global tea exports. Kenya however, commands the single highest market share at 27% of total global tea exports.

Key global importers of tea are Russia, Pakistan, UK, USA, Egypt, Iran, Morocco, Germany, U.A.E and Afghanistan. The ten markets account for 54% of the total global import volume. Although Kenya tea is exported to over 60 market destinations world-wide, the traditional markets of Pakistan, Egypt, UK, Afghanistan and Sudan account for 70% of its global market share.

Chart B2/2-2: Kenya Tea Exports, 2011-2016; Figures in USDBillion, *(Source KNBS Economic Survey, converted to USD using KRA recommended exchange rates)*



B2/1.3.3 Tea export potential in target export destination countries and regional markets

The markets that will drive Kenya's tea exports over the NEDPS period were identified as follows: The EU, USA, COMESA/ EAC, Pakistan, GCC, Japan, China, India, ECCAS, and Brazil as a combination of regional blocs and countries have an overall tea market size of USD7.4 billion, going by their reported imports from world tea trade records over the period 2012-2016. During this period, Kenya's exports to these regions and countries stood at USD 1.2 billion or 15% of the total global market size.

Given that Kenya's exports of tea to these destination markets standards at 15%, under the NEDPS framework, the aim is to increase this market share by 10% targeting exports of value added packaged teas. This will make the target market share in these countries by value to rise to 25% or USD1.8billions. This target will be pursued through various interventions, particularly those that promote production of export value added tea.

Table B2/2-1: Tea exports and select[53] destination countries and regions market export potential

Product code	Product label	Kenya's exports to world - Average 2012 - 2016 (USD mn)	Select regions imports from Kenya - Average 2012 - 2016 (USD mn)	Select regions imports from world - Average 2012 - 2016 (USD mn)	Kenya's Export opportunity assuming a 25% market share (USD mn)
0902	Tea, whether or not flavoured	1,173	1051	7,383	1846

Source: *Computation from ITC Trade Maps*

As evidenced in the table below, the lead destination markets are Middle East, the EU, the USA, COMESA/EAC, which in total account for 87% of these markets total market size.

Table B2/2-2: Tea exports and select[54] destination countries and regions market export potential

Destination Country/Region	Select regions imports from Kenya - Average 2012 - 2016 (USD mn)	Select regions imports from world - Average 2012 - 2016 (USD mn)	% share
Middle East	353	3,689	50%
EU	182	1,458	20%
USA	16	777	11%
COMESA	189	458	6%
Pakistan	222	425	6%
GCC	86	241	3%
Japan	-	170	2%
China	2	103	1%
India	-	44	1%
ECCAS	1	15	0%
Brazil	-	3	0%
Total	**1,051**	**7,383**	**100%**

Source: *Computation from ITC Trade Maps*

53 The following are select destination countries and regions based on revealed tea export potential
54 The following are select destination countries and regions based on revealed tea export potential

B2/1.3.4 Constraints to Tea Export Performance

The following constraints are considered as key impediments to the envisaged tea export growth and thus need to be addressed through strategic interventions:

a) Adverse VAT regime on tea which discourages value addition of tea and renders Kenyan tea less price competitive in the EAC regional market.

According to the submissions by Eastern Africa Tea Traders Association (EATTA) during an interactive session with their members in the course of formulating this Strategy, VAT as observed in the Tea Task Force Report (2007) still remains an impediment to trade in tea . Unlike other food products and beverages such as milk, which are zero-rated, tea is classified as an industrial crop thus when locally sold tea attracts VAT as required under the fifth schedule of the VAT Act. The high price for Kenyan tea is thus exacerbated by the application of Value Added Tax (VAT) on all tea sold in the local market. Because of the lengthy delays in refunding VAT, local buyers of tea for export treat this as a business cost which is consequently passed on as a burden to the export market consumers.

b) High cost of production

In their submissions during the formulation of NEDPS, EATTA noted that the concerns over high cost of production as noted in the Tea Task Force Report (2007) still persist. Accordingly, the high prices of Kenyan tea, which are associated with high cost of production, have triggered low domestic consumption of Kenyan teas. This concern is underscored by EATTA through a comparative analysis of the price of Kenyan teas and those from other countries at the Tea Auction in Mombasa, thus; *"Notably, Kenya tea is sold at the highest auction price compared to other tea from within the EAC member states, as well as tea from other low cost producers such as Malawi, India and Argentina. In 2017, Kenya tea was sold at average auction price of USD 2.98 per Kg, which was more than double the auction price of Tanzanian tea at USD 1.38. Uganda tea was also sold at a significantly much lower price than Kenyan tea at an average of USD 1.76 while Indian tea was sold at an average of USD 2.24 per Kg"*

- EATTA submissions towards NEDPS formulation.

EATTA further observes that: *"The case for Kenya is different from other countries within the East African Community (EAC) member states, where tea sold in these countries does not attract VAT. Due to the above circumstances, packers from within the other EAC Member States and importers of cheaper origin tea are therefore, able to sell their tea more competitively within the EAC markets including Kenya compared to packers who buy and sell Kenyan tea".*

c) Inefficiency in the Remission, Rebate and Refund of Duty and VAT on packaging material for Tea Exports

According to EATTA submissions in the course of formulation of NEDPS, the challenges relating to inefficiency in administration of 'Remission, Rebate and Refund of Duty and VAT on packaging material for Tea Exports' system that were identified in the Tea Task Force Report (2007) and subsequent submission to Government by the East Africa Tea Trade Association (EATTA), still persist. As a result, the inflexibility of the Tax Remission Export Office (TREO) scheme has been identified as one of the challenges facing the tea industry in Kenya. As observed in EATTA submissions, *"The scheme has not served the tea sector efficiently and effectively as it only gives exporters a period of nine months during which they should have utilized all the imported packaging materials while the experience with the tea traders is that some of the packaging materials used in tea such as filter paper or tea tags* *imported in a container can last up to two years. In addition, the process of remitting the VAT and duty is lengthy and consequently ties a lot of cash flow for business. Besides, the scheme does not cover packaging materials that do not exceed one million Kenya shillings in Value."*

The consequence of this challenge is very low tea industry value addition, which is estimated at less than 10% of the export volume. This has therefore denied the country an opportunity to optimize earnings from the tea sector as other competitor countries, such as Sri Lanka, have done. According to the Taskforce Report (2007 & 2016), export of tea in bulk form also denies the country employment opportunities as well as revenue as the tea is packaged elsewhere. In addition, the Kenyan identity as a producer of quality tea is lost due to blending with other teas.

Other challenges that the tea industry faces include the following:

a) Weak legal and institutional framework, including weak coordination/synergy between National and County Governments;

b) Limited skills in processing specialty teas;

c) Low value addition (blending, packaging, branding and profiling) and low level of diversification from black CTC tea;

d) High investment costs for machinery and equipment for processing blending and packaging tea;

e) Low production from moribund ageing tea bushes among smallholder farmers, which now require replacement;

f) Inadequate skilled labour to support transformation of tea industry from a bulk tea exporting to value added tea exporting industry;

g) Poor state of infrastructure (road network in some tea growing zones);

h) Lack of information on regional and international market opportunities;

i) Lack of diplomatic support for negotiated bilateral trade arrangements in some of the destination markets e.g. Iran, Russia and turkey in support of tea exports;

j) Fluctuating global tea prices; and

k) Weak surveillance and monitoring capacity to ensure compliance with codes of practice, regulations and standards by regulatory authorities.

B2/1.3.5 Strategic Objectives and Interventions towards Development and Promotion of Tea Exports

B2/1.3.5.1 Strategic Objectives towards Development and Promotion of Tea Exports

To propel tea exports in pursuit of NEDPS export growth targets, the following strategic objectives, which address the constraints to tea export performance, will be pursued:

a) To provide a Business Enabling Environment in support of competitive branded Kenya tea exports;

b) To promote competitiveness of Kenyan tea in the domestic as well as international markets;

c) To strengthen and build capacity of producers and exporters of value added tea;

d) To support production of value added tea for export; and,

e) To promote specialty and value added tea exports.

B2/1.3.5.2 Strategic Interventions towards Development and Promotion of Tea Exports

Strategic Objective #1:

To Provide Business Enabling Environment in Support of Competitive Branded Kenya Tea Exports

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KESM)
1) Establish a national framework for coordination of value added tea exports development between National and County Governments towards promoting Kenya as a high quality value added tea producer and exporter	State Departments for Agriculture, Agriculture & Food Authority (AFA)- Tea Directorate, County Governments, Tea Processors (KEPSA, KAM and KNCCI)	5
2) Review current Acts (AFFA Act/ TD/ TBK, KALR Act, etc.) to ensure strengthening of institutions that will facilitate enhanced exports of value added tea	State Departments for Agriculture, Agriculture & Food Authority (AFA)- Tea Directorate, County Governments, Tea Processors (KEPSA, KAM and KNCCI)	5
3) Review the legal and regulatory framework that govern tea exports ((AFFA Act/ TD/ TBK, KALR Act, etc.) to ensure harmony and provisions that promote horticultural exports	State Departments for Agriculture, Agriculture & Food Authority (AFA)- Tea Directorate, County Governments, Tea Processors (KEPSA, KAM and KNCCI)	5
4) Review the Value Added Tax Regime with a view to allow purchase of tea for value addition from the tea auction	State Departments for Agriculture, Agriculture & Food Authority (AFA)- Tea Directorate, County Governments, Tea Processors (KEPSA, KAM and KNCCI)	5
5) Simplify procedures for exportation of value added tea by rationalizing roles and responsibilities of various trade facilitation institutions to avoid duplication	State Departments for Agriculture, Agriculture & Food Authority (AFA)- Tea Directorate, County Governments, Tea Processors (KEPSA, KAM and KNCCI)	5
6) Harmonize Counties fees and levies and make them a one-off levy and implement a single collection mutual recognition.	State Departments for Agriculture, Agriculture & Food Authority (AFA)- Tea Directorate, County Governments, Tea Processors (KEPSA, KAM and KNCCI)	5

Strategic Objective #2:

To promote competitiveness of Kenya tea in the domestic as well as international markets

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KES M)
1) Undertake a review of the tea processing input cost with a view to mitigating costs associated with furnace oil, electric energy and fertilizer through fiscal incentives	State Departments for Agriculture, Agriculture & Food Authority (AFA)- Tea Directorate, County Governments, National Treasury, Tea Processors (KEPSA, KAM and KNCCI)	10

2)	Facilitate efficient and effective remission of Tax held under the Tax Remission Export office (TREO), immediately after the customs have confirmed that the imported raw materials have been exported	State Departments for Agriculture, Agriculture & Food Authority (AFA)- Tea Directorate, County Governments, National Treasury, Tea Processors (KEPSA, KAM and KNCCI)	5
3)	Review the VAT regime with a view to exempting tea from VAT for purposes of promoting value addition and promoting competitiveness of Kenya tea in the domestic and international markets	State Departments for Agriculture, Agriculture & Food Authority (AFA)- Tea Directorate, County Governments, National Treasury, Tea Processors (KEPSA, KAM and KNCCI)	5
4)	Review the EAC CET with a view to classifying Tea as a Sensitive Item attracting duty rate of 50% as other sensitive agricultural products	State Departments for Agriculture, Agriculture & Food Authority (AFA)- Tea Directorate, County Governments, National Treasury, Tea Processors (KEPSA, KAM and KNCCI)	2
5)	Re-classification of tea as a food item and zero-rate VAT on tea with a to promoting competitiveness and consumption of tea in the domestic and regional market	State Departments for Agriculture, Agriculture & Food Authority (AFA)- Tea Directorate, County Governments, National Treasury, Tea Processors (KEPSA, KAM and KNCCI)	2

Strategic Objective #3:

To Strengthen and Capacity Build Producers and Exporters of Value added Tea

Strategic Interventions/Program Activities		Implementing Agencies	Resource Requirements (KES M)
1)	Undertake a baseline survey to establish producers of value added tea for exports, the associations or cooperatives that they belong and their needs in the context of value added tea production for exports.	State Departments for Agriculture, Agriculture & Food Authority (AFA)- Tea Directorate, County Governments, Tea Processors (KEPSA, KAM and KNCCI)	10
2)	Promote integration of value added tea producers who do not belong to any association or cooperatives in existing associations or cooperatives that promote tea value addition	State Departments for Agriculture, Agriculture & Food Authority (AFA)- Tea Directorate, County Governments, Tea Processors (KEPSA, KAM and KNCCI)	10
3)	Support integration/development of nationwide information system on value added tea producers and exporters to enhance their visibility in the global market place	State Departments for Agriculture, Agriculture & Food Authority (AFA)- Tea Directorate, County Governments, Tea Processors (KEPSA, KAM and KNCCI)	10
4)	Develop capacity building program for strengthening value added tea producers and exporters	State Departments for Agriculture, Agriculture & Food Authority (AFA)- Tea Directorate, County Governments, Tea Processors (KEPSA, KAM and KNCCI)	200

5) Identify all existing support programs for production and export of value added tea, their focus and gaps in driving value added tea exports to ensure synergy in the development of nationwide comprehensive support program in response to value added tea export market opportunities 6) Draw a capacity building program to create awareness and promote production of value added tea to meet destination markets requirements		
7) Support implementation of the value added tea exports capacity building program	State Departments for Agriculture, Agriculture & Food Authority (AFA)- Tea Directorate, County Governments, Tea Processors (KEPSA, KAM and KNCCI)	As per the capacity building program

Strategic Objective #4:

To Support Production of Value added Tea for Export

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KES M)
1) Prepare and disseminate sub-sector annual specific destination market export opportunities and potential	State Departments for Agriculture, Agriculture & Food Authority (AFA)- Tea Directorate, County Governments, Tea Processors (KEPSA, KAM and KNCCI)	10
2) Prepare and disseminate annual destination market access requirements *(Tariffs, Rules of Origin, Non-Tariff Charges, Standards, SPS and Food Safety standards)* for processed tea	State Departments for Agriculture, Agriculture & Food Authority (AFA)- Tea Directorate, County Governments, Tea Processors (KEPSA, KAM and KNCCI)	50
3) Promote, through PPP or Wholly Private Sector Owned, nationwide demand led and buyer centred establishment of Tea Processing Hubs/*Common User Facilities* for production of value added, using Tea Export Development Revolving Fund. The main target being SMEs and new entrants in manufacturing sector for export business	State Departments for Agriculture, Agriculture & Food Authority (AFA)- Tea Directorate, County Governments, Tea Processors (KEPSA, KAM and KNCCI) and KenINVEST	2,000
4) Promote product development and branding services by accredited service providers to address standards, quality and volume requirements of target markets	State Departments for Agriculture, Agriculture & Food Authority (AFA)- Tea Directorate, County Governments, Tea Processors (KEPSA, KAM and KNCCI)	200
5) Provide Technology and skills upgrade/development or acquisition through Revolving Fund facility to promote use of latest and efficient technology in value added tea production	State Departments for Agriculture, Agriculture & Food Authority (AFA)- Tea Directorate, County Governments, Tea Processors (KEPSA, KAM and KNCCI)	2,000
6) Provide an export production Revolving Fund for value added tea producers for export targeting financial support for post and pre-export financing where verified orders are in place	State Departments for Agriculture, Agriculture & Food Authority (AFA)- Tea Directorate, County Governments, Tea Processors (KEPSA, KAM and KNCCI)	2,000

Strategic Objective #5:

To Promote Exports of Specialty and Value Added Tea Exports

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KESM)
1) Prepare annual market intelligence surveys for value added tea in target destination markets	State Departments for Trade, Agriculture & Food Authority (AFA)- Tea Directorate, Kenya Missions Abroad, EPC, County Governments, Tea Processors (KEPSA, KAM and KNCCI)	100
2) Disseminate market intelligence surveys to target value added tea producers and exporters using the Kenya National Trade Portal	State Departments for Trade, Agriculture & Food Authority (AFA)- Tea Directorate, Kenya Missions Abroad, EPC, County Governments, Tea Processors (KEPSA, KAM and KNCCI)	2
3) Identify destination market marketing Agencies for value added tea and engage them to drive Kenya's export market share working closely with the private sector. Payment for the services to be tied to market share increments/concluded and delivered deals	State Departments for Trade, Agriculture & Food Authority (AFA)- Tea Directorate, Kenya Missions Abroad, EPC, County Governments, Tea Processors (KEPSA, KAM and KNCCI)	1,000
4) Lease warehousing/distributorship centre facilities, using a cost recovery model, for value added tea exports in destination markets to ease visibility and distribution of Kenyan products in these markets	State Departments for Trade, Agriculture & Food Authority (AFA)- Tea Directorate, Kenya Missions Abroad, EPC, County Governments, Tea Processors (KEPSA, KAM and KNCCI)	1000
5) Provide matching grants to support exporters of target manufactured in scheduled export promotion events, Business to Business or Business to Consumers specific events in target destination markets	State Departments for Trade, Agriculture & Food Authority (AFA)- Tea Directorate, Kenya Missions Abroad, EPC, County Governments, Tea Processors (KEPSA, KAM and KNCCI)	500
6) Target value added tea producers and exporters listing in regional/continental/global e-commerce platforms to enhance visibility and complement market access initiatives	KEPSA, KAM, KNCCI	firm level investments

B2/1.3.6 Resource Mobilization Plan for Development and Promotion of Tea Exports

The estimated resource requirements for implementation of the tea export development and promotion strategy is KES9.1 billion. Out of this, KES8.8 billion or 97% will go towards developing production of exportable specialty and value added tea. The specific interventions under each of the Strategic Objectives and accompanying resource requirements are as provided under the section on 'Strategic Interventions and Resource Requirements'. The sources of funds and Lead Agencies designated for mobilization of the funds are as listed in the resource mobilization plan below. The institutional structure through which the funds for tea export development and promotion will be managed is the 'Tea Sub-Sector Working Group' of NEDPS Agriculture Sector Working Group. At the Tea SSWG, Private Sector Stakeholders in the tea sector, AFA-Tea Directorate and County Government Counterpart on tea and other Government Agencies will take lead role.

Table B2/2: Resource Mobilization Plan for Development and Promotion of Tea Exports

SO#	Strategic Objective/ Focal Areas of Intervention	Amount Required (KES Mn)	Estimated NEDPS Annual Resource Requirement (KES Millions)					Source	Lead Agencies in Resource Mobilization
			2018/19	2019/20	2020/21	2021/22	2022/23		
Tea									
1	To provide Business Enabling Environment in support of competitive branded Kenya tea exports	25	5	5	5	5	5	MDAs and County Governments' MTPIII Annual Budgets, Private Sector programs, Development Partners	AFA - Tea Directorate/ County Government Counterpart/ KEPSA/EATTA
2	To strengthen and capacity build producers and exporters of value added tea	230	46	46	46	46	46		
3	To support production of value added tea for export	6260	1252	1252	1252	1252	1252		
4	To promote value added Kenya tea exports and marketing in current and new markets	2602	520	520	520	520	520		
Sub-Total Tea		9,117	1,823	1,823	1,823	1,823	1,823		

B2/1.3.7 Implementation Plan towards Development and Promotion of Tea Exports

Strategic Interventions/ Program Activities	Implementing Agencies	2018				2019				2020				2021				2022			
		Quarters				Quarters				Quarters				Quarters				Quarters			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
SO#1: To provide Business Enabling Environment in support of competitive branded Kenya tea exports																					
Establish a national framework for coordination of value added tea exports development between National and County Governments towards promoting Kenya as a high quality value added tea producer and exporter	State Departments for Agriculture Agriculture & Food Authority (AFA)- **Tea Directorate,** County Governments, Tea Processors (KEPSA, KAM and KNCCI)																				
Review current Acts (AFFA Act/ TD/ TBK, KALR Act, etc.) to ensure strengthening of institutions that will facilitate enhanced exports of value added tea																					

Strategic Interventions/ Program Activities	Implementing Agencies	2018				2019				2020				2021				2022			
		Quarters				Quarters				Quarters				Quarters				Quarters			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Review the legal and regulatory framework that govern tea exports ((AFFA Act/ TD/ TBK, KALR Act, etc.) to ensure harmony and provisions that promote horticultural exports	State Departments for Agriculture Agriculture & Food Authority (AFA)- **Tea Directorate,** County Governments, Tea Processors (KEPSA, KAM and KNCCI)																				
Review the Value Added Tax Regime with a view to allow purchase of tea for value addition from the tea auction																					
Simplify procedures for exportation of value added tea by rationalizing roles and responsibilities of various trade facilitation institutions to avoid duplication																					
Harmonize Counties fees and levies and make them a one-off levy and implement a single collection mutual recognition.																					
SO#2: To strengthen and capacity build producers and exporters of value added tea																					
Undertake a baseline survey to establish producers of value added tea for exports, the associations or cooperatives that they belong and their needs in the context of value added tea production for exports.																					
Promote integration of value added tea producers who do not belong to any association or cooperatives in existing associations or cooperatives that promote tea value addition																					
Support integration/ development of nationwide information system on value added tea producers and exporters to enhance their visibility in the global market place																					
Develop capacity building program for strengthening value added tea producers and exporters																					

Strategic Interventions/ Program Activities	Implementing Agencies	2018				2019				2020				2021				2022			
		Quarters				Quarters				Quarters				Quarters				Quarters			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Identify all existing support programs for production and export of value added tea, their focus and gaps in driving value added tea exports to ensure synergy in the development of nationwide comprehensive support program in response to value added tea export market opportunities																					
Draw a capacity building program to create awareness and promote production of value added tea to meet destination. markets requirements																					
Support implementation of the value added tea exports capacity building program																					
SO#3: To support production of value added tea for export																					
Prepare and disseminate sub-sector annual specific destination market export opportunities and potential	State Departments for Agriculture Agriculture & Food Authority (AFA)- Tea Directorate, County Governments, Tea Processors (KEPSA, KAM and KNCCI)																				
Prepare and disseminate annual destination market access requirements *(Tariffs, Rules of Origin, Non-Tariff Charges, Standards, SPS and Food Safety standards)* for processed tea																					
Promote, through PPP or Wholly Private Sector Owned, nationwide demand led and buyer centred establishment of Tea Processing Hubs/ *Common User Facilities* for production of value added, using Tea Export Development Revolving Fund. The main target being SMEs and new entrants in manufacturing sector for export business																					
Promote product development and branding services by accredited service providers to address standards, quality and volume requirements of target markets																					

Strategic Interventions/ Program Activities	Implementing Agencies	2018				2019				2020				2021				2022			
		Quarters				Quarters				Quarters				Quarters				Quarters			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Provide Technology and skills upgrade/development or acquisition through Revolving Fund facility to promote use of latest and efficient technology in value added tea production																					
Provide an export production Revolving Fund for value added tea producers for export targeting financial support for post and pre-export financing where verified orders are in place																					
SO#4: To promote specialty and value added tea exports																					
Prepare annual market intelligence surveys for value added tea in target destination markets	State Departments for Trade, Agriculture & Food Authority (AFA)- **Tea Directorate,** Kenya Missions Abroad, EPC, County Governments, Tea Processors (KEPSA, KAM and KNCCI)																				
Disseminate market intelligence surveys to target value added tea producers and exporters using the Kenya National Trade Portal																					
Identify destination market marketing Agencies for value added tea and engage them to drive Kenya's export market share working closely with the private sector. Payment for the services to be tied to market share increments/concluded and delivered deals																					
Lease warehousing/ distributorship centre facilities, using a cost recovery model, for value added tea exports in destination markets to ease visibility and distribution of Kenyan products in these markets																					
Provide matching grants to support exporters of target manufactured in scheduled export promotion events, Business to Business or Business to Consumers specific events in target destination markets																					
Target value added tea producers and exporters listing in regional/continental/ global e-commerce platforms to enhance visibility and complement market access initiatives																					

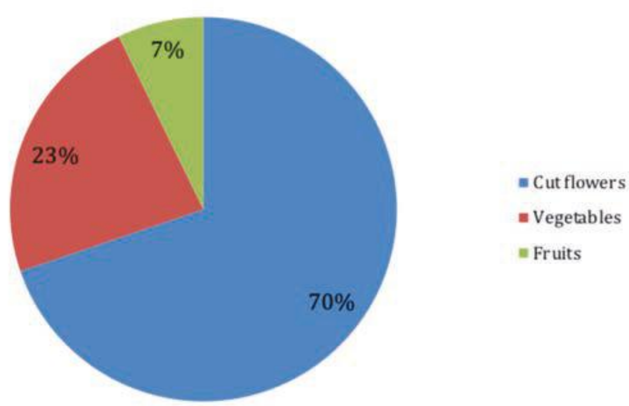
B2/1.4 Horticulture (Floriculture, Vegetables, Herbs and Spices, Fruits and Nuts)

B2/1.4.1 Overview of the Horticulture Sector

The value of the horticulture industry's output has been growing over the years, rising by 13% from KES90 billion in 2012 to KES102 billion by 2016.[55] At this level, the sectors contribution to the total agricultural output stood at 25% by 2016, making the industry the second most important contributor to Kenya's agricultural output after tea and coffee.

According to AFA Horticulture Validated Report of 2014, horticulture industry is comprised of the following sub-sectors - floriculture, vegetables (including herbs and spices), fruits, nuts and medicinal and aromatic plants. The first three sub-sectors are the most dominant, and which according to AFA 2014 report accounted for over 93% of the total horticulture industry output by value. According to KNBS (2017), moreover, floriculture is the leading sub-sector accounting for the 70% of KES70 bn worth of the horticulture industry output in 2016. It is followed by vegetables and fruits which accounted for 23% and 7% respectively, as illustrated in the chart below.

Chart B2/3-1: Composition of Kenya Horticulture Industry: Sectoral share (%) of total industry output value in 2016



At the current level of output, the horticulture industry contributed about 1.6% to the national GDP in 2016, with 1.1% being contributed by the flower sub-sector alone. The flower sub-sector also employs over 120,000 Kenyans directly, 500,000 indirectly and supports the livelihoods of over 2 million people. The sub-sector is labour intensive and 80 % of its employees are non-skilled workers.

The horticulture industry is one of the top foreign exchange earners for the country, generating approximately US1bn annually. Over 80% of horticultural produce in Kenya is grown by smallholder farmers, many of whom are not involved in the export business but supply produce to both exporters as contract farmers and to fresh produce traders for the domestic markets consumption.

There are more than 300 companies dealing in fresh vegetables, fruits and cut flowers both for export and domestic consumption. Through industry trade associations, the Fresh Produce Exporters Associations of Kenya (FPEAK) and the Kenya Flower Council (KFC) the companies assist

55 *This is according to the KNBS Economic Survey of 2017*

each other in both technical and marketing aspects, while their associations lobby for the industry as well as help in disseminating technical information to farmers such standards specifications and in enforcing compliance.

The private sector has on its own made major contributions in this industry, thus spurring growth in partnership with other stakeholders. The government has also set up the Horticultural Crops Directorate (HCD) and Kenya Plant Health Inspectorate Service (KEPHIS) with the aim of developing and enforcing SPS and other standards, undertaking R&D and regulating the industry.

Stakeholders from both the public and private sectors play their respective critical roles in the establishment and maintenance of a business climate that is conducive to investment and enterprise development. These stakeholders include government agencies, financial institutions, civil society representatives, and private sector entities and organizations.

The country has a supportive legal framework for the horticulture industry which is administered and over-sighted by government ministries and agencies to ensure adherence to international rules, regulations and standards. These institutions include the Ministry of Agriculture, the Ministry of Industry, Trade and Cooperatives, HCD, KEPHIS, and the Kenya Bureau of Standards (KEBS).

A study carried out under a USAID-Kenya Horticulture Competitiveness Program (KHCP) in 2014 found out that Kenya's horticulture industry continues to face growing competition both regionally and globally. Although the country is the most successful producer and exporter of fresh produce and flowers in sub-Saharan Africa, it has been losing its market share in the global horticulture market. The study identified key areas that needed reform in order to enhance the sector's competitiveness. They include: improving farm level competitiveness, branding Kenya as a premium quality exporter, streamlining and expanding Kenya's maritime transport, improving public-private cooperation to enhance food safety standards compliance, increasing cooperation of exporters, lowering the cost and time burden of regulatory compliance, consolidating Kenya's export promotion efforts and streamlining firm level export operations.

Other strengths and opportunities that the industry needs to exploit include; the favourable climate which allows production of a wide range of horticultural produce, improved infrastructure in production areas, increased participation of women and youth in horticultural farming, high demand of horticultural produce in the local, regional and global markets, use of contract farming to curb the negative issue of brokers and strict regulations in production and post-harvest handling procedures by the various designated agencies and trade associations which safeguard produce quality.

To facilitate formulation of the horticulture industry export strategy, within the framework of NEDPS, brief sectoral analysis of the four lead sub-sectors of the industry is as below. The analysis covers the following sub-sectors:

a) Vegetables, including herbs and spices;
b) Floriculture;
c) Fruits; and
d) Nuts.

Under each case, constraints to export performance are highlighted, the countries with revealed potential for export of the products are identified, as well as target destination markets that will be focused for purposes of promoting exports of Kenya's horticultural produce.

The output of this analysis is used to inform the strategic interventions to be pursued in order to promote further development of horticultural products for export.

B2/1.4.2 Vegetables, Herbs and Spices

B2/1.4.2.1 Situational analysis of vegetables sub-sector

Vegetables

The climatic condition of Kenya favours production of a variety of vegetable products. The table below provides a summary of some of these products. They are grown mainly by small-holder farmers.

Table B2/-1: Range of vegetable products that are produced in Kenya

Range of vegetables that are produced in Kenya		
Arrow Roots	Brussels Sprouts	Chillies
Artichoke	Cabbage	Chillies Long
Asparagus	Canned Beans	Chillies Short
Aubergines	Capsicums	Chives
Baby Corn	Carrots	Chora
Basil	Cassava	Coriander
Beetroot	Cauliflower	Courgettes
Bobby Beans	Celery	Cucumber
Broccoli	Chevda	Potatoes
French Beans	Tomatoes	Spinach
Runner Beans	Radish	Sweet Corn
Mushrooms	Onions	Pumpkins
Snow Peas	Fennel	Peas
Dill	Papri	Chillies
Dudhi	Okra	Methi
Fresno Chillies	Patra	Mooli

Source: *EPZA (2005), Horticulture Industry in Kenya Report and AFA (2014), Horticulture Validated Report, 2014*

A review of Kenya's exports shows there has been very limited diversifications of vegetable exports with the bulk of exports being dominated by french beans, snow peas, runner beans and Asian vegetables. There is therefore need to diversify vegetable production targeting export market trade. On the basis of Kenya's export trend over the period 2012 to 2016, there is a wide range of vegetable products that Kenya is recorded to have exported, though at very low and unsustainable level. The table below gives the list of the priority vegetable products that will be targeted for export development and promotion within the NEDPS framework.

Table B2/3-2: Vegetables that Kenya has potential to produce for export

Product code	Product label
'0701	Potatoes, fresh or chilled
'0702	Tomatoes, fresh or chilled
'0703	Onions, shallots, garlic, leeks and other alliaceous vegetables, fresh or chilled
'0704	Cabbages, cauliflowers, kohlrabi, kale and similar edible brassicas, fresh or chilled
'0705	Lettuce "Lactuca sativa" and chicory "Cichorium spp.", fresh or chilled

Product code	Product label
'0706	Carrots, turnips, salad beetroot, salsify, celeriac, radishes and similar edible roots, fresh ...
'0707	Cucumbers and gherkins, fresh or chilled
'0708	Leguminous vegetables, shelled or unshelled, fresh or chilled
'0709	Other vegetables, fresh or chilled (excluding potatoes, tomatoes, alliaceous vegetables, edible ...
'0710	Vegetables, uncooked or cooked by steaming or boiling in water, frozen
'0711	Vegetables provisionally preserved, e.g. by sulphur dioxide gas, in brine, in sulphur water ...
'0712	Dried vegetables, whole, cut, sliced, broken or in powder, but not further prepared
'0714	Roots and tubers of manioc, arrowroot, salep, Jerusalem artichokes, sweet potatoes and similar ...

Herbs and spices

The spices and herbs with global demand include the following: Pepper, Parsley, Paprika, Marjoram, Capsicum (chillies and cayenne pepper) Oregano, Pimento (allspice), Thyme, Coriander, Bay leaves, Cinnamon, Rosemary, Ginger, Basil, Nutmeg, Mint, Caraway, Savoury, Turmeric, Dill, Cumin, Tarragon, Cloves, Sage, Mace, Cardamom, Anise or badian seeds, Fenugreek, Saffron, Vanilla, Fennel seeds and Juniper berries. According to AFA, the herbs and spices that are being promoted for exports include the following:

- *Herbs (Chives, Rosemary, Dill, Marjoram, Basil, Mint, Parsley, Coriander, Curry leaves & Celery),*
- *Spices and Chillies (thin, long, bullet & birds eye).*

A comparative analysis of Kenya's target and the globally demanded herbs and spices reveals opportunity for diversification of product base by promoting production of what is currently being produced as well as that which is not currently produced. Prospects in the EU (the lead world market for herbs and spices) as well as other countries with potential export demand as revealed by the global market trend for herbs and spices provides an impetus for concerted efforts in promoting production of herbs and spices for the export market.

According to the Export Promotion Council (EPC)[56], the European Union (EU) market is the second largest market for seasonings, spices and herbs in the world, accounting for Euros 1.2 billion. The EU, according to the 'Centre for Promotion of Imports from Developing countries (CBI)[57], imports 97% of its herbs and spices from developing countries. According to CBI, European imports of spices and herbs from developing countries have grown significantly in recent years, by 6.1% annually from 257,000 tonnes in 2012 to 326,000 tonnes in 2016.

Therefore, the EU constitutes a critical market to focus in the development and promotion of herbs and spices for exports. Equally important is the global market, which CBI projects to have a growth of 5.1% between 2017 and 2021.

Prospects for Kenya to develop and promote its exports of horticulture (vegetables, herbs and spices as well fruits) lie in the new standard (KS 1758 Part Two), which was launched in July 2017. As observed by Catherine Riungu (September 2017)[58], *"Through the implementation of the new standard, the KS 1758 Part Two for fruits, vegetables, herbs and spices, the sector will be put under regulations that must be proved before being allowed to handle export produce. This means*

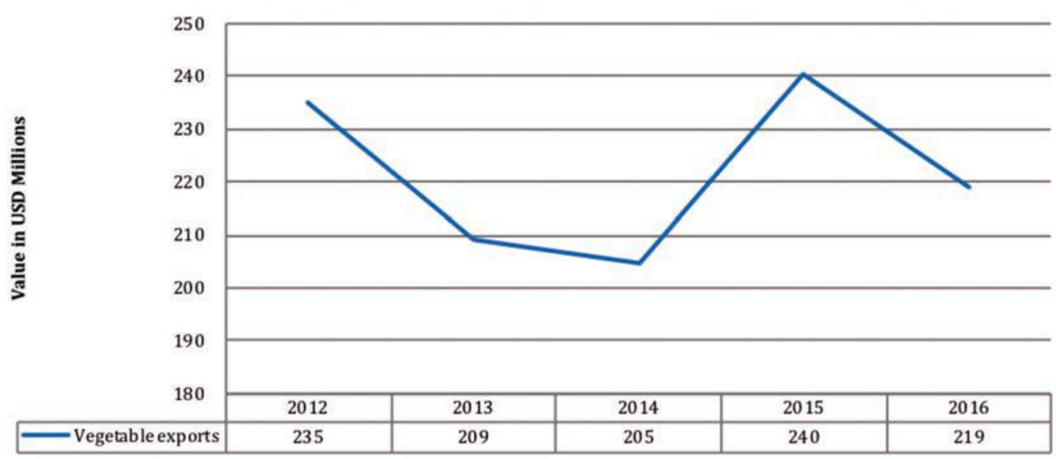
56 Refer EPC *write up on Herbs and Spices on - http://epckenya.org/index.php?option=com_content&task=view&id=472&Itemid=224*
57 *Refer CBI - https://www.cbi.eu/market-information/spices-herbs/trends/*
58 Refer - Catherine Riungu http://www.hortinews.co.ke/2017/06/28/new-standard-for-kenya-fruits-and-vegetable-exports/

that from farm to folk, all processes along the chain must be recorded as a measure to show that a product has adhered to every laid down procedure without exception. The processes are captured in an electronic system called the National Horticulture Traceability System, which raises a red flag at the earliest detection of negligence. This way, no produce will move to the next stage without being recorded essentially eliminating the possibility of contaminated products getting to the final end. The KS 1758 Part Two comes two years after its predecessor KS 1758 Flowers and Ornamentals was launched (in 2015). Both standards bring all exporters and handlers under a standard practice and will be the basis on which export permits are issued in the coming years. This will eliminate the possibility of any rogue practice and lack of proper documentation that has in the past led to expensive interceptions at the market entry in the EU".

B3/4.2.2 Vegetables Export Performance

The performance of vegetable exports has been cyclical, tending towards sluggish and unsustainable growth. For instance vegetable exports declined from USD235mn 2012 to USD205mn in 2014. In 2015, vegetable exports grew by 17% to stand at USD240mn compared to the 2014 level of USD205mn. This achievement was short lived because in 2016 vegetable exports dropped to USD2019 mn.

Chart B2/3-1: Vegetable exports, 2012-2016, Figures in USDMillions (Source - ITC Trade Maps)



The table below shows the export performance of each broad category of vegetables, according to the Harmonized System (HS) of classifications. The following 4 categories of vegetables dominate Kenya's exports of vegetables, accounting for 97% of total vegetable exports:

a) Onions, shallots, garlic, leeks and other alliaceous vegetables, fresh or chilled (HS Code '0703)

b) Cabbages, cauliflowers, kohlrabi, kale and similar edible brassicas, fresh or chilled (HS Code '0704)

c) Leguminous vegetables, shelled or unshelled, fresh or chilled (HS Code '0708)

d) Other vegetables, fresh or chilled (excluding potatoes, tomatoes, alliaceous vegetables, edible (HS Code '0709)

e) The destination market scan reveals export opportunities that could stimulated sustained expansion of these lead products' exports as well as other products that do not feature presently as prominent export vegetables.

Table B2/3-3: Kenya vegetable exports performance, 2012-216; Figures in US Dollars Thousands

Product code	Product label	2012	2013	2014	2015	2016	%share in total
'0701	Potatoes, fresh or chilled	467	410	1,320	468	910	0.4%
'0702	Tomatoes, fresh or chilled	67	84	134	341	63	0.0%
'0703	Onions, shallots, garlic, leeks and other alliaceous vegetables, fresh or chilled	2,778	1,860	2,015	7,812	6,691	3.1%
'0704	Cabbages, cauliflowers, kohlrabi, kale and similar edible brassicas, fresh or chilled	9,350	5,292	3,493	22,624	22,537	10.3%
'0705	Lettuce "Lactuca sativa" and chicory "Cichorium spp.", fresh or chilled	50	8	36	1,844	462	0.2%
'0706	Carrots, turnips, salad beetroot, salsify, celeriac, radishes and similar edible roots, fresh ...	1,579	1,198	1,783	2,096	2,042	0.9%
'0707	Cucumbers and gherkins, fresh or chilled	71	32	32	71	25	0.0%
'0708	Leguminous vegetables, shelled or unshelled, fresh or chilled	146,066	126,707	99,440	161,360	146,062	66.8%
'0709	Other vegetables, fresh or chilled (excluding potatoes, tomatoes, alliaceous vegetables, edible ...	48,774	51,177	77,102	41,607	37,037	16.9%
'0710	Vegetables, uncooked or cooked by steaming or boiling in water, frozen	25,638	19,996	18,680	1,959	2,839	1.3%
'0711	Vegetables provisionally preserved, e.g. by sulphur dioxide gas, in brine, in sulphur water ...	126	180	690	9	33	0.0%
'0712	Dried vegetables, whole, cut, sliced, broken or in powder, but not further prepared	38	58	27	29	32	0.0%
'0714	Roots and tubers of manioc, arrowroot, salep, Jerusalem artichokes, sweet potatoes and similar ...	46	185	118	158	69	0.0%
	Total	235,050	209,200	204,870	240,378	218,802	100.0%

Source: *ITC Trade Maps*

B2/1.4.2.3 Vegetable Products Export Potential in target Export Destination Countries and Regional Markets

The markets that will drive Kenya's vegetable exports over the NEDPS period were identified as follows: EU, USA, Middle East, Japan, Russia, GCC, China, COMESA&EAC and India. These regional blocs/countries have an overall market size of USD47bn, going by their reported imports from world over the period 2012-2016. During this period, Kenya's exports to these regions and countries stood at USD221mn or 0.4% of the total market size.

Therefore, if Kenya were to target a share of 5% of these regional blocs/countries market that would translate to USD2.3billion exports of vegetables per year, up from the current USD192million. This target will be pursued through various interventions that are proposed later in this section of the strategy.

Table B2/3-4: Exports of horticultural produce and select[59]destination countries and regions market opportunities

Product code	Product label	Kenya's exports to world - Average 2012 - 2016 (USD mn)	Select regions imports from Kenya - Average 2012 - 2016 (USD mn)	Select regions imports from world - Average 2012 - 2016 (USD mn)	Kenya's Export opportunity assuming a 5% market share (USD mn)
Vegetables that are under HS Headings (0701, 0702, 0703, 0704, 0705, 0706, 0707, 0708, 0709, 0710, 0711, 0712, 0713)	Vegetables (as per the select HS Codes that Kenya has revealed export potential)	221	192	46,722	2,336

Source: *Computation from ITC Trade Maps*

A review of the target destination regions and countries by their annual market size of vegetables revealed the EU and the USA as the lead markets. Both markets account for 75% of the total export demand of target destination countries/regions' annual market size, with the EU being in the lead at 56% followed by the USA at 19%. Other target destination markets are as listed in the table below.

Table B2/3-5: Lead export destination markets for vegetables to be targeted under the NEDPS

Destination Country/Region	Select regions imports from Kenya - Average 2012 - 2016 (USD mn)	Select regions imports from world - Average 2012 - 2016 (USD mn)	% share
EU	181	25,939	56%
USA	-	8,921	19%
Middle East	4	3,001	6%
Japan	-	2,243	5%
Russia	-	2,241	5%
GCC	4	2,098	4%
China	-	1,890	4%
COMESA & EAC	2	372	1%
India	1	17	0%
Total	192	46,722	100%

59 *The following are the select destination countries and regions on the basis of revealed export potential.*

B2/1.4.2.4 Constraints to Horticultural (Vegetables, Herbs and Spices) Export Performance

Efforts to promote horticulture exports will need to tackle the following constraints that have been documented in several documents and validated during stakeholder process of preparing this strategy:

a) Lack of adequate capacity at County level and coordination framework between county and National Government;

b) Lack of networking arrangement between small-scale producers, and medium and large scale exporters/producers;

c) Weak farmer organization structures, especially in small-scale production - weak farmer organization - unregistered groups;

d) Lack of suitable finance and credit facilities to farmers;

e) Inadequate good quality seed and other planting materials and other farm inputs;

f) Inadequate resources (financial and human resource) to support research and development of horticultural produce;

g) Low adoption of research outputs in support of horticultural development for export;

h) Low adoption of technology in horticultural production and marketing;

i) Weak coordination of training and introduction of new crops, inputs and technologies;

j) Weakened extension technical advisory services;

k) Inadequate horticultural specialists due to a disconnect between national training curriculum and industry expertise requirements;

l) Lack of coordination between ministries and other agencies which are involved or can be involved in horticulture development;

m) Lack of information on investment and market opportunities among prospective local investors in the horticultural sector;

n) Lack of access to modern technology and finance to facilitate product development (preservation, extraction, drying, thermal processing, chill, dry freeze etc.);

o) Unavailability of quality cost effective packaging material;

p) Lack of cold chain management systems, especially for the local and regional markets;

q) Weak post-harvest quality management system;

r) Weak market intelligence information dissemination;

s) High cost and quality of packaging material;

t) Lack of awareness of SPS and TBT and other requirements *(e.g. fair trade certification, etc.)* in the export markets;

u) Inadequate transport infrastructure;

v) Lack of investment incentives targeting horticultural sector;

w) High cost of energy;

x) Low investment in irrigated agriculture and reclamation of degraded land

y) Lack of organized marketing systems; and,

z) Severe limitation of airfreight capacity out of the country.

B2/1.4.3 Floriculture Industry

B2/1.4.3.1 Situational Analysis of Floriculture Industry

Kenya is the third largest producer and exporter of cut flowers in the world after Ecuador and Columbia. Other competitors in the global market include Ethiopia, Netherlands and Israel while potential new entrants include Uganda and Rwanda. About 59% of Kenyan flowers are exported to Holland. Other key destinations are United Kingdom (14%), Germany (3%), Norway (3%), and Australia (3%).

Over 25% of exported flowers are delivered directly to retail outlets chains providing an opportunity for value addition at source through sleeving, labelling and bouquet production. Other distribution channels include flower auctions especially in Holland, Japan and Germany. Kenya is the lead exporter of cut flowers to the European Union (EU) with a market share of about 38%. In the United Kingdom, supermarkets are the main retail outlets. Other emerging destinations include Japan, Russia and USA. Access to the USA market will be greatly boosted when direct flights between the two countries start operating later this year, 2018.

The main cut flowers grown in Kenya for exports are roses, carnations, and alstroemeria. Other flowers cultivated include, gypsophilla, lilies, eryngiums, arabicum, hypericum, statice, and a range of summer flowers, amongst many others. Cut flowers are grown around Lake Naivasha, Mt. Kenya, Nairobi, Thika, Kiambu, Athi River, Kitale, Nakuru, Kericho, Nyandarua, Trans Nzoia, Uasin Gishu and Eastern Kenya.

The floriculture industry in Kenya continues to attract investors due to the solid infrastructure, favourable climate, global-positioning of Kenya and productive workforce. It comprises large, medium and small-scale producers who have attained high management standards and have invested heavily in value addition through adoption of modern technology in production, precision farming and marketing. The farmers utilise modern technologies some of which includes drip irrigation, fertigation systems, greenhouse ventilation systems, net shading, fertilizer recycling systems to prevent wastage, use of wetlands for waste water treatment, artificial lighting to increase day length for long day crops, and post-harvest handling facilities and techniques (grading/packaging sheds, pre-cooling/ cold storage facilities, and use of refrigerated trucks for transport to ports of exit).

Regulatory agencies in the industry include the Horticultural Crops Directorate (HCD), the Kenya Plant Health Inspectorate Service (KEPHIS), Kenya Bureau of Standards (KEBS) and the Pest Control Products Board (PCPB). These institutions have been instrumental in the growth and expansion of the industry. There is need to continue strengthening collaboration and to build on existing achievements in order to enhance efficiency and effectiveness in delivery of requisite services to exporters through structured public private partnerships (PPP).

Certification bodies for industry codes of practice and other standards include Kenya Flower Council, Flowers & Ornamentals Sustainability Standard (FOSS), KS 1758 and Global G.A.P., which have ensured quality production of flowers from Kenya and enhanced market access. Key private sector players are the Kenya Private Sector Alliance (KEPSA), the Kenya Association of Manufacturers (KAM), Federation of Kenya Employers (FKE), Agricultural Employers Association (AEA), Union Fleur, Agrochemicals Association of Kenya (AAK), Central Organization of Trade Unions (COTU), Fresh Produce Association of Kenya (FPEAK) and the Kenya Horticultural Council (KHC).

An annual growth of 5% is anticipated in the global market over the next five years. To be a part of this opportunity, Kenya is expected to continue investing and increasing the growth rate at a higher level than the previous years. Drivers of this growth will include the implementation of the

Horticultural Policy (yet to be implemented), the Agriculture Policy (draft), the Crops Act (draft), increase in area under production, enhanced productivity, production of value added products such as bouquets and other consumer packs, export market diversification (to US , Russia, China, Malaysia and other Eastern European Countries and Asia) , improved export logistics, stability of foreign exchange rates and favourable freight charges (*On average freight charges in Kenya is USD 0.5 per kilo while in Ethiopia which has subsidized air freight charges for flowers through its National carrier, the charges are USD 0.3*).

Industry strengths and opportunities include: varied climatic zones enabling product differentiation, year-round off-season production, broad flower assortment including summer flowers, relatively experienced workforce including managerial level, availability of air cargo space, existing trade protocols between Kenya and other countries. For purposes of tracking cut flowers export performance under NEDPS, the following classification under Harmonized System (HS) Headings of HS Chapter 6 will be used.

Table B2/3-6: Priority floriculture products for targeting under NEDPS

Product code	Product label
'0602	Live plants incl. their roots, cuttings and slips; mushroom spawn (excluding bulbs, tubers, ...
'0603	Cut flowers and flower buds of a kind suitable for bouquets or for ornamental purposes, fresh, ...
'0604	Foliage, branches and other parts of plants, without flowers or flower buds, and grasses, mosses ...

B2/1.4.3.2 Floriculture Products Export Potential in target Export Destination Countries and Regional Markets

The markets that will drive Kenya's floriculture exports over the NEDPS period were identified as follows: The EU, USA, Middle East (UAE, Qatar, Saudi Arabia), China and Japan. These regional blocs/countries have an overall floriculture market size of USD13.5billion, going by their reported imports from world over the period 2014-2016. During this period, Kenya's exports to these RECs/countries stood at USD621 million or 4.6% of the total market size.

Table B2/3-7: Exports of floriculture and select[60]destination countries and regions market potential

Product code	Product label	Kenya's exports to world - Average 2014 - 2016 (USD mn)	Select regions imports from Kenya- Average 2014 - 2016 (USD mn)	Select regions imports from world - Average 2014 - 2016 (USD mn)	Kenya's Export opportunity assuming a 5% market share (USD mn)
'0602	Live plants incl. their roots, cuttings and slips; mushroom spawn (excluding bulbs, tubers, ...	63	56	5,707	571
'0603	Cut flowers and flower buds of a kind suitable for bouquets or for ornamental purposes, fresh, ...	634	562	6,855	686
'0604	Foliage, branches and other parts of plants, without flowers or flower buds, and grasses, mosses ...	2	4	938	94
Total		699	622	13,500	1,351

Source: Computation from ITC Trade Maps

60 *The following are the select destination countries and regions with revealed export potential for floriculture*

Therefore, if Kenya were to target a share of 10% of these regional blocs/countries market, that would translate to USD1.4 billion. This target will be pursued through various interventions that are proposed later in this section of the strategy.

B2/1.4.3.3 Constraints to Floriculture Export Performance

Through the stakeholder consultative process and submissions during the formulation of this strategy, the following were identified to constitute the constraints to floriculture exports:

a) Lack of export incentives for floriculture, such as that extended to other industries (EPZs, SEZs, etc);

b) Weak diplomatic support for negotiated bilateral trade agreements between Kenya and some target emerging markets that disadvantages Kenya's floriculture as compared to tariffs extended to flowers from other competitor countries in the same country;

c) Incoherent national laws and regulations that end up leading to double taxation of flowers or conflicting requirements between regulatory bodies, with some regulatory bodies not having capacity to assist exporters to meet quality requirements imposed by another regulatory authority for compliance before the products can be allowed to be exported;

d) Weak value and supply chains among the small scale producers and SMEs;

e) Weak foreign markets representation and physical facilities in target markets to support promotion of Kenya's flowers;

f) Uncoordinated industry promotions in key international trade fairs

g) High cost of doing business arising from energy, weak rural infrastructure, delays in service delivery of some trade facilitation institutions.

B2/1.4.4 Fruits Industry

B2/1.4.4.1 Situational Analysis of Fruits Industry

The 2018 World Fruit Map reveals an upward trend of global demand for fruits, driven by *"growing global popularity of frozen fruit, tripling trade in avocados and blueberries, and the significant rise in China's fresh fruit imports. Demand for organic fruit is also another driving force which is attributed to changing consumer preference for organic products."*[61] The Map further reveals worldwide trade of bananas, apples, citrus fruits and grapes, with Latin America being the lead global exporter of these fruits and China being the giant consumer market, whose fruit imports have been on the increase. Aside from China, the MAP has identified USA, EU (Germany, UK, Netherlands, France and Belgium), Canada, Russia and India as top ten world fruits importing countries.

Kenya's fruit sector is ripe for participating in the global fruits market. According to the Agriculture and Food Authority (AFA),[62] the fruits that will contribute towards Kenya being a significant player in the global fruits market are the following fruits that are grown in Kenya, by order of importance[63]: banana (35.6%), pineapples (20%), mangoes (17%), avocado (6%), pawpaw (6%), passion fruit (3.6%), oranges (3%), water melon (3%) and tangerines (2%). Other types of fruits include strawberries, tree tomatoes, peaches, guava, grapes and apples, which are grown in small scale.

As observed in AFA (2014), the potential of most of these fruits remain unexploited. Prospects for exploitation of this potential lie increasing demand both in the domestic and export market for fresh fruits and fruit products such as juices and concentrates. In addition there are a number of

61 *For 2018 World Fruit Map please refer - https://research.rabobank.com/far/en/sectors/regional-food-agri/world_fruit_map_2018.html*
62 *Agriculture and Food Authority (2014): Horticulture Validated Report - Refer - http://www.agricultureauthority.go.ke/wp-content/uploads/2016/05/Horticulture-Validated-Report-2014-Final-copy.pdf*
63 *On the basis of fruits production statistics in the AFA (2014)*

initiatives to support fruit production and value addition. Further, the government is supporting organizations of smallholder producers into commodity associations and producer business groups to facilitate increased efficiency in production and marketing.

The country is therefore well positioned to take a share in the global fruits and fruit products markets through NEDPS targeted interventions. The fruits with revealed export potential, based on the country's exports trade flow data for the period 2012-2016, are as listed in the table below by Harmonized System (HS) Headings under which they fall.

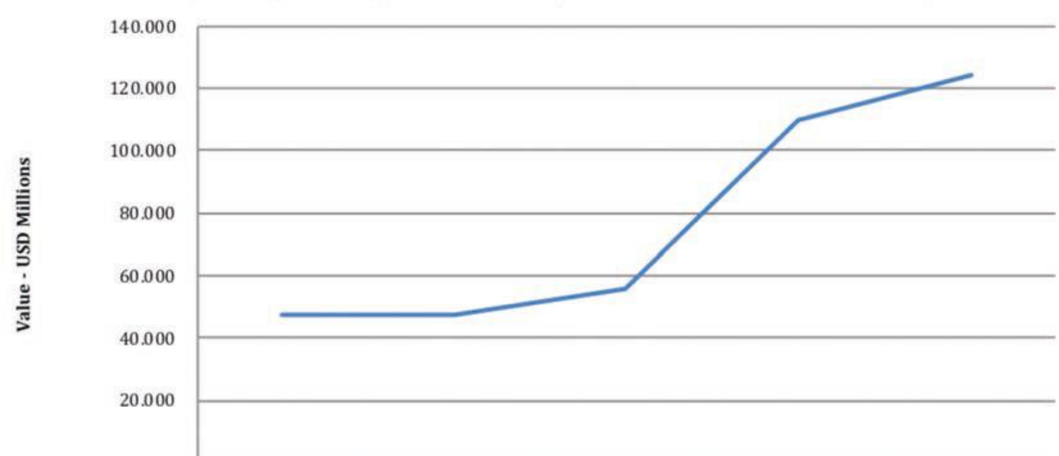
Table B3/3-8: Priority fruits for exports under the NEDPS

Product code (HS Heading)	Product Description
'0803	Bananas, incl. plantains, fresh or dried
'0804	Dates, figs, pineapples, avocados, guavas, mangoes and mangosteens, fresh or dried
'0805	Citrus fruit, fresh or dried
'0806	Grapes, fresh or dried
'0807	Melons, incl. watermelons, and papaws (papayas), fresh
'0808	Apples, pears and quinces, fresh
'0809	Apricots, cherries, peaches incl. nectarines, plums and sloes, fresh
'0810	Fresh strawberries, raspberries, blackberries, back, white or red currants, gooseberries and ...
'0812	Fruit and nuts, provisionally preserved, e.g. by sulphur dioxide gas, in brine, in sulphur ...
'0813	Dried apricots, prunes, apples, peaches, pears, papaws "papayas", tamarinds and other edible ...
'0814	Peel of citrus fruit or melons, incl. watermelons, fresh, frozen, dried or provisionally preserved ...

B2/1.4.4.2 Fruits Export Performance

The performance of fruits exports echoes the observation in the 2018 World Fruit Map that global fruit trade is on the rise. As evidenced in the chart below, Kenya's exports of fruits recorded a 160% increase between 2012 and 2016, rising from USD47 millions in 2012 to USD126 million by 2016.

Chart B3/3-1: Kenya Fruits Exports, 2012-2016, Figures in USDmillions, Source ITC Trade Maps



	2012	2013	2014	2015	2016
Fruits Export	47.887	47.377	56.138	110.086	124.572

Although the country has a wide variety of fruits, 93% of the fruits export over the period 2012-2016 was accounted for by fruits under HS Heading 0804, which include pineapples, avocadoes and mangoes. The other categories that accounted for 4.7% are fruits under HS Heading 0810, which include strew berries, raspberries and blackberries. There is scope for developing other types of fruits in an effort to diversify and develop and promote more exports of fruits within the NEDPS framework.

Table B3/3-9: Kenya fruits exports, 2012-2016, Figures in USD Millions

Product code	Product label	2012	2013	2014	2015	2016	Total 2012-2016	% Share in total fruits exports
'0803	Bananas, incl. plantains, fresh or dried	0.060	0.032	0.038	0.018	0.105	0.253	0.1%
'0804	Dates, figs, pineapples, avocados, guavas, mangoes and mangosteens, fresh or dried	43.628	43.429	51.836	102.441	118.245	359.579	93.1%
'0805	Citrus fruit, fresh or dried	1.820	1.346	1.062	0.090	0.209	4.527	1.2%
'0806	Grapes, fresh or dried	0.007	0.008	0.065	0.053	0.013	0.146	0.04%
'0807	Melons, incl. watermelons, and papaws (papayas), fresh	0.122	0.091	0.167	0.039	0.142	0.561	0.1%
'0808	Apples, pears and quinces, fresh	0.174	0.095	0.315	1.026	0.099	1.709	0.4%
'0809	Apricots, cherries, peaches incl. nectarines, plums and sloes, fresh	0.007	0.009	0.006	0.749	0.062	0.833	0.2%
'0810	Fresh strawberries, raspberries, blackberries, back, white or red currants, gooseberries and ...	1.924	2.289	2.605	5.622	5.629	18.069	4.7%
'0812	Fruit and nuts, provisionally preserved, e.g. by sulphur dioxide gas, in brine, in sulphur ...	0.015	0.036	0.003	0.018	0.021	0.093	0.02%
'0813	Dried apricots, prunes, apples, peaches, pears, papaws "papayas", tamarinds and other edible ...	0.130	0.027	0.032	0.013	0.047	0.249	0.1%
'0814	Peel of citrus fruit or melons, incl. watermelons, fresh, frozen, dried or provisionally preserved ...	-	0.015	0.009	0.017	-	0.041	0.0%
Total		47.887	47.377	56.138	110.086	124.572	386.060	100.0%

Source: *ITC Trade MAPS*

B2/1.4.4.3 Fruits Export Potential in target Export Destination Countries and Regional Markets

The lead destination markets for fruits, which Kenya will focus her fruits export development and promotion on are the EU, USA, China, Gulf Cooperation Countries ((GCC) - *Saudi Arabia, Kuwait, the United Arab Emirates, Qatar, Bahrain and Oman)*, Canada, COMESA/EAC, India and Russia.

The total annual market size of fruits, using these regions' or countries' average imports from the world over the period 2012 to 2016 is estimated at USD57billions. Kenya exports to these regions and countries over the same period averaged USD57million.

Table B3/3-10: Kenya exports of fruits to the world and select destination countries and regions export potential markets for fruits - Figures in USD Millions

Product code	Product label	Kenya's exports to world - Average 2014 - 2016 (USD mn)	Select regions imports from Kenya- Average 2014 - 2016 (USD mn)	Select regions imports from world - Average 2014 - 2016 (USD mn)	Kenya's Export opportunity assuming a 5% market share (USD mn)
Fruits that are under HS Headings (0803, 0804, 0805, 0806, 0807, 0808, 0809, 0810, 0812, 0813 and 0814)	Fruits (as per the select HS Codes that Kenya has revealed export potential)	77	53	57,043	2,852

Source: *Computations based on ITC Trade Maps*

If Kenya were to aim at enhancing her exports of fruits to these markets, targeting to take a share of just 5% of these regions' and countries' annual market size, that would translate to an annual exports of fruits of USD2.8 billions. This prospect will act as a motivator for addressing various constraints with a view to enhancing fruit exports over the NEDPS period, 2018-2022 targeting these markets in principle.

The target destination markets by order of significance of their annual market size are as listed in the table below. The EU takes the lead position, accounting for 62% of the target countries and regions market annual market size of fruits. The USA, China and GCC follow in that order. The regional market (COMESA and EAC) also features among the target markets for fruits that will need to be focused under the NEDPS. The EAC-EU EPA as well as AGOA preferential market access arrangement serves as enablers for Kenya's access to the two global lead markets (EU and the USA) for fruits.

Table B3/3-11: Lead fruits destination markets based on their imports from the world over the period 2012-2016

Lead Global Fruits Destination Market	Estimated Annual Market Size (USD Millions	% Share in total
EU	35,376	62%
USA	11,252	20%
China	4,269	7%
Gulf Cooperation Countries (GCC)	3,566	6%
Canada	886	2%
COMESA/EAC	655	1%
India	637	1%
Russia	402	1%
Total	57,043	100%

Source: *Computed from ITC Trade Maps*

B2/1.4.4.4 Constraints to fruits export performance

For Kenya to play a significant role in the global multibillion fruit market, the challenges that limit supply will need to be addressed. These challenges fall under two broad categories - general and fruit specific constraints, as discussed below:

General constraints

a) Weak fruits value chains characterized by small-holder farmers and weak marketing systems as manifested by inadequate link to the markets (domestic and international markets);

b) Low adoption of modern technologies of fruit farming to ensure high productivity and profitability of fruit farming;

c) Poor quality due to premature harvesting, poor post-harvest handling and inappropriate storage facilities;

d) Inadequate quality planting materials;

e) High postharvest losses;

f) Prevalence of pests and diseases; and

g) Stringent destination market requirements.

Fruit specific constraints

Efforts to resolve constraints that limit the country's exports of fruits will need to focus on specific challenges that AFA documented in the 'Horticulture Validated Report of 2014' and as later affirmed by the stakeholder consultations during the process of developing the NEDPS. These challenges are as documented below:

a) Bananas

One of the challenges in banana production is the prevalence of insect pests and diseases. The panama disease *(banana fusarium wilt),* caused by a soil borne fungus, *Fusarium oxysporum f. sp. cubense (Foc),* led to decline of production of banana in Kisii and other areas. Another disease of significance to banana production in Kenya is Bacteria Wilt (BW) disease. Other major challenges include poor marketing channels and market structure. Despite the challenges, appropriate interventions such as provision of clean planting material through the tissue culture technology and capacity building in crop husbandry have significantly minimized the impact of pest and diseases although not widely adopted.

b) Mangoes

Insect pests particularly fruit fly and mango seed weevil coupled with diseases like Anthracnose and powdery mildew are the major challenges to increased production of quality mangoes. Other challenges include lack of quality planting materials; premature harvesting of fruits and high postharvest losses associated with poor road infrastructure in major production areas.

c) Passion Fruits

The production of passion fruit is faced with challenges among them increased incidences of fusarium wilt, dieback and woodiness virus disease. In addition, premature harvesting of fruits has negatively impacted the global competitiveness of passion fruit from Kenya.

d) Avocadoes

The major challenges in production of avocado are insect pests and diseases. Pests and disease of economic importance to avocado production include fruit fly, Phytophthora, and Anthracnose, respectively. In addition, premature harvesting of fruits has negatively impacted on the global competitiveness of avocado from Kenya.

e) **Pawpaw**
The major challenges to production of pawpaw are lack of quality planting material arising from genetic erosion due to open pollination during production; since we do not have established seed producers for pawpaw seed, basic seed is usually imported, low productivity, insect pests and diseases, especially spider mites and powdery mildew.

f) **Citrus Fruits (Oranges, Tangerines, Lemons, Lime, Grapes)**
The major challenges facing citrus production include inadequate quality planting materials, poor orchard management, insect pests and prevalence of greening, and gummosis diseases.

g) **Peaches**
The major constraint to increased production of peaches is inadequate quality planting material. In addition, there is limited knowledge on appropriate agronomic practices among growers.

h) **Strawberries**
The major constraints to increased production of strawberry are lack of suitable day-neutral varieties, inadequate quality planting materials, pests especially birds and limited knowledge on appropriate agronomic practices among growers.

i) **Tree Tomatoes**
The major constraints to increased production of tree tomato were lack of suitable varieties, insect pests and diseases, unavailability of quality planting material, and limited knowledge on appropriate agronomic and postharvest practices.

j) **White Sapote**[64]
The major constraints to increased production of white sapote are lack of suitable varieties, unavailability of quality planting material and limited knowledge on appropriate agronomic practices.

k) **Guavas**
The major constraints to increased guava production include lack of suitable superior varieties, limited knowledge in agronomic and postharvest practices associated with limited value addition.

l) **Pineapples**
The major constraints to pineapple production are unavailability of quality planting material and insect pests especially mealy bugs, and nematodes and poor agronomic practices among smallholders. In addition, there is limited cottage industry to process pineapple in diverse range of products.

m) **Watermelon**
Prevalence of pests and diseases was a major constraint limiting the increase of sweet melon production.

n) **Pears**
The major constraint to increased production of pears is unavailability of quality planting material and limited knowledge on appropriate agronomic practices on the part of smallholder farmers.

o) **Apples**
The major constraint to increased production of apple is unavailability of quality and appropriate planting materials.

64 *White sapote has immense potential for increased production due to its use as source of sugar in the confectionery industry. According to AFA (2014), in 2014 it was produced on an area of 50 Ha giving a production of 375 tons.*

p) Plums

The major constraints to increased production of plums are unavailability of quality planting materials and lack of suitable varieties.

q) Loquats *(Eriobotrya Japonica)*

The major constraints to increased production of loquat are a prevalence of insect pests and diseases, high postharvest losses, lack of suitable varieties and unavailability of quality planting material.

r) Grapes

The key challenge in production of grapes has been identified[65] as constituting the following two types of fungal diseases are powdery mildew, botrytis bunch rot (grey mold) :,

B2/1.4.5 Nuts Industry

B2/1.4.5.1 Situational Analysis of Nuts Industry

The main exports of nuts from Kenya are macadamia and cashew nuts. Currently, there are 27 registered macadamia and cashew nut processing companies and three other companies under construction.

a) Macadamia

Kenya is ranked as the third largest exporter of macadamia nuts after Australia and South Africa respectively. Being a low-input crop, macadamia is grown by over 2 million smallholder macadamia farmers across the country supplying to over 30 processors. Kenya has increased its competiveness in terms of macadamia nut exports. This has led to a situation where macadamia exports account for 93% of total macadamia production, with lead destination markets being Japan, Hong Kong, Germany, USA, Canada, Switzerland, China, East Asia and India. The premium and fresh Kenyan macadamia nuts are used in the confectionery, baking, ice cream and snack food industries as roasted nuts. They are also used in chocolates and cookies sold in major supermarkets, hotels and airlines. Annual production is estimated at 24,675 tons valued at KES2.16 billion. The area currently covered by the macadamia crop is estimated at 3,164 hectares. The crop supports about 6,472 farmers.

b) Cashew Nuts

The area currently covered by cashews is estimated at 21,284 hectares while annual production is estimated at 11,404 tons valued at KES 398.8 million. The subsector supports over 68,954 farmers. The industry directly and indirectly employs 4,000 and 50,000 people, respectively.

Since 2008, cashew nuts annual exports have declined gradually from 7000 Metric tons to about 700 Metric tons. Cashew nuts exports have been dropping due to lower production occasioned by aging trees, pests and diseases and low producer prices that have seen farmers cut down their trees.

North America and Europe account for 40% of the world demand. Other major buyers are Middle East and Asian countries, Mexico, China and India. The countries that are leading in production of cashew nut are India, Brazil, Vietnam, Nigeria, Ivory Coast, Guinea Bissau, Tanzania, Mozambique, Kenya and Malawi. Demand for processed cashew nuts and its accompanying value added products is increasing steadily. These nuts are in high demand in Germany and Nordic countries hence warranting investing in them.

65 http://graduatefarmer.co.ke/2017/11/10/beginner-farmer-growing-grapes-in-kenya/

The nuts and oil crops industry has operated without a policy framework to guide the sub-sector. Incidences of farmers being exploited by middle men, collapse of farmer institutions, inconsistent legislations in the sub-sector, rampant cutting down of productive nut trees and harvesting of immature nuts, among other detrimental activities characterize the sub-sector. Though strides have been made to negate these incidences, the challenges still persist.

To adequately address these challenges, the Nuts and Oil Crops Directorate (NOCD) has endeavoured to harmonise legislative inconsistencies affecting the industry. The development of nuts and oil crops industry rules and regulations that are currently being reviewed for subsequent enactment under the Agriculture Food and Fisheries Authority are a case in point. This development is also envisioned to help align the activities of NOCD with those of County governments in regulating nuts and oil crops industry.

The Ministry of Agriculture, Livestock and Fisheries handles the rest of the nuts and oil crops while the Horticultural Crop Directorate, among other functions, focuses on macadamia and cashew nut exports.

The Directorate (NOCD), in close collaboration with various nuts' associations in the country, promotes the growth of business in the industry and ensures quality and safety of both the process of production and the product itself.

Macadamia and cashew nuts processors in Kenya are largely organised into associations such as the Nut Processors Association of Kenya (NUTPAK) while farmers are organized into the Kenya nuts Growers Association (KNGA) making the macadamia sub-sector a coordinated sub-sector. This serves to ensure sustainable growth in the macadamia related businesses. In the global arena Kenya is a member of the Africa Cashew alliance (ACA) and Asian Pacific Coconut Community (APCC) through AFA- Nuts and Oil Crops Directorate, which attends annual workshops, conferences and exchange programmes to build the country's competitive edge internationally.

Prospects for cashew nuts development for export lie in the conducive climatic conditions for growing high quality nuts, availability of processing facilities for value addition, the strategic country location that enhances access to ready markets for nuts across the world. In view of these advantages, efforts must be made to increase production of high quality nuts and improved productivity, targeting premium global.

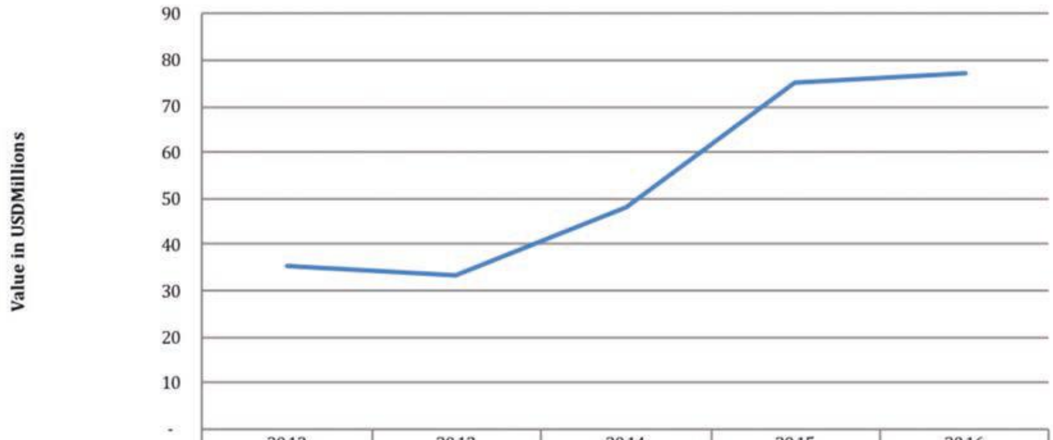
Table B2/3-12: Priority Nuts for exports under the NEDPS

HS Head	Production Description
'0801	Coconuts, Brazil nuts and cashew nuts, fresh or dried, whether or not shelled or peeled
'0802	Other nuts, fresh or dried, whether or not shelled or peeled (excluding coconuts, Brazil nuts ...
'0811	Fruit and nuts, uncooked or cooked by steaming or boiling in water, frozen, whether or not ...

B2/1.4.5.2 Nuts export performance

Kenya nuts exports have recorded tremendous growth of 112% since 2012, rising from USD36 million in 2012 to USD76 million in 2016. The lead nuts exports are nuts classified under HS Heading 0802, which include macadamia and cashew nuts. They accounted for 93% of Kenya's nuts exports. This growth trend demonstrates a sector with great potential in increasing Kenya's share in the global nuts market.

Chart B2/3-2: Kenya exports of Nuts, 2012-2016, Figures in USDMillions (Source: ITC Trade Maps, with exception of 2013 data where KRA Customs was used for Heading 0802)



	2012	2013	2014	2015	2016
Exports of Nuts	36	34	48	75	77

B2/1.4.5.3 Nuts Export Potential in target Export Destination Countries and Regional Markets

The markets that will drive Kenya's nuts exports over the NEDPS period were identified as follows: The EAC, Qatar, EU, COMESA, ECOWAS, ECCAS, Middle East, UAE, India, China, Japan, USA and Saudi Arabia. These regional blocs/countries have an overall nuts market size of USD19.6billion, going by their reported imports from the world over the period 2014-2016. During this period, Kenya's exports to these RECs/countries stood at USD32million.

Table B2/3-13: Exports of nuts and select[66]destination countries and regions market opportunities

Product code	Product label	Kenya's exports to world - Average 2014 - 2016 (USD mn)	Select regions imports from Kenya-Average 2014 - 2016 (USD mn)	Select regions imports from world - Average 2014 - 2016 (USD mn)	Kenya's Export opportunity assuming a 5% market share (USD mn)
Nuts that are under HS Headings (0801, 0802 and 0811)	Nuts (as per the select HS Codes that Kenya has revealed export potential)	54	32	19,606	980

Source: Computation from ITC Trade Maps

Therefore, if Kenya were to target a share of 5% of these regional blocs/countries market, that would translate to USD980million. This target will be pursued through various interventions that are proposed later in this section of the strategy.

B2/1.4.5.4 Constraints to Export Performance of Nuts

The key constraints to optimal performance of the exports of nuts include the following, which were based on stakeholder submissions and validation during the process of preparing the strategy:

a) Low value addition where nuts are sold raw after de- shelling;

66 *The following are select destination countries and regions with revealed export potential for fruits and nuts*

b) Poor quality due to premature harvesting, poor post-harvest handling and inappropriate storage facilities;

c) Inadequate raw material;

d) Very low national research priority;

e) Over reliance on few markets with limited diversification;

f) Limited established brands for Kenyan nuts hence not recognized internationally;

g) High cost of planting materials; and

h) Limited land sizes for expansion in traditional growing area.

B2/1.4.6 Strategic Objectives and Interventions towards Development and Promotion of Horticultural Exports (Flowers, Vegetables, Herbs and Spices, Fruits and Nuts)

B2/1.4.6.1 Strategic Objectives towards Development and Promotion of Horticultural Exports (Flowers, Vegetables, Herbs and Spices, Fruits and Nuts)

To address the constraint to horticultural exports, the following interventions are proposed.

a) To provide Business, Legal and Regulatory framework for promotion of the development of horticultural (flowers, vegetables, herbs and spices, fruits and nuts) exports;

b) To strengthen and promote linkage of the horticultural (flowers, vegetables, herbs and spices, fruits and nuts) value and supply chains in support of horticultural export development;

c) To promote production of horticultural products (flowers, vegetables, herbs and spices, fruits and nuts) for exports;

d) To promote value addition in vegetables, herbs and spices, fruits and nuts;

e) To strengthen trade facilitation of horticultural produce (flowers, vegetables, herbs and spices, fruits and nuts); and

f) To promote exports of horticultural products (flowers, vegetables, herbs and spices, fruits and nuts) exports in target destination markets.

B2/1.4.6.2 Strategic Intervention and Resource Requirements towards Development and Promotion of Horticultural Produce (Flowers, Vegetables, Herbs and Spices, Fruits and Nuts)

Strategic Objective #1:

To provide Business, Legal and Regulatory framework for promotion of the development of horticultural (flowers, vegetables, herbs and spices, fruits and nuts) exports

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KES M)
1) Establish a national framework for coordination of horticultural (flowers, vegetables, fruits and nuts) exports development between National and County Governments	State Department for Agriculture, AFA, County Governments, HCK, KFC and FPEAK	10

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KES M)
2) Review the legal and regulatory framework that govern horticulture to ensure harmony and provisions that promote horticultural exports	State Department for Agriculture, AFA, County Governments, HCK, KFC and FPEAK	5
3) Simplify procedures for exportation of horticultural produce by rationalizing roles and responsibilities of various trade facilitation institutions to avoid duplication	State Department for Agriculture, AFA, County Governments, HCK, KFC and FPEAK	5
4) Harmonize County Government fees and levies and make them a one-off levy and implement a single collection and mutual recognition framework	State Department for Agriculture, AFA, County Governments, HCK, KFC and FPEAK	5
5) Review all destination countries where Kenya does not have preferential trade tariffs and explore possibilities of Kenya products benefiting from preferential duties as those of her competitor countries in those markets	State Department for Agriculture, AFA, County Governments, HCK, KFC and FPEAK	5

Strategic Objective #2:

To strengthen and promote linkage of the horticultural (flowers, vegetables, herbs and spices, fruits and nuts) value and supply chains in support of horticultural export development

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KES M)
1) Undertake a baseline survey to establish producers of the identified horticultural products for exports the associations or cooperatives that they belong to and their needs in the context of horticultural production for exports.	State Department for Agriculture, AFA, County Governments, HCK, KFC and FPEAK	10
2) Promote integration of horticultural producers who do not belong to any association or cooperatives in existing horticultural producers and exporters cooperatives or associations	State Department for Agriculture, AFA, County Governments, HCK, KFC and FPEAK	10
3) Support integration/development of nationwide information system on horticultural producers and exporters to enhance their visibility in the global market place	State Department for Agriculture, AFA, County Governments, HCK, KFC and FPEAK	10
4) Capacity building program for strengthening horticultural producers and exporters 5) Identify all existing horticultural support programs and their focus and gaps in driving to ensure synergy in the development of nationwide comprehensive support program in response to horticultural export market opportunities 6) Draw a capacity building program to create awareness and promote production of horticultural produce to meet destination markets requirements	State Department for Agriculture, AFA, County Governments, HCK, KFC and FPEAK	200

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KES M)
7) Support implementation of the capacity building program for horticulture exports	State Department for Agriculture, AFA, County Governments, HCK, KFC and FPEAK	As per the capacity building program

Strategic Objective #3:

To promote production of horticultural products (flowers, vegetables, herbs and spices. fruits and nuts) for exports

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KES M)
1) Develop seeds and planting materials for target NEPDS horticultural produce (vegetables, herbs and spices, fruits and nuts) through certified horticultural seed and planting material producers to ensure adequate supply	State Department for Agriculture, AFA, County Governments, HCK, KFC and FPEAK	2,000
2) Provide information on appropriate seeds and planting material for production of horticultural products for export	State Department for Agriculture, AFA, County Governments, HCK, KFC and FPEAK	10
3) Provide information on certified suppliers/dealers in approved seeds and planting material	State Department for Agriculture, AFA, County Governments, HCK, KFC and FPEAK	10
4) Develop farmers education material on early harvesting of fruits and the associated losses at farm gate and end market, in order to discourage early harvesting of vegetables, fruits and nuts	State Department for Agriculture, AFA, County Governments, HCK, KFC and FPEAK	50
5) Establish demonstration centers/training facilities on best practice on production of the specific horticultural produce for exports	State Department for Agriculture, AFA, County Governments, HCK, KFC and FPEAK	300
6) Provide, on a cost recovery basis, and using Horticultural Export Development Revolving Fund, extension service to ensure high productivity of the specific product	State Department for Agriculture, AFA, County Governments, HCK, KFC and FPEAK	500
7) Promote contract farming among horticultural producers and exporters, with severe conditions to discourage diversion of products being produced under such a framework to competitors	State Department for Agriculture, AFA, County Governments, HCK, KFC and FPEAK	10
8) Provide demand led support, through Horticultural Export Development Revolving Fund, towards development of Horticulture Pack Houses at community/village level, complete with all necessary support infrastructure, such as cold rooms, chilling facilities and packaging for all producers of horticultural produce for exports to reduce post-harvest losses, to allow grading and packaging ready for the destination market	State Department for Agriculture, AFA, County Governments, HCK, KFC and FPEAK	1,000

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KES M)
9) Promote pack houses branding, visibility and linkage to the horticultural export value chain through e-commerce platforms and link to exporters/international buyers and agro-processors through contractual arrangements	State Department for Agriculture, AFA, County Governments, HCK, KFC and FPEAK	100

Strategic Objective #4:

To promote value addition in vegetables, herbs and spices, fruits and nuts

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KES M)
1) Undertake a baseline survey of value added vegetables, fruits and nuts products based on revealed export potential that should be produced in Kenya	State Departments for Trade and Agriculture, Agriculture & Food Authority (AFA) - Horticultural Crops Directorate, EPC, Kenya Missions Abroad, County Governments, HCK, KFC, FPEAK and KenInvest	30
2) Prepare publicity/awareness creation material and model projects on vegetables, fruits and nuts value added products and their uses and export potential to stimulate investments in their production	State Departments for Trade and Agriculture, Agriculture & Food Authority (AFA) - Horticultural Crops Directorate, EPC, Kenya Missions Abroad, County Governments, HCK, KFC, FPEAK and KenInvest	10
3) Undertake recruitment of investors keen on investing in vegetables, fruits and nuts value added products for exports	State Departments for Trade and Agriculture, Agriculture & Food Authority (AFA) - Horticultural Crops Directorate, EPC, Kenya Missions Abroad, County Governments, HCK, KFC, FPEAK and KenInvest	5
4) Encourage formation of vegetables, fruits and nuts value added products associations or co-operatives as platforms for sustainable production for export market	State Departments for Trade and Agriculture, Agriculture & Food Authority (AFA) - Horticultural Crops Directorate, EPC, Kenya Missions Abroad, County Governments, HCK, KFC, FPEAK and KenInvest	5
5) Identify and accredit tertiary training institutions and research institutes to undertake research and offers skills training on vegetables, fruits and nuts value added products for exports	State Departments for Trade and Agriculture, Agriculture & Food Authority (AFA) - Horticultural Crops Directorate, EPC, Kenya Missions Abroad, County Governments, HCK, KFC, FPEAK and KenInvest	5
6) Support entrepreneur training in accredited institutions for vegetables, fruits and nuts value added products for exports through Export Development Fund, applying user cost recovery model	State Departments for Trade and Agriculture, Agriculture & Food Authority (AFA) - Horticultural Crops Directorate, EPC, Kenya Missions Abroad, County Governments, HCK, KFC, FPEAK and KenInvest	50

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KES M)
7) Encourage and support investments in common user facilities and equipment for production of value added vegetables, fruits and nuts products for export through Export Development Fund, applying user cost recovery model	State Departments for Trade and Agriculture, Agriculture & Food Authority (AFA) - Horticultural Crops Directorate, EPC, Kenya Missions Abroad, County Governments, HCK, KFC, FPEAK and KenInvest	250

Strategic Objective #5:

To strengthen trade facilitation of horticultural produce (flowers, vegetables, herbs and spices, fruits and nuts)

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KES M)
1) Prepare SPS, Quality and Food Safety requirements handbook/information book let to inform pulses farmers on these requirements, including requirements on SPS, Quality and Food Safety in the destination markets	State Department for Agriculture, Horticultural Crops Directorate, County Governments, KEPHIS, KEBS, Port Health, HCK, KFC and FPEAK	10
2) Provide quality assurance and support throughout the production period of pulses (planting to harvesting and marketing through ensuring local presence of KEPHIS, KEBS and any other Agency or Accredited Agencies by Competent Authorities in all the 47 counties where pulses are grown	State Department for Agriculture, Horticultural Crops Directorate, County Governments, KEPHIS, KEBS, Port Health, HCK, KFC and FPEAK	100

Strategic Objective #6:

To promote exports of horticultural products (flowers, vegetables, herbs and spices, fruits and nuts) exports in target destination markets

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KES M)
1) Promote Kenya as a horticulture exporting Nation by hosting Annual Horticultural Festival to promote 'Source Kenya Horticulture' targeting buyers from target destination markets and using a cost recovery model	State Departments for Trade and Agriculture, Agriculture & Food Authority (AFA) - Horticultural Crops Directorate, EPC, Kenya Missions Abroad, County Governments, HCK, KFC and FPEAK	100
2) Undertake Exhibitions and Trade Fairs in target destination market on a cost recovery model coupled with matching grants for exporters	State Departments for Trade and Agriculture, Agriculture & Food Authority (AFA) - Horticultural Crops Directorate, EPC, Kenya Missions Abroad, County Governments, HCK, KFC and FPEAK	150

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KES M)
3) Provide matching grants to support exporters of target horticultural products in scheduled export promotion events, Business to Business or Business to Consumers specific events in target destination markets	State Departments for Trade and Agriculture, Agriculture & Food Authority (AFA) - Horticultural Crops Directorate, EPC, Kenya Missions Abroad, County Governments, HCK, KFC and FPEAK	100
4) Provide step by step guide on export procedures for horticultural exports to create awareness on requirements by Kenya trade facilitation institutions	State Departments for Trade and Agriculture, Agriculture & Food Authority (AFA) - Horticultural Crops Directorate, EPC, Kenya Missions Abroad, County Governments, HCK, KFC and FPEAK	5
5) Prepare annual market intelligence surveys for target horticulture products in target destination markets	State Departments for Trade and Agriculture, Agriculture & Food Authority (AFA) - Horticultural Crops Directorate, EPC, Kenya Missions Abroad, County Governments, HCK, KFC and FPEAK	50
6) Disseminate market intelligence surveys to target horticulture producers and exporters using the Kenya National Trade Portal	State Departments for Trade and Agriculture, Agriculture & Food Authority (AFA) - Horticultural Crops Directorate, EPC, Kenya Missions Abroad, County Governments, HCK, KFC and FPEAK	2
7) Identify destination market marketing agencies for Kenyan horticultural produce and engage them to drive Kenya's export market share working closely with the private sector. Payment for the services to be tied to market share increments/concluded and delivered deals	State Departments for Trade and Agriculture, Agriculture & Food Authority (AFA) - Horticultural Crops Directorate, EPC, Kenya Missions Abroad, County Governments, HCK, KFC and FPEAK	100
8) Promote listing of horticultural exporters in regional/continental/global e-commerce platforms to enhance visibility and complement market access initiatives	HCK, KFC and FPEAK	firm level investments

B2/1.4.7 Resource Mobilization Plan for Development and Promotion of Horticultural Products (Floriculture, Vegetables, Herbs and Spices, Fruits and Nuts) Exports

The estimated resource requirements for implementation of the horticulture export development and promotion strategy is KES3.3 billion. Bulk of the resources goes to the development of production of horticultural produce and value added horticultural products in response to destination market export opportunities. The specific interventions under each of the Strategic Objectives and accompanying resource requirements are as provided under the section on 'Strategic Interventions and Resource Requirements'. The sources of funds and Lead Agencies in mobilisation of the funds are as listed in the resource mobilization plan below. The institutional structure through which the funds for Horticultural export development and promotion will be managed is the 'Horticultural Sub-Sector Working Group' of NEDPS Agriculture Sector Working Group. At the Horticultural SSWG, Private Sector Stakeholders (HCK, KFC and FPEAK) in the horticulture sector, AFA- Horticultural Crops Directorate and County Government Counterpart on horticulture and other Government Agencies will take lead role.

Table B2/3-14: Resource Mobilization Plan for Development and Promotion of Horticultural produce (floriculture, vegetables, herbs and spices, fruits and nuts exports)

SO#	Strategic Objective/ Focal Areas of Intervention	Amount Required (KESMn)	Estimated NEDPS Annual Resource Requirement (KES Millions)					Source	Lead Agencies in Resource Mobilization
			2018/19	2019/20	2020/21	2021/22	2022/23		
Horticulture (flowers, vegetables, beans and pulses, fruits and nuts)									
1	To provide Business, Legal and Regulatory framework for promotion of the development of horticultural (flowers, vegetables, fruits and nuts) exports	30	6	6	6	6	6	MDAs and County Governments' MTPIII Annual Budgets, Private Sector programs, Development Partners	AFA - HCD/ County Government Counterpart/ HCK/FPEAK/ KFC
SO#	Strategic Objective/ Focal Areas of Intervention	Amount Required (KESMn)	Estimated NEDPS Annual Resource Requirement (KES Millions)					Source	Lead Agencies in Resource Mobilization
			2018/19	2019/20	2020/21	2021/22	2022/23		
2	To strengthen and promote linkage of the horticultural (flowers, vegetables, fruits and nuts) value and supply chains in support of horticultural export development	230	46	46	46	46	46		
3	To promote production of horticultural products (flowers, vegetables, fruits and nuts) for exports	3,980	796	796	796	796	796		
4	To promote value addition in vegetables, fruits and nuts	355	71	71	71	71	71		
5	To strengthen trade facilitation of horticultural produce (flowers, vegetables, fruits and nuts)	110	22	22	22	22	22		
6	To promote exports of horticultural products (flowers, vegetables, fruits and nuts) exports in target destination markets	507	101	101	101	102	102		
Sub-Total Horticulture		5,212	1,042	1,042	1,042	1,043	1,043		

B2/1.4.8 Implementation Plan towards Development and Promotion of Horticultural Exports (Flowers, Vegetables, Herbs and Spices, Fruits and Nuts)

Strategic Interventions/ Program Activities	Implementing Agencies	2018				2019				2020				2021				2022			
		Quarters				Quarters				Quarters				Quarters				Quarters			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
SO#1: To provide Business, Legal and Regulatory framework for promotion of the development of horticultural (flowers, vegetables, fruits and nuts) exports																					
Establish a national framework for coordination of horticultural (flowers, vegetables, fruits and nuts) exports development between National and County Governments	State Department for Agriculture, AFA, County Governments, HCK, KFC and FPEAK																				
Review the legal and regulatory framework that govern horticulture to ensure harmony and provisions that promote horticultural exports																					
Simplify procedures for exportation of horticultural produce by rationalizing roles and responsibilities of various trade facilitation institutions to avoid duplication																					
Harmonize Counties' fees and levies and make them a one-off levy and implement a single collection mutual recognition.																					
Review all destination countries where Kenya does not have preferential trade tariffs and explore possibilities of Kenya products benefiting from preferential duties as those of her competitor countries in those markets																					
SO#2: To strengthen and promote linkage of the horticultural (flowers, vegetables, fruits and nuts) value and supply chains in support of horticultural export development																					
Undertake a baseline survey to establish producers of the identified horticultural products for exports the associations or cooperatives that they below and their needs in the context of horticultural production for exports.	State Department for Agriculture, AFA, County Governments, HCK, KFC and FPEAK																				

Strategic Interventions/ Program Activities	Implementing Agencies	2018				2019				2020				2021				2022			
		Quarters				Quarters				Quarters				Quarters				Quarters			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Promote integration of horticultural producers who do not belong to any association or cooperatives in existing horticultural producers and exporters cooperatives or associations																					
Support integration/ development of nationwide information system on horticultural producers and exporters to enhance their visibility in the global market place																					
Capacity building program for strengthening horticultural producers and exporters																					
Identify all existing horticultural support programs and their focus and gaps in driving to ensure synergy in the development of nationwide comprehensive support program in response to horticultural export market opportunities																					
Draw a capacity building program to create awareness and promote production of horticultural produce to meet destination markets requirements																					
Support implementation of the capacity building program for horticulture exports																					
SO#3: To promote production of horticultural products (flowers, vegetables, fruits and nuts) for exports																					
Develop seeds and planting materials for target NEPDS horticultural produce (vegetables, herbs and spices, fruits and nuts) through certified horticultural seed and planting material producers to ensure adequate supply	State Department for Agriculture, AFA, County Governments, HCK, KFC and FPEAK																				
Provide information on appropriate seeds and planting material for production of horticultural products for export	State Department for Agriculture, AFA, County Governments, HCK, KFC and FPEAK																				

Strategic Interventions/ Program Activities	Implementing Agencies	2018				2019				2020				2021				2022			
		Quarters				Quarters				Quarters				Quarters				Quarters			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Provide information on certified suppliers/dealers in approved seeds and planting material																					
Establish demonstration centers/training facilities on best practice on production of the specific horticultural produce for exports																					
Provide, on a cost recovery basis, and using Horticultural Export Development Revolving Fund, extension service to ensure high productivity of the specific product																					
Promote contract farming among horticultural producers and exporters, with severe conditions to discourage diversion of products being produced under such a framework to competitors																					
Provide demand led support, through Horticultural Export Development Revolving Fund, towards development of Horticulture Pack Houses at community/village level, complete with all necessary support infrastructure, such as cold rooms, chilling facilities and packaging for all producers of horticultural produce for exports to reduce post-harvest losses, to allow grading and packaging ready for the destination market																					
Promote pack houses branding, visibility and linkage to the horticultural export value chain through e-commerce platforms and link to exporters/ international buyers and agro-processors through contractual arrangements																					

Strategic Interventions/ Program Activities	Implementing Agencies	2018				2019				2020				2021				2022			
		Quarters				Quarters				Quarters				Quarters				Quarters			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
SO#4: To promote value addition in vegetables, fruits and nuts																					
Undertake baseline survey to identify value added vegetables, fruits and nuts products based on revealed export potential that should be produced in Kenya	State Departments for Trade and Agriculture, Agriculture & Food Authority (AFA) - Horticultural Crops Directorate, EPC, Kenya Missions Abroad, County Governments, HCK, KFC, FPEAK and KenInvest																				
Prepare publicity/ awareness creation material and model projects on vegetables, fruits and nuts value added products and their uses and export potential to stimulate investments in their production																					
Undertake recruitment of investors keen on investing in vegetables, fruits and nuts value added products for exports																					
Encourage formation of vegetables, fruits and nuts value added products associations or cooperatives as platforms for sustainable production for export market																					
Identify and accredit tertiary training institutions and research institutes to undertake research and offers skills training on vegetables, fruits and nuts value added products for exports																					
Support entrepreneurs training in the accredited institutions for vegetables, fruits and nuts value added products for exports through Export Development Fund, applying user cost recovery model																					
Encourage and support investments in common user facilities and equipment for production of value added vegetables, fruits and nuts products for export through Export Development Fund, applying user cost recovery model																					

Strategic Interventions/ Program Activities	Implementing Agencies	2018				2019				2020				2021				2022			
		Quarters				Quarters				Quarters				Quarters				Quarters			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
SO#5: To strengthen trade facilitation of horticultural produce (flowers, vegetables, fruits and nuts)																					
Prepare SPS, Quality and Food Safety requirements handbook/information book let to inform pulses farmers on these requirements, including requirements on SPS, Quality and Food Safety in the destination markets	State Department for Agriculture, Horticultural Crops Directorate, County Governments, KEPHIS, KEBS, Port Health, HCK, KFC and FPEAK																				
Provide quality assurance and support throughout the production period of pulses (planting to harvesting and marketing through ensuring local presence of KEPHIS, KEBS and any other Agency or Accredited Agencies by Competent Authorities in all the 47 counties where pulses are grown																					
SO#6: To promote exports of horticultural products (flowers, vegetables, herbs and spices, fruits and nuts) exports in target destination markets																					
Promote Kenya as a horticulture exporting Nation by hosting Annual Horticultural Festival to promote 'Source Kenya Horticulture' targeting buyers from target destination markets and using a cost recovery model	State Departments for Trade and Agriculture, Agriculture & Food Authority (AFA) - Horticultural Crops Directorate, EPC, Kenya Missions Abroad, County Governments, HCK, KFC and FPEAK																				
Undertake Exhibitions and Trade Fairs in target destination market on a cost recovery model coupled with matching grants for exporters																					
Provide matching grants to support exporters of target horticultural products in scheduled export promotion events, Business to Business or Business to Consumers specific events in target destination markets																					

Strategic Interventions/ Program Activities	Implementing Agencies	2018				2019				2020				2021				2022			
		Quarters				Quarters				Quarters				Quarters				Quarters			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Provide step by step guide on export procedures for horticultural exports to create awareness on requirements by Kenya trade facilitation institutions																					
Prepare annual market intelligence surveys for target horticulture products in target destination markets																					
Disseminate market intelligence surveys to target horticulture producers and exporters using the Kenya National Trade Portal																					
Identify destination market marketing Agencies for Kenyan horticultural produce and engage them to drive Kenya's export market share working closely with the private sector. Payment for the services to be tied to market share increments/ concluded and delivered deals																					
Promote listing of horticultural exporters listing in regional/ continental/global e-commerce platforms to enhance visibility and complement market access initiatives																					

B2/1.4 Pulses Industry

B2/1.4.1 Situational Analysis of the Pulses Industry

Pulses are the second most important staple food commodity in Kenya after cereals (KenInvest (2016).[67] As a result, pulses play a critical role in the country's food nutrition and security agenda, especially because of their being an affordable source of protein. They are also an essential source of livelihood for millions of Kenyans.

The lead pulses that the country produces include dry beans, kidney beans, white pea beans, green grams, cowpeas, lentils and pigeon peas. As observed by KenInvest (2016), dry beans are

67 *KenInvest (2016): Pulses Sector, Investment Profile Summary*

cultivated almost exclusively by 1.5 million smallholder farmers on about a million hectares. The main producing areas for dry beans in Kenya include the counties in the former Rift Valley, Eastern, Nyanza, Western and Central Provinces. National consumption is estimated at 0.8 million MT against a production of 0.6 million a year. Kenya is a net importer of dry beans. The country imports about 10 times what it exports, but has a huge untapped potential of increasing production, especially through investment in irrigation.

Green grams are a most popular staple, whose consumption is generally accepted across the country as a source of protein. According to KenInvest (2016), they are grown in the arid and semi-arid lands (ASALs), mainly for sale in local and export markets. The major producing regions are in the counties that are located in former Eastern, Coast and Nyanza provinces as well as some counties in the former Rift Valley Province. National production is estimated at 121,000 MT as compared to a consumption of 127,000 MT, which implies deficits in some years that are bridged through imports or surplus from other years that is not exported.

As noted in KenInvest (2016), pigeon peas are Kenya's third most important legume, after cowpeas and beans. They are primarily cultivated by smallholder farmers on about 0.24 million hectares in the ASALs, predominantly as a source of cash and food. The most important pigeon pea-producing counties in Kenya include Machakos, Makueni, Kitui and the drier parts of Embu County in the former Eastern Province.

According to the FAO,[68] production of lentils in Kenya has plummeted from 4,000tonnes in 2012 to 613tonnes in 2016. The recorded production of 14,000tonnes in 1993 demonstrates the peak from which lentils production plummeted and a target that the country could aspire to achieve, especially with the demand-pull from export led initiatives under the NEDPS.

Cowpeas are leguminous crops that can be used to provide green leaves for vegetables as well as grain for food. They tolerate drought and play a significant role in food security. Data on production is not readily available. This pulse has a potential for sale in the domestic as well as export market

In pulse production, Kenya ranks highly in the global map of producing countries. According to ITC (2014),[69] Kenya is ranked the seventh largest producer of dry beans in the world and the second leading producer in East Africa after Tanzania. The country is the world's fourth largest producer of pigeon pea after the Republic of India, the Republic of the Union of Myanmar and the Republic of Malawi.

The Key Players in the industry include the Ministry of Agriculture, Livestock and Fisheries; Agriculture and Food Authority (AFA), East Africa Grain Council, Kenya Plant Health Inspectorate Service (KEPHIS) and Kenya Bureau of Standards (KEBS).

The pulse industry is set for accelerated growth due to existing government and development partner support in agriculture, which also supports pulses development and emerging export opportunities. One such program is the promotion of high value traditional food crops by County Governments and a number of Development Partners. For instance, Kitui County Government, in partnership with Kenya Red Cross, distributed 400 tonnes of green gram seeds to more than 200,000 households, for production of green grams for the export market in 2017. Under this program, the Kenya Red Cross will facilitate export of green grams from local farmers. The County is targeting markets in Asian countries like India, China, Japan, Saudi Arabia, and Pakistan where demand is high.

68 *Refer: https://knoema.com/FAOPRDSC2017/production-statistics-crops-crops-processed?tsId=1340350*
69 International Trade Center, Pulses Road Map of Action (2016-2020).

Other favourable factors include the potential for expansion in ASAL areas where most of the pulses are suited for production, intercropping with other crops without competing with the other crops.

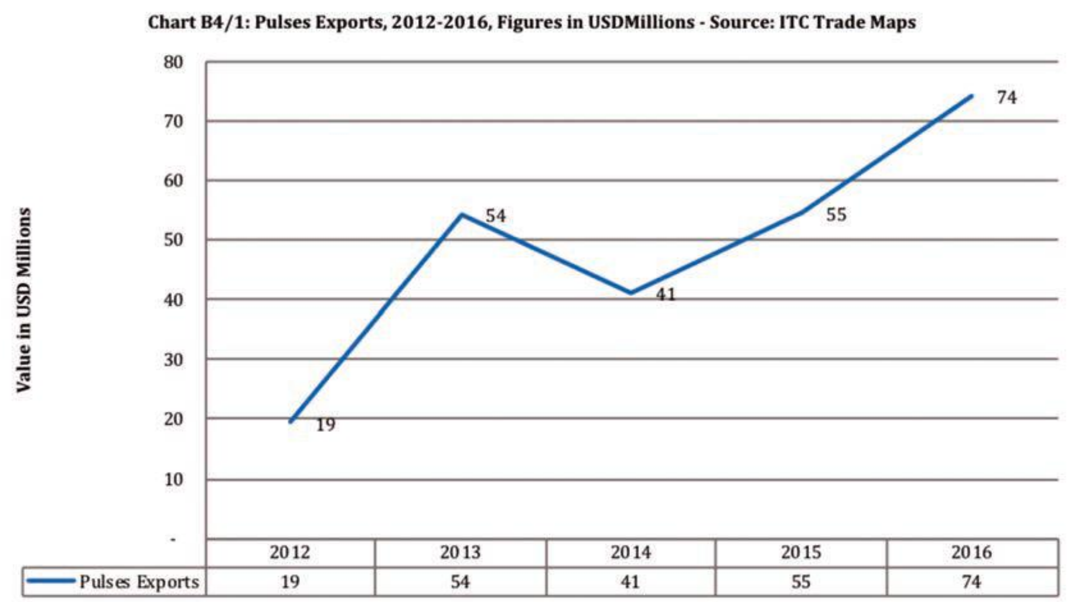
B2/1.4.2 Pulses Export Performance and Potential in Target Destination Markets

B2/1.4.2.1 Pulses export performance

For purposes of tracking pulses export performance under NEDPS, the following classification of vegetables under Harmonized System (HS) Heading 0713 of HS Chapter 7 will be used.

Product code	Product label
'0713	Dried leguminous vegetables, shelled, whether or not skinned or split

As illustrated in the chart below, exports of pulses have recorded an impressive 283% from USD19million in 2012 to USD74million by 2016, with growth having sustained an upward trend since 2014. Despite this exponential growth, Kenya remains an insignificant player in the global market, with her share in some of the lead global pulse importing countries being less than 0.4%.



As noted in ITC (2014)[70], more than half of Kenya's pulse exports are comprised of kidney beans and white pea beans, with most exports of pulses consisting of raw products with extremely limited value added by processors. Kenya's product diversification is nevertheless promising, providing that concerted actions are taken to expand further production and promote long term export growth rates.

A further ray of hope for the country's pulses export growth is the world demand for pulses, which ITC (2014) noted as "reaching an all-time high, promoted by nutritional demand for a substitute protein across the world as people shift from traditional sources like meat due to dietary needs and preferences".

70 International Trade Center (2014): Kenya Pulses Sector Road Map Plan of Action

B2/1.4.2.2 Pulses Export Potential in target Export Destination Markets

The markets that will drive Kenya's pulses exports over the NEDPS period were identified as follows: India, Middle East, EU, COMESA, Gulf Cooperation Countries (GCC), China, Pakistan, USA, Japan and EAC. The total annual market size, based on these countries reported imports from the world over the period 2012-2016, works to USD9.2billion. Kenya was able to export a recorded annual average of USD39million or 0.4% of these countries/regions annual market size over the same period.

Table B2/4-1: Exports of beans and pulses and select[71] destination countries and regions market opportunities

Product code	Product label	Kenya's exports to world - Average 2012 - 2016 (USD mn)	Select regions imports from Kenya - Average 2012 - 2016 (USD mn)	Select regions imports from world - Average 2012 - 2016 (USD mn)	Kenya's Export opportunity assuming a 5% market share (USD mn)
'0713	Dried leguminous vegetables, shelled, whether or not skinned or split	49	39	9,262	463

Source: *Computations from ITC Trade Maps*

Therefore, if Kenya were to target a share of 5% of these regional blocs/countries market, that would translate to USD 417 million. This target will be pursued through various interventions that are proposed later in this section of the strategy. The lead target country is India, which commands a 34% market share of the total target countries/regions' market size. Middle East, COMESA and Gulf Cooperation Countries, China and Pakistan follow in the order, as illustrated in the table below.

Table B2/4-2: Lead target destination markets for pulses

Destination Country/Region	Select regions imports from Kenya - Average 2012 - 2016 (USD mn)	Select regions imports from world - Average 2012 - 2016 (USD mn)	% share
India	17	3,157	34%
Middle East	2	1,841	20%
EU	2	1,482	16%
COMESA	1	601	6%
GCC	2	543	6%
China	0	514	6%
Pakistan	12	448	5%
USA	0	408	4%
Japan	0	201	2%
EAC	3	67	1%
Total	**39**	**9,262**	**100%**

Source: Computations from ITC Trade Maps

71 *The following are the select destination countries and regions based on the revealed export potential of beans and pulses.*

B2/1.4.3 Constraints to Pulses Export Performance

Pulses export performance as documented in 1TC (2014) and as confirmed during NEDPS Agriculture Sector working group sessions on formulation of this Strategy is impeded by a host of constraints, which include the following:

a) Limited use of certified seeds

Use of certified seeds of pulses is estimated at about 5-10%, depending on the crop and the region. The most significant challenge at the moment is achieving adequate dissemination of improved seed varieties. Lack of such dissemination has severely limited productivity gains and has greatly hindered the development of the supply chain, further complicated by farmers' reluctance to pay the high cost of certified seeds. Improved bean varieties could, for example, yield from 1,500 to 2,500 kg / ha, whereas the majority of farmers use seeds that yield approximately 400 kg / ha. Instead of using certified seeds, majority of the farmers access seeds of pulses through informal seed supply systems, including on-farm saving, farmer to farmer exchange, gifts and local grain traders. However, some of these seeds are of unknown genetic, physiological and phytosanitary quality.

It is however worth noting that this challenge is being addressed through ongoing interventions by the Government and other agencies focusing on promotion of high value traditional food crops and other extension activities, as demand for quality seeds by farmers have also increased. These interventions need to be scaled up in order to promote production of pulses for export market.

b) Low production

There is currently a limited capacity for pulses supply to cope with export demand as a result of low production, which is attributed to a number of factors. Some of these include low adoption of improved technologies, post-harvest losses, low prices, poor marketing system, inadequate use of good quality seeds (as already noted above), under utilisation of other vital production inputs, low soil fertility, poor crop husbandry and adverse weather conditions, and inadequate investment in value-adding processing. This situation is worsened by inadequate extension services to support farmers' adoption of good agricultural practises and improved high yielding seed varieties.

c) Low prioritisation of pulses as important crops with equal significance as other crops

About 85 percent of pulses are grown as intercrops, mainly with cereals. As an intercrop, pulses are planted mainly in alternate rows at the same time with the main crop or inter planted after the germination of the main crop. Only about 15 percent of pulses are grown as mono crop.

d) Low adoption of improved agricultural practices

The low adoption of improved agricultural practices also significantly hindered the performance of the sector. In particular, postharvest practices suffer from a number of problems including inappropriate handling, inadequate storage methods and facilities, and common pest infestation, resulting in a higher than necessary incidence of spoilage. These factors are further complicated by slow transport to markets caused by poor road transport system. International buyers have also highlighted the uneven quality of Kenyan products which is a major limiting factor for the export of pulses from Kenya due to a lack of quality certification and standardisation mechanisms, as well as a lack of knowledge about specific markets' requirements in terms of pest control and quality standards

e) Weak pulses value chain as manifested in limited knowledge base of pulse producers and exporters

Limited ability of the pulses industry to respond to export market opportunity is due to the inadequate knowledge base of pulse producers and exporters. This is attributed to the fragmented nature of the pulses value chain, which as alluded to above is characterized by smallholder farmers with no structured produce bulking institutional support, and whose vision is subsistence farming and limited domestic market targeted production

f) **Weak pulses market information**
Market information inadequacy is a major constraint for pulses producers and exporters. This is manifested by very little information on issues such as pulse varieties and types, the marketing calendar of different pulses globally, destination market opportunities and market access requirements.

g) **Lack of strong linkage with international markets**
There is very weak foreign market linkage between Kenya's pulse industry and target destination markets and this is evidenced by the very low market share in some of the global lucrative pulses markets.

B2/1.4.4 Strategic Objectives and Interventions towards Development and Promotion of Pulses Exports

B2/1.4.4.1 Strategic Objectives towards Development and Promotion of Pulses Exports

To stimulate production of pulses for exports, specific interventions have been proposed along the following framework of strategic objectives, which are designed to respond to the specific constraints and to deliver exports of pulses:

a) To provide Business, Legal and Regulatory framework for promotion of the development of pulses for export;

b) To strengthen and promote linkage of the pulses value chains in support of pulses export development;

c) To promote production of pulses for exports;

d) To promote value addition in pulses through processing of pulses;

e) To strengthen trade facilitation of pulses; and

f) To promote exports of pulses in destination markets.

B2/1.4.4.2 Strategic Interventions and Resource Requirements for Development and Promotion of Pulses Exports

Strategic Objective #1:

To provide Business, Legal and Regulatory Framework for Promotion of the Development of Pulses for Export

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KES Mn)
1) Establish a national framework for coordination of pulses exports development between National and County Governments	State Department for Agriculture, Crops and Fibre Directorate, County Governments, KEPHIS, KEBS, Port Health, Pulses Private Sector Association (to be identified during the implementation of the Pulses Strategy)	10
2) Review the legal and regulatory framework that govern pulses to ensure harmony and provisions that promote pulses exports	State Department for Agriculture, Crops and Fibre Directorate, County Governments, KEPHIS, KEBS, Port Health, Pulses Private Sector Association (to be identified during the implementation of the Pulses Strategy)	5

3)	Simplify procedures for exportation of pulses by rationalising roles and responsibilities of various trade facilitation institutions to avoid duplication	State Department for Agriculture, Crops and Fibre Directorate, County Governments, KEPHIS, KEBS, Port Health, Pulses Private Sector Association (to be identified during the implementation of the Pulses Strategy)	5
4)	Harmonize Counties fees and levies and make them a one-off levy and implement a single collection mutual recognition.	State Department for Agriculture, Crops and Fibre Directorate, County Governments, KEPHIS, KEBS, Port Health, Pulses Private Sector Association (to be identified during the implementation of the Pulses Strategy)	5
5)	Review all destination countries where Kenya does not have preferential trade tariffs and explore possibilities of Kenya products benefiting from preferential duties as those of her competitor countries in those markets	State Department for Agriculture, Crops and Fibre Directorate, County Governments, KEPHIS, KEBS, Port Health, Pulses Private Sector Association (to be identified during the implementation of the Pulses Strategy)	5

Strategic Objective #2:

To Strengthen and Promote Linkage of the Pulses Value Chains in Support of Pulses Export Development

Strategic Interventions/Program Activities		Implementing Agencies	Resource Requirements (KES Mn)
1)	Undertake a baseline survey to establish producers of the identified pulses for exports the associations or cooperatives that they belong to and their needs in the context of pulses production for exports.	State Department for Agriculture, Crops and Fibre Directorate, County Governments, KEPHIS, KEBS, Port Health, Pulses Private Sector Association (to be identified during the implementation of the Pulses Strategy)	10
2)	Promote integration of pulses producers who do not belong to any association or cooperatives in existing pulses producers and exporters cooperatives or associations	State Department for Agriculture, Crops and Fibre Directorate, County Governments, KEPHIS, KEBS, Port Health, Pulses Private Sector Association (to be identified during the implementation of the Pulses Strategy)	10
3)	Support integration/development of nationwide information system on pulses producers and exporters to enhance their visibility in the global market place	State Department for Agriculture, Crops and Fibre Directorate, County Governments, KEPHIS, KEBS, Port Health, Pulses Private Sector Association (to be identified during the implementation of the Pulses Strategy)	10
4) *5)* 6)	Capacity building program for strengthening pulses producers and exporters *Identify all existing pulses support programs and their focus and gaps in driving to ensure synergy in the development of nationwide comprehensive support program in response to pulses export market opportunities* Draw a capacity building program to create awareness and promote production of pulses produce to meet destination markets requirements	State Department for Agriculture, Crops and Fibre Directorate, County Governments, KEPHIS, KEBS, Port Health, Pulses Private Sector Association (to be identified during the implementation of the Pulses Strategy)	50

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KES Mn)
7) Support implementation of the capacity building program for pulses exports	State Department for Agriculture, Crops and Fibre Directorate, County Governments, KEPHIS, KEBS, Port Health, Pulses Private Sector Association (to be identified during the implementation of the Pulses Strategy)	As per the capacity building program

Strategic Objective #3:

To Promote Production of Pulses for Exports

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KES Mn)
1) Provide information on appropriate seeds and planting material for production of pulses products for export	State Department for Agriculture, AFA-Crops and Fibre Directorate, County Governments, KEPHIS, KEBS, Port Health, Pulses Private Sector Association (to be identified during the implementation of the Pulses Strategy)	10
2) Provide information on certified suppliers/ dealers in approved pulses seeds and planting material	State Department for Agriculture, AFA-Crops and Fibre Directorate, County Governments, KEPHIS, KEBS, Port Health, Pulses Private Sector Association (to be identified during the implementation of the Pulses Strategy)	10
3) Establish demonstration centers/training facilities on best practice on production of the specific pulses produce for exports	State Department for Agriculture, AFA-Crops and Fibre Directorate, County Governments, KEPHIS, KEBS, Port Health, Pulses Private Sector Association (to be identified during the implementation of the Pulses Strategy)	300
4) Provide, on a cost recovery basis, and using Pulses Export Development Revolving Fund, extension service to ensure high productivity of the specific product	State Department for Agriculture, AFA-Crops and Fibre Directorate, County Governments, KEPHIS, KEBS, Port Health, Pulses Private Sector Association (to be identified during the implementation of the Pulses Strategy)	500
5) Promote contract farming among pulses producers and exporters, with severe conditions to discourage diversion of products being produced under such a framework to competitors	State Department for Agriculture, AFA-Crops and Fibre Directorate, County Governments, KEPHIS, KEBS, Port Health, Pulses Private Sector Association (to be identified during the implementation of the Pulses Strategy)	10
6) Provide demand led support, through Pulses Export Development Revolving Fund, towards development of Pulses Pack Houses at community/village level, complete with all necessary support infrastructure, such as cold rooms, chilling facilities and packaging for all producers of pulses produce for exports to reduce post-harvest losses, to allow grading and packaging ready for the destination market	State Department for Agriculture, AFA-Crops and Fibre Directorate, County Governments, KEPHIS, KEBS, Port Health, Pulses Private Sector Association (to be identified during the implementation of the Pulses Strategy)	1,000

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KES Mn)
7) Promote pack houses branding, visibility and linkage to the pulses export value chain through e-commerce platforms and link to exporters/international buyers and agro-processors through contractual arrangements	State Department for Agriculture, AFA-Crops and Fibre Directorate, County Governments, KEPHIS, KEBS, Port Health, Pulses Private Sector Association (to be identified during the implementation of the Pulses Strategy)	100

Strategic Objective #4:

To Promote Value Addition through Processing of Pulses

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KES Mn)
1) Undertake baseline survey of value added pulses products, based on revealed export potential, for production in Kenya targeting domestic and destination market potential	State Departments for Trade and Agriculture, Agriculture & Food Authority (AFA) - Crops and Fibre Directorate, EPC, Kenya Missions Abroad, County Governments, HCK, KFC and FPEAK, KenInvest	30
2) Prepare publicity/awareness creation material and model projects on pulses value added products and their uses and export potential to stimulate investment in their production	State Departments for Trade and Agriculture, Agriculture & Food Authority (AFA) - Crops and Fibre Directorate, EPC, Kenya Missions Abroad, County Governments, HCK, KFC and FPEAK, KenInvest	10
3) Undertake recruitment of investors keen on investing in pulses value added products for exports	State Departments for Trade and Agriculture, Agriculture & Food Authority (AFA) - Crops and Fibre Directorate, EPC, Kenya Missions Abroad, County Governments, HCK, KFC and FPEAK, KenInvest	5
4) Encourage formation of pulses value added products associations or cooperatives as platforms for sustainable production for export market	State Departments for Trade and Agriculture, Agriculture & Food Authority (AFA) - Crops and Fibre Directorate, EPC, Kenya Missions Abroad, County Governments, HCK, KFC and FPEAK, KenInvest	5
5) Identify and accredit tertiary training institutions and research institutes to undertake research and offers skills training on pulses value added products for exports	State Departments for Trade and Agriculture, Agriculture & Food Authority (AFA) - Crops and Fibre Directorate, EPC, Kenya Missions Abroad, County Governments, HCK, KFC and FPEAK, KenInvest	5
6) Support entrepreneurs training in the accredited institutions for pulses value added products for exports through Export Development Fund, applying user cost recovery model	State Departments for Trade and Agriculture, Agriculture & Food Authority (AFA) - Crops and Fibre Directorate, EPC, Kenya Missions Abroad, County Governments, HCK, KFC and FPEAK, KenInvest	50
7) Encourage and support investments in common user facilities and equipment for production of value added pulses products for export through Export Development Fund, applying user cost recovery model	State Departments for Trade and Agriculture, Agriculture & Food Authority (AFA) - Crops and Fibre Directorate, EPC, Kenya Missions Abroad, County Governments, HCK, KFC and FPEAK, KenInvest	250

Strategic Objective #5:

To Strengthen Trade Facilitation of Pulses

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KES Mn)
1) Prepare SPS, Quality and Food Safety requirements handbook/information book let to inform pulses farmers on these requirements, including requirements on SPS, Quality and Food Safety in the destination markets	State Department for Agriculture, AFA- Crops and Fibre Directorate, County Governments, KEPHIS, KEBS, Port Health, Pulses Private Sector Association (to be identified during the implementation of the Pulses Strategy)	10
2) Provide quality assurance and support throughout the production period of pulses (planting to harvesting and marketing through ensuring local presence of KEPHIS, KEBS and any other Agency or Accredited Agencies by Competent Authorities in all the 47 counties where pulses are grown	State Department for Agriculture, AFA- Crops and Fibre Directorate, County Governments, KEPHIS, KEBS, Port Health, Pulses Private Sector Association (to be identified during the implementation of the Pulses Strategy)	100

Strategic Objective #6:

To Promote Exports of Pulses

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KES Mn)
1) Promote Kenya as a horticulture exporting Nation by hosting an Annual Pulses Festival to promote 'Source Kenya Pulses' targeting buyers from target destination markets and using a cost recovery model	State Departments for Trade, State Department for Agriculture, AFA-Crops and Fibre Directorate, EPC, County Governments, KEPHIS, KEBS, Port Health, Pulses Private Sector Association (to be identified during the implementation of the Pulses Strategy)	100
2) Undertake Exhibitions and Trade Fairs in target destination market on a cost recovery model coupled with matching grants for exporters	State Departments for Trade, State Department for Agriculture, AFA-Crops and Fibre Directorate, EPC, County Governments, KEPHIS, KEBS, Port Health, Pulses Private Sector Association (to be identified during the implementation of the Pulses Strategy)	150
3) Provide matching grants to support exporters of target pulses products in scheduled export promotion events, Business to Business or Business to Consumers specific events in target destination markets	State Departments for Trade, State Department for Agriculture, AFA-Crops and Fibre Directorate, EPC, County Governments, KEPHIS, KEBS, Port Health, Pulses Private Sector Association (to be identified during the implementation of the Pulses Strategy)	100
4) Provide step by step guide on export procedures for pulses exports to create awareness on requirements by Kenya trade facilitation institutions	State Departments for Trade, State Department for Agriculture, AFA-Crops and Fibre Directorate, EPC, County Governments, KEPHIS, KEBS, Port Health, Pulses Private Sector Association (to be identified during the implementation of the Pulses Strategy)	5

Strategic Interventions/Program Activities		Implementing Agencies	Resource Requirements (KES Mn)
5)	Prepare annual market intelligence surveys for target horticulture products in target destination markets	State Departments for Trade, State Department for Agriculture, AFA-Crops and Fibre Directorate, EPC, County Governments, KEPHIS, KEBS, Port Health, Pulses Private Sector Association (to be identified during the implementation of the Pulses Strategy)	50
6)	Disseminate market intelligence surveys to target horticulture producers and exporters using the Kenya National Trade Portal	State Departments for Trade, State Department for Agriculture, AFA-Crops and Fibre Directorate, EPC, County Governments, KEPHIS, KEBS, Port Health, Pulses Private Sector Association (to be identified during the implementation of the Pulses Strategy)	2
7)	Identify destination market marketing Agencies for Kenyan pulses produce and engage them to drive Kenya's export market share working closely with the private sector. Payment for the services to be tied to market share increments/concluded and delivered deals	State Departments for Trade, State Department for Agriculture, AFA-Crops and Fibre Directorate, EPC, County Governments, KEPHIS, KEBS, Port Health, Pulses Private Sector Association (to be identified during the implementation of the Pulses Strategy)	100
8)	Promote listing of pulses exporters listing in regional/continental/global e-commerce platforms to enhance visibility and complement market access initiatives	Pulses Private Sector Association (to be identified during the implementation of the Pulses Strategy)	firm level investments

B2/1.4.4.3 Resource Mobilization Plan for Development and Promotion of Pulses Exports

The estimated resource requirements for implementation of the Pulses export development and promotion strategy is KES3 billion. About 93% of the estimated resources or KES2.8 billion goes towards developing production, value addition capacity and export promotion of pulses. The specific interventions under each of the Strategic Objectives and accompanying resource requirements are as provided under the section on 'Strategic Interventions and Resource Requirements'. The sources of funds and Lead Agencies in mobilization of the funds are as listed in the resource mobilization plan below. The institutional structure through which the funds for Pulses export development and promotion will be administered is the 'Pulses Sub-Sector Working Group' of NEDPS Agriculture Sector Working Group. At the Pulses SSWG, Private Sector Stakeholders in the Pulses sector, AFA-Crop and Fibre Directorate and County Government Counterpart on Pulses and other Government Agencies will take lead role.

Table B2/4-3: Resource Mobilisation Plan for Development and Promotion of Pulses Exports

SO#	Strategic Objective/ Focal Areas of Intervention	Amount Required (KES Mn)	Estimated NEDPS Annual Resource Requirement (KES Millions)					Source	Lead Agencies in Resource Mobilisation
			2018/19	2019/20	2020/21	2021/22	2022/23		
Pulses									
1	To provide Business, Legal and Regulatory Framework for Promotion of the Development of Pulses for Export	30	6	6	6	6	6	MDAs and County Governments' MTPIII Annual Budgets,	State Departments for Trade and Agriculture, Agriculture & Food Authority (AFA) -

2	To Strengthen and Promote Linkage of the Pulses Value Chains in Support of Pulses Export Development	80	16	16	16	16	16	Private Sector programs, Development Partners	Crops and Fibre Directorate, EPC, Kenya Missions Abroad, County Governments, HCK, KFC and FPEAK, KenInvest
3	To Promote Production of Pulses for Exports	1,930	386	386	386	386	386		
4	To Promote Value Addition through Processing of Pulses	355	71	71	71	71	71		
5	To Strengthen Trade Facilitation of Pulses	110	22	22	22	22	22		
6	To Promote Exports of Pulses	507	102	102	102	101	100		
Sub-Total Pulses		3,012	603	603	603	602	601		

B2/1.4.5 Implementation Plan for Pulses Export Development and Promotion

Strategic Interventions/ Program Activities	2018				2019				2020				2021				2022			
	Quarters				Quarters				Quarters				Quarters				Quarters			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
SO#1: To provide Business, Legal and Regulatory framework for promotion of the development of pulses for export																				
Establish a national framework for coordination of pulses exports development between National and County Governments																				
Review the legal and regulatory framework that govern pulses to ensure harmony and provisions that promote pulses exports																				
Simplify procedures for exportation of pulses by rationalizing roles and responsibilities of various trade facilitation institutions to avoid duplication																				
Harmonize Counties fees and levies and make them a one-off levy and implement a single collection mutual recognition.																				
Review all destination countries where Kenya does not have preferential trade tariffs and explore possibilities of Kenya products benefiting from preferential duties as those of her competitor countries in those markets																				

Strategic Interventions/ Program Activities	2018				2019				2020				2021				2022			
	Quarters				Quarters				Quarters				Quarters				Quarters			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
SO#2: To strengthen and promote linkage of the pulses value chains in support of pulses export development																				
Undertake a baseline survey to establish producers of the identified pulses for exports the associations or cooperatives that they below and their needs in the context of pulses production for exports.																				
Promote integration of pulses producers who do not belong to any association or cooperatives in existing pulses producers and exporters cooperatives or associations																				
Support integration/development of nationwide information system on pulses producers and exporters to enhance their visibility in the global market place																				
Capacity building program for strengthening pulses producers and exporters																				
Identify all existing pulses support programs and their focus and gaps in driving to ensure synergy in the development of nationwide comprehensive support program in response to pulses export market opportunities																				
Draw a capacity building program to create awareness and promote production of pulses produce to meet destination markets requirements																				
Support implementation of the capacity building program for pulses exports																				
SO#3: To promote production of pulses for exports																				
Provide information on appropriate seeds and planting material for production of pulses products for export																				
Provide information on certified suppliers/dealers in approved pulses seeds and planting material																				
Establish demonstration centers/ training facilities on best practice on production of the specific pulses produce for exports																				

Strategic Interventions/ Program Activities	2018				2019				2020				2021				2022			
	Quarters				Quarters				Quarters				Quarters				Quarters			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Provide, on a cost recovery basis, and using Pulses Export Development Revolving Fund, extension service to ensure high productivity of the specific product																				
Promote contract farming among pulses producers and exporters, with severe conditions to discourage diversion of products being produced under such a framework to competitors																				
Provide demand led support, through Pulses Export Development Revolving Fund, towards development of Pulses Pack Houses at community/ village level, complete with all necessary support infrastructure, such as cold rooms, chilling facilities and packaging for all producers of pulses produce for exports to reduce post-harvest losses, to allow grading and packaging ready for the destination market																				
Promote pack houses branding, visibility and linkage to the pulses export value chain through e-commerce platforms and link to exporters/international buyers and agro-processors through contractual arrangements																				
SO#4: To promote value addition in pulses through processing of pulses																				
Undertake baseline survey to identify value added pulses products based on revealed export potential that should be produced in Kenya																				
Prepare publicity/awareness creation material and model projects on pulses value added products and their uses and export potential to stimulate investments in their production																				
Undertake recruitment of investors keen on investing in pulses value added products for exports																				

Strategic Interventions/ Program Activities	2018				2019				2020				2021				2022			
	Quarters				Quarters				Quarters				Quarters				Quarters			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Encourage formation of pulses value added products associations or cooperatives as platforms for sustainable production for export market																				
Identify and accredit tertiary training institutions and research institutes to undertake research and offers skills training on pulses value added products for exports																				
Support entrepreneurs training in the accredited institutions for pulses value added products for exports through Export Development Fund, applying user cost recovery model																				
Encourage and support investments in common user facilities and equipment for production of value added pulses products for export through Export Development Fund, applying user cost recovery model																				
SO#5: To strengthen trade facilitation of pulses																				
Prepare SPS, Quality and Food Safety requirements handbook/information book let to inform pulses farmers on these requirements, including requirements on SPS, Quality and Food Safety in the destination markets																				
Provide quality assurance and support throughout the production period of pulses (planting to harvesting and marketing through ensuring local presence of KEPHIS, KEBS and any other Agency or Accredited Agencies by Competent Authorities in all the 47 counties where pulses are grown																				
SO#6: To promote exports of pulses in destination markets																				
Undertake baseline survey to identify export pulses exporters and establish a mechanism and ICT system for capturing any new pulses exporters or exiting pulses exporters																				

Strategic Interventions/ Program Activities	2018				2019				2020				2021				2022			
	Quarters				Quarters				Quarters				Quarters				Quarters			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Undertake continuous monitor and update of pulses exporter data base and network through ITC tools																				
Promote Kenya as a pulses exporting Nation by hosting Annual Pulses Festival to promote 'Source Kenya Pulses' targeting buyers from target destination markets and using a cost recovery model																				
Undertake Exhibitions and Trade Fairs in target destination market on a cost recovery model coupled with matching grants for exporters																				
Provide matching grants to support exporters of target pulses products in scheduled export promotion events, Business to Business or Business to Consumers specific events in target destination markets																				
Provide step by step guide on export procedures for pulses exports to create awareness on requirements by Kenya trade facilitation institutions																				
Prepare annual market intelligence surveys for target horticulture products in target destination markets																				
Disseminate market intelligence surveys to target horticulture producers and exporters using the Kenya National Trade Portal																				
Identify destination market marketing Agencies for Kenyan pulses produce and engage them to drive Kenya's export market share working closely with the private sector. Payment for the services to be tied to market share increments/concluded and delivered deals																				
Promote listing of pulses exporters listing in regional/ continental/global e-commerce platforms to enhance visibility and complement market access initiatives																				

B2/1.5 SISAL INDUSTRY

B2/1.5.1 Situational Analysis of the Sisal Industry

Sisal fibres are obtained from Agave Sisalana, a native of Mexico[72]. According to the FAO, sisal grows well all year round in hot climate and arid regions, which are often unsuitable for other crops. Sisal can be cultivated in most soil types except clay and has low tolerance to very moist and saline soil conditions. Husbandry is relatively simple as it is resilient to disease and its input requirement is low compared to other crops. According to the AFA-Crop and Fibre Directorate, sisal matures in two to three years and its productive life can reach up to 12 years, producing from 180 to 240 leaves depending on location, altitude, level of rainfall and variety of plant.

Kenya is the third largest producer of sisal fibre in the world after Brazil and Tanzania. Export of sisal products in 2016 earned the country KES4.2 billion. The main export markets for Kenyan sisal fibre and other products include Saudi Arabia, China, Morocco Nigeria, Spain, and Philippines. Currently, Egypt is the fifth largest importer of Kenyan sisal after Nigeria, China, Saudi Arabia and Morocco.

The world demand for sisal fibre stands at 400,000 metric tons (MT) compared to production of 300,000 metric tons of sisal fibre annually. This up-surge in the demand has been occasioned by strong global consciousness of the serious negative effects of synthetic fibre on the environment as well as emergence of the variety of uses for sisal. Emerging uses of sisal fibre include use in geo-textiles, stabilisation of soil blocks, reinforcement of plastic, pulp for paper manufacturing, reinforcement of concrete, plaster and other composite materials, and motor vehicle parts. However, Kenya has not taken advantage of this increased demand of sisal in the world by increasing local production. Kenya has also not embraced the emerging uses of sisal fibre other than the conventional cordage industry and manufacture of dart boards for export.

The country mainly exports raw fibre instead of adding value that would thereby create wealth and employment. This technology is available in Egypt as well as in other African countries including Nigeria and only calls for a more proactive approach to product development.

About 90% of the sisal crop is grown by 10 Estates spread in the Coast, Eastern and Rift Valley regions. The total area under sisal cultivation is estimated at 44,000 Hectares (Ha). Sisal production among smallholder farmers is very low because of the historical background, where small-scale farmers were encouraged to plant sisal at the boundaries of their farms as fence and not for commercial purposes. As a drought resistant crop, sisal does well in arid and semi-arid areas (ASAL) with minimal investments. ASAL areas constitute 80% of our country and most of it is underutilized. There is need therefore, to open up ASAL areas for production as well as to encourage small-scale farmers to embrace sisal farming.

The National Government (AFA - Crop and Fibre Crops Directorate) in conjunction with the County Governments has been providing extension services, while the key private sector players include smallholder farmer associations and the Kenya Sisal Growers and Employers Association. However, for further development of the sisal industry County Governments need to include sisal in their Comprehensive Integrated Plans for the development of the value chain. In addition, regulations for the industry have to be gazetted and collaboration between County Government and the National Government enhanced for effective service delivery.

72 *Refer - http://www.fao.org/economic/futurefibres/fibres/sisal/en/*

Industry strengths and opportunities that will enhance further growth of the industry include availability of cheap labour, availability of land in ASAL areas, collaboration with research organisations and the recent ban of plastic bags which creates opportunity for sisal packaging products.

The future of the global market for sisal fibre and sisal fibre products looks bright because of the many uses of sisal. According to the FAO[73], sisal has a wide variety of applications including:

a) **Traditional** – Twine, ropes, string, and yarn which can also be woven into carpets, mats, and various handicrafts. Competition from synthetics has weakened demand for sisal in these traditional applications, however new consumer demands for natural fibres are expanding the markets for sisal in more high-value applications such as in paper, reinforcing composites and plastic composites;

b) **Sisal pulp and paper** – As sisal biomass contains a high proportion of cellulose its pulp is a substitute for wood fibres and adds bulk to paper and cardboard as well as being absorbent and having high fold endurance characteristics making it a high quality input for paper products. Given its porosity, it can also be used in cigarette paper filters, tea bags and other similar products;

c) **Textile** – A major use of the fibre is in buffing cloth because sisal is strong enough to polish steel and soft enough not to scratch it. Sisal reinforcing composites: sisal can substitute or enhance fibre-glass used to reinforce plastic in automobiles, boats, furniture, water tanks and pipes. Sisal can also be used to add strength in cement mixtures for the development of low cost housing and to replace asbestos in roofing and brake-pads. In addition, it is an insulation material and can be made into fibre-board as a wood substitute;

d) **Plastic and rubber composites** – Sisal has potential as reinforcement in polymer (thermoplastics, thermosets and rubbers) composites due to its low density and good welding specific properties. The use of sisal composites in automotive components and other furniture is gaining popularity. Sisal also continues to make the best material for dart boards; and

e) **Sisal waste products** – By-products from sisal extraction can be used for making biogas, pharmaceutical ingredients and building material. The biomass left after fibres have been removed represents as much as 98% of the plant and most is currently flushed away as waste.

To exploit the economic value of this material – amounting to some 15 million tonnes annually - the Common Fund for Commodities, UNIDO and the Tanzanian sisal industry funded the first commercial plant to use sisal residues to produce biogas, electricity process heat and fertilizer. On going evaluation of the plant indicates that 75% of the energy produced could be distributed to rural homes and 25% used in sisal processing. This is a good lesson for Kenya to pursue as part of the efforts to develop sisal production for exports.

The waste produced by decortication such as sisal juice, particles of crushed parenchymatose tissue and fragments of leaves and fibres can be used as fertilizer or animal feed. The juice of the plant is used to make pharmaceuticals like hecogenin, inulin and others.

73 *Refer - http://www.fao.org/economic/futurefibres/fibres/sisal/en/*

Environmental benefits

Aside from pursuing sisal production for exports, the other persuading component is the environmental benefits using sisal offers. According to the FAO, sisal is a renewable resource par excellence and can form part of the overall solution to climate change. Measured over its life cycle, sisal absorbs more carbon dioxide than it produces. During processing, it generates mainly organic wastes and leaf residues that can be used to generate bioenergy, produce animal feed, fertiliser and ecological housing material and, at the end of its life cycle, sisal is 100 percent biodegradable. By contrast synthetically produced fibres do not possess any of these traits. Moreover, sisal plants reduce soil erosion through their extensive root system and contribute positively to watershed management. Sisal plants used as hedges act as effective vegetative barriers/fences protecting the crops, lands and forests from predatory animals and intruders. These benefits form very strong and persuasive considerations for sisal development by the National and County Governments.

B2/1.5.2 Constraints to Sisal and Sisal Products Export Performance

Despite sisal having an immense global market, prospects for Kenya to develop and promote exports of these products face the following constraints:

a) Lack of bilateral trade agreements in traditional sisal markets which erodes Kenya's sisal competitiveness in these markets leading to loss of market opportunities to competitor countries that have such agreements;

b) Decreasing farm size for large scale sisal production due to increased land use competition where some sisal farms have been converted to settlements and use shifted to food crop production;

c) Low uptake of sisal farming by smallholder farmers;

d) Poor linkages with other relevant players in the sector and weak support from devolved extension services;

e) High costs in sisal value chain;

f) Unavailability of enough planting materials; and

g) Inadequate value addition leading to low level of exports of processed fibre products.

B2/1.5.3 Strategic Objectives towards Development and Promotion of Exports of Sisal and Sisal Products

B2/1.5.3.1 Strategic Objectives towards Development and Promotion of Exports of Sisal and Sisal Products

To stimulate sisal and sisal products production for exports, targeted interventions along the following framework of strategic objectives will be pursued.

a) To strengthen sisal value chains to ensure adequate and consistent supply of raw materials;

b) To promote sisal production in response to huge and growing international demand of sisal;

c) To promote production of sisal fibre value added products; and

d) To promote exports of sisal fibre and sisal fibre products.

B2/1.5.3.2 Strategic Intervention and Resource Requirements for Development and Promotion of Sisal and Sisal Fibre and Sisal Fibre Products

Strategic Objective #1:

To Strengthen Sisal Value Chains to Ensure Adequate and Consistent Supply of Raw Material

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KES Mn)
1) Prepare sisal and sisal fibre production sensitisation material for use in publicity and promotion of sisal fibre production	Agriculture & Food Authority (AFA) - Crops & Fibre Directorate, County Governments, Sisal farmers association, sisal fibre and sisal products association	1
2) Create awareness on sisal and sisal fibre production and profitability in all regions with potential for production of sisal fibre	Agriculture & Food Authority (AFA) - Crops & Fibre Directorate, County Governments, Sisal farmers association, sisal fibre and sisal products association	5
3) Undertake recruitment of farmers and investors keen on farming sisal fibre in all regions with potential for sisal fibre production	Agriculture & Food Authority (AFA) - Crops & Fibre Directorate, County Governments, Sisal farmers association, sisal fibre and sisal products association	5
4) Encourage formation of sisal fibre farmer/ processor associations or cooperatives as platforms for sustainable production for export market	Agriculture & Food Authority (AFA) - Crops & Fibre Directorate, County Governments, Sisal farmers association, sisal fibre and sisal products association	5

Strategic Objective #2:

To Promote Sisal Production in Response to Huge and Growing International Demand of Sisal

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KES Mn)
1) Encourage and support the production of sisal seedlings/planting material through mass propagation e.g. tissue culture through Export Development Fund, applying user cost recovery model	Agriculture & Food Authority (AFA) - Crops & Fibre Directorate, County Governments, KEPHIS, KALRBIO, Sisal Estates	200
2) Provide extension services to support sisal farmers in sisal planting and husbandry in order to ensure optimal production through Export Development Fund, applying user cost recovery model	Agriculture & Food Authority (AFA) - Crops & Fibre Directorate, County Governments	50
3) Provide tractor and other farm equipment hire services to support sisal planting and husbandry during the growing season through Export Development Fund, applying user cost recovery model	Agriculture & Food Authority (AFA) - Crops & Fibre Directorate, County Governments	100
4) Encourage and support investments in portal/small scale sisal decorticator plants/ machines to support sisal fibre harvesting through Export Development Fund, applying user cost recovery model	Agriculture & Food Authority (AFA) - Crops & Fibre Directorate, County Governments	400

Strategic Objective #3:

To Promote Production of Sisal Fibre Value Added Products

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KES Mn)
1) Undertake baseline survey of value added sisal fibre products, based on revealed export potential, for production in Kenya targeting domestic and destination market potential	Agriculture & Food Authority (AFA) - Crops & Fibre Directorate, County Governments, KIRDI, KENINVEST	30
2) Prepare publicity/awareness creation material and model projects on sisal fibre value added products and their uses and export potential to stimulate investments in their production	Agriculture & Food Authority (AFA) - Crops & Fibre Directorate, County Governments, KIRDI, KENINVEST	5
3) Undertake recruitment of investors keen on investing in sisal fibre value added products for exports	Agriculture & Food Authority (AFA) - Crops & Fibre Directorate, County Governments, KIRDI, KENINVEST	2
4) Encourage formation of sisal fibre value added products associations or cooperatives as platforms for sustainable production for export market	Agriculture & Food Authority (AFA) - Crops & Fibre Directorate, County Governments, KIRDI, KENINVEST	5
5) Identify and accredit tertiary training institutions and research institutes to undertake research and offers skills training on sisal fibre value added products for exports	Agriculture & Food Authority (AFA) - Crops & Fibre Directorate, County Governments, KIRDI, KENINVEST	5
6) Support entrepreneurs training in the accredited institutions for sisal fibre value added products for exports through Export Development Fund, applying user cost recovery model	Agriculture & Food Authority (AFA) - Crops & Fibre Directorate, County Governments, KIRDI, KENINVEST	100
7) Encourage and support investments in common user facilities and equipment for production of value added sisal fibre products for export through Export Development Fund, applying user cost recovery model	Agriculture & Food Authority (AFA) - Crops & Fibre Directorate, County Governments, KIRDI, KENINVEST	500

Strategic Objective #4:

To Promote Exports of Sisal Fibre and Sisal Fibre Products

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KES Mn)
1) Prepare annual market intelligence surveys for target sisal fibre and sisal fibre products in target destination markets	State Department of Trade, EPC, Kenya Missions Abroad, Agriculture & Food Authority (AFA) - Crops & Fibre Directorate, County Governments, Sisal farmers association, sisal fibre and sisal products association	50

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KES Mn)
2) Disseminate market intelligence surveys to target sisal fibre and sisal fibre products producers and exporters using the Kenya National Trade Portal	State Department of Trade, EPC, Kenya Missions Abroad, Agriculture & Food Authority (AFA) - Crops & Fibre Directorate, County Governments, Sisal farmers association, sisal fibre and sisal products association	2
3) Identify destination market marketing Agencies for Kenyan horticultural produce and engage them to drive Kenya's export market share working closely with the private sector. Payment for the services to be tied to market share increments/ concluded and delivered deals	State Department of Trade, EPC, Kenya Missions Abroad, Agriculture & Food Authority (AFA) - Crops & Fibre Directorate, County Governments, Sisal farmers association, sisal fibre and sisal products association	100
4) Promote listing of sisal fibre and sisal fibre products exporters listing in regional/ continental/global e-commerce platforms to enhance visibility and complement market access initiatives	State Department of Trade, EPC Sisal farmers association, sisal fibre and sisal products association	firm level investments

B2/1.5.4 Resource Mobilisation Plan for Development and Promotion of the Exports Sisal Fibre and Sisal Fibre Products

The estimated resource requirements for implementation of the sisal fibre and sisal fibre products export development and promotion strategy is KES1.5 billion. Out of this 89% or KES1.6billion go towards developing production of sisal fibre and sisal fibre value added products. The specific interventions under each of the Strategic Objectives and accompanying resource requirements are as provided under the section on 'Strategic Interventions and Resource Requirements'. The sources of funds and Lead Agencies in mobilisation of the funds are as listed in the resource mobilisation plan below. The institutional structure through which the funds for sisal export development and promotion will be the 'Sisal Sub-Sector Working Group' of NEDPS Agriculture Sector Working Group. At the Sisal SSWG, Private Sector Stakeholders in the Sisal sector, AFA-Crop and Fibre Directorate and County Government Counterpart on Sisal and other Government Agencies will take lead role.

Table B3/5-1: Resource Mobilisation plan for Development and Promotion of exports of Sisal Fibre and Sal Fibre Products

SO#	Strategic Objective/ Focal Areas of Intervention	Amount Required (KES Mn)	Estimated NEDPS Annual Resource Requirement (KES Millions)					Source	Lead Agencies in Resource Mobilisation
			2018/19	2019/20	2020/21	2021/22	2022/23		
Sisal									
1	To strengthen sisal value chains to ensure adequate and consistent supply of raw material	16	4	4	3	3	2	MDAs and County Governments' MTPIII Annual Budgets, Private Sector programs, Development Partners	AFA - Crops and Fibre Directorate/ County Government Counterpart/ Private Sector Sisal fibre and fibre products producers and exporters - Representative Organization/ Association

2	To promote sisal production in response to huge and growing international demand of sisal	750	150	150	150	150	150		
3	To promote production of sisal fibre value added products	617	124	124	123	123	123		
4	To promote exports of sisal fibre and sisal fibre products	153	31	31	31	30	30		
Sub-Total Sisal		1,536	309	309	307	306	305		

B2/1.5.5 Implementation Plan for Development and Promotion of Sisal Fibre and Sisal Fibre Products

Strategic Interventions/ Program Activities	Implementing Agencies	2018				2019				2020				2021				2022			
		Quarters				Quarters				Quarters				Quarters				Quarters			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
SO#1: To strengthen sisal value chains to ensure adequate and consistent supply of raw materials																					
1) Prepare sisal and sisal fibre production sensitisation material for use in publicity and promotion of sisal fibre production	Agriculture & Food Authority (AFA) - Crops & Fibre Directorate, County Governments, Sisal farmers association, sisal fibre and sisal products association																				
2) Create awareness on sisal and sisal fibre production and profitability in all regions with potential for production of sisal fibre																					
3) Undertake recruitment of farmers and investors keen on farming sisal fibre in all regions with potential for sisal fibre production																					
4) Encourage formation of sisal fibre farmer/processor associations or cooperatives as platforms for sustainable production for export market																					

Strategic Interventions/ Program Activities	Implementing Agencies	2018				2019				2020				2021				2022			
		Quarters				Quarters				Quarters				Quarters				Quarters			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
SO#2: To promote sisal production in response to huge and growing international demand of sisal																					
1) Encourage and support the production of sisal seedlings/planting material through mass propagation e.g. tissue culture through Export Development Fund, applying user cost recovery model	Agriculture & Food Authority (AFA) - Crops & Fibre Directorate, County Governments, KEPHIS, KALRBIO, Sisal Estates																				
2) Provide extension services to support sisal farmers in sisal planting and husbandry in order to ensure optimal production through Export Development Fund, applying user cost recovery model																					
3) Provide tractor and other farm equipment hire services to support sisal planting and husbandry during the growing season through Export Development Fund, applying user cost recovery model																					
4) Encourage and support investments in portal/small scale sisal decorticator plants/machines to support sisal fibre harvesting through Export Development Fund, applying user cost recovery model																					
SO#3: To promote production of sisal fibre value added products																					
1) Undertake baseline survey of value added sisal fibre products, based on revealed export potential, for production in Kenya targeting domestic and destination market potential	Agriculture & Food Authority (AFA) - Crops & Fibre Directorate, County Governments, KIRDI, KENINVEST																				

Strategic Interventions/ Program Activities	Implementing Agencies	2018				2019				2020				2021				2022			
		Quarters				Quarters				Quarters				Quarters				Quarters			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
2) Prepare publicity/ awareness creation material and model projects on sisal fibre value added products and their uses and export potential to stimulate investments in their production																					
3) Undertake recruitment of investors keen on investing in sisal fibre value added products for exports																					
4) Encourage formation of sisal fibre value added products associations or cooperatives as platforms for sustainable production for export market																					
5) Identify and accredit tertiary training institutions and research institutes to undertake research and offers skills training on sisal fibre value added products for exports																					
6) Support entrepreneurs training in the accredited institutions for sisal fibre value added products for exports through Export Development Fund, applying user cost recovery model																					
7) Encourage and support investments in common user facilities and equipment for production of value added sisal fibre products for export through Export Development Fund, applying user cost recovery model																					

Strategic Interventions/ Program Activities	Implementing Agencies	2018				2019				2020				2021				2022			
		Quarters				Quarters				Quarters				Quarters				Quarters			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
SO#4: To promote exports of sisal fibre and sisal fibre products																					
1) Prepare annual market intelligence surveys for target sisal fibre and sisal fibre products in target destination markets	State Department of Trade, EPC, Kenya Missions Abroad, Agriculture & Food Authority (AFA) - Crops & Fibre Directorate, County Governments, Sisal farmers association, sisal fibre and sisal products association																				
2) Disseminate market intelligence surveys to target sisal fibre and sisal fibre products producers and exporters using the Kenya National Trade Portal																					
3) Identify destination market marketing Agencies for Kenyan horticultural produce and engage them to drive Kenya's export market share working closely with the private sector. Payment for the services to be tied to market share increments/concluded and delivered deals																					
4) Promote listing of sisal fibre and sisal fibre products exporters listing in regional/ continental/global e-commerce platforms to enhance visibility and complement market access initiatives																					

B2/1.6 Pyrethrum Industry

B2/1.6.1 Situational Analysis of the Pyrethrum Industry

Pyrethrum is an important crop in the economic, social and environmental perspective of Kenya. In the 1980's and 1990's the sub-sector supported more than 200,000 small-scale growers, 3,000 workers directly employed by the Pyrethrum Board of Kenya and over 2 million people deriving their livelihood either directly or indirectly from the enterprise. The industry was a major foreign exchange contributor with earnings rising up to KES 2.1 billion in 1996.

Exports of pyrethrum extracts for the last ten years declined from 60.7 metric tons to 4.64 metric tons while the value dropped from KES 582.1 million to KES 120.5 million. The main export markets for pyrethrum extracts are USA (52%), Europe (33%) and Asia (10%). The current world demand for pyrethrum is estimated at 21,000 metric tons, the equivalent of dry flowers.

The major challenge facing the exports of pyrethrum extracts is the glut of artificial pyrethroids in the international market. Kenya is still the preferred provider of high quality pyrethrum extract internationally and because of the environmental-friendly nature of pyrethrum products, there still exists untapped potential for development of a wide range of products from pyrethrum extract. The crude and refined extracts constitute 98% of the exported products and are mainly sold to insecticides formulators who target the various sectors

After several years of decline the industry is currently showing positive indications of picking up to higher levels with farmers going back to production of the crop due to continued government support of the industry and the entrance of new players in the liberalised market.

The industry remains a significant contributor to the local and international pesticide industry through the supply of environmental friendly pyrethrins (pyrethrum extracts) extracted from dry pyrethrum flowers and used in the manufacture of agricultural, industrial and domestic classes of pest control products.

Kenya has the potential to produce over 20,000 Metric Tons (MTs) of dry pyrethrum flowers annually. This production can earn growers and the country over KES7.5billion in foreign exchange from the refined pyrethrum extract. In addition, the country has an existing factory processing capacity of over 100 MT of flowers per day and other facilities are under construction which will be adequate to handle the potential production volume.

Pyrethrum is grown in 19 counties in the country namely; Nakuru, Kiambu, Nyandarua, Nyeri, Laikipia, Meru, Embu, Baringo, Elgeyo Marakwet, West Pokot, Trans Nzoia, Bungoma (Mt. Elgon), Uasin Gishu, Nandi, Kericho, Bomet , Kisii , Murang'a, and Nyamira. The ideal growing conditions are reliable rainfall (crop can also be irrigated for high productivity) and rich volcanic soils. Counties facing declining land size per farmer have an opportunity in pyrethrum growing since a grower with at least one (1) acre of the crop can be in economic production. However, the industry started experiencing a decline from 2001 largely due to the unfavourable policy and regulatory environment, negative market forces and poor governance leading to low prices and irregular payments to farmers, culminating in the abandonment of the crop by most growers.

Revival efforts of the industry have been on going with the Government committed and determined to ensure this potentially lucrative sub-sector is back on its feet. In this regard, the Government enacted the Crops Act and Agriculture, and Food Authority Act (AFAA) in 2013. The Acts split the roles of the former Pyrethrum Board of Kenya (PBK) by having the regulatory function taken up by the Pyrethrum and other Industrial Crops Directorate under Agriculture and Food Authority (AFA) while the commercial function is now under the Pyrethrum Processing Company of Kenya (PPCK). The Acts have further facilitated the liberalization of the industry in order to allow competition and attract private sector investment along the industry value chain.Currently there are 5 licensed pyrethrum-processing facilities in the country the use of all of which will translate into substantial increase in production of pyrethrum extract in the country

In order to be competitive in the export market, the country must invest in aggressive crop development programs to meet customer product needs and position the country as a reliable source of the product. In addition, Pyrethrum is a classified poison under poisons and drugs regulations in various countries and is therefore traded by registration for traceability and safety. Thus pyrethrum sales, distribution and usage are heavily regulated by consumer countries through legislation. In order to enhance market penetration, there is need to obtain product registrations for market access in the potential markets, develop aggressive promotional strategy and exploit emerging market niches like organic pyrethrum, malaria vectors, restrictions in Europe (MRLs) etc. In addition, there exists markets with potential, for example in the Asian region, which are largely untapped.

The industry will further build on existing strengths and opportunities for further expansion. These include; suitable pyrethrum growing climate, ability to produce high quality products for international market, well established and equipped laboratories for quality control and assurance, a globally recognized brand (Kenya pyrethrum), existence of a large processing and refining capacity in the country, preference for natural products including pyrethrum over synthetic pesticides, emerging restrictions in the pesticide usage e.g. Maximum Residue Levels (MRLs) in horticulture, untapped Asian market and the fact that insect pests are developing resistance to the synthetic pyrethroids.

B2/1.6.2 Constraints to Pyrethrum Products Export Performance

Pyrethrum production has been limited by the following constraints, which must be addressed in an effort to promote pyrethrum exports:

a) Low flower production;

b) Inadequate plant material distribution system to ensure quality planting materials is availed to growers;

c) Stringent regulatory requirements in the export markets e.g European biocide and plant protection regulations, US-EPA data call-ins;

d) Old processing technology resulting in low processing efficiencies in some cases;

e) Inadequate research on pyrethrum to come up with new varieties with high pyrethrins content;

f) High manufacturing input costs;

g) High freight costs; and

h) Competition from cheaper and synthetic pyrethroids.

B2/1.6.3 Strategic Objectives towards Development and Promotion of Exports of Pyrethrum Products

B2/1.6.3.1 Strategic Objectives towards Development and Promotion of Exports of Pyrethrum

In order to spur development of pyrethrum production for the export market, guided interventions that translate into export numbers are required. These interventions will be pursued under the following framework of strategic objectives that are logically linked to ensure their outcome is enhanced pyrethrum extracts exports.

a) To provide Business Enabling Environment for pyrethrum production;

b) To strengthen pyrethrum value and supply chains;

c) To support increase in production of pyrethrum extracts and related products; and,

d) To promote exports of pyrethrum extracts and related products in target markets.

B2/1.6.3.2 Strategic Intervention and Resource Requirements for Development and Promotion of Pyrethrum Products

Strategic Objective #1:

To Provide Business Enabling Environment or Pyrethrum Production

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KES Mn)
1) Establish and Operationalise National and County Government Pyrethrum production coordination platform to ensure a coordinated approach to national efforts of promoting pyrethrum production	Agriculture & Food Authority (AFA) - Crops & Fibre Directorate, County Governments, Pyrethrum farmers and processors associations	5
2) Support private sector investors in pyrethrum sector in compliance with the destination market requirements, building on the experience of Nakuru pyrethrum processing plant and the already negotiated USA and EU market access protocol	Agriculture & Food Authority (AFA) - Crops & Fibre Directorate, County Governments, Pyrethrum farmers and processors associations	25

Strategic Objective #2:

To Strengthen Pyrethrum Value and Supply Chains

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KES Mn)
1) Prepare pyrethrum production sensitisation material for use in publicity and promotion of pyrethrum production	Agriculture & Food Authority (AFA) - Crops & Fibre Directorate, County Governments, Pyrethrum farmers and processors associations	2
2) Create awareness on pyrethrum production and profitability in all regions with potential for production of pyrethrum	Agriculture & Food Authority (AFA) - Crops & Fibre Directorate, County Governments, Pyrethrum farmers and processors associations	5
3) Undertake recruitment of farmers and investors keen on farming pyrethrum in all regions with potential for pyrethrum production	Agriculture & Food Authority (AFA) - Crops & Fibre Directorate, County Governments, Pyrethrum farmers and processors associations	5
4) Encourage formation of pyrethrum farmer/ processor associations or cooperatives as platforms for sustainable production for export market	Agriculture & Food Authority (AFA) - Crops & Fibre Directorate, County Governments, Pyrethrum farmers and processors associations	5

Strategic Objective #3:

To Support Increase in Production of Pyrethrum Extracts and Related Products

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KES Mn)
1) Encourage and support the production of pyrethrum material through Export Development Fund, applying user cost recovery model	Agriculture & Food Authority (AFA) - Crops & Fibre Directorate, County Governments, KEPHIS	50

2)	Provide extension services to support pyrethrum farmers in pyrethrum planting and husbandry in order to ensure optimal production through Export Development Fund, applying user cost recovery model	Agriculture & Food Authority (AFA) - Crops & Fibre Directorate, County Governments, Pyrethrum farmers and processors associations	50

Strategic Objective #4:

To Promote Exports of Pyrethrum Extracts and Related Products in Target Markets

	Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KES Mn)
1)	Prepare annual market intelligence surveys for pyrethrum extracts in target destination markets	State Department of Trade, EPC, Kenya Missions Abroad, Agriculture & Food Authority (AFA) - Crops & Fibre Directorate, County Governments, Pyrethrum farmers and processors associations,	50
2)	Disseminate market intelligence surveys to pyrethrum extract producers and exporters using the Kenya National Trade Portal	State Department of Trade, EPC, Kenya Missions Abroad, Agriculture & Food Authority (AFA) - Crops & Fibre Directorate, County Governments, Pyrethrum farmers and processors associations	2
3)	Identify destination market Marketing Agencies for Kenyan horticultural produce and engage them to drive Kenya's export market share working closely with the private sector. Payment for the services to be tied to market share increments/concluded and delivered deals	State Department of Trade, EPC, Kenya Missions Abroad, Agriculture & Food Authority (AFA) - Crops & Fibre Directorate, County Governments, Pyrethrum farmers and processors associations	100
4)	Promote listing of pyrethrum extract exporters listing in regional/continental/ global e-commerce platforms to enhance visibility and complement market access initiatives	State Department of Trade, EPC, Pyrethrum farmers and processors associations	firm level investments

B2/1.6.4 Resource Mobilization Plan for Development and Promotion of Pyrethrum

The estimated resource requirements for implementation of the Pyrethrum export development and promotion strategy is KES274 million. Over 90% of the estimated resources or KES252 million goes towards developing production and value added pyrethrum. The specific interventions under each of the Strategic Objectives and accompanying resource requirements are as provided under the section on 'Strategic Interventions and Resource Requirements'. The sources of funds and Lead Agencies in mobilization of the funds are as listed in the resource mobilization plan below. The institutional structure through which the funds for Pyrethrum export development and promotion will be the 'Pyrethrum Sub-Sector Working Group' of NEDPS Agriculture Sector Working Group. At the Pyrethrum SSWG, Private Sector Stakeholders in the Pyrethrum sector, AFA-Crop and Fibre Directorate and County Government Counterpart on Pyrethrum and other Government Agencies will take lead role.

Table B2/6-1: Resource Mobilisation Plan for Development and Promotion of Pyrethrum

SO#	Strategic Objective/ Focal Areas of Intervention	Amount Required (KES Mn)	Estimated NEDPS Annual Resource Requirement (KES Millions)					Source	Lead Agencies in Resource Mobilisation
			2018/19	2019/20	2020/21	2021/22	2022/23		
Pyrethrum									
1	To provide Business Enabling Environment for pyrethrum production	5	1	1	1	1	1	MDAs and County Governments' MTPIII Annual Budgets, Private Sector programs, Development Partners	AFA - Crops and Fibre Directorate/ County Government Counterpart/ Private Sector Pyrethrum Producers and Exporters - Representative Organization/ Association
2	To strengthen pyrethrum value and supply chains	17	6	6	5	5	5		
3	To support increase in production of pyrethrum extracts and related products	100	2	2	2	2	2		
4	To promote exports of pyrethrum extracts and related products in target markets	152	31	31	30	30	30		
Sub-Total Pyrethrum		274	40	40	38	38	38		

B2/1.6.5 Implementation Plan towards Development and Promotion of Pyrethrum Products Exports

Strategic Interventions/ Program Activities	Implementing Agencies	2018				2019				2020				2021				2022			
		Quarters				Quarters				Quarters				Quarters				Quarters			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
To provide Business Enabling Environment for pyrethrum production																					
Establish and Operationalise National and County Government Pyrethrum production coordination platform to ensure a coordinated approach to national efforts of promoting pyrethrum production	Agriculture & Food Authority (AFA) - Crops & Fibre Directorate, County Governments, Pyrethrum farmers and processors Associations																				
Support private sector investors in pyrethrum sector in compliance with the destination market requirements, building on the experience of Nakuru pyrethrum processing plant and the already negotiated USA and EU market access protocol																					

Strategic Interventions/ Program Activities	Implementing Agencies	2018				2019				2020				2021				2022			
		Quarters				Quarters				Quarters				Quarters				Quarters			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
To strengthen pyrethrum value and supply chains																					
Prepare pyrethrum production sensitisation material for use in publicity and promotion of pyrethrum production	Agriculture & Food Authority (AFA) - Crops & Fibre Directorate, County Governments, Pyrethrum Growers Associations																				
Create awareness on pyrethrum production and profitability in all regions with potential for production of pyrethrum																					
Undertake recruitment of farmers and investors keen on farming pyrethrum in all regions with potential for pyrethrum production																					
Encourage formation of pyrethrum farmer/processor associations or cooperatives as platforms for sustainable production for export market																					
To support increase in production of pyrethrum extracts and related products																					
Encourage and support the production of pyrethrum material through Export Development Fund, applying user cost recovery model	Agriculture & Food Authority (AFA) - Crops & Fibre Directorate, County Governments, KEPHIS																				
Provide extension services to support pyrethrum farmers in pyrethrum planting and husbandry in order to ensure optimal production through Export Development Fund, applying user cost recovery model																					

Strategic Interventions/ Program Activities	Implementing Agencies	2018				2019				2020				2021				2022			
		Quarters				Quarters				Quarters				Quarters				Quarters			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
To promote exports of pyrethrum extracts and related products in target markets																					
Prepare annual market intelligence surveys for pyrethrum extracts in target destination markets	State Department of Trade, EPC, Kenya Missions Abroad, Agriculture & Food Authority (AFA) - Crops & Fibre Directorate, County Governments, Pyrethrum farmers and processors association																				
Disseminate market intelligence surveys to pyrethrum extract producers and exporters using the Kenya National Trade Portal																					
Identify destination market Marketing Agencies for Kenyan pyrethrum produce and engage them to drive Kenya's export market share working closely with the private sector. Payment for the services to be tied to market share increments/concluded and delivered deals																					
Promote listing of pyrethrum extract exporters listing in regional/continental/ global e-commerce platforms to enhance visibility and complement market access initiatives																					

B2/1.7 Khat *(Miraa)* Sector

B2/1.7.1 Situational Analysis of Khat *(Miraa)* Sector

Miraa (*Catha edulis*) is a flowering evergreen tree that is internationally known as Khat. The succulent young tender twigs, leaves and shoots of the tree are consumed raw. It has numerous uses including but not limited to economic, medicinal, social, and environmental value. The tree and its products are identified by the presence of cathine and cathinone. Globally, Miraa is grown on a commercial basis in Ethiopia, Yemen, Kenya and Eritrea. In Kenya, the crop grows naturally in many parts of the country and is cultivated in large quantities in Meru, Tharaka Nithi and Embu Counties. In Meru County, Miraa has been grown since the early 19th century with most plantations concentrated in the Nyambene hills. In the Mbeere region of Embu County majority of farmers have embraced Miraa production as a diversification strategy to boost their income as well as mitigate the production risks inherent in food crop production. Miraa is not subject to international control. However, emphasis on conflicting health effects and social harms on consumers without scientific evidence has contributed to the low penetration of Miraa in the international market and systematic shrinking of the market.

Miraa has been known for hundreds of years and its traditional use is widespread in the Horn of Africa and Western Asia. However, the exact number of regular Khat users on a worldwide scale does not exist but it is estimated that 20 million people in the world use Miraa on a daily basis. The most common mode of consumption is chewing but it is occasionally taken as a 'tea'. The leaves and shoots of the tree are consumed for both functional and recreational purposes. The use causes mild euphoria and *handas* (a common Kenyan word for Miraa effect), which help the user remain alert at work, or to be loquacious in social settings.

In parts of Ethiopia, Kenya, Somalia and Yemen, Miraa has been chewed for centuries for the mildly stimulating properties and is to many a regular part of social life. Miraa is consumed in its raw form and this denies the farmer the benefit of other extractable products. There are no processed products in the market. However, there are isolated cases of entrepreneurs who have developed products including Miraa flavoured wine and juice, and dry Miraa sachets consumed like tea but these ventures have not been commercialized.

Miraa producers have traditionally targeted domestic markets in major towns and export markets. The major export markets before the ban were; United States of America, Canada, the United Kingdom, Germany, the Netherlands, Switzerland, Norway, Sweden and Denmark. Somalia is the largest export market, while Democratic Republic of Congo (DRC), Tanzania, Uganda and Southern Sudan are potential markets.

Export data maintained by Kenya National Bureau of Statistics for 2008 to 2012 period show the highest export earnings to have reached KES6.9 billion in 2011 before dropping to KES5.3 billion in 2012. The declining trend in earnings is attributed to the ban of Miraa in Europe.

Europe was the second largest export market of Miraa after Somalia prior to the ban in the Netherlands in 2012 and the UK in 2014. The two countries banned the commodity on the following grounds:

a) In the case of the Netherlands, the need to protect a minority community and to prevent the Netherlands from becoming the distribution hub in continental Europe: and

b) For the UK, the need to protect vulnerable members of society and to send a clear message to the UK's international partners and Khat smugglers that the UK was serious about illegal trafficking of Khat.

The ban on miraa exports has stimulated research on possibilities of producing value added products from this crop. The motivation, as noted in the Star Newspaper of 6th October 2015[74], is saving the farmers who depended on miraa from loss of income and eventual uproot of the miraa trees.

As observed in the Star during the Nairobi International Show of October 2015, where Miraa value added products were up for display, *"The Jomo Kenyatta University of Agriculture and Technology has been conducting research on value addition for miraa so that besides chewing of leaves, consumers can enjoy other by-products like white and red wine, yoghurt, juice and jam.*

Kevin Nthiga, a student from JKUAT in the department of food science, said since the tradition market in Europe is no longer viable, some khat farmers have resulted to uprooting the plant and growing other crops.

74 *Refer: Start Newspaper 6th October 2015 - https://www.the-star.co.ke/news/2015/10/06/miraa-yoghurt-new-silk-farms-among-top-innovations-at-nairobi-show_c1216014*

Nthiga noted the need to do value addition to save farmers who have depended on this crop for many years.

"It took about four months to research and we are yet to put the products in the market but we have been using ASK shows to display them to the public," he said.

A 300ml bottle of wine made from miraa will cost Sh200 while a 750 ml bottle will go for Sh700 to Sh1,000. A 250ml bottle of jam will cost Sh100 while juice will sell at Sh150".

There is therefore a case to pursue these leads in the NEDPS among many other leads in promoting the development miraa exports.

In view of the above development, the following actions have been proposed for the government to act on in promoting development and export of Miraa:

a) Use scientific findings by KEMRI to engage the European Union and governments that have banned Miraa in their jurisdiction for lifting of the ban and lobby the EU for financial support to facilitate development of standards to enable Miraa farmers to overcome technical barriers to trade;

b) Request the UN for an interpretation/advisory opinion on the Convention on Psychotropic Substances (1971) and the Convention against Illicit Traffic in Narcotics Drugs and Psychotropic Substances (1988) as regards the active ingredients in Miraa;

c) Ensure that Miraa is included in the Common External Tariff (CET);

d) Use diplomacy, bilateral negotiations and lobbying through regional trade blocks in the recovery of the lost markets and promotion in potential markets;

e) Refer a trade dispute to the WTO dispute resolution mechanism;

f) Establish a development and marketing agency to regulate and oversee the rebranding, packaging and preservation of the commodity;

g) Facilitate promotion of Miraa and its products in international trade fairs;

h) Maintain and improve the rural/access roads in Miraa growing areas;

i) Develop a harmonised national framework to guide on imposition of taxes, fees and charges on Miraa Industry;

j) Facilitate the development of designated markets with decent sheds and facilities in Miraa growing areas and urban centres;

k) Finance the purchase of land and construction of a collection and distribution centre in Nairobi;

l) Sensitise the law enforcement officers on the status of Miraa and the legitimacy of trade in the produce;

m) Support farmers to form producer organisations to enhance their bargaining power;

n) Facilitate farmers' education on appropriate business practices including the need for formal contracts of sale;

o) Facilitate the development of a Code of Practice for the Miraa value chain;

p) Facilitate promotion of Miraa to rebrand the commodity for acceptance in the society as a mild stimulant like tea, coffee, cola nut or cocoa; and

q) Facilitate registration of farmers and other stakeholders in the supply chain.

B2/1.7.2 Constraints to Khat *(Miraa)* Export Performance

The once vibrant Khat (miraa) exports have been severely limited by numerous challenges, which include the following:

a) Shrinking export market worsened by bans in Europe and association of the commodity with the international control of cathine and cathinone under the UN Convention on Psychotropic Substances (1971) and the Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances (1988), and adverse legislation;

b) Lack of supportive Business Enabling Environment;

c) Lack of adequate research to counter negative publicity and adverse legislation;

d) Weak research and development in support of production of value added miraa products;

e) Existence of cartels perpetuating unfair trade and informal trade practices;

f) Unfavourable relations between and law enforcement officials in the counties;

g) Price fluctuation and wastage in the rainy season;

h) Lack of designated markets and market sheds;

i) Lack of standard unit of measure and standard grading system;

j) Lack of appropriate preservation technologies of the highly perishable produce;

k) Deterioration or lack of access roads resulting to high transport costs; and

l) The lack of traceability along the value chain.

B2/1.7.3 Strategic Objectives and Interventions towards Development and Promotion of Exports of Khat *(Miraa)*

B2/1.7.3.1 Strategic Objectives towards Development and Promotion of Exports of Khat *(Miraa)*

The challenges to Khat (miraa) exports require strategic response to the constraints. This response is provided through proposed interventions under each of the following strategic objective areas:

a) To provide Business Enabling Environment in support of Miraa exports;

b) To strengthen Miraa value chains with a view to enhancing quality assurance and food safety standards through traceability;

c) To promote production of value added Khat-*miraa* products targeting domestic as well as export market; and,

d) To promote exports of *Miraa* to target destination markets.

B2/1.7.3.2 Strategic Intervention towards Development and Promotion of Khat *(Miraa)*

Strategic Objective #1:

To Provide Business Enabling Environment in Support of Khat (miraa) Exports

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KES Mn)
1) Undertake research to address concerns that caused miraa to be banned in Europe and Canada, using scientific basis with a view to facilitating lifting of the ban	Agriculture & Food Authority (AFA) - Crops & Fibre Directorate, County Governments, KEPHIS and KARLO, Khat *(Miraa)* farmers, processors and exporters association	25

2) Undertake bilateral negotiations with countries/regions that have banned *miraa* to revisit their concerns in view of new evidence from the research findings	State Department of Trade, Agriculture & Food Authority (AFA) - Crops & Fibre Directorate, County Governments, KEPHIS and KARLO, Khat *(Miraa)* farmers, processors and exporters association	5

Strategic Objective #2:

To Strengthen Miraa Value Chains with a View to Enhancing Quality Assurance and Food Safety Standards through Traceability

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KES Mn)
1) Undertake baseline survey to identify and register all miraa producers and exporters for purposes of strengthening market network and systems in support of miraa export and value addition agenda	Agriculture & Food Authority (AFA) - Crops & Fibre Directorate, County Governments, Khat *(Miraa)* farmers, processors and exporters association	10
2) Develop miraa traceability protocol to facilitate traceability and quality and food safety assurance	Agriculture & Food Authority (AFA) - Crops & Fibre Directorate, County Governments, KEPHIS and KARLO, Khat *(Miraa)* farmers, processors and exporters association	10
3) Develop an ICT driven data base of registered miraa producers, processors and exporters	Agriculture & Food Authority (AFA) - Crops & Fibre Directorate, County Governments, KEPHIS and KARLO, Khat *(Miraa)* farmers, processors and exporters association	5
4) Support continuous update and management of the miraa ICT driven data base of registered miraa producers, processors and exporters	Agriculture & Food Authority (AFA) - Crops & Fibre Directorate, County Governments, KEPHIS and KARLO, Khat *(Miraa)* farmers, processors and exporters association	10

Strategic Objective #3:

To Promote Production of Value Added Khat-miraa Products Targeting Domestic as well as Export Market

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KES M)
1) Support ongoing research of Miraa value added products, building on Jomo Kenyatta University of Agriculture and Technology (miraa white and red wine, yoghurt, juice and jam)	JKUAT, Agriculture & Food Authority (AFA) - Crops & Fibre Directorate, State Department of Industry, County Governments, KEBS, KEPHIS and KARLO, KenInvest, KIRDI, Khat *(Miraa)* farmers, processors and exporters association	50
2) Support commercial production and branding of value added miraa products	JKUAT, Agriculture & Food Authority (AFA) - Crops & Fibre Directorate, County Governments, KEPHIS and KARLO, KEBS, KenInvest, KIRDI, Khat *(Miraa)* farmers, processors and exporters association	200
3) Promote investments in production of value added miraa products	JKUAT, Agriculture & Food Authority (AFA) - Crops & Fibre Directorate, County Governments, KEPHIS and KARLO, KEBS, KenInvest, KIRDI, Khat *(Miraa)* farmers, processors and exporters association	10
4) Develop ICT driven data base of miraa value added products to promote the visibility of the products and processors in the domestic and international markets	Agriculture & Food Authority (AFA) - Crops & Fibre Directorate, County Governments, Khat *(Miraa)* farmers, processors and exporters association	2

Strategic Objective #4:

To Promote Exports of Khat-miraa to Target Destination Markets

Strategic Interventions/Program Activities		Implementing Agencies	Resource Requirements (KES M)
1)	Prepare annual market intelligence surveys for Khat *(Miraa)* in target destination markets	State Department for Trade, EPC, Kenya Missions Abroad, Agriculture & Food Authority (AFA) - Crops & Fibre Directorate, County Governments, Miraa farmers, processors and exporters association	50
2)	Disseminate market intelligence surveys to Khat *(Miraa)* producers and exporters using the Kenya National Trade Portal	State Department for Trade, EPC, Kenya Missions Abroad, Agriculture & Food Authority (AFA) - Crops & Fibre Directorate, County Governments, Miraa farmers, processors and exporters association	2
3)	Identify destination market marketing Agencies for Kenyan miraa products and engage them to drive Kenya's export market share working closely with the private sector. Payment for the services to be tied to market share increments/ concluded and delivered deals	State Department for Trade, EPC, Kenya Missions Abroad, Agriculture & Food Authority (AFA) - Crops & Fibre Directorate, County Governments, Miraa farmers, processors and exporters association	100
4)	Promote listing of Khat *(Miraa)* exporters listing in regional/continental/global e-commerce platforms to enhance visibility and complement market access initiatives	State Department of Trade, EPC, Miraa farmers, processors and exporters association	firm level investments

B2/1.7.4 Resource Mobilisation Plan for Development and Promotion of Khat *(Miraa)* Exports

The estimated resource requirements for implementation of the Khat (*miraa)* export development and promotion strategy is 479 million. About 86% of the total resources or KES414 million are to be used in supporting the development of the Khat value added products and export promotion. The specific interventions under each of the Strategic Objectives and accompanying resource requirements are as provided under the section on 'Strategic Interventions and Resource Requirements'. The sources of funds and Lead Agencies in mobilization of the funds are as listed in the resource mobilization plan below. The institutional structure through which the funds for Khat *(Miraa)* export development and promotion will be the 'Khat *(Miraa)* Sub-Sector Working Group' of NEDPS Agriculture Sector Working Group. At the Khat SSWG, Private Sector Stakeholders in the Khat *(Miraa)* Sub-sector, AFA-Crop and Fibre Directorate and County Government Counterpart on Khat *(Miraa)* and other Government Agencies will take lead role.

Table B2/7-1: Resource Mobilization Plan for Development and Promotion of Khat (Miraa) Exports

SO#	Strategic Objective/ Focal Areas of Intervention	Amount Required (KES Mn)	Estimated NEDPS Annual Resource Requirement (KES Millions)					Source	Lead Agencies in Resource Mobilization
			2018/19	2019/20	2020/21	2021/22	2022/23		
Khat *(Miraa)*									
1	To provide Business Enabling Environment in support of *miraa* exports	30	6	6	6	6	6	MDAs and County Governments' MTPIII Annual Budgets, Private Sector programs, Development Partners	

2	To Strengthen Miraa Value Chains with a View to Enhancing Quality Assurance and Food Safety Standards through Traceability	35	7	7	7	7	7		AFA - Crops and Fibre Directorate/ County Government Counterpart/ Private Sector Khat-*Miraa* Producers and Exporters - Representative Organization/ Association
3	To promote production of value added Khat-*miraa* products targeting domestic as well as export market	262	54	52	52	52	52		
4	To promote exports of miraa to target destination markets	152	31	31	30	30	30		
Sub-Total Khat-Miraa		479	98	96	95	95	95		

B2/1.7.5 Implementation Plan towards Development and Promotion of Exports of Khat *(Miraa)*

Strategic Interventions/ Program Activities	Implementing Agencies	2018				2019				2020				2021				2022			
		Quarters				Quarters				Quarters				Quarters				Quarters			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
SO#1: To provide Business Enabling Environment in support of Khat (miraa) exports																					
1) Undertake research to address concerns that caused miraa to be banned in Europe and Canada, using scientific basis with a view to facilitating lifting of the ban	Agriculture & Food Authority (AFA) - Crops & Fibre Directorate, County Governments, KEPHIS and KARLO, Khat *(Miraa)* farmers, processors and exporters association																				
2) Undertake bilateral negotiations with countries/regions that have banned *miraa* to revisit their concerns in view of new evidence from the research findings																					
SO#2: To strengthen Miraa value chains with a view to enhancing quality assurance and food safety standards through traceability																					
1) Undertake baseline survey to identify and register all miraa producers and exporters for purposes of strengthening market network and systems in support of miraa export and value addition agenda	Agriculture & Food Authority (AFA) - Crops & Fibre Directorate, County Governments, KEPHIS and KARLO, Khat *(Miraa)* farmers, processors and exporters association																				

Strategic Interventions/ Program Activities	Implementing Agencies	2018				2019				2020				2021				2022			
		Quarters				Quarters				Quarters				Quarters				Quarters			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
2) Develop miraa traceability protocol to facilitate traceability and quality and food safety assurance																					
3) Develop an ICT driven data base of registered miraa producers, processors and exporters																					
4) Support continuous update and management of the miraa ICT driven data base of registered miraa producers, processors and exporters																					
SO#3: To promote production of value added Khat-miraa products targeting domestic as well as export market																					
1) Support ongoing research of Miraa value added products, building on Jomo Kenyatta University of Agriculture and Technology (miraa white and red wine, yoghurt, juice and jam)																					
2) Support commercial production and branding of value added miraa products	JKUAT, Agriculture & Food Authority (AFA) - Crops & Fibre Directorate, State Department of Industry, County Governments, KEBS, KEPHIS and KARLO, KenInvest, KIRDI, Khat *(Miraa)* farmers, processors and exporters association																				
3) Promote investments in production of value added miraa products																					
4) Develop ICT driven data base of miraa value added products to promote the visibility of the products and processors in the domestic and international markets																					

Strategic Interventions/ Program Activities	Implementing Agencies	2018				2019				2020				2021				2022			
		Quarters				Quarters				Quarters				Quarters				Quarters			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
5) Support continuous update and management of the ICT driven data base of miraa value added products																					
SO#4: To promote exports of Khat-miraa to target destination markets																					
1) Prepare annual market intelligence surveys for Khat (Miraa) in target destination markets	State Department for Trade, EPC, Kenya Missions Abroad, Agriculture & Food Authority (AFA) - Crops & Fibre Directorate, County Governments, Khat *(Miraa)* farmers, processors and exporters association																				
2) Disseminate market intelligence surveys to Khat (Miraa) producers and exporters using the Kenya National Trade Portal																					
3) Identify destination market marketing Agencies for Kenyan miraa products and engage them to drive Kenya's																					
export market share working closely with the private sector. Payment for the services to be tied to market share increments/ concluded and delivered deals																					
4) Promote listing of Khat (Miraa) exporters listing in regional/ continental/ global e-commerce platforms to enhance visibility and complement market access initiatives																					

B2/1.8 Gum Arabic

B2/1.8.1 Situational Analysis of Gum Arabic

Gum Arabic was defined by the 31st Codex Committee for Food Additives, held at The Hague, The Netherlands, from 19–23 March 1999, as the dried exudate from the trunks and branches of *Acacia senegal*or *Vachellia (Acacia) seyal* in the family Leguminosae (Fabaceae) - also popularly referred to as Acacia Senegal[75]. Around 90% of the total gum produced worldwide comes from Acacia Senegal.

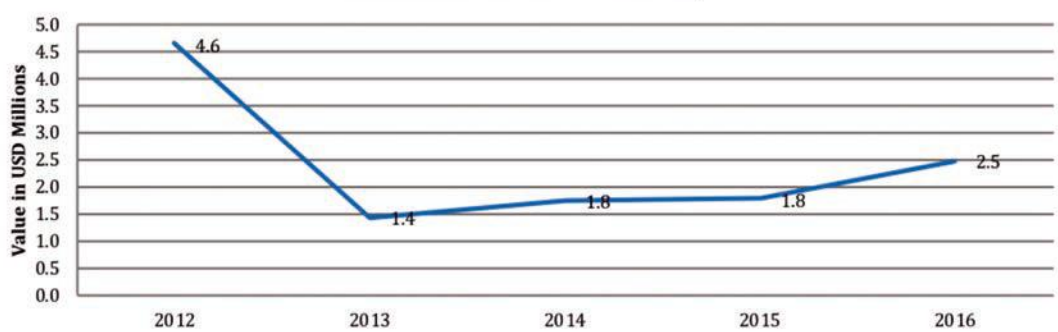
The top producers and exporters of Gum Arabic in the world are Sudan, Chad and Nigeria which, according to Muller and Okoro, 2004[76], account for 95% of the global exports (Sudan - 63%, Chad - 20% and Nigeria - 12%). Another 4% is taken up by the following countries, whose share in the global export market is in brackets: Cameroon (2.2%), Ethiopia (1.6%), Tanzania (0.6%) and Eritrea (0.5%). The rest of the global market share being 1% is accounted for by ten other African countries, including Kenya.

According to the Daily Nation, Seeds of Gold, (DN 19th May 2017)[77], *"In Kenya, Acacia Senegal variety kerensis is common. It is a small tree, growing to about 2-6m high, occasionally becoming taller under optimal climatic conditions. The plant is usually low branched with a short stem and many upright twigs that form umbrella-shaped crown.*

Most of these trees grow naturally in the wild. However, cultivation is possible. In Sudan, the world's largest exporter of Gum Arabic, cultivation is practiced in what is called "gum gardens". These "gum gardens" are areas where Acacia senegal are cultivated and tended as cash crop trees. More than 50 per cent of Gum Arabic produced in Sudan is obtained from these plantations".

By contrast in Kenya, Gum Arabic grows wildly, with no concerted plan for commercialization as is the case in Sudan. As a result, Kenya is only a minor player in the global Gum Arabic market. As evidenced in the graph below, Kenya's exports of Gum Arabic and Gum Resins dropped from USD4.6million in 2012 to USD1.4million in 2013 before recording modest growth in the subsequent years to USD2.5millions by 2016. This modest growth is a manifestation of an underlying potential that could be exploited through targeted interventions.

Chart B2/8-1: Kenya Gum Arabic, Gum Resins Exports, 2012-2016, Figures in USDMillions. Source ITC Trade Maps



Export of Gum Arabic provides an opportunity for ASALs to contribute to the national agenda of export growth. This is a view shared by the ASAL region Counties which urged for the inclusion of

75 Refer - https://en.wikipedia.org/wiki/Gum_arabic#Production
76 *Didier Muller and Chidume Okoro (2004): "Production and Marketing of Gum Arabic" A Report done for Network for Natural Gum and Resins in Africa (NGARA)*
77 *Refer - The Daily Nation, Seeds of Gold Article "The A-Z of farming Acacia Tree for Gum Arabic" - 19th May 2017*

Gum Arabic in NEDPS. Global demand for Gum Arabic provides key incentive towards development and export promotion of these products.

The horizon of growth, besides the global market potential as outlined below, is the country's Gum Arabic peak exports of 460MT in 1995, as observed by KEFRI, Turkana County Report. According to KEFRI, intrinsic value of the variety grown in Kenya comes as a key strength that the country has naturally been bestowed with because of her geographic and natural advantages. As documented in a KEFRI report, *"Recent studies on Kenyan gum arabic have revealed very positive results pertaining to the intrinsic properties of gum Arabic"*. The studies note "*Acacia senegal var keriensis* gum is significantly different from the *Acacia senegal var senegal* gum (standard type) produced from Sudan and other gum producing regions of Africa such as Nigeria and Niger. One of the major differences of the *Acacia senegal var keriensis* gum from Kenya is that it has high specific rotation, high nitrogen content and a high molecular weight compared to the *Acacia senegal var senegal* gum. This leads to high viscosity, better emulsification and stabilization properties and high soluble fiber content".

Taking into account the lack of awareness on the commercial importance of Gum Arabic, we highlight salient issues as documented in Daily Nation Article on "A-Z About farming Acacia for Gum Arabic' for purposes of focusing the strategies to promote exports of Gum Arabic.

Table B2/8-1: Excerpts from Daily Nation, Seeds of Gold "A-Z of farming Acacia Tree for Gum Arabic[78]"

Growth conditions

Acacia Senegal is extremely drought-resistant as it grows well in the arid and semi-arid lands of Kenya. It grows in areas with a range of annual rainfall of between 100-800mm, which is typical of regions in North, North Eastern and Eastern Kenya where average annual rainfall of as low as 100mm is reported.

Optimal growth and performance is expected where annual rainfall falls between 280mm and 450mm. It is, therefore, very drought-resistant and tolerates dry periods of about 8-11 months as well as wide temperature variations. It is, however, sensitive to water-logging and frost. The species prefers sandy soils, but grows also on slightly loamy sands and to a lesser extent on clay soils. In addition, its tolerance to pH variation is wide. It can survive in soil with a pH range of about 5-8.

Propagation/regeneration of Acacia Senegal

Artificial regeneration is carried out either from direct seeding of seeds or via transplanting nursery-grown seedlings. In Kenya, high quality tree seeds and seedlings for cultivation can easily be obtained from the Kenya Forestry Research Institute (KEFRI) in Nairobi, Kenya or through their various branches. Nursery beds can be prepared easily using available materials. Seedlings can then be transplanted when they reach 15-20cm high. Acacia Senegal also regenerates by coppicing. Thus, if these trees are cut to ground level for any other purpose, this may stimulate growth of new shoots which eventually grow into bigger ones capable of producing Gum Arabic.

Just as it has been done successfully in Sudan, irrigated gardens can be set aside for planting Acacia Senegal. Moreover, the trees can be planted around water sources and water pans in the dry areas. These trees can also be planted on farms together with other crops. In this way, other crops may continue to benefit from the tree since it enhances soil stabilization and fertility through biological nitrogen-fixation. Intensive agricultural methods, such as mechanical cultivation and continuous cropping, constantly remove nutrients from the soil, allowing no time for replenishment by natural means.

However, planting acacia trees on farms helps conserve and maintain fertility in the soil. Much deforested land in Kenya would, therefore, benefit from a return to more traditional methods of farming and acacia planting.

78 *Refer - The Daily Nation, Seeds of Gold Article "The A-Z of farming Acacia Tree for Gum Arabic" - 19th May 2017*

Suitable areas for cultivation in Kenya

In Kenya, about 80 per cent of land is dry with potential for cultivation of acacia trees and production of Gum Arabic. Eight counties namely Garissa, Isiolo, Mandera, Marsabit, Moyale, Samburu, Turkana and Wajir, have great potential for production of the gum. In these areas, cultivation of acacia trees and the resulting income from the sale of tree resources like Gum Arabic has potential to enhance livelihood for both pastoralists and agro-pastoralists.

Harvesting of Gum Arabic

Acacia Senegal produces Gum Arabic two years after planting in the field. However, the quality and yield are consistent after five years. Exudation may be natural or through "tapping". During the harsh climatic conditions, the bark of the trees break naturally allowing Gum Arabic to ooze out. Occasionally, cutting the bark of the tree before it naturally breaks under these adverse climatic conditions is called "tapping", which is an action intended to accelerate the process of exudation.

Tapping begins when the trees are just starting to shed their leaves. After five weeks, the first collection of gum is made, with further collections from the same trees at approximately 15–day intervals. In both instances, the gum dries into rough spheres, which are manually collected. Depending on the climatic conditions, the annual average gum yield per tree is reported to be in the range of 100-300 grams. In some cases, some trees have been reported to produce between 800g and 1kg per year. Nevertheless, gum harvests from wild Acacia Senegal are not as dependable as those from the "gum gardens" since the latter has potential to produce more. After harvesting, collectors may sort and grade the product before it is sold to the bigger companies. This way, collectors stand to earn more from the product.

Gum Arabic is used in various industries such as food, beverages, medicine, soft drinks and chewing gums. It is also applied as an adhesive, a protective colloid and a safeguarding agent for inks, sensitizer for lithographic plates, coatings for special papers, sizing agent to give body to certain fabrics, and anticorrosive coating for metals. It is also used in the manufacture of matches and ceramic pottery.[79]

According to KEFRI[80], *"plant gums and resins from the drylands of Kenya are among key natural resources with potential to improve livelihoods of rural communities in terms of food security, income generation and foreign exchange earnings. These resources include gum arabic from Acacia senegal or Acacia seyal and commercial gum resins such as myrrh from Commiphora myrrha, hagar from Commiphora holtziana and Frankincense from Boswellia neglecta. Currently, gums and resins are produced in at least 7 ASAL Counties namely: Marsabit, Wajir, Garissa, Mandera, Turkana, Samburu and Isiolo. There are also a number of other counties such as Kitui and Meru with these resources".*

As argued above by the KEFRI report for Turkana County, gums and resins have potential to generate wealth and uplift the living standards of the local communities in the dry lands. They are renewable resources that can be sustainably exploited for household income and still conserve biological diversity and ecosystem functions while increasing the overall productivity of the land. They can also serve as raw materials for enterprise development thus providing opportunities for trade and employment generation. Gums (Gum Arabic) and resins (myrrh, hagar and frankincense) are therefore articles of commerce both locally and internationally.

Further as observed in KEFRI report for Turkana, between 2004 and 2011, two major regional projects (Acacia Operation Project and Acacia Gum project) were implemented in Marsabit,

79 Refer - "Market chain analysis of Gum Arabic trade in Kenya KEFRI (C.Wekesa etc - June 2013), Journal of Environmental Research
80 KEFRI - *"Promoting commercial production of non-wood forest products (gum arabic and frankincense) as alternative sources of income for local communities in Turkana county*

Samburu and Isiolo Counties with the aim to improve the gums and resins subsector and build capacity of producing communities. Kenya was one of the beneficiary countries. Recent efforts by KEFRI-GARA through the support of ACTs helped to empower gum producing communities in Isiolo, Wajir and Marsabit Counties with advocacy skills and establishment of Cooperative societies for bulking and marketing of the gums and resins. Results and important lessons have been documented. Some of the key achievements in this subsector include: Taxonomic, ecological and chemical characterization of gums and resins, characterisation of soil physico-chemical properties of different varieties of *A. senegal*, preliminary resource assessment and mapping of gum and resin producing species in Kenya and the region, piloting of production and management of *Acacia senegal* trees and capacity building of extension agents and communities in some of the gum and resin producing counties in production, processing and marketing of gums and resins (Chikamai *et al.,* 2010, Chikamai *et al.*, 2007, Muga *et al* 2010, Chikamai, and Kagombe (2002), Chikamai, Gachathi, 1994, Chikamai, and Hall, 1995, Chikamai, 2001, FAO. 2005, Gachathi. 1994, Gachathi and Muga, 2009; Lelon *et al.,* 2011).

The other impetus that will drive Gum Arabic export growth is the rosy global market position. According to Muller and Okoro, 2004[81], the current annual world demand for Gum Arabic is about 100,000 MT against a current supply of about 70,000 MT of which the demand is projected to reach 150,000 MT by 2020. Globally, therefore, the resource potential of gums and resins far exceeds current levels of production.

B2/1.8.2 Gum Arabic Export Potential in Target Destination Market

The markets that will drive Kenya's coffee exports over the NEDPS period were identified as follows: The EU, USA, Japan, China, COMESA, and ASEAN. These regional blocs/countries have Gum Arabica and Gum Resins market size of USD 649 Million, going by their reported imports from world over the period 2014-2016. During this period, Kenya's exports to these RECs/countries stood at USD1.5million or 0.2% of the total market size.

Table B2/8-1: Kenya exports of Gum Arabic to the world and select[82] destination countries and regions market potential

Product code	Product label	Kenya's exports to world Average 2012 - 2016 (USD mn)	Select countries and regions imports from Average 2012 - 2016 (USD mn)	Select countries and regions imports from world Average 2014 - 2016 (USD mn)	Kenya's Export opportunity assuming a 5% market share (USD mn)
'1301	Lac; natural gums, resins, gum-resins, balsams and other natural oleoresins	2.4	1.5	649	32

Source: Computations from ITC Trade Maps

Therefore, if Kenya were to target a share of 5% of these regional blocs/countries markets, that would translate to USD 32 million. This target will be pursued through various interventions that are proposed later in this section of the strategy.

81 *Didier Muller and Chidume Okoro (2004): "Production and Marketing of Gum Arabic" A Report done for Network for Natural Gum and Resins in Africa (NGARA)*

82 *The following are the select countries and regions with export potential for Kenya Gum Arabic.*

B2/1.8.3 Constraints to Gum Arabic Export Performance

The following are the key constraints that must be overcome in order to promote development and exports of Gum Arabic and Gum Resins:

a) Weak value chains that are characterised by a lack of awareness on the part of ASAL inhabitants on the commercial importance of Gum Arabic and Gum Resin and exploitative middle men/ traders who are exposed to the international market;

b) Non recognition of the Gum Arabic and Gum Resins as commercial crops that require planning and development;

c) Lack of support for the formal production of Gum Arabic and Gum Resins, resulting in reliance on wildly growing trees;

d) Lack of awareness among policy makers and other stakeholder institutions on the potential of the Gum Arabic and Gum Resins;

e) Lack of awareness and knowledge on commercial production of Gum Arabic and Gum Resins following on lessons from Sudan and other success story countries;

f) Low quality standards and post-harvest losses; and

g) Lack of connection to and information regarding the global market.

B2/1.8.4 Strategic Objectives and Interventions towards Development and Promotion of Exports of Gum Arabic

B2/1.8.4.1 Strategic Objectives towards Development and Promotion of Exports of Gum Arabic

In view of the huge market potential in markets that Kenya already has preferential trade regimes, such as the top Gum Arabic and Gum Resin global importer countries - EU, USA, India, China, Japan and the ASEAN, there is urgent need to promote commercial production of Gum Arabic and Gum Resins. This will be pursued through targeted interventions that will be implemented under each of the following Strategic Objectives in order to achieve the desired outcome of overall increase in exports of Gum Arabic and Gum Resins:

a) To provide a Business Enabling Environment in support of Gum Arabic and Gum Resins exports;

b) To strengthen Gum Arabic value chains in support of sustainable production for exports;

c) To promote production of Gum Arabic and Gum Resins for value addition and export; and

d) To promote exports of Gum Arabic and Gum Resins to target destination markets.

B2/1.8.4.2 Strategic Interventions towards Development and Promotion of Gum Arabic Exports

Strategic Objective #1:

To provide Business Enabling Environment in support of Gum Arabic and Gum Resins exports

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KES Mn)
1) Establish and Operationalize National and County Government Gum Arabic and Gum Resins production coordination platform to ensure coordinated approach to national sustainable efforts of promoting Gum Arabic production	Agriculture & Food Authority (AFA) - Crops & Fibre Directorate, County Governments, Pyrethrum Growers Associations	5

2) Develop Gum Arabic Policy and Regulations to mainstream Gum Arabic and Gum Resins in Kenya's Agriculture	Agriculture & Food Authority (AFA) - Crops & Fibre Directorate, County Governments, Pyrethrum Growers Associations	5

Strategic Objective #2:

To strengthen Gum Arabic value chains in support of sustainable production for exports

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KES Mn)
1) Prepare Gum Arabic and Resins production sensitisation material for use in publicity and promotion of Gum Arabic/Resins production and Gum Arabic/Resins value added products	Agriculture & Food Authority (AFA) - Crops & Fibre Directorate, County Governments, Gum Arabic/Resins association	5
2) Create awareness on Gum Arabic/Resins production and profitability in all regions with potential for production of Gum Arabic/Resins	Agriculture & Food Authority (AFA) - Crops & Fibre Directorate, County Governments, Gum Arabic/Resins association	10
3) Undertake recruitment of farmers and investors keen on farming Gum Arabic/Resins in all regions with potential for sisal fibre production	Agriculture & Food Authority (AFA) - Crops & Fibre Directorate, County Governments, Gum Arabic/Resins association	15
4) Encourage formation of Gum Arabic/Resins farmer/processor associations or cooperatives as platforms for sustainable production for export market	Agriculture & Food Authority (AFA) - Crops & Fibre Directorate, County Governments, Gum Arabic/Resins association	5

Strategic Objective #3:

To promote production of Gum Arabic and Gum Resins for value addition and export

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KES M)
1) Encourage and support the production of Gum Arabic/Resins planting material through mass propagation e.g. tissue culture through Export Development Fund, applying user cost recovery model	Agriculture & Food Authority (AFA) - Crops & Fibre Directorate, County Governments, KEPHIS, KALRBIO, Sisal Estates	200
2) Provide extension services to support Gum Arabic/Resins farmers in Gum Arabic/Resins planting and husbandry in order to ensure optimal production through Export Development Fund, applying user cost recovery model	Agriculture & Food Authority (AFA) - Crops & Fibre Directorate, County Governments	50
3) Provide tractor and other farm equipment hire services to support sisal planting and husbandry during the growing season through Export Development Fund, applying user cost recovery model	Agriculture & Food Authority (AFA) - Crops & Fibre Directorate, County Governments	100
4) Encourage and support investments in equipment and implements for support Gum Arabic/Resins extracts harvesting through Export Development Fund, applying user cost recovery model	Agriculture & Food Authority (AFA) - Crops & Fibre Directorate, County Governments	400

Strategic Objective #4:

To promote production of Gum Arabic value added products

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KES M)
1) Prepare publicity/awareness creation material and model projects on Gum Arabic/Resins value added products and their uses and export potential to stimulate investments in their production	Agriculture & Food Authority (AFA) - Crops & Fibre Directorate, County Governments, KIRDI, KENINVEST	10
2) Undertake recruitment of investors keen on investing in Gum Arabic/Resins value added products for exports	Agriculture & Food Authority (AFA) - Crops & Fibre Directorate, County Governments, KIRDI, KENINVEST	5
3) Encourage formation of Gum Arabic/ Resins value added products associations or cooperatives as platforms for sustainable production for export market	Agriculture & Food Authority (AFA) - Crops & Fibre Directorate, County Governments, KIRDI, KENINVEST	5
4) Identify and accredit tertiary training institutions and research institutes to undertake research and offers skills training on Gum Arabic/Resins value added products for exports	Agriculture & Food Authority (AFA) - Crops & Fibre Directorate, County Governments, KIRDI, KENINVEST	5
5) Support entrepreneurs training in the accredited institutions for Gum Arabic/Resins value added products for exports through Export Development Fund, applying user cost recovery model	Agriculture & Food Authority (AFA) - Crops & Fibre Directorate, County Governments, KIRDI, KENINVEST	50
6) Encourage and support investments in common user facilities and equipment for production of value added Gum Arabic/Resins products for export through Export Development Fund, applying user cost recovery model	Agriculture & Food Authority (AFA) - Crops & Fibre Directorate, County Governments, KIRDI, KENINVEST	250

Strategic Objective #5:

To promote exports of Gum Arabic and Gum Resins to target destination markets

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KES M)
1) Prepare annual market intelligence surveys for Gum Arabic/Resins raw and value added products in target destination markets	State Department of Trade, EPC, Kenya Missions Abroad, Agriculture & Food Authority (AFA) - Crops & Fibre Directorate, County Governments, Gum Arabic/Resins association,	50
2) Disseminate market intelligence surveys to pyrethrum extract producers and exporters using the Kenya National Trade Portal	State Department of Trade, EPC, Kenya Missions Abroad, Agriculture & Food Authority (AFA) - Crops & Fibre Directorate, County Governments, Gum Arabic/Resins association	2
3) Identify destination market Marketing Agencies for Kenyan Gum Arabic and engage them to drive Kenya's export market share working closely with the private sector. Payment for the services to be tied to market share increments/ concluded and delivered deals	State Department of Trade, EPC, Kenya Missions Abroad, Agriculture & Food Authority (AFA) - Crops & Fibre Directorate, County Governments, Gum Arabic/Resins association	100

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KES M)
4) Promote listing of pyrethrum extract exporters listing in regional/continental/ global e-commerce platforms to enhance visibility and complement market access initiatives	State Department of Trade, EPC Sisal farmers association, Gum Arabic/Resins association	firm level investments

B2/1.8.5 Resource Mobilization Plan for Development and Promotion of Gum Arabic Exports

The estimated resource requirements for implementation of the Gum Arabic export development and promotion is KES1.3 billion. About KES1billion goes toward production of both raw and value added products of Gum Arabic. The specific interventions under each of the Strategic Objectives and accompanying resource requirements are as provided under the section on 'Strategic Interventions and Resource Requirements'. The sources of funds and Lead Agencies in mobilization of the funds are as listed in the resource mobilization plan below. The institutional structure through which the funds for Gum Arabic export development and promotion will be the 'Gum Arabic Sub-Sector Working Group (SSWG)' of NEDPS Agriculture Sector Working Group. At the Gum Arabic SSWG, Private Sector Stakeholders in the Gum Arabic sector, AFA-Crop and Fibre Directorate and County Government Counterpart on Gum Arabic and other Government Agencies will take lead role.

Table B2/8-2: Resource Mobilization Plan for Development and Promotion of Gum Arabic Exports

SO#	Strategic Objective/ Focal Areas of Intervention	Amount Required (2018/19-2022/23 - KESMn	Estimated NEDPS Annual Resource Requirement (KES Millions)					Source	Lead Agencies in Resource Mobilization
			2018/19	2019/20	2020/21	2021/22	2022/23		
Gum-Arabic									
1	To provide Business Enabling Environment in support of Gum Arabic and Gum Resins exports	15	3	3	3	3	3	MDAs and County Governments' MTPIII Annual Budgets, Private Sector programs, Development Partners	
2	To strengthen Gum Arabic value chains in support of sustainable production for exports	35	7	7	7	7	7		AFA - Crops and Fibre Directorate/ County Government Counterpart/ Private Sector Gum-Arabic/ Gum-Resins Producers and Exporters - Representative Organization/ Association/ KenInvest
3	To promote production of Gum Arabic and Gum Resins for value addition and export	750	150	150	150	150	150		

SO#	Strategic Objective/ Focal Areas of Intervention	Amount Required (2018/19-2022/23 - KESMn	Estimated NEDPS Annual Resource Requirement (KES Millions)					Source	Lead Agencies in Resource Mobilization
			2018/19	2019/20	2020/21	2021/22	2022/23		
4	To promote production of Gum Arabic value added products	325	65	65	65	65	65		
5	To promote exports of Gum Arabic and Gum Resins to target destination markets	152	32	30	30	30	30		
Sub-Total Gum-Arabic		**1,257**	**257**	**255**	**255**	**255**	**255**		

B2/1.8.6 Implementation Plan towards Development and Promotion of Gum Arabic Exports

Strategic Interventions/ Program Activities	Implementing Agencies	2018/19				2019/20				2020/21				2021/22				2022/23			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
SO#1: To provide Business Enabling Environment in support of Gum Arabic and Gum Resins exports																					
1) Establish and Operationalize National and County Government Gum Arabic and Gum Resins production coordination platform to ensure coordinated approach to national sustainable efforts of promoting Gum Arabic production	Agriculture & Food Authority (AFA) - Crops & Fibre Directorate, County Governments, Pyrethrum Growers Associations																				
2) Develop Gum Arabic Policy and Regulations to mainstream Gum Arabic and Gum Resins in Kenya's Agriculture																					
SO#2: To strengthen Gum Arabic value chains in support of sustainable production for exports																					
3) Prepare Gum Arabic and Resins production sensitisation material for use in publicity and promotion of Gum Arabic/Resins production and Gum Arabic/Resins value added products	Agriculture & Food Authority (AFA) - Crops & Fibre Directorate, County Governments, KEPHIS, KALRBIO, Sisal Estates																				
4) Create awareness on Gum Arabic/ Resins production and profitability in all regions with potential for production of Gum Arabic/Resins																					

Strategic Interventions/ Program Activities	Implementing Agencies	2018/19				2019/20				2020/21				2021/22				2022/23			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
5) Undertake recruitment of farmers and investors keen on farming Gum Arabic/ Resins in all regions with potential for sisal fibre production																					
6) Encourage formation of Gum Arabic/Resins farmer/processor associations or cooperatives as platforms for sustainable production for export market																					
SO#3: To promote production of Gum Arabic value added products																					
1) Prepare publicity/ awareness creation material and model projects on Gum Arabic/Resins value added products and their uses and export potential to stimulate investments in their production	Agriculture & Food Authority (AFA) - Crops & Fibre Directorate, County Governments, KIRDI, KENINVEST																				
2) Undertake recruitment of investors keen on investing in Gum Arabic/Resins value added products for exports																					
3) Encourage formation of Gum Arabic/ Resins value added products associations or cooperatives as platforms for sustainable production for export market																					
4) Identify and accredit tertiary training institutions and research institutes to undertake research and offers skills training on Gum Arabic/Resins value added products for exports																					

Strategic Interventions/ Program Activities	Implementing Agencies	2018/19				2019/20				2020/21				2021/22				2022/23			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
5) Support entrepreneurs training in the accredited institutions for Gum Arabic/Resins value added products for exports through Export Development Fund, applying user cost recovery model																					
6) Encourage and support investments in common user facilities and equipment for production of value added Gum Arabic/ Resins products for export through Export Development Fund, applying user cost recovery model																					
SO#4: To promote exports of Gum Arabic and Gum Resins to target destination markets																					
1) Prepare annual market intelligence surveys for Gum Arabic/Resins raw and value added products in target destination markets	State Department of Trade, EPC, Kenya Missions Abroad, Agriculture & Food Authority (AFA) - Crops & Fibre Directorate, County Governments, Gum Arabic/ Resins association,																				
2) Disseminate market intelligence surveys to pyrethrum extract producers and exporters using the Kenya National Trade Portal																					
3) Identify destination market Marketing Agencies for Gum Arabic produce and engage them to drive Kenya's export market share working closely with the private sector. Payment for the services to be tied to market share increments/concluded and delivered deals																					
4) Promote listing of pyrethrum extract exporters listing in regional/continental/ global e-commerce platforms to enhance visibility and complement market access initiatives																					

B3 Livestock Sector

B3/1.1 Overview of the Livestock Sector

The livestock sector contributes about 50% of the total agricultural income and about 12% of the total GDP. It is estimated that 10 million Kenyans living in the ASALs derive their livelihood largely from livestock. The sector, therefore, will play a significant role in reversing poverty levels and contribute to Kenya Vision 200 economic development objectives.

The livestock sector has the potential to provide adequate supply of all dairy products as well as meat products and by-products to meet domestic needs and generate surplus for export. The value of marketed livestock and livestock products increased from KES88billion in 2012 to KES 124billion in 2016 (Economic Survey, 2017).

The sector, going by the huge population of livestock is capable of driving a vibrant leather industry from hides and skins. The population and housing census revealed a massive livestock resource of 3.4 million exotic cattle, 14.1 million indigenous cattle, 17.1 million sheep, 27.7 million goats, 2.9 million camels, 25.8 million indigenous chickens and 6.1 million exotic chickens.

The livestock sector comprises of the following sub sectors: the dairy industry; beef production; sheep and goats production; pigs industry; camels' production; the poultry industry and apiculture. Other emerging and non-conventional livestock with export interests include donkey production.

The sector therefore constitutes a national resource that has been identified as instrumental in contributing to the national agenda of export growth, trade driven employment creation and poverty eradication among the population that derives its livelihood from the sector and industrial transformation agenda through value added animal products.

The sector is also one of the critical areas of focus in national pursuit of Vision 2030 economic development goals, where several milestones have been achieved through Medium Term Plans (MTP I&II). During the second Medium Term plan (2013-2017); the government was able to achieve the following milestones in the livestock subsector under the flagship projects:

a) Construction of Bachuma Livestock Export Zone (under the DFZ);

b) Improvement of livestock productivity;

c) Disease and pest control: Kenya Veterinary Vaccine Production Institute (KEVEVAPI) upgraded its facilities to produce affordable and quality vaccines through efficient and effective technologies.

d) Policies, legal and institutional reforms such as enactment of Kenya Agricultural and Livestock Research Act (2013), and the Kenya Agricultural & Livestock Research Organization (KALRO) was operationalized. Various policies and strategies were initiated and are at different levels of completion, these include: National Livestock Policy, veterinary policy, Bee keeping policy, poultry policy, dairy industry policy, camel development policy, Tsetse and Trypanosomias eradication Strategy. The bills that were developed include the Tsetse Bill and the dairy industry bill.

e) Under the Agri-Business Development Program: Livestock Marketing Value addition and processing: Forty nine (49) milk coolers were distributed to 21 Counties which resulted to bulking and marketing of 50 million litres. In addition, poultry processing equipment were installed in Bungoma and Kiambu counties.

f) Under the Agricultural Insurance Program: To minimize risks emanating from drought-related disasters and build resilience of pastoralists for enhanced and sustainable food security the livestock insurance program for ASAL areas was rolled out which has covered 14,000 households in Turkana, Wajir, Isiolo, Marsabit, Mandera and Tana River Counties. A total of 70,000 tropical livestock units (TLUs) valued at KES1billion were insured. During the 2016/17 drought, 12,000 households were paid a total of KES215million as compensation.

Further impetus to the development of the livestock sector, in pursuit of Vision 2030 objectives is provided under the MTPIII that spans 2018 to 2022. This is inform of the following proposed flagship projects:

a) Disease Free Zone Development

During the MTP III it is envisaged the Government will complete construction of Bachuma export zone and start construction works at Miritini and Kurawa export quarantine stations. The National Government in collaboration with the County Governments and private sector will support enforcement of Sanitary and Phyto-sanitary Standards (SPS) requirements.

b) Strategic Feed Reserves

The Strategic Feed Reserve is aimed at building resilience in pastoralist areas and improves availability of fodder in ASAL areas during drought. The Government will stock 1 million bales of hay and 100 MT of pasture seeds to achieve this.

c) Pastoral Resilience Building Program

The sector continues implementing Drought Resilience Sustainable Livelihood (DRSLP) to supports small-scale irrigation schemes, livestock market development, pasture and water development and animal health and Regional Pastoral Livelihood Resilience Program (RPLP) to enhance livelihood resilience of pastoral and agro-pastoral communities in cross border drought prone areas.

d) Small Holder Dairy Commercialization Project

The projects aims at improving the financial returns of market oriented production and trade activities by smallholder dairy farmers to enhance their income and create employment.

e) Livestock Productivity Improvement Program

In partnership with stakeholders, the Government will support the development and review of breeding program for animal resources; develop guidelines and standards on breeding methods and practices to safeguard animal health and welfare, develop standards and guidelines for quality assurance for the leather industry and develop, construct and equip 6 tanneries.

f) Enterprise Diversification Program

The program will focus on improving production and marketing of agricultural and livestock produce while supporting farmers to venture into additional enterprises to improve on their income livelihoods

g) Bee Bulking Project

Honey production in the county is estimated at 25,000 MT against a potential of 100,000MT. The sector will promote apiculture by establishing and strengthening 200 bee-bulking sites along bee swarming corridors and institutional farms.

h) Market Access and Product Development Program

This program is geared towards enhancing market access by providing enabling environment through policy, legislations and regulations, model guidelines for improved market infrastructure and improved access to information.

i) Livestock Value Chain Support Project and Livestock marketing infrastructure

The livestock value chain Support Project will involve investing in infrastructure for enhanced value addition and marketing of livestock products. Inefficiencies in milk production, collection and bulking, processing and marketing have affected the dairy industry in Kenya.

j) Crop Insurance project and Livestock Insurance project

The overall objective of the Crop Insurance Project is to manage risks and losses amongst smallholder farmers, increase crop productivity through improved access to credit and higher yielding technology such as use of certified seed and fertilizers and support the transition from subsistence to commercially oriented farming.

The livestock insurance will enhance the capacities of pastoral communities and stakeholders on the use of insurance products for reduction of weather related risks and rebuilding of livelihood support systems in drought prone areas

k) Disease And Pest Control

The Government will upscale annual vaccines production; Establish border Inspection Post (BIP) to prevent entry of trans-boundary diseases into the country; rehabilitate and equip laboratories, refurbish and equip efficacy trial centres, promote protection services through monitoring, surveillance and control of trans- boundary pests (Quelea, Armyworm, Fall Armyworm & Locusts).

The achievements under MTPIII and the envisaged flagship projects under MTPIII represent a pivotal platform for development of exports of animal and animal products and a much needed head start for the livestock component of the NEDPS.

B3/1.2 Livestock Sector Export Priority Products

The following products that are being focused in the NEDPS were identified by the NEDPS Livestock Working Group through a participatory process. The selection of the priority products was further informed by the analysis undertaken during the formulation of the NEDPS to establish domestic capacity to export the products based on the revealed domestic exports from trade flow statistics. The priority products are therefore as follows:

a) Live Animals (Cattle for beef and dairy industry, Sheep, Goats and Camel);

b) Meat (Beef, Sheep and Goat Meat, Pork, Poultry and Donkey Meat);

c) Dairy Products (Milk (liquid (fresh and long life), condensed milk, butter oil/ghee, ice cream and powder), Butter, Cheese and Yoghurt - Infant formula products (dairy constitutes a large proportion);

d) Honey; and

e) Germ Plasm.

B3/1.3 Live Animals

B3/1.3.1 Situational Analysis of Live Animals Production and Trade

The live animals that are focused for export development include: Cattle, Sheep, Goats and Camel. The trade is premised on the large animal population, which as mentioned above constitute: 3.4 million exotic cattle, 14.1 million indigenous cattle, 17.1 million sheep, 27.7 million goats, 2.9 million camels. A key threat to live animals export development is many trade sensitive trans-boundary animal diseases such as Foot and Mouth Disease (FMD), Contagious Bovine Pleuropneumonia (CBPP), Contagious Caprine Pleuropneumonia (CCPP), Trypanosomiasis, Brucellosis, Rift Valley Fever (RVF), Lumpy Skin Disease (LSD) amongst others that render livestock and livestock products incapable of accessing the desired lucrative markets due to the stringent measures conditionally put in place by importing countries (Middle East, Europe etc). This has resulted in insignificant livestock trade from Kenya. Eradication of these livestock diseases must therefore be a priority in the agenda of live animals exports.

The devolved system has resulted into lack of uniformity in the national disease management system despite instructive policies that are in place. However, through a science based approach, part of a country (zone) can be identified, in which a strategically designed program such as Livestock Export Zone (LEZ) can be implemented and the risk of disease during export eliminated, to facilitate access to the international live animal and meat markets. These facilities will have standards to be met by all the animals accessing the facilities and consequently aid in the effort to harmonize and maintain standards in disease control and certification.

The existing livestock market value chains are remnants of the past organized systems and are heavily reliant on cattle, sheep, goats and camels from ASAL areas. Livestock trading has been the domain of the private sector following the exit of the Livestock Marketing Division (LMD) from the markets. This has led to the abandonment, underutilization or disrepair of the infrastructure developed by LMD. County governments have also repossessed some of these infrastructures restricting their use.

Animals traded in the chains originate from not only Kenya, but also from neighbouring Somalia, Ethiopia, Sudan, Uganda and Tanzania. This marketing system introduces the problem of Tran Boundary Animal Diseases (TADs) and the need for disease free zoning (DFZ) and a reliable Livestock and traceability system especially if an effective export trade is to be harnessed.

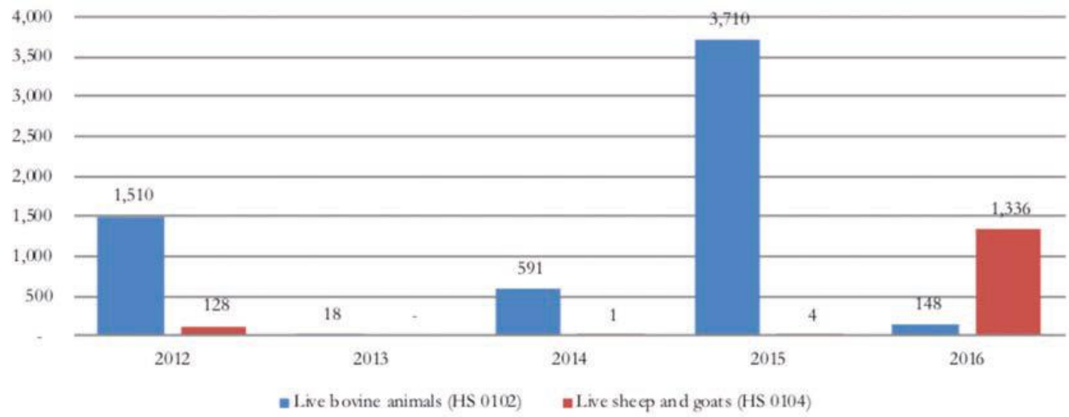
The livestock marketing infrastructure (holding grounds, quarantine stations, stock routes) have to a large extent, broken down and despite animal health management requirements, movement permits are not strictly adhered to. Illegal grazers have invaded many of these facilities rendering them ineffective for export processing due to diseases.

B3/1.3.2 Live Animals (Bovine, Sheep and Goats) Export Performance and Select Destination Market Export Potential

B3/1.3.2.1 Livestock (Bovine, Sheep and Goats) Export Performance

Kenya is only a minor exporter of livestock, with the number of heads of live animals exported formally never exceeding 7,500. According to the ITC Trade Maps, Kenya's exports of cattle (bovine animals), live sheep and goats averaged USD1.1million and USD294,000 respectively over the period 2012 to 2016. The performance, as illustrated in the bar chart below is erratic, a phenomena that demonstrates a disconnect between Kenya and destination countries, which has revealed later, record consistent imports of these live animals year in year out.

Chart B3/1: Kenya exports of live animals (bovine (cattle), sheep and goats), 2012-2016, Figures in USD Thousands - Source ITC Trade Maps



B3/1.3.2.2 Select destination market export potential for live animals (Bovine. Sheep and Goats)

According to the NEDPS Livestock SWG background report, the only significant livestock markets are Mauritius and Burundi, which import Kenyan cattle and goats respectively. Exports of live camels from Kenya are not documented, but it has been observed that there are increasing numbers of camels being trekked to the Moyale market for onward export to the Middle East through Ethiopia. This corresponds with an observed significant reduction in camel trading at the Garissa secondary market

Further analysis showed the main global market for live animals to include countries that are members of the Gulf Cooperation Council: The United Arab Emirates, Bahrain, Saudi Arabia, Oman, Qatar, Kuwait and Yemen and COMESA (where Burundi and Mauritius belong). These countries have a market size of USD381million for cattle and USD1.4billion for live sheep and goats. There is ample opportunity for Kenya to enhance live animals exports into these markets. As illustrated in the table below, assuming Kenya targets to take a 5% share of these markets, this would translate to business worth USD91million per year for both cattle and live goats and sheep. This is the business that will be targeted under the NEDPS proposed interventions.

Table B3/1-1: Kenya's exports of live animals to the world and select[83] destination countries' and regions' market potential

Product code	Product label	Kenya's exports to world - Average 2014 - 2016 (USDmn)	Select countries and regions imports from Kenya- Average 2014 - 2016 (USDmn)	Select countries and regions imports from world- Average 2014 - 2016 (USDmn)	Kenya's Export opportunity assuming a 5% market share (USDmn)
'0102	Live bovine animals	1.2	0.0	381.4	19.1
'0104	Live sheep and goats	0.3	0.2	1447.7	72.4
Total		**1.5**	**0.2**	**1829.1**	**91.5**

Source: *Computed from ITC Trade Maps*

83 *The following are select destination countries and regions on the basis of the revealed live animals export potential - Gulf Cooperation Council - The United Arab Emirates, Bahrain, Saudi Arabia, Oman, Qatar, Kuwait and Yemen and COMESA (where Burundi and Mauritius belong).*

B3/1.3.3 Constraints to Export of Live Animals

Live animals export performance is adversely affected by the following constraints, some of which encourage informal exports of live animals through transit countries such as Djibouti and Somalia:

a) Weak linkage between National and County Government towards support of livestock development;

b) Animal diseases and pests/Prevalence of notifiable and trans boundary diseases and pests such as CBPP, FMD, Rinderpest, and the Rift Valley fever *(Social cultural practices/phenomenon);*

c) Lack of adequate competent veterinary personnel in the production areas;

d) Inadequate of livestock extension services;

e) Shortage of qualified veterinary personnel thus difficulties complying to international standards;

f) Inadequate knowledge and information on target markets livestock market access requirements;

g) Lack of awareness on destination markets and these markets export opportunities and market access requirements;

h) Weak Livestock marketing policy and regulations;

i) Weak livestock farmer organizations or associations;

j) Low livestock production and productivity and lack of feedlot systems;

k) Costly animal feeds and dwindling pasture land, leading to high cost of production;

l) Lack of national pasture land development and rehabilitation program;

m) Lack of a credible Livestock Identification and Traceability System (LITS);

n) Prolonged drought and land use conflict which negatively affect livestock production for export;

o) Lack of adequate infrastructure for support livestock production and handling for exports as characterized by inadequate *holding grounds, screening and breeding facilities and poor livestock handling infrastructure at the port of exit/entry/ This compromises livestock bio-security rendering livestock to be considered as unsafe for export; and,*

p) Low Government investment in Livestock - currently Treasury investing 5% in Agriculture.

B3/1.3.4 Strategic Objectives towards Development and Promotion of Live Animal Exports

To enhance exports of live animals, remedial measures targeting the above constraints will be addressed within the framework of the follow Strategic Objectives:

a) To strengthen legal and regulatory framework for livestock to ensure compliance with live animals export market requirements;

b) To strengthen livestock farmers and marketing associations;

c) To support production of livestock for the target live animals markets;

d) To develop Disease Free Zones, holding grounds and screening facilities; and,

e) To promote export of target live animals.

B3/1.3.5 Strategic Interventions and Resource Requirement for Development and Promotion of Exports of Live Animals

Strategic Objective #1:

To strengthen legal and regulatory framework for livestock to ensure compliance with live animals export market requirements

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KESMn)
1) Establish and operationalize National/ County Government/Livestock Farmers Coordinating Committee on Livestock to drive the national agenda of livestock development to meet domestic and export market demand while contributing to enhancement of livestock community livelihood	State Department of Livestock (SDL), County Governments (CG),), Kenya Livestock Marketing Council (KLMC) Kenya Livestock Producers Association (KLPA)	10
2) Review the relevant policies and legislations in Livestock sector to ensure its response to the livestock production for domestic and export market agenda with reference to documents such as *'Veterinary Legislative Investigative Mission'* by OIE among other documents	SDL, CG, DVS, KVA, KLMC and KLPA	20
3) Develop guidelines and Standards for live animals exports based on the Sanitary standards that are being enforced by Department of Veterinary Services	SDL, CG, DVS, KVA, KLMC and KLPA	5
4) Strengthen the existing livestock marketing policy and regulatory framework	SDL, CG, DVS, KVA, KLMC and KLPA	5

Strategic Objective #2:

To strengthen livestock farmers and marketing associations to ensure their capacity to respond to export market opportunities

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KESMn)
1) Undertake a baseline survey on livestock farmers/marketing cooperatives/ associations to establish their location, stock that their members hold or handle, their needs in the context of livestock production for exports.	SDL, CG, DVS, KLMC, KLPA, KNCCI, KVA	10
2) Promote establishment of livestock farmers/ marketing cooperatives for livestock exports in livestock producing areas/regions where such organizations are none existent	SDL, CG, DVS, KLMC, KLPA, KNCCI, KVA	10

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KESMn)
3) Develop capacity building program for strengthening livestock farmers/traders cooperatives i) Identify all existing livestock support programs and their focus and gaps in driving to ensure synergy in the development of nationwide comprehensive support program in response to livestock demand for export market and export abattoirs ii) Draw a capacity building program to create awareness and promote commercialization of livestock keeping for export market and adoption of animal husbandry that supports livestock production to meet destination markets requirements	SDL, CG, DVS, KVA, KLMC, KLPA, KNCCI,	10
4) Support implementation of the livestock capacity building program for livestock exports	SDL, CG, DVS, KVA, KLMC, KLPA, KNCCI	200

Strategic Objective #3:

To support production of livestock for the target live animals markets

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KESMn)
1) Promote coordination and information sharing on support services and facilitation to livestock farmers and traders	SDL, CG, Kenya National Bureau of Statistics, DVS, KVA, KLMC and KLPA	10
2) Undertake baseline survey/census on livestock population to establish current population. On the basis of the baseline data prepare authoritative projected livestock population to match projected livestock for export, meat for domestic and export market and dairy industry requirements	SDL, CG, Kenya National Bureau of Statistics, DVS, KLMC and KLPA	500
3) Prepare comprehensive information on type and breed of livestock that target destination market demand, complete with requisite animal husbandry and handling requirements for livestock destined to these markets	SDL, CG, DVS, KLMC and KLPA	50

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KESMn)
4) Promote livestock breeding and production for the target market through comprehensive extension services, using the destination market through Livestock Export Development Revolving Fund	SDL, CG, DVS, KVA, KLMC and KLPA	1000
5) Promote investments in livestock feedlots linked to livestock production for target export markets through Livestock Export Development Revolving Fund	SDL, CG, DVS, KVA, KLMC and KLPA	500
6) Promote production of affordable animal feeds through Livestock Export Development Revolving Fund and zero rated import duties and domestic taxes on inputs for the feed industry	SDL, CG, DVS, KVA, KLMC and KLPA	200
7) Promote production and sale of seeds for pasture land grass suitable for all ecological conditions of the livestock keeping regions	SDL, Kenya Seeds Company, CG, KLMC and KLPA	100
8) Promote rehabilitation of pasture grass and growing of improved pastures in underutilized lands through use of pasture land grass	SDL, Kenya Seeds Company, CG, KLMC and KLPA	50
9) Strengthen the livestock extension services targeting livestock for export market	SDL, CG, DVS, KLMC and KLPA	100
10) Provide competent livestock personnel capacity in support of livestock production	SDL, CG, DVS, KVA, KLMC and KLPA	100
11) Promote livestock insurance programs using Livestock Development Revolving Fund	SDL, CG, DVS, KVA, KLMC, KLPA, Association of Kenya Insurers and Insurance Regulatory Authority	300

Strategic Objective #4:

To develop Disease Free Zones, holding grounds and screening facilities for all livestock destined for export markets or for export abattoirs

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KESM)
1) Complete the establishment of the disease free zoning in the country	SDL, CG, DVS, KVA, KLMC and KLPA	2,000
2) Establish livestock handling infrastructures at the port of entry and exit	SDL, CG, DVS, KVA, KLMC and KLPA	500
3) Establish livestock holding grounds and screening facilities	SDL, CG, DVS, KVA, KLMC and KLPA	500

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KESM)
4) Develop and implement a credible Livestock Identification and Traceability System (LITS)	SDL, CG, DVS, KVA, KLMC and KLPA	500
5) Promote Inter-County based harmonized Disease Control system	SDL, CG, DVS, KVA, KLMC and KLPA	10

Strategic Objective #5:

To promote export of target live animals

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KESM)
1) Prepare annual market intelligence surveys for target livestock in target destination markets	State Department for Trade, SDL, DVS, EPC, Kenya Missions Abroad, KLMC	50
2) Disseminate market intelligence surveys to target livestock farmers/traders through their associations/cooperatives using the Kenya National Trade Portal	State Department for Trade, SDL, DVS, EPC, Kenya Missions Abroad, KLMC	2
3) Identify destination market marketing Agencies for Kenyan livestock and engage them to drive Kenya's export market share working closely with the private sector. Payment for the services to be tied to market share increments/concluded and delivered deals	State Department for Trade, SDL, DVS, EPC, Kenya Missions Abroad, KLMC	100
4) Promote listing of livestock exporters listing in regional/continental/global e-commerce platforms to enhance visibility and complement market access initiatives	KVA, KLMC and KLPA	firm level investments

B3/1.3.6 Resource Mobilization Plan for Development and Promotion of Live Animals Export

The estimated resource requirements for implementation of the Live Animals export strategy is KES6.8billion. Out of this amount, 98% KES6.4 billion should go into development of disease free zones and promoting production of live animals in pursuit of destination market export potential. The specific interventions under each of the Strategic Objectives and accompanying resource requirements are as provided under the section on 'Strategic Interventions and Resource Requirements'. The sources of funds and Lead Agencies in mobilization of the funds are as listed in the resource mobilization plan below. The institutional structure through which the funds for Live Animals export development and promotion will be mobilized is the 'Livestock Sector Working Group' of NEDPS. At this Sector Working Group, the Private Sector Stakeholders in the Livestock sector will take lead role in driving the agenda for live animals' exports with Government playing a facilitative role to ensure requisite resources and enabling environment for development and promotion of the exports of the target animals.

Table B3/1-2: Resource Mobilization Plan for Production and Promotion of Live Animals for Exports

SO#	Strategic Objective/ Focal Areas of Intervention	Amount Required	Estimated NEDPS Annual Resource Requirement (KES Millions)					Source	Lead Agencies in Resource Mobilization
			2018/19	2019/20	2020/21	2021/22	2022/23		
Live Animals (Cattle, Sheep and Goats, Camel)									
1	To strengthen legal and regulatory framework for livestock to ensure compliance with live animals export market requirements	40	8	8	8	8	8	MDAs and County Governments' MTPIII Annual Budgets, Private Sector programs, Development Partners	State Department of Livestock/ County Government Counterpart/ KLDC/KVA// Private Sector Live Animals - Farmers and Exporters - Representative Organization/ Association
2	To strengthen livestock farmers and marketing associations to ensure their capacity to respond to export market opportunities	230	46	46	46	46	46		
3	To support production of livestock for the target live animals markets	2,910	582	582	582	582	582		
4	To develop Disease Free Zones, holding grounds and screening facilities for all livestock destined for export markets or for export abattoirs	3,510	702	702	702	702	702		
5	To promote export of target live animals	152	31	31	30	30	30		
Sub-Total Live Animals		6,842	1,369	1,369	1,368	1,368	1,368		

B3/1.3.7 Implementation Plan for Production and Promotion of Live Animals for Export

Strategic Interventions/ Program Activities	Implementing Agencies	2018				2019				2020				2021				2022			
		Quarters				Quarters				Quarters				Quarters				Quarters			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
To strengthen legal and regulatory framework for livestock to ensure compliance with live animals export market requirements																					
Establish and operationalize National/ County Government/ Livestock Farmers Coordinating Committee on Livestock to drive the national agenda of livestock development to meet domestic and export market demand while contributing to enhancement of livestock community livelihood	State Department of Livestock (SDL), County Governments (CG),), Kenya Livestock Marketing Council (KLMC), Kenya Livestock Producers Association (KLPA)																				

Strategic Interventions/ Program Activities	Implementing Agencies	2018				2019				2020				2021				2022			
		Quarters				Quarters				Quarters				Quarters				Quarters			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Review the relevant policies and legislations in Livestock sector to ensure its response to the livestock production for domestic and export market agenda with reference to documents such as *'Veterinary Legislative Investigative Mission'* by OIE among other documents	SDL, CG, DVS, KVA, KLMC and KLPA																				
Develop guidelines and Standards for live animals exports based on the Sanitary standards that are being enforced by Department of Veterinary Services	SDL, CG, DVS, KVA, KLMC and KLPA																				
Strengthen the existing livestock marketing policy and regulatory framework	SDL, CG, DVS, KVA, KLMC and KLPA																				
To strengthen livestock farmers and marketing associations to ensure their capacity to respond to export market opportunities																					
Undertake a baseline survey on livestock farmers/marketing cooperatives/ associations to establish their location, stock that their members hold or handle, their needs in the context of livestock production for exports.	SDL, CG, DVS, KLMC, KLPA, KNCCI, KVA																				
Promote establishment of livestock farmers/ marketing cooperatives for livestock exports in livestock producing areas/regions where such organizations are none existent	SDL, CG, DVS, KLMC, KLPA, KNCCI, KVA																				
Develop capacity building program for strengthening livestock farmers/traders cooperatives	SDL, CG, DVS, KVA, KLMC, KLPA, KNCCI,																				
Support implementation of the livestock capacity building program for livestock exports	SDL, CG, DVS, KVA, KLMC, KLPA, KNCCI																				

Strategic Interventions/ Program Activities	Implementing Agencies	2018				2019				2020				2021				2022			
		Quarters				Quarters				Quarters				Quarters				Quarters			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
To support production of livestock for the target live animals markets																					
Promote coordination and information sharing on support services and facilitation to livestock farmers and traders	SDL, CG, Kenya National Bureau of Statistics, DVS, KVA, KLMC and KLPA																				
Undertake baseline survey/census on livestock population to establish current population. On the basis of the baseline data prepare authoritative projected livestock population to match projected livestock for export, meat for domestic and export market and dairy industry requirements	SDL, CG, Kenya National Bureau of Statistics, DVS, KLMC and KLPA																				
Prepare comprehensive information on type and breed of livestock that target destination market demand, complete with requisite animal husbandry and handling requirements for livestock destined to these markets	SDL, CG, DVS, KLMC and KLPA																				
Promote livestock breeding and production for the target market through comprehensive extension services, using Livestock Export Development Revolving Fund	SDL, CG, DVS, KVA, KLMC and KLPA																				
Promote investments in livestock feedlots linked to livestock production for target export markets through Livestock Export Development Revolving Fund	SDL, CG, DVS, KVA, KLMC and KLPA																				
Promote production of affordable animal feeds through Livestock Export Development Revolving Fund and zero rated import duties and domestic taxes on inputs for the feed industry	SDL, CG, DVS, KVA, KLMC and KLPA																				

Strategic Interventions/ Program Activities	Implementing Agencies	2018				2019				2020				2021				2022			
		Quarters				Quarters				Quarters				Quarters				Quarters			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Promote production and sale of seeds for pasture land grass suitable for all ecological conditions of the livestock keeping regions	SDL, Kenya Seeds Company, CG, KLMC and KLPA																				
Promote rehabilitation of pasture grass and growing of improved pastures in underutilized lands through use of pasture land grass	SDL, Kenya Seeds Company, CG, KLMC and KLPA																				
Strengthen the livestock extension services targeting livestock for export market	SDL, CG, DVS, KLMC and KLPA																				
Provide competent livestock personnel capacity in support of livestock production	SDL, CG, DVS, KVA, KLMC and KLPA																				
Promote livestock insurance programs using Livestock Development Revolving Fund	SDL, CG, DVS, KVA, KLMC, KLPA, Association of Kenya Insurers and Insurance Regulatory Authority																				
To develop Disease Free Zones, holding grounds and screening facilities for all livestock destined for export markets or for export abattoirs																					
Complete the establishment of the disease free zoning in the country	SDL, CG, DVS, KVA, KLMC and KLPA																				
Establish livestock handling infrastructures at the port of entry and exit	SDL, CG, DVS, KVA, KLMC and KLPA																				
Establish livestock holding grounds and screening facilities	SDL, CG, DVS, KVA, KLMC and KLPA																				
Develop and implement a credible Livestock Identification and Traceability System (LITS)	SDL, CG, DVS, KVA, KLMC and KLPA																				
Promote Inter- County based harmonized Disease Control system	SDL, CG, DVS, KVA, KLMC and KLPA																				

Strategic Interventions/ Program Activities	Implementing Agencies	2018				2019				2020				2021				2022			
		Quarters				Quarters				Quarters				Quarters				Quarters			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
To promote export of target live animals																					
Prepare annual market intelligence surveys for target livestock in target destination markets	State Department for Trade, SDL, DVS, EPC, Kenya Missions Abroad, KLMC																				
Disseminate market intelligence surveys to target livestock farmers/ traders through their associations/ cooperatives using the Kenya National Trade Portal	State Department for Trade, SDL, DVS, EPC, Kenya Missions Abroad, KLMC																				
Identify destination market marketing Agencies for Kenyan livestock and engage them to drive Kenya's export market share working closely with the private sector. Payment for the services to be tied to market share increments/concluded and delivered deals	State Department for Trade, SDL, DVS, EPC, Kenya Missions Abroad, KLMC																				
Promote listing of livestock exporters listing in regional/ continental/global e-commerce platforms to enhance visibility and complement market access initiatives	KVA, KLMC and KLPA																				

B3/1.4 Meat Industry

B3/1.4.1 Situational Analysis of Meat Industry

The Kenya meat industry produces the following type of meat: beef, chevons, mutton, pork, poultry meat, camel meat and rabbit meat. The focus has been on production for domestic market with very limited volumes being destined to export markets. As evidenced in the table below, all categories of meat recorded impressive growth between 2013 and 2016. In total, meat production increased by 71% from 431,870 MT in 2013 to 738,108 MT in 2016. Beef is the leading product followed by poultry, chevons or goat meat, mutton, rabbit and camel meat. Donkey meat for exports is an emerging meat product being produced in Baringo and Nakuru for the China Market. Data on donkey meat is not available to demonstrate the volume of output.

Table B3/2-1: Meat Production 2013-2017 (MTS)

	2013	2014	2015	2016	2017 (estimates)
1) Beef	296,765	442,571	489,065	528,990	423,192
2) Chevon (goat meat)	45,312	68,191	68,016	50,468	40,374
3) Mutton	18,852	19,410	18,286	27,901	22,320
4) Pork	18,160	22,804	26,002	20,768	18,614
5) Poultry Meat	28,692	60,504	62,754	64,309	51,447
6) Camel Meat	8,856	11,221	18,361	18,715	14,972
7) Rabbit meat	13,220	21,011	21,495	24,941	25,953
Total	**431,870**	**647,726**	**705,994**	**738,108**	**596,872**

Source: *MoALF, Livestock production Department*

Kenyan meat is popular in the Middle East countries such as United Arab Emirates (UAE), Oman, Qatar and Bahrain countries. The meat is sourced from animals grazed on natural pastures. The Kenyan meat for export is mainly from cattle, sheep, goats, camels, poultry and pigs.

There are seven licensed export slaughter facilities in Kenya, as illustrated in the table below, with varying slaughter capacity per day. Going by the livestock population and quest for increased meat exports to meet the export potential in target destination markets, this export accredited slaughter houses are not adequate. Besides, they operate at excess capacity, implying a structural weakness on livestock supply to meet the demand of the meagre capacity.

Table B3/2-2: Licensed Export slaughter houses in Kenya and their capacities

Name	Type of Products	Capacity per day
1) Kenya Meat Commission (KMC)	Beef, mutton, goat meat, camel meat	Cattle – 400 Small stock – 2,000
2) Farmers Choice	Pork	Pigs – 500
3) Choice Meat	Beef, Mutton, Goat meat	Cattle – 100 Small Stock – 500
4) Neema	Beef, Mutton, Goat meat	Cattle – 200 Small Stock – 2,000
5) Quality Meat Packers	Beef, Mutton, Goat meat, Poultry	Cattle – 200 Small Stock – 2,000 Poultry – 20,000
6) Kenchic Limited	Poultry	35,000
7) Nightgale	Turkey	2,000

Source: *Department of Veterinary Services 2017*

Table B3/2-3: Export Slaughter Houses under Construction

Name	Location	Remarks
1) EPZ Halal	Athi River	Private export slaughter house – Complete and recently under test runs
2) Isiolo	Isiolo	Constructed under Economic Stimulus Programme. Served by Isiolo International Airport
3) Wajir	Wajir	Constructed under Economic Stimulus Programme. Served by Wajir International Airport (under construction)

Name	Location	Remarks
4) Garissa	Garissa	Constructed under Economic Stimulus Programme.
5) Nasukuta – West Pokot		Constructed under Economic Stimulus Programme.
6) Marsabit	Marsabit	Being constructed by Marsabit County Government

Source: *Department of Veterinary Services 2017*

The following is a representation of the meat exports from the licensed slaughter facilities in 2016 and up to October 2017.

Table B3/2-4: Meat Exports to Middle East and North Africa

	Name of Slaughter House	Sheep (MT)	Goat (MT)	Cattle (MT)	Camel (MT)	Total (MT)
2016	Choice Meat	16	686	-	-	702
	Quality Meat Packers	-	-	282	-	282
	Neema Export Slaughter House	12	2,281	13.5	-	2,306.5
	Total	28	2967	295.5	-	3,290.5
2017 (Up to October)	Choice Meat	9	416	-	-	425
	Quality Meat Packers	-	791	-	-	791
	Neema Export Slaughter House	-	1,256	-	-	1,256
	Total	**9**	**2,463**			**2,472**

Source: *Department of Veterinary Services 2017*

The sheep and goat industry contributes about 30% of the total red meat consumed in the country. On average, the production of meat from sheep is 21,354 metric tonnes and meat from goats is about 54,472 metric tonnes per annum (average for the last five years). The population of sheep and goats is estimated at about 17.2 million sheep, 27.5 million meat goats and 270, 400 dairy goats.[84]

Pig population is currently estimated at 415,200 heads with meat production of over 21,270 MT (the last five years' average) of which 70% of the producers are small-scale farmers. The population of pigs in the country is low due to many constraints which include high cost of feeds and breeding stock with value addition limited mainly to one company. Religious and cultural beliefs also limit the keeping of pigs.[85]

Kenya has an estimated poultry population of 32million birds. Of these 70% consist of free-ranging chicken. The average annual poultry meat production (Last five years) is about 53,541 metric tons. Poultry is one of the most important enterprises in rural poor households' food and nutrition security.

Kenya is self-sufficient in poultry meat production. However, the country's per capita poultry meat consumption stands at 0.65 kg, which is way below the WHO poultry meat consumption

84 "193 Sessional paper on Livestock Policy", revised 6th June 2014.
85 "193 Sessional paper on Livestock Policy", revised 6th June 2014.

requirement. It is therefore anticipated that there will be an increase in effective demand of poultry meat as a result of a shift in consumer preference from red to white meat as incomes and health consciousness improve. Poultry and poultry products are perceived to be costly compared to other animal products.

The poultry industry feeds over 80% of the rural households in addition to its numerous social and cultural uses that makes it even more popular. The industry has linkages with other sectors of the economy, such as feeds manufactures, hotel industry, and input suppliers. However, due to lack of adequate data on the linkages, the true value of the poultry industry contribution to the entire economy is usually under-estimated. The industry has the potential to generate higher incomes and transform living standards of its players if appropriate interventions are developed and implemented.

Kenya mainly exports chilled or frozen goats and sheep (lamb) carcasses as well as beef carcasses and various cuts from beef. This demonstrates latent capacity in terms of skills and requisite institutional support mechanisms, for the country to enhance output for target destination markets. Apart from the exports of fresh chilled or frozen carcasses, the Kenyan processors should also focus on sales of chilled and frozen value added products and primal cuts as follows:

A. Beef Products:

f) Fresh (chilled/frozen) beef;

i) Topside;
ii) Silverside;
iii) Top rump;
iv) Rump steak;
v) Striploin;
vi) Fillet;
vii) Boneless shin;
viii) Ossubucco;
ix) Meat on bone;
x) Boneless beef;

g) Beef sausages ;
h) Beef bacon ;
i) Beef burgers;
j) Meat balls;
k) Minced meat (lean mince or standard mince);
l) Frozen bleached rough tripes;

B. Lamb Products:

a) Fresh (chilled/frozen) Lamb cuts;

i) Lamb legs ;
ii) Rack;
iii) Loin;
iv) Shoulder chop;
v) Ribs;

C. Goat Products:

a) Fresh (chilled /frozen) Goat cuts;

vi) Goat legs ;
vii) Rack;

viii) *Loin ;*
ix) *Shoulder;*
x) *Ribs;*

D. Pork Products

a) Fresh (chilled/frozen) Pork cuts;
i) *Shoulder;*
ii) *Loin (Rib, Loin chops, Tenderloin roasts, Pork loin roasts);*
iii) *Pork legs (Ham) ;*

b) Bacon;
c) Sausages;
d) Ham;
e) Other smoked products;

E. Poultry Products

a) Fresh (chilled/frozen) Poultry cuts;
i) *Whole;*
ii) *Halves;*
iii) *Breast quarters;*
iv) *Split breasts;*
v) *Boneless skinless breast;*
vi) *Whole chicken wings;*
vii) *Wing drummettes;*
viii) *Whole chicken legs;*
ix) *Boneless skinless thighs;*
x) *Drumsticks;*
xi) *Giblets;*

F. Camel Products

Chilled/Frozen carcasses/boneless meat from camel

G. Donkey Products

Chilled/Frozen boneless meat from donkey

B3/1.4.2 Meat and Meat Products Export Performance and Select Destination Market Export Potential

B3/1.4.2.1 Meat export performance

According the ITC Trade Maps data, exports of meat and meat products posted an impressive growth of 88% between 2012 and 2016, rising from KES1.7billion in 2012 to KES3.2 billion in 2016. According to the table below, the lead export product was meat of sheep (mutton) and goat (chevon) followed by beef.

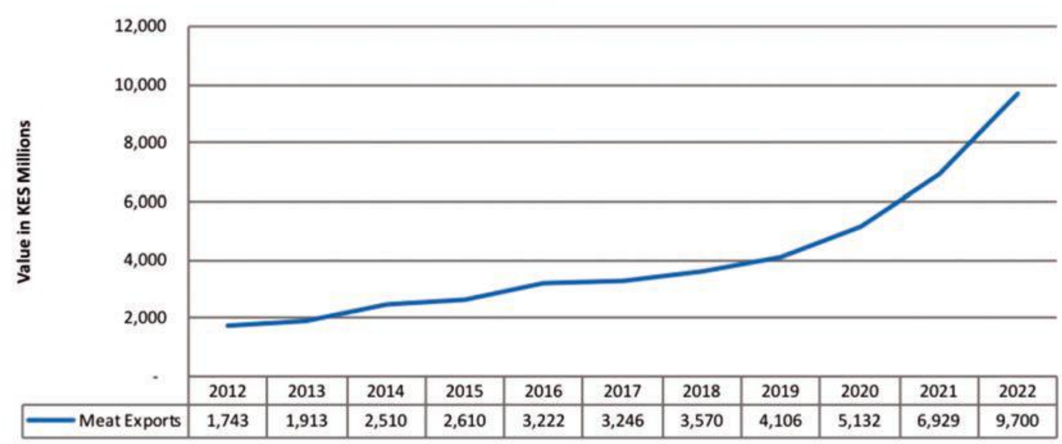
Table B3/2-5: Exports of meat - Actual (2012-2016) and Projected (2017-2022) - Figures in KES Millions

Product HS Code	Product label	2012	2013	2014	2015	2016	2017
Actual meat export (2012 - 2016)							
'0202	Meat of bovine animals, frozen	263	535	693	246	300	322
'0203	Meat of swine, fresh, chilled or frozen	223	240	341	281	224	203
'0210	Meat and edible offal, salted, in brine, dried or smoked; edible flours and meals of meat or ...	344	328	289	265	238	228
'0201	Meat of bovine animals, fresh or chilled	51	110	72	111	29	29
'0204	Meat of sheep or goats, fresh, chilled or frozen	785	671	1,090	1,658	2,395	2,440
'0207	Meat and edible offal of fowls of the species Gallus domesticus, ducks, geese, turkeys and ...	53	20	24	28	10	10
'0206	Edible offal of bovine animals, swine, sheep, goats, horses, asses, mules or hinnies, fresh, ...	23	9	2	21	25	44
Total		**1,743**	**1,913**	**2,510**	**2,610**	**3,222**	**3,246**
Projected export growth (2017 - 2022)							
'0202	Meat of bovine animals, frozen	322	355	408	510	688	964
'0203	Meat of swine, fresh, chilled or frozen	203	223	257	321	434	607
'0210	Meat and edible offal, salted, in brine, dried or smoked; edible flours and meals of meat or ...	228	251	289	361	487	682
'0201	Meat of bovine animals, fresh or chilled	29	32	37	46	62	87
'0204	Meat of sheep or goats, fresh, chilled or frozen	2,440	2,684	3,086	3,858	5,208	7,292
'0207	Meat and edible offal of fowls of the species Gallus domesticus, ducks, geese, turkeys and ...	10	11	13	16	21	30
'0206	Edible offal of bovine animals, swine, sheep, goats, horses, asses, mules or hinnies, fresh, ...	44	48	55	69	94	131
Total		3,246	3,570	4,106	5,132	6,929	9,700
Annual Growth Rate			10%	15%	25%	35%	40%
Period Average							**25%**

Source: ITC Trade Maps (figures converted from USD to KES using KRA provided Exchange rates)

If the meat sector is to contribute towards the national goal of 25% export growth per year, meat exports will need to grow by 10% rising to 40% per 2022. Building on the export growth momentum of 2012-2016, this will translate to meat exports increasing from KES3.2billion in 2012 rising to 9.7 billion by 2022.

Chart B3/2: Kenya meat exports - actual (2012-2016) and projected (2017-2022) KES Millions



B3/1.4.2.2 Select Destination Market Export Potential for Meat (Bovine, Sheep, Goat and Poultry meat and Pork)

To drive Kenya's meat export growth there are market opportunities in the following regional blocks or countries: EAC, COMESA, ECOWAS, EU, Saudi Arabia, UAE and Qatar. The market size of the target meat market in these countries is estimated at USD56billions against Kenya's annual average exports of USD34m over the same period. If Kenya were to focus on increasing its share in the markets to 5%, this would translate to meat exports of USD2.8billion up from the current paltry USD34million exports! This the horizon that the meat sector export strategy is focusing in targeting to grow the exports by an annual average of 25% over the period 2018 to 2022.

Table B3/2-6: Kenya exports of meat and select[86] destination countries and regions meat market potential

Product code	Product label	Kenya's exports to world Avg 2014 - 2016 (USD mn)	Select regions imports from Kenya. Avg 2014 - 2016 (USD mn)	Select regions imports from world. Avg 2014 - 2016 (USD mn)	Kenya's Export opportunity assuming a 5% market share (USD mn)
'0201	Meat of bovine animals, fresh or chilled	1	1	12,562	628
'0202	Meat of bovine animals, frozen	4	4	6,375	319
'0203	Meat of swine, fresh, chilled or frozen	4	4	12,716	636
'0204	Meat of sheep or goats, fresh, chilled or frozen	22	22	5,652	283
'0207	Meat and edible offal of fowls of the species Gallus domesticus, ducks, geese, turkeys	0	0	16,142	807
'0210	Meat and edible offal, salted, in brine, dried or smoked; edible flours and meals of meat	3	3	3,521	176
Total		**34**	**34**	**56,968**	**2,848**

Source: Computation from ITC Trade Maps

86 *The following are the select destinations countries and regions on the basis of revealed export potential for meat - EAC, COMESA, ECOWAS, EU, Saudi Arabia, UAE and Qatar*

B3/1.4.3 Constraints to Export of Meat and Meat Products

Performance of meat and meat products exports has in the past been severely limited by the following constraints, which the stakeholders indicated need to be addressed in order for the country to realize the projected export growth:

a) Weak linkage between National and County Government towards support of livestock development;

b) Weak enforcement of policy and legal frameworks to support meat industry for export;

c) Animal diseases and pests/prevalence of notifiable and transboundary diseases and pests such as CBPP, FMD, Rinderpest, and the Rift Valley fever and lack of disease free zones and bio-security infrastructure such as holding grounds and screening facilities;

d) Inadequate supply of livestock for meat processing at accredited export abattoirs and slaughter houses;

e) Weak livestock farmer organizations/associations to respond to demand for meat industry demand for quality livestock for meat exports;

f) Costly animal feeds and dwindling pasture land;

g) Lack of national pasture land development/rehabilitation program;

h) Lack of a credible Livestock Identification and Traceability System (LITS);

i) Prolonged drought and land use conflict;

j) Weak and inadequate livestock extension services;

k) Indigenous beef breeds takes longer to attain slaughter weights thus increasing cost of production;

l) Tough meat texture due to breed and age of carcass at time of slaughter;

m) Inadequate appropriate meat processing and value addition facilities and only a limited number of; slaughterhouses meet the level of sanitation conditions required for exporting meat;

n) Weak data collection system on meat industry production and exports; and,

o) Lack of export market information and weak market linkage.

B3/1.4.4 Strategic Objectives towards Development and Promotion of Meat Exports

This Strategy foresees limitations to meat export performance being addressed through carefully and targeted interventions within the framework of the following Strategic Objectives:

a) To promote implementation of the meat industry policy and regulatory framework in support of production of meat for export market;

b) To promote production of livestock for meat industry targeting export market;

c) To strengthen meat industry value and supply chains to ensure conformity with destination market meat standards and requirements; and,

d) To promote exports of meat in target destination markets.

B3/1.4.5 Strategic Interventions and Requirements towards Development and Promotion of Meat and Meat Products Exports

Strategic Objective #1:

To promote implementation of the meat industry policy and regulatory framework in support of production of meat for export market

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KESMn)
1) Strengthen DVS meat control and regulation unit to ensure adequate capacity to control and assure meat quality working in collaboration with the Counties in adherence to international standards and destination market requirements	State Department of Livestock (SDL), County Governments (CG), Department of Veterinary Services (DVS), KVA	200
2) Establish and operationalize National/County Governments/Meat Processors and Exporters Coordinating Committee on Meat Exports to drive the national agenda of meat exports	State Department of Livestock (SDL), County Governments (CG), Department of Veterinary Services (DVS), KVA, Accredited Export Abattoirs/Slaughter Houses, Kenya Livestock Marketing Council (KLMC) Kenya Livestock Producers Association (KLPA)	10
3) Review meat industry policy and regulations to ensure their effectiveness in promoting meat exports	SDL, CG, DVS, KVA, KLMC, KLPA	10
4) Disseminate to the Counties guidelines and procedures for establishment of export abattoirs and licensing requirements	SDL, CG, DVS, KVA	5
5) Prepare and disseminate information through meat industry portal, on certified export abattoirs, livestock for meat industry breeders/AI providers, licensed veterinary doctors in support of livestock for meat industry producers, and animal feed dealers/ industries	SDL, CG, DVS, KVA, KLMC, KLPA	10

Strategic Objective #2:

To Promote Production of Meat for Target Export Market

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KESMn)
1) Promote breeding and production of livestock for meat industry to ensure supply that is commensurate with the meat export growth target through Meat Industry Revolving Fund	SDL, DVS, KVA, CGs, KLPA and KLMC	500
2) Capacity build meat industry livestock producers cooperatives or farmer associations, including establishing some where none exists and linking them to export abattoirs for contract farming	SDL, DVS, KVA, CGs, State Department of Cooperatives, KLPA and KLMC	50

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KESMn)
3) Promote investments in feedlots linked to export abattoirs using Meat Industry Revolving Fund	SDL, CGs, KENINVEST, KLPA and KLMC	100
4) Promote production of affordable animals feeds for the livestock in the meat industry supply chain Meat Industry Revolving Fund	SDL, DVS, KVA, CGs, KAM. KNCCI, KEPSA, KLPA and KLMC	200
5) Provide adequate extension services in support of production of livestock for meat industry	SDL, CGs, DVS, KVA	100
6) Develop animal holding grounds complete with sanitary infrastructure and linked to export abattoirs	SDL, CGs, DVS, KVA, KLPA and KLMC	200
7) Undertake audit of existing export abattoirs to establish their current level of meat projection, their capacity to contribute towards the supply of meat for exports and their needs to enable them export to the target destination markets.	SDL, CGs, KENINVEST, KLPA and KLMC	100
8) Support upgrading of abattoirs and development of new ones to ensure adequate capacity for production of meat for export	SDL, CGs, KENINVEST, KLPA and KLMC	100

Strategic Objective #3:

To strengthen meat industry value and supply chains to ensure conformity with destination meat market standards and requirements

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KESMn)
1) Develop and implement a credible Livestock Identification and Traceability System (LITS)	SDL, KEBS, KLPA and KLMC	50
2) Encourage private investments in export slaughter houses for species that have limited number of facilities	SDL, KEBS, KLPA and KLMC	10
3) Ensure completion and operationalisation of all the export slaughter facilities constructed under the Economic Stimulus Program	SDL, KEBS, KLPA and KLMC	500
4) Harmonization of the health requirements/ Halal certifications in the region through development of MOU	SDL, KEBS, KLPA and KLMC	5
5) Advocate for direct involvement of the processors in the implementation of the National Residue Monitoring Plan at their levels	SDL, KEBS, KLPA and KLMC	5

Strategic Objective #4:

To promote exports of meat in target destination markets

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KESM)
1) Prepare annual market intelligence surveys for target meat and meat products in target destination markets	State Department for Trade, EPC, SDL, CGs, DVS, KLPA and KLMC	50
2) Disseminate market intelligence surveys to target sectors/businesses using the Kenya National Trade Portal	State Department for Trade, EPC, SDL, CGs, DVS, KLPA and KLMC	2
3) Identify destination market marketing Agencies for Kenyan meat and meat products and engage them to drive Kenya's export market share working closely with the private sector. Payment for the services to be tied to market share increments/concluded and delivered deals	State Department for Trade, EPC, SDL, CGs, DVS, KLPA and KLMC	100
4) Lease warehousing/distributorship center facilities, using a cost recovery model, for target meat and meat products in destination markets to ease visibility and distribution of Kenyan products in these markets	State Department for Trade, EPC, SDL, CGs, DVS, KLPA and KLMC	200
5) Provide matching grants to support exporters of target meat and meat products in scheduled export promotion events, Business to Business or Business to Consumers specific events in target destination markets	State Department for Trade, EPC, SDL, CGs, DVS, KLPA and KLMC	100
6) Target meat and meat products exporters listing in regional/continental/global e-commerce platforms to enhance visibility and complement market access initiatives		Firm level investments

B3/1.4.6 Resource Mobilization Plan for Development and Promotion of Meat and Meat Products Export

The estimated resource requirements for implementation of the meat and meat products export development and promotion strategy is KES1.4 billion. The specific interventions under each of the Strategic Objectives and accompanying resource requirements are as provided under the section on 'Strategic Interventions and Resource Requirements'. The sources of funds and Lead Agencies in mobilization of the funds are as listed in the resource mobilization plan below. The institutional structure through which the funds for meat and meat products export development and promotion will be mobilized is the 'Livestock Sector Working Group'. At this Sector Working Group, the Private Sector Stakeholders in the meat industry will take lead role in driving the agenda for meat and meat products exports with Government playing a facilitative role to ensure requisite resources and enabling environment for development and promotion of the exports of these services.

Table B3/2-7: Resource Mobilization Plan for Development and Promotion of Meat and Meat Products

SO#	Strategic Objective/ Focal Areas of Intervention	Amount Required (KESMn)	Estimated NEDPS Annual Resource Requirement (KES Millions)					Source	Lead Agencies in Resource Mobilization
			2018/19	2019/20	2020/21	2021/22	2022/23		
Meat and meat products (Bovine, Sheep, Goat and Poultry meat and Pork)									
1	To promote implementation of the meat industry policy and regulatory framework in support of production of meat for export market	230	46	46	46	46	46	MDAs and County Governments' MTPIII Annual Budgets, Private Sector programs, Development Partners	State Department of Livestock/County Government Counterpart/ KLDC/KVA/ Private Sector Meat Processors and Exporters - Representative Organization/ Association
2	To promote production of meat for target export market	155	31	31	31	31	31		
3	To strengthen meat industry value and supply chains to ensure conformity with destination meat market standards and requirements	570	114	114	114	114	114		
4	To promote exports of meat in target destination markets	452	91	91	90	90	90		
Sub-Total Meat and Meat Products		1,407	282	282	281	281	281		

B3/1.4.7 Implementation Plan towards Development and Promotion of Meat and Meat Products Export

Strategic Interventions/ Program Activities	Implementing Agencies	2018				2019				2020				2021				2022			
		Quarters				Quarters				Quarters				Quarters				Quarters			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
To promote implementation of the meat industry policy and regulatory framework in support of production of meat for export market																					
1) Strengthen DVS meat control and regulation unit to ensure adequate capacity to control and assure meat quality working in collaboration with the Counties in adherence to international standards and destination market requirements	State Department of Livestock (SDL), County Governments (CG), Department of Veterinary Services (DVS), KVA																				

Strategic Interventions/ Program Activities	Implementing Agencies	2018				2019				2020				2021				2022			
		Quarters				Quarters				Quarters				Quarters				Quarters			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
2) Establish and operationalize National/County Governments/ Meat Processors and Exporters Coordinating Committee on Meat Exports to drive the national agenda of meat exports	State Department of Livestock (SDL), County Governments (CG), Department of Veterinary Services (DVS), KVA, Accredited Export Abattoirs/ Slaughter Houses, Kenya Livestock Marketing Council (KLMC)																				
3) Review meat industry policy and regulations to ensure their effectiveness in promoting meat exports	SDL, CG, DVS, KVA, KLMC, KLPA																				
4) Disseminate to the Counties guidelines and procedures for establishment of export abattoirs and licensing requirements	SDL, CG, DVS, KVA																				
To Promote Production of Meat for Target Export Market																					
1) Promote breeding and production of livestock for meat industry to ensure supply that is commensurate with the meat export growth target through Meat Industry Revolving Fund	SDL, DVS, KVA, CGs, KLPA and KLMC																				
2) Capacity build meat industry livestock producers cooperatives or farmer associations, including establishing some where none exists and linking them to export abattoirs for contract farming	SDL, DVS, KVA, CGs, State Department of Cooperatives, KLPA and KLMC																				

Strategic Interventions/ Program Activities	Implementing Agencies	2018				2019				2020				2021				2022			
		Quarters				Quarters				Quarters				Quarters				Quarters			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	**Q1**	**Q2**	**Q3**	**Q4**
3) Promote investments in feedlots linked to export abattoirs using Meat Industry Revolving Fund	SDL, CGs, KENINVEST, KLPA and KLMC																				
4) Promote production of affordable animals feeds for the livestock in the meat industry supply chain Meat Industry Revolving Fund	SDL, DVS, KVA, CGs, KAM. KNCCI, KEPSA, KLPA and KLMC																				
5) Provide adequate extension services in support of production of livestock for meat industry	SDL, CGs, DVS, KVA																				
6) Develop animal holding grounds complete with sanitary infrastructure and linked to export abattoirs	SDL, CGs, DVS, KVA, KLPA and KLMC																				
7) Undertake audit of existing export abattoirs to establish their current level of meat projection, their capacity to contribute towards the supply of meat for exports and their needs to enable them export to the target destination markets.	SDL, CGs, KENINVEST, KLPA and KLMC																				
8) Support upgrading of abattoirs and development of new ones to ensure adequate capacity for production of meat for export	SDL, CGs, KENINVEST, KLPA and KLMC																				
To strengthen meat industry value and supply chains to ensure conformity with destination meat market standards and requirements																					
1) Develop and implement a credible Livestock Identification and Traceability System (LITS)	SDL, KEBS, KLPA and KLMC																				

Strategic Interventions/ Program Activities	Implementing Agencies	2018				2019				2020				2021				2022			
		Quarters				Quarters				Quarters				Quarters				Quarters			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
2) Encourage private investments in export slaughter houses for species that have limited number of facilities	SDL, KEBS, KLPA and KLMC																				
3) Ensure completion and operationalisation of all the export slaughter facilities constructed under the Economic Stimulus Program	SDL, KEBS, KLPA and KLMC																				
4) Harmonization of the health requirements/ Halal certifications in compliance with destination market requirements	SDL, KEBS, KLPA and KLMC																				
5) Facilitate direct involvement of the processors in the implementation of the National Residue Monitoring Plan at their levels	SDL, KEBS, KLPA and KLMC																				
To promote exports of meat in target destination markets																					
1) Prepare annual market intelligence surveys for target meat and meat products in target destination markets	State Department for Trade, EPC, SDL, CGs, DVS, KLPA and KLMC																				
2) Disseminate market intelligence surveys to target sectors/ businesses using the Kenya National Trade Portal	State Department for Trade, EPC, SDL, CGs, DVS, KLPA and KLMC																				
3) Identify destination market marketing Agencies for Kenyan meat and meat products and engage them to drive Kenya's export market share working closely with the private sector. Payment for the services to be tied to market share increments/concluded and delivered deals	State Department for Trade, EPC, SDL, CGs, DVS, KLPA and KLMC																				

Strategic Interventions/ Program Activities	Implementing Agencies	2018				2019				2020				2021				2022			
		Quarters				Quarters				Quarters				Quarters				Quarters			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
4) Lease warehousing/ distributorship center facilities, using a cost recovery model, for target meat and meat products in destination markets to ease visibility and distribution of Kenyan products in these markets	State Department for Trade, EPC, SDL, CGs, DVS, KLPA and KLMC																				
5) Provide matching grants to support exporters of target meat and meat products in scheduled export promotion events, Business to Business or Business to Consumers specific events in target destination markets	State Department for Trade, EPC, SDL, CGs, DVS, KLPA and KLMC																				
6) Target meat and meat products exporters listing in regional/continental/ global e-commerce platforms to enhance visibility and complement market access initiatives	KLPA and KLMC																				

B3/1.5 Dairy Industry

B3/1.5.1 Situational Analysis of Dairy Industry

The dairy industry is the single largest component within the agricultural sector contributing between 3% and 4% of the National GDP and 12% of agricultural GDP. Dairy production supports approximately 1.8million rural households in addition to over 700,000 jobs along the dairy value chain. Dairy production in Kenya is dominated by smallholder farmers who produce over 80% of the milk.

Kenya is one of the largest producers of dairy products in Sub Saharan Africa with an estimated herd of about 3.5 million improved dairy cattle, 14.1million indigenous cattle, 270,400 dairy goats, and 2.97 million dairy camels (2009 census). The total annual milk production is estimated at 5.7billion litres. Cattle produce about 88% of this milk while camels and goats contribute the rest. It is projected that milk production will continually grow by between 4.5% and 5% annually in the next ten years and by the year 2030, it is envisaged that the annual milk production in Kenya will increase to about 12 billion litres.[87] This targeted growth may need revision in view of the export angle that is being introduced through the National Export Development and Promotion Strategy,

87 "193 Sessional paper on Livestock Policy", revised 6th June 2014.

where an ambitious average growth in dairy products exports is envisaged at 25% per year over the period 2018 to 2022.

Current statistics as documented in the 2017 Economic Survey indicate that the quantity of marketed and processed milk increased by 5.6% and 3.2% to 650.3 million litres and 451.7 million litres respectively, between 2015 and 2016. However, production of butter, ghee and cheese decreased by 12.6% and 24.9%, respectively in 2016.

From a Dairy Value Chain Analysis conducted in February 2014 by USAID-KAVES (Kenya Agricultural Value Chain Enterprises), the expected national per capita milk consumption is to increase from 109 liters in 2014 to 137 liters by 2022, equivalent to 2.3% growth per year. This will increase national milk consumption to 7.57 billion liters by 2022. From the 4.68 billion liters available from domestic production in 2012, urban consumption represented 41 percent and is projected to rise to 47 percent in 2017 and 54 percent in 2022, surpassing rural consumption.[88]

Kenya has about thirty active milk processors, of which the largest are Brookside, New KCC, Githunguri and Daima. Together they process 85%of the 1.5 million kilograms of milk that are processed daily. The market leader is Brookside, in which Danone has held a 40% stake since 2014. Brookside applies a strategy of taking over other brands to increase market share, in both Kenya and the wider East Africa region. Although the market for processed milk and milk products has been growing steadily over the past ten years, an estimated 70 percent of all marketed milk still finds its way to the consumer through the raw milk market (marketed milk is estimated to over 50% of total milk produced). This creates distortions in the playing field for the formal market and is an impediment to its growth[89].

Consistent supply of high quality milk is a key challenge for all processors. The processors compete fiercely to mop up any milk available in the market as a competitive tactic. A significant proportion of raw milk produced in Kenya does not meet quality thresholds, due to poor handling hygiene at the farm level and adulteration during marketing which consequently makes it impossible to access export markets.

B3/1.5.2 Priority Dairy Products for Export Targeting

The dairy products that Kenya has revealed potential to export based on trade flow information are as listed in the table below. They include milk (liquid (fresh and long life), condensed milk, butter oil/ghee, ice cream and powder), butter, cheese, yoghurt and infant formula products.

HS Cpde	Product description
'0401	Milk and cream, not concentrated nor containing added sugar or other sweetening matter
'0402	Milk and cream, concentrated or containing added sugar or other sweetening matter
'0403	Buttermilk, curdled milk and cream, yogurt, kephir and other fermented or acidified milk and ...
'0404	Whey, whether or not concentrated or containing added sugar or other sweetening matter; products ...
'0405	Butter, incl. dehydrated butter and ghee, and other fats and oils derived from milk; dairy ...
'0406	Cheese and curd

88 "Dairy Value Chain Analysis," USAID-KAVES, February 2014.
89 "Small Holder Diary Value Chains Interventions," KMDP Status Report, June 2016

B3/1.5.3 Dairy Products Export Performance and Select Destination Market Export Potential

B3/1.5.3.1 Dairy Products Export Performance

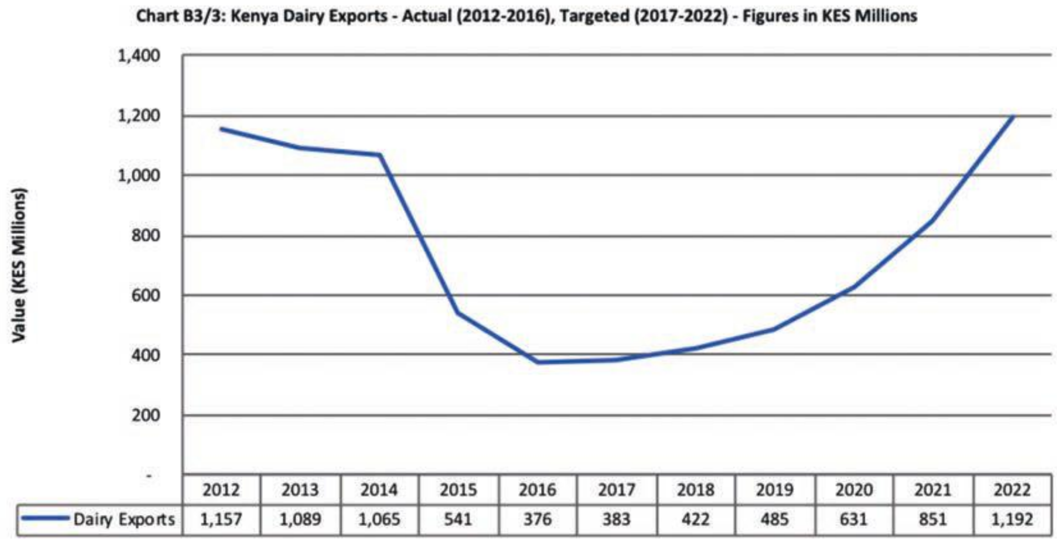
The dairy exports performance, as illustrated in the table below, has been deteriorating, having declined by 67% from KES1.2billion in 2012 to KES376million in 2016. This is attributed to non-tariff barriers that Kenya dairy products have continued to face in the regional market, coupled with dairy processors focus on huge milk demand in the domestic market which current milk supply is unable to satisfy.

Table B3/3-1: Dairy exports - Actual (2012-2016) and Projected (2018-2022) - Figures in KES Million

Product HS Code	Product Label	2012	2013	2014	2015	2016	2017
Actual dairy export (2012 - 2016)							
'0401	Milk and cream, not concentrated nor containing added sugar or other sweetening matter	588	730	657	396	178	182
'0402	Milk and cream, concentrated or containing added sugar or other sweetening matter	339	161	131	51	8	9
'0403	Buttermilk, curdled milk and cream, yogurt, kephir and other fermented or acidified milk and...	98	81	106	51	62	63
'0405	Butter, incl. dehydrated butter and ghee, and other fats and oils derived from milk; dairy...	109	92	137	38	118	120
'0406	Cheese and curd	22	24	34	6	9	10
Total		1,157	1,089	1,065	541	376	383
Projected dairy exports (2017 - 2022)							
		2017	2018	2019	2020	2021	2022
'0401	Milk and cream, not concentrated nor containing added sugar or other sweetening matter	182	200	230	299	404	565
'0402	Milk and cream, concentrated or containing added sugar or other sweetening matter	9	9	11	14	19	27
'0403	Buttermilk, curdled milk and cream, yogurt, kephir and other fermented or acidified milk and ...	63	69	80	104	140	196
'0405	Butter, incl. dehydrated butter and ghee, and other fats and oils derived from milk; dairy ...	120	132	152	198	267	374
'0406	Cheese and curd	10	11	12	16	21	30
Total		383	422	485	631	851	1,192
Annual Growth Rate			10%	15%	30%	35%	40%
Period Average							26%

Source: *ITC Trade Maps (figures converted from USD to KES using KRA provided Exchange rates)*

For the dairy industry to contribute towards the national export growth agenda, the aim should be to promote dairy products exports targeting to reach the exports of 2012, the year that the country recorded the highest dairy products exports. This will be realized if over the period 2018 to 2022 dairy exports grow by an annual average of 26%. This will translate in dairy exports increasing from the 2016 figure KES374million to KES1.2billion in 2022 as illustrated in the table above and the chart below.



B3/1.5.3.2 Select Destination Market Export Potential for Dairy Products

The markets to be targeted in dairy products export growth are EAC, COMESA, ECOWAS, ECCAS and Gulf Cooperation Council (Saudi Arabia, UEA, Qatar, Bahrain, and Kuwait) and select Middle East Countries. The annual market size in these countries is estimated at USD9.7billion against Kenya's export of USD9million. Therefore, if Kenya were to target a 5% share in these markets that would translate to USD488million worth of dairy products export business.

Table B3/3-2: Kenya exports of dairy products and select[90] destination countries' and regions' market potential

Product code	Product label	Kenya's exports to world - Average 2014 - 2016 (USD mn)	Select countries and regions imports from Kenya-Average 2014 - 2016 (USD mn)	Select countries and regions imports from world- Average 2014 - 2016 (USD mn)	Kenya's Export opportunity assuming a 5% market share (USD mn)
'0401	Milk and cream, not concentrated nor containing added sugar or other sweetening matter	7	7	978	49
'0402	Milk and cream, concentrated or containing added sugar or other sweetening matter	0.46	0.46	6,127	306
'0403	Buttermilk, curdled milk and cream, yogurt, kephir and other fermented or acidified milk and ...	1	1	1,105	55
'0405	Butter, incl. dehydrated butter and ghee, and other fats and oils derived from milk; dairy ...	1	1	1,549	77
Total		9	9	9,759	487

Source: computed from ITC Trade Maps

90 *The following are the select destination countries and regions on the basis of revealed export potential for dairy products - EAC, COMESA, ECOWAS, ECCAS and Gulf Cooperation Council (Saudi Arabia, UEA, Qatar, Bahrain, and Kuwait) and select Middle East Countries*

B3/1.5.4 Constraints to the Export of Dairy Products

Major effort is needed to translate dairy products export potential to a reality. The following constraints, which have in, the past acted as an impediment to export performance will need to be addressed:

a) Weak linkage between National and County Government towards support of dairy sector development;

b) Lack of coordinated approach to milk export drive and weak marketing systems for dairy products;

c) Weak dairy policy and legal and regulatory framework;

d) Inadequate and inconsistent supply of milk dictated by the weather patterns and Inadequate management strategies for the excess milk production during rainy seasons (milk going to waste);

e) Lack of national pasture land development/rehabilitation program;

f) Informal sector challenges that compromise objective of export drive;

g) Weak dairy extension services and high cost of input (feeds, veterinary medicine, services, food supplements and other necessary input for milk production - lower tariff for inputs to the feed industry);

h) Poor and uncoordinated breeding practices leading to inadequate production of affordable dairy cows;

i) Inadequate milk quality control centers, with current facilities having been overstretched;

j) Low value addition;

k) High cost of capital investment and labour;

l) Inadequate veterinary extension services workers leading to lots of losses at the farm level;

m) High cost of inputs, mainly animal feeds; and

n) Unreliable markets for the producers.

B3/1.5.5 Strategic Objectives towards Development and Promotion of Meat Exports

In order for the dairy industry to contribute towards national export agenda the constraints that have limited export growth need to be addressed. Under this Strategy, these constraints are to be addressed through interventions that will be pursued within the framework of the following Strategic Objectives:

a) To provide a business enabling legal and regulatory environment in support of exports of dairy products;

b) To promote production of dairy products for exports; and

c) To promote dairy products exports in target destination markets.

B3/1.5.6 Strategic Interventions and Resource Requirements towards Development and Promotion of Dairy Products Exports

Strategic Objective #1:

To provide a business enabling legal and regulatory environment in support of exports of dairy products

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KESMn)
1) Establish and facilitate National/County Governments/Dairy Industry Stakeholder forum to strengthen coordination of dairy sector development for enhanced production of dairy products for export	SDL, CGs, KDB, KLMC, KDPA, KVA and any other private sector association	20
2) Finalize the review of the National Dairy Development Policy and operationalize it	SDL, CGs, KDB, KLMC, KDPA, KVA and any other private sector association	5
3) Review regulations of the dairy industry with a view to ensuring their contribution to enhancement for dairy products exports	SDL, CGs, KDB, KLMC, KDPA, KVA and any other private sector association	5
4) Publish and disseminate dairy products quality controls and requirements to enhance compliance and promotion of production of quality dairy products	SDL, CGs, KDB, KLMC, KDPA, KVA and any other private sector association	5
5) Publish and disseminate requirements and licensing procedures for establishment of accredited dairy processing facilities for production of dairy products for exports	SDL, CGs, KDB, KLMC, KDPA, KVA and any other private sector association	5
6) Publish and disseminate dairy products exports procedures and requirements	SDL, CGs, KDB, KLMC, KDPA, KVA and any other private sector association	5
7) Development and publicize dairy products trade facilitation institutions charter of service	SDL, CGs, KDB, KLMC, KDPA, KVA and any other private sector association	5
8) Engage with target destination market countries to obtain information on market access requirements for trade and conclude an MOU between Kenya and the target countries on green channel for Kenya dairy products to address concerns about NTBs	SDT, SDL, Kenya Missions Abroad, KLMC	100

Strategic Objective #2:

To promote production of dairy products for exports

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirement (KESMn)
1) Promote breeding and production of livestock for dairy industry to ensure supply that is commensurate with the dairy products export growth target through Dairy Industry Revolving Fund	SDL, DVS, CGs, KDB, KDPA, DFA, KLMC, KVA	2000

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirement (KESMn)
2) Capacity build dairy industry livestock producers cooperatives or farmer associations, including establishing some where none exists and linking them to dairy processors for contract farming	SDL, DVS, CGs, KDB, KDPA, DFA, KLMC, KVA	55
3) Promote production of affordable animals feeds for the dairy industry livestock supply chain through Dairy Industry Revolving Fund	SDL, DVS, CGs, KDB, KDPA, DFA, KLMC, KVA	200
4) Provide adequate extension services in support of production of livestock for dairy industry	SDL, DVS, CGs, KDB, KDPA, DFA, KLMC, KVA	100
5) Encourage and support investments in dairy processing to enhance value addition of milk targeting dairy products with export potential through Dairy Industry Revolving Fund	SDL, DVS, KDB, KEBS, KEPSA, KENINVEST, KDPA, DFA, MSEA	2000
6) Promote production of pastureland grass and its use in reclamation of degraded pastureland and development of pastureland in support of dairy farming	SDL, Kenya Seed, KDPA	500

Strategic Objective #3:

To promote exports of dairy in target destination markets

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KESM)
1) Prepare annual market intelligence surveys for target dairy products in target destination markets	State Department for Trade, EPC, SDL, KDPA	50
2) Disseminate market intelligence surveys to target sectors/businesses using the Kenya National Trade Portal	State Department for Trade, EPC, SDL, KDPA	2
3) Identify destination market marketing Agencies for Kenyan dairy products and engage them to drive Kenya's export market share working closely with the private sector. Payment for the services to be tied to market share increments/concluded and delivered deals	State Department for Trade, EPC, SDL, KDPA	100
4) Lease warehousing/distributorship center facilities, using a cost recovery model, for target dairy products in destination markets to ease visibility and distribution of Kenyan products in these markets	State Department for Trade, EPC, SDL, KDPA	200
5) Provide matching grants to support exporters of target dairy products in scheduled export promotion events, Business to Business or Business to Consumers specific events in target destination markets	State Department for Trade, EPC, SDL, KDPA	100
6) Target dairy products exporters listing in regional/continental/global e-commerce platforms to enhance visibility and complement market access initiatives	KDPA	Firm level investments

B3/1.5.7 Resource Mobilization Plan for Development and Promotion of Dairy products for Export

The estimated resource requirements for implementation of the dairy products export development and promotion strategy is KES5.5 billion. The specific interventions under each of the Strategic Objectives and accompanying resource requirements are as provided under the section on 'Strategic Interventions and Resource Requirements'. The sources of funds and Lead Agencies in mobilization of the funds are as listed in the resource mobilization plan below. The institutional structure through which the funds for dairy products export development and promotion will be mobilized is the 'Dairy Sub-Sector Working Group' of NEDPS Livestock Sector Working Group. At the Dairy SSWG, The Private Sector Stakeholders in the dairy industry will take lead role in driving the agenda for dairy products exports with Government playing a facilitative role to ensure requisite resources and enabling environment for development and promotion of the exports of these services.

Table B3/3-3: Resource Mobilization Plan for Development and Promotion of Dairy Products for Export

SO#	Strategic Objective/ Focal Areas of Intervention	Amount Required	Estimated NEDPS Annual Resource Requirement (KES Millions)					Source	Lead Agencies in Resource Mobilization
			2018/19	2019/20	2020/21	2021/22	2022/23		
Dairy Industry									
1	To provide a business enabling legal and regulatory environment in support of dairy exports	150	30	30	30	30	30	MDAs and County Governments' MTPIII Annual Budgets, Private Sector programs, Development Partners	State Department of Livestock/ County Government Counterpart/ KLDC/ KVA/Dairy Processors Association/ Dairy Farmers - Representative Organization/ Association
2	To promote production of dairy products for exports	4,855	971	971	971	971	971		
3	To promote exports of dairy in target destination markets	452	91	91	90	90	90		
Sub-Total Dairy Products		5,457	1,092	1,092	1,091	1,091	1,091		

B3/1.5.8 Implementation Plan towards Development and Promotion of Dairy Products for Export

Strategic Interventions/ Program Activities	Implementing Agencies	2018				2019				2020				2021				2022			
		Quarters				Quarters				Quarters				Quarters				Quarters			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
SO#1: To provide a business enabling legal and regulatory environment in support of exports of dairy products																					
1) Establish and facilitate National/County Governments/Dairy Industry Stakeholder forum to strengthen coordination of dairy sector development for enhanced production of dairy products for export	SDL, CGs, KDB, KLMC, KDPA, KVA and any other private sector association																				
2) Finalize the review of the National Dairy Development Policy	SDL, CGs, KDB, KLMC, KDPA, KVA and any other private sector association																				
3) Review regulations of the dairy industry with a view to ensuring their contribution to enhancement for dairy products exports	SDL, CGs, KDB, KLMC, KDPA, KVA and any other private sector association																				
4) Publish and disseminate dairy products quality controls and requirements to enhance compliance and promotion of production of quality dairy products	SDL, CGs, KDB, KLMC, KDPA, KVA and any other private sector association																				
5) Publish and disseminate requirements and licensing procedures for establishment of accredited dairy processing facilities for production of dairy products for exports	SDL, CGs, KDB, KLMC, KDPA, KVA and any other private sector association																				
6) Publish and disseminate dairy products exports procedures and requirements	SDL, CGs, KDB, KLMC, KDPA, KVA and any other private sector association																				

Strategic Interventions/ Program Activities	Implementing Agencies	2018				2019				2020				2021				2022			
		Quarters				Quarters				Quarters				Quarters				Quarters			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
7) Develop and publicize dairy products trade facilitation institutions charter of service	SDL, CGs, KDB, KLMC, KDPA, KVA and any other private sector association																				
8) Engage with target destination market countries to obtain information on market access requirements for trade and conclude an MOU between Kenya and the target countries on green channel for Kenya dairy products to address concerns about NTBs	SDT, SDL, Kenya Missions Abroad, KLMC																				
SO#2: To promote production of dairy products for exports																					
1) Promote breeding and production of livestock for dairy industry to ensure supply that is commensurate with the dairy products export growth target through Dairy Industry Revolving Fund	SDL, DVS, CGs, KDB, KDPA, DFA, KLMC, KVA																				
2) Capacity build dairy industry livestock producers cooperatives or farmer associations, including establishing some where none exists and linking them to dairy processors for contract farming	SDL, DVS, CGs, KDB, KDPA, DFA, KLMC, KVA																				
3) Promote production of affordable animals feeds for the dairy industry livestock supply chain through Dairy Industry Revolving Fund	SDL, DVS, CGs, KDB, KDPA, DFA, KLMC, KVA																				
4) Provide adequate extension services in support of production of livestock for dairy industry	SDL, DVS, CGs, KDB, KDPA, DFA, KLMC, KVA																				

Strategic Interventions/ Program Activities	Implementing Agencies	2018				2019				2020				2021				2022			
		Quarters				Quarters				Quarters				Quarters				Quarters			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
5) Encourage and support investments in dairy processing to enhance value addition of milk targeting dairy products with export potential through Dairy Industry Revolving Fund	SDL, DVS, KDB, KEBS, KEPSA, KENINVEST, KDPA, DFA, MSEA																				
6) Promote production of pastureland grass and its use in reclamation of degraded pastureland and development of pastureland in support of dairy farming	SDL, Kenya Seed, KDPA																				
SO3: To promote exports of dairy in target destination markets																					
1) Prepare annual market intelligence surveys for target dairy products in target destination markets	State Department for Trade, EPC, SDL, KDPA																				
2) Disseminate market intelligence surveys to target sectors/ businesses using the Kenya National Trade Portal	State Department for Trade, EPC, SDL, KDPA																				
3) Identify destination market marketing Agencies for Kenyan dairy products and engage them to drive Kenya's export market share working closely with the private sector. Payment for the services to be tied to market share increments/concluded and delivered deals	State Department for Trade, EPC, SDL, KDPA																				
4) Lease warehousing/ distributorship center facilities, using a cost recovery model, for target dairy products in destination markets to ease visibility and distribution of Kenyan products in these markets	State Department for Trade, EPC, SDL, KDPA																				

Strategic Interventions/ Program Activities	Implementing Agencies	2018				2019				2020				2021				2022			
		Quarters				Quarters				Quarters				Quarters				Quarters			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
5) Provide matching grants to support exporters of target dairy products in scheduled export promotion events, Business to Business or Business to Consumers specific events in target destination markets	State Department for Trade, EPC, SDL, KDPA																				
6) Target dairy products exporters listing in regional/continental/ global e-commerce platforms to enhance visibility and complement market access initiatives	KDPA																				

B3/1.6 Honey Industry

B3/1.6.1 Situational Analysis of Honey Industry

Beekeeping is well established in Kenya and can be successfully carried out in about 80% of the country. It is especially suitable in the semi-arid areas where rain-fed agriculture is difficult. Beekeeping contributes to incomes as well as food security through provision of honey, beeswax, propolis and pollination. The country's potential for apiculture development is estimated at over 100,000 tons of honey and 10,000 tons of beeswax. At the moment, only about 20% of this potential is being exploited[91].

The Ministry of Agriculture established a National Beekeeping Station in 1982 and later designated it as the National Bee Keeping Institute with the mandate to capacity build stakeholders on beekeeping, develop the research agenda for improved and highly productive bee colonies, promote value added hive products, develop, manage and disseminate beekeeping information and technologies that promote production encourage and promote environmental conservation, particularly feral bee colonies, Quality Assurance and Standards advisory on beekeeping equipment and hive products.

The industry has shown major developments in various aspects and is now an important component of the livestock sector. The industry provides income to beekeepers, persons employed formally in equipment manufacturing and hive products processing and packaging. Indirectly the industry contributes to employment creation in confectionery, pharmaceutical, brewing, cosmetics industries and other service providers such as retailers, transporters and suppliers of packaging materials. Honey is an important food component in nutrition as a source of energy, protein, vitamins, minerals and amino acids. Additionally, honey has medicinal properties and serves as a food preservative. These qualities, coupled by growing gobal demand in honey makes honey a

91 "193 Sessional paper on Livestock Policy", revised 6th June 2014.

perfect product for targeting in the search for national export growth through the National Export and Development Strategy.

There has been progressive growth in production of honey, beeswax and beekeeping equipment. The national honey production is currently estimated at 25,000 metric tonnes per annum. As pointed above, the country has an annual estimated honey production potential of about 100,000 metric tonnes per year. Despite this huge potential the country is unable to meet its local market demand for honey. The honey production in Kenya is from approximately 2 million hives (irrespective of type).

Kenya does not meet its own demand of hive products. This deficit has led to the importation of hive products, especially honey, from neighbouring Tanzania. Importation of such products requires the enforcement of sanitary regulations to avoid sub-standard products, introduction of bee diseases and pests and unregulated importation across the borders, which poses unfair competition to the local producers. According to the 2016 statistics from the United Nations Commodity Trade Statistics Database, Kenya imported honey worth $228,604 from markets like Egypt, Australia and Tanzania. There also exists a potential for the export market, but this has not been exploited due to low production quantities.

Quality assurance in hive products is important in accessing both local and external markets. Currently, there is inadequate and inconsistent enforcement of existing standards. There is also inadequate training and poor coordination between public agencies charged with the responsibility of quality assurance. Even though, the standards of honey and beeswax have been set, they require regular review to keep them in tandem with market demands.

The following are selected honey producing counties in Kenya with prospects to contribute to honey exports drive; Baringo, West Pokot, Mwingi, Kitui, Tharaka Nithi, Samburu, Kibwezi, Makueni, Western region and Coast region (Taita Taveta).

The following are honey marketing platforms in Kenya:

a) *The Baringo Honey Marketing Platform;*
b) *The Samburu Honey Marketing Platform;*
c) *The West pokot Honey Marketing Platform;*
d) *Honey Cooperatives: Kibwezi, Kitui, Makueni,Taita Taveta, Tharaka;*
e) *Mwingi Honey Marketplace (Eco-Honey);*
f) *Individual Packers: Tharaka honey, Makambu honey;*
g) *Kenya Beekeeper's Association;*
h) *Honey care Africa; and,*
i) *The Kenya Honey Council.*

B3/1.6.2 Honey Export Performance and Select Destination Market Export Potential

B3/1.6.2.1 Honey Export Performance

According to the ITC Trade Map data, Kenya honey exports have recorded a decline of 73% from USD130,116 in 2012 to USD26,976 on 2016. This is explained mainly by a decline in honey production. For instance in 2014, a report by African Business quoted Mr. Simeoni of African Beekeepers as saying[92] *"I produce 10tonnes. Last year [2013] my production dropped by 50%,"*

92 *Refer Article by Amera Jiwaji in African Business Edition of 28 January 2014 - http://africanbusinessmagazine.com/sectors/agriculture/the-money-is-in-the-honey/*

said Simeoni of African Beekeepers. "There's no honey. The bees have declined and people are choosing not to [keep bees] anymore."

This experience is echoed in the same report (African Business, 28 January 2014), quoting apiculture consultant Mburugu who noted *"a similar trend among the 5,000 farmers she works with in the areas of Kitui, Baringo, Laikipia, West Pokot, Tharaka Nithi. Ideally, each hive, she explained, ought to produce 20 to 30 kilos of honey per harvest, with two harvests in a year. But a sharp decline in volume has been experienced because of climate change. Natural products like honey depend on the rain and on bee-attracting plants".*

Therefore, decline in honey exports is associated with national decline in production. This view is collaborated by views from honey stakeholder institutions who participated in the formulation of this Strategy.

The impact of the decline in honey on export is further aggravated by the huge and lucrative domestic market for honey which some honey producers switched to abandoning export ambitions. This view is upheld by from the African Business report, that is quoted above, where Lydia Mbiti of Makambu Honey, which handled 50tonnes of honey in a year and supplies some of the country's larger manufacturers such as Premier Foods, Kitui Woodlands and Kate's Organics, indicted that the high levels of local demand for honey had prevented the company from looking at the export market. Elaborating this view further in the report, Lydia is quoted to have observed that *"In Kenya the demand for honey is really high. Packers or producers don't want to get involved in export because of the logistics involved. They prefer to sell locally or in the region because there is a readily available market."*

This challenge notwithstanding, lucrative honey prices in the global market is cited as a key reason to think of export, while supplying the domestic market, which though lucrative cannot match the margins offered in the international markets. For instance, African Business (18th Jan 2014) observed that *"Priced at between $6-$9 (Ksh500-Ksh800), one kilo of honey in Kenya costs five times what a litre of petrol does ($1.20 or Ksh105). And in the Arab market, a jar of honey can fetch almost double this amount ($15-$20). It is a price tag that has honey producers all over the world salivating. While Kenya is not one of the largest exporters of honey globally, it is a trade that is being closely watched as Kenyan producers strategise on how to pioneer their entry into this lucrative honey market. Ethiopia is the largest producer of honey in Africa, and according to USAID, produces approximately 45,300t annually. Tanzania is the second largest (8,000t annually according to the Grassroots Business Fund), and Kenya ranks third in the region, followed by Uganda and then Rwanda, with just 4,000t a year."*

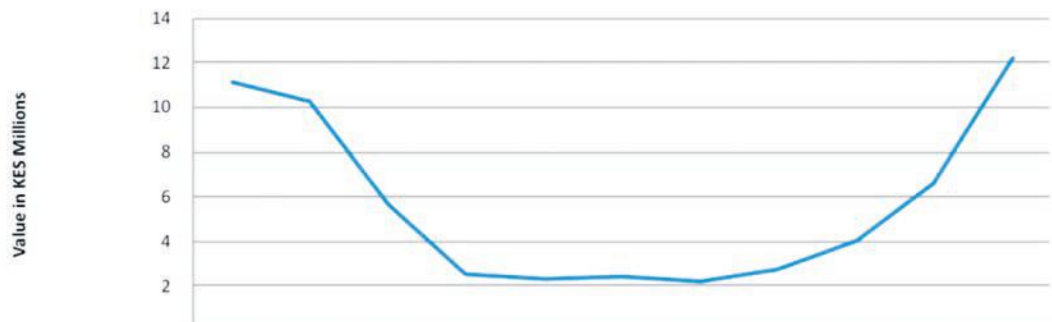
Table B3/4-1: Honey exports - Actual (2012-2016) and Projected (2018-2022)

Product Code	Product Description	2012	2013	2014	2015	2016	2017
Actual honey exports (2012 - 2016)							
0409	Natural honey	130,116	119,198	64,067	58,968	35,456	26,976
Projected honey exports (2017 - 2022)							
		2017	2018	2019	2020	2021	2022
'0409	Natural honey	26,976	29,674	34,125	49,481	81,643	142,875
Annual Growth Rate			10%	15%	45%	65%	75%
Five year average growth							46%

Source: KRA Customs Statistics

Given the poor performance in exports, the goal of enhancing honey exports will be to stimulate export growth to the level of 2012. This will be achieved through pursuing interventions that lead to growth in honeys exports by an average 46% per year over the period 2018 to 2022, from USD29,674 in 2018 to USD142,875 by 2022. This is a modest target compared with the proposed target of 5% of the destination market size, which Kenya should aspire to get through this Strategy's interventions. The graph below demonstrates the growth trend of honey exports, on the basis of the modest growth target.

Chart B3/4: Kenya exports of honey, Actual (2012-2016) based on ITC Trade Maps (conversion in to KES using KRA Exchange Rate), Projected (2017-2022), Value in KES Millions



	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Natural honey	11	10	6	3	2	2	2	3	4	7	12

B3/1.6.2 Select Destination Market Export Potential for Honey

The target markets that will drive honey exports are as follows: EU, USA, China, Gulf Cooperation Council States (Saudi Arabia, UEA, Qatar, Bahrain, Kuwait and Oman), Japan, Canada and EAC. As illustrated in the table below, these countries/Regional Blocs have an annual honey market size estimated at USD1.9 billion. Kenya is reported to have exported honey amounting to USD76,000 to the EAC and the USA.

Therefore, there is a huge global honey market where Kenya is least engage. If the country were to aim at taking a modest share 5% in these markets, that would translate to increasing Kenya exports of honey from USD76,000 per year to USD96 million per year, a target that is achievable if the supplied side constraints, as discussed later in this section of the Strategy are addressed. The other source of feasibility of the envisaged increase in share of Kenya's honey exports into this market is measures already taken by the Government to secure preferential market access deals (in the case of EU, USA and EAC) or cordial bilateral trade relations that could be exploited to translate into honey business.

Table B3/4-2: Kenya exports of honey to the world and select[93] destination countries and regions export market potential

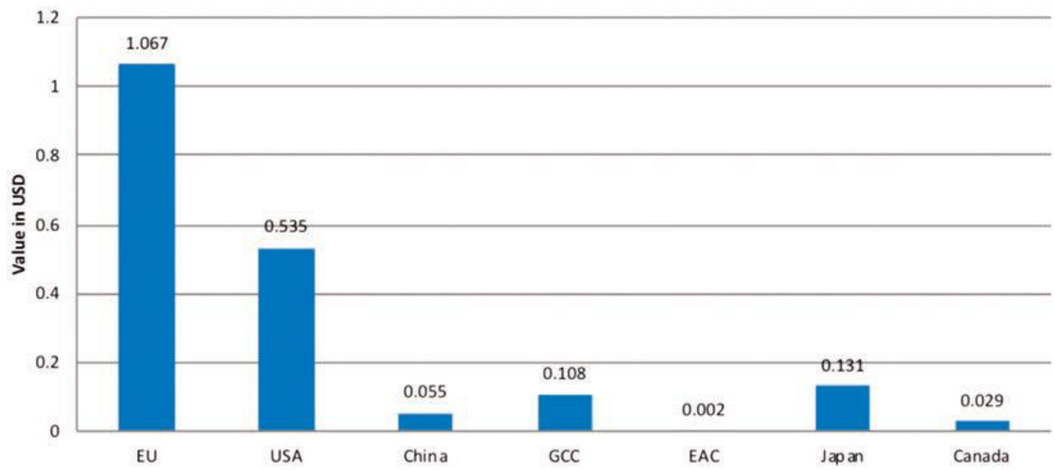
Product code	Product label	Kenya's exports to world Avg 2012 - 2016 (USD mn)	Select regions imports from Kenya. Avg 2014 - 2016 (USD mn)	Select regions imports from world. Avg 2014 - 2016 (USD mn)	Kenya's Export opportunity assuming a 5% market share (USD mn)
'0409	Natural Honey	0.000076	0.000075	1,927	0.096

Source: *Computed from ITC Trade Maps*

93 *The following are the select destination countries and regions on the basis of revealed export potential for honey - EU, USA, China, Gulf Cooperation Council States (Saudi Arabia, UEA, Qatar, Bahrain, Kuwait and Oman), Japan, Canada and EAC*

Analysis of the destination potential markets shows the EU to be the biggest market, whose size is estimated at USD1.1billion, followed by the USA, Japan and Gulf Cooperation Council States. These are the countries that should be focused on immediately as low lying fruits for translation of honey potential to real business. Kenya is currently exporting no honey to these countries, with exception of the USA where KRA Customs Statistics shows export of USD15,000 and USD28,000 in 2012 and 2013 to the USA and nil thereafter.

Chart B3/5: Lead destination countries and regions for honey exports by market size, based on these markets imports of honey from the world (average imports for the period 2012 - 2016) - Figures in USDMillions



B3/1.6.3 Constraints in Exporting Honey

As already pointed out to above, honey exports faces numerous challenges that requires concerted efforts if the country is to realize the ambition of being a honey exporting Nation. These challenges include:

a) Declining production of honey leading to low volumes that are not able to attract bulk buyers;

b) Inadequate implementation of the beekeeping policy and legal framework, weak institutional support and infrastructure for honey sub-sector;

c) Lack of adequate skills among beekeepers on managing bees and handling hive products;

d) Inadequate training for both farmers and extension staff is also a challenge facing this sector;

e) Limited access to appropriate beekeeping equipment;

f) Lack of adequate and intense research on the existing beekeeping technologies, equipment, honey bee and product utilization;

g) Poor dissemination of available research findings and low research initiatives;

h) Low adoption of technology, technology development and improvements;

i) Weak sector stakeholder institutional framework;

j) Fragmented data on production, processing and marketing;

k) Lack of a functional monitoring plan for honey imports and exports;

l) Little access to reliable marketing information, weak market linkage and fragmented marketing systems;

m) Lack of accredited commercial testing laboratories for honey export;

n) Inability to meet international market requirements (e.g. the EU where Kenya is not allowed to export honey);

o) Low prioritization of beekeeping in relation to other enterprises in the wider Agricultural sector has also been a problem facing this sector because they get less funds from the government;

p) High cost of production and processing equipment;

q) Pests and diseases;

r) Inadequate extension services;

s) Climate variability and environmental degradation;

t) Adulteration from untruthful beekeepers leading to poor quality honey in the market;

u) Lack of business knowledge on bee keeping; and,

v) Underdeveloped value addition capacity.

B3/1.6.4 Strategic Objectives and Interventions towards Development and Promotion of Honey Exports

The zeal for developing and promoting honey exports lies in the untapped honey production potential, estimated at 80,000tonnes, which if realized would catapult the nation to the list of the top ten global honey producers. The other compelling reason is huge potential for production of honey in the ASAL region through climate change initiatives and huge irrigation projects that the Government is rolling out. Honey production will play two roles. The first role will be rehabilitation of environment through production of plants, flowers and trees that attract bees for the sake of honey production. The second role is where honey production is adapted as an add on to the food security related climate change initiatives, to ensure that as we realize increased food production, we also harvest honey from plants that will be planted.

Increased production of honey, which given the above compelling factors some of which have been put in motion through the Food Security Pillar of economic transformation, export market will become mandatory, because honey produced will surpass domestic demand.

1. To strengthen and implement policy, legal and regulatory framework for honey sub-sector;
2. To undertake Research and Development on honey production and processing;
    i) Undertake a bench marking study, using the top ten global honey producers, to establish institutional framework, policy and administrative measures, technology and equipment that the country needs to pursue in order to encourage cost effective and competitive high quality honey production in regions to be designated as commercial honey producing regions;

    ii) Draw up a Research and Development program geared towards implementing the recommendations for the baseline survey; and,

    iii) Implement the Honey production Research and Development program for honey exports targeting promotion of exports to achieve the NEDPS target for honey export.
3. To promote production and processing of honey products for the target export markets :
    i) Prepare and disseminate material on business case for beekeeping and honey processing to stimulate interest among farming communities and the youth;

ii) *Create awareness among farming communities in regions where honey production can occur on environmental requirements for bee keeping, including vegetation, trees, plants, water dams, among other requirements;*

iii) *Designate, through participatory process and based on ecological conditions supportive of beekeeping, commercial honey producing areas and gazette them for purposes of benefiting from Government support towards promoting honey production and processing;*

iv) *Provide support in rehabilitation of the environment in all areas designated as commercial honey producing regions;*

v) *Train honey procedures and processors on technics and skills for production of high quality honey and postharvest handling and hazards of honey adulteration;*

vi) *Support honey producers and processors to acquire latest cutting edge technology and equipment for honey production and processing;*

vii) *Support honey producers to develop and manage accredited honey bulking centers to facilitate aggregation to meet large orders for both domestic and international markets; and,*

viii) *Provide access roads to all designated commercial honey producing and processing regions to ensure link to the market.*

4. To develop and enforce honey quality and food safety standards:

   i) *Enforce SPS measures that free the country of pests that pose threat to honey production, aiming at ensuring the country is free from this threat;*

   ii) *Support the honey industry to attain the EU, USA and other destination market SPS and other requirements that are making Kenya not export honey to these markets;*

   iii) *Develop standards and quality testing and assurance infrastructure for honey exports;*

   iv) *Develop an industry code of ethics to facilitate enforcement of the honey quality and food safety standards throughout the value chain;*

   v) *Develop severe public/private sector driven framework work to penalizing honey producers and processors that are found not to comply with the set standards; and,*

   vi) *Develop a framework and mechanism for enforcing the honey quality and food safety standards by an accredited independent Agent appointed by the industry for purposes of supporting Kenya to emerge as a preferred global source of honey.*

5. To strengthen the honey industry value chain to ensure its responsiveness to the export market volume and quality requirements:

   i) *Undertake baseline survey in all designated commercial honey producing and processing regions to identify farmers, honey producers and processors, noting down their capacity (current and potential) and associations that they belong as members;*

   ii) *Encourage beekeeping farmers, honey producers and processors to join existing associations, where such associations or cooperatives exists, or form such associations/cooperatives for purposes of visibility and being aligned to the national goal of producing sufficient and visible volumes of honey to meet domestic and international market requirements;*

   iii) *Undertake capacity building needs assessment, in the context of the country's quest for enhancing honey production and processing and establish capacity gaps to ensure that beekeeping farmers and honey producers and processors in the commercial honey producing regions are equipped with skills and knowledge for production, harvesting, processing and marketing;*

iv) Establish/strengthen National Honey Producers and Processors Association as a reputable and industry respected institution to promote the country's dream of being among top global honey producers; and,

v) Support honey producers and processors to set up marketing system that provides direct link to domestic and international markets, aiming at ensuring that the producers and processors get best prices that the markets offer.

6. To promote honey export into the target markets

i) Undertake a survey of all existing and prospective honey exporters and create a database within the National Exporters data base of exporters to facilitate visibility;

ii) Register exporters by their destination market of preference to act as the platform that the country will use in marketing available and export ready honey to the destination market;

iii) Undertake Market Intelligence on destination market size, market access requirement and potential clients and disseminate this information to the registered honey exporters;

iv) To identify and appoint destination country Marketing Agents to promote Kenya's increased market share in these markets working in collaboration with registered honey exporters through support from Honey Export Development Fund;

v) To host annual national event on 'Source Kenya Honey' to show case Kenya honey and Kenya designated commercial honey producing regions for purposes of deal making and export market diversification;

vi) Organize and coordinate Kenya Honey dedicated Trade Fairs in target destination markets with a view to providing tasting experience and dealing making; and,

vii) Provide matching grants to registered honey exporter SMEs and women owned enterprises to participate in Kenya Honey dedicated Trade Fairs and other International Honey trade events.

B3/1.6.5 Strategic Interventions and Resource Requirements for Development and Promotion of Honey Exports

Strategic Objective #1:

To strengthen and implement policy, legal and regulatory framework for honey sub-sector

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KESMn)
1) Establish and Operationalize National and County Government honey production and processing coordination platform to ensure coordinated approach to national sustainable efforts of promoting honey production and processing	SDL, DVS, National Bee Keeping Institute, Honey production and processing stakeholder institutions	5
2) Finalize the review of the National Bee Keeping Policy	SDL, DVS, National Bee Keeping Institute, Honey production and processing stakeholder institutions	5
3) Finalize the regulations on the Bee keeping industry	SDL, DVS, National Bee Keeping Institute, Honey production and processing stakeholder institutions	5
4) Operationalize and implement National Beekeeping Policy and Regulation	SDL, DVS, National Bee Keeping Institute, Honey production and processing stakeholder institutions	50

Strategic Objective #2:

To undertake Research and Development on honey production and processing

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KESM)
1) Undertake a bench marking study, using the top ten global honey producers, to establish institutional framework, policy and administrative measures, technology and equipment that the country needs to pursue in order to encourage cost effective and competitive high quality honey production in regions to be designated as commercial honey producing regions.	SDL, DVS, National Bee Keeping Institute, Honey production and processing stakeholder institutions	20
2) Draw up a Research and Development program geared towards implementing the recommendations for the baseline survey	SDL, DVS, National Bee Keeping Institute, Honey production and processing stakeholder institutions	10
3) Implement the Honey production and processing Research and Development program for honey exports targeting promotion of exports to achieve the NEDPS target for honey export	SDL, DVS, National Bee Keeping Institute, Honey production and processing stakeholder institutions	200

Strategic Objective #3:

To promote production and processing of honey products for the target export markets

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KESM)
1) Prepare and disseminate material on business case for beekeeping and honey processing to stimulate interest among farming communities and the youth	SDL, DVS, National Bee Keeping Institute, Honey production and processing stakeholder institutions	10
2) Create awareness among farming communities in regions where honey production can occur on environmental requirements for bee keeping, including vegetation, trees, plants, water dams, among other requirements	SDL, DVS, National Bee Keeping Institute, Honey production and processing stakeholder institutions	75
3) Designate, through participatory process and based on ecological conditions supportive of beekeeping, commercial honey producing areas and gazette them for purposes of benefiting from Government support towards promoting honey production and processing	SDL, DVS, National Bee Keeping Institute, Honey production and processing stakeholder institutions	10
4) Provide support in rehabilitation of the environment to create beekeeping farms in all areas designated as commercial honey producing regions	SDL, DVS, National Bee Keeping Institute, Honey production and processing stakeholder institutions	100
5) Train honey procedures and processors on technics and skills for production of high quality honey and postharvest handling and hazards of honey adulteration	SDL, DVS, National Bee Keeping Institute, Honey production and processing stakeholder institutions	50

Strategic Interventions/Program Activities		Implementing Agencies	Resource Requirements (KESM)
6)	Support honey producers and processors to acquire latest cutting edge technology and equipment for honey production and processing	SDL, DVS, National Bee Keeping Institute, Honey production and processing stakeholder institutions	400
7)	Support honey producers to develop and manage accredited honey bulking centers to facilitate aggregation to meet large orders for both domestic and international markets	SDL, DVS, National Bee Keeping Institute, Honey production and processing stakeholder institutions	200
8)	Provide access roads to all designated commercial honey producing and processing regions to ensure link to the market	SDL, DVS, National Bee Keeping Institute, Honey production and processing stakeholder institutions	As per National/ County Governments road infrastructure budgets

Strategic Objective #4:

To develop and enforce honey quality and food safety standards

	Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KESM)
1)	Enforce SPS measures that free the country of pests that pose threat to honey production, aiming at ensuring the country is free from this threat	SDL, DVS, National Bee Keeping Institute, Honey production and processing stakeholder institutions	50
2)	Support the honey industry to attain the EU, USA and other destination market SPS and other requirements that are making Kenya not export honey to these markets	SDL, DVS, National Bee Keeping Institute, Honey production and processing stakeholder institutions	20
3)	Develop standards and quality testing and assurance infrastructure for honey exports	SDL, DVS, National Bee Keeping Institute, Honey production and processing stakeholder institutions	500
4)	Develop an industry code of ethics to facilitate enforcement of the honey quality and food safety standards throughout the value chain	SDL, DVS, National Bee Keeping Institute, Honey production and processing stakeholder institutions	5
5)	Develop severe public/private sector driven framework work to penalizing honey producers and processors that are found not to comply with the set standards	SDL, DVS, National Bee Keeping Institute, Honey production and processing stakeholder institutions	5
6)	Develop a framework and mechanism for enforcing the honey quality and food safety standards by an accredited independent Agent appointed by the industry for purposes of supporting Kenya to emerge as a preferred global source of honey. Partnership with destination country honey quality assurance organizations for purposes of obtaining those markets mark of quality to be considered	SDL, DVS, National Bee Keeping Institute, Honey production and processing stakeholder institutions	5
7)	Operationalize and implementation of the mechanism for enforcing the honey quality and food safety standards by an accredited independent Agent through cost recovery model where honey producers and processors pay nominal service fees for the mark of quality	SDL, DVS, National Bee Keeping Institute, Honey production and processing stakeholder institutions	50

Strategic Objective #5:

To strengthen the honey industry value chain to ensure its responsiveness to the export market volume and quality requirements

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KESMn)
1) Undertake baseline survey in all designated commercial honey producing and processing regions to identify farmers, honey producers and processors, noting down their capacity (current and potential) and associations that they belong as members	SDL, DVS, National Bee Keeping Institute, Honey production and processing stakeholder institutions	40
2) Encourage beekeeping farmers, honey producers and processors to join existing associations, where such associations or cooperatives exists, or form such associations/cooperatives for purposes of visibility and being aligned to the national goal of producing sufficient and visible volumes of honey to meet domestic and international market requirements	SDL, DVS, National Bee Keeping Institute, Honey production and processing stakeholder institutions	10
3) Undertake capacity building needs assessment, in the context of the country's quest for enhancing honey production and processing and establish capacity gaps to ensure that beekeeping farmers and honey producers and processors in the commercial honey producing regions are equipped with skills and knowledge for production, harvesting, processing and marketing	SDL, DVS, National Bee Keeping Institute, Honey production and processing stakeholder institutions	25
4) Establish/strengthen National Honey Producers and Processors Association as a reputable and industry respected institution to promote the country's dream of being among top global honey producers	SDL, DVS, National Bee Keeping Institute, Honey production and processing stakeholder institutions	5
5) Support honey producers and processors to set up marketing system that provides direct link to domestic and international markets, aiming at ensuring that the producers and processors get best prices that the markets offer.	SDL, DVS, National Bee Keeping Institute, Honey production and processing stakeholder institutions	10

Strategic Objective #6:

To promote honey export into the target markets

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KESMn)
1) Undertake a survey of all existing and prospective honey exporters and create a database within the National Exporters data base of exporters to facilitate visibility	SDT, EPC, SDL, DVS, National Bee Keeping Institute, Honey production and processing stakeholder institutions	20
2) Register exporters by their destination market of preference to act as the platform that the country will use in marketing available and export ready honey to the destination market	SDT, EPC, SDL, DVS, National Bee Keeping Institute, Honey production and processing stakeholder institutions	5
3) Undertake Market Intelligence on destination market size, market access requirement and potential clients and disseminate this information to the registered honey exporters	SDT, EPC, SDL, DVS, National Bee Keeping Institute, Honey production and processing stakeholder institutions	50

Strategic Interventions/Program Activities		Implementing Agencies	Resource Requirements (KESMn)
4)	Identify and appoint destination country Marketing Agents to promote Kenya's increased market share in these markets working in collaboration with registered honey exporters through support from Honey Export Development Fund	SDT, EPC, SDL, DVS, National Bee Keeping Institute, Honey production and processing stakeholder institutions	100
5)	To host annual national event on 'Source Kenya Honey' to show case Kenya honey and Kenya designated commercial honey producing regions for purposes of deal making and export market diversification	SDT, EPC, SDL, DVS, National Bee Keeping Institute, Honey production and processing stakeholder institutions	100
6)	Organize and coordinate Kenya Honey dedicated Trade Fairs in target destination markets with a view to providing tasting experience and dealing making	SDT, EPC, SDL, DVS, National Bee Keeping Institute, Honey production and processing stakeholder institutions	25
7)	Provide matching grants to registered honey exporter SMEs and women owned enterprises to participate in Kenya Honey dedicated Trade Fairs and other International Honey trade events	SDT, EPC, SDL, DVS, National Bee Keeping Institute, Honey production and processing stakeholder institutions	10

B3/1.6.6 Resource Mobilisation Plan for Development and Promotion of Honey Export

The estimated resource requirements for implementation of the Honey Industry export development and promotion strategy KES2.2 billion. The specific interventions under each of the Strategic Objectives and accompanying resource requirements are as provided under the section on 'Strategic Interventions and Resource Requirements'. The sources of funds and Lead Agencies in mobilization of the funds are as listed in the resource mobilization plan below. The institutional structure through which the funds for honey export development and promotion will be mobilized is the 'Honey Sub-Sector Working Group' of NEDPS Livestock Sector Working Group. At the Honey SSWG, The Private Sector Stakeholders in the Honey Industry will take lead role in driving the agenda for honey exports with Government playing a facilitative role to ensure requisite resources and enabling environment for development and promotion of the exports of these services.

Table B/4-3: Resource Mobilisation Plan for Development and Promotion of Honey Exports

SO#	Strategic Objective/ Focal Areas of Intervention	Amount Required (KESMn)	Estimated NEDPS Annual Resource Requirement (KES Millions)					Source	Lead Agencies in Resource Mobilization
			2018/19	2019/20	2020/21	2021/22	2022/23		
Honey Industry									
1	To strengthen and implement policy, legal and regulatory framework for honey sub-sector	65	13	13	13	13	13	MDAs and County Governments' MTPIII Annual Budgets, Private Sector programs, Development Partners	State Department of Livestock/ County Government Counterpart/ Honey producers and processors - Representative Organization/ Association
2	To undertake Research and Development on honey production and processing	230	46	46	46	46	46		

SO#	Strategic Objective/ Focal Areas of Intervention	Amount Required (KESMn)	Estimated NEDPS Annual Resource Requirement (KES Millions)					Source	Lead Agencies in Resource Mobilization
			2018/19	2019/20	2020/21	2021/22	2022/23		
3	To promote production and processing of honey products for the target export markets	845	169	169	169	169	169		
4	To develop and enforce honey quality and food safety standards	635	127	127	127	127	127		
5	To strengthen the honey industry value chain to ensure its responsiveness to the export market volume and quality requirements	90	18	18	18	18	18		
6	To promote honey export into the target markets	310	62	62	62	62	62		
	Sub-Total Honey	2,175	435	435	435	435	435		

B3/1.6.7 Implementation Plan for Development and Promotion of Honey Export

Strategic Interventions/Program Activities	Implementing Agencies	2018				2019				2020				2021				2022			
		Quarters				Quarters				Quarters				Quarters				Quarters			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
SO#1: To strengthen and implement policy, legal and regulatory framework for honey sub-sector																					
1) Establish and Operationalize National and County Government honey production and processing coordination platform to ensure coordinated approach to national sustainable efforts of promoting honey production and processing	SDL, DVS, National Bee Keeping Institute, Honey production and processing stakeholder institutions																				
2) Finalize the review of the National Bee Keeping Policy	SDL, DVS, National Bee Keeping Institute, Honey production and processing stakeholder institutions																				

Strategic Interventions/Program Activities	Implementing Agencies	2018				2019				2020				2021				2022			
		Quarters				Quarters				Quarters				Quarters				Quarters			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
3) Finalize the regulations on the Bee keeping industry	SDL, DVS, National Bee Keeping Institute, Honey production and processing stakeholder institutions																				
4) Operationalize and implement National Beekeeping Policy and Regulation	SDL, DVS, National Bee Keeping Institute, Honey production and processing stakeholder institutions																				
SO#2: To undertake Research and Development on honey production and processing																					
1) Undertake a bench marking study, using the top ten global honey producers, to establish institutional framework, policy and administrative measures, technology and equipment that the country needs to pursue in order to encourage cost effective and competitive high quality honey production in regions to be designated as commercial honey producing regions.	SDL, DVS, National Bee Keeping Institute, Honey production and processing stakeholder institutions																				
2) Draw up a Research and Development program geared towards implementing the recommendations for the baseline survey	SDL, DVS, National Bee Keeping Institute, Honey production and processing stakeholder institutions																				

Strategic Interventions/Program Activities	Implementing Agencies	2018				2019				2020				2021				2022			
		Quarters				Quarters				Quarters				Quarters				Quarters			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
3) Implement the Honey production and processing Research and Development program for honey exports targeting promotion of exports to achieve the NEDPS target for honey export	SDL, DVS, National Bee Keeping Institute, Honey production and processing stakeholder institutions																				
SO#3: To promote production and processing of honey products for the target export markets																					
1) Prepare and disseminate material on business case for beekeeping and honey processing to stimulate interest among farming communities and the youth	SDL, DVS, National Bee Keeping Institute, Honey production and processing stakeholder institutions																				
2) Create awareness among farming communities in regions where honey production can occur on environmental requirements for bee keeping, including vegetation, trees, plants, water dams, among other requirements	SDL, DVS, National Bee Keeping Institute, Honey production and processing stakeholder institutions																				
3) Designate, through participatory process and based on ecological conditions supportive of beekeeping, commercial honey producing areas and gazette them for purposes of benefiting from Government support towards promoting honey production and processing	SDL, DVS, National Bee Keeping Institute, Honey production and processing stakeholder institutions																				
4) Provide support in rehabilitation of the environment to create beekeeping farms in all areas designated as commercial honey producing regions	SDL, DVS, National Bee Keeping Institute, Honey production and processing stakeholder institutions																				

Strategic Interventions/Program Activities	Implementing Agencies	2018				2019				2020				2021				2022			
		Quarters				Quarters				Quarters				Quarters				Quarters			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
5) Train honey procedures and processors on technics and skills for production of high quality honey and postharvest handling and hazards of honey adulteration	SDL, DVS, National Bee Keeping Institute, Honey production and processing stakeholder institutions																				
6) Support honey producers and processors to acquire latest cutting edge technology and equipment for honey production and processing	SDL, DVS, National Bee Keeping Institute, Honey production and processing stakeholder institutions																				
7) Support honey producers to develop and manage accredited honey bulking centers to facilitate aggregation to meet large orders for both domestic and international markets	SDL, DVS, National Bee Keeping Institute, Honey production and processing stakeholder institutions																				
8) Provide access roads to all designated commercial honey producing and processing regions to ensure link to the market	SDL, DVS, National Bee Keeping Institute, Honey production and processing stakeholder institutions																				
SO#4: To develop and enforce honey quality and food safety standards																					
1) Enforce SPS measures that free the country of pests that pose threat to honey production, aiming at ensuring the country is free from this threat	SDL, DVS, National Bee Keeping Institute, Honey production and processing stakeholder institutions																				
2) Support the honey industry to attain the EU, USA and other destination market SPS and other requirements that are making Kenya not export honey to these markets	SDL, DVS, National Bee Keeping Institute, Honey production and processing stakeholder institutions																				

Strategic Interventions/Program Activities	Implementing Agencies	2018				2019				2020				2021				2022			
		Quarters				Quarters				Quarters				Quarters				Quarters			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
3) Develop standards and quality testing and assurance infrastructure for honey exports	SDL, DVS, National Bee Keeping Institute, Honey production and processing stakeholder institutions																				
4) Develop an industry code of ethics to facilitate enforcement of the honey quality and food safety standards throughout the value chain	SDL, DVS, National Bee Keeping Institute, Honey production and processing stakeholder institutions																				
5) Develop severe public/private sector driven framework work to penalizing honey producers and processors that are found not to comply with the set standards	SDL, DVS, National Bee Keeping Institute, Honey production and processing stakeholder institutions																				
6) Develop a framework and mechanism for enforcing the honey quality and food safety standards by an accredited independent Agent appointed by the industry for purposes of supporting Kenya to emerge as a preferred global source of honey. Partnership with destination country honey quality assurance organizations for purposes of obtaining those markets mark of quality to be considered	SDL, DVS, National Bee Keeping Institute, Honey production and processing stakeholder institutions																				

Strategic Interventions/Program Activities	Implementing Agencies	2018				2019				2020				2021				2022			
		Quarters				Quarters				Quarters				Quarters				Quarters			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
7) Operationalize and implementation of the mechanism for enforcing the honey quality and food safety standards by an accredited independent Agent through cost recovery model where honey producers and processors pay nominal service fees for the mark of quality	SDL, DVS, National Bee Keeping Institute, Honey production and processing stakeholder institutions																				
SO#5: To strengthen the honey industry value chain to ensure its responsiveness to the export market volume and quality requirements																					
1) Undertake baseline survey in all designated commercial honey producing and processing regions to identify farmers, honey producers and processors, noting down their capacity (current and potential) and associations that they belong as members	SDL, DVS, National Bee Keeping Institute, Honey production and processing stakeholder institutions																				
2) Encourage beekeeping farmers, honey producers and processors to join existing associations, where such associations or cooperatives exists, or form such associations/ cooperatives for purposes of visibility and being aligned to the national goal of producing sufficient and visible volumes of honey to meet domestic and international market requirements	SDL, DVS, National Bee Keeping Institute, Honey production and processing stakeholder institutions																				

Strategic Interventions/Program Activities	Implementing Agencies	2018				2019				2020				2021				2022			
		Quarters				Quarters				Quarters				Quarters				Quarters			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
3) Undertake capacity building needs assessment, in the context of the country's quest for enhancing honey production and processing and establish capacity gaps to ensure that beekeeping farmers and honey producers and processors in the commercial honey producing regions are equipped with skills and knowledge for production, harvesting, processing and marketing	SDL, DVS, National Bee Keeping Institute, Honey production and processing stakeholder institutions																				
4) Establish/ strengthen National Honey Producers and Processors Association as a reputable and industry respected institution to promote the country's dream of being among top global honey producers	SDL, DVS, National Bee Keeping Institute, Honey production and processing stakeholder institutions																				
5) Support honey producers and processors to set up marketing system that provides direct link to domestic and international markets, aiming at ensuring that the producers and processors get best prices that the markets offer.	SDL, DVS, National Bee Keeping Institute, Honey production and processing stakeholder institutions																				
SO#6: To promote honey export into the target markets																					
1) Undertake a survey of all existing and prospective honey exporters and create a database within the National Exporters data base of exporters to facilitate visibility	SDT, EPC, SDL, DVS, National Bee Keeping Institute, Honey production and processing stakeholder institutions																				

Strategic Interventions/Program Activities	Implementing Agencies	2018				2019				2020				2021				2022			
		Quarters				Quarters				Quarters				Quarters				Quarters			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
2) Register exporters by their destination market of preference to act as the platform that the country will use in marketing available and export ready honey to the destination market	SDT, EPC, SDL, DVS, National Bee Keeping Institute, Honey production and processing stakeholder institutions																				
3) Undertake Market Intelligence on destination market size, market access requirement and potential clients and disseminate this information to the registered honey exporters	SDT, EPC, SDL, DVS, National Bee Keeping Institute, Honey production and processing stakeholder institutions																				
4) Identify and appoint destination country Marketing Agents to promote Kenya's increased market share in these markets working in collaboration with registered honey exporters through support from Honey Export Development Fund	SDT, EPC, SDL, DVS, National Bee Keeping Institute, Honey production and processing stakeholder institutions																				
5) Host annual national event on 'Source Kenya Honey' to show case Kenya honey and Kenya designated commercial honey producing regions for purposes of deal making and export market diversification	SDT, EPC, SDL, DVS, National Bee Keeping Institute, Honey production and processing stakeholder institutions																				
6) Organize and coordinate Kenya Honey dedicated Trade Fairs in target destination markets with a view to providing tasting experience and dealing making	SDT, EPC, SDL, DVS, National Bee Keeping Institute, Honey production and processing stakeholder institutions																				

Strategic Interventions/Program Activities	Implementing Agencies	2018				2019				2020				2021				2022			
		Quarters				Quarters				Quarters				Quarters				Quarters			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
7) Provide matching grants to registered honey exporter SMEs and women owned enterprises to participate in Kenya Honey dedicated Trade Fairs and other International Honey trade events	SDT, EPC, SDL, DVS, National Bee Keeping Institute, Honey production and processing stakeholder institutions																				

B3/1.7 Germ Plasm

B3/1.7.1 Situational Analysis of Germ Plasm

Germ plasm[94] are living genetic resources such as seeds or tissues that are maintained for the purpose of animal and plant breeding, preservation, and other research uses. These resources may take the form of seed collections stored in seed banks, trees growing in nurseries, animal breeding lines maintained in animal breeding programs or gene banks, etc. Germ plasm collections can range from collections of wild species to elite, domesticated breeding lines that have undergone extensive human selection.

Increased trade in agricultural and animal and animal products has stimulated demand for plant or breeding material in response to the growing demand of these products. Climate change, which has also posed a challenge to reliance on traditional plant and breeding material, has triggered growth in international trade for these materials. This development has triggered trade in Germ Plasm material which Kenya is one of the pioneer countries to produce as a result of advance animal and plant sciences in Kenya's Animal and Agricultural Research Institutes. A further national impetus to the growing demand for Germ Plasm material is provided through the National Strategy on Genetic Resources in the context of Climate Change - 2016-2020.

Among the Germ Plasm products that the country has been trading are animal genetic breeding material, mainly for cows. This is through research and development work that is currently being undertaken by Kenya Animal Genetics Resource Centre (KAGRC), which works in close collaboration with other breeding organizations such as Kenya Stud Book, Dairy Recording Services of Kenya and Livestock Recording Centre, Research Organizations, Universities, International entities, community Based Organizations (CBOs) and individual farmers. The sole purpose of KAGRC is to produce, preserve, and conserve animal genetic material (semen, embryo, tissues and live animals) and rear breeding bulls for provision of high quality disease free germ plasm to meet national demand and for export purposes.

The Centre (KAGRC) plays a critical role in the economy through provision of high quality disease free germ plasm to livestock producers in the whole country and the region. In 2015, KAGRC produced 758,456 doses of bull semen of which 613,512 doses were distributed to farmers while in 2016 semen production was 1,131,847 doses of which 728,586 doses were distributed to the farmers. In 2015, 72,536 litres of liquid nitrogen was distributed to agents

94 Refer - https://en.wikipedia.org/wiki/Germplasm

while in 2016, this increased to 106,993 litres. KAGRC has trained 619 inseminators and established 6 liquid nitrogen producing plants in Eldoret, Sotik, Kabete, Kirinyaga, Meru and Nyandarua. A bull station was also established at ADC Sabwani to enhance semen production in the country.

Kenya has received several requests for germ plasm for export. In June 2016, Sri Lanka made an enquiry for 5,000 doses of Sahiwal semen. In April 2017, Malawi made an enquiry for 20 doses of Sahiwal semen. In June 2017, African Breeders Service Total Cattle Management (ABS TCM) requested for distributorship agreement for indigenous breeds bull semen to several African countries. KAGRC has not been able to meet the export market demand due to various constraints as stipulated in this strategy document. The main constraints to exports are modernization of the laboratory and increasing the number of indigenous breeding bulls.

Constraints to Germ Plasm export performance

According to submissions from the Department of Veterinary Services and input during the livestock stakeholders session undertaken in the course of formulating the NEDPS, the constraints that limit the country's exploitation of Germ Plasm export potential include the following:

a) Existing regional and international trade barriers;

b) Low adoption of technology and un-coordinated Research and Development (R&D) leading to a major setback e.g. semen sexing;

c) Old and obsolete infrastructure for the production of germ plasm that is no longer compliant with current minimum GMP requirements, cannot produce the highly desired sexed genetic materials and is inadequate as a bio-security level 3 laboratory required for handling some genetic materials;

d) The current facility cannot guarantee quality assurance procedures, which normally ensure the uniformity and consistency of the production process;

e) Prevalence of Livestock diseases;

f) Low Government investment in Germ Plasm production thus slowing growth and development of the industry;

g) Inadequate information about species and breed diversity, population sizes, trends, and distribution;

h) Incomplete documentation inventory and characterization of animal genetic resources; and

i) Existing weak legal framework and outdated breeding practices.

B3/1.7.2 Strategic Objectives towards Development and Promotion of Germ Plasm for Export

The export challenges that Germ Plasm exports face require coordinated approach from production to exporting the genetic resources to the destination markets, This will be achieved through interventions that have been proposed under each of the following strategic objectives:

a) To provide business enabling environment in support of Germ Plasm production for export;

b) To promote commercialization of Germ Plasm production for export; and,

c) To promote exports of Germ Plasm in target markets .

B3/1.7.3 Strategic Interventions and Resource Requirement for Development and Promotion of Germ Plasm Export

Strategic Objective #1:

To provide business enabling environment in support of Germ Plasm production for export

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KESMn)
1) Finalize the review of the Livestock Policy, and ensure specific provisions Germ Plasm production and trade promotion	SDL, KAGRC, DVS, CGs, KDB, KDPA, DFA, KLMC, KVA	10
2) Develop regulations on the livestock germ plasm production and trade	SDL, KAGRC, DVS, CGs, KDB, KDPA, DFA, KLMC, KVA	10
3) Support implementation of the Germ Plasm production and trade policy and regulation	SDL, KAGRC, DVS, CGs, KDB, KDPA, DFA, KLMC, KVA	50
4) Strengthen Interagency Coordinating Committee on livestock germ plasm sector	SDL, KAGRC, DVS, CGs, KDB, KDPA, DFA, KLMC, KVA	5

Strategic Objective #2:

To promote commercialization of production of Germ Plasm for exports

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KESMn)
1) Complete modernization of the laboratory to a bio-security level 3 status	SDL, KAGRC, DVS, CGs, KDB, KDPA, DFA, KLMC, KVA	450
2) Increase the number of indigenous breeding bulls	SDL, KAGRC, DVS, CGs, KDB, KDPA, DFA, KLMC, KVA	25
3) Capacity building of the technical staff working at the laboratories	SDL, KAGRC, DVS, CGs, KDB, KDPA, DFA, KLMC, KVA	20
4) Enhance research and development in livestock germ plasm production	SDL, KAGRC, DVS, CGs, KDB, KDPA, DFA, KLMC, KVA	100
5) Promote adoption of Germ Plasm technology in livestock production	SDL, KAGRC, DVS, CGs, KDB, KDPA, DFA, KLMC, KVA	100
6) Facilitate private investments in livestock germ plasm industry	SDL, KAGRC, DVS, CGs, KDB, KDPA, DFA, KLMC, KVA	10

Strategic Objective #3:

To promote exports of Germ plasm in target markets

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KESMn)
1) Undertake baseline survey on Germ Plasm target market needs and user preference	DVS, KAGRC, SDT, EPC and Germ Plasm accredited producers and exporters	20

2)	Undertake baseline survey to identify Germ Plasm producers who are export ready to service target market requirements	DVS, KAGRC, SDT, EPC and Germ Plasm accredited producers and exporters	5
3)	Facilitate development of data base of export ready Germ Plasm producers as a tool for linking Germ Plasm production units with the export market	DVS, KAGRC, SDT, EPC and Germ Plasm accredited producers and exporters	5
4)	Promote awareness of Kenya Germ Plasm products in target markets	DVS, KAGRC, SDT, EPC and Germ Plasm accredited producers and exporters	5
5)	Support Business to Business events between Kenya Germ Plasm producers and exporters and destination market importers	DVS, KAGRC, SDT, EPC and Germ Plasm accredited producers and exporters	50
6)	Undertake Market Annual Intelligence Surveys in target destination markets to ensure Germ Plasm producers and exporters are kept abreast of any new developments	DVS, KAGRC, SDT, EPC and Germ Plasm accredited producers and exporters	5
7)	Disseminate Market Intelligence Surveys to target Germ Plasm producer and exporters	DVS, KAGRC, SDT, EPC and Germ Plasm accredited producers and exporters	5

B3/1.7.4 Resource Mobilization Plan for Development and Promotion of Germ Plasm Export

The estimated resource requirements for implementation of the Germ Plasm Services export development and promotion strategy is KES875million. The specific interventions under each of the Strategic Objectives and accompanying resource requirements are as provided under the section on 'Strategic Interventions and Resource Requirements'. The sources of funds and Lead Agencies in mobilization of the funds are as listed in the resource mobilization plan below. The institutional structure through which the funds for Germ Plasm export development and promotion will be mobilized in the Live Sector Working Group. At this SWG, the Private Sector Stakeholders will take lead role in driving the agenda for Germ Plasm services exports with Government playing a facilitative role to ensure requisite resources and enabling environment for development and promotion of the exports of these services.

Table B3/5-1: Resource Mobilization Plan for Development and Promotion of Germ Plasm Export

SO#	Strategic Objective/ Focal Areas of Intervention	Amount Required (KESMn)	Estimated NEDPS Annual Resource Requirement (KES Millions)					Source	Lead Agencies in Resource Mobilization
			2018/19	2019/20	2020/21	2021/22	2022/23		
Germ Plasm									
1	To provide business enabling environment in support of germ plasm production for export	75	25	20	20	5	5	MDAs and County Governments' MTPIII Annual Budgets, Private Sector programs, Development Partners	SDL, DVS, KAGRIC, SDT, EPC, KVA, KLMC and Germ Plasm accredited producers and exporters
2	To promote production of Germ plasm through commercialization of germ plasm production	705	100	500	50	50	5		
3	To promote exports of Germ plasm in target markets	95	19	19	19	19	19		
Sub-Total		875	144	539	89	74	29		

B3/1.7.5 Implementation Plan for Development and Promotion of Germ Plasm Export

Strategic Interventions/ Program Activities	Implementing Agencies	2018				2019				2020				2021				2022			
		Quarters				Quarters				Quarters				Quarters				Quarters			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
SO#1: To provide business enabling environment in support of Germ Plasm production for export																					
1) Finalize the review of the Livestock Policy, and ensure specific provisions Germ Plasm production and trade promotion	SDL, KAGRC, DVS, CGs, KDB, KDPA, DFA, KLMC, KVA																				
2) Develop regulations on the livestock germ plasm production and trade	SDL, KAGRC, DVS, CGs, KDB, KDPA, DFA, KLMC, KVA																				
3) Support implementation of the Germ Plasm production and trade policy and regulation	SDL, KAGRC, DVS, CGs, KDB, KDPA, DFA, KLMC, KVA																				
4) Strengthen Interagency Coordinating Committee on livestock germ plasm sector	SDL, KAGRC, DVS, CGs, KDB, KDPA, DFA, KLMC, KVA																				
SO#2: To promote commercialization of production of Germ Plasm for exports																					
1) Complete modernization of the laboratory to a bio-security level 3 status	SDL, KAGRC, DVS, CGs, KDB, KDPA, DFA, KLMC, KVA																				
2) Increase the number of indigenous breeding bulls	SDL, KAGRC, DVS, CGs, KDB, KDPA, DFA, KLMC, KVA																				
3) Capacity building of the technical staff working at the laboratories	SDL, KAGRC, DVS, CGs, KDB, KDPA, DFA, KLMC, KVA																				
4) Enhance research and development in livestock germ plasm production	SDL, KAGRC, DVS, CGs, KDB, KDPA, DFA, KLMC, KVA																				
5) Promote adoption of Germ Plasm technology in livestock production	SDL, KAGRC, DVS, CGs, KDB, KDPA, DFA, KLMC, KVA																				
6) Facilitate private investments in livestock Germ Plasm production and trade	SDL, KAGRC, DVS, CGs, KDB, KDPA, DFA, KLMC, KVA																				

Strategic Interventions/ Program Activities	Implementing Agencies	2018				2019				2020				2021				2022			
		Quarters				Quarters				Quarters				Quarters				Quarters			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
To promote exports of Germ plasm in target markets																					
1) Undertake baseline survey on Germ Plasm target market needs and user preference	DVS, KAGRC, SDT, EPC and Germ Plasm accredited producers and exporters																				
2) Undertake baseline survey to identify Germ Plasm producers who are export ready to service target market requirements	DVS, KAGRC, SDT, EPC and Germ Plasm accredited producers and exporters																				
3) Facilitate development of data base of export ready Germ Plasm producers as a tool for linking Germ Plasm production units with the export market	DVS, KAGRC, SDT, EPC and Germ Plasm accredited producers and exporters																				
4) Promote awareness of Kenya Germ Plasm products in target markets	DVS, KAGRC, SDT, EPC and Germ Plasm accredited producers and exporters																				
5) Support Business to Business events between Kenya Germ Plasm producers and exporters and destination market importers	DVS, KAGRC, SDT, EPC and Germ Plasm accredited producers and exporters																				
6) Undertake Annual Market Intelligence Surveys in target destination markets to ensure Germ Plasm producers and exporters are kept abreast of any new developments	DVS, KAGRC, SDT, EPC and Germ Plasm accredited producers and exporters																				
7) Disseminate Market Intelligence Surveys to target Germ Plasm producer and exporters	DVS, KAGRC, SDT, EPC and Germ Plasm accredited producers and exporters																				

B4 Fish Industry

B4/1.1 Situational Analysis of the Fish Industry

The fisheries sector is one of Kenya's 'Blue Economy' sectors that have been singled out by the Government as critical in tapping the huge resource base of the Blue Economy in pursuit of the country's Vision 2030 double-digit growth.

The significance of the sector in NEDPS is evidenced by the contribution of fish and fisheries products in Kenya's total exports, where these products are listed among the country's principal export products. The fish and fisheries products are sourced from the vast marine and inland water resources that the country is endowed with, which have supported a robust fish processing industry, that has been behind the country's fish exports success story.

Legal and regulatory framework

The Fisheries Management and Development Act No. 35 of 2016 of the Laws of Kenya set stage for exponential growth of the fisheries sector. This is through robust provisions that are designed to address legal and regulatory issues that have hindered the growth of the sector. These provisions include development and management of the sector, sustainable utilization and conservation of fisheries resources and enforcement of the legislation and regulatory framework.

The Act also provides for the formation of Kenya Fisheries Service, which in collaboration with other appropriate agencies and other government departments is expected to promote the development of traditional and industrial fisheries, aquaculture and related industries. The Act also provides for the formation of the Kenya Fish Marketing Authority, which will be responsible for all matters related to fish trade, and the establishment of a Fish Levy Trust Fund, which will provide supplementary funding of activities geared towards management, development and capacity building to ensuring sustainablility of the fisheries resource.

The fisheries sector development is also expected to be driven by the National Oceans and Fisheries Policy, which is due for alignment with the Fisheries Management and Development Act 2016.

Inland waters fisheries resources

The inland water resources include lakes, dams and rivers of varying sizes. Some of the major lakes include: Lake Turkana (6,405 Km^2), Lake Victoria-Kenyan side (6% of the whole lake =4,128 km^2), Naivasha (210 Km^2), Baringo (129 Km^2), and Lake Jipe (39 Km^2). Major rivers include Tana (700 Km), Athi/Galana/Sabaki (530 Km), Ewaso-Ngiro-North (520 Km), Kerio (350 Km), Suam-Turkwel (350 km), Mara (280 km), Nzoia (240 km), Voi (200 km), Yala (170 km), Ewaso-Ngiro-south (140 km), Sondu (105 km), Malewa (105 km) and Kuja (80 km).

Marine fisheries resources

Further to these inland water resources, Kenya also enjoys a vast coastline of 640 km on the Western Indian Ocean, besides a further 200 nautical miles Exclusive Economic Zone (EEZ) under Kenyan jurisdiction. The country's coast is also located within the rich tuna belt in the South West Indian Ocean. The Kenyan EEZ commercial fishing is mainly exploited by Distant Water Fishing Nations (DWFN), and has an estimated potential of between 150,000 to 300,000 metric tonnes *(Commonwealth secretariat report 2003 by Dr. George Habib).*

The fishery in Kenya is mainly artisanal with a few commercial/ industrial vessels targeting mainly shrimps. There are also a purse seiners and long liners from the Distant Water Fishing Nations

(DWFN) fishing in the EEZ under license targeting tuna and tuna like species. In a bid to take a share in the lucrative tuna fish market, Kenya has recently introduced one deep sea fishing vessels flying Kenya's flag and thus granting the fish caught Kenya's origin status. This capacity is due to be enhanced in the coming years given the permit which Kenya got from IOTC to introduce up to 70 deep sea fishing vessels in her EEZs. This development has opened up the space for deep sea fishing by Kenyan vessels, taking over the opportunity that this far has gone to DWFN vessels as a result of Kenya not having capacity for deep-sea fishing.

Aquaculture fisheries resources

Aquaculture, whose development the government has been promoting as a source of livelihood and food for rural community, is also another source of the country's fish exports. Fisheries Department Principal Secretary Micheni Ntiba, in November 2015, underscored the significance of aquaculture in the country's quest to boost fish exports by noting that 'Kenya has received certification to export farm fish to the European Union *(http://www.nation.co.ke/business/Kenya-gets-nod-to-export-fish-to-European-market/996-2963208-nnuidqz/index.html)- Daily Nation, 20th November 2015.* The State Department of Fisheries has aggressively been promoting aquaculture development in the country to counter the declining production from capture fisheries.

Aquaculture development in Kenya can be put in two categories:

a) Mariculture - There are many suitable sites at the coast for the culture of sea weed, prawns, sea cucumbers, milk fish, sea bream, molluscs

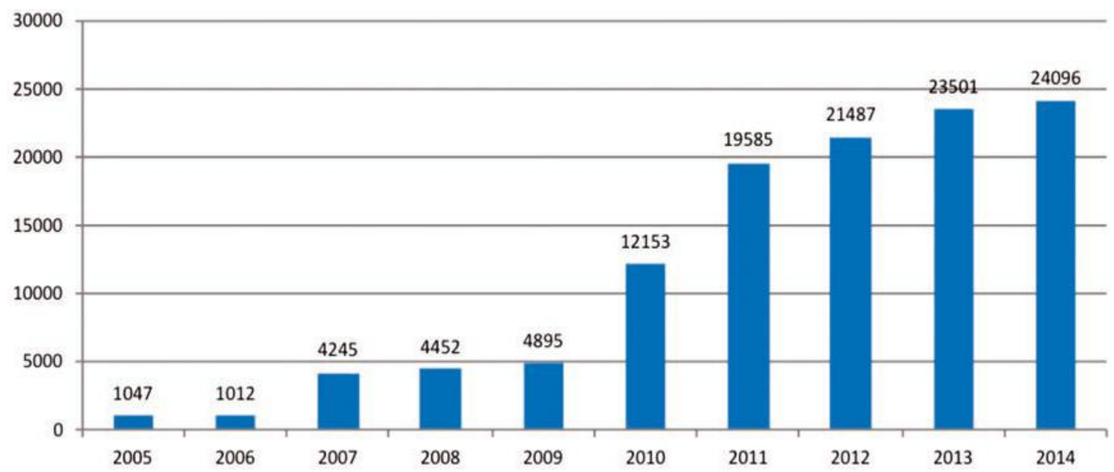
b) Land based aquaculture - Kenya has 1.4 million hectares of prospective land for aquaculture which has potential to produce 750,000MT valued at KES250billion. Currently only 2% of the land is utilized. There is a total of 20,000 fish farmers in Kenya.

To enhance aquaculture production, under the Economic Stimulus program, the State Department trained fishers, extension officers and stakeholders on fish farming practises. It also conducted a national aquaculture suitability appraisal and developed suitability maps for 210 Constituencies in the country and developed a fish breeding structure with a holding capacity of over 200,000 brood-stock. Further the department developed fish feed specifications for tilapia, catfish and trout and related supply chain and procured 54 Fish Feed Pelletizing machines and distributed them to the constituencies.

The department also embarked on a capacity building program geared towards enhancing aquaculture fish production. This included procurement of 148 Motorcycles and recruitment of 286 Fisheries Extension Officers for extension service delivery in the constituencies, construction of four (4) Fish Processing Plants in Tetu, Imenti South, Rongo and Lurambi constituencies. Further the department also constructed a state of the art fish processing factory in Mitunguu, Meru County in collaboration with private sector investors; constructed 3 Recirculation Aquaculture Systems (RAS) in Kiambaa (Jambo Fish Farm & Samaki Tu Fish Farm) and Kisumu Rural (Thinqubator Fish Farm) Constituencies; constructed over 69,688 fish ponds country-wide (46,824 fish ponds in 160 Constituencies country-wide by GOK, and some other 22,864 ponds under the multiplier effect by farmers and investors and stocked them with over 100 million fingerlings.

The overall effect of this initiative was to increase the area under aquaculture from 722 hectares in 2008 to 2,090.6 hectares in 2014 and to increase the national aquaculture production from 1,047MT in 2005 to 24,096 MT in 2014. The lessons from these achievements will be critical in the country's search for strategies for enhacing fish and fisheries products exports at the face of dwindling fish stock in inland waters.

Chart B4/1: Aquaculture production, 2005-2014 in metric tonnes (Fish products Statistical Abstract 2014)



Fish processing

The potential for fish and fisheries products exports is based on the fish processing capacity. Before the collapse of 4 fish processing plants in Kisumu in the wake of alleged financial irregularities with a local bank, there were 13 fish processing plants in Kenya. Presently, there are 9 fish processing plants. These are located in Kisumu (2), and in Mombasa (4 factories and 3 vessels). Since the country's legislation is considered equivalent to EU legislation on fish and fishery products, these factories have all instituted stringent quality control procedures and have been issued with permanent reference numbers. This also allows them to trade internationally in other markets since EU market is considered a premium market.

Organization of the fish industry

The fisheries sector in Kenya is mainly run by the private sector (fishers, associations, and industry) with government providing policy, and regulatory environment. Most of the extension services of the sector have been devolved under the current government setup. The industry operates through an array of middlemen who move the product from production areas to processing units and/or consumers in urban areas or to processors and exporters. The industry is therefore organized around community-based fishermen, government support institutions, urban merchandising centres, some small scale processing activities such as drying and frying and large-scale export-oriented factories. Traditionally, communities living around the fish harvesting areas consumed much of the fish landed in Kenya. The tonnage of fishery products consumed locally is currently nearly at par with that which is exported. The post catch marketing channels of fishery products destined for export markets differ significantly from those meant for local consumption. The export industry constitutes the largest part of the formal fish industry in the country.

Based on revealed domestic export potential the following categories of fish and fish products will be promoted under the NEDS:

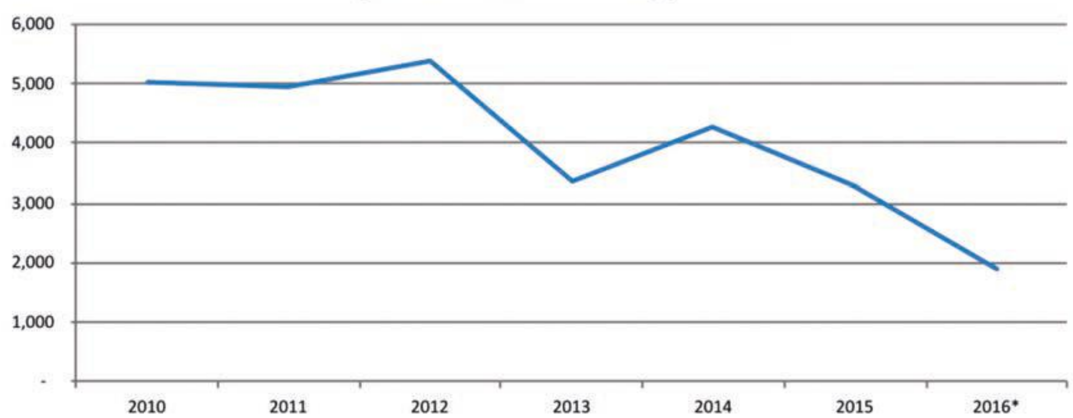
Table B4/1: Priority fish and fish products

Product code	Product label
'0301	Live Fish
'0302	Fish, fresh or chilled (excluding fish fillets and other fish meat of heading 0304)
'0303	Frozen fish (excluding fish fillets and other fish meat of heading 0304)
'0304	Fish fillets and other fish meat, whether or not minced, fresh, chilled or frozen
'0305	Fish, fit for human consumption, dried, salted or in brine; smoked fish, fit for human consumption, ...
'0306	Crustaceans, whether in shell or not, live, fresh, chilled, frozen, dried, salted or in brine, ...
'0307	Molluscs, fit for human consumption, even smoked, whether in shell or not, live, fresh, chilled, ...

B4/1.1.1 Fish and fish products export performance and target for NEDPS

Fisheries sector holds significant promise for Kenya's export drive being one of the principal export products. The promise lies in the fisheries products exports quest to recapture the lost export market as demonstrated by the decline in exports of fish and fisheries products by 184% from KES5.4bn in 2012 to KES1.9bn in 2016.

Chart B4/2: Fish Exports 2012-2016, Figures in KES Millions (Source KNBS - Economic Surveys)



The decline in value of fish exports was precipitated by the decline in volume of fish exports from 17,455 metric tons in 2012 to 5,995 metric tons in 2016 as a result of dwindling fish stock (Nile Perch and Tilapia in Lake Victoria) as well as overnight closure of 4 processing factories in Kisumu in the wake of alleged financial irregularities with a local bank.

This experience is a wakeup call for Kenya to diversify fish exports by focusing on marine and aquaculture and promoting cage farming in Lake Victoria and other inland lakes and reservoirs/ dams where fish stock is threatened. This will ensure that Kenya recaptures its market that has been lost since 2014. In view of the dismal export performance, the goal of fisheries component in the NEDPS will be to recapture its 2010 volume of sale, increase exports from the 2016 level of KES1.9 billion to at least 2010 level of KES3 billion. As illustrated in the table below, an average annual growth rate of 29% between 2018 and 2022 will yield the desired results, leading to increased fish and fish products exports expected to generate KES6.7 billion.

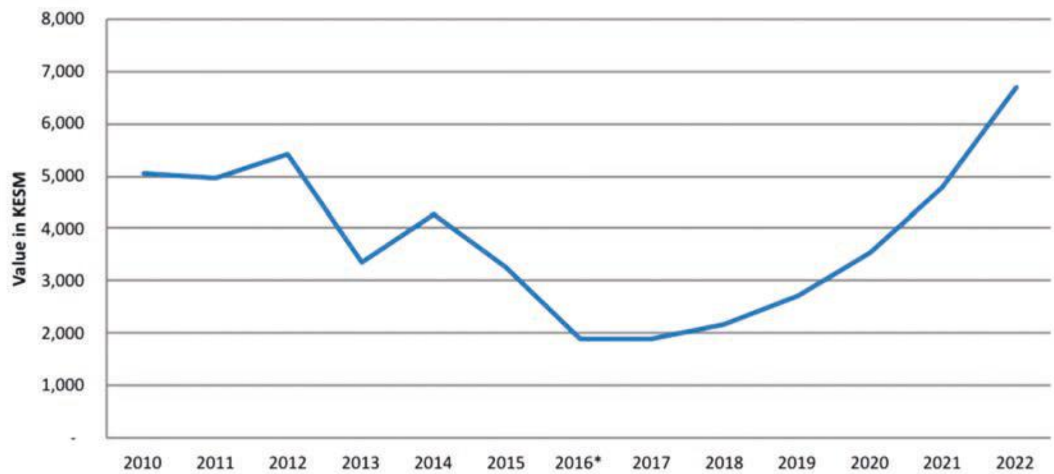
Table B4/2: Fish exports - actual and projections

	Actual Exports 2018-2022 (Figures in KES Millions)						
	2010	2011	2012	2013	2014	2015	2016
Fish and fish preparations	5,027	4,955	5,392	3,362	4,266	3,287	1,899
Growth (without NEDS)		-1.43%	8.82%	-37.65%	26.89%	-22.95%	-42.23%
	Projected Exports 2018-2022						
		2017	2018	2019	2020	2021	2022
Fish and fish preparations		1,899	2,184	2,730	3,549	4,791	6,707
Growth target			15%	25%	30%	35%	40%

Source: *Economic Survey (various issues) - KNBS for actual, own computations for projected*

Therefore, with this projected growth rate we expect, as illustrated in the graph below to see the fish and fish products increase from KES1.9 billion to KES6.7 billion by 2022.

Chart B4/3: Fish Exports - Actual and Projected Performance at an average of 29% per year over the NEDPS Period



Prospects for achieving the target growth rate are attested for by astronomical growth rate of 271% of tuna loin exports in 2014 compared to the previous year. This demonstrates that once the constraints to processing of tuna loins, such as increase of raw material coupled with enforcement of 30% compulsory landing in the new law will lead to increased landings, processing and export.

B4/1.1.2 Fish and fish Products Export Potential in target Export Destination Markets

The target markets that will drive fish and fish products export growth include: the EU, USA, Japan, China, Middle East, UAE, Qatar, EAC, and COMESA. According to ITC Trade Maps, these countries' market size of fish and fish products that Kenya has potential to produce and exports is estimated an average of USD71billion, for the period 2012 to 2016. This is against these countries' reported imports from Kenya of an average of USD36 million over the same period. The export potential is therefore substantial, with Kenya's current share in these markets being 0.05%.

If Kenya was to aim at increasing her market share in these targets markets to 5% of these markets annual market size, this would translate to USD3.6 billions, a figure that far supersedes the NEPDS fisheries 2022 growth target of USD6 billion! This reality demonstrates the horizon that fisheries export development should aspire for through robust export development and promotion initiatives that have been proposed to drive the sector's export growth in this strategy.

Table B4/3: Fish and fish products Kenya exports and select countries and regions[95] destination market potential

Product code	Product label	Kenya's exports to the world - Average 2012-2016 (USD mn)	Select countries/ regions imports from Kenya - Average 2012-2016 (USD mn))	Select countries/ regions imports from world - Average 2012-2016 (USD mn)	Opportunity to increase exports if Kenya targets 5% of the select countries/regions' market size - Average 2012-2016 (USD mn))
'0302	Fish, fresh or chilled (excluding fish fillets and other fish meat of heading 0304)	2	2	15,109	755
'0303	Frozen fish (excluding fish fillets and other fish meat of heading 0304)	13	3	14,507	725
'0304	Fish fillets and other fish meat, whether or not minced, fresh, chilled or frozen	25	25	18,765	937
'0305	Fish, fit for human consumption, dried, salted or in brine; smoked fish, fit for human consumption, ...	7	1	4,147	207
'0306	Crustaceans, whether in shell or not, live, fresh, chilled, frozen, dried, salted or in brine, ...	5	5	18,744	937
Total		**52**	**36**	**71,272**	**3,562**

Source: *Computation from ITC Trade Maps*

Lead markets accounting for over 80% of the identified destination countries/region's total market size are EU, USA, Japan. China, Middle East.

The EU (Netherlands, Belgium, Germany, Greece and Spain) is the major European export market for Nile Perch products. This is because of its proximity to Kenya as compared with other markets such as the USA and Japan, and therefore provides better profit margins. The main export product, Nile Perch fillets, is popular in mainland Europe where it supplements the dwindling white fish meat from Cod and Halibut. Other destinations include Israel, Singapore, Australia, Hong Kong, Japan and United Arab Emirates.

B4/1.1.3 Constraints to Fish and Fish Products Export Performance

The fish industry faces a number of challenges that have largely contributed to the poor export performance. These challenges include the following:

a) Weak policy emanating from non alignment of the National oceans and fisheries policy to the Fisheries Management and Development Act No. 35 of 2016;

95 *Select countries and regions to be target for fish exports are: EU, USA, Japan, China, Middle East, UAE, Qatar, EAC, COMESA*

b) Weak coordination between National and County Government on fish production and export promotion;

c) Lack of information on fish stock as a result of weak fish stock sustainable management and surveillance systems. This leads to low investor response to prevailing fish processing investment opportunities;

d) Low production fish and fish products for export market. This is preciptated by:

e) Over reliance on Lake Victoria, which currently accounts for 80% of total fish catch), declining stocks associated with Open fishing policy leading to catch of juvenile fish, unxeploited potential in lake Turkana, Baringo and other fresh water lates, unexploited marine fisheries resources due to lack of capital, skills - lack of training in deep sea fishing, landing sites, underdeveloped capacity of aquaculture;

f) Inadequate awareness of export driven manufacturing sector opportunities to elicit private sector response and investments;

g) Lack of fish port to enforce the 30% compulsory landing of the catch by foreign vessels;

h) None operationalization of the Fisheries Management as provided for under the Fisheries Management and Development Act No. 35 of 2016;

i) Weak enforcement of fisheries legal and regulatory requirements, especially among the BMUs;

j) Weak extension services to support BMUs in ensuring sustainable fishing and quality assurance

k) Lack of adequate fish procesing facilities;

l) Weak infrastructure to support fish processing. For instance poor roads to fish landing beaches, insufficient ice to preserve fish and fish transport boats;

m) Weak value chains characterized by too many sparsely distributed landing beaches, weak BMUs leading to exploitation of fishermen by middlemen;

n) Weak quality assurance systems - indequate certified food safety laboratories/facilities to support fish processing for export market;

o) Lack of information on export market opportunities;

p) Aquaculture suffers the following constraints, which have been aggravated by the end of economic stimulus program without a clear exit strategy to ensure sustainability of the interventions under the program:

   i) Inadequate readily available and affordable quality fish seed (fingerlings);

   ii) Inadequate good quality and affordable fish feeds;

   iii) Poor adoption of fish husbandry techniques by some farmers even after being trained on basic pond management;

   iv) Water scarcity due to other competing uses – industry, domestic and agriculture;

   v) Inadequate market information for use by fish farmers;

   vi) Lack of good credit facilities and schemes for fish farmers;

   vii) Security and safety of fish in ponds posed by thieves and predators;

   viii) Poor book keeping and record management leading to inaccurate data from farmers along the aquaculture value chain e.g. input costs, management cost, quantities of fish harvested and value;

ix) Sub optimal staffing levels especially extension personnel;

x) Inadequate facilitation in terms of transport and timely funds towards carrying out of fisheries extension service provision.

B4/1.1.4 Strategic Objectives towards Development and Promotion of Fish and Fish Products Exports

In order to meet the projected fish production and export targets in the period 2018-2022, the following strategic objectives and interventions have been proposed.

a) To strengthen policy, legal and regulatory framework for fisheries sector;

b) To promote sustainable fisheries resources development and management, encompassing inland fisheries, marine and aquaculture;

c) To establish data base of fish and fish products exporters and exporter support system for enhanced production and export of all focal categories of fish products that are targeted by NEDPS;

d) To promote production of fish and fish products for exports through strengthening of products value and supply chains, establishment of fish processing facilities, improvement of quality standards, and diversification of fish and fishery products;

e) To promote fish and fish products exports in traditional and new markets;

f) To conclude and implement Fish Framework Agreement with the EU pursuant to the provision in the EPA and Kenya trade relations with the EU.

B4/1.1.5 Strategic Interventions and Resource Requirement towards Development and Promotion of Fish and Fish Products Exports

Strategic Objective #1:

To strengthen policy, legal and regulatory framework for fisheries sector

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KES M)
1) Review National Oceans and Fisheries policy to ensure consistency with the Fisheries Management and Development Act of 2016 in support of fisheries export development	State Department for Fisheries, County Governments, AFIPEK, AAK, CASK (Commercial Aquaculture Society of Kenya)	5
2) Establish a national framework for coordination of fisheries exports development between National and County Governments in compliance with international standards on fisheries management for export markets	State Department for Fisheries, County Governments, AFIPEK, AAK, CASK (Commercial Aquaculture Society of Kenya)	5
3) Operationalize the envisaged Fisheries Management framework in support of fisheries exports as foreseen in the Fisheries Management and Development Act of 2016 in support of fisheries export development	State Department for Fisheries, County Governments, AFIPEK, AAK, CASK (Commercial Aquaculture Society of Kenya)	5

Strategic Objective #2:

To promote sustainable fisheries resources development and management, encompassing inland fisheries, marine and aquaculture in support of fisheries export development

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KESM)
Prepare fish stock (marine, inland waters and aquaculture) baseline data, using existing KMFRI survey findings	KMFRI, State Department for Fisheries, County Governments, AFIPEK, AAK, CASK	5
Undertake national aquaculture baseline survey ...	KMFRI, State Department for Fisheries, County Governments, AFIPEK, AAK, CASK	10
Disseminate current fish stock (marine, inland waters and aquaculture) using a fish stock dedicated portal	KMFRI, State Department for Fisheries, County Governments,AFIPEK, AAK, CASK	5
Annual stock assessment surveys in the coastal/ EEZ and inland waters	KMFRI, State Department for Fisheries, County Governments and AFIPEK	40
Strengthening of Monitoring Control and Surveillance (MCS) through Vessel Monitoring System (VMS) and enforcement of fishing laws in support of marine fisheries export development.	State Department for Fisheries and Kenya Navy	5,000
Environmental protection and water pollution control	State Department for Fisheries and County Governments, KMFRI, AFIPEK, NEMA, KMA, AAK, CASK	50
Upgrade of fisheries laboratories analytical capacities and support towards accreditation of the laboratories	State Department for Fisheries and County Governments, KMFRI, AFIPEK, AAK, CASK	50

Strategic Objective #3:

To establish data base of fish and fish products exporters and exporter support system for enhanced production and export of all focal categories of fish products that are targeted by NEDPS

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KESM)
Conduct rapid national audit/baseline survey to establish existing fish and fish products exporters (including SMEs) that will drive the projected growth of sectoral exported	State Departments for Fisheries, County Governments, AFIPEK AAK, CASK, KEPSA	25
Develop a system for nation-wide continuous registration/listing of new entrants or exits in fish exporting business. This to include formation and strengthening of fish marketing groups/associations	State Departments for Fisheries, County Governments, AFIPEK AAK, CASK, KEPSA	35
Establish and operationalize a joint public/ private sector unit to monitor performance of fish and fisheries products exports in response to interventions being pursued under the NEDPS	State Departments for Fisheries, County Governments, AFIPEK AAK, CASK, KEPSA	25

Strategic Objective #4:

To promote production of fish and fish products for exports through strengthening of products value and supply chains, establishment of fish processing facilities, improvement of quality standards, and diversification of fish and fishery products.

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KESM)
GPS Mapping and identification of suitable sites for commercial /large scale inland aquaculture and mariculture for fisheries export	State Department for Fisheries and County Governments, KMFRI, AFIPEK, AAK, CASK	50
Establish a fish farming Revolving Fund to support development of alternative capture based aquaculture (cage culture) in inland waters/reservoir/dams to boost fisheries exports	State Department for Fisheries and County Governments, KMFRI, AFIPEK, AAK, CASK	1000
Establishment of commercial /large scale inland aquaculture and mariculture enterprises with clear and contractual link to fish processors for fisheries exports	State Department for Fisheries and County Governments, KMFRI, AFIPEK, AAK (Aquacultural Association of Kenya), CASK	200
Capacity build Beach Management Units (BMUs) with a view to ensuring sustainable supply of fish to fish export processing facilities to match international orders	State Department for Fisheries and County Governments, AFIPEK	50
Improve fish handling and preservation methods through improved capacity for fisheries extension services to ensure all fishing activities in support for exports are accessing regular extension services for efficiency and quality production of fish for export markets.	State Department for Fisheries and County Governments, AFIPEK, AAK, CASK	50
Construction of cold storage facilities and ice making plants and management of the facilities at strategic areas	State Department for Fisheries and County Governments, AFIPEK, AAK CASK , Private sector	200
Construction of dedicated fish ports in Mombasa, Shimoni (Kwale), Kilifi and Lamu) in support of enhanced marine fish exports through enforcement of the 30% compulsory landing of the catch from Kenya EEZ	State Department for Fisheries and County Governments of Mombasa, Kwale, Kilifi and Lamu	20,0000
Enforcement of Compulsory landing of 30% of catch and reflagging of foreign fishing vessels	State Department for Fisheries and Kenya Navy	50
Initiate Public Private Participation (PPP) acquisition of 10 deep-sea fishing vessels targeting the marine fisheries resources for export and employment creation among the youth. Reflagging of foreign vessels (refer MTPIII)	State Department for Fisheries and County Governments of Mombasa, Kwale, Kilifi and Lamu	1000
Undertake a comprehensive review of fisheries export infrastructure support capacity and based on the finding develop a costed fish for exports infrastructure development program	State Department for Fisheries and County Governments, Ministry of Roads and Public Works, KPLC, AFIPEK, AAK, CASK	10

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KESM)
Improvement of roads, water and electricity supply along the beaches and regions that are farming fish to ensure fish gets to the market in good quality	State Department for Fisheries and County Governments, Ministry of Roads and Public Works, KPLC, AFIPEK, AAK, CASK	Cost will be driven by the fish for exports infrastructure development program
Establish model landing sites that meet standards for fish handling	State Department for Fisheries and County Governments, AFIPEK, AAK, CASK	10
Training in production quality assurance along the entire value chain	State Department for Fisheries and County Governments, BMUs, AFIPEK, AAK, CASK	50
Provide a fish export production Revolving Fund for fish processing facilities producing for exports targeting financial support for post and pre-export financing where verified orders are in place	State Department for Fisheries, County Governments, AFIPEK, AAK, CASK	5,000
Establishment of at least 3 business incubation centers for fish value addition and branding	State Department for Fisheries, County Governments, AFIPEK, AAK, CASK	200

Strategic Objective #5:

To conclude and implement Fish Framework Agreement with the EU pursuant to the provision in the EPA and Kenya trade relations with the EU

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KES Mn)
1) Establish National SFPA Negotiation team complete with technical back up	State Departments of Fisheries, Trade and Industry, County Governments of Kilifi, Kwale, Lamu, Mombasa, Tana River and AFIPEK	1
2) Prepare, in consultation with the EU, and building on provisions of the EPA Fisheries Chapter and lessons from other countries that have an SFPA with the EU, the FPA negotiation scope, timeframe and modalities	State Departments of Fisheries, Trade and Industry, County Governments of Kilifi, Kwale, Lamu and Mombasa, Tana River and AFIPEK - through the National FPA Negotiation Team	4
3) Undertake SFPA negotiations with the EU	State Departments of Fisheries, Trade and Industry, County Governments of Kilifi, Kwale, Lamu and Mombasa, Tana River and AFIPEK - through the National FPA Negotiation Team	15
4) Develop an SFPA implementation program complete with cost	State Departments of Fisheries, Trade and Industry, County Governments of Kilifi, Kwale, Lamu and Mombasa, Tana River and AFIPEK - through the National FPA Negotiation Team	4
5) Implement the SFPA to ensure its delivery of marine fisheries development and increased marine fish exports to the EU	State Departments of Fisheries, Trade and Industry, County Governments of Kilifi, Kwale, Lamu and Mombasa and AFIPEK - through the National FPA Negotiation Team	Cost will be driven by the fish for exports infrastructure development program

Strategic Objective #6:

To promote fish and fish products exports in traditional and new markets.

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KESM)
Promote Kenya as a fish exporting Nation by hosting Annual Fish and Sea Food Event to show case marine fish and fisheries products using a cost recovery model	State Department for Trade, County Governments, EPC, Kenya Missions Abroad, State Department for Fisheries and AFIPEK	100
Prepare annual market intelligence surveys for target fish and fish products in target destination markets	State Department for Trade, EPC, Kenya Missions Abroad, State Department for Fisheries and AFIPEK	50
Disseminate market intelligence surveys to target sectors/ businesses using the Kenya National Trade Portal	State Department for Trade, EPC, Kenya Missions Abroad, State Department for Fisheries and AFIPEK	2
Identify destination market marketing Agencies for Kenyan fish and fish products and engage them to drive Kenya's export market share working closely with the private sector. Payment for the services to be tied to market share increments/concluded and delivered deals	State Department for Trade, EPC, Kenya Missions Abroad, State Department for Fisheries and AFIPEK	100
Lease warehousing/distributorship center facilities, using a cost recovery model, for target fish and fish products in destination markets to ease visibility and distribution of Kenyan products in these markets	State Department for Trade, EPC, Kenya Missions Abroad, State Department for Fisheries and AFIPEK	200
Provide matching grants to support exporters of target fish and fish products in scheduled export promotion events, Business to Business or Business to Consumers specific events in target destination markets	State Department for Trade, EPC, Kenya Missions Abroad, State Department for Fisheries and AFIPEK	100
Target fish and fish products exporters listing in regional/ continental/global e-commerce platforms to enhance visibility and complement market access initiatives		firm level investments

B4/1.1.6 Resource Mobilization Plan for Development and Promotion of Exports of fish and fish products

The estimated resource requirement for implementation of the Fisheries Sector Strategy for export development and promotion strategy is KES213.7billion. Out of this resource estimate, 98% or KES207.9billion go into supporting production of fish for exports, including building of fish port to facilitate compulsory landing of 30% of fish caught in Kenyan Exclusive Economic Zone (EEZ), acquisition of deep sea fishing vessels as well as dedicated funding to support fish export businesses. The specific interventions under each of the Strategic Objectives and accompanying resource requirements are as provided under the section on 'Strategic Interventions and Resource Requirements'.

The sources of funds and Lead Agencies in mobilization of the funds are as listed in the resource mobilization plan below. The institutional structure through which the funds for fisheries products export development and promotion will be mobilized is the 'Fisheries Sector Working Group'. The Private Sector Stakeholders in the Fisheries sector will take lead role in driving the agenda for export fisheries products with the Government playing a facilitative role to ensure requisite resources and enabling environment for development and promotion of the exports of these services.

Table B4/4: Resource Mobilization Plan for Development and Promotion of Exports of fish and fish products

SO#	Strategic Objective/ Focal Areas of Intervention	Amount Required (KESMn)	Estimated NEDPS Annual Resource Requirement (KES Millions)					Source	Lead Agencies in Resource Mobilization
			2018/19	2019/20	2020/21	2021/22	2022/23		
1	To strengthen policy, legal and regulatory framework for fisheries sector	15	3	3	3	3	3	MDAs and County Governments' MTPIII Annual Budgets, Private Sector programs, Development Partners	State Department of Fisheries/County Government Counterpart/ AFIPEK, Aquaculture Association of Kenya (AAK)
2	To promote sustainable fisheries resources development and management, encompassing inland fisheries, marine and aquaculture in support of fisheries export development	5,160	1,032	1,032	1,032	1,032	1,032		
3	To establish data base of fish and fish products exporters and exporter support system for enhanced production and export of all focal categories of fish products that are targeted by NEDPS	85	17	17	17	17	17		
4	To promote production of fish and fish products for exports through strengthening of products value and supply chains, establishment of fish processing facilities, improvement of quality standards, and diversification of fish and fishery products.	207,870	100,000	100,000	2,623	2,623	2,623		
5	To conclude and implement Fish Framework Agreement with the EU pursuant to the provision in the EPA and Kenya trade relations with the EU	24	5	5	5	5	5		
6	To promote fish and fish products exports in traditional and new markets.	552	110	110	110	110	110		
Sub-Total Fisheries Industry		213,706	101,167	101,167	3,790	3,790	3,790		

B4/1.1.7 Implementation Plan towards the Development and Promotion Exports of Fish and Fish Products

Strategic Interventions/ Program Activities	Implementing Agencies	2018				2019				2020				2022				2023			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
SO#1: To strengthen policy, legal and regulatory framework for fisheries sector																					
1) Review National Oceans and Fisheries policy to ensure consistency with the Fisheries Management and Development Act of 2016 in support of fisheries export development	State Department for Fisheries, County Governments, AFIPEK, AAK, CASK (Commercial Aquaculture Society of Kenya)																				
2) Establish a national framework for coordination of fisheries exports development between National and County Governments in compliance with international standards on fisheries management for export markets	State Department for Fisheries, County Governments, AFIPEK, AAK, CASK (Commercial Aquaculture Society of Kenya)																				
3) Operationalize the envisaged Fisheries Management framework in support of fisheries exports as foreseen in the Fisheries Management and Development Act of 2016 in support of fisheries export development	State Department for Fisheries, County Governments, AFIPEK, AAK, CASK (Commercial Aquaculture Society of Kenya)																				
SO#2: To promote sustainable fisheries resources development and management, encompassing inland fisheries, marine and aquaculture in support of fisheries export development																					
1) Prepare fish stock (marine, inland waters and aquaculture) baseline data, using existing KMFRI survey findings	KMFRI, State Department for Fisheries, County Governments, AFIPEK, AAK, CASK																				
2) Undertake national aquaculture baseline survey	KMFRI, State Department for Fisheries, County Governments, AFIPEK, AAK, CASK																				
3) Disseminate current fish stock (marine, inland waters and aquaculture) using a fish stock dedicated portal	KMFRI, State Department for Fisheries, County Governments, AFIPEK, AAK, CASK																				

Strategic Interventions/ Program Activities	Implementing Agencies	2018				2019				2020				2022				2023			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
4) Annual stock assessment surveys in the coastal/ EEZ and inland waters	KMFRI, State Department for Fisheries, County Governments and AFIPEK																				
5) Strengthening of Monitoring Control and Surveillance (MCS) through Vessel Monitoring System (VMS) and enforcement of fishing laws in support of marine fisheries export development.	State Department for Fisheries and Kenya Navy																				
6) Environmental protection and water pollution control	State Department for Fisheries and County Governments, KMFRI, AFIPEK, NEMA, KMA, AAK, CASK																				
7) Upgrade of fisheries laboratories analytical capacities and support towards accreditation of the laboratories	State Department for Fisheries and County Governments, KMFRI, AFIPEK, AAK, CASK																				
SO#3: To establish data base of fish and fish products exporters and exporter support system for enhanced production and export of all focal categories of fish products that are targeted by NEDPS																					
1) Conduct rapid national audit/baseline survey to establish existing fish and fish products exporters (including SMEs) that will drive the projected growth of sectoral exported	State Departments for Fisheries, County Governments, AFIPEK AAK, CASK, KEPSA																				
2) Develop a system for nation-wide continuous registration/listing of new entrants or exits in fish exporting business. This to include formation and strengthening of fish marketing groups/ associations	State Departments for Fisheries, County Governments, AFIPEK AAK, CASK, KEPSA																				
3) Establish and operationalize a joint public/private sector unit to monitor performance of fish and fisheries products exports in response to interventions being pursued under the NEDPS	State Departments for Fisheries, County Governments, AFIPEK AAK, CASK, KEPSA																				

Strategic Interventions/ Program Activities	Implementing Agencies	2018				2019				2020				2022				2023			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
SO#4: To promote production of fish and fish products for exports through strengthening of products value and supply chains, establishment of fish processing facilities, improvement of quality standards, and diversification of fish and fishery products.																					
1) GPS Mapping and identification of suitable sites for commercial / large scale inland aquaculture and mariculture for fisheries export	State Department for Fisheries and County Governments, KMFRI, AFIPEK, AAK, CASK																				
2) Establish a fish farming Revolving Fund to support development of alternative capture based aquaculture (cage culture) in inland waters/ reservoir/dams to boost fisheries exports	State Department for Fisheries and County Governments, KMFRI, AFIPEK, AAK, CASK																				
3) Establishment of commercial /large scale inland aquaculture and mariculture enterprises with clear and contractual link to fish processors for fisheries exports	State Department for Fisheries and County Governments, KMFRI, AFIPEK, AAK (Aquacultural Association of Kenya), CASK																				
4) Capacity build Beach Management Units (BMUs) with a view to ensuring sustainable supply of fish to fish export processing facilities to match international orders	State Department for Fisheries and County Governments, AFIPEK																				
5) Improve fish handling and preservation methods through improved capacity for fisheries extension services to ensure all fishing activities in support for exports are accessing regular extension services for efficiency and quality production of fish for export markets.	State Department for Fisheries and County Governments, AFIPEK, AAK, CASK																				
6) Construction of cold storage facilities and ice making plants and management of the facilities at strategic areas	State Department for Fisheries and County Governments, AFIPEK, AAK CASK , Private sector																				

Strategic Interventions/ Program Activities	Implementing Agencies	2018				2019				2020				2022				2023			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
7) Construction of dedicated fish port in Mombasa, Shimoni (Kwale), Kilifi and Lamu) in support of enhanced marine fish exports through enforcement of the 30% compulsory landing of the catch from Kenya EEZ	State Department for Fisheries and County Governments of Mombasa, Kwale, Kilifi and Lamu																				
8) Enforcement of Compulsory landing of 30% of catch and reflagging of foreign fishing vessels	State Department for Fisheries and Kenya Navy																				
9) Initiate Public Private Participation (PPP) acquisition of 10 deep-sea fishing vessels targeting the marine fisheries resources for export and employment creation among the youth. Reflagging of foreign vessels (refer MTPIII)	State Department for Fisheries and County Governments of Mombasa, Kwale, Kilifi and Lamu																				
10) Undertake a comprehensive review of fisheries export infrastructure support capacity and based on the finding develop a costed fish for exports infrastructure development program	State Department for Fisheries and County Governments, Ministry of Roads and Public Works, KPLC, AFIPEK, AAK, CASK																				
11) Improvement of roads, water and electricity supply along the beaches and regions that are farming fish to ensure fish gets to the market in good quality	State Department for Fisheries and County Governments, Ministry of Roads and Public Works, KPLC, AFIPEK, AAK, CASK																				
12) Establish model landing sites that meet standards for fish handling	State Department for Fisheries and County Governments, AFIPEK, AAK, CASK																				
13) Training in production quality assurance along the entire value chain	State Department for Fisheries and County Governments, BMUs, AFIPEK, AAK, CASK																				

Strategic Interventions/ Program Activities	Implementing Agencies	2018				2019				2020				2022				2023			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
14) Provide a fish export production Revolving Fund for fish processing facilities producing for exports targeting financial support for post and pre-export financing where verified orders are in place	State Department for Fisheries, County Governments, AFIPEK, AAK, CASK																				
15) Establishment of at least 3 business incubation centers for fish value addition and branding	State Department for Fisheries, County Governments, AFIPEK, AAK, CASK																				
SO#5: To conclude and implement Fish Framework Agreement with the EU pursuant to the provision in the EPA and Kenya trade relations with the EU																					
1) Establish National Sustainable Fish Partnership Agreement (SFPA) Negotiation team complete with technical back up	State Departments of Fisheries, Trade and Industry, County Governments of Kilifi, Kwale, Lamu and Mombasa, Tana River and AFIPEK - through the National FPA Negotiation Team																				
2) Prepare, in consultation with the EU, and building on provisions of the EPA Fisheries Chapter and lessons from other countries that have an SFPA with the EU, the FPA negotiation scope, timeframe and modalities	State Departments of Fisheries, Trade and Industry, County Governments of Kilifi, Kwale, Lamu and Mombasa, Tana River and AFIPEK - through the National FPA Negotiation Team																				
3) Undertake SFPA negotiations with the EU	State Departments of Fisheries, Trade and Industry, County Governments of Kilifi, Kwale, Lamu and Mombasa, Tana River and AFIPEK - through the National FPA Negotiation Team																				

Strategic Interventions/ Program Activities	Implementing Agencies	2018				2019				2020				2022				2023			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
4) Develop an SFPA implementation program complete with cost	State Departments of Fisheries, Trade and Industry, County Governments of Kilifi, Kwale, Lamu and Mombasa, Tana River and AFIPEK - through the National FPA Negotiation Team																				
5) Implement the SFPA to ensure its delivery of marine fisheries development and increased marine fish exports to the EU	State Departments of Fisheries, Trade and Industry, County Governments of Kilifi, Kwale, Lamu and Mombasa and AFIPEK - through the National FPA Negotiation Team																				
So#6: To promote fish and fish products exports in traditional and new markets.																					
1) Promote Kenya as a fish exporting Nation by hosting Annual Fish and Sea Food Event to show case marine fish and fisheries products using a cost recovery model	State Department for Trade, County Governments, EPC, Kenya Missions Abroad, State Department for Fisheries and AFIPEK																				
2) Prepare annual market intelligence surveys for target fish and fish products in target destination markets	State Department for Trade, EPC, Kenya Missions Abroad, State Department for Fisheries and AFIPEK																				
3) Disseminate market intelligence surveys to target sectors/ businesses using the Kenya National Trade Portal	State Department for Trade, EPC, Kenya Missions Abroad, State Department for Fisheries and AFIPEK																				

Strategic Interventions/ Program Activities	Implementing Agencies	2018				2019				2020				2022				2023			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
4) Identify destination market marketing Agencies for Kenyan fish and fish products and engage them to drive Kenya's export market share working closely with the private sector. Payment for the services to be tied to market share increments/concluded and delivered deals	State Department for Trade, EPC, Kenya Missions Abroad, State Department for Fisheries and AFIPEK																				
5) Lease warehousing/ distributorship center facilities, using a cost recovery model, for target fish and fish products in destination markets to ease visibility and distribution of Kenyan products in these markets	State Department for Trade, EPC, Kenya Missions Abroad, State Department for Fisheries and AFIPEK																				
6) Provide matching grants to support exporters of target fish and fish products in scheduled export promotion events, Business to Business or Business to Consumers specific events in target destination markets	State Department for Trade, EPC, Kenya Missions Abroad, State Department for Fisheries and AFIPEK																				
7) Target fish and fish products exporters listing in regional/ continental/global e-commerce platforms to enhance visibility and complement market access initiatives	AFIPEK																				

B5 Mining Industry

B5/1.1 Mining Industry Situational Analysis

Kenya mining industry is at its nascent stage owing to lost opportunity for its development since independence up to 2016. This was as a result of the sector's development being pegged on the archaic colonial Mining Act of 1940. As a result, the country's mining and minerals resources sector failed to attract adequate investments leading to its contribution to Kenya's economy being minimal, currently standing at about one percent of the GDP. This Act has since been repealed and replaced by the Mining Act of 2016. The Act is informed by a robust Mining and Mineral Resources Policy of 2016 whose overall goal was to set out frameworks, principles, and strategies to provide for exploration and exploitation of mineral resources for the country's socio-economic development

This development was based on the realization that the country is rich in mineral resources with known deposits of soda ash, fluorspar, titanium, gold, coal, manganese, iron ore, gypsum, diatomite, chromite, limestone, and silica sand. There are also indications that the country is potentially rich in rare earth minerals and other types of minerals which are to be discovered with increased exploration. The Mining and Minerals Policy (2016) is therefore an enabler for the country to obtain maximum benefits from its future mineral deposits.

Because of its great potential to contribute to achieving high economic growth rates envisioned under Kenya Vision 2030, the mining and mineral resources sector has been included as a priority sector under the economic pillar of Kenya Vision 2030 and its Second Medium Term Plan (2013-2017). Under MTP II the sector was expected to increase its contribution to GDP to three percent by 2017 and 10 percent by 2030, making mining a key driver of economic growth and transformation. The MTPII target seems unlikely considering the sector's performance in 2015 and 2016, where its contribution to GDP was 0.9% in 2015 and 0.8% in 2016. Total mineral output rose from 1.596 million tonnes in 2015 to 1.718 million tonnes in 2016.

The prospects for the sector to play its envisaged role now lies in the Third Medium Term Plan (2018-2022) and the framework for transformation of Kenya's economy between 2018 and 2022, where the sector is singled out among the four pillars to drive the transformation.

The outlet for the country's minerals and mineral products is export markets because over 90% of these products are naturally exported out of the country. This fact underscores the need to spell out clear export development and promotion strategies to ensure that export market opportunities drive investments in the mining sector.

The opportunity for the sector to deliver the envisaged Vision 2030 growth target for the sector and contribute to increasing national exports lies in clear strategies that have been spelt out in the Mining policy and that are enshrined in the Mining Act. These include the following:

a) *Put in place a simple, stable, predictable, transparent, efficient, and unified regulatory framework for the mining sector;*

b) *Develop a transparent licensing system which will enable the efficient management of concessions and allocations of mineral rights;*

c) *Enhance collection and access to geological data;*

d) *Develop legislative mechanisms for accessing land for mineral development;*

e) *Achieve an acceptable balance between mining and environmental conservation and ensure that the sector operates within the approved (national and where necessary international) standards of health, safety, human rights and environmental protection;*

f) *Develop and implement a stable, transparent, predictable and competitive fiscal regime;*

g) *Develop mechanisms for promotion of investments in mining and value addition;*

h) *Pursue a responsive regulatory framework that ensures benefits accruing from the mining sector are maximized for greater socio-economic development;*

i) *Design mechanisms for sharing benefits accruing from exploitation of minerals between the National Government, the County governments and the Communities where mining activities are being undertaken;*

j) *The government will develop and implement a framework which will ensure that revenues from mining are shared equitably among National Government, County Governments and local communities;*

k) *Develop and implement mechanisms to enhance Participation of Government (National and County), affected communities and other stakeholders in mining activities;*

l) *Develop a framework for mainstreaming and formalising artisanal and small scale mining operations in order to support livelihoods and entrepreneurship;*

m) *Develop and implement frameworks, structures and mechanisms that ensure equitable participation, ownership and decision-making value chains by women, youth and disadvantaged groups; and*

n) *Develop and enforce measures that will ensure a competitive local workforce, facilitate knowledge and skill transfer and promote the use of local goods and services.*

Further impetus that is inbuilt in the mining policy is the implementation road map with clear milestones as follows:

a) Strengthening Regulation of the Mining Sector (2016);

b) Putting in place transparent licensing procedures for Concessions and Mineral Rights Allocation (2016-2017);

c) Establishment of an enabling institutional framework for mining sector (2013-2018);

d) Development of geo-data and information banks (2013-2020);

e) Putting in place an enabling and competitive Fiscal Regime for the mining sector (2014-2017);

f) Development and dissemination of Health, Safety and Environmental Regulations for the mining sector (2013-2018);

g) Implementing the strategy for promotion and value addition for minerals (2013-Onwards);

h) Establishing an enabling framework for Artisanal and Small Scale Mining (2013-2018);

i) Establishment of a framework for equitable sharing of mining benefits (2013-2017);

j) Development and establishment of a framework for local equity participation in mining investments (2013-Onwards); and

k) Putting in place a resource mobilisation framework for the mining sector (2013-Onwards).

Further push towards revitalisation of the mining sector is provided in MTP III (2018-2022) where the following projects and interventions are envisaged:

a) **Geological Mapping, Mineral Exploration & Evaluation:**
The project will entail mapping, exploring and evaluating minerals in Kenya with emphasis on the 4 big minerals (gold, copper, iron ore and coal) earmarked to propel the mining sector;

b) **Geophysical Surveys:**
This project will entail carrying out aerial geophysical surveys to establish potential areas of mineralisation by undertaking the following surveys: Nationwide Airborne Geophysical Survey. Marine Geophysical survey and. Nationwide Geophysical Survey Ground Follow-up;

c) **Mineral Value Addition Centres:**
This project entails: equipping and commissioning the Gemstone Value Addition Centre in Taita-Taveta County; Construction and equipping of Granite Processing Plant in Vihiga County; Gold Refinery in Migori County and Gypsum Products Manufacturing Plant in Garissa/Tana River County;

d) **Capacity building of Artisanal and Small Scale Miners (ASM):**
The project entails: formalisation of Artisanal and Small-scale Miners; ensuring the Explosive Act is adequately enforced and complied with and preparation of inventory and zone of areas with construction materials;

e) **Minerals and Metals Commodity Exchange and Mineral Promotion and Investment:**
The project entails the establishment of commodities exchange to facilitate mineral trading and marketing Kenya as a mining and investment destination.

a) **Internationally Accredited Mineral Certification Laboratory (IAMCL):**
This will entail the procurement of specialised laboratory equipment and ensuring geo-technical laboratory is incorporated in the IAMCL. In addition, the accreditation process will be pursued; and

b) **Establishment of Geological Data Bank:**
The project will entail equipping and commissioning a repository centre to host geological data and information. This will generate additional revenues to government as the data and information on known mineral quantities will be accessed at cost.

Therefore, the groundwork has been set out for revolutionising the mining sector. The eye should be on the above milestones, which are critical to ensuring that the sector produces for the export market. There is need to ensure that they are adhered to and when challenges towards their realisation emerge, they are addressed promptly.

B5/1.2 Minerals Export Performance and Target Destination Markets

B5/1.2.1 Priority Minerals and Mineral Products for Export

Prospects for mineral and mineral products exports lie in the following minerals that Kenya has demonstrated export capability as evidenced in the country's trade flows: Soda ash, Fluorspar, Titanium, Gold, Coal, Gemstone, Manganese, Iron ore, Gypsum, Diatomite and Carbon dioxide. The location of these minerals and volume of production and deposits is provided in the table below.

Table B5/1-1: Priority mineral products and their location and volume of current production and unexploited deposits

Priority Minerals	Counties where minerals are found	Current volume of production	Proven mineral resource deposit	Number of companies
Soda ash	Kajiado (Magadi)	400,000tons per year	Trona which regenerates every 15 to 20 years	1
Fluorspar	Elgeyo Marakwet (Kerio Valley)	100,000tons per year	Not available	1
Titanium	Kwale (Kinondo)	355,000tons per year	120millions tons. (Indicated mineral resources) Exploration in progress	1
Gold	Kakamega, Nandi, Narok, Turkana and Siaya	300Kgs in 2016	1.31million ounces (inferred mineral resources) of gold reported by Acacia Mining company. Deposits for other parts of the country are yet to be established	3 (Medium mining companies)
Coal	Kitui	Production is yet to start	400million tons. Exploration in progress	1
Gemstone[96]	Taita Taveta and Baringo	5,490.5 carats (56,0.07kgs) in 2016 and 21,159.49kgs in 2017	Not established as exploration is in progress	Several companies/ firms
Manganese	Kilifi	8,625.03tons - 2017	Exploration in progress	8
Iron ore	Taita Taveta, Kitui and Tharaka Nithi		Exploration in progress	5
Gypsum	Garisa and Kajiado	Data not available	Exploration in progress	Several
Diatomite	Nakuru (Kariandusi)	415.5Kgs in 2017	Exploration in progress	2
Carbon dioxide	Kiambu (Kimende)	N/A	Exploration in progress	1

Source: *Mining Department*

For purposes of tracking mineral and mineral products exports and performance in the global market, the following specification, which is drawn from Harmonised Systems of commodity classification, will be used:

Table B5/1-2: Mineral Products as Classified in Harmonized System (HS) of product Classification

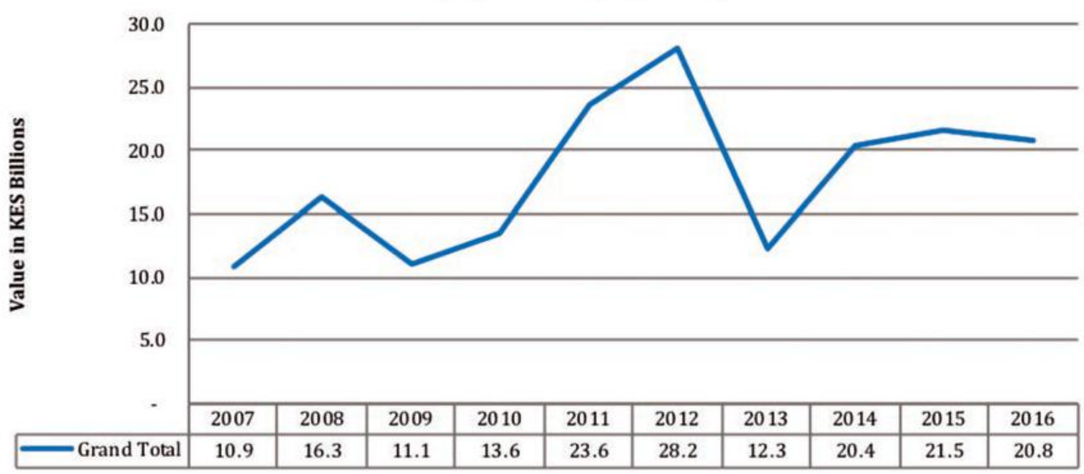
Product code	Product label
7101	Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad with precious metal, and articles thereof; imitation jewellery; coin
'7103	Precious stones and semi-precious stones, whether or not worked or graded, but not strung, ...
'7108	Gold, incl. gold plated with platinum, unwrought or not further worked than semi-manufactured ...
'7112	Waste and scrap of precious metal or of metal clad with precious metal; other waste and scrap ...
'7113	Articles of jewellery and parts thereof, of precious metal or of metal clad with precious metal ...
'7116	Articles of natural or cultured pearls, precious or semi-precious stones "natural, synthetic ...
'7117	Imitation jewellery

96 *The type of gemstone include the following: Ruby, Green Garnet, Aquamarine, Emerald, Beryl),*

B5/1.2.2 Export Performance and NEDPS Mining Sector Export Growth Target

Kenya posted an impressive export performance of minerals between 2007 and 2012. Exports of these products grew by 159% from KES10.9 billion in 2007 to KES28.2 billion in 2012. However, mineral exports declined by 26% from KES28.2 billion in 2012 to KES20.8 billion in 2016.

Chart B/5-1: Mineral exports (2007-2016) - Figures in KES billions *(Source: KNBS (Soda Ash and Flourspar) rest - Mining Department)*



While all the mineral products post a decline between 2012 and 2016, the ones that explain the huge drop are Gold, Soda Ash and Fluorspar.

Table B5/1-3: Mineral exports, comparative analysis - 2007, 2012 and 2016 (Figures in KES Billion)

Mineral products	2007	2012	2016
Carbon Dioxide	0.128	0.370	0.230
Diatomite	0.009	0.085	-
Fluorspar	0.963	3.272	1.889
Gemstones	0.199	0.157	0.325
Gold	3.734	13.922	0.657
Iron Ore	-	0.398	-
Magadi Soda	5.419	9.724	5.432
Manganese	-	-	-
Titanium sands	-	-	12.314
Other Minerals	0.409	0.240	-
Grand Total	**10.862**	**28.168**	**20.848**

Source: Mining Department

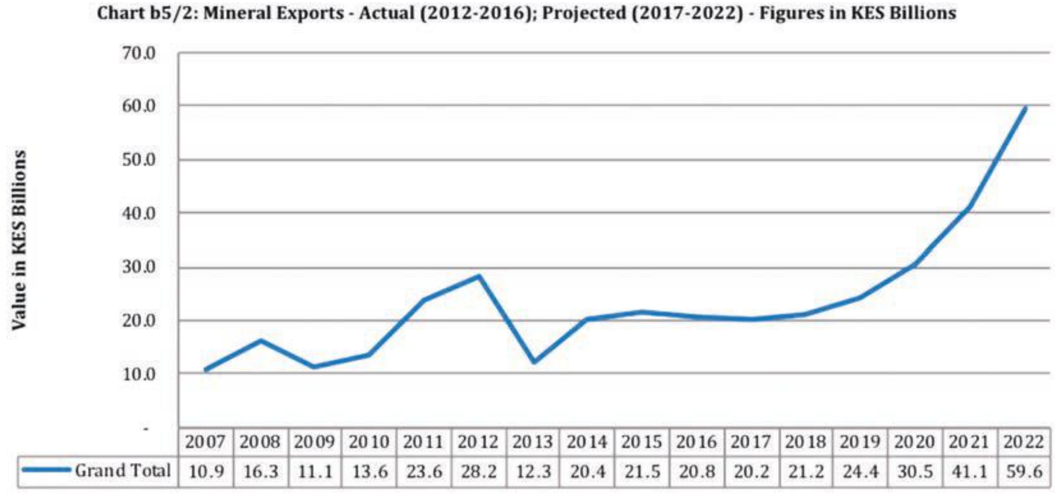
The products that will drive mineral exports in the short to medium terms according to their order of significance in terms of their contribution to mineral exports between 2007 and 2016 are as listed in the table below. The lead contributor will be Soda Ash followed by Gold, Fluorspar, Titanium, Gemstones and Carbon dioxide in that order.

Table B5/1-4: Mineral products contribution to total mineral exports between 2007 and 2012.

Mineral products	% share in total exports (2007-2016)
Base metals	0.02%
Carbon Dioxide	1.44%
Diatomite	0.17%
Fluorspar	10.20%
Gemstones	1.75%
Gold	19.88%
Iron Ore	0.59%
Magadi Soda	46.89%
Manganese	0.03%
Titanium sands	18.46%
Other Minerals	0.57%
Grand Total	**100.00%**

With exception of gold, whose drop was marginally attributed to international price decline, all the other products, including gold were affected by domestic related constraints to exports as outlined in the section on *'Constraints to exports of mineral products'*. In view of the dismal performance and the fact that most of the mineral sector reforms are being implemented currently, the goal of mineral exports should be to grow at a rate commensurate with the overall national export growth target of 25% in order for the sector to make a contribution to the narrowing of Balance of Trade deficit through export growth. In order to achieve this target, mining sector exports are projected to grow an annual average of 25% per year, rising from a growth rate of 5% in 2018 (KES21.2billion) to 45% in 2022[97] during which total mineral exports are projected to stand at KES59.6billion. The chart below demonstrates the mineral products export growth path if the projected growth is attained.

Chart b5/2: Mineral Exports - Actual (2012-2016); Projected (2017-2022) - Figures in KES Billions



97 *NEDPS export growth target for mining sector is 5% in 2018, 15% in 2019, 25% in 2020, 35% in 2021 and 45% in 2022*

The projected mining sector export growth will require a product by product effort to understand the reason for the decline and to pursue measures that lead to the products reclaiming the 2012 volume of exports. Therefore, with the exception of Titanium where we used the figure for 2014 as the pick year figure to drive the projections, for all other products we used 2012 export figures. Given that NEDPS has a five-year period, annual corrective growth value was computed and applied to determine annual growth targets for each product. The results of these projections are provided in the graph and the table below:

Table B5/1-5: Mineral exports projected growth (Figures in KES Millions)

Mineral product	2016 (Actual)	Projections					
		2017[98]	2018	2019	2020	2021	2022
1) Carbon Dioxide	0.2	0.2	0.2	0.3	0.3	0.5	0.7
2) Fluorspar	1.9	1.8	1.9	2.2	2.8	3.7	5.4
3) Gemstones	0.3	0.3	0.4	0.4	0.5	0.7	0.9
4) Gold	0.7	0.6	0.7	0.8	1.0	1.3	1.9
5) Magadi Soda	5.4	5.3	5.5	6.4	8.0	10.7	15.6
6) Titanium sands	12.3	11.9	12.5	14.4	18.0	24.3	35.3
7) Grand Total	20.8	20.2	21.2	24.4	30.5	41.2	59.7

Source: *Mining Department (2016 data), data for 2017-2022 projected growth driven by the national annual projected export growth of 25% per year.*

During the NEDPS value added products that fall in the HS Codes below will be the focus, especially because of the huge market opportunity in already identified target markets, where Kenya's share is negligible. The goal will be to raise Kenya's share in the markets to at least 2%, which translates to USD680million from the current level of USD2mn.

Product code	Product label
'7113	Articles of jewellery and parts thereof, of precious metal or of metal clad with precious metal ...
'7116	Articles of natural or cultured pearls, precious or semi-precious stones "natural, synthetic ...

B5/1.2.3 Prospects for Export Growth and Target Destination Markets for minerals and Mineral Products Export

The current and potential markets for some of these minerals as identified by the NEDPS emerging sector working group are as summarized in the table below:

Table B5/1-6: Current and potential markets for mineral products

Product	Existing markets	Potential markets
Titanium	China	Germany, USA, UK
Sodium carbonates (soda ash)	India, south Africa, UK	China
Gold	UAE, India	UK, USA, France, Italy
Gemstones	Thailand, India, Germany	UK, USA, Italy
Carbon dioxide	EAC	

Source: *NEDPS Emerging Sectors Working Group*

98 Data for 2017 is based on projections assuming a 3% decline in exports in 2017 inline with marginal decline recorded between 2015 and 2016 and taking into account volatile political situation in 2017 which could have affected the outcome of the sector's exports.

In addition to these markets, a more comprehensive assessment of prospective markets reveal export opportunities in the EU, Middle East, UAE, Japan, EAC, COMESA, SACU, ECOWAS and ASEAN. On the basis of these countries' imports from rest of the world for the period 2014-2016, the market size is estimated at USD143 billion. Kenya's share in this market is negligible, given her below average exports to the markets over the same period, which was estimated at USD40 million. This market size is a motivation enough to stimulate mineral and mineral products exports in pursuit of the above discussed sector export growth targets. If Kenya were to aspire to increase her market share to 5% of the current market size, this would translate to USD7.1 billion as revealed in the table below.

Table B5/1-7: Kenya's mineral and mineral trade with the world and select[99] destination countries and regions markets export potential

Product code	Product label	Kenya's exports to world - Average 2014 - 2016 (USD mn)	Select countries/ regions imports from Kenya Average 2014 - 2016 (USD mn)	Select countries/ regions imports from world - Average 2014 - 2016 (USD mn)	Kenya Export opportunity assuming a 5% market share (USD mn)
7101	Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad with precious metal, and articles thereof; imitation jewelry; coin	21	21	2,092	104
'7103	Precious stones and semi-precious stones, whether or not worked or graded, but not strung, ...	3	1	2,033	102
'7108	Gold, incl. gold plated with platinum, unwrought or not further worked than semi-manufactured ...	15	15	95,882	4,793
'7112	Waste and scrap of precious metal or of metal clad with precious metal; other waste and scrap ...	3	3	9,867	493
'7113	Articles of jewellery and parts thereof, of precious metal or of metal clad with precious metal ...	1	1	33,826	1,691
'7116	Articles of natural or cultured pearls, precious or semi-precious stones "natural, synthetic ...	1	0.017	279	14
Total		44	41	143,979	7,197

Source: *Computed from ITC Trade Maps data base*

B5/1.1.3 Constraints to Minerals and Mineral Products Exports

The following constraints were identified as inhibiting factors to the country's quest for developing minerals and mineral products for the export market:

a) Land access challenges for exploration and mining as a result of weakness in the current Mining Act, particularly the provision on Land Owners consent, which limits serious exploration and investments in mineral sector. This challenge is affecting Gold mining as well as Fluorspar mining, which halted in June 2016 as a result of land lease challenges;

99 *The following are the select destination countries and regions with export potential for minerals and mineral products - EU, Middle East, UAE, Japan, EAC, COMESA, SACU, ECOWAS and ASEAN*

b) Delays in issuance of mineral dealership licenses for Gemstone and Precious Metals dealers that end up discouraging exports;

c) Smuggling of mineral products for exports through neighbouring countries, as a result of perceived challenges in obtaining necessary trade facilitation support to export the products out of Kenya;

d) Lack of comprehensive Geological data and information on mineral products as to elicit investments in exploration and mining of minerals with yet to be exploited potential;

e) Lack of long term finances to support exploration and mining and lack of finance to support working capital needs as well as export financing;

f) Low and for some minerals, lack of value addition on minerals. This is precipitated by inadequate craftsmanship skills to produce various types of mineral products such as jewellery and other accessories;

g) Lack of skills and technology for value addition leading to exports of mineral products in raw form;

h) Weak stakeholder institutions and value chains in the mining sector that undermine response to export opportunities for value added products; and

i) Lack of market information, which is compounded by secrecy in the industry. Brokers take advantage of this challenge.

B5/1.1.4 Strategic Objectives and Intervention towards Development and Promotion of Mineral and Mineral Products Exports

B5/1.1.4.1 Strategic Objectives towards Development and Promotion of Mineral and Mineral Products Exports

To address the above constraints, the following overarching strategic objectives, will be pursued as a framework to guide in the design of interventions to the constraints and stimulate exports:

a) To provide a business, legal and regulatory enabling environment in support of export of mineral and mineral products;

b) To promote strengthening of the stakeholder institutions in the mining sector to ensure adequate institutional capacity to respond to the mineral and mineral products export opportunities;

c) To promote production for export to exploit market opportunities; and

d) To promote exports of minerals in target destination markets.

B5/1.1.4.2 Strategic Interventions and Resource Requirements onwards Mining Sector Export Development and Promotion

Strategic Objective #1:

To provide a business, legal and regulatory enabling environment in support of export of mineral and mineral products

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KESM)
Review legal and regulatory framework on land access rights for exploration and mining to encourage long term investments in the mining sector	State Departments of Mining and Lands, County Governments and KNCM	10

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KESM)
Review the current dealership licensing procedures to address concerns on the delays and introduce efficient system of licensing	State Department of Mining, County Governments and KNCM	10
Improve efficiency of the Kenya Mining Cadastre Portal to ensure users access at all times	State Department of Mining, County Governments and KNCM	5
Facilitate land access for exploration and mining in accordance to the applicable law and regulation	State Department of Mining, County Governments and KNCM	5
Support Geophysical Surveys (pursuant to provision of MTPIII); - This project will entail carrying out aerial geophysical surveys to establish potential areas of mineralization by undertaking the following surveys: Nationwide Airborne Geophysical Survey. Marine Geophysical survey and. Nationwide Geophysical Survey groundfollow-up	State Department of Mining and KNCM	10,500
Establishment of Geological Data Bank (pursuant to provision of MTPIII) - The project will entail equipping and commissioning a repository center to host geological data and information. This will generate additional revenues to government as the data and information on known mineral quantities will be accessed at cost	State Department of Mining and KNCM	500

Strategic Objective #2:

To Promote Strengthening of The Stakeholder Institutions in The Mining Sector to Ensure Adequate Institutional Capacity to Respond to the Mineral and Mineral Products Export Opportunities.

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KESMn)
Undertake baseline survey of to establish mineral products producers, traders and value addition entities, assess their needs and enlist them for purposes of driving mineral export growth agenda	State Department of Mining, State Departments of Trade and Cooperatives, County Governments and KNCM	30
Design capacity building program targeting the identified needs of the mineral producers, traders and value addition entities enlisted for purposes of exporting mineral and mineral value added products	State Department of Mining, State Departments of Trade and Cooperatives, County Governments and KNCM	4
Support implementation of the Capacity Building Program	State Department of Mining, State Departments of Trade and Cooperatives, County Governments and KNCM	50
Support capacity building of Artisanal and Small Scale Miners (ASM) - *The project, as conceived in MTPIII, entails formalization of Artisanal and Small-scale Miners. The focus on export drive to be introduced to ensure enhanced exports as one of the goals of the project*	State Department of Mining and KNCM	20

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KESMn)
Mapping of all licensed mineral dealers by products and location to enhance market linkage through market information feature of the Cadastre and Kenya Trade Portal	State Department of Mining, State Departments of Trade and Cooperatives, County Governments and KNCM	10
Introduce a market link feature in the Cadastre Portal to ensure visibility of dealers in the international market. Create a link with the Kenya Trade Portal	State Department of Ministry, State Department of Trade, County Governments and KNCM	2
Build capacity among users on the application of the Cadastre Portal	State Department of Mining, State Departments of Trade and Cooperatives, County Governments and KNCM	10
Encourage formation of associations or cooperatives of producers and traders of value added mineral products for exports for ease of visibility and quality assurance	State Department of Mining, State Departments of Trade and Cooperatives, County Governments and KNCM	10

Strategic Objective #3:

To Promote Production for Export to Exploit Market Opportunities

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KESM)
1) Support implementation of the strategy for promotion and value addition for minerals focusing on export potential mineral products	State Department of Mining, State Departments of Trade and Cooperatives, County Governments and KNCM	50
2) Establish Mineral Value Addition Centres focusing skills training and production of Articles of precious metals and jewellery for export market; This will entail support to MTP III activities - Equipping and commissioning the Gemstone Value Addition Centre in Taita-Taveta County; Construction and equipping of Granite Processing Plant in Vihiga County; Gold Refinery in Migori County and Gypsum Products Manufacturing Plant in Garissa/Tana River County	State Department of Mining, State Departments of Trade and Cooperatives, County Governments and KNCM	1000
3) Establish, pursuant to provision of the MTPIII, Internationally Accredited Mineral Certification Laboratory (IAMCL) in support of production and export of quality minerals and mineral products. This will entail procurement of specialised laboratory equipment and ensure geo-technical laboratory is incorporated in the IAMCL. Thereafter accreditation process will be pursued.	State Department of Mining, State Departments of Trade and Cooperatives, County Governments and KNCM	800
4) Establish a minerals value addition Revolving Fund in support of production and export of articles of precious stones and minerals that have been identified as having export market potential.	State Department of Mining, State Departments of Trade and Cooperatives, County Governments and KNCM	500

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KESM)
5) Anchor Minerals and Metals Products in the Kenya Commodity Exchange, which is under development. The project, which is conceived in MTPIII, entails establishment of commodities exchange to facilitate mineral trading and marketing Kenya as a mining and investment destination.	State Department of Mining, State Departments of Trade and Cooperatives, County Governments and KNCM	5

Strategic Objective #4:

To Promote Exports of Minerals in Target Destination Markets

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KESMn)
Promote Kenya as a mineral and mineral products producing nation and trading hub by hosting Annual minerals and mineral products events to show case products for export markets and facilitate B2B deals during the events using a cost recovery model	State Department of Mining, State Department of Trade, EPC, County Governments and KNCM	100
Prepare annual market intelligence surveys for target mineral and mineral products in target destination markets	State Department of Mining, State Department of Trade, EPC, County Governments and KNCM	50
Disseminate market intelligence surveys to target sectors/businesses using the Kenya National Trade Portal	State Department of Mining, State Department of Trade, EPC, County Governments and KNCM	2
Identify destination market marketing Agencies for minerals and mineral products and engage them to drive Kenya's export market share working closely with the private sector. Payment for the services to be tied to market share increments/concluded and delivered deals	State Department of Mining, State Department of Trade, EPC, County Governments and KNCM	100
Lease warehousing/distributorship centre facilities, using a cost recovery model, for target minerals and mineral products in destination markets to ease visibility and distribution of Kenyan products in these markets	State Department of Mining, State Department of Trade, EPC, County Governments and KNCM	200
Provide matching grants to support exporters of target mineral and mineral products in scheduled export promotion events, Business to Business or Business to Consumers specific events in target destination markets	State Department of Mining, State Department of Trade, EPC, County Governments and KNCM	100
Target mineral and mineral products exporters listing in regional/continental/global e-commerce platforms to enhance visibility and complement market access initiatives	KNCM	firm level investments

B5/1.1.5 Resource Mobilization Plan for Development and Promotion of Mineral Products Export

The estimated resource requirements for implementation of the Mineral Products export development and promotion strategy is KES14.1billion. The specific interventions under each of the Strategic Objectives and accompanying resource requirements are as provided under the section on 'Strategic Interventions and Resource Requirements'. The sources of funds and Lead Agencies in mobilization of the funds are as listed in the resource mobilization plan below. The institutional structure through which the funds for Mineral Products export development and promotion will be mobilized is the 'Mineral Sub-Sector Working Group' of NEDPS Trade in Services Sector Working Group. At the Mining SSWG, The Private Sector Stakeholders in the Mining Industry will take lead role in driving the agenda for Mineral products exports with Government playing a facilitative role to ensure requisite resources and enabling environment for development and promotion of the exports of these services.

Table B5/1-8: Resource Mobilization Plan for Development and Promotion of Mineral Products Exports

SO#	Strategic Objective/ Focal Areas of Intervention	Amount Required (KESMn)	Estimated NEDPS Annual Resource Requirement (KES Millions)					Source	Lead Agencies in Resource Mobilization
			2018/19	2019/20	2020/21	2021/22	2022/23		
1	To provide a business, legal and regulatory enabling environment in support of export of mineral and mineral products	11,030	2206	2206	2206	2206	2206	MDAs and County Governments' MTPIII Annual Budgets, Private Sector programs, Development Partners	State Department of Mining, State Departments of Trade and Cooperatives, County Governments and KNCM
2	To Promote Strengthening of The Stakeholder Institutions in The Mining Sector to Ensure Adequate Institutional Capacity to Respond to the Mineral and Mineral Products Export Opportunities.	136	27	27	27	27	27		
3	To Promote Production for Export to Exploit Market Opportunities	2,355	471	471	471	471	471		
4	To Promote Exports of Minerals in Target Destination Markets	552	110	110	110	110	110		
	Sub-Total	14,073	2,815	2,815	2,815	2,815	2,815		

B5/1.1.6 Implementation Plan towards Development and Promotion of Mineral Products Export

Strategic Interventions/ Program Activities	Implementing Agencies	2018				2019				2020				2021				2022			
		Quarters				Quarters				Quarters				Quarters				Quarters			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
SO1: To provide a business, legal and regulatory enabling environment in support of export of mineral and mineral products																					
Review legal and regulatory framework on land access rights for exploration and mining to encourage long term investments in the mining sector	State Departments of Mining and Lands, County Governments and KNCM																				
Review the current dealership licensing procedures to address concerns on the delays and introduce efficient system of licensing																					
Improve efficiency of the Kenya Mining Cadastre Portal to ensure users access at all times																					
Facilitate land access for exploration and mining in accordance to the applicable law and regulation																					
Support Geophysical Surveys (pursuant to provision of MTPIII);																					
Establishment of Geological Data Bank (pursuant to provision of MTPIII)																					
SO2: To promote strengthening of the stakeholder institutions in the mining sector to ensure adequate institutional capacity to respond to the mineral and mineral products export opportunities.																					
Undertake baseline survey of to establish mineral products producers, traders and value addition entities, assess their needs and enlist them for purposes of driving mineral export growth agenda	State Department of Mining, State Departments of Trade and Cooperatives, County Governments and KNCM																				
Design capacity building program targeting the identified needs of the mineral producers, traders and value addition entities enlisted for purposes of exporting mineral and mineral value added products																					
Support implementation of the Capacity Building Program																					

Strategic Interventions/ Program Activities	Implementing Agencies	2018				2019				2020				2021				2022			
		Quarters				Quarters				Quarters				Quarters				Quarters			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Support capacity building of Artisanal and Small Scale Miners (ASM) - The project, as conceived in MTPIII, entails formalization of Artisanal and Small-scale Miners. The focus on export drive to be introduced to ensure enhanced exports as one of the goals of the project																					
Mapping of all licensed mineral dealers by products and location to enhance market linkage through market information feature of the Cadastre and Kenya Trade Portal																					
Introduce a market link feature in the Cadastre Portal to ensure visibility of dealers in the international market. Create a link with the Kenya Trade Portal																					
Build capacity among users on the application of the Cadastre Portal																					
Encourage formation of associations or cooperatives of producers and traders of value added mineral products for exports for ease of visibility and quality assurance																					
SO3: To promote production for export to exploit market opportunities																					
Support implementation of the strategy for promotion and value addition for minerals focusing on export potential mineral products																					
Establish Mineral Value Addition Centres focusing on skills training and production of Articles of precious metals and jewellery for export market; *This will entail support to MTP III activities - Equipping and commissioning the Gemstone Value Addition Centre in Taita-Taveta County; Construction and equipping of Granite Processing Plant in Vihiga County; Gold Refinery in Migori County and Gypsum Products Manufacturing Plant in Garissa/Tana River County*	State Department of Mining, State Departments of Trade and Cooperatives, County Governments and KNCM																				

Strategic Interventions/ Program Activities	Implementing Agencies	2018				2019				2020				2021				2022			
		Quarters				Quarters				Quarters				Quarters				Quarters			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Establish, pursuant to provision of the MTPIII, Internationally Accredited Mineral Certification Laboratory (IAMCL) in support of production and export of quality minerals and mineral products. This will entail procurement of specialised laboratory equipment and ensure geo-technical laboratory is incorporated in the IAMCL. Thereafter accreditation process will be pursued.																					
Establish a minerals value addition Revolving Fund in support of production and export of articles of precious stones and minerals that have been identified as having export market potential.																					
Anchor Minerals and Metals Products in the Kenya Commodity Exchange, which is under development. The project, which is conceived in MTPIII, entails establishment of commodities exchange to facilitate mineral trading and marketing Kenya as a mining and investment destination.																					
S04: To promote exports of minerals in target destination markets																					
Promote Kenya as a mineral and mineral products producing nation and trading hub by hosting Annual minerals and mineral products events to show case products for export markets and facilitate B2B deals during the events using a cost recovery model	State Department of Mining, State Department of Trade, EPC, County Governments and KNCM																				
Prepare annual market intelligence surveys for target mineral and mineral products in target destination markets																					
Disseminate market intelligence surveys to target sectors/ businesses using the Kenya National Trade Portal																					

Strategic Interventions/ Program Activities	Implementing Agencies	2018				2019				2020				2021				2022			
		Quarters				Quarters				Quarters				Quarters				Quarters			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Identify destination market marketing Agencies for minerals and mineral products and engage them to drive Kenya's export market share working closely with the private sector. Payment for the services to be tied to market share increments/ concluded and delivered deals																					
Lease warehousing/ distributorship centre facilities, using a cost recovery model, for target minerals and mineral products in destination markets to ease visibility and distribution of Kenyan products in these markets																					
Provide matching grants to support exporters of target mineral and mineral products in scheduled export promotion events, Business to Business or Business to Consumers specific events in target destination markets																					
Target mineral and mineral products exporters listing in regional/continental/ global e-commerce platforms to enhance visibility and complement market access initiatives																					

B6 Oil and Gas (Petroleum) Industry

B6/1.1 Situational Analysis of Oil and Gas Industry

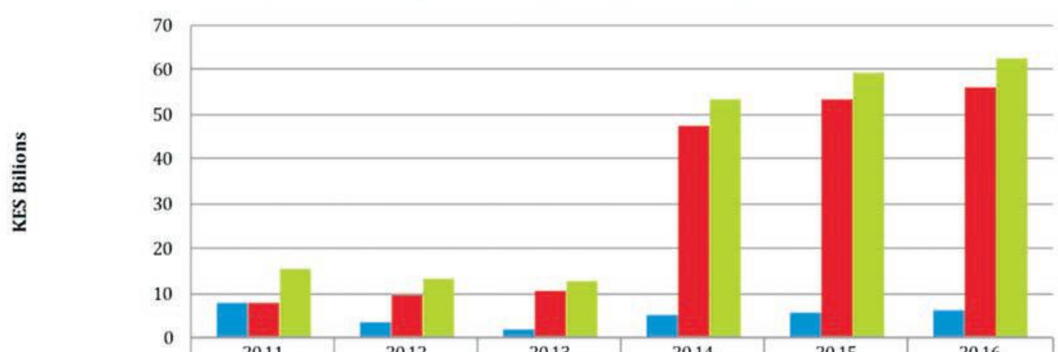
Kenya's petroleum industry is broadly divided into three segments namely: upstream (exploration and production), mid-stream (storage, refining, transportation, petrochemical, fertilisers, textile and pharmaceuticals) and downstream (supply and distribution).

The upstream segment primarily involves the processes of exploration, development and production of crude oil and natural gas. This segment has been dominated by exploration, with very limited production on trial basis expected to have started in Turkana, Lokichar Oil fields.

The midstream segment involves processes around storage, refining and transportation of the crude oil into consumable oil and gas products. There is only one refinery in Kenya today which is the Kenya Petroleum Refineries Limited located in Mombasa. The Refinery was however closed down in 2013 following recommendations by Energy Regulatory Commissioner for the Refinery to stop production as a result of inefficiency and high cost of operation. As observed in the Standard Media report 2nd December 2013, *"ERC estimated that in the 28 months between December 2010 and April this year, the economy had lost Sh 13 billion due to inefficiencies at the refinery. This works out to about Sh 15 million in losses a day. The money is factored into the retail price of petroleum products at petrol stations"* (https://www.standardmedia.co.ke/business/article/2000099249/it-s-official-kenya-will-stop-refinery-operations). The Refinery has since been converted into a storage and distribution facility for handing imported refined petroleum products for domestic market and re-export. The downstream segment involves the process by which refined products are made available to the consumers through supply and distribution e.g. at industries and petrol stations and exportation.

So far, the key segment that has contributed to exports of petroleum products is the midstream and downstream segments, with key products being: Petroleum Fuels, Lubricating Oils and Lubricating Greases domestic and re-exports to the regional market. As evidenced in the bar chart below, over 90% of the exports are re-exports.

Chart B6/1: Petroluem products exports (2011-2016), KES Billions



	2011	2012	2013	2014	2015	2016
Domestic Exports	8	4	2	5	6	6
Re-Exports	8	10	11	48	54	56
Total Exports	16	13	13	53	60	63

According to the data obtained from the State Department for Petroleum, Kenya's petroleum exports over the NEDPS period, 2018-2022 will be primarily coming from the midstream and downstream segments. However, there are prospects for the crude oil exports from the upstream segment under the Project Oil Kenya which is currently being transitioned into the development phase, which entail drilling of up to 500 development wells, construction of Central Processing Facility (CPF) in Lokichar, into which crude oil from these wells will be pumped to facilitate separation of water, crude oil and any gas, ready for evacuation through an 820 km heated pipeline running from Lokichar to a marine terminal in Lamu. The pipeline construction is part of the development phase activities.

Project Oil Kenya presents a great opportunity for Kenya's export development agenda under Vision 2030 as well as a catalyst to manufacturing industry under the "Big 4" agenda. During Phase 1, which is expected to be completed by 2021, about 60,000 barrels per day (bpd) will be produced. Using a conservative price per barrels of US$60 (current price is US$70), annual revenue will be about US$1.314billion (i.e. 60,000 barrels x 365days x $60 per barrel). With the above highlighted forex potential, the Oil & Gas sub-sector will join the league of Kenya leading exports; Tea, Tourism, Coffee, Diaspora remittances, among others. In order for this amazing potential to be realized through the envisaged investments, the following fundamental interventions by Government are required to facilitate Kenya Joint Venture reach Final Investment Decision (FID) by mid-2019:

a) High-grading Project Oil Kenya as a sub-sector in Manufacturing under the "Big Four" agenda;

b) Project sponsorship from the highest level in government and a governance structure (co-ordination mechanism) analogous to the SGR. This is very important due to the time-sensitivity of the project. Any delay in reaching project milestones will have a disproportionate impact on the project schedule;

c) Enactment of Petroleum Bill 2017;

d) Signing (between GoK & KJV) of Host Government Agreement and other commercial instruments;

e) From an operational perspective, Implementation of Early Oil Pilot Scheme (EOPS) which involves evacuation of 2,000 barrels of oil per day via road from Lokichar to Mombasa is very important. This will help to acquire additional and crucial subsurface data that are meant to further de-risk the project;

f) Access to land both for Upstream and Mid-stream development; and

g) Availability of reliable water for production of Oil.

Besides the above prospects from upstream oil & gas industry, export drive is also premised on the Kenya Pipeline Company (KPC) market expansion vision under KPC Vision 2025, where the company aims at facilitating re-exports oil and gas to African countries namely Uganda, South Sudan, Rwanda, Burundi, the DRC, Tanzania, Malawi and Zambia among others. Although the upstream segment is unlikey to contribute towards export growth during the NEDPS period (2018-2022), the impetus for the segment to contribute towards the national export growth in some future date is provided under the following MTPII (2018-2022) flagship projects, which also include projects to enhance midstream segment capacity to handle increased volume of petroleum:

a) Security of Supply of Petroleum Products: The Project will enhance storage capacity of petroleum products from 989,000 M^3 to 1,222,000 M^3. This will be achieved through construction of additional storage tanks in Nairobi (133,000 M^3) and conversion of existing crude oil tanks at KPRL to white oil service (100,000 M^3);

b) **Quality Assurance of Petroleum Products:** This projects aims at intensifying the monitoring of petroleum products quality standards to ensure compliance, prevent diversion of products meant for export market into the local market and eradicate illegal LPG Refilling;

c) **Commercialization of the Oil and Gas discoveries:** The projects entails: final field development plan for South Lokichar field; Drilling of production and re-injection wells; drilling of exploratory and appraisal wells, Gas exploration, production and utilisation; government back-in participation in oil producing Blocks; Developing a Regional Hub for Upstream Petroleum Services establishing of Geochemical and Petro-physical laboratory National Seismic Processing Centre; Establishing an Upstream Drilling Service Unit: De-risking Exploration Acreage and establishing Multi-Client Ventures in Data Acquisition National Data Centre (NDC) Licensing Rounds;

d) **Construction of Lokichar-Lamu Crude Oil Pipeline:** The project involves development of the crude oil pipeline from Lokichar to Lamu for transportation of the oil for export and early monetization of the resource. The pipeline system will include an 840 km pipeline, pumping stations, heating system, marine terminal storage and export facility and all associated facilities. The project is expected to pass through Turkana, Samburu, Isiolo, Garissa, Tana River and Lamu counties and will commence once the Environmental and Social Impact Assessment (ESIA) and Front End Engineering Design (FEED) are completed and Final Investment Decision (FID) taken;

e) **Expansion of National Pipeline Network:** The project aims at constructing spur lines/extending the pipeline to key towns. This will ensure that the cost, efficiency, environmental and safety benefits of pipeline transportation are spread throughout the country;

f) **LPG distribution and storage Project in Mombasa and Nairobi:** The project aims at enhancing LPG supply infrastructure through development of bulk LPG import handling and storage facilities in Mombasa. This will be achieved by ensuring availability and accessibility of LPG at cost effective prices to support promotion of use of LPG as a household fuel among the urban poor and the rural population and enhancing socio-economic development; and

g) **Enhancement of Refined Petroleum Products Storage Capacity in Mombasa:** The project entails converting the idle storage tanks for white oil use, fully integrating the KPRL and expanding the oil and gas facilities. The integration will result in additional ullage and efficiency in handling of petroleum imports, thereby reducing demurrage expenses, the enhancement security of supply of petroleum products and will positively impact the price at the pump.

B6/1.2 Petroleum Export Performance and Destination Target Markets

B6/1.2.1 Petroleum products export performance

Kenya's petroleum exports comprise petroleum fuels, lubricating oils and greases. The exports are either domestic export for products originating from domestic oil industries' value addition facilities or re-export of imported products after bulk breaking and repackaging for destination market requirements. In total, the exports of petroleum products stood at KES62.5billion having increased by 297% between 2011 and 2016. The growth was driven by re-exports as over the same period domestic exports dropped from KES7.8billion in 2011 to KES6.2billion by 2016.

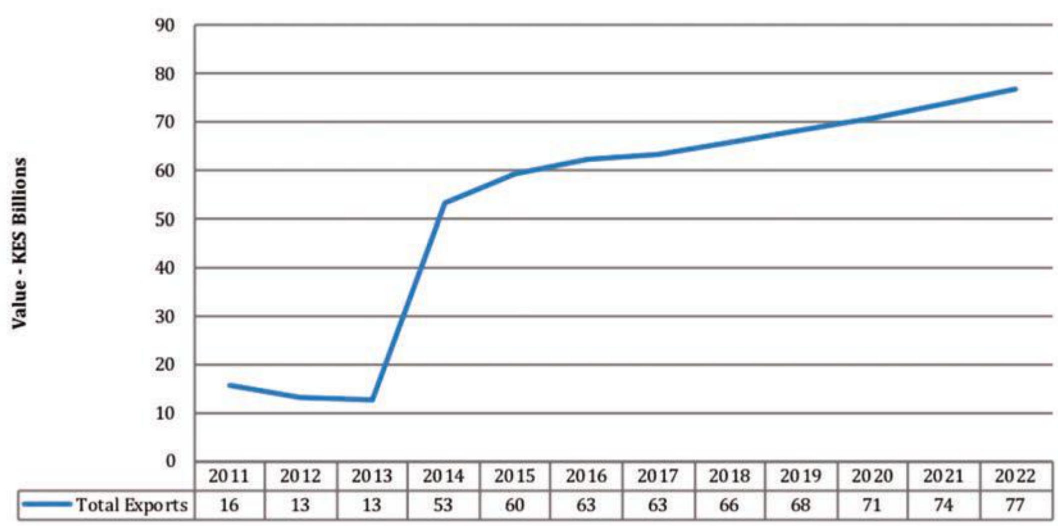
Table B6/1-1: Petroleum exports

	Quantity ('000 tonnes)						Value (KSh Million)					
Year	2011	2012	2013	2014	2015	2016	2011	2012	2013	2014	2015	2016
DOMESTIC EXPORTS												
Petroleum Fuels	32	11.7	17	36.8	4.2	4.4	2,642	1,093	1,385	2,718	296	308
Lubricating Oils	35	0.6	-	12.1	8.3	8.6	1,741	39	-	2,717	5,640	5,865
Lubricating Greases	58.2	43.7	11.6	0.1	0.1	0.1	3,371	2,685	735	15	22	22
TOTAL	125.2	56	28.6	48.9	12.6	13.1	7,754	3,817	2,120	5,449	5,957	6,195
RE-EXPORTS												
Petroleum Fuels	60.5	55.3	111.1	561.6	752.8	782.9	4,825	4,825	9,395	47,135	52,939	55,057
Lubricating Oils	0.1	-	-	5.4	0.2	0.2	2	2	-	571	-	594
Lubricating Greases	60.3	71.5	18.2	0	0	0	3,179	4,733	1,108	10	647	673
TOTAL	120.9	126.8	129.3	567	753	783.1	8,006	9,560	10,504	47,715	53,586	56,323
TOTAL EXPORTS	246.1	182.8	157.9	616	765.5	796.2	15,760	13,377	12,623	53,165	59,543	62,518

Source: *State Department for Petroleum, 2017*

For purposes of NEDPS, the State Department of Petroleum after considering all the measures put in place to promote exports of petroleum products between 2018 and 2022, have estimated that the annual growth target is 4% throughout the period. Going by this projection and as illustrated in the graph below, petroleum products exports will increase from KES63 billion in 2017 to KES 77 billion by 2022.

Chart B6/2: Petroleum products (fuel, lubricating oil and grease) exports (domestic and re-exports) - Figures in KESBillions - Source - State Department of Petroleum



B6/1.2.2 Petroleum Products Target Destination Markets for Export

According to the ITC Trade Maps data, target African countries under the following regional blocks provide huge export potential - EAC, COMESA, SACU, ECCAS and ECOWAS. This is demonstrated by an annual market size of USD43 billion based on these countries imports between 2014 and 2016. Kenya's share in these markets over the same period only amounts to 0.82%.

Table B6/1-2: Kenya exports of petroleum products and select[100] destination countries and regions market potential

Product code	Product label	Kenya's exports to world - Average 2014 - 2016 (USD mn)	Select countries and regions imports from Kenya - Average 2014 - 2016 (USD mn)	Select countries and regions imports from world - Average 2014 - 2016 (USD mn)	Kenya's Export opportunity assuming a 5% market share (USD mn)
'2710	Petroleum oils and oils obtained from bituminous minerals (excluding crude); preparations containing ...	354	470	43,108	2,155

Source: *Own computations bases on ITC Trade Maps*

If Kenya were to target to increase her share in these markets by 5% by 2022, this would translate to an increase of petroleum products' exports by USD2.2 billion. This target is easily achievable if the country has adequate capacity to export, because of the trade arrangement that Kenya has with these countries especially under EAC and COMESA and bilateral trade arrangements with countries under SACU, ECOWAS and ECCAS. This is the potential that will be focused on under the NEDPS.

B6/1.2.3 Constraints to Petroleum Products Exports

The following constraints will need to be overcome in order to stimulate development of petroleum products for exports:

a) High tariffs that lead to loss of transit market share of petroleum products exported to neighbouring Central Corridor countries;

b) Adulteration and dumping- use of jet A1 as an adulterant for motor fuels without marking it's presence;

c) Limited capacity to handle petroleum products imports as a result of reliance on one Jetty. This restricts the OTS cargo and allows timely berthing of vessels;

d) Storage and infrastructure capacity constraints for petroleum products. The country continues to rely on a private Bulk LPG handling facility not operated as a common user facility. Subsequently, oil companies continue to incur high importation and handling costs translating to higher product prices; and,

e) Inadequate information on destination market export potential.

B6/1.2.4 Strategic Objectives towards Development and Promotion of Petroleum Products Exports

Development and promotion of petroleum products for exports will be pursued through interventions that are provided within the following framework of objectives.

a) To support the development phase of Kenya Oil Project with a view to ensuring exports of crude oil during the development phase of the project;

b) To develop requisite infrastructure and human resources capacity to handle higher volumes of petroleum products for export;

c) To enhance production and transit handling of petroleum products in pursuit of regional market export opportunities; and,

100 *The following are the select destination countries and regions on the basis of revealed export potential for petroleum products - EAC EU, COMESA, SACU, ECCAS and ECOWAS*

d) To promote petroleum products exports in the target destination markets.

The framework is designed to ensure that the interventions overcome current challenges and deliver on the projected petroleum products export targets.

B6/1.2.5 Strategic Interventions and Resource Requirements towards Development and Promotion of Petroleum Products Export

Strategic Objective #1:

To support the development of Kenya Oil Project with a view to ensuring exports of crude oil by 2021/2022

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KESMn)
Enactment of the Petroleum Bill 2017	State Department of Petroleum (SDP), County Governments, Parliament and Petroleum industry stakeholders	15
Signing between National/County Government and Kenya Joint Venture (KJV) Partners (Tullow, Africa Oil and Maersk Oil) of Host Government Agreement and other commercial instruments	State Department of Petroleum, County Governments and Kenya Joint Venture Partners	Resources as per development phase budget
Support implementation of the Early Oil Pilot Scheme (EOPS) by facilitating evacuation of 2,000 barrels of crude oil per day via road from Lokichar to Mombasa	State Department of Petroleum, County Governments, other relevant Government Agencies and Kenya Joint Venture Partners	Resources as per development phase budget
Facilitate access to land both for Upstream and Mid-stream development	State Department of Petroleum, County Governments, other relevant Government Agencies and Kenya Joint Venture Partners	Resources as per development phase budget
Provide reliable water for production of Oil	State Department of Petroleum, Ministry of Water and Irrigation, County Governments, other relevant Government Agencies and Kenya Joint Venture Partners	Resources as per development phase budget

Strategic Objective #2:

To develop requisite infrastructure and human resources capacity to handle higher volumes of petroleum products for export

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KESMn)
1) Enhancement of Refined Petroleum Products Storage Capacity in Mombasa pursuant to MTPIII provision - *The Project will enhance storage capacity of petroleum products from 989,000 m3 to 1,222,000 m^3. This will be achieved through construction of additional storage tanks in Nairobi (133,000 M^3) and conversion of existing crude oil tanks at KPRL to white oil service (100,000 M^3).*	State Department of Petroleum (SDP) and Kenya Pipeline Company (KPC)	As per Oil and Gas MTPIII budget

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KESMn)
2) Relocation/expansion of the jetty and increase storage capacity to enable quick and efficient offloading of materials and building of stocks, allowing timely berthing of vessels. This will address the challenge faced as a result of reliance on one Jetty which has limited capacity and also restricts the OTS cargos	State Department of Petroleum (SDP) and Kenya Pipeline Company (KPC)	As per Oil and Gas MTPIII budget
3) Development and expansion of petroleum products receipt infrastructure e.g. common user bulk LPG import handling and storage facilities.	State Department of Petroleum (SDP) and Kenya Pipeline Company (KPC)	As per Oil and Gas MTPIII budget
4) Commercialisation of the Oil and Gas discoveries, as envisaged in MTPIII - The project entails: Final Field development plan for South Lokichar field; Drilling of production and re-injection wells; Drilling of exploratory and appraisal wells, Gas exploration, production and utilisation; Government Back-in participation in Oil producing Blocks; Developing a Regional Hub for Upstream Petroleum Services establishing of Geochemical and Petro-physical laboratory National Seismic Processing Centre; Establishing an Upstream Drilling Service Unit: De-risking Exploration Acreage and establishing Multi-Client Ventures in Data Acquisition National Data Centre (NDC) Licensing Rounds.	State Department of Petroleum (SDP) and Kenya Pipeline Company (KPC)	As per Oil and Gas MTPIII budget
5) Construction of Lokichar-Lamu Crude Oil Pipeline: The project involves development of the crude oil pipeline from Lokichar to Lamu for transportation of the oil for export and early monetization of the resource. *The pipeline system will include an 840 km pipeline, pumping stations, heating system, marine terminal storage and export facility and all associated facilities. The project is expected to pass through Turkana, Samburu, Isiolo, Garissa, Tana River and Lamu counties and, will commence once the Environmental and Social Impact Assessment (ESIA) and Front End Engineering Design (FEED) are completed and Final Investment Decision (FID) taken.*	State Department of Petroleum (SDP) and Kenya Pipeline Company (KPC)	As per Oil and Gas MTPIII budget

Strategic Objective #3:

To enhance production and transit handling of petroleum products in pursuit of regional market export opportunities

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KESMn)
1) Promote investment and domestic production of Petroleum products - Lubricating Oil and Grease to enhance domestic exports of these products	State Department of Petroleum (SDP) and Kenya Pipeline Company (KPC)	50

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KESMn)
2) Quality Assurance of Petroleum Products - This project aims at intensifying the monitoring petroleum products quality standards to ensure compliance, prevent diversion of products meant for export market	State Department of Petroleum (SDP) and Kenya Pipeline Company (KPC)	As per Oil and Gas MTPIII budget
3) Curb adulteration of petroleum fuel through use of Jet 1 full by instituting the following measures: *i) Implement measures to track Jet A-1 movement* *ii) Enhanced testing at the border points* *iii) Harmonise Kerosene taxes with AGO to remove incentives for adulteration*	State Department of Petroleum (SDP) and Kenya Pipeline Company (KPC)	As per Oil and Gas MTPIII budget

Strategic Objective #4:

To promote petroleum products exports in the target destination markets

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KESM)
1) Prepare annual market intelligence surveys for target petroleum products in target destination markets	State Department of Petroleum (SDP) and Kenya Pipeline Company (KPC	50
2) Disseminate market intelligence surveys to target sectors/businesses using the Kenya National Trade Portal	State Department of Petroleum (SDP) and Kenya Pipeline Company (KPC	2
3) Identify destination market marketing Agencies for petroleum products and engage them to drive Kenya's export market share working closely with the private sector. Payment for the services to be tied to market share increments/concluded and delivered deals	State Department of Petroleum (SDP) and Kenya Pipeline Company (KPC	100
4) Provide matching grants to support exporters of target petroleum products in scheduled export promotion events, Business to Business or Business to Consumers specific events in target destination markets	State Department of Petroleum (SDP) and Kenya Pipeline Company (KPC)	100
5) Target petroleum products exporters listing in regional/continental/global e-commerce platforms to enhance visibility and complement market access initiatives	State Department of Petroleum (SDP) and Kenya Pipeline Company (KPC	firm level investments

B6/1.2.6 Resource Mobilization Plan for Development and Promotion of Petroleum Products Export

The estimated resource requirements for implementation of the Petroleum products export development and promotion strategy is KES317 million plus MTPIII Oil and Gas[101] Development Budget. The specific interventions under each of the Strategic Objectives and accompanying resource requirements are as provided under the section on 'Strategic Interventions and Resource

101 *Oil and Gas Sector MTPIII budgetary resources were not available at the time of compiling the Strategy. These resources will be determined in the course of implementation of the strategy because the interventions in the strategy also happen to be in the Oil and Gas component of the MTPIII.*

Requirements'. The sources of funds and Lead Agencies in mobilization of the funds are as listed in the resource mobilization plan below. The institutional structure through which the funds for Oil and Gas export development and promotion will be mobilized is the 'Oil and Gas Sub-Sector Working Group' of NEDPS Trade in Services Sector Working Group. At the Oil and Gas SSWG, The Private Sector Stakeholders in the Oil and Gas sector will take lead role in driving the agenda for Oil and Gas exports with Government playing a facilitative role to ensure requisite resources and enabling environment for development and promotion of the exports of these services.

Table B6/1-3: Resource Mobilization Plan for Development and Promotion of ICT Services Export

SO#	Strategic Objective/ Focal Areas of Intervention	Amount Required (KESMn)	Estimated NEDPS Annual Resource Requirement (KES Millions)					Source	Lead Agencies in Resource Mobilization
			2018/19	2019/20	2020/21	2021/22	2022/23		
1	To support the development of Kenya Oil Project with a view to ensuring exports of crude oil by 2021/2022	15 Plus Resources as per Oil and Gas MTPIII budget and Development Phase Budget	15 Plus Resources as per Oil and Gas MTPIII budget and Development Phase Budget	Resources as per Oil and Gas MTPIII budget and Development Phase Budget	Resources as per Oil and Gas MTPIII budget and Development Phase Budget	Resources as per Oil and Gas MTPIII budget and Development Phase Budget	Resources as per Oil and Gas MTPIII budget and Development Phase Budget	MDAs MTP III Budget, County Governments MTPIII Budget and Kenya Joint Venture Partners	State Department of Petroleum, County Governments and Kenya Joint Venture Partners
2	To develop requisite infrastructure and human resources capacity to handle higher volumes of petroleum products for export	Resources as per Oil and Gas MTPIII budget and Development Phase Budget	15 Plus Resources as per Oil and Gas MTPIII budget and Development Phase Budget	Resources as per Oil and Gas MTPIII budget and Development Phase Budget	Resources as per Oil and Gas MTPIII budget and Development Phase Budget	Resources as per Oil and Gas MTPIII budget and Development Phase Budget	Resources as per Oil and Gas MTPIII budget and Development Phase Budget		
3	To enhance production and transit handling of petroleum products in pursuit of regional market export opportunities	50 Plus Resources as per Oil and Gas MTPIII budget and Development Phase Budget	25 Plus Resources as per Oil and Gas MTPIII budget and Development Phase Budget	25 Plus Resources as per Oil and Gas MTPIII budget and Development Phase Budget	Resources as per Oil and Gas MTPIII budget and Development Phase Budget	Resources as per Oil and Gas MTPIII budget and Development Phase Budget	Resources as per Oil and Gas MTPIII budget and Development Phase Budget		
4	To promote petroleum products exports in the target destination markets	252	52	50	50	50	50		
Sub-Total		317 Plus Resources as per Oil and Gas MTPIII budget and Development Phase Budget	92 Plus Resources as per Oil and Gas MTPIII budget and Development Phase Budget	75 Plus Resources as per Oil and Gas MTPIII budget and Development Phase Budget	50 Plus Resources as per Oil and Gas MTPIII budget and Development Phase Budget	50 Plus Resources as per Oil and Gas MTPIII budget and Development Phase Budget	50 Plus Resources as per Oil and Gas MTPIII budget and Development Phase Budget		

B6/1.2.7 Implementation Plan towards Development and Promotion of Petroleum Products Export

Strategic Interventions/ Program Activities	Implementing Agencies	2018				2019				2020				2021				2022			
		Quarters				Quarters				Quarters				Quarters				Quarters			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
To support the development of Kenya Oil Project with a view to ensuring exports of crude oil by 2021/2022																					
1) Enactment of the Petroleum Bill 2017	State Department of Petroleum (SDP), County Governments, Parliament and Petroleum industry stakeholders																				
2) Signing between National/ County Government and Kenya Joint Venture (KJV) Partners (Tullow, Africa Oil and Maersk Oil) of Host Government Agreement and other commercial instruments	State Department of Petroleum, County Governments and Kenya Joint Venture Partners																				
3) Support implementation of the Early Oil Pilot Scheme (EOPS) by facilitating evacuation of 2,000 barrels of crude oil per day via road from Lokichar to Mombasa	State Department of Petroleum, County Governments, other relevant Government Agencies and Kenya Joint Venture Partners																				
4) Facilitate access to land both for Upstream and Mid-stream development	State Department of Petroleum, County Governments, other relevant Government Agencies and Kenya Joint Venture Partners																				
5) Provide reliable water for production of Oil	State Department of Petroleum, Ministry of Water and Irrigation, County Governments, other relevant Government Agencies and Kenya Joint Venture Partners																				
To develop requisite infrastructure and human resources capacity to handle higher volumes of petroleum products for export																					
1) Enhancement of Refined Petroleum Products Storage Capacity in Mombasa pursuant to MTPIII provision - *The Project will enhance storage capacity of petroleum products from 989,000 m3 to 1,222,000 m3. This will be achieved through construction of additional storage tanks in Nairobi (133,000 M^3) and conversion of existing crude oil tanks at KPRL to white oil service (100,000 M^3).*	State Department of Petroleum (SDP) and Kenya Pipeline Company (KPC)																				

Strategic Interventions/ Program Activities	Implementing Agencies	2018				2019				2020				2021				2022			
		Quarters				Quarters				Quarters				Quarters				Quarters			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
2) Relocation/expansion of the jetty and increase storage capacity to enable quick and efficient offloading of materials and building of stocks, allowing timely berthing of vessels. This will address the challenge faced as a result of reliance on one Jetty which has limited capacity and also restricts the OTS cargos	State Department of Petroleum (SDP) and Kenya Pipeline Company (KPC)																				
3) Development and expansion of petroleum products receipt infrastructure e.g. common user bulk LPG import handling and storage facilities.	State Department of Petroleum (SDP) and Kenya Pipeline Company (KPC)																				
4) Commercialisation of the Oil and Gas discoveries, as envisaged in MTPIII - The project entails: Final Field development plan for South Lokichar field; Drilling of production and re-injection wells; Drilling of exploratory and appraisal wells, Gas exploration, production and utilisation; Government Back-in participation in Oil producing Blocks; Developing a Regional Hub for Upstream Petroleum Services establishing of Geochemical and Petro-physical laboratory National Seismic Processing Centre; Establishing an Upstream Drilling Service Unit: De-risking Exploration Acreage and establishing Multi-Client Ventures in Data Acquisition National Data Centre (NDC) Licensing Rounds.	State Department of Petroleum (SDP) and Kenya Pipeline Company (KPC)																				

Strategic Interventions/ Program Activities	Implementing Agencies	2018				2019				2020				2021				2022			
		Quarters				Quarters				Quarters				Quarters				Quarters			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
5) Construction of Lokichar-Lamu Crude Oil Pipeline: The project involves development of the crude oil pipeline from Lokichar to Lamu for transportation of the oil for export and early monetization of the resource. *The pipeline system will include an 840 km pipeline, pumping stations, heating system, marine terminal storage and export facility and all associated facilities. The project is expected to pass through Turkana, Samburu, Isiolo, Garissa, Tana River and Lamu counties and, will commence once the Environmental and Social Impact Assessment (ESIA) and Front End Engineering Design (FEED) are completed and Final Investment Decision (FID) taken.*	State Department of Petroleum (SDP) and Kenya Pipeline Company (KPC)																				
To enhance production and transit handling of petroleum products in pursuit of regional market export opportunities																					
1) Promote investment and domestic production of Petroleum products - Lubricating Oil and Grease to enhance domestic exports of these products	State Department of Petroleum (SDP) and Kenya Pipeline Company (KPC)																				
2) Quality Assurance of Petroleum Products - This project aims at intensifying the monitoring petroleum products quality standards to ensure compliance, prevent diversion of products meant for export market	State Department of Petroleum (SDP) and Kenya Pipeline Company (KPC)																				
3) Curb adulteration of petroleum fuel through use of Jet 1 full by instituting the following measures: *i) Implement measures to track Jet A-1 movement* *ii) Enhanced testing at the border points* *iii) Harmonise Kerosene taxes with AGO to remove incentives for adulteration*	State Department of Petroleum (SDP) and Kenya Pipeline Company (KPC)																				

Strategic Interventions/ Program Activities	Implementing Agencies	2018				2019				2020				2021				2022			
		Quarters				Quarters				Quarters				Quarters				Quarters			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
To promote petroleum products exports in the target destination markets																					
1) Prepare annual market intelligence surveys for target petroleum products in target destination markets	State Department of Petroleum (SDP) and Kenya Pipeline Company (KPC																				
2) Disseminate market intelligence surveys to target sectors/businesses using the Kenya National Trade Portal	State Department of Petroleum (SDP) and Kenya Pipeline Company (KPC																				
3) Identify destination market marketing Agencies for petroleum products and engage them to drive Kenya's export market share working closely with the private sector. Payment for the services to be tied to market share increments/concluded and delivered deals	State Department of Petroleum (SDP) and Kenya Pipeline Company (KPC																				
4) Provide matching grants to support exporters of target petroleum products in scheduled export promotion events, Business to Business or Business to Consumers specific events in target destination markets	State Department of Petroleum (SDP) and Kenya Pipeline Company (KPC)																				
5) Target petroleum products exporters listing in regional/continental/global e-commerce platforms to enhance visibility and complement market access initiatives	State Department of Petroleum (SDP) and Kenya Pipeline Company (KPC																				

B7 Handicraft Industry

B7/1.1 Overview of the Handicraft Industry

The global market value for handicrafts is estimated at US801.8billion and is projected to grow to US855.7billion by 2020. These estimates are extrapolated from the home accessories market often used to estimate the demand for handcrafted goods. According to the NEDPS Handicraft Sector Working Group, Kenya's share in this market is quite small, given annual average exports of USD15million. The untapped export potential of Kenya's handicraft industry and the magnitude of global handicraft trade paint a bright future for the handicraft sector. This prospect is to be exploited through strategic interventions that are being proposed in this strategy to address myriad of constraints that have hitherto impeded handicraft export growth.

The base for developing and promoting handicraft exports is defined by the long and impressive history of the handicraft industry in Kenya, which is painted by the artwork, wood, stone, metal and fabric hand work as artisans told cultural stories and practices in all parts of the country. As a result, the industry continues to play an important role in creating international awareness on the rich cultural and artistic diversity of Kenyans. This reality is a marketing opportunity that has not been fully exploited.

Further, the industry continues to contribute to economic development through provision of livelihoods to millions of persons engaged in production and marketing of art and crafts. Over the years, the industry has gained fame in and outside the country, as a result of the unique handicraft products, the potential and ability to create wealth and to provide employment to skilled and otherwise unemployed artisans has increased. The NEDPS provides an opportunity to enhance this potential through targeted export growth.

The drive for handicraft export growth will emanate from the vast array of unique art and crafts representing its diverse cultural heritage, which Kenya is well endowed with. From Turkana County with *duom* palm laundry baskets that continue to occupy a place in the international market, to Lamu that offers finely crafted silver jewelry. Kisii boasts the soap stone, Western Kenya presents mastery in pottery; Eastern is home to the kiondo; Nyanza also offers unique soapstone products, hyacinth furniture and basketry; the Coastal region commands mastery in wood carving and leather work; The legendary Maasai and Samburu beadwork have become Kenya's signature products.

The handicrafts industry institutional structure is described as highly fragmented, characterized by Micro, Small and Medium Enterprises (MSMEs) that are largely run as family business or another large number of MSMEs that are organized around cooperatives, associations, business member organizations (BMOs), NGOs, government institutions, Self-help and Youth groups that offer a source of livelihood to approximately 1,410,000 people directly. The sector hosts an estimated 4700 of such organizations (refer annex 1 for some of these private sector based organizations).

Handicrafts produced by the above groups are largely dictated by proximity and availability of raw materials, powered by indigenous knowledge and skills. These activities are undertaken in the kiosks, open shades, under trees, in homes and cottage industries across the country.

The Eastern and Coastal regions host some of the oldest handicrafts organizations. A baseline survey conducted by Export Promotion Council (EPC) reveals that a majority of handicraft producers in this region had been in existence for an average of 30 years. They are largely engaged in wood carving as the main handcrafts activity with an average of 71% of crafters hosted in this segment. This is followed by jewelry at 7% and 2% textiles. According to the study, the eastern and coastal handicraft organizations are formalized and have put in place functional management structures. On the contrary, according to the EPC study, 60% of producer-groups in the North Rift are not formalized despite about 90% of these organizations having being in existence for over 20 years. The region presents a wide range of skills among them: jewelry with 29% of the crafters, weaving 21% and textiles 13%. Other activities listed include pottery, fishing, farming of raw materials, and metal-works.

Generally, most organizations in the sector operate with lean permanent staff, while majority of the workforce is drawn from casual workers who are paid on piece rate. Through this arrangement, groups are able to engage as many as 300 casual workers.

B7/1.2 Priority Handicraft Products for Targeting

While handicrafts present great social and economic potential, there is no one specific Harmonized System (HS) code allocated to handmade products. This is mainly due to absence of universally acceptable definition as to what constitutes handicraft. The term "handicraft" is used to refer to a very wide range of items, including a broad spectrum of "gift items", house ware, home furnishings, products of traditional craft industries and fashion accessories made from a wide array of materials. To pin down handicraft trade in global trade, numerous HS codes that represent various handmade products as defined by UNESCO, have to be used.

UNESCO defines handicrafts as: *"Products produced by artisans, completely by hand or with the help of hand-tools and even mechanical means, as long as the direct manual contribution of the artisan remains the most substantial component of the finished product. Their special nature derives from their distinctive features, which can be utilitarian, aesthetic, artistic, creative, culturally attached, decorative, functional, traditional, and religiously and socially symbolic and significant. They are made of sustainably produced raw materials and there is no particular restriction in terms of production quantity. Even when artisans make quantities of the same design, no two pieces are ever exactly alike".*

Using this classification and for purposes of handicraft export performance and targeting under the NEDPS, the following products were identified. In picking the HS Codes, we consider destination market potential and level of development of the specific products in Kenya as demonstrated by trade flow data. These products fall under following 10 broad categories *(Refer Annex 2 for the Handicraft Products by HS Codes).*

Table B7/1: NEDPS focal handicraft products

Products	HS Codes
1. Handmade/hand-decorated fabrics	5810, 42022, 5701, 5705, 5808, 5810, 5811, 6006, 6117, 6301, 6302, 6303, 6304, 6305, 6306, 6307, 6308, 6309, 6310, 630221
2. Leather crafts	4201, 4202, 4203, 4204, 4205, 4206, 6304, 640510
3. Basketry	4602, 460219, 460211, 460219
4. Woodwork & Crafts	442010, 940330
5. Metalwork & Crafts	830629, 732690,

Products	HS Codes
6. Jewellery	7113, 7114, 7115, 7116, 7116, 7117,
7. Stone carving	711620, 680299, 680291, 680299, 710399, 680291, 680292, 7103
8. Pottery and Ceramics	6911, 6912, 6913, 691490
9. Beads	7018
10. Traditional Artefacts	9701, 9702, 9703, 9704, 9705

B7/1.3 Handicraft Industry Export Performance and Targeting

A review of the target handicraft products exports reveal dismal performance over the period 2012 to 2016, due to many constraints that are discussed in this strategy under the section on 'constraints to handicraft export performance'. The exports, according to the ITC Trade Maps recorded a decline of 58% from USD67.2 million in 2012 to USD28.3 million in 2016. The hardest hit was handmade and decorated fabric handcrafts which accounted for 79% of total handicraft exports in 2012. However, the following categories of handicraft recorded marginal or near constant growth: leather crafts, basketry, jewelry, stone curving, beads and traditional artefacts.

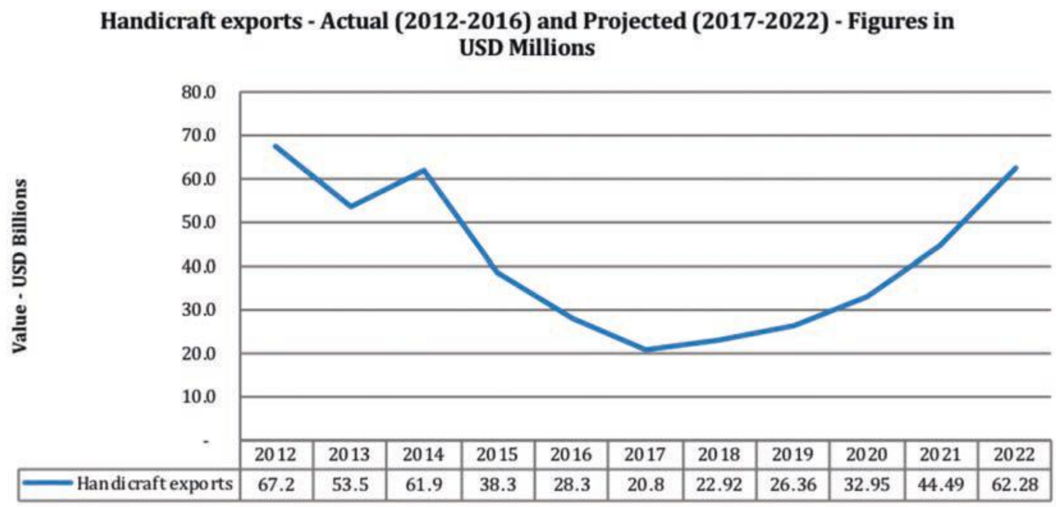
Table B7/2: Handicraft - Actual and projected exports for the period 2018-2022, Figures in USD Millions

		2012	2013	2014	2015	2016
Actual exports of handicraft exports						
Handmade and decorated fabrics		52.8	37.7	47.4	16.9	11.6
Leather Crafts		2.8	2.0	2.2	3.2	2.4
Basketry		0.6	0.8	0.5	1.4	1.4
Wood works and craft		1.7	1.8	1.7	0.9	0.8
Metal Works		3.5	5.1	4.2	3.0	1.3
Jewelry		1.2	1.2	1.1	4.7	4.5
Stone curving		3.0	3.6	3.9	4.5	4.1
Pottery and Ceramics		0.4	0.4	0.2	0.3	0.5
Beads		0.1	0.1	0.1	0.2	0.1
Traditional artefacts		1.0	0.8	0.7	3.2	1.6
Total Handicraft		67.2	53.5	61.9	38.3	28.3
Actual growth (2012-2016)			-20%	16%	-38%	-26%
Projected handicraft Exports	20.8	22.92	26.36	32.95	44.49	62.28
Projected growth		10%	15%	25%	35%	40%
Average growth (2018-2022						25%

Source: *ITC Trade Maps*

To reverse the negative growth, the sector's exports will need to grow at annual average of 25% per year. During NEDPS formulation stakeholder consultative session, this target was adapted as feasible provided the constraints to export performance are addressed.

Going by this target, handicraft exports are projected to grow from an estimated USD22.9 million in 2017 to USD62.3 million by 2022. The graph below shows the effect of the growth target on the handicraft export trend, which should be monitored to ensure the various interventions deliver on the expected export growth.



B7/1.4 Handicraft Products Export Potential in target Export Destination Countries and Regional markets

The prospects for handicraft export growth are quite bright going by the target destination country annual market size that over the period 2014-2016 was estimated at USD353billion. These target countries and regions are as follows: USA, EU, Middle East, Japan, China, EAC, COMESA, and Gulf Cooperation Countries (GCC).

Table B7/3: Kenya exports of handicraft products to the world and target destination countries and regions export markets

Product label	Kenya's exports to world - Average 2014 - 2016 (USD mn)	Select regions imports from Kenya - Average 2014 - 2016 (USD mn)	Select regions imports from world - Average 2014 - 2016 (USD mn)	Kenya Export opportunity assuming a 5% market share (USD mn)
1) Handmade and decorated fabircs. HS Codes: 42022, 5810, , 5701, 5705, 5808, 5810, 5811, 6006, 6117, 6301, 6302, 6303, 6304, 6305, 6306, 6307, 6308, 6309, 6310	27	25	81,906	4,095
2) Leather crafts. HS Codes: 4201, 4202, 4203, 4204, 4205, 4206, 6304	6	5	58,513	2,926
3) Basketry. HS Codes: 4602	2	2	1,340	67
4) Woodworks and crafts HS Codes: 4420	9	7	62,142	3,107
5) Metalworks and crafts HS Codes: 7326, 8306	5	5	33,261	1,663

Product label	Kenya's exports to world - Average 2014 - 2016 (USD mn)	Select regions imports from Kenya - Average 2014 - 2016 (USD mn)	Select regions imports from world - Average 2014 - 2016 (USD mn)	Kenya Export opportunity assuming a 5% market share (USD mn)
6) Jewelry HS Codes: 7113, 7114, 7115, 7116, 7116, 7117,	5	5	61,591	3,080
7) Stone carving HS Codes: 6802, 7103, 7116	4	4	23,999	1,200
8) Pottery and ceramics HS Codes: 6911, 6912, 6913	1	1	7,554	378
9) Beads HS Codes: 7018	1	1	5,313	266
10) Traditional artefacts HS Codes: 9701, 9702, 9703, 9704, 9705	2	2	17,632	882
Total	62	57	353,251	17,663

Source: *Computations from ITC Trade Maps*

Kenya's share in the market is estimated at 0.02%. Given the huge market in the destination countries and regions, Kenya has an opportunity to increase this market share. For instance, if Kenya were to aim at taking a 5% share in these target markets, handicraft exports would have to increase to USD17.6bn per year. This is the horizon of handicraft export possibilities that need to be pursued under the NEDPS.

B7/1.5 Constraints to Handicraft Export Performance

Handicraft export performance is impeded by the following constraints, which need to be addressed in order for the country to exploit the identified export potential:

a) Institutional related constraints;

i) The handicraft industry is a highly fragmented industry without an active private sector umbrella body to promote handicraft development and exports. Players in the handicrafts sector are missing out on networking, sharing best practice, augmenting capacity, conducting joint procurement, sharing information and knowledge as well as peer endorsement. The lone-ranger approach may work locally but the international arena demands for a competitive force with sustained capacity to meet the large export orders while maintaining quality and meeting the strict timelines. This is likely to come by through cooperation.

ii) Lack of dedicated handcraft institution mandated strategic objectives is a major cause of the handicrafts sector stunted growth. Urgent attention needs to be given to building an institution with the capacity to oversee attainment of the handcrafts sector's global excellence. Such an institution will also aid in better management of handcraft resources at a national level and management of skills towards addressing knowledge and skills gaps for competitiveness. This is while taking cognizance that each of the 47 counties has its specific characteristics and requirements with respect to handcraft resources and capabilities. Such an institution is bound to spearhead the sector's excellence through tailor-made, localized and therefore effective handcraft development strategies.

b) Technical Skills Constraints;

i) Inadequate Technology Transfer and Diffusion: the handicrafts sector suffers from weak public-private collaboration in research and development; lack of harmonized, coordinated and integrated technology transfer system; the absence of an institutional mechanism that would resolve issues on technology ownership and information sharing; weak fund support to Science and Technology; and lack of resources and infrastructure for technology transfer in the handicrafts sector. There is need for a comprehensive national policy framework for the transfer of technologies generated from publicly funded research in the country with a specific interest on handicrafts development.

ii) Absence of design & crafts skills training facilities dedicated to advancing competitiveness of industry's products: the journey to competitiveness calls for a robust strategy, repositioning and re-engaging the global handcraft market as a sector. A common platform in form of a center of handicrafts excellence is necessary in harnessing concerted effort from diverse stakeholders. Such a center will be responsible for evolving a sustained program of growth and development of both the craftsperson and handcraft sector in an integrated manner where design thinking engages with handicrafts production and traditional knowledge. A place of innovative thoughts and craft-design practices with direct link to the handicraft value chain to ensure demand driven skills training.

iii) Limited technical skills and capacity constraints in various areas of expertise along the value chain: Critical masses of handcraft product designers, makers, marketers, managers etc. are necessary if the sector is to increase productivity and improve competitive performance internationally. This is attributed to lack of specialized training facilities for handicraft sector. As a result the skills are passed through generational networks and apprenticeship.

iv) Inadequate knowledge and awareness of Intellectual Property Rights and its application to handcraft sector. This is manifested in so many of Kenya's handicraft products that are not patented, thus limiting the growth and investments in the specific brands, while exposing the owners of the brand to overnight loss in event that their brand is patented by someone else. This threat is evidenced in the Kikoi story https://ipkenya.wordpress.com/2012/01/16/the-intellectual-property-tale-of-how-kenya-almost-lost-the-kikoi-fabric/. To curb this threat Dr. Marisella Ouma, Executive Director of the Kenya Copyright Office (KeCoBo), argues in the Article titled *Protection of Traditional Knowledge and Traditional Cultural Expressions in Kenya* that; "The government of Kenya, through institutions like the National Museums of Kenya should register the Kikoi and other Traditional Cultural Expressions (TCEs) as trademarks on behalf of the Kenya citizens (…). It is important to focus on these areas due to the rich cultural and generic diversity that Kenya has and the attendant Traditional Knowledge (TK)"

v) Well-defined and well-enforced intellectual property rights are an important component of export development. An intellectual property system offers an incentive to innovate by rewarding creators of new inventions with the right to exclude others from using that innovation for a limited period of time. In this way, inventors can benefit financially from their innovation. Economic research supports the idea that a well-defined intellectual property system rewards innovation and fosters economic growth.

c) Production Related Constraints;

i) Lack of awareness of destination market opportunities to stimulate investments and production of handcraft for export based on known market potential;

ii) Limited capacity to handle large export orders that adversely impact on delivery schedules. This is due to structural weakness associated with the low scale of production by many and disintegrated handicraft producers who in some cases are served by middlemen. The latter worsen the situation because the producers may never know the magnitude of demand of their products as to upscale production or forge a producers' united front to cope with large international orders. This challenge, as revealed by aggregators for international buyers can be overcome by shortening the value chain and providing a direct link of an organized group of handcraft producers with the destination market buyers. In such a case, contract manufacturing is seen as a possibility;

iii) Fragmented value chains characterized by handicraft producers working in silos with weak direct link to the end markets, often relying on middle men to access such markets. This weakens the sector's ability to respond to end market large orders as well as ability to adapt handicraft to specialized consumer preferences and rapidly changing market demand. It also contributes to the sector's inability to meet destination markets standards because of varying quality across small scale producers working in silos or uncoordinated structure;

iv) High cost of land, power and skilled labor in comparison to other developing countries: High capital and labor costs, coupled with high rates of technological and competitive change, continue to present challenges for handcraft producers, often pushing them out of markets as buyers pursue low cost production sources;

v) Inadequate infrastructure for efficient production & marketing and the inability to employ economies of scale and scope leading to high production and transaction costs: Cottage Industries, Common Manufacturing Facilities, Export Production Villages are concepts that have proven to deliver productivity improvement and efficient management of supply chains. Such platforms promote greater policy coordination with Government for a coherent approach to emerging trade policy issues and institutional partnership between the private sector and the Government in devising specific production and marketing strategies. This in turn positively impacts on output and market access;

vi) Ad hoc quality management systems hence limited knowledge on international market standards for handicrafts: Quality management is among impediments faced by SMEs in a globalized marketplace. Markets for handicrafts made by SMEs are highly competitive while the business environment within which they work is increasingly complex and dynamic. This calls for a quality management systems oriented to handicrafts. The QMS should be tailored to bridge the gap between current performance levels and the projected potential of Kenya's handicrafts industry in international markets;

vii) Application of rudimental tools and technology which renders handicraft products to be uncompetitive in the destination markets. Majority of handicraft producers in Kenya apply rudimental tools and technology thus compromising the capacity to respond to international market opportunities like their competitors from countries such as India and China;

viii) Inadequate supply of raw material at appropriate prices owing to depletion of natural resources: Accessing raw materials in adequate quantity and of consistent quality that can be processed into higher value products is one of the challenges that handcraft producers face. Sustainable farming of agro-based raw materials is minimal so is utilization of sustainable materials that is still at infancy. Producers should be encouraged to avoid depletion of such materials by exploiting the concept of raw material farming;

ix) Limited access and high cost of quality production components, fittings and packaging materials: Given that Kenya does not manufacture most of its production components such as dyes, beads, buttons, zippers, eyelets, stains etc. are imported thus adding to the cost of production. Producers also face logistical challenges in accessing these accessories in terms of meeting minimum order quantities for importing the accessories, dead stock, down time occasioned by delay in the supply among other challenges. The handicrafts sector must develop a system for efficient supply of inputs if it is to compete against countries that have the inputs readily available in their countries;

x) Inadequate exploitation of exotic raw materials such as leather (crocodile, ostrich, fish leather, etc.) and other materials unique to Kenya for handcraft export development: Stimulating creativity and exploring completely new and unknown territories in handicrafts production may lead to utilization of Kenya's exotic and unique raw materials. This calls for re-thinking existing business models by conducting national handcraft resource mapping and international exploration of opportunities that could be addressed by use of the identified resources. Handcraft producers must therefore move beyond the traditional confinements to generating new combinations in materials, processes, production and marketing with the potential to leapfrog the sector to market leadership;

xi) Ad hoc quality management systems hence limited knowledge on international market standards for handicrafts: Quality management is among impediments faced by SMEs in a globalized marketplace. Markets for handicrafts made by SMEs are highly competitive while the business environment within which they work is increasingly complex and dynamic. This calls for a quality management systems oriented to handicrafts. The QMS should be tailored to bridge the gap between current performance levels and the projected potential of Kenya's handicrafts industry in international markets;

xii) Weak branding, packaging and labeling that denies Kenyan handicraft an opportunity to stand out in a very competitive global market, especially the markets being targeted by the NEDPS. Lessons from Kenya's own *'Kikoi'* and Ethiopia's leather products come in handy in drawing the contrast between what the country should aspire and the current status of handicraft branding, packing and labeling;

xiii) High mortality rate of handicraft businesses: The mortality rate of handicraft producers just like other MSMEs is extremely high (on average around 80%) with most of them collapsing at the early start-up stage. Among causes for their failure is inadequate operational capital weak customer orientation and therefore poor at understanding the needs and wants of the customers. MSMEs also fail to differentiate their company's products and services from those of the competition; failure to communicate with target market about the value proposition of products or services clearly, concisely and in a compelling manner; poor management of people and other resources; as well as poor business modeling;

xiv) Lack of entrepreneurial zeal, capacity, and know-how among potential entrants: Majority of Kenya's population, owing to their education background, are said to lack in entrepreneurial spirit. This is a highly creative and dynamic entity responsible for generation of unique concepts, tolerance for ambiguity, adaptable, open minded, self-motivated, innovative etc. Entrepreneurial skills are fundamental in inspiring new entrants into the sector.

d) Financial Resources Constraints

i) Lack of adequate and affordable finance to support production and export of handicraft products: Affordable financing targeting handicrafts producers for investments that bring innovations and new technologies is largely beyond reach in the sector as well as funds necessary to develop business management skills, financial literacy and information systems, and to avail a skilled workforce. All these are critical in:

- *Attaining competitiveness*
- *Establishing capacity to meet market required quantities and market requirements*

ii) Limited capitalization and low investment: Majority of handicrafts producers, like most SMEs, continue to finance their business expansion through insufficient internal sources, away from funds made available by banks. Like other SMEs, these producers fail to access funds due to: a limited track record, inadequate financial statements and business plans, poor credit history, insufficient collateral, inadequate income and cash flow. A more affordable, accessible and sustainable financing solution will better serve the sector's growth strategy.

iii) Limited ability to mobilize resources for production, distribution and marketing: The small-scale size of handicraft producers acts as inherent weakness to their ability to mobilize resources for production, distribution and marketing. This undermines the competitiveness of the exports because of the low scale of operation.

e) Trade Facilitation/Market Access Related Constraints

i) Insufficient market information on handcraft export trends, opportunities and prices as a result of weak market information system to generate and disseminates market intelligence. This has limited investments in handcraft production for exports and largely explains the poor export performance.

ii) Limited e-commerce competence among majority of handcraft producer groups. This challenge is locking out Kenyan handcraft from the e-commerce driven handicraft trade, which is increasing by the day as a result of internet driven expansion of opportunities for business-to-business and business-to-consumer e-commerce transactions across borders. For business to consumer transactions especially, the internet sets up a potential revolution in global commerce: the individualization of trade. It gives consumers the ability to conduct a transaction directly with a foreign seller without traveling to the seller's country. There urgent need to ensure Kenya's handcraft exports takes a share in the e-commerce trade through revolutionizing the handicraft producer groups to ensure that they ae e-commerce ready.

iii) Limited information on destination countries market access requirements (rules of origin, tariffs, standards, SPS measures, among others: Most of the handcraft producers have limited information and awareness on destination market requirements and how to operationalize them in their businesses to ensure the handcraft are compliant at the time of leaving their premises for exports.

iv) Inadequate information on export requirements and procedures for exportation of handicraft to various destination markets: This challenge is manifested by lack of a central platform with clear guide on how to export various types of handcraft products and procedures to be followed, including trade facilitation institutions to facilitate this trade.

B7/1.6 Strategic Objectives towards Development and Promotion of Handicraft Exports

To exploit export steer development of the handicraft industry in order to exploit the identified export potential, the following strategic objectives will be pursued as a framework within which target interventions to deliver desired outcome of handicraft products export growth:

a) To strengthen handicraft sector institutional framework for handicraft export development;

b) To promote handicraft skills development for enhanced handicraft exports;

c) To promote production of handicraft products for export; and

d) To promote handicraft export market access.

B7/1.6.1 Strategic Interventions and Resource Requirements towards Development and Promotion of Handicraft Products Exports

Strategic Objective #1:

To Strengthen Handicraft Sector Institutional Framework for Handicraft Export Development

Strategic Interventions	Implementing Agencies	Resource Requirements (KESM)
1) Develop a handcraft policy to support handcraft production and development. The policy to identify the Ministry to be Mandated to host handicraft sector for purposes of Government support of the sector's development and export agenda	State Department of Trade, EPC, Handicraft Associations	25
2) Establish a department or unit within the Ministry to manage the affairs of the handicraft sector and ensure the sector's access to requisite government support as other economic sectors	State Department of Trade, EPC, Handicraft Associations	10
3) Undertake a national survey on existing handicraft sector associations and cooperatives and the feasibility for establishment of the umbrella organization of handicraft producers and exports	State Department of Trade, EPC, Handicraft Associations	15
4) Promote establishment of handicraft sector national umbrella organization of handicraft producers and exports	State Department of Trade, EPC, Handicraft Associations	2

Strategic Objective #2:

To Promote Handicraft Skills Development for Enhanced Handicraft Exports

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KESM)
1) Develop policy and guidelines to facilitate sharing and transfer of technologies generated from publicly funded research and development in support of handicraft export development.	State Department of Trade, Ministry of Science and Technology, Institutions of Higher Learning, KIRDI, EPC, Handicraft Associations	2

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KESM)
2) Establish, through collaboration with institutions of higher learning and Technical Institutes of Vocation Education Training (TIVET), handicraft skills development centers of excellence	State Department of Trade, Ministry of Science and Technology, Institutions of Higher Learning, KIRDI, EPC, Handicraft Associations	500
3) Undertake handicraft for exports skills gap analysis and establish the requisite skills training needs to be offered in the handicraft skills development centers of excellence. Identify existing skills training institutions and their current status.	State Department of Trade, Ministry of Science and Technology, Institutions of Higher Learning, KIRDI, EPC, KIE, MSEA, KEBS, KIPI, Handicraft Associations	15
4) Prepare handicraft for exports training program and curriculum to ensure training capability for current and future handicraft producers and exporters	State Department of Trade, Ministry of Science and Technology, Institutions of Higher Learning, KIRDI, EPC, KIE, MSEA, KEBS, KIPI, Handicraft Associations	200
5) Identify handicraft producers for export who require patenting of their brands and support them to patent the brands through registration of the Intellectual Property ownership of the brands.	State Department of Trade, Ministry of Science and Technology, Institutions of Higher Learning, KIRDI, EPC, KIE, MSEA, KEBS, KIPI, Handicraft Associations	4
6) Prepare guidelines on protection of Intellectual Property for handicraft producers to ensure awareness and utilization of the KIPI services in protection of such a fundamental right.	State Department of Trade, Ministry of Science and Technology, Institutions of Higher Learning, KIRDI, EPC, KIE, MSEA, KEBS, KIPI, ACA (Anti Counterfeit Agency) Handicraft Associations	10

Strategic Objective #3:

To Promote Production of Handicraft Products for Export

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KESM)
1) Undertake a baseline survey on all target handicraft products for exports and establish handicraft producers and exporters, including their export development need to increase production over the next five years.	State Department of Trade, EPC, Handicraft Associations	25
2) Develop a system/portal for handicraft producers and exporters to promote linkage across the value chain. Integrate a system of registering new entrants and exits from the sector to ensure the roster of handicraft producers and exporters remain current and authentic.	State Department of Trade, EPC, Handicraft Associations	5
3) Develop network of handicraft producers, for each of the target products, as points of response to international orders.	State Department of Trade, EPC, Handicraft Associations	5
4) Promote contract manufacturing of handicraft for export through brokered deals under the export promotion interventions	State Department of Trade, EPC, Handicraft Associations	10

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KESM)
5) Provide quality assurance testing and compliance services to ensure that the handicraft products are of high quality	State Department of Trade, EPC, KEBS, Handicraft Associations	50
6) Promote branding, packaging, labelling, bar coding and traceability of handcrafts products for export.	State Department of Trade, EPC, Handicraft Associations	100
7) Develop handicraft for export production villages or common user facilities to mitigate the high cost of land and premises	State Department of Trade, State Department of Cooperatives, County Governments, EPC, MSEA, EPZA, Handicraft Associations	2,000
8) Establish and finance the handicraft export development revolving fund in support of production for export, including acquisition of latest technology and tools	State Department of Trade, EPC, KIE, Handicraft Associations	1,000

Strategic Objective #4:

To Promote Handicraft Export Market access

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KESM)
1) Promote Kenya as a handicraft exporting Nation by hosting Annual Handicraft Festival to promote 'Source Kenya Handcraft' targeting buyers from target destination markets and using a cost recovery model	State Department of Trade, EPC, Handicraft Associations	100
2) Exhibitions and Trade Fairs in target destination market on a cost recovery model coupled with matching grants for exporters	State Department of Trade, EPC, Handicraft Associations	150
3) Provide matching grants to support exporters of target handicraft products in scheduled export promotion events, Business to Business or Business to Consumers specific events in target destination markets	State Department of Trade, EPC, Handicraft Associations	100
4) Prepare annual market intelligence surveys, including market access requirements, for target handcraft products in target destination markets	State Department of Trade, EPC, Handicraft Associations	25
5) Disseminate market intelligence surveys to target sectors/businesses using the Kenya National Trade Portal	State Department of Trade, EPC, Handicraft Associations	2
6) Identify destination market marketing Agencies for Kenyan handcraft products and engage them to drive Kenya's export market share using a cost recovery model, working closely with the private sector. Payment for the services to be tied to market share increments/concluded and delivered deals	State Department of Trade, EPC, Handicraft Associations	500

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KESM)
7) Lease warehousing/distributorship center facilities, using a cost recovery model, for target handcraft products in destination markets to ease visibility and distribution of Kenyan products in these markets	State Department of Trade, EPC, Handicraft Associations	300
8) Promote handicraft producers and exporters listing in regional/continental/global e-commerce platforms to enhance visibility and complement market access initiatives	State Department of Trade, EPC, Handicraft Associations	2

B7/1.6.2 Resource Mobilisation Plan for Development and Promotion of Exports of Handicraft Products

The estimated resource requirement for implementation of the Handicraft Industry export development and promotion strategy is KES5.2 billion. Out of the estimated resource requirement, 76% or KES4.6 billion goes into enhancing production of handicraft products and skills development. This will guarantee sufficient production to facilitate the country's increased share of handicraft products exports in the target destination markets. The specific interventions under each of the Strategic Objectives and accompanying resource requirements are as provided under the section on 'Strategic Interventions and Resource Requirements'. The sources of funds and Lead Agencies in mobilisation of the funds are as listed in the resource mobilisation plan below. The institutional structure through which the funds for Handicraft products export development and promotion will be mobilised is the 'Handicraft Sub-Sector Working Group' of NEDPS Trade in Services Sector Working Group. At the Handicraft SSWG, The Private Sector Stakeholders in the Handicraft Industry will take lead role in driving the agenda for Handicraft Products exports with Government playing a facilitative role to ensure requisite resources and enabling environment for development and promotion of the exports of these services.

Table B7/4: Resource Mobilisation Plan towards Development and Promotion of Handicraft Products Exports

SO#	Strategic Objective/ Focal Areas of Intervention	Amount Required	Estimated NEDPS Annual Resource Requirement (KES Millions)					Source	Lead Agencies in Resource Mobilization
			2018/19	2019/20	2020/21	2021/22	2022/23		
1	To strengthen handicraft sector institutional framework for handicraft export development	52	12	10	10	10	10	MDAs and County Governments' MTPIII Annual Budgets, Private Sector programs, Development Partners	State Department of Trade, EPC, Handicraft Associations
2	To promote handicraft skills development for enhanced handicraft exports	731	147	146	146	146	146		
3	To promote production of handicraft products for export	3,195	639	639	639	639	639		
4	To promote handicraft export market access	1,179	236	236	236	236	236		
Total		5,157	1,034	1,031	1,031	1,031	1,031		

B7/1.6.3 Implementation Plan for Development and Promotion of Exports of Handicraft Products

Strategic Interventions/ Program Activities	Implementing Agencies	2018				2019				2020				2021				2022			
		Quarters				Quarters				Quarters				Quarters				Quarters			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
To Strengthen Handicraft Sector Institutional Framework for Handicraft Export Development																					
1) Develop a handcraft policy to support handicraft production and development. The policy to identify the Ministry to be Mandated to host handicraft sector for purposes of Government support of the sector's development and export agenda	State Department of Trade, EPC, Handicraft Associations																				
2) Establish a department or unit within the Ministry to manage the affairs of the handicraft sector and ensure the sector's access to requisite government support as other economic sectors	State Department of Trade, EPC, Handicraft Associations																				
3) Undertake a national survey on existing handicraft sector associations and cooperatives and the feasibility for establishment of the umbrella organization of handicraft producers and exports	State Department of Trade, EPC, Handicraft Associations																				
4) Promote establishment of handicraft sector national umbrella organization of handicraft producers and exports	State Department of Trade, EPC, Handicraft Associations																				
To Promote Handicraft Skills Development for Enhanced Handicraft Exports																					
1) Develop policy and guidelines to facilitate sharing and transfer of technologies generated from publicly funded research and development in support of handicraft export development.	State Department of Trade, Ministry of Science and Technology, Institutions of Higher Learning, KIRDI, EPC, Handicraft Associations																				

Strategic Interventions/ Program Activities	Implementing Agencies	2018				2019				2020				2021				2022			
		Quarters				Quarters				Quarters				Quarters				Quarters			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
2) Establish, through collaboration with institutions of higher learning and Technical Institutes of Vocation Education Training (TIVET), handicraft skills development centers of excellence	State Department of Trade, Ministry of Science and Technology, Institutions of Higher Learning, KIRDI, EPC, Handicraft Associations																				
3) Undertake handicraft for exports skills gap analysis and establish the requisite skills training needs to be offered in the handicraft skills development centers of excellence. Identify existing skills training institutions and their current status.	State Department of Trade, Ministry of Science and Technology, Institutions of Higher Learning, KIRDI, EPC, KIE, MSEA, KEBS, KIPI, Handicraft Associations																				
4) Prepare handicraft for exports training program and curriculum to ensure training capability for current and future handicraft producers and exporters	State Department of Trade, Ministry of Science and Technology, Institutions of Higher Learning, KIRDI, EPC, KIE, MSEA, KEBS, KIPI, Handicraft Associations																				
5) Identify handicraft producers for export who require patenting of their brands and support them to patent the brands through registration of the Intellectual Property ownership of the brands.	State Department of Trade, Ministry of Science and Technology, Institutions of Higher Learning, KIRDI, EPC, KIE, MSEA, KEBS, KIPI, Handicraft Associations																				
6) Prepare guidelines on protection of Intellectual Property for handicraft producers to ensure awareness and utilization of the KIPI services in protection of such a fundamental right.	State Department of Trade, Ministry of Science and Technology, Institutions of Higher Learning, KIRDI, EPC, KIE, MSEA, KEBS, KIPI, ACA (Anti Counterfeit Agency) Handicraft Associations																				

Strategic Interventions/ Program Activities	Implementing Agencies	2018				2019				2020				2021				2022			
		Quarters				Quarters				Quarters				Quarters				Quarters			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
To Promote Production of Handicraft Products for Export																					
1) Undertake a baseline survey on all target handicraft products for exports and establish handicraft producers and exporters, including their export development need to increase production over the next five years.	State Department of Trade, EPC, Handicraft Associations																				
2) Develop a systems/ portal for handicraft producers and exporters to promote linkage across the value chain. Integrate a system of registering new entrants and exits from the sector to ensure the roster of handicraft producers and exporters remain current and authentic.	State Department of Trade, EPC, Handicraft Associations																				
3) Develop network of handicraft producers, for each of the target products, as points of response to international orders.	State Department of Trade, EPC, Handicraft Associations																				
4) Promote contract manufacturing of handicraft for export through brokered deals under the export promotion interventions	State Department of Trade, EPC, Handicraft Associations																				
5) Provide quality assurance testing and compliance services to ensure that the handicraft products are of high quality	State Department of Trade, EPC, KEBS, Handicraft Associations																				
6) Promote branding, packaging, labelling, bar coding and traceability of handcrafts products for export.	State Department of Trade, EPC, Handicraft Associations																				
7) Develop handicraft for exports production villages or common user facilities to mitigate the high cost of land and premises	State Department of Trade, State Department of Cooperatives, County Governments, EPC, MSEA, EPZA, Handicraft Associations																				

Strategic Interventions/ Program Activities	Implementing Agencies	2018				2019				2020				2021				2022			
		Quarters				Quarters				Quarters				Quarters				Quarters			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
8) Establish and finance the handicraft export development revolving fund in support of production for export, including acquisition of latest technology and tools	State Department of Trade, EPC, KIE, Handicraft Associations																				
To Promote Handicraft Export Market access																					
1) Promote Kenya as a handicraft exporting Nation by hosting Annual Handicraft Festival to promote 'Source Kenya Handcraft' targeting buyers from target destination markets and using a cost recovery model	State Department of Trade, EPC, Handicraft Associations																				
2) Support Exhibitions and Trade Fairs in target destination market on a cost recovery model coupled with matching grants for exporters	State Department of Trade, EPC, Handicraft Associations																				
3) Provide matching grants to support exporters of target handicraft products in scheduled export promotion events, Business to Business or Business to Consumers specific events in target destination markets	State Department of Trade, EPC, Handicraft Associations																				
4) Prepare annual market intelligence surveys, including market access requirements, for target handcraft products in target destination markets	State Department of Trade, EPC, Handicraft Associations																				
5) Disseminate market intelligence surveys to target sectors/ businesses using the Kenya National Trade Portal	State Department of Trade, EPC, Handicraft Associations																				

Strategic Interventions/ Program Activities	Implementing Agencies	2018				2019				2020				2021				2022			
		Quarters				Quarters				Quarters				Quarters				Quarters			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
6) Identify destination market Marketing Agencies for Kenyan handcraft products and engage them to drive Kenya's export market share using a cost recovery model, working closely with the private sector. Payment for the services to be tied to market share increments/concluded and delivered deals	State Department of Trade, EPC, Handicraft Associations																				
7) Lease warehousing/ distributorship center facilities, using a cost recovery model, for target handcraft products in destination markets to ease visibility and distribution of Kenyan products in these markets	State Department of Trade, EPC, Handicraft Associations																				
8) Promote handicraft producers and exporters listing in regional/continental/ global e-commerce platforms to enhance visibility and complement market access initiatives	State Department of Trade, EPC, Handicraft Associations																				

B8 Trade in Services

B8/1.1 Overview of Trade in Services

The significance of the services component in the NEDPS is underscored by the lead role that the sector plays in the economy through its 60% contribution to GDP. This fact is resonated in Vision 2030, where services sector 'has been identified as one of the priority sectors to drive Kenya's integration in the international trade system and to contribute towards a generation of sustainable growth rate at 10% per annum. The prospect of trade in services to boost Kenya's exports is evidenced in the role that trade in services plays in the global economy. This is evidenced in *the IMF Article of February 2017*[102]*, which shows that "services currently constitute one-fourth of world trade and an increasingly important component of global production".* The Article further reveals that *"exports of services are not only gaining strong momentum and catching up with exports of goods in many countries, but they could also trigger a new wave of trade globalization".* Kenya is already reaping from this market through its diaspora community, which in 2015 remitted KES145.4billion[103] (or USD1.43 bilion)[104].

The prospects for Kenya to enhance her exports of services lies in the opened markets for trade in services under the EAC and COMESA regional integration framework as well as among the WTO Member Countries under the General Agreement on Trade in Services (GATS). The transmission mechanism for these opportunities would have to be under any one of the following modes of services trade, based on the level of commitment that each country in these regional blocks and the WTO has taken:

> **Mode 1**, *cross-border supply:* only the service crosses the border. The delivery of the service can take place, for example, through telecommunications (telephone, fax, television, Internet, etc.), or the sending of documents, disks, tapes, etc.; telemedicine has also emerged as a competitive mode of medical services.
>
> **Mode 2**, *consumption abroad:* occurs when consumers consume services while outside their country. Visits to museums in a foreign country as well as medical treatment and language courses taken abroad are typical examples;
>
> **Mode 3**, the service supplier establishes its *commercial presence* in another country through e.g. branches or subsidiaries. Examples are medical services provided by a foreign-owned hospital, and banking services supplied by a subsidiary of a foreign bank.
>
> **Mode 4**, *presence of natural persons,* occurs when an individual has moved temporarily into the territory of the consumer in the context of the service supply, whether self-employed or as an employee of a foreign supplier. For instance, architects moving abroad to supervise construction work are providing services under this mode of supply.

102 *Refer Article by IMF Staff published in February 2017 (World Trade in Services: Evidence from a New Data Set) - using the link: http://pubdocs.worldbank.org/en/815061480467907896/World-Trade-in-Service-February-2017.pdf*

103 *This according to Central Bank of Kenya monthly diaspora remittance monthly survey report based on formal channels that include commercial banks and other authorized international remittances service providers in Kenya*

104 *Kenya National Trade Policy, June 2017*

B8/1.2 Scope of NEDPS coverage of Trade in Services

The NEDPS covers the following categories of services, which the country is deemed to have export capability based on Kenya's commitment at the EAC, COMESA and WTO.

a) Business Services;

b) Tourism Services;

c) Education Services;

d) Health Services;

e) Financial Services;

f) Information, Communication and Telecommunication (ICT);

g) Recreational, Cultural and Sporting Services; and

h) Transport and Logistics.

B8/1.2 Business Services

B8/1.2.1 Situational Analysis on Business Services Exports

Business services are inputs in the production and distribution of other products, both goods and services, and thus contribute significantly to economic growth. According to the WTO Services Sectoral Classification List (W/120), there are six sub-sectors under the Business Services Sector, namely; Professional Services, Computer and Related Services, Research and Development Services, Real Estate Services, Rental/Leasing Services without Operators, and other Business Services.

The specific business services that Kenya has committed to liberalise under the EAC are used in this strategy as the priority services to be focused on to deliver services exports in contribution towards the national agenda of export development over the period 2018-2022. The focus services include the following:

a) Professional Services:

- i) Physical Science Professionals;
- ii) Mathematicians, Statisticians and Computing Professionals;
- iii) Engineering Science Professionals;
- iv) Health and Life Science Professionals;
- v) Teaching Professionals;
- vi) Legal Professionals;
- vii) Social Science and Related Professionals;
- viii) Business Professionals.

b) Technicians and Associate Professionals:

- i) Engineering Technicians;
- ii) Medical and Health Science Associated Professionals;
- iii) Physical and Life Science Professionals;

iv) Ship and Aircraft Controllers;

v) Business and Social Services Associate Professionals;

vi) Primary and Pre-Primary Education and other Teachers;

vii) Other Business Social Services, Athletics, Sports and Related Workers.

c) Craft and Related Trades Workers:

i) Extraction and Building Trades Workers;

ii) Metal, Machinery And Related Trades Workers;

iii) Construction industry trades (59 trades identified by National Construction Authority).

d) Computer and Related Services:

Consultancy Services Related to the Installation of Computer Hardware (CPC 841).

e) Research and Development:

Research and Development Services on Natural Sciences (CPC 851).

f) Leasing or Rental Services:

i) Leasing or Rental Services Concerning Aircraft (CPC 83104);

ii) Leasing or Rental Services Concerning other Land Transport Equipment (CPC 83105);

iii) Leasing or Rental Services Concerning Agricultural Machinery and Equipment (CPC 83106);

iv) Leasing or Rental Services Concerning Agricultural Machinery and Equipment Without Operator (CPC 83106;

v) Leasing or Rental Services Concerning Construction Machinery and Equipment Without Operator (CPC 83107);

vi) Leasing or Rental Services Concerning Office Machinery and Equipment (including computers) Without Operator (CPC 83108);

vii) Leasing or Rental Services Concerning other Machinery and equipment Without Operator (CPC 83109);

viii) Rentals of Commercial Vehicles with Operator (CPC 7124);

ix) Rentals of Aircraft with Crew (CPC 734).

Table B8/1-1: Mode of Supply of Business Services

Mode (GATS Article 1:2)	Description	Illustration
1	Cross-border supply	Real Estate Development Company from Country A (importer) receives designs via internet, telecommunication or mail from an architectural firm located in Country B (exporter)
2	Consumption Abroad	Person residing in Country A (importer) travels to Country B (exporter) to receive medical and dental services in Country B.
3	Commercial Presence	An engineering firm from Country B (exporter) moves to Country A (importer) and establishes an engineering firm/branch in Country A.
4	Presence of Natural Persons	Dentists, physiotherapists, nurses, lawyers, engineers who are citizens/residents of Country B (exporter) travel to Country A (importer) to offer their services.

B8/1.2.2 Constraints to Export of Business Services

The demand for professional services remains unsatisfied while the export potential of professional services is hampered by:

a) Lack of awareness of export market opportunities for professional services based on concluded regional, bilateral and multilateral agreements;

b) Lack of regional harmonised education curriculum and certification standards for professionals;

c) Inadequate Mutual Recognition Agreements (MRAs);

d) Slow implementation of concluded MRAs due to inadequate regulatory reforms by the concluding parties;

e) Low levels of awareness of the MRAs and their processes among all segments of Partner States – including professionals, educational bodies, regulators, employers, law makers, senators, governors in the counties, and immigration and border officials. In addition, some of the MRAs concluded are not all encompassing. There is need to review/revise concluded MRAs in built environments to include all relevant professions and technicians;

f) Burdensome requirements on academic and professional qualifications and licensing requirements in foreign markets;

g) Lack of commitment to liberalisation in target markets for professional services that Kenya has competence and capacity to export;

h) Skills shortage as a result of the mismatch between industry skills requirements and skills acquired in institutions of higher learning and vocational training institutes;

i) Scale issues where most indigenous professional firms in Kenya have one or two partners show and are therefore not competitive on economies of scale;

j) Inadequate finance to support export of services through cross border bidding for professional assignments that may require huge capital outlay;

k) Lack of brand recognition at national, regional and even global markets; and

l) Weak regulatory frameworks for protecting intellectual property rights especially when operating on a regional and global scale.

B8/1.2.3 Strategic Objectives towards Development and Promotion of Business Services Exports

The constraints to export of business services will be addressed through targeted interventions, which will be pursued under each of the following Strategic Objectives:

a) To establish export ready business services categories and create a platform for their visibility to end market importers and trade facilitation;

b) To promote capacity building of business services categories enlisted for export supplies to ensure their readiness to meet destination market requirements; and,

c) To promote market access of export ready business services categories in target destination countries.

B8/1.2.4 Strategic Intervention for Development and Promotion of Business Services Exports

Strategic Objective #1:

To map out export ready business services categories and create a platform for their visibility to end market importers and trade facilitation agencies

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KES M)
1) Undertake baseline survey to establish supply capacity of various categories of business service providers and establish their readiness to export the specific services between 2018-2022	SDT, EPC, All Ministries and Departmental Agencies (MDAs) and APSEA	10
2) Undertake a target market mapping of the categories of business services that are export ready based on the baseline survey	SDT, EPC, All Ministries and Departmental Agencies (MDAs) and APSEA	5
3) Undertake destination market access requirements survey and establish readiness of the categories of services that have been as export ready to meet them and mitigating measures that may need to be pursued to enable exports between 2018 and 2022	SDT, EPC, All Ministries and Departmental Agencies (MDAs) and APSEA	35
4) Create awareness among all export ready business services on destination market opportunities and requirements and enlist those willing to sign up for export of services between 2018 and 2022	SDT, EPC, All Ministries and Departmental Agencies (MDAs) and APSEA	5
5) Prepare data base for all export ready business services categories including their export readiness information to elicit demand in the destination markets	SDT, EPC, All Ministries and Departmental Agencies (MDAs) and APSEA	10

Strategic Objective #2:

To promote capacity building of business services categories enlisted for export supplies to ensure their readiness to meet destination market requirements

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KES M)
1) Develop, on the basis of the destination market survey, a professional skills capacity building program addressing the gaps between the requirements and status of listed export service providers	SDT, EPC, All Ministries and Departmental Agencies (MDAs) and APSEA	5
2) Provide professional skills capacity building support, through user cost recovery model, to the business services categories that have signed up for export addressing the gaps between the market access requirements and the businesses current capacity	SDT, EPC, All Ministries and Departmental Agencies (MDAs) and APSEA	100

Strategic Objective #3:

To promote market access of export ready business services categories in target destination countries

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KES)
1) Conclude bilateral instruments/memorandum of understanding of trade facilitation with target destination markets for all export ready business services categories	SDT, EPC, All Ministries and Departmental Agencies (MDAs) and APSEA	30
2) Conclude Mutual Recognition Agreements (MRA) for all export ready business service categories where MRAs are applicable as instruments of facilitating market access	SDT, EPC, All Ministries and Departmental Agencies (MDAs) and APSEA	20
3) Domesticate and implement all concluded MRAs through their integration into relevant legislations and regulations	SDT, EPC, All Ministries and Departmental Agencies (MDAs) and APSEA	10
4) Undertake export promotional events in target markets to promote awareness and business deals of all export ready business service categories	SDT, EPC, All Ministries and Departmental Agencies (MDAs) and APSEA	50

B8/1.2.5 Resource Mobilization Plan for Development and Promotion of Business Services Export

The estimated resource requirements for implementation of the Business Services export development and promotion strategy is KES280million. The specific interventions under each of the Strategic Objectives and accompanying resource requirements are as provided under the section on 'Strategic Interventions and Resource Requirements'. The sources of funds and Lead Agencies in mobilization of the funds are as listed in the resource mobilization plan below. The institutional structure through which the funds for Business Services export development and promotion will be mobilized is the 'Business Sub-Sector Working Group' of NEDPS Trade in Services Sector Working Group. At the Business SSWG, The Private Sector Stakeholders in the Business sector will take lead role in driving the agenda for Business services exports with Government playing a facilitative role to ensure requisite resources and enabling environment for development and promotion of the exports of these services.

Table B8/1-2: Resource Mobilization Plan for Business Services Exports

SO#	Strategic Objective/ Focal Areas of Intervention	Amount Required (KESMn)	Estimated NEDPS Annual Resource Requirement (KES Millions)					Source	Lead Agencies in Resource Mobilization
			2018/19	2019/20	2020/21	2021/22	2022/23		
1	To map out export ready business services categories and create a platform for their visibility to end market importers and trade facilitation agencies	65	13	13	13	13	13	MDAs and County Governments' MTPIII Annual Budgets, Private Sector programs, Development Partners	SDT, EPC, All Ministries and Departmental Agencies (MDAs) and APSEA

SO#	Strategic Objective/ Focal Areas of Intervention	Amount Required (KESMn)	Estimated NEDPS Annual Resource Requirement (KES Millions)					Source	Lead Agencies in Resource Mobilization
			2018/19	2019/20	2020/21	2021/22	2022/23		
2	To promote capacity building of business services categories enlisted for export supplies to ensure their readiness to meet destination market requirements	105	21	21	21	21	21		
3	To promote market access of export ready business services categories in target destination countries	110	22	22	22	22	22		
Sub-Total		280	56	56	56	56	56		

B8/1.2.6 Implementation Plan towards Development and Promotion of Business Services Export

Strategic Interventions/ Program Activities	Implementing Agencies	2018/19				2019/20				2020/21											
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
To map out export ready business services categories and create a platform for their visibility to end market importers and trade facilitation agencies																					
1) Undertake baseline survey to establish supply capacity of various categories of business service providers and establish their readiness to export the specific services between 2018-2022	SDT, EPC, All Ministries and Departmental Agencies (MDAs) and APSEA																				
2) Undertake a target market mapping of the categories of business services that are export ready based on the baseline survey	SDT, EPC, All Ministries and Departmental Agencies (MDAs) and APSEA																				
3) Undertake destination market access requirements survey and establish readiness of the categories of services that have been as export ready to meet them and mitigating measures that may need to be pursued to enable exports between 2018 and 2022	SDT, EPC, All Ministries and Departmental Agencies (MDAs) and APSEA																				

Strategic Interventions/ Program Activities	Implementing Agencies	2018/19				2019/20				2020/21											
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
4) Create awareness among all export ready business services on destination market opportunities and requirements and enlist those willing to sign up for export of services between 2018 and 2022	SDT, EPC, All Ministries and Departmental Agencies (MDAs) and APSEA																				
5) Prepare data base for all export ready business services categories including their export readiness information to elicit demand in the destination markets	SDT, EPC, All Ministries and Departmental Agencies (MDAs) and APSEA																				
To promote capacity building of business services categories enlisted for export supplies to ensure their readiness to meet destination market requirements																					
1) Develop, on the basis of the destination market survey, a professional skills capacity building program addressing the gaps between the requirements and status of listed export service providers	SDT, EPC, All Ministries and Departmental Agencies (MDAs) and APSEA																				
2) Provide professional skills capacity building support, through user cost recovery model, to the business services categories that have signed up for export addressing the gaps between the market access requirements and the businesses current capacity	SDT, EPC, All Ministries and Departmental Agencies (MDAs) and APSEA																				
To promote market access of export ready business services categories in target destination countries																					
1) Conclude bilateral instruments/ memorandum of understanding of trade facilitation with target destination markets for all export ready business services categories	SDT, EPC, All Ministries and Departmental Agencies (MDAs) and APSEA																				

Strategic Interventions/ Program Activities	Implementing Agencies	2018/19				2019/20				2020/21											
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
2) Conclude Mutual Recognition Agreements (MRA) for all export ready business service categories where MRAs are applicable as instruments of facilitating market access	SDT, EPC, All Ministries and Departmental Agencies (MDAs) and APSEA																				
3) Domesticate and implement all concluded MRAs through their integration into relevant legislations and regulations	SDT, EPC, All Ministries and Departmental Agencies (MDAs) and APSEA																				
4) Undertake export promotional events in target markets to promote awareness and business deals of all export ready business service categories	SDT, EPC, All Ministries and Departmental Agencies (MDAs) and APSEA																				

B8/1.3 Education Services

B8/1.3.1 Situational Analysis and opportunities for educations services exports

According to the WTO General Agreement (GATS)[105] education services are commonly defined by reference to the following four categories of education services: Primary Education Services; Secondary Education Services; Higher (Tertiary) Education Services; and Adult Education. The evidence from global trends in education services shows deliberate efforts by countries to position themselves as destination countries for international students seeking quality education. This is mainly for the higher education services which as observed by Jane Knight (2002)[106] "is a billion dollar industry, including recruitment of international students, establishment of university campuses abroad, franchised provision and online learning".

This view is further corroborated by evidence gathered by the WTO, demonstrating tremendous growth in education services worldwide, particularly at the tertiary level. This is demonstrated by the increasing number of students going abroad for study, joint research projects between academic institutions in different countries, exchange programmes, establishment of campuses in other countries, and partnerships between academic institutions in different countries.[107] According to the UNESCO Institute for Statistics (UIS), in 1980 the population of internationally mobile students

105 https://www.wto.org/english/tratop_e/serv_e/w49.doc

106 *Jane Knight, 2002:"Trade in Higher Education Services: Implication of General Agreement on Trade in Services", A Paper published by The Observatory on Borderless Higher Education, London, UK*

107 *See World Trade Organisation: Background Note by the Secretariat on Education Services. S/C/W/49. 23 September 1998.*

was about 1.1 million. The number increased slightly to 1.3 million in 1990 but by 2009 had tripled to 3.4 million. The number of mobile students is expected to grow to 8 million by 2020[108].

Kenya is already participating in the global trade in education services as illustrated by the increasing number of foreign students coming to Kenya for higher education. This is despite lack of a deliberate policy and strategy for education services export.

The country is however well positioned to enhance education services exports as evidenced in the education sector's vision, which seeks to ensure the sector positions itself as "a globally competitive education, training, research and innovation system for sustainable development".

Further, the country has in recent years, following liberalisation of the education sector, experienced tremendous growth in higher education training institutions, with enhanced capacity to accommodate local and international students. The number of universities both public and private increased from 65 in 2013/2014 and 67 in 2014/15 to 70 in 2015/2016. This expansion in the number of universities led to an increase in enrolment of students pursuing university education in both public and private universities to stand at 475,750 up from 361,388 in 2013/2014[109].

Exports of education services takes place under any of the four modes as illustrated in the table below. Kenya is already exporting education services under each of the four modes, despite there being no specific policy and strategy on export of higher education services.

Cross-border supply (mode 1), which involves the supply of education service through telecommunications, internet or mail as the service supplier is not present within the territory of the consumer. It is commonly referred to as distance learning or e-learning. The African Virtual University (AVU) is an example of an organization that offers E-learning in Africa. It is a Pan African Intergovernmental Organisation established by Charter with the mandate of significantly increasing access to quality higher education and training through the innovative use of information, communication and technology. Nineteen African countries have signed the Charter and Kenya is one of them. The headquarters of AVU is in Nairobi, Kenya. This mode of supply is growing significantly as a result of technology advancement, access to internet and e-learning pedagogy. The impetus for further promotion of export of education services under this mode of supply was provided through cabinet approval of the Open University, which was approved by the cabinet in 2016.

Table B8/2-1: Mode of supply of education services[110]

Mode of Supply	Explanation	Examples in Higher Education	Size/Potential of Market
Mode 1: Cross Border Supply	Provision of a service where the service crosses the border (does not require the physical movement of the consumer)	• distance education • e-learning • virtual universities	Currently a relatively small market seen to have great potential through the use of new ICTs and especially the Internet
Mode 2: Consumption Abroad	Provision of the service involving the movement of the consumer to the country of the supplier	Students who go to another country to study	Currently represents the largest share of the global market for education services

108 *Chiao-Ling Chien (UNESCO Institute for Statistics) and Felly Chiteng Kot (Georgia State University) New Patterns in Student Mobility in the Southern Africa Development Community. A paper published by UNESCO Institute for Statistics.*

109 *National Treasury, Education Sector Report, 2017/18-2019/20*

110 Adapted from Jane Knight (2002)

Mode of Supply	Explanation	Examples in Higher Education	Size/Potential of Market
Mode 3: Commercial Presence	The service provider establishes or has presence of commercial facilities in another country in order to render service	• Local branch or satellite campuses • Twinning partnerships • Franchising arrangements with local institutions	• Growing interest and strong potential for future growth • most controversial as it appears to set international rules on foreign investment
Mode 4: Presence of Natural Persons	Persons travelling to another country on a temporary basis to provide service	Professors, teachers, researchers working abroad	Potentially a strong market given the emphasis on mobility of professionals

Under Mode 2 - Consumption Abroad, which entails foreign students moving to the country where the education service is being provided, Kenya is also exporting services through foreign students. These students have over the years come to Kenya for higher education, purely motivated by internationally competitive quality of education and diverse professional training skills from the Kenyan Universities and other institutions of higher learning, rather than a deliberate policy and strategy on export of education services. As observed by Jane Knight (2002), this mode education services exports constitute the largest share of global market for education services. It is underexploited in Kenya due to lack of an export strategy to drive its growth.

Through initiatives such as the Pan African University of Basic Science Technology and Innovation (PAUSTI) the country is expected to enhance its exports of education services under mode 2. As observed in the Kenya Education Report of 2016, *'Admission of the first cohort of 58 international students from 10 African Countries was done in November, 2012 and students have completed their training at Masters level within 2 years and 54 out of 55 students graduated in November 2014. The second cohort of 68 students comprising of both Masters and doctorate students from 16 African countries was admitted in March 2015. The next intake of 91 international students from 28 African Countries was admitted in the 2015/16 financial year'.* The University now has 4 laboratories for civil engineering, electrical engineering, molecular biology and biotechnology and computer laboratory, 12 classrooms and 8 offices.

Kenya is also exporting education services under mode 3, through Kenyan Universities establishing in the EAC region. The potential for this mode of supply remains unexploited due to lack of a deliberate strategy on the same. This opportunity stands to be exploited under the NEDPS, especially capitalizing on *'growing interest and strong potential for future growth' in this mode of export of education services'* (Jane Knight (2002)).

Kenyan professionals teaching in various universities across the world are a manifestation of the country's success story in export of education services under mode 4 - Presence of Natural Persons, despite there being lack of a considered policy and strategy to promote the same. Those who have landed such jobs have been head hunted or gone for greener pastures outside the country. With deliberate focus, this mode of education services could contribute significantly to export growth, because as observed by Jane Knight (2002), it constitutes *'potentially a strong market given the emphasis on mobility of professionals'.*

In view of the significance of higher (tertiary) education in the share of global trade and the promise that it holds in future growth of education services export, the focus for NEDPS will be confined to this segment of education. The experience that the country has in all the four modes shall become the starting point in designing export strategy for higher education services.

The future of this effort looks bright given the focus of the new education curriculum which aims at ensuring that the graduates have the necessary skills for the modern labour market. This will especially trigger foreign students' inflow in pursuit of these skills. This eventuality needs to be harnessed through a deliberate export strategy for higher education, taking into account the fact that 'determinants of success in export of education services is mainly the cost and quality of services and institution providing the services'.[111]

The new curriculum organises education in three levels: early years' education, middle school education and senior school. Early years education include pre-primary and lower primary. Pre-primary education is for 2 years and is made up of pre-primary 1 and pre-primary 2 for children aged between 4 and 5 years old. Lower primary runs for 3 years (Grade 1 to Grade 3). Middle school runs for 6 years and is made up of upper primary (Grade 4 to Grade 6) and lower secondary (Grade 7 to Grade 9). Grade 9 graduates then proceed to senior school for 3 years. Graduates of Senior School then join tertiary and University education for 3 years.

The new education system therefore reclassifies the education services in Kenya from primary education services; secondary education services; higher education services and adult education services to pre-primary education services; primary education services; secondary education services; tertiary/university education services; and adult education services.[112]

B8/1.3.2 Constraints and Critical Issues Facing the Education Sector

Kenya Education Sector Report 2016 identified various challenges facing the education sector in Kenya, which fall under either cost of education or quality of education constraint discussed above. They are:

a) Weak enforcement of quality assurance in tertiary and technical training institutions. This weakness was manifested in the closure of about 8 Universities of the 24 Universities located in Nairobi, which were inspected in 2015 for compliance with minimum standards. This challenge is bound to be overcome through continuous enforcement of the Universities Regulation (2014) Standards and Guidelines, which were developed to give effect to Universities Act No.42 of 2012. However under the auspices of these Regulations the following challenges persist:

b) Lack of a policy and regulatory framework for promotion of exports of education services;

c) No policy on distance and open learning despite its recognition in legislation;

d) Inadequate industry participation in the formulation of the University curriculum to ensure it meets market needs hence a mismatch between demand and supply of labor; and

e) Inadequate qualified teaching staff in in tertiary and technical training institutions.

B8/1.3.3 Strategic Objectives to Enhance Export of Education Services

1. To develop a policy and regulatory framework for promotion of export of education services;
2. To promote development of requisite capacity in tertiary and technical education institutions to export education services; and
3. To promote export of education services.

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111 *See Norah Dihel and Arti Grover Goswami (ed.s). From Hair Stylists and Teachers to Accountants and Doctors: The Unexplored Potential of Trade in Services in Africa. At pg. 74*

112 *See Section 41 of the Basic education Act*

B8/1.3.4 Strategic Intervention for Development and Promotion of Education Services Exports

Strategic Objective #1:

To provide a business enabling environment for promotion of export of education services

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KES M)
1) Undertake a study on export of education services to establish demand and target countries that could be focused on, based on education services trade flows. Establish factors that promote export education services in lead exporter countries and prospects for their application in Kenya.	Ministry of Education and other MDAs that are involved in education sector, National Associations of Tertiary and Technical Institutes and Private Sector stakeholder associations in education	40
2) Undertake a review of Kenya's tertiary and technical training institutions and national education legal, regulatory and policy framework to establish the country's readiness to export education services based on the outcome of the 'Study on export of education services'	Ministry of Education and other MDAs that are involved in education sector, National Associations of Tertiary and Technical Institutes and Private Sector stakeholder associations in education	30
3) Prepare national education services quality standards for all target areas of education that will be targeted for export	Ministry of Education and other MDAs that are involved in education sector, National Associations of Tertiary and Technical Institutes and Private Sector stakeholder associations in education	30
4) Prepare a policy and regulatory framework for promotion of export education services	Ministry of Education and other MDAs that are involved in education sector, National Associations of Tertiary and Technical Institutes and Private Sector stakeholder associations in education	10

Strategic Objective #2:

To promote development of requisite capacity in tertiary and technical education institutions to export education services

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KES M)
1) Identify tertiary and technical institutions keen on participating in education services exports over the period 2018-2022 and identify their capacity to export education services, based on national education services exports quality and standards guidelines/benchmarks	Ministry of Education and other MDAs that are involved in education sector, National Associations of Tertiary and Technical Institutes and Private Sector stakeholder associations in education	5
2) Support development of capacity of the tertiary and technical institutes that sign up exports of education services over the period 2018-2022	Ministry of Education and other MDAs that are involved in education sector, National Associations of Tertiary and Technical Institutes and Private Sector stakeholder associations in education	10

Strategic Objective #3:

To promote export of education services

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KES M)
1) Provide, through an information portal on Kenya education services, education opportunities in Kenya, fees structure, requirements for foreign students,	Ministry of Education, Tertiary and Technical Institutes and Private Sector stakeholder associations in education	10
2) Support promotional events on Kenya education services export in target markets	Ministry of Education, Tertiary and Technical Institutes and Private Sector stakeholder associations in education	100

B8/1.3.5 Resource Mobilisation Plan for Development and Promotion of Education Services Export

The estimated resource requirements for implementation of the Education Services export development and promotion strategy is KES235 million. The specific interventions under each of the Strategic Objectives and accompanying resource requirements are as provided under the section on 'Strategic Interventions and Resource Requirements'. The sources of funds and Lead Agencies in mobilisation of the funds are as listed in the resource mobilization plan below. The institutional structure through which the funds for Education Services export development and promotion will be mobilised is the 'Education Sub-Sector Working Group' of NEDPS Trade in Services Sector Working Group. At the Education SSWG, The Private Sector Stakeholders in the Education sector will take lead role in driving the agenda for Education Services exports with Government playing a facilitative role to ensure requisite resources and enabling environment for development and promotion of the exports of these services.

Table B8/2-2: Resource Mobilisation Plan towards Development and Promotion of Education Services

SO#	Strategic Objective/ Focal Areas of Intervention	Amount Required (KESMn	Estimated NEDPS Annual Resource Requirement (KES Millions)					Source	Lead Agencies in Resource Mobilisation
			2018/19	2019/20	2020/21	2021/22	2022/23		
1	To provide a business enabling environment for promotion of export of education services	110	22	22	22	22	22	MDAs and County Governments' MTPIII Annual Budgets, Private Sector programs, Development Partners	SDT, EPC, Ministry of Education, Tertiary and Technical Institutes and Private Sector stakeholder associations in education
2	To promote development of requisite capacity in tertiary and technical education institutions to export education services	15	3	3	3	3	3		
3	To promote export of education services	110	22	22	22	22	22		
Sub-Total		235	47	47	47	47	47		

B8/1.3.6 Implementation Plan towards Development and Promotion of Education Services Export

Strategic Interventions/ Program Activities	Implementing Agencies	2018/19				2019/20				2020/21				2021/22				2022/23			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
SO#1: To provide a business enabling environment for promotion of export of education services																					
1) Undertake a study on export of education services to establish demand and target countries that could be focused on, based on education services trade flows. Establish factors that promote export education services in lead exporter countries and prospects for their application in Kenya.	Ministry of Education and other MDAs that are involved in education sector, National Associations of Tertiary and Technical Institutes and Private Sector stakeholder associations in education																				
2) Undertake a review of Kenya's tertiary and technical training institutions and national education legal, regulatory and policy framework to establish the country's readiness to export education services based on the outcome of the 'Study on export of education services'	Ministry of Education and other MDAs that are involved in education sector, National Associations of Tertiary and Technical Institutes and Private Sector stakeholder associations in education																				
3) Prepare national education services quality standards for all target areas of education that will be targeted for export	Ministry of Education and other MDAs that are involved in education sector, National Associations of Tertiary and Technical Institutes and Private Sector stakeholder associations in education																				
4) Prepare a policy and regulatory framework for promotion of export education services	Ministry of Education and other MDAs that are involved in education sector, National Associations of Tertiary and Technical Institutes and Private Sector stakeholder associations in education																				

Strategic Interventions/ Program Activities	Implementing Agencies	2018/19				2019/20				2020/21				2021/22				2022/23			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
SO#2: To promote development of requisite capacity in tertiary and technical education institutions to export education services																					
1) Identify tertiary and technical institutions keen on participating in education services exports over the period 2018-2022 and identify their capacity to export education services, based on national education services exports quality and standards guidelines/ benchmarks	Ministry of Education and other MDAs that are involved in education sector, National Associations of Tertiary and Technical Institutes and Private Sector stakeholder associations in education																				
2) Support development of capacity of the tertiary and technical institutes that sign up exports of education services over the period 2018-2022	Ministry of Education and other MDAs that are involved in education sector, National Associations of Tertiary and Technical Institutes and Private Sector stakeholder associations in education																				
SO#3: To promote export of education services																					
1) Provide, through an information portal on Kenya education services, education opportunities in Kenya, fees structure, requirements for foreign students,	Ministry of Education, Tertiary and Technical Institutes and Private Sector stakeholder associations in education																				
2) Support promotional events on Kenya education services export in target markets	Ministry of Education, Tertiary and Technical Institutes and Private Sector stakeholder associations in education																				

B8/1.4 Financial Services

B8/1.4.1 Scope of Financial Services and Mode of Export

The significance of the financial sector in an economy is underscored by the WTO[113] which in this reference noted that the sector *"is estimated to involve USD1.2 trillion per day in foreign exchange transactions. International financing extended by banks around the world reporting to the Bank for International Settlements is estimated at USD6.4 trillion, including $4.6 trillion net international*

113 www.wto.org/english/thewto_e/minist_e/min96_e/financia.htm

lending. Total world banking assets are put at more than $20 trillion, insurance premiums at $2 trillion, stock market capitalization at over $10 trillion and market value of listed bonds at around $10 trillion. In addition, practically every international trade deal in goods or services requires credit, capital, foreign exchange and insurance". This was in 1998. Although current data on the above volume of financial sector business is not available, the sector's financial transactions are much higher given the increase in trade of goods and services between 1998 and 2017.

The role of financial services in economic development is further affirmed in the Journal of Business Review[114], where its positive contribution to the economic development of WTO countries that are referred to as BRICS economies (Brazil, Russia, India, China and South Africa, for the period 1990–2012) was confirmed.

Financial Services as defined by WTO GATS[115] include all insurance and insurance-related services, and all banking and other financial services (excluding insurance) as follows:

a) Insurance and insurance-related services:
   i) Direct insurance (including co-insurance): A. Life. B. Non-life;
   ii) Reinsurance and retrocession;
   iii) Insurance intermediation, such as brokerage and agency; and
   iv) Services auxiliary to insurance, such as consultancy, actuarial, risk assessment and claim settlement services.

b) Banking and other financial services (excluding insurance):
   i) Acceptance of deposits and other repayable funds from the public;
   ii) Lending of all types, including consumer credit, mortgage credit, factoring and financing of commercial transaction;
   iii) Financial leasing;
   iv) All payment and money transmission services, including credit, charge and debit cards, travellers cheques and bankers drafts;
   v) Guarantees and commitments;
   vi) Trading for own account or for account of customers, whether on an exchange, in an over-the-counter market or otherwise, the following:
      - *Money market instruments (including cheques, bills, certificates of deposits);*
      - *Foreign exchange;*
      - *Derivative products including, but not limited to, futures and options;*
      - *Exchange rate and interest rate instruments, including products such as swaps, forward rate agreements.*
      - *Transferable securities; and*
      - *Other negotiable instruments and financial assets, including bullion.*

c) Participation in issues of all kinds of securities, including underwriting and placement as agent (whether publicly or privately) and provision of services related to such issues;

d) Money broking;

e) Asset management, such as cash or portfolio management, all forms of collective investment management, pension fund management, custodial, depository and trust services;

114 http://journals.sagepub.com/doi/pdf/10.1177/0972150915610727
115 https://www.wto.org/english/docs_e/legal_e/26-gats.pdf

f) Settlement and clearing services for financial assets, including securities, derivative products and other negotiable instruments;

g) Provision and transfer of financial information and financial data processing and related software by suppliers of other financial services; and

h) Advisory, intermediation and other auxiliary financial services on all the activities listed in subparagraphs *v)* through *xv),* including credit reference and analysis, investment and portfolio research and advice, advice on acquisitions and on corporate restructuring and strategy.

As observed by an IMF Article on "Cross Border Trade in Financial Services - Economics and Regulation'[116] Trade in financial services is usually facilitated through external or internal liberalisation.

Under External liberalisation, trade in financial services is facilitated under modes 1 and 2 as follows:

> ***Mode 1:*** *Cross border supply, whereby consumers or financial institutions in one country are allowed to take a loan or purchase securities from a foreign bank, or purchase insurance from a company located abroad supplying the service across the border; and*
>
> ***Mode 2:*** *Consumption abroad, in which a country allows its consumers to purchase services abroad from a foreign supplier, for example a German resident crosses the border to deposit money in a Swiss bank.*

Under Internal liberalisation, trade in financial services is facilitated under modes 3 and 4 as follows:

> ***Mode 3:*** *Commercial presence whereby a country allows, for example, establishment of foreign banks in its territory (and offer banking services).*
>
> ***Mode 4:*** *Movement of persons, which applies to commitments made on personnel movement related to financial transactions. This mode is mostly linked to establishments where foreign banks may need to have their managers work in their sister banks in the host country despite them not being nationals of that country.*

Kenya, through her commitment at the WTO, is already positioned to take advantage of the lucrative financial service global trade under the following specific areas of commitments:

a) Insurance and insurance-related services
   - i) Direct insurance (including co-insurance): A. Life. B. Non-life;
   - ii) Reinsurance and retrocession; and
   - iii) Insurance intermediation also being referred in Kenya's schedule of commitments as 'Services auxiliary to insurance' - Brokerage and Agency services.

b) Banking and other financial services (excluding insurance)
   - i) Acceptance of deposits and other repayable funds from the public; and
   - ii) Lending of all types, including consumer credit, mortgage credit, factoring and financing of commercial transaction.

B8/1.4.2 Situational Analysis and Opportunities for Financial Services Exports

The Financial Services Sector (FSS) is one of the 6 priority sectors under the economic pillar of Vision 2030 that are expected to play a critical role in ensuring the country attains a 10% Gross Domestic Product (GDP) growth rate by the year 2030. Financial sector, going by the latest statistics from the Central Bank of Kenya is well positioned to contribute towards this target.

116 *https://www.imf.org/external/pubs/ft/wp/wp9755.pdf*

To spur the country to the envisaged economic growth rate are the following institutions,[117] which all fall under the watch of the Central Bank: 43 banking institutions (42)1 commercial banks and 1 mortgage finance company), 8 representative offices of foreign banks, 13 Microfinance Banks (MFBs), 3 credit reference bureaus (CRBs), 17 Money Remittance Providers (MRPs) and 77 foreign exchange (forex) bureaus. Out of the 43 banking institutions, 40 are privately owned while the Government of Kenya had majority ownership in 3 institutions. Of the 40 privately owned banks, 25 are locally owned (the controlling shareholders are domiciled in Kenya) while 15 are foreign-owned (many having minority shareholding). The 25 locally owned institutions comprise 24 commercial banks and 1 mortgage financial institution. Of the 15 foreign-owned institutions, all commercial banks, 11 are local subsidiaries of foreign banks while 4 are branches of foreign banks. All licensed microfinance banks, credit reference bureaus, forex bureaus and money remittance providers are privately owned.

As evidence in the Second Medium Term Plan (MTP II 2013 -2017) and in the table below, the FSS has expanded significantly with its share of GDP rising from 5.9% in 2012 to 7.1%% in 2016. Other indicators of FSS robust growth, as evidenced in the table below, include Gross National Savings, Banking Assets, Capital Markets Assets, Insurance Assets, Retirement Benefit Assets and Deposit taking SACCO Assets. In each case performance has ranged between 76% and 142% over the period 2012 and 2017. This, therefore demonstrates readiness of the FSS to leverage this growth through enhanced export of financial services, especially in the regional market.

Table B8/3-1: Key financial services sector indicators

Indicator	Unit	2012	2013	2014	2015	2016	2017*
Overall							
Gross national savings	% of GDP	10.4	11.2	14.4	16.8	17.8	18.3
Private and other government investment	% of GDP	11.0	12.9	22.5	23.3	23.9	24.4
Financial sector contribution	% of GDP	5.9	6.6	6.8	6.8	7.1	7.1
Sub-sectors							
Banking assets (net)	KSh.bn	2,028	2,365	2,791	3,285	3,468	4,735
Capital markets assets **	KSh.bn	2,049	2,807	3,253	3,209	3,262	3,638
Insurance assets	KSh.bn	240	296	355	390	425	580
Retirement benefit assets	KSh.bn	548	696	788	814	913	1,003
Deposit-taking Sacco assets	KSh.bn	202	257	302	343	393	448

Source: *National Treasury, March 2018 (Note: *2017 figures are estimates)*

Concrete plans to further spur the growth of FSS, are already in place under the Third Medium Term Plan (MTP III, 2018 – 2022), through a number of projects and programmes that have been identified for implementation. One of the flagship projects identified is the Nairobi International Financial Centre (NIFC); which aims to establish Kenya as a regional financial services hub both expanding Kenya's access to international finance and leveraging the growth potential of the sector.

The NIFC Authority was established in 2014 through an Executive Order and an interim secretariat of the NIFCA established at the National Treasury. Finally the NIFC Act was passed in June 2017 to provide a comprehensive legal basis for the NIFC. The objective of the NIFC is to offer a world class environment for the financial services sector to flourish and:

117 *This is in accordance with the Bank Supervision Annual Report of 2016*

i) Create more opportunities for domestic and international savings and investments that drive sustained growth both in Kenya and across the region;

ii) Attract more foreign direct investment into Kenya's financial services sector and promote the export of international financial services from Kenya to the rest of Africa;

iii) Create more employment in the financial services sector and related sectors such as information and communications technology, business process outsourcing and other professional services; and,

iv) Support Kenyan companies to increase their competitiveness through increased access to longer-term capital at lower costs and on better terms.

v) The development of the FSS has made Kenya to be recognized globally as a global financial services centre in aspects that encompass banking, financial inclusion and innovation, insurance, securities and asset or funds management. Additionally, Kenya's financial sector has been recognized for its dynamism under Global Competitiveness Index, which assesses the competitiveness of 138 economies, providing insight into the drivers of their productivity and prosperity.

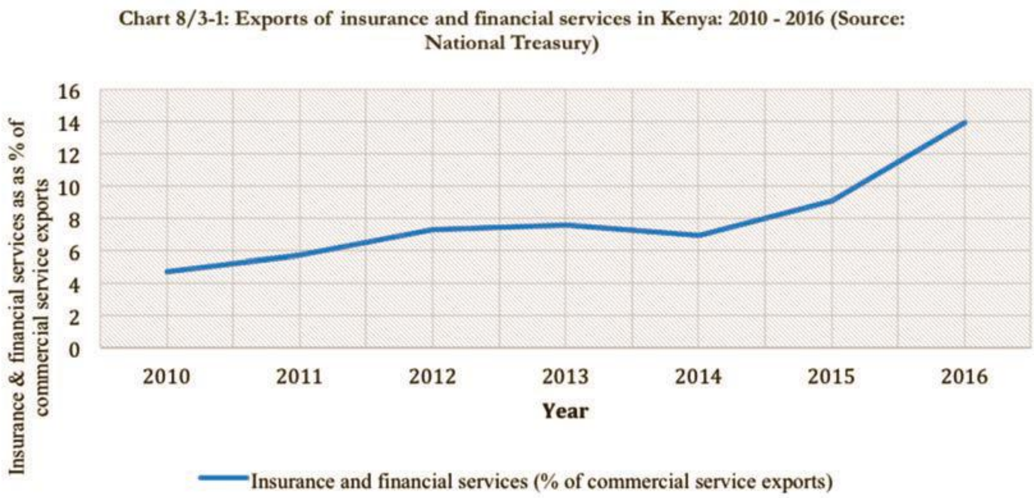
Kenya's strongest financial services export performance has been registered in banking in the form of offshore commercial presence or mode 3 as defined in the WTO's General Agreement on Trade in Services (GATS) liberalization framework. Kenya's banks have rapidly expanded into Eastern Africa region. Presently, four Kenyan banks, namely Kenya Commercial Bank, Equity Bank, Fina Bank and Commercial Bank of Africa have more than 63 branches in Rwanda, Uganda, Tanzania and South Sudan. All of these financial services exports could be considered, however, to be performing well below potential in the EAC and COMESA regions where there is ample opportunity for banking services.

As regards the insurance services, the demand for both life and non-life insurance products in the COMESA and EAC region is projected to rise as more households join the middle income class and as the market for project risk coverage increase driven, by the ongoing investment in infrastructural projects across the region. According to the information obtained from the Kenya National Treasury, prospects for exports of insurance services are bright, as evidenced by the low penetration of these services among the East Africa's nearly 270 million inhabitants, which estimated at between 0.2% and 4.0% in each country compared to the 16 percent observed in South Africa[118].

Therefore, Kenyan insurance companies have opportunity to export insurance services targeting to exploit the sizeable and practically untapped EAC and COMESA regional market. So far, larger Kenyan insurers have expanded into neighboring East African countries in the past decade. For instance, Britam has subsidiaries or affiliated operations in Uganda, Tanzania, Malawi, Mozambique, South Sudan and Rwanda. ICEA Lion, formed out of a 2011 merger with Insurance Company of East Africa and Lion of Kenya Insurance Company, operates in Uganda and Tanzania. Jubilee Insurance which is a market leader has operations in Tanzania, Uganda, Mauritius and Burundi. These foot prints of Kenya insurance services exporter institutions form the baseline for the country to spur exports of these services within the NEDPS framework, where any impediments that these institutions may have faced will be addressed through various policy and trade facilitative interventions that have been proposed.

The impact of both banking and insurance services exports is evidenced in the significant and growing share of financial services in Kenya's total exports of commercial services. This trend is

118 *National Treasury formal submission towards formulation of the NEDPS Financial Services Chapter.*



The EAC Common Market Protocol, which entered into force in 2010, provides framework for EAC Partner States to facilitate intra-regional trade of financial services. This opportunity has been concretized by the EAC Monetary Union (EAMU) Protocol, in which the EAC Partner States have agreed to adopt common principles and rules for regulation and supervision of the financial system. Currently, there are ongoing initiatives to harmonize regulatory frameworks, rules and standards for the financial sector in the EAC.

The EAMU protocol also provides for the establishment of the East African Financial Services Commission (EAFSC) responsible for financial services (other than banking) in the region. Other institutions proposed in the protocol include institutions responsible for surveillance, compliance and enforcement; and statistics which will enable sharing of credible data, in a timely manner, to support decision making process. Establishment of these institutions will promote export of financial services in the region.

B8/1.4.3 Constraints to Exporting Financial Services (Banking and Insurance)

Challenges that have to be overcome in the course of exploiting the country's financial services export potential include the following:

a) Lack of taxation policy in support of export of financial services, leading prejudice of these exports by the current tax regime;

b) Prudential regulations that are prejudicing the relative ability of Kenyan financial service providers to achieve commercial presence offshore, compared with competitors based in other jurisdictions. A competitive disadvantage is created, for example, when the minimum capital requirements in Kenya are significantly higher than those of financial services providers from other competitor countries;

c) Weak macro-financial surveillance mechanism to detect and identify cross-border risks spillovers in order to arrest any potential threats given the rapid expansion of Kenya's financial institutions into Eastern Africa region and increasing inter-linkages between the banking system and other sectors such as insurance, capital markets, and telecoms.

d) Lack of framework and mechanism to foster effective policy coordination with other regulatory agencies in the country, regional and international bodies dealing with economic and financial sector issues, geared towards financial system stability;

e) Financial services skills gap in target destination countries. There are low levels of technical capabilities in host country financial markets for essential tasks such as credit evaluation and risk management;

f) Underdeveloped ICT infrastructure and inadequate ICT skills in target destination countries;

g) Deficiencies in physical infrastructure, electricity supply and communications hamper financial services by creating bottlenecks and service interruptions requiring banks to insure themselves against this by providing their own supply at high cost;

h) Skill and capability shortages limit the number of Kenyan banks with the potential to operate across-borders, even in neighboring countries within the EAC and COMESA region. This is intensified by the small size of most Kenyan banks defined by low capitalization and limited balance sheets, which restricts expansion. Cross-border alliances among banks are few and may have far smaller benefits for development than foreign entry;

i) Regulatory limitations and shortcomings are common in some African countries where Kenyan banks might wish to export through mode 3. These include poor accounting and auditing standards and practices and weak legal systems resulting in poor rule of law and contract enforcement. Both of these are likely to restrict foreign banks' appetite for business loans in foreign markets with which they are less familiar. Problems include the lack of harmonization of banking supervision standards and requirements across jurisdictions and regulatory skills shortages leading to a lack of capability to supervise across borders or across financial services subsectors, or to maintain oversight of outsourced activities. For many Kenyan banks, this may be a disincentive to entry, as weak or inconsistent regulation could undermine their potential competitive advantages in the host market as a result of inconsistent treatment of foreign and national firms. Cross-border banking supervision and regulation is particularly challenging for the following reasons:[119]

   i) Africa's high level of financial heterogeneity makes regional regulators adopt a lowest-common-denominator approach to supervision;

   ii) The lack of incentives for host and home supervisors to share information and the absence of binding regional regulations hinder effective cross-border supervision;

   iii) In some countries, political constraints may inhibit cross-border cooperation and deeper regional integration; and

   iv) Although cross-border cooperation on financial services cannot be enforced at the regional level, positive steps are being taken to address this through information-sharing forums.

j) Cybercrime as a result of advances in technology present a major challenge for the sector players, consumers, financial supervisors and regulators.

B8/1.4.4 Strategic Objectives for Enhancing Export of Kenya's Financial Services

It has been demonstrated by the analysis Kenya is a leader of financial services in the East Africa and COMESA region, and compares favorably with some of the other leading nations in the various regional blocs on the African continent. It is imperative for Kenya to adopt strategies that will expand the growth of the financial services sector in line with Kenya's national development agenda. These would include deeper and wider penetration of the African regional market for financial service. Key strategic objectives to achieve this include:

119 UNCTAD Report 2015

a) To provide business enabling legal and regulatory environment in support of exports of financial services;

b) To support capacity building geared towards strengthening financial services provider institutions to enable them drive export of financial services; and

c) To promote export of financial services.

B8/1.4.5 Strategic interventions and Resource Requirements for Development and Promotion of Financial Services Exports

Strategic Objective #1:

To provide business enabling legal and regulatory environment in support of exports of financial services

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KES M)
1) Review taxation policy with a view to providing fiscal policy provisions in support of export of financial services	National Treasury, CBK, IRA, CMA, KBA, SDT and other stakeholder organizations in the financial sector	20
2) Review Prudential Regulations with a view to enhancing competitiveness of Kenya's financial services exports in the destination markets	CBK, National Treasury, IRA, CMA, KBA, SDT and other stakeholder organizations in the financial sector	10
3) Develop, in collaboration with financial services export destination countries, a macro-financial surveillance mechanism to detect and identify cross-border risks spillovers in order to arrest any potential threats given the rapid expansion of Kenya's financial institutions into Eastern Africa region and increasing inter-linkages between the banking system and other sectors such as insurance, capital markets, and telecoms.	National Treasury, CBK, IRA, CMA, KBA, SDT and other stakeholder organizations in the financial sector	20
4) Development framework and mechanism to foster effective policy coordination with other regulatory agencies in the country, regional and international bodies dealing with economic and financial sector issues, geared towards financial system stability	National Treasury, CBK, IRA, CMA, KBA, SDT and other stakeholder organizations in the financial sector	20
5) Develop financial services export policy towards development and promotion of financial services for export	National Treasury, CBK, IRA, CMA, KBA, SDT and other stakeholder organizations in the financial sector	5
6) Review of transfer pricing policy with a view to promoting cost effective and seamless export of financial services by Kenyan financial institutions	National Treasury, CBK, IRA, CMA, KBA, SDT, and other stakeholder organizations in the financial sector	4

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KES M)
7) Conclude bilateral agreements with target countries to facilitate movement of management staff and certain cadre of technical staff for a long enough period to facilitate on job training and skills transfer to local counterpart staff (at their country and temporary attachment in Kenya) while promoting efficiency and productivity of the financial institution. The agreement to also address the tenure of Directors to ensure long enough period to facilitate good impact from the Directors	National Treasury, CBK, IRA, CMA, KBA, SDT and other stakeholder organizations in the financial sector	10
8) Promote harmonization and implementation of prudential banking regulations within the EAC and COMESA regional integration arrangement	National Treasury, CBK, IRA, CMA, KBA, SDT and other stakeholder organizations in the financial sector	25
9) Develop a financial services trade statistics capture system and an M&E framework for tracking performance and impact of financial services exports	National Treasury, CBK, IRA, CMA, KBA, SDT and other stakeholder organizations in the financial sector	10

Strategic Objective #2:

To support capacity building geared towards strengthening financial services provider institutions to enable them drive export of financial services

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KES M)
1) Undertake a baseline survey on Kenyan financial services provider institutions to establish institutions ready to export financial services and types of financial services products they are offering	National Treasury, CBK, IRA, CMA, KBA, SDT and other stakeholder organizations in the financial sector	10
2) Undertake a study on financial services demand in target countries to establish the type of products and magnitude of demand and assess Kenyan banking institutions capacity to supply the services	National Treasury, CBK, IRA, CMA, KBA, SDT and other stakeholder organizations in the financial sector	20
3) Develop financial services products that Kenyan banking system may have been demonstrated as having some gaps	National Treasury, CBK, IRA, CMA, KBA, SDT and other stakeholder organizations in the financial sector	5
4) Strengthen skills sharing and training in bank regulation with Central Banks and Financial Institutions in target countries	National Treasury, CBK, IRA, CMA, KBA, SDT and other stakeholder organizations in the financial sector	20

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KES M)
5) Encourage banking institutions with cross border establishments to provide scholarships to nationals of target countries where Kenyan financial institutions have been established with an arrangement for their retention or absorption in these institutions after training, building on provisions of bilateral agreements on export of financial services	National Treasury, CBK, IRA, CMA, KBA, SDT and other stakeholder organizations in the financial sector	100

Strategic Objective #3:

To promote export of financial services

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KES M)
1) Development a data base and portal on the financial services export provider institutions/organizations to enhance their visibility in the regional market place by type of their products.	KBA, National Treasury, CBK, IRA, CMA, SDT and other stakeholder organizations in the financial sector	2
2) Promote establishment of Kenyan financial institutions in target markets	National Treasury, CBK, IRA, CMA, KBA, SDT and other stakeholder organisations in the financial sector	5
3) Promote awareness creation and supply of financial services products that can be availed to cross border customers by Kenyan based banks or financial institutions	KBA, SDT and other stakeholder organizations in the financial sector	5
4) Promote financial services for exports through dedicated export promotion events in target countries	KBA, SDT and other stakeholder organizations in the financial sector	50

B8/1.4.6 Resource Mobilisation Plan for Development and Promotion of Financial Services Exports

Table B8/3-2: Resource Mobilisation Plan for Development and Promotion of Financial Services Exports

SO#	Strategic Objective/ Focal Areas of Intervention	Amount Required (KESMn)	Estimated NEDPS Annual Resource Requirement (KES Millions)					Source	Lead Agencies in Resource Mobilization
			2018/19	2019/20	2020/21	2021/22	2022/23		
1	To provide business enabling legal and regulatory environment in support of exports of financial services	124	44	30	30	10	10	MDAs' MTPIII Annual Budgets, Financial sector institutions programs, Development Partners.	National Treasury, CBK, IRA, CMA, KBA, SDT and other stakeholder organizations in the financial sector

2	To support capacity building geared towards strengthening financial services provider institutions to enable them drive export of financial services	155	31	31	31	31	31		
3	To promote export of financial services	62	13	13	12	12	12		
Sub-Total		341	88	74	73	53	53		

B8/1.4.7 Implementation Plan for Development and Promotion of Financial Services Exports

Strategic Interventions/Program Activities	Implementing Agencies	2018				2019				2020				2021				2022			
		Quarters				Quarters				Quarters				Quarters				Quarters			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
SO#1: To provide business enabling legal and regulatory environment in support of exports of financial services																					
1) Review taxation policy with a view to providing fiscal policy provisions in support of export of financial services	National Treasury, CBK, IRA, CMA, KBA, SDT and other stakeholder organizations in the financial sector																				
2) Review Prudential Regulations with a view to enhancing competitiveness of Kenya's financial services exports in the destination markets	CBK, National Treasury, IRA, CMA, KBA, SDT and other stakeholder organizations in the financial sector																				
3) Develop, in collaboration with financial services export destination countries, a macro-financial surveillance mechanism to detect and identify cross-border risks spillovers in order to arrest any potential threats given the rapid expansion of Kenya's financial institutions into Eastern Africa region and increasing inter-linkages between the banking system and other sectors such as insurance, capital markets, and telecoms.	National Treasury, CBK, IRA, CMA, KBA, SDT and other stakeholder organizations in the financial sector																				

Strategic Interventions/Program Activities	Implementing Agencies	2018				2019				2020				2021				2022			
		Quarters				Quarters				Quarters				Quarters				Quarters			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
4) Development framework and mechanism to foster effective policy coordination with other regulatory agencies in the country, regional and international bodies dealing with economic and financial sector issues, geared towards financial system stability	National Treasury, CBK, IRA, CMA, KBA, SDT and other stakeholder organizations in the financial sector																				
5) Develop financial services export policy towards development and promotion of financial services for export	National Treasury, CBK, IRA, CMA, KBA, SDT and other stakeholder organizations in the financial sector																				
6) Review of transfer pricing policy with a view to promoting cost effective and seamless export of financial services by Kenyan financial institutions	National Treasury, CBK, IRA, CMA, KBA, SDT, and other stakeholder organizations in the financial sector																				
7) Conclude bilateral agreements with target countries to facilitate movement of management staff and certain cadre of technical staff for a long enough period to facilitate on job training and skills transfer to local counterpart staff (at their country and temporary attachment in Kenya) while promoting efficiency and productivity of the financial institution. The agreement to also address the tenure of Directors to ensure long enough period to facilitate good impact from the Directors	National Treasury, CBK, IRA, CMA, KBA, SDT and other stakeholder organizations in the financial sector																				

Strategic Interventions/Program Activities	Implementing Agencies	2018				2019				2020				2021				2022			
		Quarters				Quarters				Quarters				Quarters				Quarters			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
8) Promote harmonization and implementation of prudential banking regulations within the EAC and COMESA regional integration arrangement	National Treasury, CBK, IRA, CMA, KBA, SDT and other stakeholder organizations in the financial sector																				
9) Develop a financial services trade statistics capture system and an M&E framework for tracking performance and impact of financial services exports	National Treasury, CBK, IRA, CMA, KBA, SDT and other stakeholder organizations in the financial sector																				
SO#2: To support capacity building geared towards strengthening financial services provider institutions to enable them drive export of financial services																					
1) Undertake a baseline survey on Kenyan financial services provider institutions to establish institutions ready to export financial services and types of financial services products they are offering	National Treasury, CBK, IRA, CMA, KBA, SDT and other stakeholder organizations in the financial sector																				
2) Undertake a study on financial services demand in target countries to establish the type of products and magnitude of demand and assess Kenyan banking institutions capacity to supply the services	National Treasury, CBK, IRA, CMA, KBA, SDT and other stakeholder organizations in the financial sector																				
3) Develop financial services products that Kenyan banking system may have been demonstrated as having some gaps	National Treasury, CBK, IRA, CMA, KBA, SDT and other stakeholder organizations in the financial sector																				
4) Strengthen skills sharing and training in bank regulation with Central Banks and Financial Institutions in target countries	National Treasury, CBK, IRA, CMA, KBA, SDT and other stakeholder organisations in the financial sector																				

Strategic Interventions/Program Activities	Implementing Agencies	2018				2019				2020				2021				2022			
		Quarters				Quarters				Quarters				Quarters				Quarters			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
5) Encourage banking institutions with cross border establishments to provide scholarships to nationals of target countries where Kenyan financial institutions have been established with an arrangement for their retention or absorption in these institutions after training, building on provisions of bilateral agreements on export of financial services	National Treasury, CBK, IRA, CMA, KBA, SDT and other stakeholder organizations in the financial sector																				
SO#3: To promote export of financial services																					
1) Develop a data base and portal on the financial services export provider institutions/ organizations to enhance their visibility in the regional market place by type of their products.	KBA, National Treasury, CBK, IRA, CMA, SDT and other stakeholder organizations in the financial sector																				
2) Promote establishment of Kenyan financial institutions in target markets	National Treasury, CBK, IRA, CMA, KBA, SDT and other stakeholder organizations in the financial sector																				
3) Promote awareness creation and supply of financial services products that can be availed to cross border customers by Kenyan based banks or financial institutions	KBA, SDT and other stakeholder organizations in the financial sector																				
4) Promote financial services for exports through dedicated export promotion events in target countries	KBA, SDT and other stakeholder organizations in the financial sector																				

B8/1.5 Tourism and Travel Related Services

B8/1.5.1 Situational Analysis and Opportunities for Tourism and Travel Related Services

Tourism as a service sector under the GATS is very limited in scope. It is defined as "Tourism and travel related services"[120] and is divided into four categories: i) Hotels and restaurants; ii) Travel agencies and tour operators' services; iii) Tourist guide services. As evidenced in Kenya's commitments under the EAC and the WTO, the country has export capabilities in all the four categories of tourism and travel related services.

Tourism plays a key role in economic development, contributing 7.5% of GDP in 2016. This was, however, lower than the sector's share in the GDP in 2012 where it was estimated at 12%. The sector has been identified as one of the key components of the economic pillar of Vision 2030.

Export of tourism and related services take place under any of the four modes of supply as prescribed by General Agreement of Trade in Services (GATS). The international supply of tourism services is often associated with Mode 2 of supply identified by GATS. However, services suppliers may often not be aware of the potential to export tourism services through other modes of supply as illustrated below.

Table B8/4-1: Illustration: Modes of Supplying Tourism Services

MODE	ILLUSTRATIONS
Mode 1 (cross border supply)	The service is rendered by a resident in one economic territory to a resident of another economic territory and only the service "crosses the border" e.g. Sale of services by tour operators through computer reservation systems.
Mode 2 (Consumption abroad)	Tourist activities such as visits to parks, museums and theatres, or persons traveling abroad to receive medical treatment, or follow language courses.
Mode 3 (Commercial presence in a market abroad)	Covers not only juridical persons in the strict legal sense, but also legal entities that share some of the same characteristics, such as representative offices and branches. E.g. a leading Kenyan hotel/restaurant opens a branch in Kampala
Mode 4 (Movement of natural persons)	Associated with the example in mode 3 above, Kenyan manager goes to oversee operations of the hotel branch in Kampala, or, a consultant chef from Switzerland is contracted for a two-year period to work in the branch opened in Kampala.

The traditional export destination of Kenya's tourism service is Europe – mainly United Kingdom, Germany and Italy. African countries and the Indian Ocean region are also significant importers of Kenyan tourism services under Mode 2, mainly Uganda and South Africa. USA is a key importer of Kenya's tourism and formed the largest market in 2016.

120 Category 9 of WTO Services Sectoral Classification List (MTN.GNS/W/120)

Table B8/4-2: Key Export Markets under Mode 2

SOURCE COUNTRY	VISITORS ARRIVING AT JKIA/MIAM (2016)
USA	81,992
UK	80,790
India	54,983
Uganda	45,116
China	41,457
Germany	36,051
South Africa	28,720
Italy	27,933
France	17,303
UAE	17,180

Source: *Kenya Tourism Board*

Opportunity for tourism and travel services export

The following emerging tourism services have been identified by the Ministry of Tourism as areas of opportunity in promotion of tourism and travel services exports, besides the traditional travel and safari tourism that has this far dominated Kenya's tourism services:

i) Medical tourism: Nairobi has various excellent medical facilities with the potential to draw medical tourists from neighboring countries or within Kenya. These have not been specifically developed or packaged for medical tourism purposes so some development in terms of products and markets is required;

ii) Health and wellness: Kenya has natural resources that lend themselves towards health and wellness tourism, e.g. hot springs, but these require development from a product and market perspective;

iii) Sports tourism: Kenya's excellent sporting performance in certain sporting codes is well known globally, e.g. athletics, but there are other sporting codes that currently exist or that have potential for development, e.g. golf, but are not known either due to lack of products or poor packaging and marketing;

iv) Agri-tourism: Whilst Kenya has a strong agricultural sector, tourism products specifically related to this sector are lacking and market knowledge requires improvement.

v) Export of skilled tourism professionals;

vi) Export of Meetings, Incentives, Conferences and Exhibitions (MICE) packages especially for business tourism; and

vii) Enhancement of beach Tourism.

B8/1.5.2 Constraints and Critical Issues Facing Kenya's Tourism Sector

Further development and promotion of exports of tourism services require the following constraints to be addressed, in order for the sector to make a contribution to the country's agenda for export development within the NEDPS framework:

a) Limited product and market diversification particularly in the categories of high-end tourists and millennials who are particularly digital and require special focus as customers. Low adoption of ICTs and internet by SMEs as a key marketing channel;

b) Most SMEs in the tourism sector lack web and social media presence compared to their competitors in other leading destinations in Africa, e.g. South Africa and Seychelles who conduct tourism marketing online;

c) Poor infrastructure (availability, reliability and cost) of: energy water and waste management; sanitation; health and hygiene; roads and air strips; and, and other utilities and services. High cost of air transport, and poor road network to access the various tourism attractions. This is compounded by heavy traffic congestion in urban areas;

d) High operational costs for tourism enterprises leading to inadequacy of profitability and future product improvements;

e) High fragmentation and interdependencies across sectors leading to multiple regulators with overlapping and in some instances, conflicting mandates and interests;

f) Lack of integration between the various public and private tourism stakeholders due to the numerous policies, legal and institutional frameworks. The mandate for various institutions such as Kenya Tourism Fund (KTF), Kenyatta International Conference Centre (KICC), KTDC, KATO and other associations overlaps or is not clearly stipulated. On the overall, there is a weak coordination between business associations, lobby groups, trade unions, national government agencies and the counties as a result poor harmony within and among the policy, licensing and the strategic implementing partners;

g) Different regulatory frameworks of other EAC PS are a source of conflicts and barriers to cross border trade in tourism. This has been the case for Kenya (Masai Mara) and Tanzania (Serengeti) tourism ecosystem;

h) Insufficient co-ordination between multiple government agencies implementing multiple and complex, and in some cases, conflicting laws and regulations;

i) Unplanned development and coastal protection works along the Kenyan shoreline especially tourism development projects, residential houses and in some cases, industries. (This problem goes hand in hand with the issue of land grabbing or uncontrolled allocation of land in the coastal region);

j) The lack of adequate and truthful marketing. For tourism facilities that market, many locations tend to either exaggerate or simply fabricate. The lack of truth in marketing means that the public not only loses confidence in the industry, but investors and consumers fear being burnt. Marketing has to be both innovative and truthful. Tourism is a highly competitive industry and requires honest and innovative marketing that captures the essence of the tourism locale/product, while making the consumer aware of the locale's tourism offerings;

k) Negative perception on security matters with respect to perceived threats of terrorism and the cost associated with managing negative publicity emanating from these issues;

l) Stiff Competition from existing regional and international destinations including Tanzania, Uganda and South Africa for the tourism services market in the Sub Saharan Africa. Competition from other African destinations is driven by limited product diversification, highly priced tourism products specifically the game parks and reserves, taxes on the tourism industry and the high cost of doing business in Kenya; and,

m) Inadequately trained human resource who lack relevant industry skills and knowledge of the tourism product offered by Kenya.

B8/1.5.3 Strategic Objectives to Enhance Export of Tourism Services

In order to exploit the global tourism and travel services export opportunities, measures to address the constraints to the sector's export performance have been proposed within the framework of the following strategic objectives:

1. To provide a business enabling legal and regulatory framework for promotion of tourism services development and export;
2. To promote development of tourism services facilities and products to meet current and emerging tourism and travel related service's needs;
3. To promote exports of tourism sector services (Chefs, etc.) in target markets; and
4. To promote implementation of the regional tourism sector commitments, including single visa.

B8/1.5.4 Strategic Intervention for Development and Promotion of Tourism Services Exports

Strategic Objective #1:

To provide a business enabling legal and regulatory framework for promotion of tourism development and export

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KES M)
1) Review the National Tourism Policy and the Tourism Act 2011	State Department of Tourism, MDAs involved in Tourism, Private Sector stakeholders in tourism sector	As per MTPIII Budget
2) Review the mandate of Tourism Regulatory Authority;	State Department of Tourism, MDAs involved in Tourism, Private Sector stakeholders in tourism sector	As per MTPIII Budget
3) Finalise and Gazette Tourism (Education and Regulations) 2016;	State Department of Tourism, MDAs involved in Tourism, Private Sector stakeholders in tourism sector	As per MTPIII Budget
4) Finalise and Gazette Workforce and Training Accreditation Regulations; and	State Department of Tourism, MDAs involved in Tourism, Private Sector stakeholders in tourism sector	As per MTPIII Budget
5) Finalise and Gazette Tourism Sector Association Regulations	State Department of Tourism, MDAs involved in Tourism, Private Sector stakeholders in tourism sector	As per MTPIII Budget

Strategic Objective #2:

To promote development and export of tourism services facilities and products to meet current and emerging tourism and travel related services needs

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KES M)
1) Develop niche products as stipulated in Tourism Blue Print 2030 and as factored in MTPIII (2018-2022). These products will include: Cultural and heritage tourism; Cruise tourism; Agro-tourism; Homestays; Medical tourism; Health and wellness tourism; Sports tourism; Adventure tourism; Desert tourism; City tourism; Avitourism (Birding); Photography; Volunteerism; Entomology; Film; and Scientific research.	State Department of Tourism, MDAs involved in Tourism, Private Sector stakeholders in tourism sector	As per MTPIII Budget
2) Promote Business and Conferencing tourism through pursuit of the following initiatives as factored in MTPIII: i) *Establish and operationalize the National Convention Bureau* ii) *Build the Nairobi International Convention and Exhibition Centre (NICEC)* iii) *Modernization & expansion Kenyatta International convention centre (KICC)* iv) *MICE Destination Marketing*	State Department of Tourism, MDAs involved in Tourism, Private Sector stakeholders in tourism sector	As per MTPIII Budget
3) Develop and promote African safari tourism products through pursuit of the following as already factored in MTPIII: i) *Development of a detailed tourism development strategy for the Masai Mara* ii) *Refresh and revamp beach products and enhance priority beach nodes (popular beach areas) and attain Blue Flag beach status for popular beaches that are used by visitors* iii) *Enhance tourism circuits, in collaboration with counties to ensure that every part of the country optimally benefits from the locally available tourist attraction potential.* iv) *Promoting and supporting county based events such as cultural weeks to foster national understanding and integration.*	State Department of Tourism, MDAs involved in Tourism, Private Sector stakeholders in tourism sector	As per MTPIII Budget
4) Destination marketing of Kenya tourism products and experiences	State Department of Tourism, MDAs involved in Tourism, Private Sector stakeholders in tourism sector	As per MTPIII Budget

Strategic Objective #3:

To promote exports of tourism and trade related services (Chefs, etc.) in target markets

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KES M)
1) Undertake a baseline survey of tourism related service providers that are ready and willing to export their services. Conduct registration of the service providers willing to export services between 2018 - 2022	State Department of Tourism, MDAs involved in Tourism, Private Sector stakeholders in tourism sector	25
2) Undertake a baseline survey on destination countries that have a market for the services based on their commitments under the EAC CMP, WTO or COMESA and their market access requirements	State Department of Tourism, MDAs involved in Tourism, Private Sector stakeholders in tourism sector	10
3) Create awareness among all export ready tourism related services providers on destination market opportunities and requirements and enlist those willing to sign up for export of services between 2018 and 2022	State Department of Tourism, MDAs involved in Tourism, Private Sector stakeholders in tourism sector	5
4) Prepare data base of all export ready tourism related services providers including their export readiness information to elicit demand in the destination markets	State Department of Tourism, MDAs involved in Tourism, Private Sector stakeholders in tourism sector	15

Strategic Objective #4:

To promote implementation of the regional tourism sector commitments, including single visa

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KES M)
1) Review member states'/partner states' regional tourism sector commitments to establish gap and causal factors towards implementation of the commitments	SDT, State Department of Tourism, MDAs involved in Tourism, Private Sector stakeholders in tourism sector	2
2) Support implementation of Kenya's regional commitments on tourism, and engage Kenya's regional trade partners on similar implementation	STD, State Department of Tourism, MDAs involved in Tourism, Private Sector stakeholders in tourism sector	10

B8/1.5.5 Resource Mobilisation Plan towards the Development and Promotion of Tourism and Travel Services Export

The estimated resource requirements for implementation of the Tourism and Travel Services export development and promotion strategy is 67million plus MTPIII Tourism and Travel[121] Development Budget. The specific interventions under each of the Strategic Objectives and accompanying resource requirements are as provided under the section on 'Strategic Interventions and Resource Requirements'. The sources of funds and Lead Agencies in mobilization of the funds are as listed in the resource mobilization plan below. The institutional structure through which the funds for Tourism and Travel Services export development and promotion will be mobilized is the 'Tourism and Travel Sub-Sector Working Group' of NEDPS Trade in Services Sector Working Group. At the Tourism and Travel SSWG, The Private Sector Stakeholders in the Tourism and Travel sector will take lead role in driving the agenda for Tourism and Travel services exports with Government playing a facilitative role to ensure requisite resources and enabling environment for development and promotion of the exports of these services.

Table B8/4-3: Resource Mobilization Plan towards Development and Promotion of Tourism and Travel Services Exports

SO#	Strategic Objective/ Focal Areas of Intervention	Amount Required (KESMn)	Estimated NEDPS Annual Resource Requirement (KES Millions)					Source	Lead Agencies in Resource Mobilization
			2018/19	2019/20	2020/21	2021/22	2022/23		
1	To provide a business enabling legal and regulatory framework for promotion of tourism development and export	As per MTPIII Tourism & Travel Budget	As per MTPIII Tourism & Travel Budget	As per MTPIII Tourism & Travel Budget	As per MTPIII Tourism & Travel Budget	As per MTPIII Tourism & Travel Budget	As per MTPIII Tourism & Travel Budget	MDAs and County Governments' MTPIII Annual Budgets, Private Sector programs, Development Partners	State Department of Tourism, MDAs involved in Tourism, Private Sector stakeholders in tourism sector
2	To promote development and export of tourism services facilities and products to meet current and emerging tourism and travel related services needs	As per MTPIII Tourism & Travel Budget	As per MTPIII Tourism & Travel Budget	As per MTPIII Tourism & Travel Budget	As per MTPIII Tourism & Travel Budget	As per MTPIII Tourism & Travel Budget	As per MTPIII Tourism & Travel Budget		
3	To promote exports of tourism and trade related services (Chefs, etc.) in target markets	55	5	5	5	5	5		
4	To promote implementation of the regional tourism sector commitments, including single visa	12	4	2	2	2	2		
Sub-Total		67 plus MTPIII Tourism & Travel Budget	9 plus MTPIII Tourism & Travel Budget	9 plus MTPIII Tourism & Travel Budget	9 plus MTPIII Tourism & Travel Budget	9 plus MTPIII Tourism & Travel Budget	9 plus MTPIII Tourism & Travel Budget		

121 *Tourism and Travel Sector MTPIII budgetary resources were not available at the time of compiling the Strategy. These resources will be determined in the course of implementation of the strategy because the interventions in the strategy also happen to be in the Tourism and Travel component of the MTPIII.*

B8/1.5.6 Implementation Plan towards Development and Promotion of Tourism and Travel Services Export

Strategic Interventions/ Program Activities	Implementing Agencies	2018/19				2019/20				2020/21				2021/22				2022/23			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
SO#1: To provide a business enabling legal and regulatory framework for promotion of tourism development and export																					
1) Review the National Tourism Policy and the Tourism Act 2011	State Department of Tourism, MDAs involved in Tourism, Private Sector stakeholders in tourism sector																				
2) Review the mandate of Tourism Regulatory Authority;	State Department of Tourism, MDAs involved in Tourism, Private Sector stakeholders in tourism sector																				
3) Finalise and Gazette Tourism (Education and Regulations) 2016;	State Department of Tourism, MDAs involved in Tourism, Private Sector stakeholders in tourism sector																				
4) Finalise and Gazette Workforce and Training Accreditation Regulations; and	State Department of Tourism, MDAs involved in Tourism, Private Sector stakeholders in tourism sector																				
5) Finalise and Gazette Tourism Sector Association Regulations	State Department of Tourism, MDAs involved in Tourism, Private Sector stakeholders in tourism sector																				
SO#2: To promote development and export of tourism services facilities and products to meet current and emerging tourism and travel related services needs																					
1) Develop niche products as stipulated in Tourism Blue Print 2030 and as factored in MTPIII (2018-2022). These products will include: Cultural and heritage tourism; Cruise tourism; Agro-tourism; Homestays; Medical tourism; Health and wellness tourism; Sports tourism; Adventure tourism; Desert tourism; City tourism; Avitourism (Birding); Photography; Volunteerism; Entomology; Film; and Scientific research.	State Department of Tourism, MDAs involved in Tourism, Private Sector stakeholders in tourism sector																				

Strategic Interventions/ Program Activities	Implementing Agencies	2018/19				2019/20				2020/21				2021/22				2022/23			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
2) Promote Business and Conferencing tourism through pursuit of the following initiatives as factored in MTPIII: *i) Establish and operationalize the National Convention Bureau* *ii) Build the Nairobi International Convention and Exhibition Centre (NICEC)* *iii) Modernization & expansion Kenyatta International convention centre (KICC)* *iv) MICE Destination Marketing*																					
3) Develop and promote African safari tourism products through pursuit of the following as already factored in MTPIII: *i) Development of a detailed tourism development strategy for the Masai Mara* *ii) Refresh and revamp beach products and enhance priority beach nodes (popular beach areas) and attain Blue Flag beach status for popular beaches that are used by visitors* *iii) Enhance tourism circuits, in collaboration with counties to ensure that every part of the country optimally benefits from the locally available tourist attraction potential.* *iv) Promoting and supporting county based events such as cultural weeks to foster national understanding and integration.*	State Department of Tourism, MDAs involved in Tourism, Private Sector stakeholders in tourism sector																				

Strategic Interventions/ Program Activities	Implementing Agencies	2018/19				2019/20				2020/21				2021/22				2022/23			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
4) Destination marketing of Kenya tourism products and experiences	State Department of Tourism, MDAs involved in Tourism, Private Sector stakeholders in tourism sector																				
SO#3: To promote exports of tourism and trade related services (Chefs, etc.) in target markets																					
1) Undertake a baseline survey of tourism related service providers that are ready and willing to export their services. Conduct registration of the service providers willing to export services between 2018 - 2022	State Department of Tourism, MDAs involved in Tourism, Private Sector stakeholders in tourism sector																				
2) Undertake a baseline survey on destination countries that have a market for the services based on their commitments under the EAC CMP, WTO or COMESA and their market access requirements	State Department of Tourism, MDAs involved in Tourism, Private Sector stakeholders in tourism sector																				
3) Create awareness among all export ready tourism related services providers on destination market opportunities and requirements and enlist those willing to sign up for export of services between 2018 and 2022	State Department of Tourism, MDAs involved in Tourism, Private Sector stakeholders in tourism sector																				
4) Prepare data base of all export ready tourism related services providers including their export readiness information to elicit demand in the destination markets	State Department of Tourism, MDAs involved in Tourism, Private Sector stakeholders in tourism sector																				
SO#4: To promote implementation of the regional tourism sector commitments, including single visa																					
1) Review member states'/partner states' regional tourism sector commitments to establish gap and causal factors towards implementation of the commitments	SDT, State Department of Tourism, MDAs involved in Tourism, Private Sector stakeholders in tourism sector																				

Strategic Interventions/ Program Activities	Implementing Agencies	2018/19				2019/20				2020/21				2021/22				2022/23			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
2) Support implementation of Kenya's regional commitments on tourism, and engage Kenya's regional trade partners on similar implementation	STD, State Department of Tourism, MDAs involved in Tourism, Private Sector stakeholders in tourism sector																				

B8/1.6 Health Services Sector

B8/1.6.1 Situational Analysis and Opportunities for Health Services Exports

International trade in health services, including its most prominent 'medical tourism' is a multi-trillion dollar trade that is growing rapidly as a result of globalization of health services that has been made possible by ease of travel and technological advances in information systems and communication that allow patients or third party purchasers of health care the possibility to seek out treatment of similar quality at lower cost and more immediately from abroad. Further increased portability of health insurance cover, both public and private is postulated to further increase patient mobility[122]. Further evidence in the increasing importance of health services is provided by R. Chanda (2002)[123] where the sector was estimated "to generate US$ 3 trillion per year in countries in the Organisation for Economic Cooperation and Development alone and is expected to rise to US$ 4 trillion by 2005". The same author in R. Chanda (2017)[124] further underscores the significance of the health services trade giving transformational impact of this trade in select case study countries which include: Cuba, India, Indonesia, Maghreb Region and Thailand

According to WTO GATS, Health services are defined to include (i) hospital services—including services delivered under the direction of medical doctors chiefly to inpatients, aimed at curing, reactivating, and/or maintaining health status; (ii) other human health services—including ambulance services and residential health facilities services other than hospital services; (iii) social services—including welfare services, child daycare, and guidance and counselling; and, (iv) other health services.

The tendency, however, is for many countries to protect their health services domestic market against imports that they view as being potentially damaging to their health sector. This is the case in EAC, COMESA and even at the WTO level. However, even though Kenya has not scheduled any commitments in this critical sector, the country's national policies demonstrate that Kenya is cognizant of the fact that imports of health services are as important as exports, if not more important. Consequently, Kenya has significant Mode 3 and 4 imports from India, one of the lead exporter of health services to Kenya under Mode 2.

Trade in health services can take place under any of the four modes of services supply as defined by the WTO GATS - Cross border delivery (mode 1), Consumption abroad (mode 2), Commercial presence (mode 3) or temporary movement of natural persons to offer the service (mode 4). In order to appreciate trade in services in the context of Kenya health sector and prospects for exploiting health services export potential, we use the examples given in R. Chanda (2017) as below:

122 See OECD note on health services trade at http://www.oecd.org/els/health-systems/international-trade-in-health-services.htm
123 Rupa Chanda (2002): Bulletin of the World Health Organization 2002, 80 (2)
124 Rupa Chanda (2017): Trade in Health Services and Sustainable Development

Cross-Border Delivery of Health Services (Mode 1)

This mode of health services delivery involves the shipment of clinical and data services captured in diagnostic reports and samples channels through traditional mail channels and increasingly, the electronic delivery of health services using interactive audiovisual, and data communications for diagnostics, second opinions, lab testing, surveillance, consultations, transmission of and access to specialized data, records, and information, and continuing medical education and upgrading of skills. As noted in R. Chanda (2017), *"Within mode 1, telehealth, which is the "integration of telecom systems into the practice of protecting and promoting health and telemedicine, which is the incorporation of these systems into curative medicine are growing in importance. According to a recent report, the global telehealth market was valued at $2.2 billion in 2015 and is expected to grow at a CAGR of 24 percent between 2015-2020 to reach a market size of $6.5 billion by 2020".* For a country aspiring to promote exports of health services through mode 1, lessons from R. Chanda (2017) come in handy where the author notes some countries having engaged in a variety of telehealth services such as telepathology, teleradiology, and telepsychiatry and many cross-border telemedicine initiatives have emerged. Another example from the study that is worth of mention is telediagnostic, surveillance, and consultation services that are provided by US hospitals to hospitals in many Gulf countries and to some countries in Central America. The study further notes that "Telepathology services are provided by Indian doctors to hospitals in Nepal and Bangladesh and telediagnostic services are provided by hospitals in the People's Republic of China's coastal provinces to patients in Taipei,China; Macau, China".

Consumption Abroad or (Mode 2)

This mode of supply of health services involves movement of persons from their country of residence to another for purposes of medical treatment or services. As noted in R. Chanda (2017), this may be for purposes of diagnostics, treatment, and rehabilitation and follow up services. It is through this mode of supply that medical tourism is promoted. R. Chanda (2017) places the number of medical tourists annually at around 14 million with an estimated value that ranges between USD60 billion and USD100 billion.

The key drivers of health services trade under mode 2 are given by R. Chanda (2017) to include: *"differences in cost, quality, and availability of treatment across countries as well as factors such as natural endowments, existence of alternative medicines and treatment procedures, long waiting lists for treatment in the source country, and cultural, linguistic, and geographic proximity between sending and receiving countries".* The demand is identified as coming from patients from developed and developing countries.

Commercial Presence or (Mode 3)

This mode of health services trade involves establishing health facilities such as hospitals, clinics, diagnostic and treatment centres, and nursing homes across countries. On the feasibility of pursuing this trade opportunity R. Chanda (2017) observes that the establishment of the health facilities may be through joint ventures, alliances and management tie-ups between healthcare organizations across countries and regional networks of healthcare providers which may be engaged in delivering healthcare through modes 1 and 2. The business models which the study quotes as medium through which supply of health services under mode 3 include: *"acquisition of facilities, management contracts, and licensing arrangements with some degree of local participation to ensure access to certified and adequately trained local persons and to ensure local contacts and commitment".*

Evidence of the growing importance of trade in health services through commercial presence mode is provided through several cases quoted in the study, as a demonstration for any country aspiring to pursue export of health services through commercial presence. These examples include: *"the Singapore based Parkway Group has acquired hospitals in Asia and Britain and has created an international chain of hospitals, Gleneagles International, through joint ventures with partners in*

Malaysia, Indonesia, Sri Lanka, India, and the UK. It has also set up a dental surgery chain through joint ventures in South East Asia. The Raffles Medical Group in Singapore has formed strategic alliances globally by developing triangular business associations with health care organizations from developed countries, in partnership with host country investors. The aim of such companies is to develop an integrated network of health care companies offering a range of high quality and cost effective health services". The role of FDI as a catalyst to promoting commercial presence of health services is evident as a result of host country governments encouraging private sector participation in the provision of health services.

Temporary Movement of Health Personnel or (Mode 4)

Trade in health services under mode 4 involves temporary cross border movement of medical professionals such as doctors, medical specialists, nurses, paramedics, midwives, technicians, consultants, trainers, health management personnel, and other skilled and trained health related professionals. Middle East is identified in R. Chanda (2017) as an important host market for a wide range of health professionals from developed and developing countries, including doctors, nurses, X-ray technicians, lab technicians, dental hygienists, physiotherapists, and medical rehabilitation workers. Movement of health professionals on temporary basis to destination markets under a negotiated framework is viewed to be a solution to the brain drain of health professionals that occurs as a result of permanent movement of these professionals. Therefore, besides promoting export growth exports of health services under mode 4 works towards solving the brain drain challenge to the health sector development.

A Global Perspective of Health Services Trade

At the global level, many countries are competing to become key exporters of health services. More particularly, the growing phenomenon of health tourism appeals to many developing countries in which clinics servicing foreign clientele are flourishing. An increasing number of countries offer attractive surgery, recuperation, and rejuvenation holiday packages, from Costa Rica or South Africa to India or Thailand. On the demand side, the United States remains the largest consumer of health services worldwide. Deloitte Consulting has estimated that 750,000 Americans went abroad for health care in 2007, and, with a projected growth rate of 100% from 2007 to 2010. On the supply side, developed and developing countries are competing: over 35 countries serve more than a million medical tourists annually. In 2008, more than 400,000 nonresidents sought care in the United States and spent almost US$5 billion for health services; there were 450,000 in India, 300,000 in Malaysia, 410,000 in Singapore, and 1.2 million in Thailand (Deloitte 2008). The motives behind the cross-border movement of patients vary considerably, however, and not all countries compete in the same market segments. There is, accordingly, a case for specialization in market niches on the basis of each country's resources and trade opportunities. An excessive enthusiasm for medical tourism that is not backed by serious business plans or coherent government policies could result in a low return on investment, lead to frustrated expectations, and prejudice the local supply of health services. Not all countries have a comparative advantage in the health service trade. While a carefully designed trade strategy in the health sector could have significant positive spillover effects on the domestic supply of, and access to health services (in addition to the positive global impacts) of trade), a poorly designed strategy could divert already scarce health resources from people in need in a country.

Source: *Health without Borders: International Trade for Better Health Systems and Services, by Olivier Cattaneo*

Kenya's health services trade is guided by the Kenya Healthy Policy (2014-2030) whose goal is *"to attain the highest possible standard of health in a responsive manner".* This goal is to be achieved through interventions geared towards supporting *equitable, affordable, and high-quality health* *and related services at the highest attainable standards for all Kenyans.* Delivery of healthcare services in Kenya is done under the following two sub-systems:

a) Public-Sector Healthcare System

According to the National Health Policy, the public sector healthcare system comprises four levels of healthcare delivery as follows:

i) The *community services* focusing on creating appropriate demand for services. The community services comprise all community-based demand creation activities and health services organized around a comprehensive community strategy defined for the health sector;

ii) The *primary care services* comprise all dispensaries, health centres, and maternity homes in both public and private sectors. Their capacity is being upgraded during the policy period to ensure that all of them can provide appropriate services. It is envisaged that by the end of the policy period, the health centre will be the lowest level of a health facility;

iii) The *county referral services* which include hospitals operating in and managed by a given county. These consists of all the former level 4 and level 5 hospitals in the county—government and private. Together, all these hospitals in a given county form the county referral system, with specific services shared among the existing county referral facilities to form a virtual network of comprehensive services; and

iv) The *national referral services* which include the service units providing tertiary/highly specialized services, including high-level specialist medical care, reference laboratory support, blood transfusion services, and research. The units include national-level semi-autonomous agencies and operate under a defined level of self-autonomy from the national health ministry, allowing for self-governance.

b) Healthcare System Run by Private Sector, FBOs and NGOs

Kenya's private healthcare system is one of the most developed and dynamic in Sub Saharan Africa. Approximately two thirds of health facilities in Kenya are private. The private health care system is the largest employer of healthcare professionals in Kenya. The key drivers of growth in private healthcare system include: The lack of quality public health services; long wait periods to receive specialized medical services in public health facilities; the introduction of user fees in public health facilities; and, health sector reforms that eased the licensing and regulation of private healthcare providers and allowed public sector staff to work in the private sector.

The policy is silent about export of health services. However, despite lack of a clear cut policy on health services exports, Kenya is one of the few African countries that, according to the World Bank Survey 2014[125], are exporting health services mainly under mode 2 (consumption abroad - where Kenyan hospitals have provided medical care to patients from across the region). Kenya's health sector continues to be a medical destination for the EAC region, and in some instances, the Central African region. This means that country has the potential to be a strong competitor to other leading medical tourism destinations in Africa. Kenya's competitiveness in this space can be driven by Public Private Partnerships in the health sector to deliver quality health services, including medical facilities, education and research centres.

The potential for Kenya to export more health services is evidenced in the migration of Kenyan health professionals to Europe, South Africa and USA. According to the World Survey (2014) survey, the factors that have pulled medical practitioners into cross border markets include desire

125 Nora Dihel and Arti Grover Goswani, World Bank (2014): What Determines or Hinders Intra-African Trade in Health Services? Some Results from Mobile Surveys

of health professionals to work in better managed health systems and to continue education and training while working; and, shortages of doctors and nurses.

Therefore, an export strategy that facilitates provision of specialized medical services in Kenya that are currently missing or whose prices are out of range, and improves quality of health services provided by hospitals while retaining high quality doctors in the Kenyan market is likely to increase Kenya's potential to export to more African countries by serving patients currently going to South Africa, India, and other countries, besides supporting Government policy towards promotion of medical tourism.

The Case Study of Medical Tourism Destination

Three of the top six medical tourism destinations in the world are in the ASEAN region. Thailand, Malaysia, and Singapore have become major exporters of health care, servicing developing countries in the ASEAN region and developed countries such as Japan. The competitiveness of these three countries primarily stems from two factors. First, because of lower labor costs, they can offer medical services at a significantly lower price than their industrial country competitors. Ancillary services are also much cheaper: a hospital bed is almost 25 times more expensive in the United States than in Thailand. Second, hospitals in these countries have established a reputation for high-quality services. In Thailand, service quality has been explicitly promoted by an accreditation system administered by a dedicated government agency, the Institute of Hospital Quality Improvement and Accreditation. The top-rated establishments of the country usually treat foreign patients; they also happen to offer specialized services not available in other ASEAN countries, especially the poorer ones.

Although the health sector policy is silent about export of health services, the Government, through the following MTPIII interventions is focusing on health exports over the period 2018-2022:[126]

1. **Medical Tourism Project:**
   The main objective of the Medical Tourism project is to market Kenya as a destination hub for specialized healthcare services, to support the training and retaining specialized health expertise and create employment in specialized health care. As part of this flagship project, the Government will implement four key components namely;
   a) Development of a national strategy on Medical Tourism;
   b) Establishment of the East Africa Kidney Institute;
   c) Establishment and modernization of the four national referral health facilities (MTRH, KNH, Mathari and Spinal Injury hospitals) as modern centers of excellence; and,
   d) Development of Communication & Marketing Strategy to promote Health Tourism Products.

2. **Digital Health Project:**
   Digital health technologies, ranging from wearable sensors and portable diagnostic technologies to telemedicine tools and mobile health care apps have the potential to transform the health care delivery system. The government will undertake to improve the uptake of digital health technologies through the following key components:
   i) Digitization of health facilities including instalment of the electronic health information system (EHR) to capture patients' data at the health facilities level;

126 The 3rd Medium Term Plan, 2018-2022, Vision 2030, Health Chapter

ii) Establishment of 14 Digital E-Health Hubs;

iii) Enhancement of Mobile health (M-Health) services technology; and

iv) Enhance District Health Information System (DHIS2) and Kenya Master Health Facility List (KMHFL) as the national reporting systems.

B8/1.6.2 Constraints to Exports of Health Services

The constraints that need to be addressed in order to develop health services for export, include the following:

a) Lack of a health services export policy geared towards promotion of Kenya's exports of health services;

b) Inadequate specialized health facilities to tap into regional export potential of patients seeking medical treatment;

c) Lack of or poor physical infrastructures - few hospitals and healthcare centres translate to high patient burden at hospitals that are supposed to be only referral hospitals;

d) Shortages of drugs;

e) Lack of harmonized academic and professional qualifications between Kenya and destination markets that limits the potential of medical practitioners' export of services into the target markets;

f) Inadequate facilities to carry out correct diagnosis on patients. Some vital equipment like x-ray machines, diagnostics ultrasounds, monitors, fetal monitor and chemistry analyzers among others are not available in most health facilities, with only a few being available in bigger hospitals;

g) Inadequate staffing is also a major concern in Kenyan hospitals;

h) Insufficient funding of government hospital facilities that could also participate in provision of services to foreign nationals; and

i) Demoralization of healthcare workers due to low poor wages, unequipped healthcare facilities and understaffing in both public and private facilities.

B8/1.6.3 Strategic Objectives to Expand Kenya's Health Services Exports

The Strategic Objectives for exports of health services are built on the bold statement in the 'Kenya Health Sector Strategic & Investment Plan 2013-2017[127] which indicates that "With the support of the private sector, Kenya intends to become the regional provider of choice for highly-specialized health care, thus opening Kenya to "health tourism". This is further echoed in MTPIII projects that are designated towards promotion of health services exports focusing on mode 2 (medical tourism) and mode 1 (cross border supply through Digital Health Project initiatives). The following Strategic Objectives will therefore be pursued towards promoting exports of health services

1. To develop a business enabling legal and regulatory framework towards promotion of health services exports;
2. To promote development of health services for export targeting niche health services products where Kenya health sector has comparative and competitive advantage; and

127 *Kenya Health Sector Strategic and Investment Plan, July 2013-June 2017*

3. To promote exports of health services in target destination markets with a view to increasing Kenya's share in global health services exports.

B8/1.6.4 Strategic Intervention for Development and Promotion of Exports of Health Services

Strategic Objective #1:

To Develop a Business Enabling Legal and Regulatory Framework Towards Promotion of Health Services Exports

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KES M)
1) Develop a health services export policy to stimulate development and exports of health services that Kenya has potential to export	Ministry of Health, State Department of Trade, County Governments and Board of Medical Practitioners and other relevant stakeholder organizations in the health sector	10
2) Conclude bilateral trade agreements between Kenya and target market countries' social security institutions to offer health services for their members at pre-negotiated rates and terms	Ministry of Health, State Department of Trade, County Governments and Board of Medical Practitioners and other relevant stakeholder organizations in the health sector	50
3) Establish an institutional arrangement for combined promotion of tourism and health services (health tourism products)	Ministry of Health, State Department of Trade, State Department of Tourism, County Governments and Board of Medical Practitioners and other relevant stakeholder organizations in the health sector	10
4) Develop a health services trade statistics capture system and an M&E framework for tracking performance and impact of health services exports	Ministry of Health, State Department of Trade, State Department of Tourism, County Governments and Board of Medical Practitioners and other relevant stakeholder organizations in the health sector	10

Strategic Objective #2:

To promote development of health services for export targeting niche health services products where Kenya Health Sector has comparative and competitive advantage

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KES M)
1) Implement the Medical Tourism Project as envisaged in MTPIII encompassing the following components: a) Development of a national strategy on Medical Tourism; b) Establishment of the East Africa Kidney Institute; c) Establishment and modernization of the four national referral health facilities (MTRH, KNH, Mathari and Spinal Injury hospitals) as modern centers of excellence; and d) Development of Communication & Marketing Strategy to promote Health Tourism Products.	Ministry of Health, State Department of Trade, County Governments and Board of Medical Practitioners and other relevant stakeholder organizations in the health sector	As per MTPIII

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KES M)
2) Implement the Digital Health Project as envisaged in MTPIII encompassing the following components: a) Digitization of health facilities including instalment of the electronic health information system (EHR) to capture patients' data at the health facilities level; b) Establishment of 14 Digital E-Health Hubs; c) Enhancement of Mobile health (M-Health) services technology; d) Enhance District Health Information System (DHIS2) and Kenya Master Health Facility List (KMHFL) as the national reporting systems.	Ministry of Health, State Department of Trade, County Governments and Board of Medical Practitioners and other relevant stakeholder organizations in the health sector	As per MTPIII
3) Undertake a study to establish niche health services products (besides the ones being developed under the Tourism and Digital Health projects) and target markets which could be focused in the national drive for health services exports	Ministry of Health, County Governments and Board of Medical Practitioners and other relevant stakeholder organizations in the health sector	20
4) Formulate fiscal incentives to encourage investments and development of niche health services for exports, including health sector facilities for export of health services	Ministry of Health, County Governments and Board of Medical Practitioners and other relevant stakeholder organizations in the health sector	10
5) Provide fiscal policy incentives to encourage investments and development of niche health services and health sector facilities for export of health services	Ministry of Health, County Governments and Board of Medical Practitioners and other relevant stakeholder organizations in the health sector	5
6) Promote development of skills required in provision of niche health services products	Ministry of Health, County Governments and Board of Medical Practitioners and other relevant stakeholder organizations in the health sector	1,000
7) Provide financial resources through health services revolving export development fund targeting development of niche health services Revolving Export Development Fund	Ministry of Health, County Governments and Board of Medical Practitioners and other relevant stakeholder organizations in the health sector	2,000
8) Promote affiliations and partnerships between Kenyan investors in the health sector and foreign health services facilities such as established hospitals targeting enhancing capacity to offer niche health services export products	Ministry of Health, County Governments and Board of Medical Practitioners and other relevant stakeholder organizations in the health sector	50

Strategic Objective #3:

To promote exports of health services in target destination markets with a view to increasing Kenya's share in global health services exports

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KES M)
1) Develop a data base of health services for exports to facilitate their visibility and quality assurance in promoting branded Kenya health services for export purposes	Ministry of Health, County Governments and Board of Medical Practitioners and other relevant stakeholder organizations in the health sector	10

Strategic Interventions/Program Activities		Implementing Agencies	Resource Requirements (KES M)
2)	Promote short term provision of health services by Kenyan health specialists in target markets through negotiated government to government health services supply framework	Ministry of Health, County Governments and Board of Medical Practitioners and other relevant stakeholder organizations in the health sector	50
3)	Promote establishment of health facilities by established Kenyan health organizations in target markets to facilitate provision of health services by the Kenya entities in these countries	Ministry of Health, County Governments and Board of Medical Practitioners and other relevant stakeholder organizations in the health sector	50
4)	Support awareness creation of niche health services products in target markets through a health/tourism package program and events	Ministry of Health, County Governments and Board of Medical Practitioners and other relevant stakeholder organizations in the health sector	50

B8/1.6.5 Resource Mobilisation Plan for Development and Promotion of Health Services Export

The estimated resource requirements for implementation of the Health Services export development and promotion strategy is KES3.3 billion over the period 2018/19 to 2022. Development of health services for exports takes 92% followed by promotion of exports of these services. The specific interventions under each of the Strategic Objectives and accompanying resource requirements are as provided under the section on 'Strategic Interventions and Resource Requirements'. The sources of funds and Lead Agencies in mobilization of the funds are as listed in the resource mobilization plan below. The institutional structure through which the funds for Health Services export development and promotion will be mobilized is the 'Health Sub-Sector Working Group' of NEDPS Trade in Services Sector Working Group. At the Health SSWG, The Private Sector Stakeholders in the Health sector will take lead role in driving the agenda for health services exports with Government playing a facilitative role to ensure requisite resources and enabling environment for development and promotion of the exports of these services.

Table B8/5-1: Resource Mobilization Plan towards Development and Promotion of Health Services

SO#	Strategic Objective/ Focal Areas of Intervention	Amount Required (KESMn)	Estimated NEDPS Annual Resource Requirement (KES Millions)					Source	Lead Agencies in Resource Mobilization
			2018/19	2019/20	2020/21	2021/22	2022/23		
1	To develop a business enabling legal and regulatory framework towards promotion of health services exports	80	16	16	16	16	16	MDAs and County Governments' MTPIII Annual Budgets, Private Sector programs, Development Partners	Ministry of Health, County Governments and Board of Medical Practitioners and other relevant stakeholder organizations in the health sector
2	To promote development of health services for export targeting niche health services products where Kenya health sector have comparative and competitive advantage	3,085	617	617	617	617	617		

3	To promote exports of health services in target destination markets with a view to increasing Kenya's share in global health services exports	160	32	32	32	32	32		
	Sub-Total	3,325	665	665	665	665	665		

B8/1.6.6 Implementation Plan towards the Development and Promotion of Health Services Export

Strategic Interventions/ Program Activities	Implementing Agencies	2018/19				2019/20				2020/21				2021/22				2022/23			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
SO#1: To develop a business enabling legal and regulatory framework towards promotion of health services exports																					
1) Develop a health services export policy to stimulate development and exports of health services that Kenya has potential to export	Ministry of Health, State Department of Trade, County Governments and Board of Medical Practitioners and other relevant stakeholder organizations in the health sector																				
2) Conclude bilateral trade agreements between Kenya and target market countries' social security institutions to offer health services for their members at pre-negotiated rates and terms	Ministry of Health, State Department of Trade, County Governments and Board of Medical Practitioners and other relevant stakeholder organizations in the health sector																				
3) Establish an institutional arrangement for combined promotion of tourism and health services (health tourism products)	Ministry of Health, State Department of Trade, State Department of Tourism, County Governments and Board of Medical Practitioners and other relevant stakeholder organizations in the health sector																				
4) Develop a health services trade statistics capture system and an M&E framework for tracking performance and impact of health services exports	Ministry of Health, State Department of Trade, State Department of Tourism, County Governments and Board of Medical Practitioners and other relevant stakeholder organizations in the health sector																				

Strategic Interventions/ Program Activities	Implementing Agencies	2018/19				2019/20				2020/21				2021/22				2022/23			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
SO#2: To promote development of health services for export targeting niche health services products where Kenya health sector have comparative and competitive advantage																					
1) Implement the Medical Tourism Project as envisaged in MTPIII encompassing the following components: i) Development of a national strategy on Medical Tourism; ii) Establishment of the East Africa Kidney Institute; iii) Development of Communication & Marketing Strategy to promote Health Tourism Products; and iv) Establishment and modernization of the four national referral health facilities (MTRH, KNH, Mathari and Spinal Injury hospitals) as modern centers of excellence.	Ministry of Health, State Department of Trade, County Governments and Board of Medical Practitioners and other relevant stakeholder organizations in the health sector																				
2) Implement the Digital Health Project as envisaged in MTPIII encompassing the following components: i) Digitization of health facilities including instalment of the electronic health information system (EHR) to capture patients' data at the health facilities level; ii) Establishment of 14 Digital E-Health Hubs; iii) Enhancement of Mobile health (M-Health) services technology; iv) Enhance District Health Information System (DHIS2) and Kenya Master Health Facility List (KMHFL) as the national reporting systems.	Ministry of Health, State Department of Trade, County Governments and Board of Medical Practitioners and other relevant stakeholder organizations in the health sector																				

Strategic Interventions/ Program Activities	Implementing Agencies	2018/19				2019/20				2020/21				2021/22				2022/23			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
3) Undertake a study to establish niche health services products (besides the ones being developed under the Tourism and Digital Health projects) and target markets which could be focused in the national drive for health services exports	Ministry of Health, County Governments and Board of Medical Practitioners and other relevant stakeholder organizations in the health sector																				
4) Formulate fiscal incentives to encourage investments and development of niche health services for exports, including health sector facilities for export of health services	Ministry of Health, County Governments and Board of Medical Practitioners and other relevant stakeholder organizations in the health sector																				
5) Provide fiscal policy incentives to encourage investments and development of niche health services and health sector facilities for export of health services	Ministry of Health, County Governments and Board of Medical Practitioners and other relevant stakeholder organizations in the health sector																				
6) Promote development of skills required in provision of niche health services products	Ministry of Health, County Governments and Board of Medical Practitioners and other relevant stakeholder organizations in the health sector																				
7) Provide financial resources through health services revolving export development fund targeting development of niche health services Revolving Export Development Fund	Ministry of Health, County Governments and Board of Medical Practitioners and other relevant stakeholder organizations in the health sector																				
8) Promote affiliations and partnerships between Kenyan investors in the health sector and foreign health services facilities such as established hospitals targeting enhancing capacity to offer niche health services export products	Ministry of Health, County Governments and Board of Medical Practitioners and other relevant stakeholder organizations in the health sector																				

Strategic Interventions/ Program Activities	Implementing Agencies	2018/19				2019/20				2020/21				2021/22				2022/23			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
SO#3: To promote exports of health services in target destination markets with a view to increasing Kenya's share in global health services exports																					
1) Develop a data base of health services for exports to facilitate their visibility and quality assurance in promoting branded Kenya health services for export purposes	Ministry of Health, County Governments and Board of Medical Practitioners and other relevant stakeholder organizations in the health sector																				
2) Promote short term provision of health services by Kenyan health specialists in target markets through negotiated government to government health services supply framework	Ministry of Health, County Governments and Board of Medical Practitioners and other relevant stakeholder organizations in the health sector																				
3) Promote establishment of health facilities by established Kenyan health organizations in target markets to facilitate provision of health services by the Kenya entities in these countries	Ministry of Health, County Governments and Board of Medical Practitioners and other relevant stakeholder organizations in the health sector																				
4) Support awareness creation of niche health services products in target markets through a health/ tourism package program and events	Ministry of Health, County Governments and Board of Medical Practitioners and other relevant stakeholder organizations in the health sector																				

B8/1.7 Transport Services

B8/1.7.1 Overview of Transport Services

The WTO Services Sectoral Classification List (W/120) lists the following sub-sectors as constituting Transport Services: maritime transport services; internal waterways transport; air transport services; space transport; rail transport services; road transportation services; pipeline transportation; services auxiliary to all modes of transport such as cargo- handling services, storage and warehouse services, freight transport agency services; and other transport services. The services under each of the above sub-sectors include passenger transportation, freight transportation, rental of vessels, maintenance and repair of vessels, pushing and towing services, and supporting services under each.

Trade in Transport Services is a multibillion dollar business as evidenced by export in transport services, which in 2016 stood at USD853 billion.[128] The prospects for export transport services to

128 *World Trade Statistical Review 2017 – WTO Publication*

do even better is revealed by past performance which saw these services exports get to a peak of USD 906 billion. Thus as the world economy rebounds, triggering increase in trade and movement of people, the figures of transport services export will definitely shoot up because the demand for transport services is derived from these two areas. This prospect is a reality because as observed by WTO, as global demand and trade recovered in the last months of 2017, world exports of transport services gradually bounced back.[129] Sea freight leads in the share of global transport services followed by air freight. Exports of transport services occurs under any of the following four modes of supply as specified by WTO GATS

Table B8/6-1:   Modes of Trading in Transport Services

Mode (GATS Article 1:2)	Description	Illustration
1	Cross-border supply	Resident of Country A (importer) receives shipping services via internet, telecommunication or mail from a shipping transport services firm located in Country B (exporter)
2	Consumption Abroad	Person residing in Country A (importer) travels to Country B (exporter) an charters and aircraft with crew or a tour van with crew.
3	Commercial Presence	A transport service company from Country B (exporter) moves to Country A (importer) and establishes a transport service company/ branch in Country A.
4	Presence of Natural Persons	Transport logistics expert citizen/resident of Country B (exporter) travel to Country A (importer) to offer his/her services.

Kenya is already positioned to take a share in the global transport services exports because of the ongoing initiatives in the transport sector. The first area of opportunity emanates from the commitments[130] that Kenya has undertaken at the WTO, as detailed below:

a) Air Transport Services

i) Aircraft repair and maintenance services;

ii) Selling and marketing of air transport service;

iii) Computer reservation system (CRS) services;

b) Road Transport Services

i) Passenger transportation

ii) Freight transportation

iii) Rental of commercial vehicles with operator

iv) Maintenance and repair of road transport equipment

v) Supporting services for road transport services

Further opportunities arise from the liberalization of transport services under the EAC and COMESA trade arrangements, where the country has taken commitments in the following three sub-sectors: air transport (only aircraft repair and maintenance, supporting services for air transport – Selling and marketing of air transport services and computer reservation system services); Road transport (only passenger transportation, freight transportation, maintenance and repair of road transport equipment, and supporting services for road transport services); maritime transport (only maintenance and repair of vessels).

129 *World Trade Statistical Review 2017 – WTO Publication*

130 *In all transport services sub sectors, Modes 3 and 4 are is unbound meaning that Kenya still maintains full policy and regulatory discretion*

In view of Kenya's commitment under the WTO on Transport Services, as well as the revealed export potential, the following transport sub-sectors have been identified for purposes of targeting under NEDPS:

a) Maritime Transport Services

b) Air Transport Services

c) Road Transport Services

d) Rail Transport Services

B8/1.7.2 Maritime Transport Services

B8/1.7.2.1 Situational Analysis on Maritime Transport Services

The potential for maritime transport services contributing towards Kenya's national export agenda lie in the significance of this service in global trade. As observed by UNCTAD,[131] over 80 per cent of global trade by volume and more than 70 percent of its value is carried on board ships and handled by seaports worldwide, hence maritime transport is significant for trade and development.

In 2016, world seaborne trade volumes expanded by 2.6 per cent, up from 1.8 per cent in 2015, but below the historical average of 3 per cent recorded over the past four decades. Total volumes reached 10.3 billion tons, reflecting the addition of over 260 million tons of cargo, about half of which was attributed to tanker trade. Further, the UNCTAD report forecasted world seaborne trade to increase by 2.8 per cent in 2017, with total volumes reaching 10.6 billion tons. Projections for the medium term also point to continued expansion, with volumes growing at an estimated compound annual growth rate of 3.2 per cent between 2017 and 2022. Cargo flows are set to expand across all segments, with containerized and major dry bulk commodities trade recording the fastest growth.

Exports of maritime transport services occurs when Kenyan maritime transport service providers extend their services to foreign entities for their goods being imported into Kenya or their goods being exported from Kenya. These services include cargo-handling services, storage and warehouse services and maritime freight transport agency.

The port of Mombasa is the primary facility that will take lead in delivery of maritime transport services exports over the NEDPS period (2018-2022). This is because the port is the gateway and exit point for most cargo into the EAC and DRC. The ability of the port to deliver the envisaged maritime transport export services growth is evidenced in the port cargo traffic, which recorded a steady growth of 5.7% from 21.92 million tons in 2012 to 27.36 million tons in 2016. Further indicators of the potential for maritime transport services are provided by:

i) An impressive circulation of container traffic which recorded a 17% increase from 903,463 twenty-foot equivalent units (TEUs) in 2012 to 1,091,371 TEUs by 2016;

ii) Transit traffic which recorded 4% growth to 7.75 million tons in 2016 up from 6.63 million tons in 2012. This growth was mainly supported by Uganda transit traffic which grew by 7.1% over the same period;

iii) Efficiency in containerized cargo dwell time, which in March 2017 led to the surpassing of the target of 72 hours as a result of good performance where the dwell time was 70 hours. The initiatives that have been implemented towards realization of this target include; conducting joint verification at all cargo freight stations in Mombasa, pre-clearance of cargo before docking of any vessel among others;

131 *Review of Maritime Transport 2017 (UNCTAD).*

iv) A new container terminal with an annual capacity of 470.000 to 550,000 (TEUs) per year. This has already resulted in improvement of the time it takes from the time a vessel arrives at the port area in the port of Mombasa to the time it first berths improved from 68 hours in January 2015 to about 8 hours in December 2016,[132] and,

v) Competitiveness of the port of Mombasa as a port of embankment for East and Central Africa destined cargo as a result of geographical location which takes a shorter time for ship from all over the world docking in Mombasa as compared to other regional ports.

B8/1.7.2.2 Constraints to Maritime Transport Export Services

The above opportunities notwithstanding, maritime transport export services face a number of constraints as observed by Kenya Ports Authority (KPA):

i) Poor business enabling environment characterized by duplicity of roles among trade facilitation institutions;

ii) Limited berths for specialized services (e.g., 1 bulk grain discharge terminal);

iii) Limited manual labour (mainly affecting labour intensive conventional loading/discharge operations) leading to low labor productivity;

iv) Slowed discharge/loading operations, reduced turnaround time of trucks etc. during rainy season;

v) Weak clearing and forwarding agencies leading to inaccurate of documentation that subsequently lead to delays in cargo clearance;

vi) Stretched local shunting trucking capacity in times of peak demand; and,

vii) Poor cargo off take by rail and road, cargo clearance delays, lack of full automation, operational wastages and poor resource utilization. These are compounded by changing ship technology; poor urban planning around the port; a changing legal and policy environment; corruption occurring along the Northern Corridor.

The bulk of these constraints are being addressed through the TradeMark East Africa (TMEA) supported program geared towards providing KPA with additional capacity to handle increasing demand of maritime transport services. The program includes:

i) Legal and Regulatory Revision;

ii) Port-wide Productivity Improvement;

iii) Infrastructure and Facilities Improvement;

iv) Preliminary analysis of the Mombasa Dry Port Initiative;

v) Supporting KPA's communications with all key stakeholders, decision-makers and communities;

vi) Mitigation and adaptation to climate impacts at the Port.

B8/1.7.3 Air Transport Services

B8/1.7.3.1 Situational Analysis on Air Transport Services

Air transport services play a key role in global trade, which as alluded to early on, takes a second position after maritime transport services. The services include passenger and cargo airfreight. According to the International Air Transport Association (IATA), air transport services are a multibillion

132 The Maritime Port of Mombasa by Northern Corridor Transit and Transport Coordination Authority

global trade. For instance in 2016, IATA estimated that air travelers spent approximately $650 billion in 2016. During the same year, IATA estimated that airfreight cargo business stood at USD5.5 trillion in 2016. Kenya is already taking a share through the National Career, Kenya Airways directly or through partnership arrangements with other international airlines. It is a lucrative trade that Kenya seeks to enhance her share through deliberate air transport services export development and promotion.

Kenya's exports of air transport services occurs when Kenyan air transport service providers offer the following services to foreigners or foreign entities - passenger transport or air cargo freight and handling for their goods being imported into Kenya or their goods being exported from Kenya. These services include passenger services, cargo-handling services, airfreight related storage and warehouse services and air freight transport agency. It also includes maintenance and repair of foreign aircrafts, aircraft pushing and towing services.

Prospects for the growth in Kenya's exports of air transport services lie in the robust infrastructure that is already developed. This includes: Thirty-nine (39) airports in Kenya including airstrips. The six main airports are Jomo Kenyatta International Airport (JKIA), Nairobi; Moi International Airport (MIA), Mombasa; Kisumu; Eldoret; Lamu, Isiolo and Wajir Aiports. Only JKIA, MIA and Kisumu Airport are international airports. About 130,000 aircrafts land and take off from JKIA every year.

Another infrastructural development that contributes towards brightening the future of Kenya's air transport services exports focusing on air cargo is the improvement of air cargo ground handling facilities from a singular entity (i.e. Kenya Airfreight Handling Limited) to five modern facilities with direct access to the airside. These include: Transglobal Cargo Centre, Swissport Cargo Complex, Siginon Freight Centre and Kenya Airways Cargo Centre. This growth has seen the expansion of the cargo apron at JKIA which can currently accommodate 8 wide-bodied aircraft simultaneously. The infrastructural improvements have attracted all freighter services from various airlines including; Lufthansa, Saudi, Etihad, Emirates, Turkish, Singapore, Martinair, Air France/KLM, Astral Aviation among various adh0c all-cargo charter flights.

Further hope to the country's growth in exports of air transport services arise from the recently adopted 'Single African Air Transport Market (SAATM) which was signed by 23 African Nations. SAATM guarantees a 25% decrease in airfares, with the benefits set to trickle in by mid-2018.[133]

B8/1.7.4 Constraints to Exports of Air Transport Services

Although Kenya is strategically placed to serve as the hub of air traffic for East and Central Africa, the following challenges, as observed by the recent study by Shippers Council of Eastern Africa[134] and other reviewed literature act as an impediment:

i) Stringent bilateral air transport agreements that limit connectivity and enhanced aircraft capacity utilization;

ii) High cost of passenger air transport, partly associated with stringent bilateral air transport agreements;

iii) Long cargo dwell time, which ranges between three to five days;

iv) Over-capacity in air cargo flights, leading to an average of 40% excess capacity, especially due to seasonality of Kenyan fresh produce exports and lack of diversification in both export products and markets. This has triggered low return loads among the affected airlines forcing them to increase freight rates through surcharges like fuel and security, to cushion against increased operational costs;[135]

133 *The East African Newspaper, 3 - 9 February 2018*
134 *East Africa Logistics Performance Survey. Shippers Council of Eastern Africa (2016)*
135 East Africa Logistics Performance Survey, Shippers Council of Eastern Africa (2016) at pp8

v) Lack of free storage facilities that cause demurrage charges;

vi) Lengthy Customs documentation that delay cargo clearance; and,

vii) Numerous regulatory agencies with overlapping mandates are driving away traffic.

B8/1.7.5 Road Transport Services

B8/1.7.5.1 Situational Analysis on Road Transport Services

Kenya serves as a gateway, through road transport, to most regions of East and Central Africa and the Northern Corridor. This strategic position raises prospects of exports of road transport services to play a key role in the national export growth agenda. Road transport services include: passenger services, cargo handling, maintenance and repairs as well as lease of road transport vehicles.

Kenya exports of road transport services occurs when Kenyan road transport service providers offer the following services to foreigners or foreign entities - passenger transport or road cargo freight and handling for their goods being imported into Kenya or their goods being exported from Kenya. These services include passenger services, cargo-handling services, road freight related storage and warehouse services and road transport freight agency. It also includes maintenance and repair of foreign road transport vehicles.

Opportunities for exports of road transport services appear to be immense as a result of major infrastructural development include improvements of northern corridor transport systems. These opportunities are evident in paved roads connecting Kenya and her neighbours. As observed in the Northern Corridor Observatory Report of 2017, 67% of the roads in Kenya are in good condition paved and tarmacked. The ongoing roads infrastructure upgrading including the planned expansion of Nairobi-Mombasa Highway is expected to bring more improvements. Other developments that favour the country's export of transport services include:

i) Introduction of the electronic cargo tracking system;

ii) Introduction of Single Customs Territory (SCT) which has reduced border crossing bureaucracy and transit time;

iii) Installation of High Speed Weigh in Motions (HSWIM) weighbridges, which has reduced time spent at weighbridges;

iv) Reduce port dwell time: Port Dwell Time has been reducing steadily over time. As at March 2017, dwell time was recorded as 70 hours suggesting tremendous improvement which outperforms performance of 72 hours set target; and,

v) Use of digital scanner to minimize delays or ease verification of goods at the border stations. This has been implemented at some key border stations and the Port of Mombasa.

B8/1.7.6 Constraints to Exports of Road Transport Services

Exports of road transport services faces the following constraints, which must be overcome in bid to promote the contribution of these services in total services exports:

i) Lack of awareness of road transport services export opportunities;

ii) Transit time higher than the northern corridor benchmark of most cost efficient transit time as a result of traffic jam across cities and towns which transit corridors pass through, occasional congestion at the border crossing;

iii) Lack of harmonized road user charges leading to high cost of road freight;

iv) Restrictive truck licensing regimes that restrict back haul cargo thus resulting in high transit costs; and,

v) Visa fee for truck crew in member countries.

B8/1.7.7 Rail Transport services

B8/1.7.7.1 Situational Analysis on Rail Transport Services

Kenya's railway line is a critical asset for establishment of a competitive transport system in trade. Efficiency and effectiveness of the Kenya railway system is important in the region to ensure competitiveness of the port of Mombasa. Given the great distances between the port of Mombasa towards the western part of Kenya and into Uganda and further forward, the Railways infrastructure is important for transportation of goods in both directions.

Kenya exports of rail transport services occurs when Kenyan rail service offer the following services to foreigners or foreign entities - passenger transport or rail cargo freight and handling of their goods being imported into Kenya or their goods being exported from Kenya. These services include passenger services, cargo-handling services, rail freight related storage and warehouse services and rail transport freight agency.

Globally, reports show that railways cater for a significant share of the national freight task, with roads being comparatively better suited for the last mile mode due to flexibility and ability to reach the final destination.[136] However, this is not the case in Kenya. For instance, a 2014 study indicated that 60% of incoming goods from the port of Mombasa are transported by road.[137] However, the percentage of goods transported by rail is expected to improve following the launch of Standard Gauge Railway (SGR) cargo services in 2017. There are prospects to increase the rail cargo freight once the phase II of the SGR is completed, linking rest of the country with Kisumu and linking Kenya to Uganda through Malaba/Busia.

B8/1.7.8 Constraints to Export of Rail Transport Services

The following constraints are a key limitation to the prospects for the country to exploit rail transport services export potential:

a) Stiff competition from road freight, which was spurred by the inefficiencies of the Meter Gauge Railway, thus prompting huge road transport investments that the country and the region has relied upon for freighting cargo from the sea port. This led to rail freight charges on the Mombasa to Kampala line to decline over the last three years as MGR rail services tried to cope with this competition;[138]

b) Concerns about efficiency and cost effectiveness of the SGR cargo freight services because of the last mile costs from inland depot at Embakasi;

c) Insufficient cargo, especially for sea bound cargo train, which affects the overall costing of rail cargo freight; and

d) Poor SGR link with hinterlands, especially cases where the old rail lies in a state of disrepair and neglect.

136 The Transformative Benefits of the standard Gauge Railway. KIPPRA

137 *Railway Transportation Policy in Kenya: State of Play and Policy Challenges. Institute of Economic Affairs.*

138 *See 2016 East Africa Logistics Performance Survey. Shippers Council of Eastern Africa at pp 19*

B8/1.7.9 Strategic Objectives towards Development and Promotion of Export of Transport Services

In order to promote exports of transport services, interventions geared towards addressing challenges that each of the mode of transport faces has been proposed within the framework of the following strategic objectives:

1. To provide a business enabling environment for transport services
2. To promote strengthening of transport service providers
3. To support development of transport services with a view to enhancing supply of these services to ensure Kenya competes in the global arena
4. To promote exports of transport services in target destination countries.

B8/1.7.10 Strategic Intervention and Resource Requirements for Development and Promotion of Transport Services Export

Strategic Objective #1:

To provide a business enabling environment for transport services

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KES M)
1) Develop a national export transport policy for maritime, air, road and rail services targeting regional global transport services market	Ministry of Transport, SDT, and All transport sector stakeholder organizations	5
2) Encourage development of maritime, air, road and rail services industry standards to promote Kenya as a source of transport services	Ministry of Transport, SDT, and All transport sector stakeholder organizations	10
3) Develop transport services trade statistics capture system and an M&E framework for tracking performance and impact of transport services exports	Ministry of Transport, SDT, and All transport sector stakeholder organizations	10

Strategic Objective #2:

To promote strengthening of transport service providers

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KES M)
1) Undertake baseline survey to establish maritime, air and road services that are export ready and respective service provider organizations and their needs towards their ability to export the services	Ministry of Transport, SDT, and All transport sector stakeholder organizations	15

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KES M)
2) Support strengthening of national associations of maritime, air and road services sectors to ensure adequacy of capacity and coordinated approach to exports of maritime, air and road services using Transports Service Revolving Export Development Fund	Ministry of Transport, SDT, and All transport sector stakeholder organizations	100
3) Support recruitment of maritime, air and road services providers into export accredited maritime, air, road services and rail national organizations	Ministry of Transport, SDT, and All transport sector stakeholder organizations	10
4) Provide capacity building assistance towards enhancing capacity of all export ready maritime, air, road and rail service providers through Transport Services Revolving Export Development Fund.	Ministry of Transport, SDT, and All transport sector stakeholder organizations	200

Strategic Objective #3:

To support development of transport services with a view to enhancing supply of these services to ensure Kenya competes in the global arena

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KES M)
1) Undertake baseline survey to identify target markets for maritime, air, road and rail services, the type of products required, market access requirements and appropriate modes of supply to be used in exporting the maritime, air and road services to these countries	Ministry of Transport, SDT, and All transport sector stakeholder organizations	20
2) Support development of maritime, air, road and rail services products for exports in response to the target market needs, through Transport Services Revolving Export Development Fund.	Ministry of Transport, SDT, and All transport sector stakeholder organizations	100
3) Support development of infrastructure to enhance exports of maritime, air, road and rail services	Ministry of Transport, SDT, and All transport sector stakeholder organizations	As per ongoing Infrastructure Development Programs under MTPIII
4) Support development of rail links to the SGR cargo services through redevelopment of all old railway lines linking this effort to revamped export drive	Ministry of Transport, SDT, and All transport sector stakeholder organizations	As per ongoing Infrastructure Development Programs under MTPIII

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KES M)
5) Develop an incentive based SGR Cargo/ Exporter Network to provide SGR cargo for Mombasa bound cargo SGR train as part of the NEDPS national export growth drive while addressing the cargo concerns for the Mombasa destined SGR cargo train.	Ministry of Transport, SDT, and All transport sector stakeholder organizations	25

Strategic Objective #4:

To promote exports of transport services in target destination countries

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KES M)
1) Undertake registration/listing of all export ready maritime, air, road and rail services providers including the specific maritime, air, road and rail services and develop a data base and portal to facilitate visibility and ease of access by RC&S services importers/export promotion Agencies	Ministry of Transport, SDT, and All transport sector stakeholder organizations	15
2) Organize maritime, air, road and rail services export events in target markets to create awareness and stimulate B2B deals	Ministry of Transport, SDT, and All transport sector stakeholder organizations	50
3) Organize National Annual event on maritime, air, road and rail services trade, using a cost recovery model, attracting participants and investors, targeting promotion of RC&S services exports	Ministry of Transport, SDT, and All transport sector stakeholder organizations	100

B8/1.7.11 Resource Mobilization Plan for Development and Promotion of Transport Services Export

The estimated resource requirements for implementation of the Transport Services export development and promotion strategy is 495 million plus MTPIII Transport Services[139] Development Budget. The specific interventions under each of the Strategic Objectives and accompanying resource requirements are as provided under the section on 'Strategic Interventions and Resource Requirements'. The sources of funds and Lead Agencies in mobilization of the funds are as listed in the resource mobilization plan below. The institutional structure through which the funds for Transport Services export development and promotion will be mobilized is the 'Transport Sub-Sector Working Group' of NEDPS Trade in Services Sector Working Group. At the Transport SSWG, The Private Sector Stakeholders in the Transport sector will take lead role in driving the agenda for transport services exports with Government playing a facilitative role to ensure requisite resources and enabling environment for development and promotion of the exports of these services.

139 *Transport Sector MTPIII budgetary resources were not available at the time of compiling the Strategy. These resources will be determined in the course of implementation of the strategy because the interventions in the strategy also happen to be in the Transport component of the MTPIII.*

Table B8/6-2: Resource Mobilization Plan for Transport Services

SO#	Strategic Objective/ Focal Areas of Intervention	Amount Required (KESmn)	Estimated NEDPS Annual Resource Requirement (KES Millions)					Source	Lead Agencies in Resource Mobilization
			2018/19	2019/20	2020/21	2021/22	2022/23		
1	To provide a business enabling environment for transport services	25	5	5	5	5	5	MDAs and County Governments' MTPIII Annual Budgets, Private Sector programs, Development Partners	Ministry of Transport, SDT, and All transport sector stakeholder organizations
2	To promote strengthening of transport service providers	325	65	65	65	65	65		
3	To support development of transport services with a view to enhancing supply of these services to ensure Kenya competes in the global arena	145	29	29	29	29	29		
Sub-Total		495 plus MTPIII Infrastructure Devpt Travel Budget	99 plus MTPIII Infrastructure Devpt Travel Budget	99 plus MTPIII Infrastructure Devpt Travel Budget	99 plus MTPIII Infrastructure Devpt Travel Budget	99 plus MTPIII Infrastructure Devpt Travel Budget	99 plus MTPIII Infrastructure Devpt Travel Budget		

B8/1.7.12 Implementation Plan towards Development and Promotion of Transport Services Export

Strategic Interventions/ Program Activities	Implementing Agencies	2018/19				2019/20				2020/21				2021/22				2022/23			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
SO#1: To provide a business enabling environment for transport services																					
1) Develop a national export transport policy for maritime, air, road and rail services targeting regional global transport services market	Ministry of Transport, SDT, and All transport sector stakeholder organizations																				
2) Encourage development of maritime, air, road and rail services industry standards to promote Kenya as a source of transport services	Ministry of Transport, SDT, and All transport sector stakeholder organizations																				

Strategic Interventions/ Program Activities	Implementing Agencies	2018/19				2019/20				2020/21				2021/22				2022/23			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
3) Develop transport services trade statistics capture system and an M&E framework for tracking performance and impact of transport services exports	Ministry of Transport, SDT, and All transport sector stakeholder organizations																				
SO#2: To promote strengthening of transport service providers																					
1) Undertake baseline survey to establish maritime, air and road services that are export ready and respective service provider organizations and their needs towards their ability to export the services	Ministry of Transport, SDT, and All transport sector stakeholder organizations																				
2) Support strengthening of national associations of maritime, air and road services sectors to ensure adequacy of capacity and coordinated approach to exports of maritime, air and road services using Transports Service Revolving Export Development Fund	Ministry of Transport, SDT, and All transport sector stakeholder organizations																				
3) Support recruitment of maritime, air and road services providers into export accredited maritime, air, road services and rail national organizations	Ministry of Transport, SDT, and All transport sector stakeholder organizations																				
4) Provide capacity building assistance towards enhancing capacity of all export ready maritime, air, road and rail service providers through Transport Services Revolving Export Development Fund.	Ministry of Transport, SDT, and All transport sector stakeholder organizations																				

Strategic Interventions/ Program Activities	Implementing Agencies	2018/19				2019/20				2020/21				2021/22				2022/23			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
To support development of transport services with a view to enhancing supply of these services to ensure Kenya competes in the global arena																					
1) Undertake baseline survey to identify target markets for maritime, air, road and rail services, the type of products required, market access requirements and appropriate modes of supply to be used in exporting the maritime, air and road services to these countries	Ministry of Transport, SDT, and All transport sector stakeholder organizations																				
2) Support development of maritime, air, road and rail services products for exports in response to the target market needs, through Transport Services Revolving Export Development Fund.	Ministry of Transport, SDT, and All transport sector stakeholder organizations																				
3) Support development of infrastructure to enhance exports of maritime, air, road and rail transoprt services	Ministry of Transport, SDT, and All transport sector stakeholder organizations																				
4) Support development of rail links to the SGR cargo services through redevelopment of all old railway lines linking this effort to revamped export drive	Ministry of Transport, SDT, and All transport sector stakeholder organizations																				
5) Develop an incentive based SGR Cargo/ Exporter Network to provide SGR cargo for Mombasa bound cargo SGR train as part of the NEDPS national export growth drive while addressing the cargo concerns for the Mombasa destined SGR cargo train.	Ministry of Transport, SDT, and All transport sector stakeholder organizations																				

Strategic Interventions/ Program Activities	Implementing Agencies	2018/19				2019/20				2020/21				2021/22				2022/23			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
To promote exports of transport services in target destination countries																					
1) Undertake registration/ listing of all export ready maritime, air, road and rail services providers including the specific maritime, air, road and rail services and develop a data base and portal to facilitate visibility and ease of access by RC&S services importers/export promotion Agencies	Ministry of Transport, SDT, and All transport sector stakeholder organizations																				
2) Organize maritime, air, road and rail services export events in target markets to create awareness and stimulate B2B deals	Ministry of Transport, SDT, and All transport sector stakeholder organizations																				
3) Organize National Annual event on maritime, air, road and rail services trade, using a cost recovery model, attracting participants and investors, targeting promotion of RC&S services exports	Ministry of Transport, SDT, and All transport sector stakeholder organizations																				

B8/1.8 Information Communication and Technology (ICT) Services

B8/1.8.1 Situational Analysis and opportunities for ICT services exports

Kenya is among the 108 WTO member countries that made commitments in 1994 to facilitate trade in telecommunication services through her schedule of commitment GATS/SC/47 dated April 1994. The commitments encompassed the following telecommunication services:

a) Vending of telecommunications terminal equipment;

b) Installation and maintenance of telecommunications terminal equipment;

c) Voice telephone services: Limited to international home country direct Services;

d) Audiovisual Services:

  i) Motion picture and video tape production services (excluding distribution services);

  ii) Motion picture projection services.

In 1999, Kenya made the following further commitments through 2nd Supplement to GATS/SC/47 dated 18th November 1999, in response to the global development on telecommunication services which the country had already embraced:

a) Telecommunications services (excludes video and audio broadcast services)

For public use:

a) Voice telephone service;

b) Telex services;

c) Telegraph services;

d) Facsimile service;

e) Private leased circuit services;

f) Packet - Switched data transmission services; and

g) Circuit - Switched data transmission services.

For non - public use

Services supplied to closed users group;

a) Voice telephone services;

b) Packet - switched data transmission services;

c) Circuit - switched data transmission services;

d) Telex services;

e) Telegraph services; and

f) Facsimile services.

b) Value added services:

a) Electronic mail;

b) Voice mail;

c) On-line information and data base Retrieval;

d) Electronic data inter charge;

e) Enhanced/value-added facsimile services, incl. Store and forward, store and retrieve;

f) Code and protocol conversion;

g) On-line information and/or data processing (including transaction processing); and

h) Internet and internet access services.

iii) Satellite based

a) Mobile Services;

b) Cellular/Mobile telephone;

c) Personal communications services; and

d) Paging.

iv) Terrestrial based

a) Mobile Services;

b) Cellular/Mobile telephone;

c) Personal communications services; and

d) Paging.

The reforms that the 108 WTO member countries embraced through the commitments they took included the establishment of new telecoms companies, foreign direct investment in existing companies and cross-border transmission of telecoms services. Out of the 108 members, 99 committed to extend competition in basic telecommunications (e.g. fixed and mobile telephony, real-time data transmission, and the sale of leased-circuit capacity). In addition, 82 WTO members have committed to the regulatory principles spelled out in the "Reference Paper", a blueprint for sector reform that largely reflects "best practice" in telecoms regulation.

Participation in this WTO GATS driven global reform positioned Kenya as a key player in the global telecommunication services trade, which the WTO[140] estimates to be worth over US$ 1.5 trillion in revenue, with 40% of this being accounted for by mobile services.

Several policy documents have been guiding development of ICT sector policy in Kenya. In 1997, the Telecommunications and Postal Sector Policy Statement, issued by the Ministry of Information, Transport and Communications, formed the basis for the introduction of competition in several sub-sectors and for the enactment of the 1998 Act. The 2001 Telecommunications and Postal Sector Policy Guidelines, issued by the National Communications Secretariat, set out the strategy for further liberalization after 2004 when Telkom Kenya's exclusivity ended. Later, the Government of Kenya determined that the 2001 ICT policy was inadequate to address issues of convergence, electronic commerce, and e-government. So, it adopted the 2006 National ICT Policy replacing the Telecommunications and Postal Sector Guidelines of December 2001. The 2006 National ICT Policy is based on internationally accepted standards and best practices, particularly the model adopted by the COMESA Council of Ministers in March 2003[141].

The ICT Policy, Legal and Regulatory Framework was further enhanced during MPTII period (2013-2017) through the Government spearheaded development and review of the National ICT Policy, Kenya Information and Communications Act 2014, Postal Corporation Act No. 2 (Amendment 2013), Media Council Act 2013, National Public Communication Policy, National Broadband Strategy and National Language Policy 2015 among others to support sector growth. The government also harmonized its policies, legal and regulatory frameworks within regional integration and economic communities to improve trade and development.

The impact of this reform is witnessed in the exponential growth and development of the ICT sector in Kenya since 2000, outperforming most other sectors of the economy. The sector has been dominated by unprecedented rates of mobile phone penetration and attendant success in innovations of services riding on mobile phones, especially mobile money and mobile applications, including M-Pesa[142] for which Kenya has a strong reputation. Economic sectors which have benefited from this exponential growth include the financial sector which has become more inclusive as a result of mobile money and related applications, agricultural sector, the distribution sector where e-commerce has been redefined by mobile money, education and health sectors where new ICT innovations are redefining new methods of impacting education and delivery of health services, especially in the rural areas which have traditionally lacked access.

It is therefore no coincidence that the ICT services sector in Kenya has been ranked among the fastest growing sectors globally. For instance, the 2015 World Economic Global Information Technology Report ranked Kenya at position two in Africa for government success in promoting ICTs to drive social and economic transformation, including facilitating financial inclusion.

140 *https:// www.wto.org/english/tratop_e/serv_e/telcom_e/telecom_e.htm*

141 *World Bank; Trade in Information and Communication Services: Opportunities for East and Southern Africa, The Case Study for Kenya, Tanzania and Uganda*

142 *A Kiswahili term for mobile money.*

Kenya stood at position ten for its policy and regulatory initiatives that enable growth of this sector.[143]

The ICT sector is therefore ripe for being focused on as a priority sector in search for the Country's options for enhancing national exports. This prospect is bolstered by the following national ICT developments and achievements under MTPII (2013-2017):

The Government and the private sector have developed 60 per cent of the National ICTs infrastructure to improve universal access to ICT services. This involved connecting Kenya to the international broadband highway as well as connecting all major towns in the country through the implementation of the following projects:

a) **County Connectivity Project (CCP) -** Forty seven (47) county headquarters were connected from the National Optic Fibre Backbone Infrastructure (NOFBI) cable and Seventy (70) buildings via wireless to provide the last mile connectivity at the county level;

b) **National Optic Fibre Backbone Infrastructure (NOFBI) II -** by 2017, the Network was expanded and all the forty seven (47) County Government headquarters were connected with fibre broadband network. The Fibre cable network is now covering a distance of 6,000 kilometres linking fifty seven (57) towns within the country. This has increased internet access speeds in the country to more than 500Mb/s). The facility is also providing a gate way to reaching the last mile connectivity;

c) **Government Common Core Network (GCCN) Extension -** The Network was extended to thirty eight (38) State Agencies that are housed in private buildings within and outside Nairobi. In addition, 12 additional network engineers were recruited to maintain the infrastructure to ensure availability and reliability of the networks;

d) **Government Data Centre (GDC) Upgrade Government Private Cloud -** The facility was upgraded with a 10 Gbps link capacity and was maintained to supported applications from the Government organisations. In addition, cloud-computing infrastructure was implemented to increase consolidation of the existing database systems and provide sharing of big data among MDAs, counties and sub counties;

e) **Local Area Network (LAN) cabling** was upgraded and expanded to various government organization and all the forty seven (47) County government headquarters;

f) **Network Operation Center (NOC) -** One (1) NOC was established. The facility is operational with ten (10) network engineers who monitor;

g) **Roll out of 4G Networks -** The Government licensed telecommunications operators to roll our 4G Networks in 2014 starting with Nairobi, Mombasa and Kisumu. In addition, fibre networks in urban residential and commercial areas have increased largely due to new partnership between telecommunications and power companies;

h) **Analogue to Digital TV Migration -** The migration from analogue to digital TV was completed in time to meet the global deadline of 17th June 2015. The roll out of public digital infrastructure project has achieved 90% completion rate. This has seen the number of operational TV channels increase from 14 in 2013 to 200 in 2016. Installation of digital transmitters in 10 sites was completed in June 2017;

143 From an EAC perspective, Rwanda was ranked at position one in Africa and 19th in the world for government success in promoting ICTs to achieve social and economic impact for its citizens, especially through use of ICTs to improve service delivery in education, energy, health and environment sectors

i) **Migration from Medium Wave to FM Radio Transmission -** The Government has facilitated Kenya Broadcasting Corporation (KBC) to migrate 60% from Medium Wave to FM radio transmission as at June 2017;

j) **Universal Access to ICT Services - Basic Voice Infrastructure and Broadband connectivity:** the Government through the Communication Authority of Kenya commenced the roll out of basic Voice Infrastructure to 78 Sub Counties and broadband connectivity to 480 public secondary schools;

k) **National Information Security:**

  i) Established Kenya Computer Incidence Response Team;

  ii) Implemented National Public Key Infrastructure;

  iii) Established the Cyber Command and Incidence Response Centre;

  iv) Information Security Risk Assessment and Systems Audit;

l) **One Network Area Programme**
The Government facilitated the establishment of the One Network Area for telecommunications with a harmonized EAC rate of 10 cents US $ per minute for outgoing calls and zero charges for incoming calls between Kenya, Uganda and Rwanda. This has resulted to a reduction in the cost of doing business within the member states.

Opportunities for Export of ICT Services

Kenya is among the few Africa countries that is exporting software development services to global technology firms from USA, India, South Africa, Spain, Germany, etc. There are tremendous opportunities to develop technology innovations by Kenya professionals and firms to alleviate the shortage of health professionals, and to serve patients across borders. For example, ICT business to business innovations can be used to facilitate e-health and telemedicine where facilities such as radiology machines and human resources such as doctors are shared across distributed hospitals, within the country and across borders as Kenya pushes forward in developing its health tourism;

In addition, mobile phone-based applications can be used to provide various medical services including data analytics where exploitation of anonymized and aggregated data offers opportunities for innovation and the development of new services and alternative revenue streams for ICT firms. Further, the development of wellness applications for mobile phones, and sensors for diagnostics and monitoring applications can reduce the need for high numbers of health workers, while ensuring access to health services by more citizens;

Opportunities also exist for development of ICT innovations to revolutionize business to business supply of education, health, travel and research services in Africa, and the world at large. Evidence already exists of ICT revolutionizing the financial sector in Kenya through mobile money solutions. M-pesa concept has been exported throughout the world, and many countries are replicating the M-PESA's success, expanding it into other services, such as savings, credit, e-commerce and government transactions.

However, research on ICT products and services indicate that importers of ICT services make a decision to purchase based on the following factors: Price, competency, flexibility in delivery, financial stability of supplier, and, ICT service capabilities. To diversify its exports, Kenyan service suppliers in this space need to ensure that they are competitive in all the five factors.

B8/1.8.2 Constraints and Critical Issues Facing Kenya's ICT Sector

Prospects for the country to exploit export opportunities in the ICT sector are hampered by the following constraints, which need be addressed:

a) Lack of an ICT Services export policy to stimulate ICT exports building on national ICT capacity that has been built over the years;

b) Inadequate information on ICT services export opportunities based on destination country needs and telecommunication services liberalization under the WTO;

c) Restrictive destination country legal and regulatory frameworks to support exports of telecommunication, Courier, Audio Visual and ICT services;

d) Lack of implementation of regional and multilateral commitments to telecommunication and ICT services, further to commitments made at regional and multilateral level;

e) Weak ICT infrastructure, especially in rural areas;

f) Inadequate financial resources for investment in cross border services of telecommunication and ICT;

g) Inadequate human capacity for research and development in ICT and mass communication;

h) Low investment in Research and Development (R&D); and

i) A leadership and mentorship gap for the youth and women entrepreneurs especially at the private sector level.

B8/1.8.3 Strategic Objectives Towards Exports of ICT Services

As has been demonstrated in the above analysis, Kenya is a global and regional leader in the ICT services sector. Going forward, it is necessary for Kenya to adopt strategies that will expand the growth of its ICT innovations and export of ICT services and products.[144] Key strategic objectives to achieve this goal are as follows:

1. To development a business enabling environment in support of ICT Services Export;
2. To promote development and branding of ICT services for export;
3. To develop ICT infrastructure and policy environment in support of ICT services export; and.
4. To promote export of Kenya's branded ICT Services in target destination markets.

B8/1.8.4 Strategic Intervention for Development and Promotion of ICT Services Exports

Strategic Objective #1:

To develop a business enabling environment in support of ICT services export

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KES M)
1) Review Kenya Information Communications Act to provide for ICT services export	Ministry of Communication and Information Technology, Communication Authority and Private Sector Stakeholder Organizations in ICT sector	Budget as per MTPIII

144 See Annex on ICT Services, Characterizes of Leading ICT Driven Economies.

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KES M)
2) Review the National ICT Master Plan, the National Broadband Strategy and the National Cyber Security Strategy in-line with the National ICT Policy 2017	Ministry of Communication and Information Technology, Communication Authority and Private Sector Stakeholder Organizations in ICT sector	Budget as per MTPIII
3) Develop national ICT system standards, policies and regulations	Ministry of Communication and Information Technology, Communication Authority and Private Sector Stakeholder Organizations in ICT sector	Budget as per MTPIII
4) Develop ICT Sector Standards for industry self-regulation,	Ministry of Communication and Information Technology, Communication Authority and Private Sector Stakeholder Organizations in ICT sector	Budget as per MTPIII
5) Develop and implement Digitization Strategy, Roadmap and Standards	Ministry of Communication and Information Technology, Communication Authority and Private Sector Stakeholder Organizations in ICT sector	Budget as per MTPIII
6) Develop ICT services export policy building on the framework of the National ICT Policy	Ministry of Communication and Information Technology, Communication Authority and Private Sector Stakeholder Organizations in ICT sector	10
7) Conclude bilateral trade agreements to facilitate cross border exports of niche ICT services and investments in niche ICT services infrastructure and other facilities in promotion of consumer uptake of the services	Ministry of Communication and Information Technology, Communication Authority and Private Sector Stakeholder Organizations in ICT sector	20
8) Develop a ICT services trade statistics capture system and an M&E framework for tracking performance and impact of ICT services exports	Ministry of Communication and Information Technology, Communication Authority and Private Sector Stakeholder Organizations in ICT sector	10

Strategic Objective #2:

To promote development and branding of ICT export services to ensure global visibility and demand for the country's ICT services

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KES M)
1) Undertake baseline survey of ICT services providers ready for ICT services exports in the period 2018-2022	Private Sector Stakeholder Organizations in ICT sector, SDT, Ministry of Communication and Information Technology, Communication Authority	10
2) Undertake baseline survey to target markets for ICT services that Kenya ICT sector is currently producing or has potential to produce and establish demand and export opportunities of these ICT services in these countries	Ministry of Communication and Information Technology, Communication Authority, SDT and Private Sector Stakeholder Organizations in ICT sector	10

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KES M)
3) Support capacity building and skills development for ICT Services for exports, pursuant to the outcome of the baseline surveys, targeting ICT Services suppliers for export market	Ministry of Communication and Information Technology, Communication Authority and Private Sector Stakeholder Organizations in ICT sector	10
4) Support development and branding of ICT services that will have been identified as having export market potential in target countries through ICT sector Export Revolving Fund	Ministry of Communication and Information Technology, Communication Authority, SDT and Private Sector Stakeholder Organizations in ICT sector	100
5) Support cross border investments in ICT services for exports through ICT sector Export Revolving Fund	Ministry of Communication and Information Technology, Communication Authority, SDT and Private Sector Stakeholder Organizations in ICT sector	200

Strategic Objective #3:

To develop ICT infrastructure and policy environment in support of ICT services for export.

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KES M)
1) Develop National ICT Infrastructure in support of the countries ICT services export capacity, focusing on the following already identified programs under MPTIII *i) National Optic Fibre Backbone Infrastructure* *ii) Government Common Core Network (GCCN)* *iii) Disaster Recovery Centre (DRC)* *iv) Government Unified Communication System* *v) Unique Identifier* *vi) County Connectivity Program (CCP phase III)* *vii) Cloud Based Data Centre*	Ministry of Communication and Information Technology, Communication Authority, SDT and Private Sector Stakeholder Organizations in ICT sector	Budget as per MTPIII
2) Enhance National ICT Security i) Cyber Security Infrastructure ii) Analogue to Digital TV migration iii) Migration from Medium wave to FM Radio Transmission iv) Provision of basic Voice Infrastructure under Universal Service Obligation v) Provision of Broadband Connectivity to Schools under Universal Service Obligation	Ministry of Communication and Information Technology, Communication Authority, SDT and Private Sector Stakeholder Organizations in ICT sector	Budget as per MTPIII

Strategic Objective #4:

To promote export of Kenya's branded Telecommunication and ICT Services in target destination markets.

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KES M)
1) Undertake registration/listing of all export ready ICT service providers including the ICT services and products and develop a data base and portal to facilitate visibility and ease of access by ICT services importers/export promotion Agencies	Private Sector Stakeholder Organizations in ICT sector, SDT, Ministry of Communication and Information Technology, Communication Authority	10
2) Organize ICT services export events in target markets to create awareness and stimulate B2B deals	Private Sector Stakeholder Organizations in ICT sector, SDT, Ministry of Communication and Information Technology, Communication Authority	50
3) Organize National Annual event on ICT Services trade, using a cost recovery model, attracting participants and investors, targeting promotion of ICT services exports	Private Sector Stakeholder Organizations in ICT sector, SDT, Ministry of Communication and Information Technology, Communication Authority	100

B8/1.8.5 Resource Mobilization Plan for Development and Promotion of ICT Services Export

The estimated resource requirements for implementation of the ICT Services export development and promotion strategy is 530million plus MTPIII ICT[145] Development Budget. The specific interventions under each of the Strategic Objectives and accompanying resource requirements are as provided under the section on 'Strategic Interventions and Resource Requirements'. The sources of funds and Lead Agencies in mobilization of the funds are as listed in the resource mobilization plan below. The institutional structure through which the funds for ICT Services export development and promotion will be mobilized is the 'ICT Sub-Sector Working Group' of NEDPS Trade in Services Sector Working Group. At the ICT SSWG, The Private Sector Stakeholders in the ICT sector will take lead role in driving the agenda for ICT services exports with Government playing a facilitative role to ensure requisite resources and enabling environment for development and promotion of the exports of these services.

Table B8/7-1: Resource Mobilization Plan towards Development and Promotion of Exports ICT Services

SO#	Strategic Objective/ Focal Areas of Intervention	Amount Required (KESmn)	Estimated NEDPS Annual Resource Requirement (KES Millions)					Source	Lead Agencies in Resource Mobilization
			2018/19	2019/20	2020/21	2021/22	2022/23		
1	To develop a business enabling environment in support of ICT services export	40	8	8	8	8	8	MDAs and County Governments' MTPIII Annual Budgets, Private Sector programs, Development Partners	Ministry of Communication and Information Technology, Communication Authority, SDT and Private Sector Stakeholder Organizations in ICT sector

145 ICT Sector MTPIII budgetary resources were not available at the time of compiling the Strategy. These resources will be determined in the course of implementation of the strategy because the interventions in the strategy also happen to be in the ICT component of the MTPIII

2	To promote development and branding of ICT export services to ensure global visibility and demand for the country's ICT services	330	66	66	66	66	66		
3	To develop ICT infrastructure and policy environment in support of ICT services for export.	As per MTPIII ICT Development Budget	As per MTPIII ICT Development Budget	As per MTPIII ICT Development Budget	As per MTPIII ICT Development Budget	As per MTPIII ICT Development Budget	As per MTPIII ICT Development Budget		
4	To promote export of Kenya's branded Telecommunication and ICT Services in target destination markets.	160	32	32	32	32	32		
Sub-Total		530 plus MTPIII ICT Development Budget	106 plus MTPIII ICT Development Budget	106 plus MTPIII ICT Development Budget	106 plus MTPIII ICT Development Budget	106 plus MTPIII ICT Development Budget	106 plus MTPIII ICT Development Budget		

B8/1.8.6 Implementation Plan towards Development and Promotion of ICT Services Export

Strategic Interventions/Program Activities	Implementing Agencies	2018/19				2019/20				2020/21				2021/22				2022/23			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
SO#1: To develop a business enabling environment in support of ICT services export																					
1) Review Kenya Information Communications Act to provide for ICT services exports	Ministry of Communication and Information Technology, Communication Authority and Private Sector Stakeholder Organizations in ICT sector																				
2) Review the National ICT Master Plan, the National Broadband Strategy and the National Cyber Security Strategy in-line with the National ICT Policy 2017	Ministry of Communication and Information Technology, Communication Authority and Private Sector Stakeholder Organizations in ICT sector																				

Strategic Interventions/Program Activities	Implementing Agencies	2018/19				2019/20				2020/21				2021/22				2022/23			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
3) Develop national ICT system standards, policies and regulations	Ministry of Communication and Information Technology, Communication Authority and Private Sector Stakeholder Organizations in ICT sector																				
4) Develop ICT Sector Standards for industry self-regulation,	Ministry of Communication and Information Technology, Communication Authority and Private Sector Stakeholder Organizations in ICT sector																				
5) Develop and implement Digitization Strategy, Roadmap and Standards	Ministry of Communication and Information Technology, Communication Authority and Private Sector Stakeholder Organizations in ICT sector																				
6) Develop ICT services export policy building on the framework of the National ICT Policy	Ministry of Communication and Information Technology, Communication Authority and Private Sector Stakeholder Organizations in ICT sector																				
7) Conclude bilateral trade agreements to facilitate cross border exports of niche ICT services and investments in niche ICT services infrastructure and other facilities in promotion of consumer uptake of the services	Ministry of Communication and Information Technology, Communication Authority and Private Sector Stakeholder Organizations in ICT sector																				

Strategic Interventions/Program Activities	Implementing Agencies	2018/19				2019/20				2020/21				2021/22				2022/23			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
8) Develop a ICT services trade statistics capture system and an M&E framework for tracking performance and impact of ICT services exports	Ministry of Communication and Information Technology, Communication Authority and Private Sector Stakeholder Organizations in ICT sector																				
SO#2: To promote development and branding of ICT export services to ensure global visibility and demand for the country's ICT services																					
1) Undertake baseline survey of ICT services providers ready for ICT services exports in the period 2018-2022	Private Sector Stakeholder Organizations in ICT sector, SDT, Ministry of Communication and Information Technology, Communication Authority																				
2) Undertake baseline survey to target markets for ICT services that Kenya ICT sector is currently producing or has potential to produce and establish demand and export opportunities of these ICT services in these countries	Ministry of Communication and Information Technology, Communication Authority, SDT and Private Sector Stakeholder Organizations in ICT sector																				
3) Support capacity building and skills development for ICT Services for exports, pursuant to the outcome of the baseline surveys, targeting ICT Services suppliers for export market	Ministry of Communication and Information Technology, Communication Authority and Private Sector Stakeholder Organizations in ICT sector																				
4) Support development and branding of ICT services that will have been identified as having export market potential in target countries through ICT sector Export Revolving Fund	Ministry of Communication and Information Technology, Communication Authority, SDT and Private Sector Stakeholder Organizations in ICT sector																				

Strategic Interventions/Program Activities	Implementing Agencies	2018/19				2019/20				2020/21				2021/22				2022/23			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
5) Support cross border investments in ICT services for exports through ICT sector Export Revolving Fund	Ministry of Communication and Information Technology, Communication Authority, SDT and Private Sector Stakeholder Organizations in ICT sector																				
SO#3: To develop ICT infrastructure and policy environment in support of ICT services for export.																					
1) Develop National ICT Infrastructure in support of the countries ICT services export capacity, focusing on the following already identified programs under MPTIII i) National Optic Fibre Backbone Infrastructure ii) Government Common Core Network (GCCN) iii) Disaster Recovery Centre (DRC) iv) Government Unified Communication System v) Unique Identifier vi) County Connectivity Program (CCP phase III) vii) Cloud Based Data Centre	Ministry of Communication and Information Technology, Communication Authority, SDT and Private Sector Stakeholder Organizations in ICT sector																				
2) Enhance National ICT Security i) Cyber Security Infrastructure ii) Analogue to Digital TV migration iii) Migration from Medium wave to FM Radio Transmission	Ministry of Communication and Information Technology, Communication Authority, SDT and Private Sector Stakeholder Organizations in ICT sector																				

Strategic Interventions/Program Activities	Implementing Agencies	2018/19				2019/20				2020/21				2021/22				2022/23			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
iv) Provision of basic Voice Infrastructure under Universal Service Obligation v) Provision of Broadband Connectivity to Schools under Universal Service Obligation																					
SO#4: To promote export of Kenya's branded Telecommunication and ICT Services in target destination markets.																					
1) Undertake registration/ listing of all export ready ICT service providers including the ICT services and products and develop a data base and portal to facilitate visibility and ease of access by ICT services importers/export promotion Agencies	Private Sector Stakeholder Organizations in ICT sector, SDT, Ministry of Communication and Information Technology, Communication Authority																				
2) Organize ICT services export events in target markets to create awareness and stimulate B2B deals	Private Sector Stakeholder Organizations in ICT sector, SDT, Ministry of Communication and Information Technology, Communication Authority																				
3) Organize National Annual event on ICT Services trade, using a cost recovery model, attracting participants and investors, targeting promotion of ICT services exports	Private Sector Stakeholder Organizations in ICT sector, SDT, Ministry of Communication and Information Technology, Communication Authority																				

B8/1.9 Recreational, Cultural and Sports Services

B8/1.9.1 Situational Analysis and opportunities for Recreational, Cultural and Sports Services Exports

The WTO Services Sectoral Classification List (W/120) lists the following sub-sectors as part of Recreational, Cultural and Sporting Services (other than audiovisual services): Entertainment services; News Agency services; Libraries, archives, museums and other cultural events; and Sporting and other recreational activities. It is estimated that only fifty eight WTO members have made commitments in the sector.[146] These members have primarily made commitments only in the entertainment and sports sub-sectors. Kenya has not liberalized/made any commitments in this sector. The reservations to make commitments by many countries have principally been as a result of concerns about the protection of national culture and heritage in an age of globalisation.[147]

Some of the services in the sporting and other recreational services sub-sector include: coaching and training services; referee and umpiring services; administration and management of sports team, clubs, institutes and other sports facilities; sports agents services, sports drug testing services; instruction in coaching and training of sports or health, leisure and fitness activities, instruction in referee and umpiring services; sports event promotion services; sports event organization services; and sport facility operation services.

Under the entertainment sub-sector tradable services include: theatre and film production services; singing groups, band and orchestra entertainment services; services provided by authors and composers; individual artists; discotheque and dance instructor services; managers; and music trainers, publishers, promoters and distributors among others.

Despite only a few WTO members having taken commitments to liberalize trade in Recreational, Cultural and Sporting Services, there is growing significance of trade in these services. For example, the sports and leisure industry in New Zealand is growing especially with regard to sporting disciplines and health, leisure and fitness activities; and the development and management of sports and fitness facilities.[148]

The entertainment sub-sector is also growing tremendously in some Asian and African Countries. In India, the entertainment sub-sector has grown immensely and is largely concentrated in the private sector. In 2001, the sector produced 1023 feature films.[149] This number grew to 1,602 feature films in 2012 and is currently over 1,700 feature films annually.[150] The overall size of the film industry in India is estimated to be $2.32 Billion with big Indian movies estimated to earn $7-10 Million overseas.[151] Its music industry is believed to be the largest in Asia after Japan and Korea.[152] There is a huge demand for Indian music and films in countries like USA, United Kingdom (UK), Sri Lanka, Mauritius, Malaysia, China, Hong Kong and Singapore.[153]

In Africa, Nigeria is leading in the film industry. According to a 2014 report of the United States International Trade Commission, the Nigerian film industry (also known as Nollywood) generates an

146 *Dorothy Riddle. Business Guide to the General Agreement on Trade in Services. Commonwealth Secretariat.*
147 *Dorothy Riddle. Business Guide to the General Agreement on Trade in Services. Commonwealth Secretariat.*
148 *Negotiating Proposal on Sporting Services: Communication from New Zealand. WTO Council for Trade in Services, S/CSS/W/94. 26 June 2001.*
149 *Jayanta Bagchi (2005) Liberalization of Services: A Global and Indian Perspective.*
150 *Digitization and Mobility: Next Frontier of Growth for M&E. Deloitte. See also UNESCO Institute for Statistics – Record Number of Films Produced*
151 *Digitization and Mobility: Next Frontier of Growth for M&E. Deloitte.*
152 *Jayanta Bagchi (2005) Liberalization of Services: A Global and Indian Perspective.*
153 *Jayanta Bagchi (2005) Liberalization of Services: A Global and Indian Perspective. See also Digitization and Mobility: Next Frontier of Growth for M&E. Deloitte*

average of $600 million annually for the Nigerian economy with the most of these receipts coming from the African diaspora. It is estimated that over one million people are currently employed in the industry making it Nigeria's largest employer after Agriculture.[154]

The Kenyan entertainment and media market was worth US2.1billion in 2016.[155] It is estimated that by 2020, it will have hit US3billion (this figure includes media advertising services which are currently very vibrant).[156] The rise of the smartphones in Kenya and mobile internet access has contributed to this growth. For example, the SKIZA Tune (by Safaricom a mobile service provider in Kenya) a subscription service offering caller ring back music for five Kenya Shillings per song per week has been a great boost for Kenyan musicians as they receive monthly payments from them for the use of their music by mobile service consumers.

Kenyan music has gained popularity in Kenya leading to a growth in the industry. It is estimated that by 2014, the core of the Kenyan music industry had employed over one hundred thousand people, majority of whom were artists and composers that produce music.[157] According to the PricewaterhouseCoopers (PWC) Entertainment and Media Outlook 2016-2020, Kenya will enjoy strong growth in the music industry in the next five years as a result of its strong mobile music sector. The projection of Kenya's music revenue as at 2020 is US$29 Million.

A few Kenyan musicians have been able to penetrate the international market. This is mainly attributed to creativity and originality of their work. For example the Kenyan music group Sauti Sol was crowned Africa's Best Group by the MTV Africa Music Award of 2016 while Akothee and Victoria Kimani were named East African best female artiste of the year 2016 and 2017 respectively by the African Muzik Magazine Awards (AFRIMMA), an African award ceremony in the diaspora.

Even though the Kenya film and theatre industry is mainly concentrated in the private sector, there have been government efforts to develop the industry. For example, in order to promote local films in the counties, the Kenya Film and Classification Board together with the Ministry for Sports, Culture and the Arts developed the *Sinema Mashinani* programme where mobile cinemas broadcast free films to the public acted by locals and in vernacular. The aim of the programme is to nurture talent and promote creation of films in vernacular to celebrate Kenya's cultural diversity.

Kenya's landscape is an attractive location for shooting movies hence a great opportunity for Kenya to develop its film industry as well as attract foreign producers to shoot movies in Kenya. There are several Hollywood movies that have been partly shot in Kenya such as the *First Grader, Tomb Raider, The Cradle of Life, Rise and Fall of Idi Amin, Out of Africa, Nowhere in Africa, White Mischief, Cry Freedom, the Constant Gardner,* among others. The release of some of these Hollywood movies led to scores of tourists visiting Kenya to experience the wildlife safari. Kenya has, however, been losing this opportunity as several Hollywood movies are now being shot in South Africa such as the *Eye in the Sky* whose storyline is about Eastleigh area in Nairobi but was shot in Cape town, South Africa. No clear reasons have been given for this shift.

With regard to theatre, Kenya National Theatre and Alliance Francaise have staged several local original plays, by Festival of Creative Arts (FCA), Phoenix Players, Heartstrings Entertainment, Fanaka Arts and other theatre groups, such as Forbidden, Betrayal and Trapped which have been

154 Nigeria's Film Industry: Nollywood Looks to Expand Globally. United States International Trade Commission (USITC) Executive Briefing on Trade, October 2014

155 The PricewaterhouseCoopers (PWC) Entertainment and Media Outlook 2017-2021: An African Perspective. 8th Annual Edition, September 2017

156 The PricewaterhouseCoopers (PWC) Entertainment and Media Outlook 2017-2021: An African Perspective. 8th Annual Edition, September 2017.

157 The National Music Policy of Kenya, 2015.

re-staged severally due to public demand. The suppliers in this industry have, however, complained of high fees for premises to stage their plays and high cost of production which therefore increases their overheads.[158] In addition, actors/actresses are poorly paid. It is reported that the highest paid actor/actress is paid about Kenya Shillings Five Thousand per play (which runs for round two weeks), depending on whether the play has a major sponsor.[159]

On sports, Kenya is well known for having great athletes who win awards in track and marathon events all over the world. In addition, its rugby team has recently been on the map for performing well in Rugby competitions around the world.

A number of institutions have currently been organizing themed sports events all over the country that have attracted both local and international participants. These include: the Lewa Marathon aimed at raising funds for conservation and community projects in and around Northern Kenya; the Standard Chartered Nairobi Marathon that is held once a year; the Tusker Safari Seven Rugby Tournament; Safari Rally which is the only African event on the World Rally circuit and believed to be the toughest of the fourteen international rally courses; Rhino Charge, a motor sports event held annually to raise money for conservation; football matches and the Kenya Open Golf Championship.

Currently, export of recreational, cultural and sporting services in Kenya is predominantly under Mode 4 - presence of natural persons and Mode 2 - Consumption abroad. Under Mode 4, Kenyans in the sector move to other countries to offer their services for example, Kenyan musicians have been travelling abroad to perform in functions organized by Kenyans in the diaspora.

With regard to Mode 2, services consumers have been travelling to Kenya to participate in sports activities such as the Safari Rally and Marathons as well as entertainment events for instance music concerts and competitions like the Tusker Project Fame.

Table B8/8-1: Illustration: Mode of Supply of Recreational, Cultural and Sporting Services

Mode (GATS Article 1:2)	Description	Illustration
Mode 1	Cross-border supply	Film company from Country A (importer) receives script writing services via internet, telecommunication or mail from a script writer located in Country B (exporter)
Mode 2	Consumption Abroad	Person residing in Country A (importer) travels to Country B (exporter) to watch a football match in Country B.
Mode 3	Commercial Presence	A film production service supplier from Country B (exporter) moves to Country A (importer) and establishes a film production company in Country A.
Mode 4	Presence of Natural Persons	Dance instructors, trainers, and coaches who are citizens/residents of Country B (exporter) travel to Country A (importer) to offer their services.

The regulatory framework for the Recreational, Cultural and Sporting Services sector in Kenya includes the following:

a) **The Copyright Act No. 12 of 2001** protects literary, musical and artistic work in Kenya. Section 22 of the Act lists six works that are eligible for copyright. They are literary works, musical works, artistic works, audio-visual works, sound recordings and broadcasts. Literary,

158 Some Interesting Facts About Kenyan Theatre. Daily Nation of Saturday April 8, 2017
159 Some Interesting Facts About Kenyan Theatre. Daily Nation of Saturday April 8, 2017

musical and artistic work are only eligible for copyright if they are original and have been written down, recorded or otherwise reduced to material form.[160]

b) **The Entertainments Tax Cap 479** of the Laws of Kenya. The Government levies an Entertainment Tax on all payments for admission to an entertainment at the rate of eighteen per centum (18%). However, this tax is not chargeable on entertainment whose net proceeds are intended for public purposes of a charitable, philanthropic, educational, medical, scientific or cultural nature;

c) **The National Music Policy** was launched in 2015 to coordinate the music industry in Kenya with the aim of creating a diverse and innovative music industry capable of competing in the global market;

d) **The Films and Stage Plays Act Cap.22** of the Laws of Kenya governs the making and exhibition of cinematology films. A filming licence is required for films made within Kenya for public exhibition or sale within or outside Kenya;

e) **Sports Act No. 25 of 2013** regulates sports activities in Kenya such as the registration of sports organisations as well as establishes various sports institutions; and

f) **Sports Registrar Regulations 2016** provides for the registration of a sports organization in Kenya. Some of the issues it covers include: establishment of sports organization such as a sports club, county sports association or a national sports association. It also provides for the registration process and requirements; dissolution of the sports organization; licensing of a sports person such as an athlete, coach, player or agent; surrender of license by a sports person; and licensing of a professional sports body; among other issues.

The relevant institutions in the sector are:

a) **The Ministry of Sports, Culture and the Arts** established by Order No. 2 of May 2013 on the organization of the Government, as its title suggests, is responsible for sports, culture and arts in Kenya. Thus, its mandate is to, among others, promote the national culture policy; heritage policy and management; develop the film industry, film policy and promote local content; promote research and conservation of Music; undertake policy, legal and institutional reforms to facilitate implementation of the Ministry's mandate and functions; and to harness, develop, preserve and promote sports in Kenya;

b) **Kenya Cultural Centre** established by Section 2(1) of the Kenya Cultural Centre Act Chapter 218 of the Laws of Kenya. Its mandate is to bring together societies, institutions and organizations of a cultural, academic or philanthropic nature as are and provide a centre for the use and enjoyment of the citizens of Kenya for activities such as performance of music, drama and dancing, exhibition of works of art and craft, holding of meetings for discussion of matters of literary, historical, scientific or educational interest or importance, and such other purposes generally as may be approved by the Council of the Center;

c) **Kenya Copyright Board** established by Section 3(1) of the Copyright Act No. 12 of 2001. Its mandate is to direct, coordinate and oversee the implementation of laws and international treaties and conventions which Kenya is a party to, and which relate to copyright and to ensure the observance thereof;

d) **Music Copyright Society of Kenya** is a non-profit making organization that brings together authors, composers, arrangers and publishers of musical workers. Its main mandate is to collect royalties on behalf of its members and distribute the same to them;

160 Article 22(3) of Copyright Act.

e) **The Permanent Presidential Music Commission** was formed through Kenya Gazette Notice No. 2132 of April 1988. Its functions include, among others, to guide, regulate and co-ordinate music related activities in the country; identify, nurture and promote music and dance talent in the country; and to document, conserve, preserve and disseminate the music and dance heritage of Kenya;

f) **Kenya Film Commission** established by Legal Notice No. 10 of 2005. Some of its core functions are to develop, promote and market the film industry locally and internationally and identify and facilitate the growth of the film industry; generate, manage and disseminate film industry research, information and market data, and act as a repository and archive of Kenya's film records; and provide liaison service for government departments on matters relating to the promotion, marketing and development of the industry;

g) **Kenya Film and Classification Board** established under Section 11(1) of the Kenya Films and Stage Plays Act Chapter 222 of the Laws of Kenya. Its main mandate is to regulate the creation, broadcasting, possession, distribution and exhibition of films with a view of promoting national values and morality;

h) **Sports Kenya,** established under the Sports Act of 2013 (Revised 2015). Some of its functions include promoting, coordinating and implementing grassroots, national and international sports programs for Kenyans; recommending to the relevant authorities issuance of work permits and visas to foreign athletes and technical sports personnel, in consultation with the relevant national sports organizations; and approving, at the request of the respective national sports organizations, the clearance of foreign sports technical personnel before engagement by national sports organizations and other sporting bodies;

i) **Board of Trustees** of the National Sports Fund established by Section 13 of the Sports Act to operate and manage the National Sports Fund established under Section 14 (1) of the Sports Act; and

j) **Kenya Academy of Sports** established by Section 33(1) of the Sports Act. Some of its functions include to establishment and management of sports training academies; organize, administer and co-ordinate sports courses for technical and sports administration personnel; and receive and analyze data on training requirements for sports organizations.

B8/1.9.2 Constraints to Export of Recreational, Cultural and Sports Services

The country's prospects for exploiting export opportunities for Recreational, Cultural and Sporting Services is impeded by the following constraints:

a) ***Piracy***

According to the World Intellectual Property Organisation, Kenya's music industry is diverse and vibrant. However, under-investment, ineffective management of intellectual property rights and rampant piracy have prevented the industry from realizing its economic potential and left its artists struggling to earn a living.[161] According to the Kenya Copyright Board (KECOBO), at least 98% of music sold in Kenya is pirated. This therefore means that the royalty collected is minimal, implying meagre returns for the artists.

Royalty collection by the Music Copyright Society of Kenya (MCSK) was at $3.6 Million in 2016.[162] Out of the US$3.6 Million collected, 58% was utilized to cover the expenses of the MCSK related to enforcement of copyright. Thus only US$1.27 Million was paid in royalties to the artists, translating to around US$70 per artist per year.[163]

161 On the Beat – Tapping the Potential of Kenya's Music Industry. WIPO
162 Music in Africa at https://www.musicinafrica.net/magazine/kenya%E2%80%99s-music-industry-waking-its-potential-0
163 Music in Africa at https://www.musicinafrica.net/magazine/kenya%E2%80%99s-music-industry-waking-its-potential-0

b) *Poor infrastructure*

Kenya has inadequate infrastructure to effectively support the Recreational, Cultural and Sports sector. For example, some of the stadia in the counties need an uplift to be able to host international sporting competitions. Recently, Kenya lost the opportunity to host the 2018 African Nations Championships due to the slow pace of construction of the four stadia earmarked to host the tournament.

With regard to the film industry, film infrastructure is expensive and therefore major investment is required to ensure that Kenya is competitive in the sector.

c) *High cost of production and inadequate access to finance*

Heavy expenditure is required to shoot films, come up with theatre plays as well as record music that can compete in the international market.

d) *Security Concerns*

Current political environment as well as terrorists' attacks have affected trade in the sector. For example, one of the reasons for the withdrawal of Kenya's hosting rights with regard to the 2018 African Nations Championships was the security situation in the country with associated with the annulment of the August 8, 2017 Presidential Elections and the uncertainty surrounding the repeat polls.

e) *Inadequate Skills Development Programs and Training institutions*

For any film or art to be marketable, it must be creative and original. Creativity and originality in the entertainment sub-sector has been affected by inadequate skills and training institutions. According to a report by the British Council, the Kenya film industry is struggling because of lack of proper training and skills in film making therefore affecting the quality of the end-product.[164] This is mainly attributed to the fact that all East African countries lack creative studies at the primary and secondary levels of the education system.[165] The only creative activities undertaken by most schools are club activities such as music and drama club. Arts and culture based studies are introduced at the tertiary level and are market driven.[166]

f) *Doping in Kenya's sports industry*

Kenya is on the World Anti-Doping Agency watch list following cases of positive testing of doping among Kenyan marathon contestants.

B8/1.9.3 Strategic Objectives to enhance Export of Recreational, Cultural and Sports Services

The opportunity for the country to develop and promote exports in Recreational, Cultural and Sporting Services lies in the natural endowment as described above. These opportunities will be exploited through interventions that target the constraining environment within the following framework of the strategic objectives, which are designed to ensure precision in resolving the constraints and spur exports of Recreational, Cultural and Sporting Services:

1. To provide enabling legal and regulatory environment in support of exports of RC&S Services;
2. To promote strengthening of RC&S institutional framework in support of export of RC&S Services;
3. To promote development of recreational, cultural and sports services for export; and,
4. To promote export of professional sporting and other recreational services.

164 *Scoping the Creative Economy in East Africa. The British Council.*
165 *The Status of the Creative Economy in East Africa. Ubanifu Report 2016 by Hivos People Unlimited.*
166 *The Status of the Creative Economy in East Africa. Ubanifu Report 2016 by Hivos People Unlimited.*

B8/1.9.4 Strategic Interventions for Development and Promotion of Recreational, Cultural and Sports Services

Strategic Objective #1:

To Provide Enabling Legal and Regulatory Environment in Support of Exports of RC&S Services

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KES M)
1) Develop a national export policy for Recreational, Cultural and Sports services	Ministry of Culture, Sports and The Arts, SDT, and all stakeholder organizations in the RC&S sector	5
2) Review the legal and regulatory framework to ensure legal and regulatory basis for promotion of RC&S services	Ministry of Culture, Sports and The Arts, SDT, and all stakeholder organizations in the RC&S sector	5
3) Conclude bilateral trade agreements with target countries geared towards providing a framework for Kenya RC&S service providers exporting services to these countries	Ministry of Culture, Sports and The Arts, SDT, and all stakeholder organizations in the RC&S sector	20
4) Develop a RC&S services trade statistics capture system and an M&E framework for tracking performance and impact of RC&S services exports	Ministry of Culture, Sports and The Arts, SDT, and all stakeholder organizations in the RC&S sector	10

Strategic Objective #2:

To Promote Strengthening of RC&S Institutional Framework in Support of Export of RC&S Services

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KES M)
1) Undertake baseline survey to establish RC&S services that are export ready or have potential to be export during the period 2018-2022 and respective RC&S service providers and their needs. Establish RC&S service providers, institutional affiliation and existing national institutional arrangement and capacity for promoting RC&S services for export	Ministry of Culture, Sports and The Arts, SDT, and all stakeholder organizations in the RC&S sector	25
2) Support strengthening of national associations of RC&S to ensure adequacy of capacity and coordinated approach to exports of RC&S services	Ministry of Culture, Sports and The Arts, SDT, and all stakeholder organizations in the RC&S sector	15
3) Support recruitment of RC&S service providers into export accredited RC&S national organizations	Ministry of Culture, Sports and The Arts, SDT, and all stakeholder organizations in the RC&S sector	5

Strategic Objective #3:

To Promote Development of Recreational, Cultural and Sports Services for Export

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KES M)
1) Undertake baseline survey to identify target markets and market access requirements and appropriate modes of supply to be used in exporting the services	Ministry of Culture, Sports and The Arts, SDT, and all stakeholder organizations in the RC&S sector	50
2) Support development of appropriate infrastructure and facilities for RC&S services of export, using RC&S revolving export development fund	Ministry of Culture, Sports and The Arts, SDT, and all stakeholder organizations in the RC&S sector	500
3) Support development of RC&S services training and skills development institutions to serve national and international artists/ sportspersons	Ministry of Culture, Sports and The Arts, SDT, and all stakeholder organizations in the RC&S sector	10
4) Support skills development, especially for new entrants into the RC&S services sector to respond to international demand for these services	Ministry of Culture, Sports and The Arts, SDT, and all stakeholder organizations in the RC&S sector	50

Strategic Objective #4:

To Promote Export of Professional Sporting and other Recreational Services

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KES M)
1) Undertake registration/listing of all export ready RC&S service providers including the specific RC&S services and develop a data base and portal to facilitate visibility and ease of access by RC&S services importers/export promotion Agencies	Ministry of Culture, Sports and The Arts, SDT, and all stakeholder organizations in the RC&S sector	5
2) Organize RC&S services export events in target markets to create awareness and stimulate B2B deals	Ministry of Culture, Sports and The Arts, SDT, and all stakeholder organizations in the RC&S sector	50
3) Organize National Annual event on RC&S services trade, using a cost recovery model, attracting participants and investors, targeting promotion of RC&S services exports	Ministry of Culture, Sports and The Arts, SDT, and all stakeholder organizations in the RC&S sector	100

B8/1.9.5 Resource Mobilization Plan for Development and Promotion of Recreational, Cultural and Sports Services Export

The estimated resource requirements for implementation of the Recreational, Cultural and Sports Services export development and promotion strategy is 850million. The specific interventions under each of the Strategic Objectives and accompanying resource requirements are as provided under the section on ‘Strategic Interventions and Resource Requirements’. The sources of funds and Lead Agencies in mobilization of the funds are as listed in the resource mobilization plan below. The institutional structure through which the funds for Recreational, Cultural and Sports Services export development and promotion will be mobilized is the ‘Recreational, Cultural and Sports Services Sub-Sector Working Group’ of NEDPS Trade in Services Sector Working Group. At the Recreational, Cultural and Sports Services SSWG, The Private Sector Stakeholders in the Recreational, Cultural and Sports Services sector will take lead role in driving the agenda for health services exports with Government playing a facilitative role to ensure requisite resources and enabling environment for development and promotion of the exports of these services.

Table B8/8-2: Resource Mobilization Plan for Development and Promotion of Recreational, Cultural and Sports Services Export

SO#	Strategic Objective/ Focal Areas of Intervention	Amount Required (KESmn)	Estimated NEDPS Annual Resource Requirement (KES Millions)					Source	Lead Agencies in Resource Mobilization
			2018/19	2019/20	2020/21	2021/22	2022/23		
1	To provide enabling legal and regulatory environment in support of exports of RC&S Services	40	8	8	8	8	8	MDAs and County Governments’ MTPIII Annual Budgets, Private Sector programs, Development Partners	Ministry of Culture, Sports and The Arts, SDT, and all stakeholder organizations in the RC&S sector
2	To promote strengthening of RC&S institutional framework in support of export of RC&S Services	45	9	9	9	9	9		
3	To promote development of recreational, cultural and sports services for export	610	122	122	122	122	122		
4	To promote export of professional sporting and other recreational services	155	31	31	31	31	31		
	Sub-Total	850	170	170	170	170	170		

B8/1.9.6 Implementation Plan towards Development and Promotion of Recreational, Cultural and Sports Services Export

Strategic Interventions/ Program Activities	Implementing Agencies	2018/19				2019/20				2020/21				2021/22				2022/23			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
SO#1: To Provide Enabling Legal and Regulatory Environment in Support of Exports of RC&S Services																					
1) Develop a national export policy for Recreational, Cultural and Sports services	Ministry of Culture, Sports and The Arts, SDT, and all stakeholder organizations in the RC&S sector																				

Strategic Interventions/ Program Activities	Implementing Agencies	2018/19				2019/20				2020/21				2021/22				2022/23			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
2) Review the legal and regulatory framework to ensure legal and regulatory basis for promotion of RC&S services	Ministry of Culture, Sports and The Arts, SDT, and all stakeholder organizations in the RC&S sector																				
3) Conclude bilateral trade agreements with target countries geared towards providing a framework for Kenya RC&S service providers exporting services to these countries	Ministry of Culture, Sports and The Arts, SDT, and all stakeholder organizations in the RC&S sector																				
4) Develop an RC&S services trade statistics capture system and an M&E framework for tracking performance and impact of RC&S services exports	Ministry of Culture, Sports and The Arts, SDT, and all stakeholder organizations in the RC&S sector																				
SO#2: To Promote Strengthening of RC&S Institutional Framework in Support of Export of RC&S Services																					
1) Undertake baseline survey to establish RC&S services that are export ready or have potential to be export during the period 2018-2022 and respective RC&S service providers and their needs. Establish RC&S service providers, institutional affiliation and existing national institutional arrangement and capacity for promoting RC&S services for export	Ministry of Culture, Sports and The Arts, SDT, and all stakeholder organizations in the RC&S sector																				

Strategic Interventions/ Program Activities	Implementing Agencies	2018/19				2019/20				2020/21				2021/22				2022/23			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
2) Support strengthening of national associations of RC&S to ensure adequacy of capacity and coordinated approach to exports of RC&S services	Ministry of Culture, Sports and The Arts, SDT, and all stakeholder organizations in the RC&S sector																				
3) Support recruitment of RC&S service providers into export accredited RC&S national organizations	Ministry of Culture, Sports and The Arts, SDT, and all stakeholder organizations in the RC&S sector																				
SO#3: To Promote Development of Recreational, Cultural and Sports Services for Export																					
1) Undertake baseline survey to identify target markets and market access requirements and appropriate modes of supply to be used in exporting the services	Ministry of Culture, Sports and The Arts, SDT, and all stakeholder organizations in the RC&S sector																				
2) Support development of appropriate infrastructure and facilities for RC&S services of export, using RC&S revolving export development fund	Ministry of Culture, Sports and The Arts, SDT, and all stakeholder organizations in the RC&S sector																				
3) Support development of RC&S services training and skills development institutions to serve national and international artists/ sportspersons	Ministry of Culture, Sports and The Arts, SDT, and all stakeholder organizations in the RC&S sector																				

Strategic Interventions/ Program Activities	Implementing Agencies	2018/19				2019/20				2020/21				2021/22				2022/23			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
4) Support skills development, especially for new entrants into the RC&S services sector to respond to international demand for these services	Ministry of Culture, Sports and The Arts, SDT, and all stakeholder organizations in the RC&S sector																				
SO#4: To Promote Export of Professional Sporting and other Recreational Services																					
1) Undertake registration/listing of all export ready RC&S service providers including the specific RC&S services and develop a data base and portal to facilitate visibility and ease of access by RC&S services importers/export promotion Agencies	Ministry of Culture, Sports and The Arts, SDT, and all stakeholder organizations in the RC&S sector																				
2) Organize RC&S services export events in target markets to create awareness and stimulate B2B deals	Ministry of Culture, Sports and The Arts, SDT, and all stakeholder organizations in the RC&S sector																				
3) Organize National Annual event on RC&S services trade, using a cost recovery model, attracting participants and investors, targeting promotion of RC&S services exports	Ministry of Culture, Sports and The Arts, SDT, and all stakeholder organizations in the RC&S sector																				

B9 Cross Cutting Issues Sector

B9/1.1 Overview of Cross Cutting Issues

Cross cutting issues refers to factors that affect export performance across all NEDPS focal sectors. These issues were first identified by the Sector Working Group on 'Cross Cutting Issues'. During the formulation of the Strategy further refinement was made, ending up with the following issues, which are considered to be most critical to export performance right across all sectors.

a) Trade Finance;

b) Foreign markets representation;

c) Trade facilitation;

d) Transport and Logistics;

e) Export Promotion;

f) Investment Promotion for Export Development; and

g) Cross Border Trade facilitation.

B9/1.2 Trade Finance

B9/1.2.1 Situational Analysis of Trade Finance

The country's ability to respond to the huge potential in the destination market for virtually all products that are being targeted in the NEDPS, access to finance will be of paramount importance. The country already has a head start in trade finance for supporting export development through a very vibrant financial sector composed of banking, and non-banking institutions offering different and diverse financial services. It has 51 commercial banks one (1) mortgage finance company, 12 microfinance banks, 8 representative offices of foreign banks, 79 foreign exchange bureaus, 17 money remittance providers and 3 credit reference bureaus[167].

Kenyan banks are supporting trade development through the following trade finance instruments which are being offered by most of the 51 commercial banks.

a) Bank Guarantees
This is a written irrevocable undertaking issued by the Bank to pay the beneficiary on demand if the customer (applicant) has not fulfilled their contractual obligations. The types of guarantees being offered are both local and international bank guarantees. They encompass Bid Bonds/ Tender Bonds, Performance Guarantees, Advance Payment Guarantees, Retention Bonds, Customs/Transit Bonds, Payment Guarantees and Immigration Bonds.

b) LPO (Local Purchase Order)/Local Service Order (LSO) Financing
Through this facility, banks avail finance to exporters who have orders to supply goods or services, but whose ability to supply is limited the cash flow. LPO finance comes in to bridge this gap and enable the traders to export.

c) Bills/Invoice Discounting
The banks have invoice discounting facilities, which provide exporters with an opportunity to access finance against invoices for exports of goods or services that have already been delivered. The banks avail this cash through discounting the subject invoice or Bill.

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d) Documentary Collections (Import and Export Collections)

Documentary collections are used to facilitate importation/exportation of goods between parties and collection of sales proceeds. Banks handle import and export documents on behalf of our clients to ensure prompt payment. This method is most suitable where the contractual parties.

e) Letters of Credit

Letters of Credit are offered thus undertaking to pay exporters/sellers on behalf of clients (importers/buyers) provided the stipulated terms and conditions are compiled to.

f) Pre Export or Pre-shipment Finance

This facility is provided to exporters, against an export LC or confirmed order, to enable them meet the initial costs of raw materials, production, packaging, transport and logistics.

g) Post-import Financing

This facility is provided to importers to enable them access cash to settle their import payment obligations pending receipt of the sales proceeds from the imported goods. It is particularly helpful for those who use imported raw material for production of goods for exports.

h) Bill Purchase

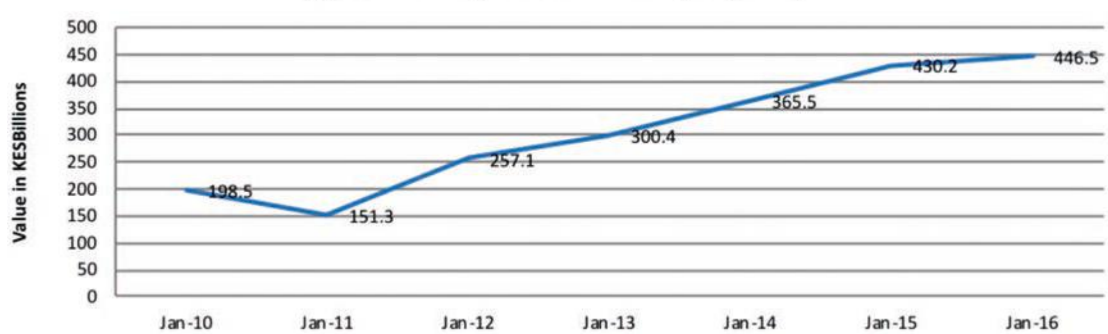
Exporters obtain financing and receive immediate funds in exchange for a sales document not drawn under a letter of credit.

i) Supply Chain Financing

The supply chain financing aims at reducing the burden of a buyer of making multiple payments to suppliers every month. It is most appropriate for manufacturers or processors who rely on multiple suppliers of raw material and other inputs for production. Through a process of reverse factoring, the buyer facilitates the financing of his suppliers against his own credit with the aim of optimizing cash flow while minimizing risk throughout the value chain and getting assured of constant supplier of the raw material or other inputs to the production process.

Analysis of the bank lending by sector shows trade finance to have recorded an impressive increase of 125% from KES198.5billion in 2010 to KES446.5 billion in 2022. As illustrated in the graph below, the growth of trade finance seem to have contracted in 2015 and 2016 where annual growth declined from 22% recorded in 2014 to 18% and 4% in 2016 respectively.

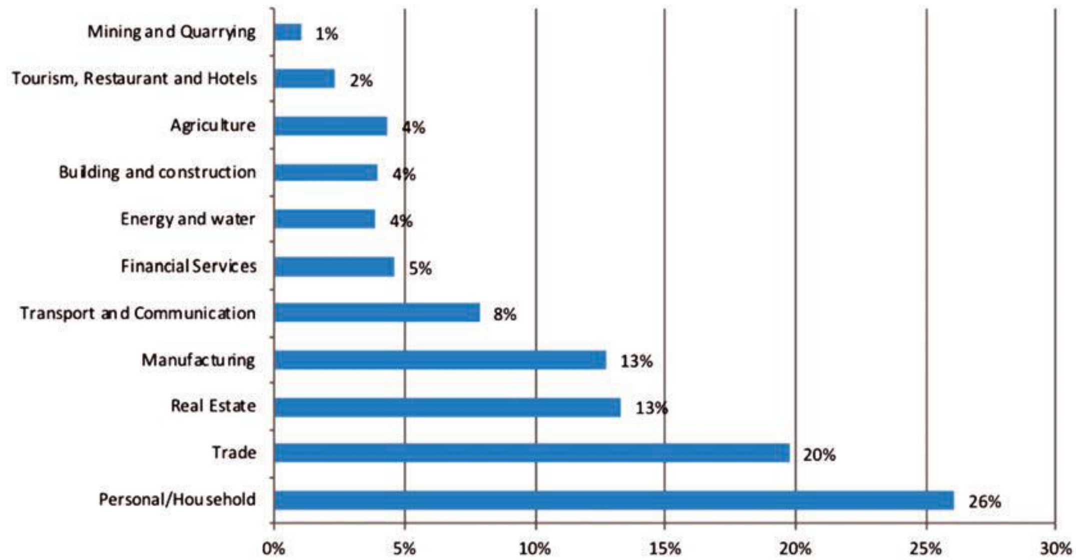
Chart B9/1-1: Kenya Banking Sector Lending to the Trade Sector (Trade Finance) - June 2010 to June 2016 (Figures in KESBillion) - Source CBK Annual Reports (various)



	Jun-10	Jun-11	Jun-12	Jun-13	Jun-14	Jun-15	Jun-16
Trade	198.5	151.3	257.1	300.4	365.5	430.2	446.5

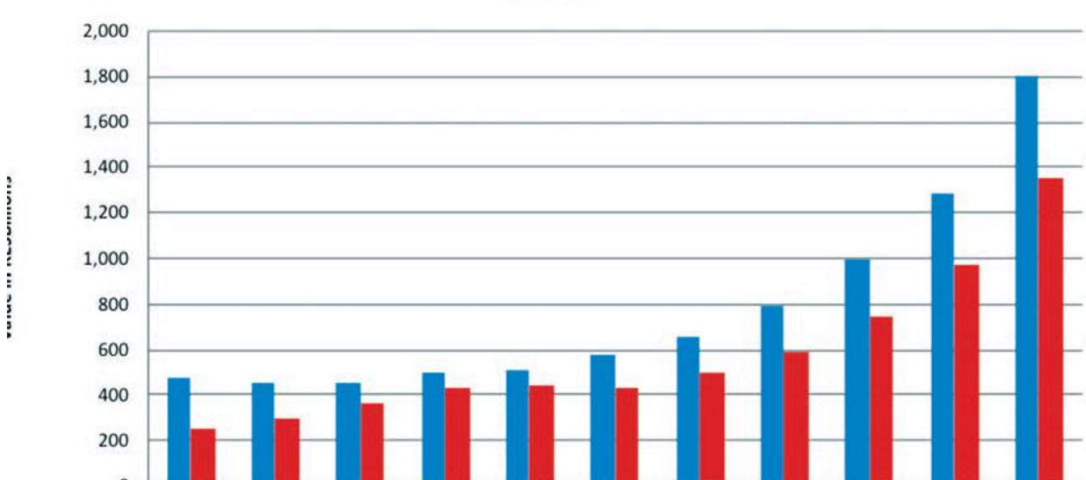
The other indicator of significance of trade finance is its total share in total lending, where throughout the review period it took the second position after Personal/Household loans. One area of concern, however is that the share in total lending has remained stagnant at an average of 20%.

Chart B9/1-2: Average sectoral share in total loans over the period 2010-2016 (Figures in %)



As the country gears up to increased national exports from the current level of KES507billion in 2016 to the NEDPS projected target of KES1.8trillion.by 2022 the banking sector needs to enhance trade finance to match demand that will ensure from export growth. Assuming that the average share of 75% of trade finance in annual exports as posted over the period 2012-2016, will be sustained over the NEDPS period, trade finance will be expected to increase from the 2016 level of KES446.5billion to KES1.3trillion by 2022.

Chart B9/1-3: Actual (2012-2016) and projected (2017 - 2022) National Exports and Trade Finance - Figures in KESBillions



	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Exports	480	456	461	500	507	575	661	794	992	1,289	1,805
Trade Finance	257.1	300.4	365.5	430.2	446.5	431.3	495.8	595.5	744.0	966.8	1353.8

Trade finance, while very critical in stimulating export growth through availing the very much needed cash flow, it requires complementary support from export development financing targeting support for production of goods for exports. Information and data on dedicated export development finance is not available. In the CBK report, the magnitude of this finance can be inferred from commercial banks' lending to various productive sectors that produce for exports. The table below gives the average lending to eight sectors that contribute towards export development.

Table B9/1-1: Average lending to sectors to lead sectors that contribute towards export development

Sector	Average Amount of Loan (2010-2016) Figures in KES billion	Average % share in total loans (2010-2016)
Manufacturing	197.7	13%
Transport and Communication	121.4	8%
Energy and water	62.5	4%
Building and construction	64.3	4%
Agriculture	65.5	4%
Tourism, Restaurant and Hotels	36.4	2%
Mining and Quarrying	14.6	1%

Source: *Computed from Central Bank of Kenya Annual Reports (various for the period 2010 to 2016)*

Commercial bank lending for export development is severely limited by the conditions attached to the loans, especially amount of credit, period of repayment and lack of provision of grace period. Therefore, while these loans have played a critical role in export development, there is need to complement these efforts by providing export development fund to cater for export development needs that commercial banks may not be able to meet. This experience is the genesis of Export-Import Banks and Export Credit Guarantee Schemes all aimed at ensuring that the country's export growth potential is not limited by the capacity of the financial institutions.

As evidenced in various NEDPS focal sectors, demand for export development fund over the NEDPS period will be quite huge as various players in the target sectors push exports to capture the revealed export destination market potential.

B9/1.2.2 Lessons from International Best Practice in Export Financing

A review of export financing practice in the UK, USA, India and China reveals potential limitations that commercial banks may face in extending export finance. These limitations relate to:

- i) Commercial risk of buyers in the destination markets
- ii) Political risks that buyers may be unable to pay for the credit as a result of political related disturbances or developments
- iii) New businesses that may not have credit history
- iv) New markets where the exporters may not be conversant with the market
- v) Large orders that may require huge capital outlay beyond the capacity of an exporter
- vi) New products which banks may be averse from funding due to risks associated with lack of knowledge about the product and its capability to sell well in the international market.

These limitations, unless addressed would mean that although the country has capacity to export, mere lack of finance may make it not export, thus watching the dream of export growth come to an end. The solutions that have been adopted by UK, USA, India and China, has involved establishment of dedicated funds through which the government offers support through guarantees against the specific risks in order for the banks to offer the trade finance.

In UK, 'The UK Export Finance' is the Agency through which above risks are mitigated through interventions that make banks lend where they would otherwise have not extended the credit. This support is premised on the Agency's stated mission - *"Our mission is to ensure no viable UK export fails for lack of finance or insurance, while operating at no net cost to the taxpayer"*[168]. Consequently the products/services that are availed to UK exporters include the following:

Table B9/1-2: Export Finance products availed by 'UK Export Finance'

Product	Key Features
1) Export Insurance Policy	Insures exporter against risk of: *(a) Nonpayment or (b) political risk, or (c) Nonperformance due to external factors*
2) Bond Support Scheme	This involves Guarantee of up to 80% (if risk faced is standard) of the bank guarantee bond which a bank gives an export to cover tender requirements, performance, advance payment and retention
3) Bond Insurance Policy	The insurance bond issued by UK banks on behalf of UK exporters, to an overseas buyer or a counter guarantee to a bank in the buyers country, as a condition for an export contract. The policy protects the exporter against loss caused by: • *unfair calling of the bond (or any related counter-guarantee)* • *fair calling of the bond (and any related counter-guarantee) due to certain political events*
4) Export Working Capital	This facility is designed to enable an exporter to access working capital for pre-shipment and post-shipment against already clinched export contracts. Partial guarantee is availed by the Agency to the lending bank to enable the bank extend the work capital finance. This facility comes in handy to facilitate commercial banks lend for export in circumstances that they would otherwise have not lend due to the underlying risks.
5) Letter of Credit Guarantee Scheme	This involves the Agency's guaranteeing a UK bank confirmation of a Letter of Credit issued by an overseas bank to finance an export from the UK. The guarantee protects the UK bank against failure of the LC issuing bank to pay. Thus once the guarantee is provided, the UK bank proceeds to release funds to the exporter against the LC as it waits for the issuing bank to pay. The facility unlocks banking sector finance for exports in a situation where they would not have done so for fear of non-payment and eventual loss.
6) Supply Credit Financing Facility	This facilitate entails the Agency provision of a guarantee to a bank for any of the following uses: • To cover a loan that a UK bank grants to an overseas buyer to finance the purchase of capital goods and/or services from a UK exporter. This type of facility is referred to as a Supplier Credit Loan Facility • To cover bills of exchange or promissory notes that are purchased by a UK banker from a UK exporter. The exporter will have received them as payment from an overseas buyer after the supply of the capital goods or services.
1) Buyer Credit Facility	This facility is aimed at facilitating banks extend loan to an overseas buyer of UK exports - capital goods and/or services. The goal is to stimulate foreign countries buying of the specific export product. Therefore, the Agency provides a guarantee to the bank *(which would have otherwise not considered this business because of commercial risk)* that is lending to the overseas buyer so that he is able to pay UK exporter

168 Refer - *https://www.gov.uk/government/collections/uk-export-finance-products-and-services*

Product	Key Features
2) Local Currency Financing	This facility facilitates provision of a buyer credit loan to an overseas borrow in their country's local currency to facilitate them to purchase capital goods and/or services from a UK exporter. Where a UK bank may deem the deal to be commercially risky, the Agency provides guarantee against this risk as an enabler of the UK bank proceeding to give the buyer credit loan.
3) Direct Lending Facility	This is direct lending that is provided by the Agency to overseas buyers of UK capital goods/or services for loans up to £3 billion. It has got no upper or lower limit. The facility bridges the gap that banks may have in taking up such business and so instead of letting the export opportunity slip by, the Agency direct lending saves the situation.
4) Export Refining Facility	This facility provides additional guarantee on Buyer Credit intended for eventual financing through Debt Capital Market (DCM) or other commercial loans. The Agency, through the ERF, gives: • An undertaking to the bank it will purchase the export loan by a given time, and retain it until such a time the eventual intended markets open • An undertaking to the borrower that the Agency will provide a repayment guarantee for bonds issued (or other replacement refinancing) to refinance the loan. The facility unlocks commercial banks' lending for buyers of UK capital goods and/or services, a deal that would have otherwise not have taken place due to risk associated with the uncertainty of the DCM or other commercial loans markets to take up the Buyer Credit loans.
5) Lines of Credit	These are the Export Finance Agency supported lines of credit which banks are directed to lend in order to assist an overseas buyer to: • Purchase specified UK exports (general purpose line of credit) or • Purchase a wide range of capital goods or services for a particular project (project line of credit)
6) Overseas Investment Insurance	Overseas Investment Insurance (OII) can protect a UK investor against potential losses on overseas investments due to defined political events that may arise in a non-OECD country.

Source: *https://www.gov.uk/government/collections/uk-export-finance-products-and-services*

Other examples and lessons on how countries are promoting export growth through export development and financing include the USA, India, China and Malaysia, where export development and finance is being promoted through Export-Import Banks facilities that are designed to provide export financing and production for exports. Egypt provides example and lessons of how an African country that does not have an Export-Import Bank can leverage on African Export-Import Bank for exports destined to African market. For instance on 8th December 2017 *"The African Export-Import Bank (Afri-exim bank), today in Sharm El Sheikh, Egypt, entered into an agreement with the Export Development Bank of Egypt (EBE) to collaborate on a $500 million scheme aimed at supporting exports and investments by Egyptian businesses to other African countries."*[169]. Egypt has signed another similar facility in April 2015.

In Kenya, as alluded earlier on export financing is limited to traditional trade finance facilities that are offered by commercial banks. This finance may be very limited to drive export growth, especially in cases where the banks shy away from lending because of commercial and political risks. Development finance institutions such as IDB and ICDC investments are undercapitalized and not specialized to offer export finance.

169 Refer - *https://afreximbank.com/afreximbank-and-ebe-sign-agreement-for-500-million-export-support-scheme/*

B9/1.2.3 Constraints to Trade Finance for Export Development

Export growth development is severely limited by inadequate finance to support production of goods targeting export markets. The following as the most critical constraints:

a) Inadequate medium and long term project finance to stimulate production for exports.

Developing an export business idea from concept to real business requires establishment of production lines or processing facilities. Project financing comes in handy, especially where the developers of the business may not have cash to construct/lease business premises and install production or processing plants. This challenge is more prevalent among SMEs and new entrants in export business, on instances where they may not have collateral. Banks are also limited in taking up project financing where grace period may be required before repayment.

This scenario poses a challenge to export development targeting production of goods and services for the multibillion dollar markets that have already been identified under each of the NEDPS sector. For instance unless this challenge is addressed prospects to exploit USD6.3billion market opportunity for horticulture will not be realized. The same case applies for the following NEDPS sectors market opportunity ready for Kenya to exploit - Manufacturing Sector USD17.3billion (*comprising - Textile and apparel USD9.1billion, Agro-processed products - USD3.2billions, Leather and footwear - USD2.3billion, Pharmaceutical products - USD678millions, Plastics and Articles of Plastics - USD586million, Metal and Allied products USD1.1billions, Chemical and Allied Industries- USD295millions, Light Engineering products USD877millions, Furniture Industry - USD126millions, Motor vehicle and accessories - USD1.3billion).* The stakes are even higher if we consider revealed market potential for Agriculture (coffee, tea, sisal, pyrethrum and Gum Arabic and Gum Resins); Livestock and Livestock Products (Live Animals - Cattle, sheep, goats and camel); Meat (Bovine, Sheep, Goat and Poultry meat and pork); Handicraft, Mining and Petroleum.

b) Inadequate pre and post shipment financing

Although commercial banks are providing pre- and post-shipment finance, most exporters, especially SMEs are not able to access these finance due to commercial risks that they are not able to cover through security and other bank requirements. Therefore, bulk of current export business is taking place without the advantage of export financing

c) Inadequate awareness of trade finance facilities currently being offered by Kenyan banks

There is lack of awareness and ignorance among businesses, especially SMEs, on the type of trade finance offered by banks. This challenge is further aggravated by lack of dedicated export promotion programs within banks and financial institutions aimed at their understanding of export business and designing financing instruments to cater for specific sectors and markets. This conclusion is arrived through research of trade finance information posted in key commercial banks, where very limited information is available and with no indication of programs that banks are having with specific target sectors.

d) Inadequate finance to stimulate foreign buyers purchase of Kenyan products

Where foreign buyers may have not cash to buy Kenyan products, buyer credit would stimulate purchase and hence promote exports. In Kenya, while commercial banks offer these facilities, the scope is very limited due to commercial and political risk that make banks shy away from otherwise very good export deals, especially in new markets or for new customers.

e) Lack of specialized government export finance Agency to promote Kenya's exports through facilitating access to trade finance

Lessons drawn from some of the top exporter countries have revealed the necessity of specialized Government Export Finance Agency to bridge the gap that may be there because of the limitation of commercial banks and other financial institutions. In Kenya, such a specialized agency is lacking. As a result, Government support is lacking. Opportunity to stimulate exports exists through Funds that have been established to support production, which at the moment are not directly linked to export agenda. These funds include the Joint Loans Board, Youth Fund and Uwezo Fund.

B9/1.2.4 Strategic Objectives towards Development and Enhanced Access to Trade Finance

The constraint that limits full exploitation of trade finance in support of export development will be addressed through the thematic areas, as defined by the following strategic objectives, who expected outcome is enhanced access to trade finance for exports:

1. To mainstream export trade in Kenyan banking industry to stimulate increase in allocation of resources to financing of export trade;
2. To establish a specialized Export Finance Agency and Export Development Fund to promote export develop;
3. Establishment of Kenya Export-Import Bank to boost trade finance in support of export development.

B9/1.2.5 Strategic Interventions and Resource Requirement towards Development and Enhanced Access to Trade Finance

Strategic Objective #1:

To Mainstream Export Trade in Kenyan Banking Industry to Stimulate Increase in Allocation of resources to Financing of Export Trade

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KES M)
1) Create awareness among banks and financial institutions on Kenya export opportunities in all NEDPS focal sectors	KBA, State Department for Trade, CBK, National Treasury	15
2) Encourage banks and financial institutions to develop export finance facilities and to establish dedicated funds targeting all registered exporters across all NEDPS focal sectors	KBA, State Department for Trade, CBK, National Treasury, KEPSA, KNCCI and KAM	15
3) Encourage banks and financial institutions to sign up to the NEDPS finance partner framework to provided dedicated export development and trade finance in support of NEDPS projected export growth	KBA, State Department for Trade, CBK, National Treasury, KEPSA, KNCCI and KAM	5

170 *This figure is commensurate with the projected trade finance facilities by commercial banks and other banking institutions for the NEDPS period 2018/19 to 2022/23, during which trade finance is expected to increase KES496billion in 2018/19 to KES1.4trillion by 2022/23.*

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KES M)
4) NEDPS partner banks and financial institutions to set up through pledge dedicated funds for export development as an affirmative action to increase the share of trade finance in total lending	KBA, State Department for Trade, CBK, National Treasury, KEPSA, KNCCI and KAM	4,157,000[170]
5) Create awareness/promote trade finance facilities being offered by banks and other financial institutions, among target exporters across all NEDPS focal sectors	KBA, State Department for Trade, CBK, National Treasury, KEPSA, KNCCI and KAM	10
6) NEDPS partner banks and financial institutions to extend trade finance in all NEDPS target sector in support of approved sectoral export development programs	NEDPS partner banks and financial institutions KBA, State Department for Trade, CBK, National Treasury, KEPSA, KNCCI and KAM	10
7) NEDPS partner banks and financial institutions to submit to KBA on quarterly basis data and information on export finance provided, challenges and areas that these institutions require government support to achieve their export finance targets	NEDPS partner banks and financial institutions KBA, State Department for Trade, CBK, National Treasury, KEPSA, KNCCI and KAM	8

Strategic Objective #2:

To Establish a Specialized Export Finance Agency and Export Development Fund to Promote Development of Export

This Agency and Fund will be dedicated to complement banks and financial institutions export financing initiatives through guarantees to mitigate risks that would make these institutions to shy away from export financing. The target will be SMEs and established companies which are unable to secure export development financing from banks and financial institutions

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KES M)
1) Undertake research to establish gaps in trade finance among banks and financial institutions and causal factors, taking into account the NEDPS target trade finance growth. Determine the size of the Fund commensurate with the projected export growth.	State Department of Trade, CBK, National Treasury, Insurance Regulatory Authority (IRA), KEPSA, KNCCI and KAM	10
2) Design finance products and target beneficiaries taking into account NEDPS sectors' financial requirements in support of export development. Identify sources of Funds, including consolidation of existing Funds into the Export Development Fund	State Department of Trade, CBK, National Treasury, Insurance Regulatory Authority (IRA), State Law Office, KEPSA, KNCCI and KAM	5
3) Develop Business Plan, Operational Modalities, Governance and Institutional structure of the envisaged Export Finance Agency as a special purpose vehicle to deliver Export Develop Fund resources in support of export development, including guaranteeing of banks and financial institutions financing of export businesses.	State Department of Trade, CBK, National Treasury, Insurance Regulatory Authority (IRA), State Law Office, KEPSA, KNCCI and KAM	5

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KES M)
4) Develop Regulation, to be anchored on Trade Development Bill, towards establishment of an Export Finance Agency, as a special purpose vehicle for promoting access to trade finance.	State Department of Trade, CBK, National Treasury, Insurance Regulatory Authority (IRA), State Law Office, KEPSA, KNCCI and KAM	5
5) Launch the Kenya Export Finance Agency and the Export Development Fund	State Department of Trade, CBK, National Treasury, Insurance Regulatory Authority (IRA), KEPSA, KNCCI and KAM	1
6) Kenya Export Finance Agency to work very closely with all registered exporters and NEDPS partner banks and financial institutions to deliver export finance through guarantees and direct loans in accordance to the Agency's Business Plan	State Department of Trade, CBK, National Treasury, Insurance Regulatory Authority (IRA), State Law Office, KEPSA, KNCCI and KAM	According to the size of Fund which will be established once the Fund is designed

Strategic Objective #3:

Establishment of Kenya Export-Import Bank to Boost Trade Finance in Support of Export Development

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KES M)
1) Undertake research to establish functions and role of Export-Import Banks in other countries and their source of funds and impact, drawing lessons that should inform Kenya's process of establishing EXIM Bank	State Department of Trade, CBK, National Treasury, Insurance Regulatory Authority (IRA), State Law Office, KEPSA, KNCCI and KAM	10
2) Undertake research to establish gaps in the Kenyan trade finance regime, in the context of the established role and functions of EXIM banks in select success story countries. Determine the feasibility of closing these gaps through establishment of Kenya EXIM bank and projected impact in the context of projected NEDPS export growth target and complementary synergy with the Kenyan banks and financial institutions	State Department of Trade, CBK, National Treasury, Insurance Regulatory Authority (IRA), State Law Office, KEPSA, KNCCI and KAM	10
3) Develop Business Plan, Operational Modalities, Governance and Institutional structure of the envisaged Kenya Export-Import Bank	State Department of Trade, CBK, National Treasury, Insurance Regulatory Authority (IRA), State Law Office, KEPSA, KNCCI and KAM	5
4) Develop Legislation and Regulation for establishment of the Kenya Export-Import Bank.	State Department of Trade, CBK, National Treasury, Insurance Regulatory Authority (IRA), State Law Office, KEPSA, KNCCI and KAM	5
5) Raise capital for Export-Import Bank	State Department of Trade, CBK, National Treasury, Insurance Regulatory Authority (IRA), State Law Office, KEPSA, KNCCI and KAM	500,000

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KES M)
6) Launch the Kenya Export-Import Bank	State Department of Trade, CBK, National Treasury, Insurance Regulatory Authority (IRA), State Law Office, KEPSA, KNCCI and KAM	1
7) Kenya Export-Import Bank to work very closely with all registered exporters and all banks and financial institutions to deliver export finance in accordance to the EXIM Bank mandate and Business Plan	Kenya Export-Import Bank, State Department of Trade, CBK, National Treasury, Insurance Regulatory Authority (IRA), State Law Office, KEPSA, KNCCI and KAM	According to recommended and approved capitalization/ funding of Kenya EXIM Bank

B9/1.2.6 Resource Mobilization Plan towards Development and Enhanced Access to Trade Finance

The estimated resource requirement for provision of Trade Finance in support of development and promotion of national exports is KES4.7 trillion. Out of these resources, KES4.2 trillion or 88% is accounted for by projected trade finance that commercial banks and financial institutions are expected to avail to export businesses over the period 2018-2022. Annual trade finance that commercial banks extent to businesses is support of export business is projected to increase from KES497billion in 2018 to KES1.4 trillion in 2022. The other component, which accounts for KES500billion or 10% of the total trade finance, is capital towards establishment of Export-Import Bank. The projected trade finance is designed to addressed the cross cutting concern about lack of adequate finance to support export development and promotion across all sectors.

The sources of funds and Lead Agencies in mobilization of the funds are as listed in the resource mobilization plan below. The institutional structure through which trade finance in support of export development and promotion will be mobilized is the 'Trade Finance Sub-Sector Working Group' of NEDPS Trade in Services Sector Working Group. At the Finance SSWG, The Private Sector Stakeholders in the financial sector will take lead role in driving the agenda for trade finance in support of exports, with Government playing a facilitative role to ensure requisite resources and enabling environment to enable commercial banks and other financial institutions to avail trade finance.

Table B9/1-3: Resource Mobilisation Plan for Trade Finance in support of export development and promotion

SO#	Strategic Objective/ Focal Areas of Intervention	Amount Required (KESMn)	Estimated NEDPS Annual Resource Requirement (KES Millions)					Source	Lead Agencies in Resource Mobilization
			2018/19	2019/20	2020/21	2021/22	2022/23		
1	To mainstream export trade in Kenyan banking industry to stimulate increase in allocation of resources to financing of export trade	4,215,000	507,000	607,000	756,000	979,000	1,366,000	Commercial Banks and other Financial Institutions (for funds dedicated to financing trade), National Treasury (Exim-Bank), Other trade finance programs supporting access to trade finance	National Treasury, CBK, Insurance Regulatory Authority (IRA), State Department for Trade, State Law Office, KBA, AKI, KEPSA, KNCCI and KAM

2	To establish a Specialized Export Finance Agency and Export Development Fund to promote development of export	26	6	5	5	5	5		
3	Establishment of Kenya Export-Import Bank to boost trade finance in support of export development	500,031	15	15	250,001	125,000	125,000		
Sub-Total		4,715,057	507,021	607,020	1,006,006	1,104,005	1,491,005		

B9/1.2.7 Implementation Plan towards Development and Enhanced Access to Trade Finance

Strategic Interventions/ Program Activities	Implementing Agencies	2018				2019				2020				2021				2022			
		Quarters				Quarters				Quarters				Quarters				Quarters			
		1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
SO#1: To Mainstream Export Trade in Kenyan Banking Industry to Stimulate Increase in Allocation of resources to Financing of Export Trade																					
1) Create awareness among banks and financial institutions on Kenya export opportunities in all NEDPS focal sectors	KBA, State Department for Trade, CBK, National Treasury																				
2) Encourage banks and financial institutions to develop export finance facilities and to establish dedicated funds targeting all registered exporters across all NEDPS focal sectors	KBA, State Department for Trade, CBK, National Treasury, KEPSA, KNCCI and KAM																				
3) Encourage banks and financial institutions to sign up to the NEDPS finance partner framework to provided dedicated export development and trade finance in support of NEDPS projected export growth	KBA, State Department for Trade, CBK, National Treasury, KEPSA, KNCCI and KAM																				
4) NEDPS partner banks and financial institutions to set up through pledge dedicated funds for export development as an affirmative action to increase the share of trade finance in total lending	KBA, State Department for Trade, CBK, National Treasury, KEPSA, KNCCI and KAM																				

Strategic Interventions/ Program Activities	Implementing Agencies	2018				2019				2020				2021				2022			
		Quarters				Quarters				Quarters				Quarters				Quarters			
		1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
5) Create awareness/promote trade finance facilities being offered by banks and other financial institutions, among target exporters across all NEDPS focal sectors	KBA, State Department for Trade, CBK, National Treasury, KEPSA, KNCCI and KAM																				
6) NEDPS partner banks and financial institutions to extend trade finance in all NEDPS target sector in support of approved sectoral export development programs	NEDPS partner banks and financial institutions KBA, State Department for Trade, CBK, National Treasury, KEPSA, KNCCI and KAM																				
7) NEDPS partner banks and financial institutions to submit to KBA on quarterly basis data and information on export finance provided, challenges and areas that these institutions require government support to achieve their export finance targets	NEDPS partner banks and financial institutions KBA, State Department for Trade, CBK, National Treasury, KEPSA, KNCCI and KAM																				
SO#2: To Establish a Specialized Export Finance Agency and Export Development Fund to Promote Development of Export																					
1) Undertake research to establish gaps in trade finance among banks and financial institutions and causal factors, taking into account the NEDPS target trade finance growth. Determine the size of the Fund commensurate with the projected export growth.	State Department of Trade, CBK, National Treasury, Insurance Regulatory Authority (IRA), KEPSA, KNCCI and KAM																				
2) Design finance products and target beneficiaries taking into account NEDPS sectors' financial requirements in support of export development. Identify sources of Funds, including consolidation of existing Funds into the Export Development Fund	State Department of Trade, CBK, National Treasury, Insurance Regulatory Authority (IRA), State Law Office, KEPSA, KNCCI and KAM																				
3) Develop Business Plan, Operational Modalities, Governance and Institutional structure of the envisaged Export Finance Agency as a special purpose vehicle to deliver Export Develop Fund resources in support of export development, including guaranteeing of banks and financial institutions financing of export businesses.	State Department of Trade, CBK, National Treasury, Insurance Regulatory Authority (IRA), State Law Office, KEPSA, KNCCI and KAM																				

Strategic Interventions/ Program Activities	Implementing Agencies	2018				2019				2020				2021				2022			
		Quarters				Quarters				Quarters				Quarters				Quarters			
		1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
4) Develop Regulation, to be anchored on Trade Development Bill, towards establishment of an Export Finance Agency, as a special purpose vehicle for promoting access to trade finance.	State Department of Trade, CBK, National Treasury, Insurance Regulatory Authority (IRA), State Law Office, KEPSA, KNCCI and KAM																				
5) Launch the Kenya Export Finance Agency and the Export Development Fund	State Department of Trade, CBK, National Treasury, Insurance Regulatory Authority (IRA), KEPSA, KNCCI and KAM																				
6) Kenya Export Finance Agency to work very closely with all registered exporters and NEDPS partner banks and financial institutions to deliver export finance through guarantees and direct loans in accordance to the Agency's Business Plan	State Department of Trade, CBK, National Treasury, Insurance Regulatory Authority (IRA), State Law Office, KEPSA, KNCCI and KAM																				
SO#3: Establishment of Kenya Export-Import Bank to Boost Trade Finance in Support of Export Development																					
1) Undertake research to establish functions and role of Export-Import Banks in other countries and their source of funds and impact, drawing lessons that should inform Kenya's process of establishing EXIM Bank	State Department of Trade, CBK, National Treasury, Insurance Regulatory Authority (IRA), State Law Office, KEPSA, KNCCI and KAM																				
2) Undertake research to establish gaps in the Kenyan trade finance regime, in the context of the established role and functions of EXIM banks in select success story countries. Determine the feasibility of closing these gaps through establishment of Kenya EXIM bank and projected impact in the context of projected NEDPS export growth target and complementary synergy with the Kenyan banks and financial institutions	State Department of Trade, CBK, National Treasury, Insurance Regulatory Authority (IRA), State Law Office, KEPSA, KNCCI and KAM																				
3) Develop Business Plan, Operational Modalities, Governance and Institutional structure of the envisaged Kenya Export-Import Bank	State Department of Trade, CBK, National Treasury, Insurance Regulatory Authority (IRA), State Law Office, KEPSA, KNCCI and KAM																				

Strategic Interventions/ Program Activities	Implementing Agencies	2018				2019				2020				2021				2022			
		Quarters				Quarters				Quarters				Quarters				Quarters			
		1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
4) Develop Legislation and Regulation for establishment of the Kenya Export-Import Bank.	State Department of Trade, CBK, National Treasury, Insurance Regulatory Authority (IRA), State Law Office, KEPSA, KNCCI and KAM																				
5) Raise capital for Export-Import Bank	State Department of Trade, CBK, National Treasury, Insurance Regulatory Authority (IRA), State Law Office, KEPSA, KNCCI and KAM																				
6) Launch the Kenya Export-Import Bank	State Department of Trade, CBK, National Treasury, Insurance Regulatory Authority (IRA), State Law Office, KEPSA, KNCCI and KAM																				
7) Kenya Export-Import Bank to work very closely with all registered exporters and all banks and financial institutions to deliver export finance in accordance to the EXIM Bank mandate and Business Plan	Kenya Export-Import Bank, State Department of Trade, CBK, National Treasury, Insurance Regulatory Authority (IRA), State Law Office, KEPSA, KNCCI and KAM																				

B9/1.3 Foreign Market Representation

B9/1.3.1 Situational Analysis on Foreign Market Representation

From independence, Kenya has opened and sustained commercial representation in several countries in Africa, Asia, Europe and the Americas. Initially, foreign market representation was based on political diplomacy framework. Kenya, in keeping with the global trend of foreign representation added commercial diplomacy in her framework of foreign representation. This development worked towards placing trade and investment at the center of Kenya's foreign representation.

In Kenya, commercial representatives are public servants seconded from the Ministry responsible for trade for posting as Commercial Attachés in foreign missions by Ministry responsible for Foreign Affairs. However, in recent years there has been mixed commercial representation from Ministry of Foreign Affairs and Ministry of Industry, Trade and Cooperatives.

The commercial representatives are posted to the Kenya Missions abroad and serve as diplomats either at the level of commercial attachés or counselors. Out of 52 Kenya Missions Abroad, only 20 missions, as illustrated in the table below, have established commercial representation. Designation of missions for purposes of posting commercial Attachés is based on assessment of economic viability that is done by the Ministry responsible for trade and availability of funding from National Treasury to support the posting.

Analysis of the above posting of Commercial Attaches to various missions shows that countries where Kenya has huge prospects for export growth the country has no commercial representation. A case in point as alluded to in the table above is Uganda and Ethiopia where the positions are vacant and over 30 missions where there is no commercial representation. There is therefore need to align foreign market representations to the NEDPS export development and promotion agenda, with a view to ensuring effective representation in all target markets.

Table B9/2-1: List of Kenya Foreign Missions with Established Trade Representation

Mission	Status of Commercial Representation	Accredited coverage
1) Dar-es Salaam, Tanzania	Commercial Attaché	1. Tanzania, EAC, Comoros, Seychelles
2) Kampala, Uganda	Vacant	2. Uganda
3) Kigali, Rwanda	Commercial Attaché	3. Rwanda
4) Kinshasa, DRC	Commercial Attaché	4. DRC, Congo (Brazzaville), Gabon, Central Africa Republic
5) Lusaka, Zambia	Commercial Attaché	5. Zambia, Malawi, COMESA
6) Pretoria, South Africa	Commercial Attaché	6. South Africa, Swaziland, Lesotho Madagascar
7) Juba, South Sudan	Commercial Attaché	7. South Sudan
8) Cairo, Egypt	Commercial Attaché	8. Egypt, Morocco, Tunisia, Eritrea, and Jordan
9) Luanda, Angola	Commercial Attaché	9. Angola
10) Windhoek, Namibia	Commercial Attaché	10. Namibia
11) Addis Ababa, Ethiopia	Vacant	11. Ethiopia, Djibouti, AU, IGAD, UNECA, DLCC
12) Abuja, Nigeria	Commercial Attaché	12. Nigeria, Cote d'Ivoire, Togo, Ghana, Liberia, Benin, Sierra Leone, Cameroon, Equatorial Guinea, The Gambia and Senegal.
13) Beijing, China	Commercial Attaché	13. China, Mongolia, North Korea
14) Islamabad, Pakistan	Commercial Attaché	14. Pakistan, Afghanistan
15) London, UK	Commercial Attaché	15. UK, Switzerland, Commonwealth
16) Berlin, Germany	Commercial Attaché	16. Germany, Bulgaria, Romania Czech Republic, Poland
17) Paris, France	Commercial Attaché	17. France, Portugal, Serbia, Holy See, Monaco
18) Brussels, Belgium	Commercial Attaché	18. Belgium, Luxembourg, EU
19) Geneva, Switzerland	Commercial Attaché	19. UN, WTO, ILO, IPU, WMO
20) Moscow, Russia	Commercial Attaché	20. Russia, Belarus, Kazakhstan, Ukraine, and Georgia

Source: *Ministry of Foreign Affairs, Kenya*

B9/1.3.2 International Best Practice

The best practice world over details clear role, mandate and functions of commercial representatives which requires the officer to:

a) Articulate the export, investment and other economic opportunities available in his/her country that the host country businesses can consider participating in by way of importation, investment or tourism;

b) Establish strong network for business to business linkages. This will create sustainable networks between the host country and home country business communities;

c) Undertake in-depth business intelligence and surveillance on the market opportunities, business behavior and dynamics. Prepare and dispatch such reports to home country on a regular or periodic basis. Ensure that such reports reach the target sectors covered in the in the reports by copying in the offices of those associations;

d) Promote and support Kenyan products, companies, and holistic national brand image in the host country so that the business community there can have positive and brand confidence in the country to enhance bilateral business engagements;

e) Support business and government delegations to the host country especially those engaging in trade fairs, exhibitions and missions;

f) Process and answer to all trade inquiries from home and host country businesses in a timely and accurate manner. The response to all inquiries must be well research and properly packaged in good communicating language. Avoid ambiguity;

g) Negotiate or mediate trade disputes involving home and host countries' businesses.

h) Search, identify and disseminate to home country any relevant information on issues such as tenders of which home country businesses can take advantage of;

i) Periodically organize business, tourism and investment missions to home country to increase bilateral trade between home and host country;

j) Continuously articulate Government of Kenya policies on trade, tourism and investments in economic forums organized in the host country. Commercial representative can also organize solo trade information days in host country to create a platform for country publicity, brand awareness and business opportunities; and

k) Closely work with trade support institutions in both home and host countries. This will continuously enrich the commercial representative's knowledge of the market and opportunities.

B9/1.3.3 Constraints to Effective Foreign Market Representation in Support of Export Performance in Target Markets

Effective foreign market representation holds key to the success of export performance, especially the envisaged increase in export market shares. Currently, this prospect is limited by the following challenges, which need to be addressed in order to unlock Kenya's export potential in different target markets:

a) Lack of clear policy and criteria for posting commercial representation in foreign missions

An analysis of the posting of commercial attaches against countries and region's that have been identified to have huge market potential for Kenyan products indicate disconnect between trade agenda and commercial representation. This is attributed to lack of a trade agenda driven policy and criteria for commercial attaché postings;

b) Inadequate funding and staffing

A review of staffing and magnitude of work as demonstrated by the size of the specific market reveals understaffing and inadequate resources for effective commercial representation work. For instance commercial representation in Nigeria is one and expected to cover the expansive country in addition to some other West African countries, while operating from Abuja;

c) **Weak connection with Kenya business community and the national export agenda**
There lacks a framework of linking commercial attachés to the national trade agenda, to facilitate them working with national driven export and investment growth targets. This weakness is manifested in absolute lack of information in all websites of the Ministry of Foreign Affairs and foreign missions abroad on commercial attachés services and market intelligence reports for use by business community; and

d) **Invisible foreign markets representation offices**
Kenya commercial representation offices abroad lack visibility, as evidenced in the websites of various missions abroad, which do not have these contacts. This makes it hard for business to interact with the commercial attachés for any enquiry or assistance.

B9/1.3.4 Strategic Objectives and Interventions Towards Foreign Representation on support of Development and Promotion Exports

The challenges to effective foreign representation will be addressed through well-structured interventions that fall under the following strategic objectives, whose overall outcome is increased market share in every country that Kenya has foreign representation:

1. To strengthen the link between national trade agenda and foreign market representation; and
2. To develop operational link between foreign representation and national trade regulatory institutions and private sector exporters.

B9/1.3.5 Strategic Interventions and Resource Requirements for Foreign Market Representation

Strategic Objective #1:

To Strengthen the Link between National Trade Agenda and Foreign Market Representation

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KES M)
1) Develop policy and training on commercial representation tied to national export development and investment agenda	MFA, Ministry responsible for trade, EPC, KEPSA, KNCCI and KAM	2
2) Develop criteria for commercial representation posting to ensure comprehensive coverage of all targets markets under NEDPS	Ministry of Foreign Affairs, State Department of Trade, EPC, KEPSA, KNCCI and KAM	1
3) Conduct training of Commercial Attachés training on effective foreign representation in the context of the NEDPS export growth target and aspiration	MFA, Ministry responsible for trade	50
4) Post Commercial Attachés in all target markets under NEDPS	Ministry of Foreign Affairs, State Department of Trade, EPC, KEPSA, KNCCI and KAM	100
5) Support Commercial Attachés to develop, in consultation with the NEDPS implementation steering committee, work plans tied to the NEDPS export target for the country's they are representing	Ministry of Foreign Affairs, State Department of Trade, EPC, KEPSA, KNCCI and KAM	10

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KES M)
6) Provide financial support that is required for implementation of commercial attachés work plan	Ministry of Foreign Affairs, State Department of Trade, EPC, KEPSA, KNCCI and KAM	450
7) National Trade Week	Ministry of Foreign Affairs, State Department of Trade, EPC, KEPSA, KNCCI and KAM	50
8) Commercial Attachés to execute the work plan and file quarterly progress report on implementation success and challenges	Ministry of Foreign Affairs, State Department of Trade, EPC, KEPSA, KNCCI and KAM	As per work plan budget
9) Commercial Attachés to participate in annual national trade week events for stock taking, sharing experiences, challenges and targeting and rewarding best achieving foreign missions in pushing Kenya's export market share based on agreed criteria and indicators for the award	Ministry of Foreign Affairs, State Department of Trade, KEPSA	50

Strategic Objective #2:

To Develop Operational Link between Foreign Representation and National Trade Regulatory Institutions and Private Sector Exporters

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KES M)
1) Develop Market Intelligence Survey instruments geared towards comprehensive capture of destination countries market access requirements for focal NEDPS products	Ministry of Foreign Affairs, State Department of Trade, EPC, Trade Facilitation Institutions (KEBS, KEPHIS, Port Health and DVS) KEPSA, KNCCI and KAM	5
2) Training on Market Intelligence surveys	Ministry of Foreign Affairs, State Department of Trade, EPC, Trade Facilitation Institutions (KEBS, KEPHIS, Port Health and DVS) KEPSA, KNCCI and KAM	5
3) Conduct training on preparation and posting of market intelligence reports on Kenya Trade Portal	Ministry of Foreign Affairs, State Department of Trade, EPC, Trade Facilitation Institutions (KEBS, KEPHIS, Port Health and DVS)	5
4) Develop framework for Private sector/ Trade Regulatory institutions to work with commercial attachés to provide specialized technical information required for market access	Ministry of Foreign Affairs, State Department of Trade, EPC, Trade Facilitation Institutions (KEBS, KEPHIS, Port Health and DVS) KEPSA, KNCCI and KAM	2
5) Support targeted market intelligence mission of private sector/trade regulatory institutions to work with commercial attachés on specialized assignments market intelligence assignments	Ministry of Foreign Affairs, State Department of Trade, EPC, Trade Facilitation Institutions (KEBS, KEPHIS, Port Health and DVS) KEPSA, KNCCI and KAM	95

B9/1.3.6 Resource Mobilization Plan to Support Foreign Representation for Enhance Exports and Investments

The estimated resource requirements towards Foreign Market Representation for enhanced export market share and Kenya inward investments into the export potential sector is KES840m over the period 2018-2022. The specific interventions under each of the Strategic Objectives and accompanying resource requirements are as provided under the section on 'Strategic Interventions and Resource Requirements'. The sources of funds and Lead Agencies in mobilization of the funds are as listed in the resource mobilization plan below. The institutional structure through which the funds for Foreign Market Representation will be mobilized is the 'Foreign Market Representation Sub-Sector Working Group' of NEDPS Cross Cutting Issues Sector Working Group. At the Foreign Markets Representation SSWG, Private Sector Associations will take lead role in driving the agenda for Foreign Market Representation, with Government playing a facilitative role to ensure requisite resources and enabling environment for development and promotion of the exports of these services.

Table B9/2-2: Resource Mobilization Plan for Foreign Market Representation towards enhanced exports and investments

SO#	Strategic Objective/ Focal Areas of Intervention	Amount Required (KESMn)	Estimated NEDPS Annual Resource Requirement (KES Millions)					Source	Lead Agencies in Resource Mobilization
			2018/19	2019/20	2020/21	2021/22	2022/23		
1	To strengthen the link between national trade agenda and foreign market representation	723	145	145	145	145	145	MDAs' MTPIII Annual Budgets, Private Sector programs, Development Partners	Ministry of Foreign Affairs, State Department of Trade, EPC, Trade Facilitation Institutions (KEBS, KEPHIS, Port Health and DVS) KEPSA, KNCCI and KAM
2	To develop operational link between foreign representation and national trade regulatory institutions and private sector exporters	117	23	23	23	23	23		
	Sub-Total	840	168	168	168	168	168		

B9/1.3.7 Implementation Plan to Support Foreign Representation for Enhance Exports and Investments

Strategic Interventions/ Program Activities	Implementing Agencies	2018				2019				2020				2021				2022			
		Quarters				Quarters				Quarters				Quarters				Quarters			
		1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
SO#1: To Strengthen the Link between National Trade Agenda and Foreign Market Representation																					
1) Develop policy and training on commercial representation tied to national export development and investment agenda	MFA, Ministry responsible for trade, EPC, KEPSA, KNCCI and KAM																				

Strategic Interventions/ Program Activities	Implementing Agencies	2018				2019				2020				2021				2022			
		Quarters				Quarters				Quarters				Quarters				Quarters			
		1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
2) Develop criteria for commercial representation posting to ensure comprehensive coverage of all targets markets under NEDPS	Ministry of Foreign Affairs, State Department of Trade, EPC, KEPSA, KNCCI and KAM																				
3) Conduct training of commercial attachés training on effective foreign representation in the context of the NEDPS export growth target and aspiration	MFA, Ministry responsible for trade																				
4) Post Commercial Attachés in all target markets under NEDPS	Ministry of Foreign Affairs, State Department of Trade, EPC, KEPSA, KNCCI and KAM																				
5) Support Commercial Attachés to develop, in consultation with the NEDPS implementation steering committee, work plans tied to the NEDPS export target for the country's they are representing	Ministry of Foreign Affairs, State Department of Trade, EPC, KEPSA, KNCCI and KAM																				
6) Provide financial support that is required for implementation of commercial attachés work plan	Ministry of Foreign Affairs, State Department of Trade, EPC, KEPSA, KNCCI and KAM																				
7) National Trade Week	Ministry of Foreign Affairs, State Department of Trade, EPC, KEPSA, KNCCI and KAM																				
8) Commercial Attachés to execute the work plan and file quarterly progress report on implementation success and challenges	Ministry of Foreign Affairs, State Department of Trade, EPC, KEPSA, KNCCI and KAM																				
9) Commercial Attachés to participate in annual national trade week events for stock taking, sharing experiences, challenges and targeting and rewarding best achieving foreign missions in pushing Kenya's export market share based on agreed criteria and indicators for the award	Ministry of Foreign Affairs, State Department of Trade, KEPSA																				

Strategic Interventions/ Program Activities	Implementing Agencies	2018				2019				2020				2021				2022			
		Quarters				Quarters				Quarters				Quarters				Quarters			
		1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
SO#2: To Develop Operational Link between Foreign Representation and National Trade Regulatory Institutions and Private Sector Exporters																					
1) Develop Market Intelligence Survey instruments geared towards comprehensive capture of destination countries market access requirements for focal NEDPS products	Ministry of Foreign Affairs, State Department of Trade, EPC, Trade Facilitation Institutions (KEBS, KEPHIS, Port Health and DVS) KEPSA, KNCCI and KAM																				
2) Training on Market Intelligence surveys	Ministry of Foreign Affairs, State Department of Trade, EPC, Trade Facilitation Institutions (KEBS, KEPHIS, Port Health and DVS)																				
3) Conduct training on preparation and posting of market intelligence reports on Kenya Trade Portal	Ministry of Foreign Affairs, State Department of Trade, EPC, Trade Facilitation Institutions (KEBS, KEPHIS, Port Health and DVS)																				
4) Develop framework for Private sector/Trade Regulatory institutions to work with Commercial Attachés to provide specialized technical information required for market access	Ministry of Foreign Affairs, State Department of Trade, EPC, Trade Facilitation Institutions (KEBS, KEPHIS, Port Health and DVS) KEPSA, KNCCI and KAM																				
5) Support targeted market intelligence mission of private sector/trade regulatory institutions to work with commercial attachés on specialized assignments market intelligence assignments	Ministry of Foreign Affairs, State Department of Trade, EPC, Trade Facilitation Institutions (KEBS, KEPHIS, Port Health and DVS) KEPSA, KNCCI and KAM																				

B9/1.4 Trade Facilitation

B9/1.4.1 Situational Analysis on Trade Facilitation

Trade Facilitation, as defined by the WTO refers to "the simplification and harmonization of international trade procedures, where trade procedures are the "activities, practices and formalities involved in collecting, presenting, communicating and processing data required for the movement of goods in international trade"[171] A more practical definition, which amounts to amplification of the WTO definition has been offered by the EU, where *Trade Facilitation is defined as "the simplification, harmonization and automation of international trade procedures, particularly import and export procedures, transit requirements and procedures applied by Customs and other agencies".*[172]

The overarching goal of Trade Facilitation, as observed by the above cited EU reference, "is to make trade transactions easier, quicker, more efficient and less costly, thereby easing trade flows. By making it easier to export and import goods and services, Trade Facilitation measures also increase a developing country's attractiveness for foreign direct investment".

Trade Facilitation has been made to be a necessity that a country aspiring to grow her exports cannot do without, because of the increasingly linked Global Value Chains which demand efficiency in facilitation of cross-border distribution and transport of goods to ensure competitiveness of the subject goods in the global market. As further observed by the EU; *"In addition to Customs arrangements, Trade Facilitation covers other areas such as Sanitary and Phyto-Sanitary Measures, transport, port management, and security services related to the management of imports and exports. Harmonizing and rationalizing the rules and regulations applied in these areas are important aspects of Trade Facilitation".*

Kenya's framework for Trade Facilitation, as is the case with all WTO countries is the WTO Trade Facilitation Agreement. Kenya has already signed and ratified the agreement and deposited her instrument of acceptance of 'WTO Trade facilitation Agreement protocol of Amendment' on 10th December, 2015. The Agreement entered into force on 22nd February 2017. The Agreement seeks to streamline and create efficiency and cost effectiveness in the movement, release and clearance of goods including goods in transit.

Implementation of the Agreement will improve the level of cooperation between all parties involved in the movement of goods across borders including custom administrations, security agencies and safety and health -based agencies. In general the Agreement is poised to change the operating environment in the movement and clearing of international trade goods. It aims at quick and efficient release of goods by customs authorities and other stakeholders, clarity and availability of information on rules and procedures by use of technology. The agreement further provides for use of automation and e-services including payments and clearances. The agreement also provides for harmonization of processes and standards with provisions for consultations and appeals.

Trade facilitation[173] measures agreed by member states include:

a) Low documentary and data requirements;

b) Low rate of physical inspection;

171 Refer - *https://en.wikipedia.org/wiki/Trade_facilitation*
172 Refer - *https://ec.europa.eu/europeaid/sectors/economic-growth/trade/trade-facilitation_en*
173 Annex to the Protocol amending the Marrakesh Agreement establishing the World Trade Organisation: Agreement on Trade Facilitation.

c) Rapid release time;

d) Deferred payment of duties, taxes, fees, and charges;

e) Use of comprehensive guarantees or reduced guarantees;

f) A single customs declaration for all imports or exports in a given period; and

g) Clearance of goods at the premises of the authorized operator or another place authorized by customs.

The implementation of the provisions of the agreement will revolutionize trade facilitation environment to the improvement of export trade transactions. In order to implement the agreement, Kenya has ratified and established National Trade Facilitation Committee comprising of 59 stakeholder institutions. The committee has the overall mandate of overseeing the facilitation and implementation of the WTO Trade facilitation agreement for purposes of removing the bottlenecks that hinder free flow of traded goods across borders.

B9/1.4.2 Performance in Trade Facilitation

a) Kenya's Trade Facilitation Performance under the World Bank Doing Business 2018 Lenses

As evidenced in the table below, Kenya's performance in trade facilitation, as measured by time it takes for Border Clearance (BC) and Document Clearance (DC) is the best in the region. According to the World Bank Doing Business Report, 2018 Border Clearance of exports in Kenya takes 21 hours and costs an average of USD143. On the other hand, exports Document Clearance takes an average of 19 hours at an average cost of USD191. At this level, Kenya's performance is way above that of the other countries in the region, including EAC Regional average.

A comparison of Kenya's performance against OECD performance shows that Kenya has some more improvements to do in Border Clearance and Document Processing. If OECD performance was to be used as a yard stick, BC time to export should be 12 hours and DC time to export should be 3 hours.

Table B9/3-1: Trade facilitation in East African Community Region Comparisons in relation to Export Border (BC) and Documentary Compliances (DC)

Country/Region	BC Time to Export: HOURS	BC Cost of Export: US$.	DC Time to Export HOURS	DC Cost of Export US$
EAC REGIONAL AVERAGE	69	376	68	166
SADC	111	593	109	345
OECD	12	150	3	36
KENYA	21	143	19	191
UGANDA	71	287	64	102
TANZANIA	96	1160	96	275
RWANDA	97	183	42	110
BURUNDI	59	106	120	150

Source: World Bank Doing Business Report, 2018

b) **One-Stop Border Posts (OSBPs)**

Kenya, through support from TMEA is implementing regional One-Stop Border Posts (OSBP) program. So far, three OSBPs have been finalized at Taveta (Taveta/Holili) and Namanga at the border between Kenya and Tanzania and at Busia (Kenya/Uganda border). The OSBPs, according to their design documents are expected to reduce border-crossing times by at least 30% through integrated clearance processes and agency systems, and modern customs control methods such as risk management, post-clearance audit and pre-lodgment services of documents

According to Trade Mark East Africa (TMEA)[174], "Measures to upgrade customs management and the introduction of single-window systems have already generated measurable advantages: up to US$ 17 million in annual cost savings for Rwanda, a 50% reduction in clearance times in Uganda, and an estimated 20% increase in customs revenues in Kenya, to name but a few.

c) **Harmonization of Standards**

Through the EAC, Kenya is implementing the regional standards harmonization program which to date has results to harmonization of 1,330 standards for goods out of a possible 9,011 standards[175]. According to a recent study by EABC, goods that have benefited from harmonized standards have witnessed improve cross border trade facilitation because of the mark of quality that is recognized in other EAC Partner States. The benefit has been quantified as 99% reduction in time it took to have goods without harmonized standards cleared at the border. Therefore, continued harmonization of standards, especially covering the products that are being focused in NEDPS will contribute significantly to the country's effort to promote exports into the regional market.

d) **Port Infrastructure**

Port infrastructure and productivity improvements are key to successful trade facilitation. Through Mombasa port infrastructure improvement through support from TMEA, efficiency of the port in export handing and facilitation is set to improve significantly, through decongestion of the port and ensuing time and cost reduction.

e) **Private Sector Engagement**

Private sector engagements have also helped in trade-facilitation reform. There are regional platforms that have been established to help in identifying issues of concern to cross border trade as well as recommending solutions to the issues. Most common issues relate to tax harmonization, services, tourism, standards and logistics.

Resource centers at key EAC border points have also been established for women engaged in cross-border trading. The centers have been useful in enlightening the traders on the demands of cross border trade. These initiatives through the support of TMEA have resulted into substantive improvement in the EAC regional and international trade.

B9/1.4.3 Constraints to Effective Trade Facilitation

Export performance is impeded by the following trade facilitation related constraints, which:

a) **Lack of awareness of trade facilitation measures put in place (recent and ongoing customs reforms, standards and SPS)**

The fundamental weakness in Kenya is the mode of disseminating information. There are numerous initiatives being carried on in the country by both public and private sector institutions

174 www.tradeforum.org/article/Trademark Retrieved 21st November, 2017

175 Refer remarks by KEBS MD, Charles Ongwae, 16th February 2018 - http://www.xinhuanet.com/english/2018-02/16/c_136979836.htm

which hardly reach the knowledge of the public who are supposedly the intended users or beneficiaries. Institutions such as Kenya Revenue Authority, Kenya Bureau of Standards and Kenya Plant Health Inspectorate Service have carried out a number of reforms to support trade in the country and exports but the public is hardly aware. Despite the high density of information technology penetration, members of the public still seem to have little effort in seeking and finding information. On the other hand, public institutions tend to have no structured communication strategy to enable them disseminate information on their service products for the public to know. A deliberate effort is required to come up with strong and efficient public communication strategy by the institutions to market and promote their services to the public.

b) **Lack of Standards and SPS Measures among some of the Target Export Products**
Small and medium enterprises specifically concentrate on specialty export products. The products include; herbs and spices, food ingredients and authentic apparel designs by local fashion designers. Although these products meet export quality, they usually lack quality standards and in case of food items, the challenge would always be in meeting the SPS standards. Most of these products lack standards making some of the companies to resort to European Spice Association Quality Minima Document.

c) **Instances of inaccessibility of Customs, Standards and SPS services, especially for businesses located out of cities/towns**
Narrow coverage of the country by critical export support institutions have been identified as hampering growth of export trade. Emerging products with export potential especially the ones produced in the counties face market rejection due to lack of standards and meeting the requirements of sanitary and phyto-sanitary measures. The over concentration in Nairobi and in a handful of towns in the country has adversely affected the upcoming export businesses in the counties. The absence of these services within the reach of stakeholders especially in the counties has contributed to the stagnation of product development as they lack quality standards to adhere to in the process of product development.

d) **Inadequate Quality and Food Safety Testing Facilities Across the Country**
Counties in Kenya have become the growth poles and centers for economic development yet there is lack of facilities required to facilitate trade including export product identification and development. The base of products in the counties is agriculture which involves farming of food products with export values or potential. However, due to high concentration of services in Nairobi, the county business stakeholders especially in the food industry lack the facilities for testing and monitoring the qualities and standards of their produce. This hampers the growth of export trade. Effort should be made to have some of the testing laboratories especially the government funded ones to open small branches in the county headquarters. The government laboratories include Kenya Plant Health Inspection Service, Kenya Bureau of Standards, and Kenya National Accreditation Service among others.

e) **Delays Along the Highways**
Transportation is a critical element within product distribution and delivery chain yet in the EAC region too much time is wasted on the roads. This is caused by among others; police road blocks, weighbridges, highway roads that are dangerous as a result of erection of huge bumps due to pedestrian careless disregard to dangers of using highways meant for vehicles. Public education is required for all road users especially pedestrians who dangerously use the highways. Government should develop a policy aimed at removing roadside shops and have them relocated at least a hundred meters away from the highways. Efforts should be made to

create dual carriage ways along all the highways to avoid accidents that usually cause delays in the highways. There should be clear implementable policies on road safety, maintenance, rehabilitation and preservation of road infrastructure which should include strict enforcement of axle load limit.

f) **Poor State of Rail Network and Facilities for Safe Movement of Goods Across the Region**
The EAC region has serious challenges in rail transport. There is hardly efficient rail system in the region. Kenya is however leading in modernization project in her rail system by introduction of standard gauge railway (SGR) of which Mombasa – Nairobi portion is complete and operational though for passenger only. The cargo service is being planned and due to start operation early in the year 2018. Plans and implementation of the second phase of SGR from Nairobi to Malaba via Kisumu are underway. However, these efforts will only be effective regionally if all the other countries in the northern corridor also modernize their systems for faster and efficient flow of regional cargo. It is only Tanzania, Uganda and Kenya that have rail network although inefficient and not cost effective. The service is minimal, slow and operates below capacity due to unreliability. Rwanda and Burundi as well as South Sudan do not have railway line and will have to develop some in the long term.

g) **Poor and Expensive Air travel Network especially in the region making it expensive facilitate trade competitively**
Trade in the region is hampered by high cost of air travel as well as unreliability in the air craft flight schedules. In several occasions, flights are delayed or rescheduled at times due to labor unrest, inefficiency in the management of air space. However, of the EAC countries, Kenya is the air connection hub. In a recent study by the Shippers Council of Eastern Africa,[176] air freight stakeholders complained that customs and security procedures added to much time to delivery time and considered hindrance to the growth of export business.

B9/1.4.4 Strategic objectives towards Trade Facilitation for Exports Development

The trade facilitation related constraints to export performance will be addressed through the following strategic interventions:

i) To promote harmonization of Standards and implementation of regional SPS protocol focusing on NEDPS focal products;

ii) To simplify and harmonize trade facilitation procedures and requirements;

iii) To create awareness on trade facilitation arrangements , instruments, measures and standards among the business community;

iv) To enhance trade information portals with an aim of ensuring a single national trade facility information platform, aligned to the countries commitment at the WTO and Regional Economic Communities;

v) To strengthen capacity of trade facilitation institutions to ensure their accessibility by businesses throughout the country;

vi) To promote development of requisite infrastructural capacity for quality and food safety testing across the country;

vii) To strengthen trade logistics targeting maritime, air, rail and road transport.

176 2016 East Africa Logistics Performance Survey

B9/1.4.5 Strategic Interventions and Resource Requirements towards Trade Facilitation

Strategic Objective #1:

To Promote Harmonization of Standards and Implementation of Regional SPS Protocol Focusing on NEDPS Focal Products

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KES M)
1) Identify all NEDPS focal products whose target markets are regional	SDT, KEBS, KEPHIS, DVS, Port Health, KENTRADE, EPC, NTFC, KEPSA, KNCCI and KAM	5
2) Initiate through the EAC process of developing regional harmonized standards for NEDPS focal products	SDT, KEBS, KEPHIS, DVS, Port Health, KENTRADE, EPC, NTFC, KEPSA, KNCCI and KAM	20

Strategic Objective #2:

To Simplify and Harmonize Trade Facilitation Procedures and Requirements

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KES M)
1) Undertake audit and review of trade facilitation procedures among Kenya's Trade Facilitation institution with a view to simplification, harmonization and introducing efficiency and cost effectiveness	SDT, KEBS, KEPHIS, DVS, Port Health, KENTRADE, EPC, NTFC, KEPSA, KNCCI and KAM	5
2) Undertake review of Trade Facilitation institutions regulatory and operational instruments to align them to the simplified and harmonized procedures	SDT, KEBS, KEPHIS, DVS, Port Health, KENTRADE, EPC, NTFC, KEPSA, KNCCI and KAM	5
3) Support Trade Facilitation Institutions in implementing their streamlined regulations and operational instruments	SDT, KEBS, KEPHIS, DVS, Port Health, KEPSA, KNCCI and KAM	5

Strategic Objective #3:

To Create Awareness on Trade Facilitation Arrangements, Instruments, Measures and Standards Among the Business Community

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KES M)
1) Undertake a scoping of all trade facilitation and procedures by Trade Facilitation Institutions, focusing on all NEDPS target products for purposes of preparation of awareness creation material for wide dissemination	SDT, KEBS, KEPHIS, DVS, Port Health, KENTRADE, EPC, NTFC, KEPSA, KNCCI and KAM	5

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KES M)
2) Prepare material on the trade facilitation procedures and requirements for each of the focal NEDPS products	SDT, KEBS, KEPHIS, DVS, Port Health, KENTRADE, EPC, NTFC, KEPSA, KNCCI and KAM	10
3) Disseminate the sector specific information on trade facilitation procedures and requirements to exporters in each of the NEDPS focal sectors.	SDT, KEBS, KEPHIS, DVS, Port Health, KENTRADE, EPC, NTFC, KEPSA, KNCCI and KAM	5
4) Conduct seminars and training for new entrants in export business on the trade facilitation procedures and requirements that need to be complied with	SDT, KEBS, KEPHIS, DVS, Port Health, KEPSA, KNCCI and KAM	20

Strategic Objective #4:

To Enhance Trade Information Portals with an Aim of Ensuring a Single National Trade Facility Information Platform Aligned to the Countries Commitment at the WTO and Regional Economic Communities

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KES M)
1) Undertake a review of current trade information portals content in the context of trade facilitation procedures and requirements of NEDPS focal products and determine the gaps	SDT, KEBS, KEPHIS, DVS, Port Health, KENTRADE, EPC, NTFC, KEPSA, KNCCI and KAM	5
2) Prepare comprehensive content on trade facilitation procedures and requirements for NEDPS focal export products addressing the gaps identified in the current trade information portals	SDT, KEBS, KEPHIS, DVS, Port Health, KENTRADE, EPC, NTFC, KEPSA, KNCCI and KAM	5
3) Harmonize through creating seamless link between Kenya Trade Portal and other Trade Information Portals	SDT, KEBS, KEPHIS, DVS, Port Health, KENTRADE, EPC, NTFC, KEPSA, KNCCI and KAM	3
4) Enhance Kenya Trade Portal and other Information Portals to ensure that content on trade facilitation procedures and requirements for all NEDPS focal products are uploaded and are accessible by users	SDT, KEBS, KEPHIS, DVS, Port Health, KENTRADE, EPC, NTFC, KEPSA, KNCCI and KAM	2

Strategic Objective #5:

To Strengthen Capacity of Trade Facilitation Institutions to ensure their Accessibility by Businesses throughout the Country

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KES M)
1) Review institutional capacity of Trade Institutions to cope with the demand of NEDPS export development demand of their services throughout the country and establish gaps - human resources and financial outlay for effective service across the country	SDT, KEBS, KEPHIS, DVS, Port Health, KENTRADE, EPC, NTFC, KEPSA, KNCCI and KAM	5

2)	Develop a capacity building program for strengthening Trade Facilitation Institutions to ensure their capability to support and facilitate export development throughout the country.	SDT, KEBS, KEPHIS, DVS, Port Health, KEPSA, KNCCI and KAM	3
3)	Support Implementation of the Trade Facilitation Institutions capacity building program	SDT, KEBS, KEPHIS, DVS, Port Health, KEPSA, KNCCI and KAM	50

Strategic Objective #6:

To Promote Development of Requisite Infrastructural Capacity for Quality and Food Safety Testing Across the Country

	Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KES M)
1)	Review infrastructural capacity (Laboratories and other related facilities and equipment) of Trade Facility Institutions to cope with the demand of NEDPS export development demand of their services throughout the country and establish gaps - human resources and financial outlay for effective service across the country	SDT, KEBS, KEPHIS, DVS, Port Health, KEPSA, KNCCI and KAM	10
2)	Develop a capacity building program for strengthening infrastructural capacity of Trade Facilitation Institutions to ensure their capability to support and facilitate export development throughout the country.	SDT, KEBS, KEPHIS, DVS, Port Health, KEPSA, KNCCI and KAM	5
3)	Support Implementation of the Trade Facilitation Institutions infrastructural capacity building program	SDT, KEBS, KEPHIS, DVS, Port Health, KEPSA, KNCCI and KAM	100

Strategic Objective #7:

To Strengthen Trade Logistics Targeting Maritime, Air, Rail and Road Transport

	Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KES M)
1)	Establish a one stop center to provide trade logistics information on exportation of goods to different target destination markets	National Trade Facilitation Committee, Private Sector Associations in transport and logistics	50
2)	Enhance efficiency in Mombasa Port clearance through implementation of the Mombasa Port Service Charter	National Trade Facilitation Committee, Private Sector Associations in transport and logistics	10
3)	Encourage shipping lines to provide online information on shipping lines offering services for exports to various NEDPS destination markets	National Trade Facilitation Committee, Private Sector Associations in transport and logistics	5
4)	Encourage transport companies to provide information on their services, including fleets, cost of transportation within the country and to difference regional destination markets	National Trade Facilitation Committee, Private Sector Associations in transport and logistics	5

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KES M)
5) Encourage Kenya Airways to consider provision of Air Cargo flights to all NEDPS destination market through direct service of code share arrangement.	National Trade Facilitation Committee, Private Sector Associations in transport and logistics	5
6) Encourage Kenya Railways to provide rail transport deals to Mombasa for all NEDPS target products at competitive rail transport prices	National Trade Facilitation Committee, Private Sector Associations in transport and logistics	5

B9/1.4.6 Resource Mobilization Plan in Support of Trade Facilitation for Export Development

The estimated resource requirement in support of trade facilitation towards enhanced export performance is KES353m over the period 2018-2022. The specific interventions under each of the Strategic Objectives and accompanying resource requirements are as provided under the section on 'Strategic Interventions and Resource Requirements'. The sources of funds and Lead Agencies in mobilization of the funds are as listed in the resource mobilization plan below. The institutional structure through which the funds for Trade Facilitation will be mobilized is the 'Trade Facilitation Sub-Sector Working Group' of NEDPS Cross Cutting Issues Sector Working Group. At the Trade Facilitation SSWG, Private Sector Associations will take lead role in driving the agenda for Trade Facilitation, with Government playing a facilitative role to ensure requisite resources and enabling environment for development and promotion of the exports of these services.

Table B9/3-1: Resource Mobilization to Support Trade Facilitation for Enhanced Exports.

SO#	Strategic Objective/ Focal Areas of Intervention	Amount Required (KESMn)	Estimated NEDPS Annual Resource Requirement (KES Millions)					Source	Lead Agencies in Resource Mobilization
			2018/19	2019/20	2020/21	2021/22	2022/23		
1	To promote harmonization of Standards and implementation of regional SPS protocol focusing on NEDPS focal products	25	5	5	5	5	5	MDAs' MTPIII Annual Budgets, Private Sector programs, Development Partners	National Trade Facilitation Committee, Private Sector Associations in transport and logistics
2	To simplify and harmonize trade facilitation procedures and requirements	15	3	3	3	3	3		
3	To create awareness on trade facilitation arrangements, instruments, measures and standards among the business community	40	8	8	8	8	8		
4	To enhance trade information portals with an aim of ensuring a single national trade facility information platform aligned to the countries commitment at the WTO and Regional Economic Communities	20	4	4	4	4	4		

SO#	Strategic Objective/ Focal Areas of Intervention	Amount Required (KESMn)	Estimated NEDPS Annual Resource Requirement (KES Millions)					Source	Lead Agencies in Resource Mobilization
			2018/19	2019/20	2020/21	2021/22	2022/23		
5	To strengthen capacity of trade facilitation institutions to ensure their accessibility by businesses throughout the country	58	12	12	12	12	12		
6	To promote development of requisite infrastructural capacity for quality and food safety testing across the country	115	23	23	23	23	23		
7	To strengthen trade logistics targeting maritime, air, rail and road transport	80	16	16	16	16	16		
	Sub-Total	353	71	71	71	71	71		

B9/1.4.7 Implementation Plan towards Trade Facilitation for Enhanced Exports

Strategic Interventions/ Program Activities	Implementing Agencies	2018				2019				2020				2021				2022			
		Quarters				Quarters				Quarters				Quarters				Quarters			
		1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
SO#1: To Promote Harmonization of Standards and Implementation of Regional SPS Protocol Focusing on NEDPS Focal Products																					
Identify all NEDPS focal products whose target markets are regional	SDT, KEBS, KEPHIS, DVS, Port Health, KENTRADE, EPC, NTFC, KEPSA, KNCCI and KAM																				
Initiate through the EAC process of developing regional harmonized standards for NEDPS focal products	SDT, KEBS, KEPHIS, DVS, Port Health, KENTRADE, EPC, NTFC, KEPSA, KNCCI and KAM																				
To Simplify and Harmonize Trade Facilitation Procedures and Requirements																					
Undertake audit and review of trade facilitation procedures among Kenya's Trade Facilitation institution with a view to simplification, harmonization and introducing efficiency and cost effectiveness	SDT, KEBS, KEPHIS, DVS, Port Health, KENTRADE, EPC, NTFC, KEPSA, KNCCI and KAM																				
Undertake review of Trade Facilitation institutions regulatory and operational instruments to align them to the simplified and harmonized procedures	SDT, KEBS, KEPHIS, DVS, Port Health, KENTRADE, EPC, NTFC, KEPSA, KNCCI and KAM																				

Strategic Interventions/ Program Activities	Implementing Agencies	2018 Quarters				2019 Quarters				2020 Quarters				2021 Quarters				2022 Quarters			
		1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
Support Trade Facilitation Institutions in implementing their streamlined regulations and operational instruments	SDT, KEBS, KEPHIS, DVS, Port Health, KEPSA, KNCCI and KAM																				
To Create Awareness on Trade Facilitation Arrangements, Instruments, Measures and Standards Among the Business Community																					
Undertake a scoping of all trade facilitation and procedures by Trade Facilitation Institutions, focusing on all NEDPS target products for purposes of preparation of awareness creation material for wide dissemination	SDT, KEBS, KEPHIS, DVS, Port Health, KENTRADE, EPC, NTFC, KEPSA, KNCCI and KAM																				
Prepare material on the trade facilitation procedures and requirements for each of the focal NEDPS products	SDT, KEBS, KEPHIS, DVS, Port Health, KENTRADE, EPC, NTFC, KEPSA, KNCCI and KAM																				
Disseminate the sector specific information on trade facilitation procedures and requirements to exporters in each of the NEDPS focal sectors.	SDT, KEBS, KEPHIS, DVS, Port Health, KENTRADE, EPC, NTFC, KEPSA, KNCCI and KAM																				
Conduct seminars and training for new entrants in export business on the trade facilitation procedures and requirements that need to be complied with	SDT, KEBS, KEPHIS, DVS, Port Health, KEPSA, KNCCI and KAM																				
To Enhance Trade Information Portals with an Aim of Ensuring a Single National Trade Facility Information Platform Aligned to the Countries Commitment at the WTO and Regional Economic Communities																					
Undertake a review of current trade information portals content in the context of trade facilitation procedures and requirements of NEDPS focal products and determine the gaps	SDT, KEBS, KEPHIS, DVS, Port Health, KENTRADE, EPC, NTFC, KEPSA, KNCCI and KAM																				
Prepare comprehensive content on trade facilitation procedures and requirements for NEDPS focal export products addressing the gaps identified in the current trade information portals	SDT, KEBS, KEPHIS, DVS, Port Health, KENTRADE, EPC, NTFC, KEPSA, KNCCI and KAM																				
Harmonize through creating seamless link between Kenya Trade Portal and other Trade Information Portals	SDT, KEBS, KEPHIS, DVS, Port Health, KENTRADE, EPC, NTFC, KEPSA, KNCCI and KAM																				

Strategic Interventions/ Program Activities	Implementing Agencies	2018				2019				2020				2021				2022			
		Quarters				Quarters				Quarters				Quarters				Quarters			
		1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
Enhance Kenya Trade Portal and other Information Portals to ensure that content on trade facilitation procedures and requirements for all NEDPS focal products are uploaded and are accessible by users	SDT, KEBS, KEPHIS, DVS, Port Health, KENTRADE, EPC, NTFC, KEPSA, KNCCI and KAM																				
To Strengthen Capacity of Trade Facilitation Institutions to ensure their Accessibility by Businesses throughout the Country																					
Review institutional capacity of Trade Institutions to cope with the demand of NEDPS export development demand of their services throughout the country and establish gaps - human resources and financial outlay for effective service across the country	SDT, KEBS, KEPHIS, DVS, Port Health, KENTRADE, EPC, NTFC, KEPSA, KNCCI and KAM																				
Develop a capacity building program for strengthening Trade Facilitation Institutions to ensure their capability to support and facilitate export development throughout the country.	SDT, KEBS, KEPHIS, DVS, Port Health, KEPSA, KNCCI and KAM																				
Support Implementation of the Trade Facilitation Institutions capacity building program	SDT, KEBS, KEPHIS, DVS, Port Health, KEPSA, KNCCI and KAM																				
To Promote Development of Requisite Infrastructural Capacity for Quality and Food Safety Testing Across the Country																					
Review infrastructural capacity (Laboratories and other related facilities and equipment) of Trade Facility Institutions to cope with the demand of NEDPS export development demand of their services throughout the country and establish gaps - human resources and financial outlay for effective service across the country	SDT, KEBS, KEPHIS, DVS, Port Health, KEPSA, KNCCI and KAM																				
Develop a capacity building program for strengthening infrastructural capacity of Trade Facilitation Institutions to ensure their capability to support and facilitate export development throughout the country.	SDT, KEBS, KEPHIS, DVS, Port Health, KEPSA, KNCCI and KAM																				
Support Implementation of the Trade Facilitation Institutions infrastructural capacity building program	SDT, KEBS, KEPHIS, DVS, Port Health, KEPSA, KNCCI and KAM																				

Strategic Interventions/ Program Activities	Implementing Agencies	2018				2019				2020				2021				2022			
		Quarters				Quarters				Quarters				Quarters				Quarters			
		1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
To Strengthen Trade Logistics Targeting Maritime, Air, Rail and Road Transport																					
Establish a one stop center to provide trade logistics information on exportation of goods to different target destination markets	National Trade Facilitation Committee, Private Sector Associations in transport and logistics																				
Enhance efficiency in Mombasa Port clearance through implementation of the Mombasa Port Service Charter	National Trade Facilitation Committee, Private Sector Associations in transport and logistics																				
Encourage shipping lines to provide online information on shipping lines offering services for exports to various NEDPS destination markets	National Trade Facilitation Committee, Private Sector Associations in transport and logistics																				
Encourage transport companies to provide information on their services, including fleets, cost of transportation within the country and to difference regional destination markets	National Trade Facilitation Committee, Private Sector Associations in transport and logistics																				
Encourage Kenya Airways to consider provision of Air Cargo flights to all NEDPS destination market through direct service of code share arrangement.	National Trade Facilitation Committee, Private Sector Associations in transport and logistics																				
Encourage Kenya Railways to provide rail transport deals to Mombasa for all NEDPS target products at competitive rail transport prices	National Trade Facilitation Committee, Private Sector Associations in transport and logistics																				

B9/1.5 Export Promotion

B9/1.5.1 Rationale and Justification for Export Promotion

The rationale for export promotion is derived from the role of exports in economic growth. This causal relationship has been documented in Giles and Williams, 2000; and Harrison and Rodríguez-Clare, 2009; see also UNCTAD, 2008 and further echoed in Guillermo Donoso (2016).[177] Focus and concentration on priority economic sectors has been emphasized in literature as an integral part of export promotion because it guarantees visible returns as performance is tracked in the specific sectors and firms within that sector.[178] This approach has already been integrated in NEDPS where eight priority sectors have been identified. These sectors will form the focal platform for export promotion.

177 Guillermo Donoso (2016): Catholic University of Chile - 'Chilean agricultural export promotion experience to advance agricultural trade: legal, regulatory and operational frameworks and impact assessment'
178 Refer - Piñeres and Ferrantino, 1997; An and Iyigun 2004; and Hausmann et al. 2007, as quoted in Guillermo Donoso (2016)

From Guillermo Donoso (2016) we have other key compelling reasons for export promotion, which are very relevant for Kenya, listed as follows:

i) *In terms of growth, exports increase the benefits of individual firms due to scale effects of operating on the global market rather than on the domestic market, increasing their productivity by adopting best practices in business methods. Additionally, operating in larger markets leads to efficiency gains through knowledge transfers. Export firms learn new skills, new technology and new marketing techniques. Thus, exporting transfers knowledge and skills from international markets to domestic firms.*

ii) *There are also social benefits of increasing the number of exporters and export volumes. In the first place, involvement in exports has an overall positive effect on wages and working conditions. Secondly, exporters innovate and invest in human capital in order to compete internationally. As a result, both large and small exporters provide higher quality jobs and better working conditions than non-exporters. Thirdly, there are social benefits in terms of rural growth. In many, especially developing countries a lot of exporters come from rural areas so incentivizing exports contributes to economic development in rural areas.*

iii) *On the other hand, increasing the number of exporters, especially small and medium-sized exporters (SME), widens the platform of beneficiaries of these economic and social benefits. Furthermore, if a lot of SMEs are involved in exports the benefits are increased by sharing and transferring this knowledge to many SMEs instead of it staying among just a few big players.*

Experience in most lead exporting countries that have been reviewed in Guillermo Donoso (2016) and USAID (2009)[179] have identified Export Promotion Policies (Export Promotion Policies) as key enablers to export growth. These policies have been pursued in order to assist both potential exporters, especially SMEs (Crick et al., 2001; Wilkinson and Brouthers, 2006), to begin exporting and to help those that already export to increase their exports and to diversify markets. This basis for EPP is important to Kenya where NEDPS foresees new crop of exporters, deluge of SMEs currently groping in darkness with no clear knowledge and direction of international markets.

Export Promotion Policies, as shall be seen shortly from the best practice case studies come at a price in form of sufficient financial allocation in support of their implementation. These allocations can be based on the following economic justification that has been proposed in literature[180]:

a) Reaching an optimal number of export firms;

b) Protecting comparative advantages until export spillovers to the rest of the economy materialise;

c) Ameliorating the lack of information, which contributes to reducing the perceived risks associated with exports;

d) Identifying goods and services with comparative advantages.

Therefore, the rationale for export promotion points out to the following two overarching goals which are the basis for export promotion programs":

1. To increase export flows; and
2. To select those economic sectors in which the country's export strategy should specialize.

179 USAID (2009) - Indonesia Trade Assistance Project "Comparative Analysis Study of Export Promotion in Chile, Malaysia, South Korea and Indonesia

180 Refer - Belloc and Di Maio, 2011 (as quoted in Guillermon Gonoso (2016)

To achieve these goals, export promotion programs are expected to incentivize export growth. As observed in literature, this can be achieved through pursuit of some or all of the following specific objectives that are by design expected to incentivize export growth[181]:

a) *Increase a firm's intention to export.* Identifying companies that intend to export, and encouraging them to make a proactive commitment to export represents an opportunity for increasing the number of exporters;

b) *Increase opportunities for potential exporters.* Locating opportunities for potential exporters and matching capabilities and opportunities. Additionally, create or strengthen international networks, since they provide representation, market intelligence, contacts, opportunities and visit assistance;

c) *Increase the success rate of first time exporters*. Success in exports is highly dependent on the firm having the right skills and commitment. Thus it is also important to identify such firms, to help them develop their export capabilities and to encourage them to explore export opportunities; and

d) *Increase the number of regular exporters.* By encouraging new firms with potential to export early in their life could develop the interest of potential new exporters.

B9/1.5.2 International Best Practice Cases of Export Promotion and Lessons for Kenya

The table below gives various types of export promotion programs that are being applied in some lead export countries, all versioned to achieve the above specific objectives of export promotion.

Table B9/4-1: Export promotion interventions by case study countries

Export Promotion Interventions	Case study country
1. Matching grant scheme	Malaysia and Chile
2. Incoming Buying Missions	Malaysia
3. Business Round Tables	Chile
4. Technical and financial assistance to enhance their capabilities to export	Malaysia
5. Training and information resources to exporters	Malaysia
6. Selection of Target Markets	Chile
7. Identifying Sales Opportunities	Chile
8. Fund to promote Agro-Industrial Exports	Chile
9. Technical Assistance towards market access	Chile
10. Trade Fairs	Chile
Special thematic export promotion events	Chile
Branding	Chile
Matching Opportunities	Chile
Export Promotion Agency/Private Sector Partnership for Export Development	Chile
Dedicated Portal for Exports	USA (www.export.gov)

These initiatives have been behind each of the case study countries success in export performance. Chile has for instance been able to penetrate global fruits market courtesy of the focus and well-funded export promotion programs.

181 Karen, G. 2011. The key issues of the improvement of export promotion policy at the macro-and micro levels. In International scientific conference on" Project management", proceedings book (Vol, 2, pp, 70-75).

B9/1.5.3 Situational Analysis of Export Promotion

Export Promotion Council (EPC) is the Agency which is mandated to promote Kenya's exports of goods and services and to coordinate export promotion related activities in the country. The scope of the mandate is threefold:

i) Policy interpretation, identification of bottlenecks affecting exporters and advocacy;
ii) Product (supply-side) Development; and
iii) Export market Development; Trade and product promotion; Consumer promotion.

EPC pursues its mandate through performing functions under the following thematic areas:

1. Market Development and Promotion

Functions relating to opening markets, market access and promotion include:

a) Facilitation of market consolidation, expansion and diversification of Kenya's export markets through promotional activities;
b) Consolidation and expansion of existing markets for Kenya's exporters;
c) Development of Market Prioritization Frameworks for selection of international markets for focused export promotion and market penetration strategies;
d) Promotion of activities that focus on enlargement of the export supply base; and
e) Facilitation of the establishment of distribution networks of Kenyan goods in key markets for increased competitiveness.

2. Trade Information and Business Counselling Services (TIBS):

The functions of providing market information on exports one:

a) Identify, collect, manage and store trade information;
b) Provision of reference services, market intelligence, information research and advisory services;
c) Disseminate export trade information through the Integrated County Out-reach Programme and Trade Alert publications;
d) Promote the use of E-trade by Kenyan exporters through the ICT unit;
e) Create export awareness in the counties through decentralization of trade information services and county engagement programmes;
f) Linking Kenya exporters to potential buyers through provision of export leads; and
g) Business counselling/advisory services.

3. Enterprise and Product Development (EPD).

The function to enable export compliance to the external market requirements as well as development of new products as well as inducting new enterprises into the export system:

a) Mainstreaming SMEs into export trade, through Enterprise Export Capacity Development;
b) Enhance competitiveness, expansion and diversification of Kenya's exports through interventions in product development and adaptation;
c) Facilitate the mainstreaming of SMEs particularly the youth, women and other marginalized segments of the society into the export process;
d) Train producers of export goods and services on export trade and market requirements;

e) Assist export ready producer groups to increase their exports through capacity building and market linkages; and

f) Facilitate market access for MSMEs through linkages with large export enterprises and international markets.

4. Research and Policy Facilitation

To provide appropriate information for timely and accurate strategic decisions on production and export markets.

There is a continuous demand for information that relates to the markets, the importers & the legal regimes in various markets, the market entry requirements and the competition in the markets among others demands:

a) Undertake market intelligence based research for Kenyan exporters and other stakeholders;

b) Profiling markets and products for identified export opportunities within the trade policy framework and to encourage exploitation of the opportunities by the business community;

c) Identify of emerging demand & consumer preferences in new and existing markets to inform formulation of export market promotion activities and programmes;

d) Provide in-depth information on markets needed to guide bilateral, regional and multilateral policy discussions;

e) Facilitate of the review of domestic and external trade environments to enhance competitiveness of Kenya's exports through submissions of proposals to the budget speech; and

f) Assist the business community in designing and developing appropriate market entry strategies.

Analysis of the EPC export promotion scope and the best practice cases reveal lack of sectoral and market focus. There also lucks clear evidence of export promotion to incentivize target exporters. This could be attributed to the fact that the EPC initiatives have been pursued in an environment that did not have export strategy. A further challenge is limited funding as further elaborated below.

B9/1.5.4 Constraints to Export Promotion

Constraints that may limit ability of EPC to drive exports to achieve the NEDPS target

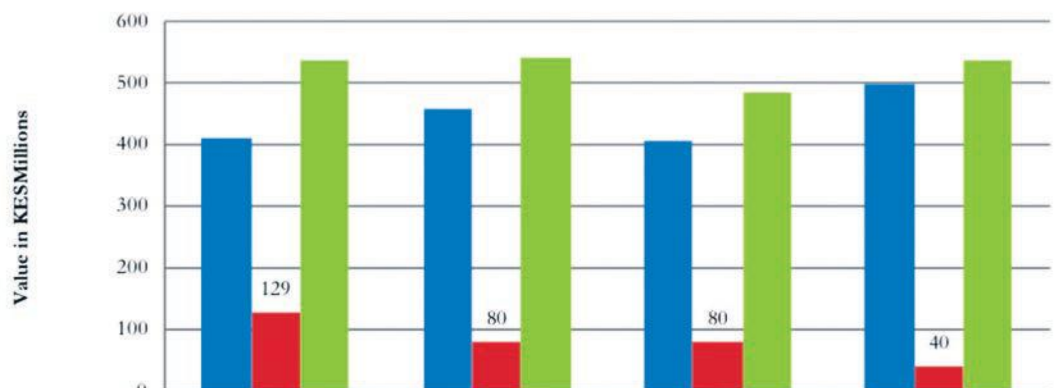
a) Inadequate budgetary allocations

Export promotion, going by the reviewed international best practice countries requires dedicated funding to run export promotion programs to drive export growth of targeted export products through a mix of grants and services from the core export promotion Agency. According to Chile's experience, the greatest impact of export promotion comes for inward and outward bound missions and trade fairs.

A review of the EPC budget, taking this reality into account demonstrates an ill funded export promotion Agency with virtually no funds to run programs such as the ones cited in the best practice case studies, let alone those that could be run under the four thematic areas.

The chart below provides the status of EPC funding, which has been virtually constant over the four years to 2016/17. It is however important to note that development component of the financial allocation has reduced significantly from KES129million in 2013/14 to KES40million in 2016/17. This level of funding cannot handled the expected export promotion load under the NEDPS.

Chart B9/4-1: Export Promotion Counci - Financial Outlay - 2013/14 to 2016/17 - Figures in KESmillions (Source - EPC)



	2013/14	2014/15	2015/16	2016/17
Recurrent	409	461	407	497
Development	129	80	80	40
TOTAL	538	541	487	537

Other constraints that face EPC and thus limit its effectiveness in promoting exports, as listed in EPC Strategic Plan (2018-2022) are as follows:

a) Weak legal framework;

b) Inadequate visibility;

c) Low staffing levels;

d) Limited National reach;

e) Lack of comprehensive and updated database of Kenya's exporters;

f) Weak linkages with overseas market systems;

g) Weak synergies with foreign missions;

h) Weak capacity to implement findings of market intelligence;

i) Inadequate funding;

j) Low prioritization of the export sector;

k) Weak monitoring and evaluation system;

l) Inadequate ICT infrastructure; and

m) Lack of data capture system (trade) as a result of low response.

B9/1.5.5 Strategic Objectives towards Promotion of Exports

The national export growth target of 25% per year requires robust support from export promotion interventions. These are to be pursued within the following framework of strategic objectives:

1. To strengthen Export Promotion Council with a view to ensuring its status and capacity is commensurate with the envisaged role of promoting exports;
2. To identify and map out exporters in all the NEDPS focal sectors as a platform to be used for targeted, sustainable and verifiable export growth;
3. To design and implement export promotion programs geared towards delivery of NEPDS as well as sectoral export growth targets; and
4. To establish and fund an export promotion Fund for funding various envisaged catalytic export promotion program activities.

B9/1.5.6 Strategic Interventions and Projected Resource Requirements

Strategic Objective #1:

To strengthen Export Promotion Council with a view to ensuring its Status and Capacity is Commensurate with the Envisaged Role of Promoting Exports

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KES M)
1) Undertake an institutional and functional review of EPC in the context of the envisaged national export growth and drawing lessons from success story countries such as Chile, Japan, Malaysia, South Korea and USA on legal framework, mandate, institutional structure, funding model[182] and recommend changes that may be needed to build a strong National Export Promotion Agency with presence all over the country and with offices abroad to drive the country's export growth in a sustainable manner	SDT, National Treasury, State Law Office, KEPSA, KAM and KNCCI	5
2) Undertake reform of EPC to address the challenges identified in the review, including institutional reform geared towards ensuring sustainable export growth	SDT, National Treasury, National Export Promotion Agency, KEPSA, KAM and KNCCI SDT, National Treasury, State Law Office, KEPSA, KAM and KNCCI	10
3) Station Staff of National Export Agency in all counties as advisors and focal points for export development in response to international market opportunities	National Export Promotion Agency, SDT, National Treasury, County Governments, KEPSA, KAM and KNCCI	50
4) Post Staff of National Export Promotion Agency as Export Market Executives in all Strategic Markets with clear targets to drive Kenya's export market share through targeting in country export promotion events in a sustainable manner	National Export Promotion Agency, SDT, National Treasury, Ministry of Foreign Affairs, KEPSA, KAM and KNCCI	400
5) Undertake comprehensive training of the staff of the National Export Promotion Agency to build capacity for their support export promotion programs	National Export Promotion Agency, SDT, National Treasury, Ministry of Foreign Affairs, KEPSA, KAM and KNCCI	5

182 Lessons from Malaysia on funding of MATRADE from loyalties from gas and oil sector may be useful in ensuring adequate funding in a sustainable and guarantee manner, given the huge return to the country that comes from export promotion

Strategic Objective #2:

To identify and map out exporters in all the NEDPS focal sectors as a platform to be used for targeted, sustainable and verifiable export growth

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KES M)
1) Undertake sectoral baseline survey on all NEDPS focal sectors and identify and register all export ready firms and other firms with potential to export with details encompassing products, volume of production, seasons of production, among others	National Export Promotion Agency, SDT, National Treasury, KEPSA, KAM and KNCCI	15
2) Develop a mechanism for continuous identification and update of the registered exporters to ensure the data base is current and useful as a resource for export promotion	National Export Promotion Agency, SDT, National Treasury, KEPSA, KAM and KNCCI	5
3) Develop an online data base driven, private sector led directorate and portal for exporters complete with search engine to enable anyone to identify Kenyan exporters of the products being promoted under NEDPS.	National Export Promotion Agency, SDT, National Treasury, KEPSA, KAM and KNCCI	10

Strategic Objective #3:

To design and Implement Export Promotion Programs geared towards delivery of NEPDS National as well as sectoral export growth targets

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KES M)
1) Design export promotion programs and M&E Plans for each of the programs to respond to the NEDPS export development agenda and geared towards diversification of export products, markets and increasing the number of exporters (especially SMEs and women owned exporter companies) including the following thematic areas as drawn from best practice cases *i) Matching grant scheme* *ii) Incoming Buying Missions/Outward Missions for export deal making* *iii) Business Round Tables* *iv) Technical and financial assistance to enhance their capabilities to export* *v) Training and information resources to exporters* *vi) Selection of Target Markets* *vii) Identifying Sales Opportunities* *viii) Fund to promote Agro-Industrial Exports* *ix) Technical Assistance towards market access* *x) Trade Fairs* *xi) Special thematic export promotion events* *xii) Branding* *xiii) Matching Opportunities*	National Export Promotion Agency, SDT, National Treasury, KEPSA, KAM and KNCCI	5

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KES M)
2) Develop annual work plans for implementation of the various components of the export programs	National Export Promotion Agency, SDT, National Treasury, KEPSA, KAM and KNCCI	5
3) Implement the annual work plan activities and inbuilt quarterly progress reporting and results tracking in the implementation framework	National Export Promotion Agency, SDT, National Treasury, KEPSA, KAM and KNCCI	10

Strategic Objective #4:

To establish and fund an export promotion Fund for funding various envisaged catalytic export promotion program activities;

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KES M)
Undertake a study to establish the resource requirements for funding operations of National Export Promotion Agency with a capacity as envisaged in Task 2 and running export promotion programs as designed under Task 4 and propose funding sources building on experiences of 'Export Promotion Best Practice' countries as cited above	SDT, National Treasury, KEPSA, KAM and KNCCI SDT, National Treasury, KEPSA, KAM and KNCCI	10
Establish institutional structure and public/private sector management model for running the Fund to ensure application of resources for intended purposes and release of funds against tangible results on export growth/ performance pursuant to catalytic role of the Fund in stimulating exports in the preceding period (e.g. past year or quarter).	SDT, National Treasury, KEPSA, KAM and KNCCI SDT, National Treasury, KEPSA, KAM and KNCCI	5
Develop prospectus for mobilization of the export promotion funds and pursue mobilization of the funds to ensure timely availability of the funds to run export promotion activities	SDT, National Treasury, KEPSA, KAM and KNCCI SDT, National Treasury, KEPSA, KAM and KNCCI	5
Using the prospectus mobilize funds to fund the 'Export Promotion Fund'.	SDT, National Treasury, KEPSA, KAM and KNCCI SDT, National Treasury, KEPSA, KAM and KNCCI	2,000
Develop clear guidelines for application of export promotion Fund resources to ensure allocation to activities that contribute to export growth as envisaged in export promotion programs and annual work plans	SDT, National Treasury, KEPSA, KAM and KNCCI SDT, National Treasury, KEPSA, KAM and KNCCI	2

B9/1.5.7 Resource Mobilization Plan in Support of Export Promotion

The estimated resource requirement in support of export promotion towards enhanced export performance is KES2.6 billion over the period 2018-2022. The specific interventions under each of the Strategic Objectives and accompanying resource requirements are as provided under the section on 'Strategic Interventions and Resource Requirements'. The sources of funds and Lead Agencies in mobilization of the funds are as listed in the resource mobilization plan below. The institutional structure through which the funds for Export Promotion will be mobilized is the 'Export Promotion Sub-Sector Working Group' of NEDPS Cross Cutting Issues Sector Working Group. At the Export Promotion SSWG, Private Sector Associations will take lead role in driving the agenda for export promotion, with Government playing a facilitative role to ensure requisite resources and enabling environment for development and promotion of the exports of these services.

Table B9/4-2: Resource Mobilization Plan in support of Export Promotion

SO#	Strategic Objective/ Focal Areas of Intervention	Amount Required (KES Mns)	Estimated NEDPS Annual Resource Requirement (KES Millions)					Source	Lead Agencies in Resource Mobilization
			2018/19	2019/20	2020/21	2021/22	2022/23		
1	To strengthen Export Promotion Council with a view to ensuring its status and capacity is commensurate with the envisaged role of promoting exports	470	94	94	94	94	94	MDAs' MTPIII Annual Budgets, Private Sector programs, Development Partners	SDT, National Treasury, KEPSA, KAM and KNCCI SDT, National Treasury, KEPSA, KAM and KNCCI
2	To identify and map out exporters in all the NEDPS focal sectors as a platform to be used for targeted, sustainable and verifiable export growth	30	6	6	6	6	6		
3	To design and implement export promotion programs geared towards delivery of NEPDS National as well as sectoral export growth targets	30	6	6	6	6	6		
4	To establish and fund an export promotion Fund for funding various envisaged catalytic export promotion program activities;	2,022	404	404	404	404	404		
Sub-Total		2,552	510	510	510	510	510		

B9/1.5.8 Implementation Plan for Export Promotion Strategy

Strategic Interventions/ Program Activities	Implementing Agencies	2018				2019				2020				2021				2022			
		Quarters				Quarters				Quarters				Quarters				Quarters			
		1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
SO#1: To strengthen Export Promotion Council with a view to ensuring its Status and Capacity is Commensurate with the Envisaged Role of Promoting Exports																					
1) Undertake an institutional and functional review of EPC in the context of the envisaged national export growth and drawing lessons from success story countries such as Chile, Japan, Malaysia, South Korea and USA on legal framework, mandate, institutional structure, funding model and recommend changes that may be needed to build a strong National Export Promotion Agency with presence all over the country and with offices abroad to drive the country's export growth in a sustainable manner	SDT, National Treasury, State Law Office, KEPSA, KAM and KNCCI																				
2) Undertake reform of EPC to address the challenges identified in the review, including institutional reform geared towards ensuring sustainable export growth	SDT, National Treasury, National Export Promotion Agency, KEPSA, KAM and KNCCI SDT, National Treasury, State Law Office, KEPSA, KAM and KNCCI																				
3) Station Staff of National Export Agency in all counties as advisors and focal points for export development in response to international market opportunities	National Export Promotion Agency, SDT, National Treasury, County Governments, KEPSA, KAM and KNCCI																				
4) Post Staff of National Export Promotion Agency as Export Market Executives in all Strategic Markets with clear targets to drive Kenya's export market share through targeting in country export promotion events in a sustainable manner	National Export Promotion Agency, SDT, National Treasury, Ministry of Foreign Affairs, KEPSA, KAM and KNCCI																				

Strategic Interventions/ Program Activities	Implementing Agencies	2018				2019				2020				2021				2022			
		Quarters				Quarters				Quarters				Quarters				Quarters			
		1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
5) Undertake comprehensive training of the staff of the National Export Promotion Agency to build capacity for their support export promotion programs	National Export Promotion Agency, SDT, National Treasury, Ministry of Foreign Affairs, KEPSA, KAM and KNCCI																				
SO#2: To identify and map out exporters in all the NEDPS focal sectors as a platform to be used for targeted, sustainable and verifiable export growth																					
1) Undertake sectoral baseline survey on all NEDPS focal sectors and identify and register all export ready firms and other firms with potential to export with details encompassing products, volume of production, seasons of production, among others	National Export Promotion Agency, SDT, National Treasury, KEPSA, KAM and KNCCI																				
2) Develop a mechanism for continuous identification and update of the registered exporters to ensure the data base is current and useful as a resource for export promotion	National Export Promotion Agency, SDT, National Treasury, KEPSA, KAM and KNCCI																				
3) Develop an online data base driven, private sector led directorate and portal for exporters complete with search engine to enable anyone to identify Kenyan exporters of the products being promoted under NEDPS.	National Export Promotion Agency, SDT, National Treasury, KEPSA, KAM and KNCCI																				
SO#3: To design and Implement Export Promotion Programs geared towards delivery of NEPDS National as well as sectoral export growth targets																					
1) Design export promotion programs and M&E Plans for each of the programs to respond to the NEDPS export development agenda and geared towards diversification of export products, markets and increasing the number of exporters (especially SMEs and women owned exporter companies) including the following thematic areas as drawn from best practice cases:	National Export Promotion Agency, SDT, National Treasury, KEPSA, KAM and KNCCI																				

Strategic Interventions/ Program Activities	Implementing Agencies	2018				2019				2020				2021				2022			
		Quarters				Quarters				Quarters				Quarters				Quarters			
		1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
i) Matching grant scheme ii) Incoming Buying Missions/Outward Missions for export deal making iii) Business Round Tables iv) Technical and financial assistance to enhance their capabilities to export v) Training and information resources to exporters vi) Selection of Target Markets vii) Identifying Sales Opportunities viii) Fund to promote Agro-Industrial Exports ix) Technical Assistance towards market access x) Trade Fairs xi) Special thematic export promotion events xii) Branding xiii) Matching Opportunities																					
2) Develop annual work plans for implementation of the various components of the export promotion programs	National Export Promotion Agency, SDT, National Treasury, KEPSA, KAM and KNCCI																				
3) Implement the annual work plan activities and inbuilt quarterly progress reporting and results tracking in the implementation framework	National Export Promotion Agency, SDT, National Treasury, KEPSA, KAM and KNCCI																				

Strategic Interventions/ Program Activities	Implementing Agencies	2018				2019				2020				2021				2022			
		Quarters				Quarters				Quarters				Quarters				Quarters			
		1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
SO#4: To establish and fund an export promotion Fund for funding various envisaged catalytic export promotion program activities;																					
1) Undertake a study to establish the resource requirements for funding operations of National Export Promotion Agency with a capacity as envisaged in Task 2 and running export promotion programs as designed under Task 4 and propose funding sources building on experiences of 'Export Promotion Best Practice' countries as cited above	SDT, National Treasury, KEPSA, KAM and KNCCI SDT, National Treasury, KEPSA, KAM and KNCCI																				
2) Establish institutional structure and public/ private sector management model for running the Fund to ensure application of resources for intended purposes and release of funds against tangible results on export growth/ performance pursuant to catalytic role of the Fund in stimulating exports in the preceding period (e.g. past year or quarter).	SDT, National Treasury, KEPSA, KAM and KNCCI SDT, National Treasury, KEPSA, KAM and KNCCI																				
3) Develop prospectus for mobilization of the export promotion funds and pursue mobilization of the funds to ensure timely availability of the funds to run export promotion activities	SDT, National Treasury, KEPSA, KAM and KNCCI SDT, National Treasury, KEPSA, KAM and KNCCI																				
4) Using the prospectus mobilize funds to fund the 'Export Promotion Fund'.	SDT, National Treasury, KEPSA, KAM and KNCCI SDT, National Treasury, KEPSA, KAM and KNCCI																				
5) Develop clear guidelines for application of export promotion Fund resources to ensure allocation to activities that contribute to export growth as envisaged in export promotion programs and annual work plans	SDT, National Treasury, KEPSA, KAM and KNCCI SDT, National Treasury, KEPSA, KAM and KNCCI																				

C IMPLEMENTATION INSTITUTIONAL ARRANGEMENT

C1 Investment Promotion for Export Development

C1/1.1 Rationale for Investment Promotion for Export Development

Sectoral analysis of Kenya's export performance and destination market potential reveals inadequate supply as the key constraint to Kenya's export performance. This conclusion was arrived at after identifying annual export market opportunity for the target NEDPS priority sectors in excess of USD40billion per year. This was based on the assumption that Kenya's export development and promotion could translate in the country enhancing her market share for each of the target products to a minimum of 5% of these countries' market size of the target products.

C1/1.2 Situational Analysis

In order for the country to exploit this export opportunity, productive capacity in all focal NEDPS sectors require investments to facilitate supply response to these opportunities. This calls for investment promotion targeting these sectors with an aim of creating awareness among prospective investors on export opportunities and business case for investing in these sectors, given the government support in opening up destination markets through NEDPS export development and promotion initiatives. This effort will build on the improved investment climate and the raft of fiscal and non-fiscal incentives that have been put in place as elaborated below.

1. **Investment Climate - Ease of Doing Business**

   Kenya's investment climate has improved over the years as evidenced in the 'World Bank 2017 ease of Doing Business Index' report, in which Kenya was ranked 80th out of 190, compared to 2016 ranking where the country took position 92 out of the 190 countries surveyed. The new ranking, the highest since 2008 when the country finished in 84th position, means Kenya is the third most competitive economy in Africa after Mauritius (25th) and Rwanda (41st)[183]. This is good news for the country's quest for export development, because it means that the economy is ready for 'Plug and Invest/Produce for Exports', as a result of the reforms that have made the country improve its ranking in the ease of doing business index.

   The country will however need to focus on improvement of the investment climate focusing on seven out of 10 parameters where it was ranked worse than the average score. The worst performance areas include registration of property where Kenya finished in 125th position, dealing in construction permits (124), starting a business (117) and trading across the borders (106).

2. **Investment Incentives**

   Investment Promotion in Kenya has been pursued through provision of fiscal (tax) and non-fiscal incentives. Kenya. The Kenya Revenue Authority implements the issuance of the fiscal (tax) incentives in collaboration with other regulators and facilitators such as the Capital Market Authority, Export processing zones Authority (for issuance of the EPZ incentives) among others as provided under the Income Tax Act, Laws of Kenya.

183 Daily Nation, 2nd November 2017 - https://www.nation.co.ke/business/Property-registration-blots-ease-of-business-ranking/996-4165866-840a2p/index.html

Tax incentives are mainly in form of capital deductions. These deductions are made at the point computing the gains or profits of a person /company for any year of income. As documented by KenInvest[184] they include the following:

a) Investment Deductions

This is a deduction granted on cost of a building and machinery installed therein as an incentive to encourage investments. Applicable rates are as follows:

i) Investments situated within Nairobi, Mombasa and Kisumu – 100% investment allowance;

ii) Investments worth 200 Million Kenya shillings situated outside Nairobi, Mombasa, Kisumu attract a 150% investment allowance;

iii) .Investment Deduction-Manufacturing Under Bond- For production of export goods under bonded warehouses;

iv) Investment Deduction-Export Processing Zones- 100% investment deduction; and

v) Shipping Allowance – applies to the purchase of a new and unused power driven ship of more than 125 tons gross or the purchase and subsequent refitting for the purpose of that business of a used power-driven ship of more than 125 tons- 100% investment deduction.

b) Industrial Building Deductions

Industrial Deductions cover capital expenditure incurred by a person on the construction of an industrial building to be used in a business carried out by them or their lessee. This allowance is claimed by the person who incurred the capital expenditure i.e. the owner of the building and the building must be used for the purpose of the business only so as to enjoy the industrial building deduction. Applicable rates are as tabulated below:

Table B9/5-1: Industrial Building Deductions

Item		Rate
1.	Industrial Building	2.5% capital deduction applicable within the first Forty (40) years of operation.
2.	Hotels	10% capital deduction applicable within the first 10 years of operation
3.	Hostels and Educational Buildings certified by the commissioner	50% capital deduction for the first 2 years of operation. These buildings include; Laboratory, Workshops, Accommodation halls, classrooms, dining halls/cafeteria, other halls for use by the students, administration building, sporting facilities and staff quarters.
4.	Building in uses for training of film producers, actors or crew	100% capital deduction.
5.	Rental residential building approved by the minister in a planned developed area	25% capital deduction.
6.	Commercial building	25% capital deduction in a developed area

Source: *KenInvest - http://invest.go.ke/starting-a-business-in-kenya/investment-incentives/#1512020257916-2f41a51d-0691*

c) Farm Deductions

This refers to expenditure by the owner or tenant of agricultural land on construction of farm works. Applicable rates are as follows:

184 KenInvest-http://invest.go.ke/starting-a-business-in-kenya/investment-incentives/#1512020257916-2f41a51d-0691

Farmhouse- Allow 1/3 of the expenditure on one house. Employee houses qualify.

Any other immovable buildings for the proper operation of the farm deduct 100% of the whole amount.

d) Wear and Tear Deductions

This is an allowance that is granted to the investor to cater for wear and tear on machinery. Applicable Rates are as follows:

Table B9/5-2: Wear and Tear Deductions

Class	Description
Class I @ 37.5%	Heavy earth moving self-propelling equipment such as:
	Carterpillars, tippers, lorries of 3 tonnes and above, tractors (heed, Train, Engine head, buses and coaches, loaders, rollers and graders, transport trucks, combine harvesters, mobile cranes and forklifts etc.
Class II @ 30%	Office electronic machinery and equipment e.g. computers and its peripherals, computer printers, scanners and processors, calculators, mobile phones, photocopiers, stamping and franking/fax machines, duplicating machines, photo printers, cash registers, tax registers.
Class III @ 25%	Other self-propelling machines such as motor bikes, saloon cars and hatchbacks, tutuk, pick-ups and delivery vans, aircrafts, minibuses (Nissans included), lorries < 3 tonnes.
Class IV @ 12.5%	Other non-self-propelling machine such as;
	Ship, Bicycles, Wheelbarrow, lifts & conveyor belts, carpets and curtains, partitions in a building, shelves, safes, sign boards and advertising stands, furniture and fittings, plant and machinery, security and alarm systems fixed in a car, tractor trailer, train coaches, milking machinery, beds in a hotel, a plough and lawn mowers, refrigerator, T.V, non-self-propelling forklifts and cranes, boats and petroleum pipeline.
Class v@20%	Computer Software and for Telecommunication equipment its 20% for five years on a straight line basis

Source: *KenInvest- http://invest.go.ke/starting-a-business-in-kenya/investment-incentives/#1512020257916-2f41a51d-0691*

e) Export Processing Zones Incentives

Licensed EPZ projects (foreign, local or joint venture) are entitled to fiscal incentives (as outlined under the other forms of investment investments, above) and the following benefits:

i) 10 year corporate income tax holiday and a 25% tax rate for a further 10 years thereafter (except for EPZ commercial enterprises);

ii) 10 year withholding tax holiday on dividends and other remittances to non-resident parties (except for EPZ commercial licence enterprises);

iii) Perpetual exemption from VAT and customs import duty on inputs – raw materials, machinery, office equipment, certain petroleum fuel for boilers and generators, building materials, other supplies. VAT exemption also applies on local purchases of goods and services supplied by companies in the Kenyan customs territory or domestic market. Motor vehicles which do not remain within the zone are not eligible for tax exemption;

iv) Perpetual exemption from payment of stamp duty on legal instruments; and

v) 100% investment deduction on new investment in EPZ buildings and machinery, applicable over 20 years.

C1/1.3 Constraints to Investment for Export Development

As observed early on, the key limitation to Kenya's export performance is lack of supply rather than export market. This is explained by weak investments in the value chains that are expected to deliver export growth. The following pertinent constraints were observed through various sectoral consultations as the key constraints to investment for export development:

a) Lack of knowledge and information on sectors with export potential and magnitude of export opportunities;

b) Lack of finance, especially long term project finance to support investment ventures;

c) Lack of skills and technology required to match investment resources;

d) Fiscal constraints, especially VAT regime;

e) Restrictive business regulatory and administrative requirements as identified in the World Bank Doing Business Index 2018; and

f) High cost of energy which compromises competitiveness of exports and end up discouraging investments.

C1/1.4 Strategic Objectives towards Promotion of Export Led Investment

Investment promotion geared towards stimulating investments for export development will be driven by the revealed export opportunities across all NEDPS focal sectors. This will be done within the framework of the following Strategic Objectives:

1. To promote investments in NEDPS focal sectors, with special focus on SMEs, Youth and Women Owned enterprises;
2. To pursue fiscal policies that encourage investment in export development;
3. To promote funding for export development investment ventures to address financial resource for investment gap; and
4. To improve 'Doing Business Environment' through focus on Doing Business Index parameters that the country is still lagging behind.

C1/1.4.1 Strategic interventions and projected resource requirements

Strategic Objective #1:

To promote investments in NEDPS focal sectors, with special focus on SMEs and Women Owned enterprises

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KES M)
1) Identify investment opportunities in all NEDPS focal sectors (Trade in Goods and Services) and develop investment opportunity briefs designed as turnkey off-shelf business models to stimulate interest among target investors as well as creating awareness of investment opportunities for export development	KenInvest, SDT, National Treasury, NEDPS sectors focal Ministries and Government Departments, EPZA/SEZA, KEPSA, KNCCI, KAM, Kenya Horticulture Council (KHC), Kenya Livestock Development Council, among other key private sector associations	100

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KES M)
2) Mobilize and coordinate SMEs and Women owned enterprises to create awareness and interest in investments across all NEDPS sectors, using investment briefs as guide premised on the motto 'Yes We Can Export'	KenInvest, SDT, National Treasury, NEDPS sectors focal Ministries and Government Departments, EPZA/SEZA, KEPSA, KNCCI, KAM, Kenya Horticulture Council (KHC), Kenya Livestock Development Council, among other key private sector associations	200
3) Establish Investment for Export focal offices in all counties to guide all prospective investors on how to go about investing in specific sectors that are targeted by NEDPS	KenInvest, SDT, National Treasury, NEDPS sectors focal Ministries and Government Departments, EPZA/SEZA, KEPSA, KNCCI, KAM, Kenya Horticulture Council (KHC), Kenya Livestock Development Council, among other key private sector associations	500
4) Promote NEDPS focal sectors among foreign investors to stimulate inflow of FDI in response to the national call for export growth to close the Balance of Trade Deficit	KenInvest, SDT, National Treasury, NEDPS sectors focal Ministries and Government Departments, EPZA/SEZA, KEPSA, KNCCI, KAM, Kenya Horticulture Council (KHC), Kenya Livestock Development Council, among other key private sector associations	100

Strategic Objective #2:

To pursue fiscal policies that encourages investment in export development

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KES M)
1) Review the VAT refund computation formula and ensure VAT for exporters is paid within 60days	KenInvest, SDT, National Treasury, NEDPS sectors focal Ministries and Government Departments, KEPSA, KNCCI, KAM, Kenya Horticulture Council (KHC), Kenya Livestock Development Council, among other key private sector associations	5
2) Abolish Import Declaration Fees of 2% of the value of the declared imports	KenInvest, SDT, National Treasury, NEDPS sectors focal Ministries and Government Departments, KEPSA, KNCCI, KAM, Kenya Horticulture Council (KHC), Kenya Livestock Development Council, among other key private sector associations	2
3) Abolish Railway Development Levy of 1.5% of the value of the declared imports	KenInvest, SDT, National Treasury, Kenya Railways, NEDPS sectors focal Ministries and Government Departments, KEPSA, KNCCI, KAM, Kenya Horticulture Council (KHC), Kenya Livestock Development Council, among other key private sector associations	2
4) Reduction of energy cost to US$.0.09 from current US$0.14-0.16) and apply uniformly 50% lower charges between 10:00pm and 6:00am. to bona fide manufacturers	KenInvest, SDT, National Treasury, NEDPS sectors focal Ministries and Government Departments, KEPSA, KNCCI, KAM, Kenya Horticulture Council (KHC), Kenya Livestock Development Council, among other key private sector associations	5

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KES M)
5) Review the EAC CET and implement the new CET regime	KenInvest, SDT, National Treasury, NEDPS sectors focal Ministries and Government Departments, KEPSA, KNCCI, KAM, Kenya Horticulture Council (KHC), Kenya Livestock Development Council, among other key private sector associations	10
6) Allow netting of cost of the consumable excise tax stamp against excise duty paid	KenInvest, SDT, National Treasury, NEDPS sectors focal Ministries and Government Departments, KEPSA, KNCCI, KAM, Kenya Horticulture Council (KHC), Kenya Livestock Development Council, among other key private sector associations	2

Strategic Objective #3:

To promote funding for export development investment ventures to address financial resource for investment gap

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KES M)
1) Undertake a study to build a case for establishment of an 'Investment Fund for Export' building on lessons for Best Practice countries	KenInvest, SDT, National Treasury, NEDPS sectors focal Ministries and Government Departments, KEPSA, KNCCI, KAM, Kenya Horticulture Council (KHC), Kenya Livestock Development Council, among other key private sector associations	10
2) Establish institutional structure and public/ private sector management model for running the 'Export Investment Fund' to ensure application of resources for intended purposes and release of funds against tangible results on export growth/performance pursuant to catalytic role of the Fund in stimulating investments in export ventures in the preceding period (e.g. past year or quarter).	KenInvest, SDT, National Treasury, NEDPS sectors focal Ministries and Government Departments, KEPSA, KNCCI, KAM, Kenya Horticulture Council (KHC), Kenya Livestock Development Council, among other key private sector associations	10
3) Prepare prospectus for mobilization of 'Investment Fund for Export Development' targeting Banks, Financial Institutions, Cooperatives, Development Finance Institutions, Venture Capital Funds and other sources of long terms and affordable finance	KenInvest, SDT, National Treasury, NEDPS sectors focal Ministries and Government Departments, KEPSA, KNCCI, KAM, Kenya Horticulture Council (KHC), Kenya Livestock Development Council, among other key private sector associations	5
4) Using the prospectus mobilize funds to fund the 'Investment Fund for Exports'.	KenInvest, SDT, National Treasury, NEDPS sectors focal Ministries and Government Departments, KEPSA, KNCCI, KAM, Kenya Horticulture Council (KHC), Kenya Livestock Development Council, among other key private sector associations	5

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KES M)
5) Develop clear guidelines for application of export promotion Fund resources to ensure allocation to activities that contribute to export growth as envisaged in export promotion programs and annual work plans	KenInvest, SDT, National Treasury, NEDPS sectors focal Ministries and Government Departments, KEPSA, KNCCI, KAM, Kenya Horticulture Council (KHC), Kenya Livestock Development Council, among other key private sector associations	5
6) Encourage and promote Joint Ventures towards investments for exports	KenInvest, SDT, National Treasury, NEDPS sectors focal Ministries and Government Departments, KEPSA, KNCCI, KAM, Kenya Horticulture Council (KHC), Kenya Livestock Development Council, among other key private sector associations	5

Strategic Objective #4:

To improve 'Doing Business Environment' through focus on Doing Business Index parameters that the country is still lagging behind

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KES M)
1) Mainstream investment for exports in the national efforts towards reforming the business regulatory and administrative procedures and requirements in all parameters that the country has performed badly in the World Bank 'Doing Business Index' 2018	KenInvest, SDT, National Treasury, NEDPS sectors focal Ministries and Government Departments, KEPSA, KNCCI, KAM, Kenya Horticulture Council (KHC), Kenya Livestock Development Council, among other key private sector associations	2
2) Support initiatives towards undertaking the reforms - studies, consultative meetings, demonstration of the negative impact of these parameters on investment for exports agenda and opportunity cost to the country	KenInvest, SDT, National Treasury, NEDPS sectors focal Ministries and Government Departments, KEPSA, KNCCI, KAM, Kenya Horticulture Council (KHC), Kenya Livestock Development Council, among other key private sector associations	10

C1/1.4.2 Resource Mobilisation Plan in Support of Investment Promotion for Enhanced Exports

The estimated resource requirement in support of export promotion towards enhanced export performance is KES978million over the period 2018-2022. The specific interventions under each of the Strategic Objectives and accompanying resource requirements are as provided under the section on 'Strategic Interventions and Resource Requirements'. The sources of funds and Lead Agencies in mobilization of the funds are as listed in the resource mobilization plan below. The institutional structure through which the funds for Investment Promotion will be mobilized is the 'Investment Promotion Sub-Sector Working Group' of NEDPS Cross Cutting Issues Sector Working Group. At the Investment Promotion SSWG, Private Sector Associations will take lead role in driving the agenda for investment promotion, with Government playing a facilitative role to ensure requisite resources and enabling environment for development and promotion of the exports of these services.

Table B9/5-3: Resource Mobilization Plan in support of Investment Promotion for enhanced Exports

SO#	Strategic Objective/ Focal Areas of Intervention	Amount Required (KES Mns)	Estimated NEDPS Annual Resource Requirement (KES Millions)					Source	Lead Agencies in Resource Mobilization
			2018/19	2019/20	2020/21	2021/22	2022/23		
1	To promote investments in NEDPS focal sectors, with special focus on SMEs and Women Owned enterprises	900	180	180	180	180	180	MDAs' MTPIII Annual Budgets, Private Sector programs, Development Partners	KenInvest, SDT, National Treasury, NEDPS sectors focal Ministries and Government Departments, KEPSA, KNCCI, KAM, Kenya Horticulture Council (KHC), Kenya Livestock Development Council, among other key private sector associations
2	To pursue fiscal policies that encourages investment in export development	26	5	5	5	5	5		
3	To promote funding for export development investment ventures to address financial resource for investment gap	40	8	8	8	8	8		
4	To improve 'Doing Business Environment' through focus on Doing Business Index parameters that the country is still lagging behind	12	2	2	2	2	2		
	Sub-Total	978	196	196	196	196	196		

C1/1.4.3 Implementation Plan towards Support of Investment Promotion for Enhanced Exports

Strategic Interventions/ Program Activities	Implementing Agencies	2018				2019				2020				2021				2022			
		Quarters				Quarters				Quarters				Quarters				Quarters			
		1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
SO#1: To promote investments in NEDPS focal sectors, with special focus on SMEs and Women Owned enterprises																					
1) Identify investment opportunities in all NEDPS focal sectors (Trade in Goods and Services) and develop investment opportunity briefs designed as turnkey off-shelf business models to stimulate interest among target investors as well as creating awareness of investment opportunities for export development	KenInvest, SDT, National Treasury, NEDPS sectors focal Ministries and Government Departments, EPZA/SEZA, KEPSA, KNCCI, KAM, Kenya Horticulture Council (KHC), Kenya Livestock Development Council, among other key private sector associations																				

Strategic Interventions/ Program Activities	Implementing Agencies	2018				2019				2020				2021				2022			
		Quarters				Quarters				Quarters				Quarters				Quarters			
		1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
2) Mobilize and coordinate SMEs and Women owned enterprises to create awareness and interest in investments across all NEDPS sectors, using investment briefs as guide premised on the motto 'Yes We Can Export'	KenInvest, SDT, National Treasury, NEDPS sectors focal Ministries and Government Departments, EPZA/SEZA, KEPSA, KNCCI, KAM, Kenya Horticulture Council (KHC), Kenya Livestock Development Council, among other key private sector associations																				
3) Establish Investment for Export focal offices in all counties to guide all prospective investors on how to go about investing in specific sectors that are targeted by NEDPS	KenInvest, SDT, National Treasury, NEDPS sectors focal Ministries and Government Departments, EPZA/SEZA, KEPSA, KNCCI, KAM, Kenya Horticulture Council (KHC), Kenya Livestock Development Council, among other key private sector associations																				
4) Promote NEDPS focal sectors among foreign investors to stimulate inflow of FDI in response to the national call for export growth to close the Balance of Trade Deficit	KenInvest, SDT, National Treasury, NEDPS sectors focal Ministries and Government Departments, EPZA/SEZA, KEPSA, KNCCI, KAM, Kenya Horticulture Council (KHC), Kenya Livestock Development Council, among other key private sector associations																				
SO#2: To pursue fiscal policies that encourages investment in export development																					
1) Review the VAT refund computation formula and ensure VAT for exporters is paid within 60days	KenInvest, SDT, National Treasury, NEDPS sectors focal Ministries and Government Departments, KEPSA, KNCCI, KAM, Kenya Horticulture Council (KHC), Kenya Livestock Development Council, among other key private sector associations																				
2) Abolish Import Declaration Fees of 2% of the value of the declared imports	KenInvest, SDT, National Treasury, NEDPS sectors focal Ministries and Government Departments, KEPSA, KNCCI, KAM, Kenya Horticulture Council (KHC), Kenya Livestock Development Council, among other key private sector associations																				

Strategic Interventions/ Program Activities	Implementing Agencies	2018				2019				2020				2021				2022			
		Quarters				Quarters				Quarters				Quarters				Quarters			
		1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
3) Abolish Railway Development Levy of 1.5% of the value of the declared imports	KenInvest, SDT, National Treasury, Kenya Railways, NEDPS sectors focal Ministries and Government Departments, KEPSA, KNCCI, KAM, Kenya Horticulture Council (KHC), Kenya Livestock Development Council, among other key private sector associations																				
4) Reduction of energy cost to US$.0.09 from current US$0.14-0.16) and apply uniformly 50% lower charges between 10:00pm and 6:00am. to bona fide manufacturers	KenInvest, SDT, National Treasury, NEDPS sectors focal Ministries and Government Departments, KEPSA, KNCCI, KAM, Kenya Horticulture Council (KHC), Kenya Livestock Development Council, among other key private sector associations																				
5) Review the EAC CET and implement the new CET regime	KenInvest, SDT, National Treasury, NEDPS sectors focal Ministries and Government Departments, KEPSA, KNCCI, KAM, Kenya Horticulture Council (KHC), Kenya Livestock Development Council, among other key private sector associations																				
6) Allow netting of cost of the consumable excise tax stamp against excise duty paid	KenInvest, SDT, National Treasury, NEDPS sectors focal Ministries and Government Departments, KEPSA, KNCCI, KAM, Kenya Horticulture Council (KHC), Kenya Livestock Development Council, among other key private sector associations																				
SO#3: To promote funding for export development investment ventures to address financial resource for investment gap																					
1) Undertake a study to build a case for establishment of an 'Investment Fund for Export' building on lessons for Best Practice countries	KenInvest, SDT, National Treasury, NEDPS sectors focal Ministries and Government Departments, KEPSA, KNCCI, KAM, Kenya Horticulture Council (KHC), Kenya Livestock Development Council, among other key private sector associations																				

Strategic Interventions/ Program Activities	Implementing Agencies	2018				2019				2020				2021				2022			
		Quarters				Quarters				Quarters				Quarters				Quarters			
		1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
2) Establish institutional structure and public/ private sector management model for running the 'Export Investment Fund' to ensure application of resources for intended purposes and release of funds against tangible results on export growth/ performance pursuant to catalytic role of the Fund in stimulating investments in export ventures in the preceding period (e.g. past year or quarter).	KenInvest, SDT, National Treasury, NEDPS sectors focal Ministries and Government Departments, KEPSA, KNCCI, KAM, Kenya Horticulture Council (KHC), Kenya Livestock Development Council, among other key private sector associations																				
3) Prepare prospectus for mobilization of 'Investment Fund for Export Development' targeting Banks, Financial Institutions, Cooperatives, Development Finance Institutions, Venture Capital Funds and other sources of long terms and affordable finance	KenInvest, SDT, National Treasury, NEDPS sectors focal Ministries and Government Departments, KEPSA, KNCCI, KAM, Kenya Horticulture Council (KHC), Kenya Livestock Development Council, among other key private sector associations																				
4) Using the prospectus mobilize funds to fund the 'Investment Fund for Exports'.	KenInvest, SDT, National Treasury, NEDPS sectors focal Ministries and Government Departments, KEPSA, KNCCI, KAM, Kenya Horticulture Council (KHC), Kenya Livestock Development Council, among other key private sector associations																				
5) Develop clear guidelines for application of export promotion Fund resources to ensure allocation to activities that contribute to export growth as envisaged in export promotion programs and annual work plans	KenInvest, SDT, National Treasury, NEDPS sectors focal Ministries and Government Departments, KEPSA, KNCCI, KAM, Kenya Horticulture Council (KHC), Kenya Livestock Development Council, among other key private sector associations																				

Strategic Interventions/ Program Activities	Implementing Agencies	2018				2019				2020				2021				2022			
		Quarters				Quarters				Quarters				Quarters				Quarters			
		1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
6) Provide Investment Funds to all Export Ventures that meet the guidelines for access of the funds	KenInvest, SDT, National Treasury, NEDPS sectors focal Ministries and Government Departments, KEPSA, KNCCI, KAM, Kenya Horticulture Council (KHC), Kenya Livestock Development Council, among other key private sector associations																				
7) Encourage and promote Joint Ventures towards investments for exports	KenInvest, SDT, National Treasury, NEDPS sectors focal Ministries and Government Departments, KEPSA, KNCCI, KAM, Kenya Horticulture Council (KHC), Kenya Livestock Development Council, among other key private sector associations																				
SO#4: To improve 'Doing Business Environment' through focus on Doing Business Index parameters that the country is still lagging behind																					
1) Mainstream investment for exports in the national efforts towards reforming the business regulatory and administrative procedures and requirements in all parameters that the country has performed badly in the World Bank 'Doing Business Index' 2018	KenInvest, SDT, National Treasury, NEDPS sectors focal Ministries and Government Departments, KEPSA, KNCCI, KAM, Kenya Horticulture Council (KHC), Kenya Livestock Development Council, among other key private sector associations																				
2) Support initiatives towards undertaking the reforms - studies, consultative meetings, demonstration of the negative impact of these parameters on investment for exports agenda and opportunity cost to the country	KenInvest, SDT, National Treasury, NEDPS sectors focal Ministries and Government Departments, KEPSA, KNCCI, KAM, Kenya Horticulture Council (KHC), Kenya Livestock Development Council, among other key private sector associations																				

C2 Cross Border Trade

C2/1.1 Situational Analysis of Cross Border Trade

Cross Border Trade (CBT) refers to exports and imports of goods and services between two neighbouring countries, fuelled by cultural and historical ties, with communities on either side of the borders having very close social or even family ties. This definition is affirmed by the Rwanda National Cross Border Trade Strategy, which defines CBT as "trade in legitimately produced goods and services between neighbouring countries". As observed in Rwanda NCBT Strategy, most often CBT refers to trade that takes place close to the borders. This physical situation of the CBT definition is critical in designing targeted interventions for stimulation of the cross border trade.

Trade Mark East Africa, in its design of Kenya's CBT strategy has adopted the spatial definition of the CBT, where CBT is defined to include: *"informally traded products that: are produced in the border communities (e.g. maize flour, meat); or are purchased by informal traders for export from outside the border community (e.g. UHT milk, cosmetics purchased from Capitals); or are purchased by informal traders from outside the EAC (e.g. second hand clothing and shoes) for re-export. Also included in the definition of CBT are goods produced in the border communities that are traded formally by local formal traders. The reason for this inclusion is to ensure that interventions allow and account for the graduation of trade and production in border communities to formal status".*

The National Export Development and Promotion Strategy adopts the Rwanda NCBT Strategy definition of the CBT taking into account that most of the goods being traded formally or informally across the borders may have originated beyond the border regions. Also seasonality of production and need for sustained supply of goods being traded at the border may dictate that cross border traders close to the borders source such goods outside the border regions. Thus a value chain approach is advocated irrespective of where the goods are produced.

Experience in the EAC region shows CBT to be either formal or informal, with bulk of traded goods being agricultural produce, manufactured goods, mineral products and re-exports. According to Victor Ogallo (2010)[185], the term "informal cross-border trade" (ICBT) "refers to imports and exports of legitimately produced goods and services (i.e., legal goods and services), which directly or indirectly escape from the regulatory framework set by the government, and avoid certain taxes and regulatory measures, hence go unrecorded or incorrectly recorded into official national statistics of the importing or exporting countries".

Kenya National Bureau of Statistics (KNBS) has recognized the significance of the informal cross border trade and introduced annual surveys to capture its magnitude. This is motivated by need to correct under reporting of external trade statistics and Balance of Payment situation. For purposes of these surveys, KNBS defines[186] unrecorded Informal Cross-Border Trade (ICBT) as: *"trade transactions of goods that involve residents and non-residents across the economic boundaries that are largely not recorded by Customs authorities".*

185 *Victor Ogallo (2010): Informal Cross Border Trade in EAC - implication for Regional Integration and Development; A Publication of CUT GRC in conjunction with National Partners and under the Assistance of Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ), BIEAC Project*

186 Refer: https://www.knbs.or.ke/informal-cross-border-trade-survey-2nd-cycle-2015-16/

Accordingly, therefore, KNBS considers ICBT as legal activity which involves trade in goods that are easily identified and can be recorded. The KNBS ICBT Surveys are aimed at supplementing merchandise data obtained from Customs.

According to KNBS, Informal Cross Border Trade between Kenya and her neighbouring countries is quite significant. This view is corroborated by the KNBS ICBT Survey of 2nd Quarter of 2011[187], which revealed *"informal cross border trade between Kenya and her neighbours to be significant, involving transactions of large amounts of both agricultural and industrial products. Total estimated informal exports and imports in the second quarter of 2011 were KSh 1,469.0 million and KSh 1,285.9 million, respectively. The informal traders mostly engaged in the agricultural produce and manufactured/industrial goods. Most of the informal trade transactions were recorded in the Tanzania, Uganda and Somali borders. Busia, Malaba, Isebania, Mandera, Namanga and Taveta borders had the highest concentration of informal trade activities. Most of the commodities were transported by push carts, bicycles, motor cycles and persons (hand/head luggages)".*

The World Bank, in attempt to rationalize the less than 10% intra-Africa trade, cautioned that intra-Africa trade could be higher as a result of the informal cross border trade which usually goes unrecorded. Giving the case of Uganda, the study noted that: "it has been estimated that Uganda in 2006 exported $231 million worth of goods, informally, to the five countries that border it an amount that is roughly 86 percent of its official export volume to these states".

Baffled by this reality, the World Bank reports poses a question on why does such informal trading occur? The study gives one of the probable answers as: "ICBT is a rational response to the costs and red tape involved in exporting one's products through the formal economy (an issue that is discussed below). In this sense, the existence of informal trade is inextricably tied to formal trade; thus, addressing the root causes of the former will also mean addressing the factors that undermine the latter. Moreover, informal trade deprives national governments of tariff revenue and foreign currency, hinders their ability to form appropriate trade policies, and often triggers bribery and corruption."

Besides the negative aspects of ICBT as pointed out by the World Bank, informal cross border trade tend to be very costly because of the costs associated with rent seeking and payment of unnecessary costs as a result of ignorance of their rights and obligations. The down side of the costly ICBT is high prices of goods on arrival at the destination market as traders seek to cover high transactional costs associated with the ICBT. The only evidence available to support this argument is in Rwanda NCBT Strategy, where Rwandese goods traded at much higher prices in DRC as a result of transactional costs associated with ICBT.

The Rwanda NCBT Strategy observes: "the existence of a border can lead to significant price differences in markets that are often within walking distance of each other and where goods would otherwise not be expected to differ greatly in price. Trading across borders increase prices and higher prices reduce demand, which in turn, reduces exports. Prices for goods in Rwanda's largest cross border market, the DRC, are on average 24% more expensive for goods traded informally while formally the difference can be even greater at an average of 59%.

The above reality underscores the need to integrate CBT in the National Export Development and Promotion Strategy. This is because the challenges that face traders while trading across the borders may not only deny the country opportunity for increasing exports into the regional market but may also see it loose its market share as a result of high prices associated with border transactional costs.

187 *The report of the latest KNBS ICBT Survey of 2016 was not readily available for updated statistics.*

C2/1.2 Constraints to Cross Border Trade

Cross border trading faces a number of challenges which limit full exploitation of the opportunity that this trade offers for export development. These constraints include:

a) Weak value chains to support sustained supply of goods for cross border trading;

b) Inadequate access to SPS and TBT facilitation services to ensure compliance with the destination market SPS and TBT requirements;

c) Lack of information on formal cross border trade requirements and compliance procedures;

d) Complex trade facilitation arrangement, with duplicity of roles among trade facilitation institutions at the border;

e) Inadequate border market infrastructure to support cross border trading through appropriate business premises and environment for trading; and

f) Non-Tariff Barriers to export into cross border markets

C2/1.3 Strategic Objectives and Interventions

The limitations that cross border trade faces are set to be addressed through interventions that have been formulated within the framework of the following strategic objectives:

1. To promote sustained supply of exports to cross border markets through strengthening the linkage between cross border trade and the value chains;
2. To build capacity of cross border traders to enable sustained uptake of value chain supplies for the cross border markets;
3. To provide market infrastructure to support cross border trading along Kenyan borders with her neighbours; and
4. To promote formal cross border market access for Kenyan exports.

C1/1.3.1 Strategic interventions and Projected Resource Requirements

Strategic Objective #1:

To promote sustained supply of exports to cross border markets through strengthening the linkage between cross border trade and the value chains

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KES Mn)
1) Undertake baseline survey to establish focal products and volumes for export promotion through cross border trade initiative.	SDT, National Treasury, NEDPS sectors focal Ministries and Government Departments, KEPSA, KNCCI, KAM, Kenya Horticulture Council (KHC), Kenya Livestock Development Council, among other key private sector associations	15
2) Undertake a mapping and registration of all producers/suppliers of the target products that are willing to export through the cross border market initiative, for ease of linkage with cross border market traders	KenInvest, SDT, National Treasury, NEDPS sectors focal Ministries and Government Departments, KEPSA, KNCCI, KAM, Kenya Horticulture Council (KHC), Kenya Livestock Development Council, among other key private sector associations	10

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KES Mn)
3) Undertake baseline survey of cross border traders of the identified products under the focal products baseline survey in (a) above and enlist them for purposes of linkage with the supply chain	KenInvest, SDT, National Treasury, NEDPS sectors focal Ministries and Government Departments, KEPSA, KNCCI, KAM, Kenya Horticulture Council (KHC), Kenya Livestock Development Council, among other key private sector associations	5
4) Develop a CBT Portal profiling the registered suppliers of various products and cross border traders	KenInvest, SDT, National Treasury, NEDPS sectors focal Ministries and Government Departments, KEPSA, KNCCI, KAM, Kenya Horticulture Council (KHC), Kenya Livestock Development Council, among other key private sector associations	5

Strategic Objective #2:

To build capacity of cross border traders to enable sustained uptake of value chain supplies for the cross border markets

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KES M)
1) Under baseline survey of cross border traders association and establish capacity building needs to ensure their ability to promote export of target products through cross border trade initiative	KenInvest, SDT, National Treasury, NEDPS sectors focal Ministries and Government Departments, KEPSA, KNCCI, KAM, Kenya Horticulture Council (KHC), Kenya Livestock Development Council, among other key private sector associations	5
2) Promote formation of cross border traders associations and enhanced recruitment of cross border traders into established CBT associations	KenInvest, SDT, National Treasury, NEDPS sectors focal Ministries and Government Departments, KEPSA, KNCCI, KAM, Kenya Horticulture Council (KHC), Kenya Livestock Development Council, among other key private sector associations	5
3) Support capacity building program to address the needs identified through the CBTA needs assessment	KenInvest, SDT, National Treasury, NEDPS sectors focal Ministries and Government Departments, KEPSA, KNCCI, KAM, Kenya Horticulture Council (KHC), Kenya Livestock Development Council, among other key private sector associations	100

Strategic Objective #3:

To provide market infrastructure to support cross border trading along Kenyan borders with her neighbours

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KES Mn)
1) Undertake a survey to establish cross border trade market infrastructural requirements and existing CBT market infrastructure for supporting export promotion through cross border market initiatives	SDT, National Treasury, NEDPS sectors focal Ministries and Government Departments, KEPSA, KNCCI, KAM, Kenya Horticulture Council (KHC), Kenya Livestock Development Council, among other key private sector associations	10

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KES Mn)
2) Support development of Cross Border Market infrastructure in response to the identified needs in (a) above	SDT, National Treasury, NEDPS sectors focal Ministries and Government Departments, KEPSA, KNCCI, KAM, Kenya Horticulture Council (KHC), Kenya Livestock Development Council, among other key private sector associations	500
3) Support sustained management of the established CBM infrastructure to ensure their ability to support target exports through cross border trade initiative	SDT, National Treasury, NEDPS sectors focal Ministries and Government Departments, KEPSA, KNCCI, KAM, Kenya Horticulture Council (KHC), Kenya Livestock Development Council, among other key private sector associations	100

Strategic Objective #4:

To promote cross border market access for Kenyan exports

Strategic Interventions/Program Activities	Implementing Agencies	Resource Requirements (KES M)
1) Support implementation of the EAC and COMESA STR (STR Eligible List, Adoption and application of STR instruments by Kenya and Neighbouring country to promote the use of these instruments in promotion of CBT, Data capture of STR traded goods - Rwanda example)	SDT, National Treasury, NEDPS sectors focal Ministries and Government Departments, KEPSA, KNCCI, KAM, Kenya Horticulture Council (KHC), Kenya Livestock Development Council, among other key private sector associations	5
2) Support formation and operationalization of Joint Border Management Committee	SDT, National Treasury, NEDPS sectors focal Ministries and Government Departments, KEPSA, KNCCI, KAM, Kenya Horticulture Council (KHC), Kenya Livestock Development Council, among other key private sector associations	5
3) Support mainstreaming of CBT into the OSBP to encourage of informal trade trading through OSBPs under the STR platform	SDT, National Treasury, NEDPS sectors focal Ministries and Government Departments, KEPSA, KNCCI, KAM, Kenya Horticulture Council (KHC), Kenya Livestock Development Council, among other key private sector associations	5

C1/1.3.2 Resource Mobilization Plan in Support of Cross Border Trade

The estimated resource requirement in support of cross border trade towards enhanced export performance is KES770million over the period 2018-2022. The specific interventions under each of the Strategic Objectives and accompanying resource requirements are as provided under the section on 'Strategic Interventions and Resource Requirements'. The sources of funds and Lead Agencies in mobilization of the funds are as listed in the resource mobilization plan below. The institutional structure through which the funds for cross border trade will be mobilized is the

'Cross Border Trade Sub-Sector Working Group' of NEDPS Cross Cutting Issues Sector Working Group. At the Cross Border Trade (CBT) SSWG, Private Sector Associations will take lead role in driving the agenda for CBT, with Government playing a facilitative role to ensure requisite resources and enabling environment for development and promotion of the exports of these services.

Table B9/6-1: Resource Mobilization Plan in Support of Cross Border Trade

SO#	Strategic Objective/ Focal Areas of Intervention	Amount Required (KES Mns)	Estimated NEDPS Annual Resource Requirement (KES Millions)					Source	Lead Agencies in Resource Mobilization
			2018/19	2019/20	2020/21	2021/22	2022/23		
1	To promote sustained supply of exports to cross border markets through strengthening the linkage between cross border trade and the value chains	35	7	7	7	7	7	MDAs' MTPIII Annual Budgets, Private Sector programs, Development Partners	SDT, National Treasury, NEDPS sectors focal Ministries and Government Departments, KEPSA, KNCCI, KAM, Kenya Horticulture Council (KHC), Kenya Livestock Development Council, among other key private sector associations
2	To build capacity of cross border traders to enable sustained uptake of value chain supplies for the cross border markets	110	22	22	22	22	22		
3	To provide market infrastructure to support cross border trading along Kenyan borders with her neighbours	610	122	122	122	122	122		
4	To promote cross border market access for Kenyan exports	15	3	3	3	3	3		
	Sub-Total	770	154	154	154	154	154		

C1/1.3.3 Implementation Plan for Cross Border Trade Strategy

Strategic Interventions/ Program Activities	Implementing Agencies	2018				2019				2020				2021				2022			
		Quarters				Quarters				Quarters				Quarters				Quarters			
		1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
SO#1: To promote sustained supply of exports to cross border markets through strengthening the linkage between cross border trade and the value chains																					
1) Undertake baseline survey to establish focal products and volumes for export promotion through cross border trade initiative.	SDT, National Treasury, NEDPS sectors focal Ministries and Government Departments, KEPSA, KNCCI, KAM, Kenya Horticulture Council (KHC), Kenya Livestock Development Council, among other key private sector associations																				

Strategic Interventions/ Program Activities	Implementing Agencies	2018				2019				2020				2021				2022			
		Quarters				Quarters				Quarters				Quarters				Quarters			
		1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
2) Undertake a mapping and registration of all producers/suppliers of the target products that are willing to export through the cross border market initiative, for ease of linkage with cross border market traders	KenInvest, SDT, National Treasury, NEDPS sectors focal Ministries and Government Departments, KEPSA, KNCCI, KAM, Kenya Horticulture Council (KHC), Kenya Livestock Development Council, among other key private sector associations																				
3) Undertake baseline survey of cross border traders of the identified products under the focal products baseline survey in (a) above and enlist them for purposes of linkage with the supply chain	KenInvest, SDT, National Treasury, NEDPS sectors focal Ministries and Government Departments, KEPSA, KNCCI, KAM, Kenya Horticulture Council (KHC), Kenya Livestock Development Council, among other key private sector associations																				
4) Develop a CBT Portal profiling the registered suppliers of various products and cross border traders	KenInvest, SDT, National Treasury, NEDPS sectors focal Ministries and Government Departments, KEPSA, KNCCI, KAM, Kenya Horticulture Council (KHC), Kenya Livestock Development Council, among other key private sector associations																				
SO#2: To build capacity of cross border traders to enable sustained uptake of value chain supplies for the cross border markets																					
1) Under baseline survey of cross border traders association and establish capacity building needs to ensure their ability to promote export of target products through cross border trade initiative	KenInvest, SDT, National Treasury, NEDPS sectors focal Ministries and Government Departments, KEPSA, KNCCI, KAM, Kenya Horticulture Council (KHC), Kenya Livestock Development Council, among other key private sector associations																				
2) Promote formation of cross border traders associations and enhanced recruitment of cross border traders into established CBT associations	KenInvest, SDT, National Treasury, NEDPS sectors focal Ministries and Government Departments, KEPSA, KNCCI, KAM, Kenya Horticulture Council (KHC), Kenya Livestock Development Council, among other key private sector associations																				
3) Support capacity building program to address the needs identified through the CBTA needs assessment	KenInvest, SDT, National Treasury, NEDPS sectors focal Ministries and Government Departments, KEPSA, KNCCI, KAM, Kenya Horticulture Council (KHC), Kenya Livestock Development Council, among other key private sector associations																				

Strategic Interventions/ Program Activities	Implementing Agencies	2018				2019				2020				2021				2022			
		Quarters				Quarters				Quarters				Quarters				Quarters			
		1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
SO#3: To provide market infrastructure to support cross border trading along Kenyan borders with her neighbours																					
1) Undertake a survey to establish cross border trade market infrastructural requirements and existing CBT market infrastructure for supporting export promotion through cross border market initiatives	SDT, National Treasury, NEDPS sectors focal Ministries and Government Departments, KEPSA, KNCCI, KAM, Kenya Horticulture Council (KHC), Kenya Livestock Development Council, among other key private sector associations																				
2) Support development of Cross Border Market infrastructure in response to the identified needs in (a) above	SDT, National Treasury, NEDPS sectors focal Ministries and Government Departments, KEPSA, KNCCI, KAM, Kenya Horticulture Council (KHC), Kenya Livestock Development Council, among other key private sector associations																				
3) Support sustained management of the established CBM infrastructure to ensure their ability to support target exports through cross border trade initiative	SDT, National Treasury, NEDPS sectors focal Ministries and Government Departments, KEPSA, KNCCI, KAM, Kenya Horticulture Council (KHC), Kenya Livestock Development Council, among other key private sector associations																				
SO#4: To promote cross border market access for Kenyan exports																					
1) Support implementation of the EAC and COMESA STR	SDT, National Treasury, NEDPS sectors focal Ministries and Government Departments, KEPSA, KNCCI, KAM, Kenya Horticulture Council (KHC), Kenya Livestock Development Council, among other key private sector associations																				
2) Support formation and operationalization of Joint Border Management Committee	SDT, National Treasury, NEDPS sectors focal Ministries and Government Departments, KEPSA, KNCCI, KAM, Kenya Horticulture Council (KHC), Kenya Livestock Development Council, among other key private sector associations																				
3) Support mainstreaming of CBT into the OSBP to encourage of informal trade trading through OSBPs under the STR platform	SDT, National Treasury, NEDPS sectors focal Ministries and Government Departments, KEPSA, KNCCI, KAM, Kenya Horticulture Council (KHC), Kenya Livestock Development Council, among other key private sector associations																				

C3 Implementation Institutional Arrangement

C3/1.1 Beacons that underpin Implementation Institutional Framework of NEDPS

C3/1.1.1 Value Chain Approach in NEDPS Formulation

The value chain approach which was applied in the design of the NEDPS foresees a multi-institutional arrangement being pursued in order to guarantee envisaged results at productive sector level, trade facilitation service level as well as at the destination market. Specifically the Strategy foresees lead institutions coordinating and delivering results at the following levels:

a) Business enabling environment for support exporting in all target sectors

b) Mapping out exporters for the target export products and services and running capacity building programs for enhancement of exports

c) Resource mobilization to support various export development programs and initiatives as foreseen in the Strategy

d) Production for exports aiming at achievement of the NEDPS targets

e) Trade facilitation focusing on information on destination market requirements and support to target exporters to meet destination market requirements

f) Export promotion geared towards raising Kenya's share in each of the destination market to a minimum of 5% of the destination market size of the specific focal product.

Implementation of the NEDPS will require that all respective MDAs, private sector institutions and Development Partners in a specific value chains work together to ensure that no institutional related constraint compromise NEDPS objective of enhancing growth of national exports at an annual rate of 25% per year. This approach is therefore the basis for the sectoral and sub-sector working groups, which form a platform for coordination of the value chain activities towards development and promotion of exports.

C3/1.1.2 The Role of the Private Sector

The private sector is expected to play a pivotal role in the implementation of the NEDPS through investments in response to export opportunities that have been identified across all sectors. The perennial challenges and constraints that have over the years denied Kenya opportunity to exploit the export opportunities is a clear manifestation of the weak role that private sector has played in trade development. This far the role of the private sector has been lobbyist rather than true partner in design and implementation of national program for export development and promotion, including budgetary process towards funding of activities that hinge on export development. There are a number of experiences that were expressed in the strategy which underscore this view. One of the celebrated cases is virtual noninvolvement of the private sector in planning and effective participation in International Trade Fairs, where Kenya, compared to countries like Egypt, Chile, South Korea, Malaysia, comes out very badly. Private sector participants from Kenya bump into Kenya ill prepared stand often without comprehensive representation of Kenyan brands.

The approach used in the development of NEDPS has changed this view completely by having the private sector articulate the challenges, propose interventions and even contribute towards proposing resource requirement and implementation framework of the Strategy. To sustain this spirit and ensure private sector role as a partner in NEDPS implementation, private sector has been assigned lead role in delivery of the goods and services to be exported. To echo this role and responsibility, in each sector or sub-sector, private sector will be co-chairs and Secretariat of the NEDPS sector or subsector meetings.

C3/1.1.3 Role of the Government

The primary role of the Government is to facilitate implementation of NEDPS by convening and chairing NEDPS implementation sector/subsector meetings and fast tracking implementation of specific tasks assigned to the Government. The Government will also be responsible for monitoring progress and impact of the NEDPS implementation and generating periodic progress report encompassing all sectors in collaboration with the private sector.

C3/1.2 Institutional Structure of NEDPS Implementation

C3/1.2.1 National Level

The NEDPS is expected to play a pivotal role in the achievement of industrial transformation under the framework of the four pillars of economic transformation and development which the country is pursuing over the period 2018-2022. This will be through delivery of markets for industrial products. In addition, NEDPS is central to the country's search for creation of wealth through exploitation of export potential across all the target NEDPS sectors, estimated at over USD25billion. The transmission mechanism for this export led transformational change in the economy will be through enhanced investments in target export sectors and products, employment created, reduced Balance of Trade deficit among other means. At the National Level NEDPS implementation institutional structure has two levels as follows:

a) Presidency/Council of Governors Round Table

The expected results from NEDPS implementation, especially the role in delivery of the four pillar framework of economic transformation requires that the Strategy be given high level recognition and facilitation as one of the vehicles to deliver results of the four pillar framework, especially industrial transformation and food security. As illustrated in the overall NEDPS implementation institutional structure in the chart below, this highest level of reporting will be the Presidency/ Council of Governors Level.

At this level key highlight of achievements, lessons, opportunities and challenges will be tabled, demonstrating contribution of exports to the targets of four pillar framework of economic transformation. This High Level of NEDPS institutional framework will provide impetus to ensure that the whole country rallies behind the Strategy. The driving force will be reality that NEDPS implementation will amount to transforming Kenya into an exporting nation, especially for so many products and services that the country has not been exporting despite having export potential.

b) National NEDPS Implementation Task Force

The day to day responsibility on implementation of the NEDPS will be under the NEDPS implementation Task Force. The role of the committee will be to ensure that all Sector Working Groups are accountable to the projected sectoral or sub-sector export growth and that they implement various sectors strategies. The committee, through this coordination role will produce annual work plans and periodic progress reports for eventual submission and consideration by the Highest Level of reporting.

The National Steering Committee will have the following levels - Policy level, where NEDPS will be chaired by the Cabinet Secretaries of the Ministries appointed as chairs of the specific sector. The Co-Chair will be nominated CEO of Private Sector Organization/Association. At Senior Officials Level NEDPS will be chaired by the Principal Sectary with representative of private sector association as co-chair. At technical level NEDPS will be chaired by Directors. The table below list sectors, sector chairs and co-chairs on the basis of the institutional framework that was used in the design of the NEDPS.

Table C1/1: List of NEDPS Sector and Respective Chairs and Co-Chairs

Sector	Chair	Co-Chair and Convener
NEDPS Coordination and Implementation tracking	State Department for Trade	KEPSA
Manufacturing Sector	Ministry of Industrialization and Enterprise Development	KAM
Agriculture	Ministry of Agriculture	KEPSA
Livestock	Ministry of Livestock Development	Kenya Livestock Development Council
Fisheries	State Department of Fisheries	AFIPEK
Handicraft	State Department of Trade	KEPSA
Mining and Petroleum	State Departments for Mining and Petroleum	KEPSA
Trade in Services	State Department of Trade	APSEA
Cross Cutting	National Treasury	KEPSA

C3/1.2.2 Sectoral/Subsector Level

Implementation of NEDPS will take place at Sector and Subsector level where focus and concentration through engagement is expected to deliver the expected export growth for the specific products and services. Lessons gathered during the formulation of NEDPS demonstrate that at sector and subsector level that is where constraints to export and strategies to overcome the challenges for the sake of export growth are known, from a practical point of view. The strategy is therefore designed with this reality in mind. For each sector and subsectors constraints to export growth have identified and strategic interventions to drive export growth towards NEDPS target specified.

The institutional arrangement for NEPDS implementation at sector/subsector level will therefore require formation of the NEDPS implementation sectoral/subsectoral Task Forces with the sole aim of implementing the strategies that have been provided in the NEDPS. In some sectors such as manufacturing, horticulture and fisheries, such structures are already in place and need to have export agenda mainstreamed in the business, especially as partners with Government in implementation of the NEDPS. This exercise is a priority immediately the NEDPS is launched. Instrument for operationalization of the sector/subsector Task Forces are the NEDPS sector/subsector specific chapters which provide the interventions and implementation plan for ease of reference and guiding in the implementation.

These sector/subsectors will form platforms through which various NEDPS initiatives and interventions will be pursued as outlined in each sector/subsector export development and promotion strategies. The various sectoral/subsectoral Task Forces for NEDPS implementation are as outlined in the table below.

Table C1/2: NEDPS Sector/Subsector Task Forces for NEDPS implementation

Sector/Sub-Sector	Chair/Lead Government Ministry or Department	Convener/Co-Chair (Private Sector)	Other Institutions
Agriculture Sector			
Agriculture - Overall Sector Coordination	AFA/County Government - Chair of Agriculture	KEPSA	All Subsector chair and co-chair institutions
Coffee	AFA (Coffee Directorate/ County Government	Coffee Private Sector Representative Association	Coffee producers, processors, marketing Agencies/Platforms, Government Production and Trade Facilitation Departments and Agencies
Tea	AFA (Tea Directorate)/County Government	Tea Private Sector Representative Association	Tea producers, processors, EATTA, marketing Agencies/Platforms, Government Production and Trade Facilitation Departments and Agencies
Horticulture	AFA (HCDA/Crop Directorate)/ County Government	Horticultural Council of Kenya	Horticulture producers, processors and exporters, Government Production and Trade Facilitation Departments and Agencies
Floriculture	AFA (HCDA/Crop Directorate)/ County Government Committee/Forum	Kenya Flower Council	Flower producers and exporters, Government Production and Trade Facilitation Departments and Agencies
Vegetables	AFA (HCDA/Crop Directorate)/ County Government	FPEAK	Vegetable producers, processors and exporters, Government Production and Trade Facilitation Departments and Agencies
Fruits	AFA (HCDA/Crop Directorate)/ County Government	FPEAK	Fruits producers, processors and exporters, Government Production and Trade Facilitation Departments and Agencies
Nuts	AFA (HCDA/Crop Directorate)/ County Government	Nut Association	Nuts producers, processors and exporters
Beans and Pulses	AFA (HCDA/Crop Directorate)/ County Government	FPEAK	Beans and pulses producers, processors and exporters
Pyrethrum	AFA (HCDA/Crop Directorate)/ County Government	Pyrethrum - Private Sector representative association	Pyrethrum producers, processors and exporters, Government Production and Trade Facilitation Departments and Agencies
Sisal	AFA (HCDA/Crop Directorate)/ County Government	Sisal - Private Sector representative association	Sisal producers, processors and exporters, Government Production and Trade Facilitation Departments and Agencies
Khat - miraa	AFA (HCDA/Crop Directorate)/ County Government	Khat - Private Sector representative association	Khat - miraa producers, processors and exporters, Government Production and Trade Facilitation Departments and Agencies
Gum Arabic	AFA (HCDA/Crop Directorate)/ County Government	Gum Arabic - Private Sector representative association	Gum Arabic producers, processors and exporters, Government Production Support and Trade Facilitation Departments and Agencies

Sector/Sub-Sector	Chair/Lead Government Ministry or Department	Convener/Co-Chair (Private Sector)	Other Institutions
Manufacturing Sector			
Food Beverages and Tobacco	State Department for Industry (Relevant Division/Unit)/County Government counterpart	KAM/KEPSA	Food, Beverage and Tobacco producers and exports, Government Production Support and Trade Facilitation Departments and Agencies
Textile and Apparels	State Department for Industry (Relevant Division/ Unit) /County Government counterpart	KAM/KEPSA	Textile and Apparels producers and exporters, Government Production Support and Trade Facilitation Departments and Agencies
Leather and Footwear	State Department for Industry (Relevant Division/ Unit) /County Government counterpart	KAM/KEPSA	Leather and Footwear producers and exporters, Government Production Support and Trade Facilitation Departments and Agencies
Metal and Allied	State Department for Industry (Relevant Division/ Unit) /County Government counterpart	KAM/KEPSA	Textile and Apparels producers and exporters, Government Production Support and Trade Facilitation Departments and Agencies
Chemical and Allied Industries	State Department for Industry (Relevant Division/ Unit) /County Government counterpart	KAM/KEPSA	Chemical and Allied producers and exporters, Government Production Support and Trade Facilitation Departments and Agencies
Pharmaceutical and Medical Equipment	State Department for Industry (Relevant Division/ Unit) /County Government counterpart	KAM/KEPSA	Pharmaceutical and Medical Equipment producers and exporters, Government Production Support and Trade Facilitation Departments and Agencies
Plastics industry	State Department for Industry (Relevant Division/ Unit) /County Government counterpart	KAM/KEPSA	Plastics producers and exporters, Government Production Support and Trade Facilitation Departments and Agencies
Light Engineering	State Department for Industry (Relevant Division/ Unit) /County Government counterpart	KAM/KEPSA	Light Engineering producers and exporters, Government Production Support and Trade Facilitation Departments and Agencies
Furniture industry	State Department for Industry (Relevant Division/Unit) /County Government counterpart	KAM/KEPSA	Furniture producers and exporters, Government Production Support and Trade Facilitation Departments and Agencies
Motor vehicles and parts and accessories	State Department for Industry (Relevant Division/ Unit) /County Government counterpart	KAM/KEPSA	Motor vehicle, parts and accessories producers and exporters, Government Production Support and Trade Facilitation Departments and Agencies
Livestock Sector			
Live Animals (Cattle, Goats and Sheep and Camel	State Department for Livestock//County Government counterpart	Kenya Livestock Development Council (KLDC)	Livestock farmers and exporters, Government Production Support and Trade Facilitation Departments and Agencies
Dairy Industry	State Department for Livestock//County Government counterpart	Kenya Dairy Processors Association	Dairy products producers/processors and exporters, Government Production Support and Trade Facilitation Departments and Agencies

Sector/Sub-Sector	Chair/Lead Government Ministry or Department	Convener/Co-Chair (Private Sector)	Other Institutions
Meat (Bovine, Goat and Sheep Meat, Poultry and Port)	State Department for Livestock//County Government counterpart	Private sector representative of meat processors and exporters	Meat (Bovine, Goat and Sheep Meat, Poultry and Port) processors and exporters, Government Production Support and Trade Facilitation Departments and Agencies
Honey	State Department for Livestock/County Government counterpart	Private sector representative of honey producers, processors and exporters	Honey producers, processors and exporters, Government Production Support and Trade Facilitation Departments and Agencies
Germ Plasm	State Department for Livestock/County Government counterpart	Private sector representative of Germ Plasm producers and exporters	Germ Plasm producers and exporters, Government Production Support and Trade Facilitation Departments and Agencies
Fisheries			
Marine fish and fish products	State Department for Fisheries /County Government counterpart	AFIPEK	Marine fish and fish products producers, processors and exporters, Government Production Support and Trade Facilitation Departments and Agencies
Inland (Lakes and Rivers) Fresh Water Fish and Fish Products	State Department for Fisheries /County Government counterpart	AFIPEK	Inland (Lakes and Rivers) Fresh Water fish and fish products producers, processors and exporters, Government Production Support and Trade Facilitation Departments and Agencies
Aquaculture & Mariculture	State Department for Fisheries /County Government counterpart	AFIPEK/Kenya Aquaculture/ Mariculture Association	Aquaculture and Mariculture fish and fish products producers, processors and exporters, Government Production Support and Trade Facilitation Departments and Agencies
Emerging Sectors			
Mining	State Department for Mining/County Government counterpart	Kenya National Chamber of Mines	Mineral producers, processors and exporters
Gas and Oil (Petroleum)	State Department for Petroleum/County Government counterpart	Private sector representative of Gas and Petroleum producers and exporters	Gas and Oil producers, processors and exporters, Government Production Support and Trade Facilitation Departments and Agencies
Handicraft Industry			
Handmade/hand-decorated fabrics	State Department for Trade (or any other Department to be Designated as the focal Department for Handicraft Industry)/ /County Government counterpart	National private sector representative association for Handmade/hand-decorated fabrics	Handmade/hand-decorated fabrics producers and exporters, Government Production Support and Trade Facilitation Departments and Agencies
Leather crafts		National private sector representative association for leather crafts	Leather crafts producers and exporters, Government Production Support and Trade Facilitation Departments and Agencies

Sector/Sub-Sector	Chair/Lead Government Ministry or Department	Convener/Co-Chair (Private Sector)	Other Institutions
Basketry		National private sector representative association for Basketry	Basketry producers and exporters, Government Production Support and Trade Facilitation Departments and Agencies
Woodwork & Crafts		National private sector representative association for woodwork and crafts	Woodwork & Crafts producers and exporters, Government Production Support and Trade Facilitation Departments and Agencies
Metalwork & Crafts		National private sector representative association for metalwork and craft	Metalwork & Crafts producers and exporters, Government Production Support and Trade Facilitation Departments and Agencies
Jewellery		National private sector representative association for Jewelry	Jewellery producers and exporters, Government Production Support and Trade Facilitation Departments and Agencies
Stone carving		National private sector representative association for Stone curving	Stone carving producers and exporters, Government Production Support and Trade Facilitation Departments and Agencies
Pottery and Ceramics		National private sector representative association for Pottery and Ceramics	Pottery and Ceramics producers and exporters, Government Production Support and Trade Facilitation Departments and Agencies
Beads		National private sector representative association for Beads	Beads producers and exporters, Government Production Support and Trade Facilitation Departments and Agencies
Traditional Artefacts		National private sector representative association for Traditional Artefacts	Traditional Artefacts producers and exporters, Government Production Support and Trade Facilitation Departments and Agencies
Trade in Services			
Business Services	State Department for Trade	APSEA	Professional Bodies/Associations and their membership: Health sector professionals (Doctors, Nurses, Pharmacists, Dentists, Physiotherapists among others), Lawyers, Engineers, Built Environment Professionals, Teaching, ICT among others
Education Services	State Department for Education	Private Sector representative of institutions/ organizations keen on exporting education services	Private Sector institutions/organizations keen on exporting Education services

Sector/Sub-Sector	Chair/Lead Government Ministry or Department	Convener/Co-Chair (Private Sector)	Other Institutions
Financial Services	National Treasury	Private Sector representative of institutions/ organizations keen on exporting financial services	Private Sector institutions/organizations keen on exporting Financial services
Tourism and travel services	State Department for Tourism	Private Sector representative of institutions/ organizations keen on exporting tourism and travel services	Private Sector institutions/organizations keen on exporting Tourism and Travel services
Health services	State Department for Health	Private Sector representative of institutions/ organizations keen on exporting health services	Private Sector institutions/organizations keen on exporting Health services
Transport services	State Department for Transport	Private Sector representative of institutions/ organizations keen on exporting transport services	Private Sector institutions/organizations keen on exporting Transport services
ICT Services	State Department for ICT	Private Sector representative of institutions/ organizations keen on exporting ICT services	Private Sector institutions/organizations keen on exporting ICT services
Recreation, Cultural and Sports services	State Department for Culture and Social Services	Private Sector representative of institutions/ organizations keen on exporting Recreation, Cultural and Sports services	Private Sector institutions/organizations keen on exporting Recreation, Cultural and Sports services
Cross Cutting Issues			
Trade Finance	National Treasury	Kenya Bankers Association	Banks, financial institutions and other private sector finance institutions such as cooperatives, Government Financial Services Support Institutions, Departments and Agencies
Foreign Market representation	Ministry of Foreign AFAirs	Private sector association nominated as private sector representative on matters pertaining to foreign representation	Private sector institutions/organizations interested in participating in the foreign representation agenda, Ministry of Foreign AFAirs Missions of the target NEDPS countries

Sector/Sub-Sector	Chair/Lead Government Ministry or Department	Convener/Co-Chair (Private Sector)	Other Institutions
Export Promotion	National Export Promotion Agency (EPC)	KEPSA	Private sector institutions/organizations interested in participating in the Export Promotion agenda, Government Departments and Agencies that have a direct or indirect role in Export Promotion Agenda
Investment Promotion for Export Development	KenINVEST	KEPSA	Private sector institutions/organizations interested in participating in the Investment Promotion for Export Development agenda, Government Departments and Agencies that have a direct or indirect role in Investment Promotion for Export Development Agenda
Cross Border Trade facilitation	State Department for Trade	Private sector association nominated as private sector representative on matters pertaining to Cross Border Trade	Private sector institutions/organizations interested in participating in the Cross Border Trade agenda, Government Departments and Agencies that have a direct or indirect role in Cross Border Trade Agenda
Transport and Logistics	State Department for Transport	Private sector association nominated as private sector representative on matters pertaining to Transport and Logistics	Private sector institutions/organizations interested in participating in the transport and Logistics agenda, Government Departments and Agencies that have a direct or indirect role in Transport and Logistics Agenda

C3/1.2.3 Risk Identification, Monitoring and Management Framework of NEDSP Implementation

Implementation of NEDPS require highest level coordination and technical support to ensure that all outlined strategies are pursued and implemented, and where challenges toward their implementation arises, attention of the NEDPS National Steering Task Force and if possible the Highest Level of NEDPS reporting is drawn for guidance and action. Besides, there is need for a nationwide Monitoring and Evaluation of the implementation of the NEDPS to ensure tracking of impact and generating lessons for remedial measures to ensure that implementation of the NEDPS remains on track, delivering envisaged annual export growth across all target sectors.

There is also need to share information on NEDPS implementation activities for purposes of avoiding duplication of efforts and resources in pursuit of same goal from uncoordinated approach. The NEDPS provides a plug and play framework for any trade and investment program in Kenya. New and ongoing trade related projects will therefore need a one stop center to pick on areas of support, so that such initiatives contribute towards national export growth within the framework of NEDPS.

Risk Identification framework

The NEDPS sector and subsector strategies time bound implementation plans will form the framework for identification of risks to timely and effective implementation of the NEDPS. The basis for identification of these risks will be quarterly progress reporting that each sector/subsector is expected to generate, indicating progress made in implementation of the specific strategies, challenges and recommended measures to avoid the risk of non-implementation. The sectoral progress reports and identified risks for non-implementation will be compiled into comprehensive NEDPS implementation progress reporting and risk identification for consideration by the National NEDPS Implementation Task Force.

Monitoring and Management framework for NEDPS implementation

The NEDPS Implementation Unit is proposed to be created within the State Department of Trade, with dedicated staff to cover all sectors for purposes of effective coordination and support of the NEDPS implementation. Among the roles of the NEDPS Implementation Unit will be:

a) Awareness creation and dissemination of information about NEDPS to ensure that NEDPS is integrated in Government Ministries, Private Sector Organizations, Development Partners support Kenya in the Trade and Investment sector;

b) Facilitate and where necessary provide technical assistance in the formation of the Sector/subsector NEDPS implementation Task Force and equip them with capacity to understand sectoral NEDPS Strategies and adapting the same to their work program and resource outlay;

c) Facilitate preparation of NEDPS Monitoring and Implementation Framework, based on the launched NEDPS;

d) Work with sector/subsector Task Forces to develop sectoral annual work plan for implementation of the NEDPS, complete with funded budget based on outcome of NEDPS Resource Mobilization;

e) Receive sectoral/subsector NEDPS implementation quarterly progress reports to facilitate Monitoring and Evaluation of NEDPS implementation;

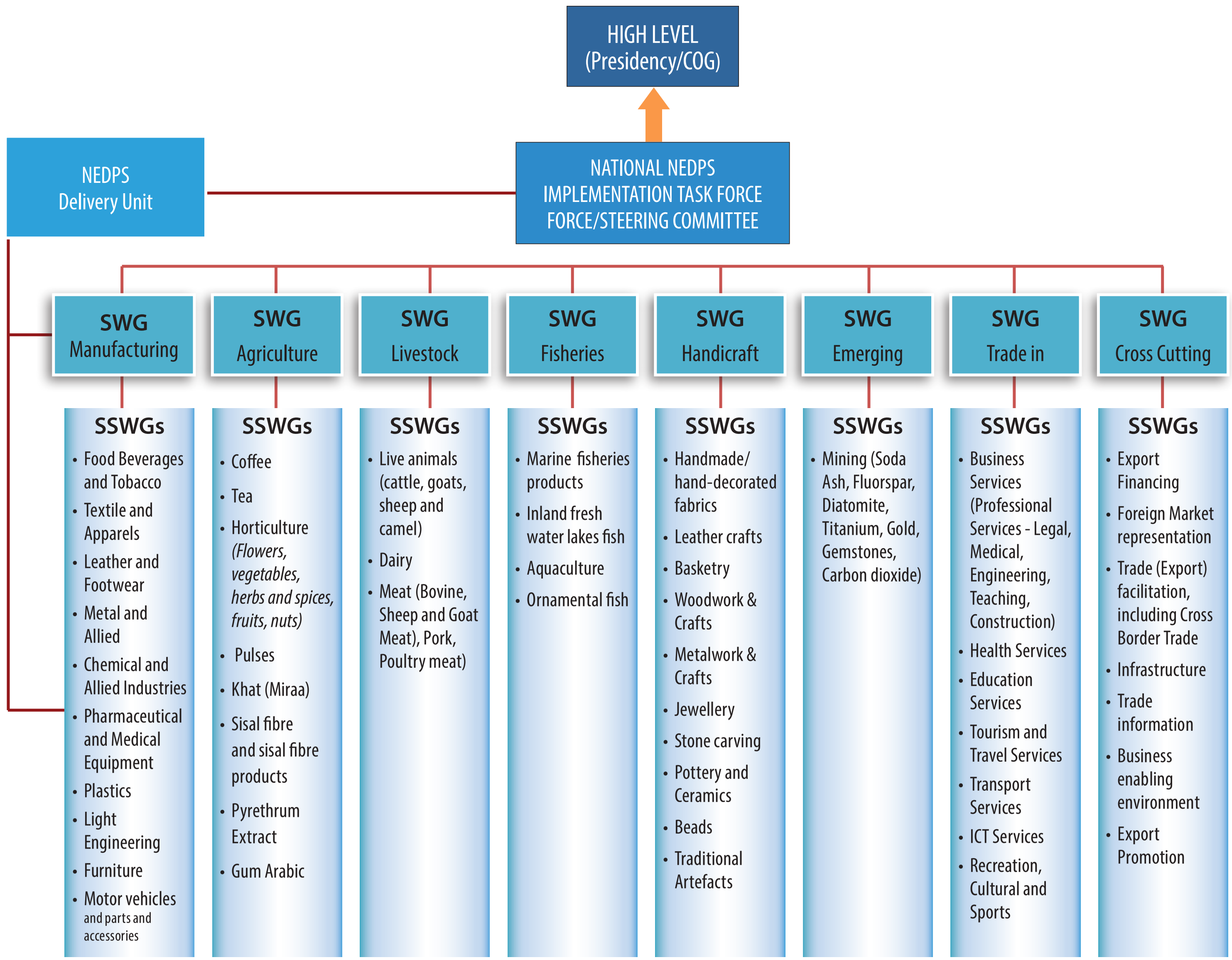
f) Provide targeted technical in implementation specific elements of NEDPS strategies where the sector/subsector Task Forces may express need for such assistance or where NEDPS Implementation Delivery Unit may assess in consultation with the Task Force need for such assistance in order to progress sectoral implementation of the NEDPS;

g) Provide targeted technical assistance to County Governments towards implementation of NEDPS elements that require their actions where the County Governments may express such need or where NEDPS Implementation Delivery Unit may assess in consultation with the specific County Government need for such assistance in order to progress timely implementation of the NEDPS; and

h) Provide a NEDPS implementation portal to assist online tracking of implementation of NEDPS by the public and various sector/subsector Task Forces.

Chart C/1: Overall National/County Level

Organizational structure of NEDPS implementation Institutional Arrangement



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