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**NATIONAL EXPORT STRATEGY  
IMPLEMENTATION ACTION PLAN  
2005 - 2008**

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## Table of contents

Abbreviations	iii
Foreword	v
Acknowledgement	vi
Executive Summary	viii
<b>1.0 Introduction</b>	<b>1</b>
• Background to National Export Strategy	1
• Implementation of the National Export Strategy	1
• A Phased Approach	1
• Phase II Action Plan	2
<b>2.0 The National Export Strategy Action Plan Methodology</b>	<b>3</b>
• The Guiding Principles	3
<b>3.0 Overview of Phase One Sectors</b>	<b>4</b>
• Livestock and Livestock Products	4
• Fish and Fish Products	5
• Textiles and Clothing	7
• Horticulture	8
• Food and Beverages	9
<b>4.0 The Sector Action Plans</b>	<b>10</b>
• Livestock and Livestock Products	10
• Fish and Fish Products	14
• Textiles and Clothing	16
• Horticulture	19
• Food and Beverage	22
<b>5.0 Resource Requirements and Mobilization</b>	<b>24</b>
• Resource Requirements	24
• Resource Mobilization	24
<b>6.0 Implementation, Monitoring and Evaluation</b>	<b>26</b>
• Introduction	26
• Implementation Approach	26
• Implementation Management Structure	28
• Monitoring and Evaluation	30
• Next Steps	30
Appendix I Implementation Matrix	31

## Abbreviations

1. AFIPEK - Association of Fish Processors and Exporters of Kenya
2. AGOA - African Growth Opportunities Act
3. ALRMP - Arid Lands Resource Management Project
4. ASAL - Arid, Semi-Arid Land
5. ATC - Agreement on Textiles and Clothing
6. CBIK - Centre for Business Information in Kenya
7. COMESA - Common Market for Eastern and Southern African
8. DRC - Democratic Republic of Congo
9. EAC - East African Community
10. EEZ - Exclusive Economic Zone
11. EIB - European Investment Bank
12. EPC - Export Promotion Council
13. EPZ - Export Processing Zone
14. EPZA - Export Processing Zones Authority
15. ESALIA - Eastern and Southern Africa Leather Industries Associations
16. EU - European Union
17. FPEAK - Fresh Produce Exporters Association of Kenya
18. GATT - General Agreement on Trade Tariffs
19. GMO - Genetically Modified Organisms
20. GOK - Government of Kenya
21. GTZ - German Development Cooperation
22. HACCP - Hazard Analysis Critical Control Point
23. HCDA - Horticultural Crop Development Agency
24. IFC - International Finance Corporation
25. IPC - Investment Promotion Centre
26. ITC - International Trade Centre
27. KAM - Kenya Association of Manufacturers
28. KAMEA - Kenya Apparel Manufacturers Exporters Association
29. KARI - Kenya Agricultural Research Institute
30. KEBS - Kenya Bureau of Standards
31. KEPHIS - Kenya Plant Health Inspectorate Service
32. KFC - Kenya Flower Council
33. KPA - Kenya Ports Authority
34. KRA - Kenya Revenue Authority
35. KWS - Kenya Wildlife Service
36. LC - Letter of Credit
37. LDC - Least Developed Countries
38. LVEMP - Lake Victoria Environment Management Programme
39. MoA - Ministry of Agriculture
40. MoF - Ministry of Finance
41. MoLFD - Ministry of Livestock and Fisheries Development
42. MoLHRD - Ministry of Labour and Human Resource Development
43. MoRPW - Ministry of Roads and Public Works
44. MoTI - Ministry of Trade and Industry
45. MoWI - Ministry of Water and Irrigation
46. NES - National Exports Strategy
47. NESCC - National Export Strategy Council

48. R&D	-	Research and Development
49. SIDA	-	Swedish International Development Agency
50. TA	-	Technical Assistance
51. TREO	-	Tax Remission for Export Office
52. UAE	-	United Arab Emirates
53. UK	-	United Kingdom
54. UN	-	United Nations
55. UNIDO	-	United Nations Industrial Development Organisation
56. USAID	-	United States Agency for International Development
57. VAT	-	Value Added Tax
58. WB	-	World Bank

## **Foreword**

The National Export Strategy, which was prepared by the Ministry of Trade and Industry was approved by the Cabinet in 2004. In order to operationalise the strategy, the Ministry of Trade and Industry has spearheaded the preparation of an Implementation Action Plan. This Action Plan which constitutes the first phase of implementing the National Export Strategy covers five sectors. The sectors are Livestock and Livestock Products, Fish and Fish Products, Textiles and Clothing, Horticulture and Food and Beverages. The Action Plan identifies binding constraints currently preventing export flows from these sectors from reaching their full potential and proposes actions that will lead to increased exports in the short and medium term. Other sectors will be covered in subsequent phases.

**Hon. Dr. Mukhisa Kituyi, MP,**  
Minister for Trade and Industry  
Nairobi

April 2005

## **Acknowledgement**

The preparation of the National Export Strategy Implementation Plan was participatory and all-inclusive. Relevant Ministries and Public Institutions, Sector Associations, Exporters and Business people steered the process. Development of the Action Plan benefited immensely from internationally recognized best practices. For this we are indebted to Mr. Andrew Singer, an International Consultant, Phil English from the World Bank Institute and Nyachienga Nyamache from Almaco Management Consultants Ltd.

The Government is grateful to the GTZ and World Bank for financing the preparatory exercise as well as facilitating technical assistance.

The Government acknowledges the inputs of officers from both the public sector and sector associations during the preparatory process. Special thanks go to the exporters who attended the retreat during the preparation of the Action Plan and provided useful insights into the constraints facing current export products. The Government is committed to implement the Action Plan in order to maximize Kenya's export expansion so as to broaden economic growth, wealth creation and poverty reduction.

**Dr. Nehemiah Ng'eno**  
Permanent Secretary  
Ministry of Trade and Industry

April 2005

## **Executive Summary**

1. The Government is committed to expand Kenya's exports as one of the quickest and surest way for economic recovery, economic growth and poverty eradication. It is for this reason that the Economic Recovery Strategy for Wealth and Employment Creation 2003-2007 identified the need to develop a National Export Strategy. Consequently, the National Export Strategy 2003-2007 was formulated and approved by the Cabinet in 2004. To operationalise the NES, the Ministry of Trade and Industry commissioned the preparation of the NES Implementation Action Plan. A steering committee was appointed to steer this process. Working in consultation with Sector Exporters, Sector Associations, Relevant Government Ministries/Departments, the World Bank (WB), German Development Corporation (GTZ), and Consultants, the Steering Committee developed the Implementation Action Plan covering 5 sectors; Livestock and Livestock products, Fish and Fish products, Textiles and Clothing, Horticulture, and Food and Beverages.

### **2. Sectoral Key Activities**

For each of the sectors, product groups/products that have potential to expand exports immediately or in the medium term are identified. Binding constraints or threats holding export expansion were also identified as well as the responsive actions.

#### **Livestock and Livestock Products**

- Pork, poultry, red meat, raw hides and skins, "wet blue" skins, leather and leather products are identified for export expansion.
- The factors holding exports of these products include high costs, high disease preference, lack of internationally acceptable slaughterhouses and poor quality hides and skins.
- The key activities to be undertaken include;
  - Streamlining the Tax Remission for Export Office (TREO)
  - Supporting investments in slaughterhouses
  - Monitor the development of Disease Free Zones
  - Lobbying for removal of unilateral export barriers imposed by regional trading partners in the East African Community (EAC) and Common Market for Eastern and Southern Africa (COMESA)
  - Training farmers and tanners on quality chain management

#### **Fish and Fish Products**

- Exports of Fish fillet (frozen), Fish fillet (fresh or chilled) and live fish will be emphasised
- Factors affecting export expansion include; post harvest losses, lack of equipment for value addition, unexploited resources and sustainability of Lake Victoria
- The key activities that are identified for implementation are to:
  - Train fishermen in fishing and handling techniques.
  - Develop landing beaches along the shores of Lake Victoria.
  - Negotiate fish agreement for landing marine fish in Kenya
  - Conduct study on fishing sustainability at Lake Victoria
  - Carry out study to facilitate exploitation of Lake Turkana

## **Textiles and Clothing**

- The immediate export flow will continue to be garments to USA.
- The future of the sector is threatened by high production costs, low productivity, expiry of the Agreement on Textile and Clothing (ATC) in 2005 and third-country sourcing of Fabrics in 2007.
- The key activities recommended here are to:
  - Negotiate with workers, unions, Ministry of Labour and Human Resources Development (MoLHRD) on modalities to reduce wages
  - Negotiate with Kenya Power and Lighting Company (KPLC) to reduce power tariffs
  - Allow containers be opened at factory under Kenya Revenue Authority (KRA) supervision
  - Establish export credit guarantee scheme based on confirmed orders

## **Horticulture**

- Cut flowers, vegetables and avocados will be the main export products for immediate and medium term expansion.
- The issues of concern to the sector are to increase sector competitiveness through cost reduction and value addition.
- The key activities that are envisaged include;
  - Re-establishing Value Added Tax (VAT) refunds
  - Eliminating unnecessary taxes and levies
  - Rehabilitate roads in growing areas
  - Improving capacity at Kenya Plant Health Inspectorate Service (KEPHIS)

## **Food and Beverages**

- The products identified for export expansion are edible oils, alcoholic beverages and dairy products.
- The constraints affecting expansion include; duties, non-compliance with COMESA Rules of Origin, delays at Customs and infrastructure.
- The key activities for implementation in this sector include:
  - Pressing Common Market for Eastern and Southern Africa (COMESA) partners to apply import rules as per the agreement of the Rules of Origin
  - Northern Corridor road to be upgraded
  - Improving capacity at Kenya Bureau of Standards (KEBS)

### **3. The Tax Remission For Export Office (TREO)**

This office was created to facilitate exports but was identified as a bottleneck. Investigations and studies are recommended to find ways of improving services to exporters.

### **4. Fast Track the Textiles and Clothing Sector**

This sector is in a crisis following the expiry of the Agreement on Textiles and Clothing on 31<sup>st</sup> December 2004 and the African Growth and Opportunities Act (AGOA) third-country

fabric provision which ends in September 2007. Actions for implementation within six months are outlined.

## 5. **Implementation Structures**

The structures to operationalize the Action Plan are outlined in section 6. Further the next steps are discussed. It is proposed that NES National Steering Committee convene immediately to carry out the next steps.

## 1.0 INTRODUCTION

### 1.1 Background to the National Exports Strategy

Kenya's National Export Strategy (NES) 2003-2007 was approved by the Cabinet in 2004. The export strategy focuses on the measures required to stimulate expansion of exports through penetration and diversification of markets and products as one way of creating wealth and eradicating poverty. The document is a response to the declining exports due to non-competitiveness of local products, limited negotiation capacity of public and private sectors and falling terms of trade.

The NES is designed to expand exports. The strategy covers ten sectors and six cross-cutting issues. The ten sectors are; horticulture, tea, livestock and livestock products, fish and fish products, food and beverages, textiles and clothing, commercial crafts, information communication technology, tourism and transport sectors. The six cross-cutting issues identified in the strategy are trade information, trade facilitation, export packaging, quality management, trade finance and competency development

### 1.2 Implementation of the National Export Strategy (NES)

The NES in its current form suffers certain shortcomings that challenge its effective implementation:

- i) The ten sectors and six cross-cutting issues are far too many to implement at the same time due to limited resources and time. There is therefore, need to take up a manageable number at a time i.e. phased implementation.
- ii) The strategic objectives and activities identified in some sectors are too many and too broad. This will make implementation, monitoring and evaluation fairly difficult. To enhance effective implementation, monitoring and evaluation, there is need to refine the strategic objectives and activities, while at the same time reducing them to manageable numbers.
- iii) The NES does not analyze problems and possible actions down at the product or product-group level. It analyses at the broad sector level. This approach is unlikely to focus at specific problems.
- iv) The NES does not allocate single point responsibility for the activities it identifies. This blurs accountability and follow-up. There is need to allocate each activity to one lead organization.
- v) Finally, there is need to establish the cost estimates for the activities to facilitate allocation of funds in the national budget.

It is for these reasons that in February 2005, the Ministry of Trade and Industry decided to prepare the NES Implementation Action Plan which aims at addressing all these shortcomings.

### 1.3 Phased Approach

A phased approach is adopted in operationalising the National Exports Strategy. By its very nature, a phased approach takes on board manageable activities, at any time taking into account the resources and time available. A phased approach also has the advantage of facilitating improvements on future activities based on lessons learnt from past experience.

The National Export Strategy will be implemented in three phases detailed in table 1.1 below. As to the criteria used for selection of the sectors into phases, the steering committee looked at the potential of each sector to expand exports immediately, in addition to the sectors' responsiveness to the country's socio-economic development priorities. However, preparation of this Implementation Action Plan takes into account a changing export environment. For this reason, the cut flower subsector is included in the 1<sup>st</sup> phase as demanded by the horticulture sector during the preparatory process. It is also for the same reason that the coffee sector will be included in the 2<sup>nd</sup> phase. Moreover, cross-cutting activities that are considered important are included in phase III.

**Table 1.1: NES Implementation Phases**

<b>Phase I</b>	<b>Phase II</b>	<b>Phase III</b>
<ul style="list-style-type: none"><li>• Livestock and Livestock products</li><li>• Fish and Fish products</li><li>• Textiles and Garments</li><li>• Horticulture</li><li>• Food and Beverages</li></ul>	<ul style="list-style-type: none"><li>• Tea</li><li>• Commercial crafts</li><li>• ICT</li><li>• Tourism</li><li>• Transport service</li><li>• Coffee</li></ul>	<ul style="list-style-type: none"><li>• Trade Information</li><li>• Trade Facilitation</li><li>• Export Packaging</li><li>• Quality Management</li><li>• Trade Finance</li><li>• Competency Development</li></ul>

### 1.4 Phase II Action Plan

It is proposed that a retreat to prepare the Action Plan for the Phase II sectors be organized to take place within six months around September 2005.

## 2.0 THE NES IMPLEMENTATION ACTION PLAN METHODOLOGY

### 2.1 Guiding Principles

The preparation of this Action Plan was guided by the following principles:

- i) The unit of analysis is a product or product group. This is because sectors are wide with many constraints that differ from products to products. To therefore enhance focus, analysis should be at the lowest levels; products or product groups. This way, identification of relevant constraints and responding activities are more focused and implementable.
- ii) The products/product groups selected in each sector for immediate priority actions are those that demonstrated current flows to identified markets i.e. they are backed-up by actual exports. These flows are substantial in terms of values.
- iii) The next flow of products/product groups are those that demonstrated export potential, and therefore represent a natural next development building on the experience and market contacts gained from the current flows.
- iv) Identification of binding constraints and responsive actions was largely informed by the existing exporters. The existing exporters are the ones who can accurately identify the constraints they face and therefore, are in a better position to come up with informed remedial action.
- v) In crafting the strategies and activities to expand exports, the process was guided by the development stage of the product whether emerging or established. Where the product is emerging, then the binding constraints are likely to be relating to policy, regulations, incentives, taxes that affect product and market development. These were identified and strategies to address them prescribed. This strategy is mainly applied in the livestock and livestock products and food and beverage sectors. If on the other hand, the product is established, it is likely to be facing threats such as competition from new entrants. Product differentiation, value addition, reduction of the costs of production or focus strategies are necessary in such cases. This strategy is applied to horticulture, textile and garments and fish sectors.

### 3.0 OVERVIEW OF PHASE ONE SECTORS

#### 3.1 Livestock and Livestock Products

##### 3.1.1 Overview

The Livestock and Livestock Products sector rates well in terms of its responsiveness to the governments' socio-economic development agenda of poverty eradication and Arid and Semi-Arid Lands (ASAL) development, value addition, potential to expand exports and the sector development activities already in place.

The Livestock and Livestock products sector is important in the development of Kenya especially the Arid and Semi-Arid Lands where it constitutes the main economic activity. In the 1970s and 1980s, Kenya used to export livestock and livestock products to the EU and Middle East. In fact, Hides and Skins were the third largest export in the country in the 1970s. Secondly, in order to develop the ASAL, the government is laying special emphasis on livestock and livestock development in these areas. Several projects are in progress including the Arid Lands Resource Management Project (ALRMP) supported by the World Bank, the North East Pastoralist Development Project by United States Agency for International Development (USAID), the United National Industrial Development Organisation (UNIDO) Integrated Industrial Development Project, Eastern and Southern Africa Leather Industries Association (ESALIA)/CFC project among others. In addition the government aims at facilitating the creation of Disease Free Zones (DFZ) in designated areas and develop slaughterhouses that meet international export requirements. These efforts are all aimed at increasing export earnings and creating wealth and employment at ASAL.

According to the figures obtained from the Export Promotion Council (EPC), the products/product groups that showed substantial exports are Leather, Raw Hides and Skins, Meat and Meat Products. The current export flows of major product groups for the years 2002/3 and 2003/4 are as shown in table 3.1 in value terms:

**Table 3.1: Current Export Flows of Livestock products/product groups**

<b>Product group</b>	<b>2002/3 in Kshs million</b>	<b>2003/4 in Kshs million</b>
Leather	580	1039
Raw Hides and Skins	292	680
Meat and Meat products	131	236

Source: CBIK, EPC

The major markets for these products are as follows:

- i) Leather – India, Italy, Pakistan and Spain.
- ii) Raw Hides and Skins - Hong Kong, Spain and Pakistan
- iii) Meat and Meat Products – COMESA, Middle East

### 3.1.2 Strategic Issues and Strategies

There is potential to substantially increase exports of pork and poultry products to COMESA, Middle East and later to the EU markets. This is likely to be followed by red meat products to the same markets. It is also feasible to increase the exports of raw hides and skins, leather and later, leather products, to both existing and new markets. The sector requires product and market development strategies.

Four major factors affecting the expansion of the sector exports:

- Uncompetitive products in both price and quality
- Lack of slaughterhouses with international standards
- High prevalence of disease
- Poor quality of raw hides and skins, poor slaughtering, poor flaying and poor presentation systems

The strategic objectives that will be pursued for export expansion will include:

- Improving competitiveness by seeking to have the Tax Remission Export Office (TREO) effectively deal with exporters' claims.
- Develop and upgrade slaughterhouses to internationally accepted standards.
- Promote the development of the Disease Free Zones.
- Improve the quality of hides and skins.

## 3.2 Fish and Fish Products

### 3.2.1 Overview

This is one of the sectors in which several studies have been done and where a sector strategy was developed in 2002 by EPC with the support of International Trade Centre (ITC). The sector has a lot of potential for growth through value addition, exploiting the Marine and Aquaculture resources and reducing post harvest losses.

The Fish and Fish Sector is fairly developed and is a major export activity. Currently 80-90% of the Nile Perch landed in Kenya is processed for export. In total there are eighteen (18) fish processing plants in Kenya. They are located around Lake Victoria, Nairobi and Mombasa. Because Kenya's legislation on all processed fish has closely followed the EU legislation on fish and fish products, these factories have all instituted stringent quality control procedures and have been issued with EU factory numbers.

There are several on-going projects aimed at improving the management of the fish and fish products sector. The Lake Victoria Environment Management Programme (LVEMP) funded by the Global Environment Facility, a World Bank initiative, aims at strengthening extension services, monitoring and enforcement capabilities of national fisheries administration to enhance sustainable fishing. The Coastal Marine Project funded by Swedish International Development Agency (SIDA) aims at

improving management of the marine fisheries of the coastal states. Under the auspices of Association of Fish Processors and Exporters of Kenya (AFIPEK) and the Department of Fisheries, a memorandum of understanding has been signed to govern issues such as overall development of fisheries industry, product development, value addition and marketing strategies.

The current export flows for the years 2001/2-2003/4 show growing exports of fish products as shown in the table 3.2.

**Table 3.2: Current Export Flow by Fish Product/Product group**

<b>Product</b>	<b>2001/2 in Kshs million</b>	<b>2002/3 in Kshs million</b>	<b>2003/4 in Kshs million</b>
Fish Fillet; frozen	3,298	1,353	3,441
Fish Fillet-Fresh or chilled	351	503	760
Other fish, frozen	36	13	132
Other fish, live	24	15	13

Source: CBIK, EPC

The major markets for fish products are the EU, Israel, Australia, Japan and Hong Kong.

### 3.2.2 Strategic Issues and Strategies

The Fish and Fish products sector has potential to expand exports to the existing and new markets. It also has the potential to expand the product base for exports through value addition. A market penetration and product development strategy will be pursued.

Fish and Fish products export expansion is mainly affected by:

- Substantial post harvest losses estimated at 30% of the total catch
- Lack of equipment for value addition
- Unexploited resources (Marine, Turkana and Aquaculture)
- Sustainability of Lake Victoria resource

This Action Plan seeks to pursue the following strategic objectives to increase exports:

- Reduce post harvest losses by developing efficient landing beaches and educating the fishermen on fishing and handling techniques
- Improved fish utilization through value addition
- Improve access to finance
- Diversify the sources of fish

### 3.3 Textiles and Clothing

#### 3.3.1 Overview

Though Kenya enjoyed a flourishing textile and clothing industry in the 1970s and 1980s that was supported by backward and forward linkages, the industry collapsed in the late 1990s. Until the AGOA initiative of 2000, the textiles and clothing industry was almost dormant. With the AGOA initiative, the Export Processing Zone (EPZ) programme has seen substantial growth. The impressive growth can be viewed in terms of increase in number of garments/apparel enterprises and their contribution towards job creation, investments and exports. The number of enterprises increased from 6 in 2000 to 35 in 2003. Employment increased from 6000 in 2002 to 36,348 in 2003, while investment rose from Kshs 1.2 billion to Kshs 9.7 billion during the same period. There are also small scale garment producers all over the country but their role in export of textiles is of little significance. Current export flows for apparels to the USA is tabulated in table 3.3 below.

**Table 3.3: Current Export Flows on Apparels to the USA**

Product	2000 in Kshs million	2001 in Kshs million	2002 in Kshs million	2003 in Kshs million	2004 in Kshs million
Apparels	2,300	4,294	8,149	11,083	17,567

Source: EPZA

Though there was significant growth between 2001 to 2004, the sector is facing serious problems. In 2004, three firms closed down, while four have threatened to do any time. The problems facing the sector include stiff competition and possible loss of the USA market following the expiry of quotas with the end of the WTO Agreement on Textiles and Clothing (which replaced the Multifibre Agreement or MFA) in December 31, 2004. Secondly, in September 2007 the AGOA third-country fabric provision will no longer apply. Exporters in Kenya will no longer be able to use fabrics from non-African sources. Lack of adequate supply of fabric in Kenya and Africa could render this sector uncompetitive

#### 3.3.2 Strategic Issues and Strategies

The international garment sector has always been one of the most competitive sectors, with very small profit margins and lots of players. There are two major challenges; first, with the end of the ATC, the sector will become a lot more competitive, with China and India, both of which are low cost and efficient producers expected to dominate the global market. Immediate action is needed to reduce costs where possible. Second, with the impending changes in AGOA, plans must be put in place to establish one or more competitive textile mills to supply the garments export sector with adequate quality fabric.

### 3.4 Horticulture

#### 3.4.1 Overview

Within the Agricultural sector, horticulture has been the fastest growing subsector and offers the best alternative for increased food production, income generation, employment and export earnings. Horticulture has become one of the most vibrant industries in the economy, second to tea in foreign exchange earnings.

Kenya's horticulture sector is over forty years old and is now an established and mature sector significantly contributing to employment, food security, foreign earnings, food processing and local trade. The sector has become a model that many countries try to emulate. The sector is dominated by large scale production and has seen significant growth. There are also significant small scale producers basically acting as suppliers to the large scale exporters. However, the sector now faces serious challenges from other countries in the export market.

The current export flows for the major products/product groups between 2001/2 to 2003/4 are shown on table 3.4.

**Table 3.4: Current export flows of major products/product groups**

<b>Product</b>	<b>2001 in Kshs million</b>	<b>2002 in Kshs million</b>	<b>2003 in Kshs million</b>
Cut flowers	10,626	14,792	16,497
Vegetables	8,034	10,471	10,591
Tree fruits, mainly avocados	1,559	1,461	1,752

Source: HCDA

The major markets include European Union (EU) (UK, Netherlands, France, Germany) UAE, Hong Kong, India, USA.

#### 3.4.2 Strategic Issues and Strategies

This is a mature sector with a developed market that still offers penetration opportunities through high value pre-packaged vegetable preparations and bouquets. Diversification opportunities to new markets and products is also an issue. The major strategic issues to be addressed are:

- Increase sector competitiveness
- Value addition

The strategies that have been identified include:

- Coordinate strategy among stakeholders
- Cost reduction initiatives
- Improve infrastructure
- Improve security

### 3.5 Food and Beverages

#### 3.5.1 Overview

The Food and Beverages sector was identified in the NES as a priority on the basis that it contributed over 50% of manufactured exports and that exports of manufactured goods accounted for over 33% of the total Kenyan exports earnings. Noting that these figures included tea, coffee, horticulture, and dairy products which are dealt with separately in the NES, the items that were left and are available under this category include cereals, non-alcoholic beverages, alcoholic beverages, chocolate and chocolate confectionery and vegetable oils.

The current export flows for these sub-sectors in the period 2001/2 to 2003/4 are shown in table 3.5 below:

Table 3.5: Current export flows of subsector

<b>Subsector</b>	<b>2001/2 million in Kshs</b>	<b>2002/3 million in Kshs</b>	<b>2003/4 million in Kshs</b>
Vegetable oils	-	463	802
Alcoholic Beverages	37,222	10,463	143
Cereals	96	116	176

Source: EPC, KRA

The major destination for these products are the EAC and COMESA countries (Tanzania, Uganda, Somalia, Zambia and Sudan)

#### 3.5.2 Strategic Issues and Strategies

The major strategic issue affecting the export flows for food and beverages include:

- Legislation by government on alcoholic packaging without consultation with exporters/manufacturers
- Excessive duties on imported inputs
- Non-compliance to the COMESA Rules of Origin by some partner states
- Customs inefficiency

The strategic objectives to be addressed are:

- Lobby with government to amend legislation that affect exports and duty reduction on imported inputs and capital equipment
- Lobby with COMESA partners to comply with COMESA Rules of Origin.
- Improve Custom service delivery

## 4.0 THE SECTOR ACTION PLANS

### 4.1 Sector – Livestock & Livestock Products

#### 4.1.1 Product Group within the Sector – Meat Products

##### 1. Current Export Flows [product/market]

- Retail pork products to the UAE
- Some sales of poultry and red meat to COMESA countries

##### 2. Kenya's Competitive Advantages, on which these Flows are Based

- Good quality low-cost land
- Warm climate resulting in lower costs on heating, disease control, and on growth promoters.
- Well educated and capable labour. In poultry, productivity is said to equal Asia.
- Non-Genetically Modified Organisms (GMO), so far. This plus climate benefits gives a good basis for competitive advantage in organic products.
- No Bird Flu so far.
- COMESA access and EAC access, although the latter is not yet fully secured for Kenyan exports.
- Ideal location for supply to the Middle East. Good shipping service, also, to EU markets.
- Established pork and poultry industries, based on relatively developed domestic market [6000 breeding sows; 350,000 chickens per week]

##### 3. The Binding Constraints currently preventing these Current Flows from reaching their Full Potential

- There is only one binding constraint.
- 80% of the cost of a pig is feed.<sup>1</sup> The duty on the main components of animal feeds is 25%. For the past two years, there has apparently been an additional 15% Anti-Dumping Duty, giving a total net barrier of around 50%.
- So far, producers have not found a way of quickly and reliably avoiding this prohibitive extra cost when they export. The impact on total costs is huge, both for pork products and poultry products.

##### 4. The Most Likely Next Export Flows, building on current Experience

- If the feed cost problem can be solved, then poultry products could very easily follow the pork products lead.
- Moving beyond COMESA and the Middle East, there is major potential in the EU market.
- Looking longer-term, other meat exports could follow – lamb, goat, beef – looking initially to the large Middle East markets.
- Wildlife-based meat exports could follow.

##### 5. Binding Constraints currently holding these Flows back

- For poultry exports to follow pork, it is the same feed cost issue that must be resolved.
- For other meats to develop, the situation is less clear-cut, at this early stage.
- There are current plans to set up dedicated export slaughterhouses for the Middle East market, with Halal butchering, and fully acceptable standards. If these investments materialize, other meats could follow, probably starting with lamb and goat.

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<sup>1</sup> Another 10% is labor. The rest is a mix of overheads and small costs.

- If Ministry of Livestock and Fisheries Development (MoLFD) planned for pilot “disease-free zones” are successful, this could also speed the new flows.
- If importing countries accept “commodity-based risk management”<sup>x1</sup> this would also speed these new flows.
- For pork and poultry exports to extend to the EU, processors will have to meet yet more challenging standards.
- For pork and poultry exports to extend within EAC and further within COMESA, import barriers unilaterally imposed by partner countries not in compliance with agreements, is the big problem.
- For wildlife-based meat exports to prosper, the regulatory control on culling is the key constraint and should be reviewed. Should Kenya Wildlife Services (KWS) continue to regulate its competitors? Rather than blanket bans, could private game ranches be given more freedom to regulate their own stocks?

## 6. The Sector/Product-Group Action Plan

### a) Immediate priorities [1-2 yrs] – to deal with Binding Constraints on Current Flows

- Investigate why the existing Duty Exemption/Drawback arrangements – Tax Remission for Exports Office [TREO] are not working effectively, to enable meat producers to import feedstuffs used in exported products free of all duties and taxes. [Ministry of Finance - MoF]
- Confirm that TREO covers Anti-Dumping Duty. [Ministry of Finance]
- Provide Technical Assistance to bring in best practice in Duty Exemption. [Ministry of Finance, Donors]

### b) Next priorities [2-4 yrs] – to deal with Binding Constraints on Next Flows

- Support investment into dedicated export-only slaughterhouses, aimed at red-meat exports to the Middle East. [MoTI, with others]
- Monitor progress on “disease-free zones,” and “commodity-based risk management.” [Ministry of Livestock and Fisheries - MoLFD, and others]
- Press partners within EAC, COMESA to ease unilateral import barriers [MoTI]
- Review regulatory controls on wildlife culling by private game ranches. [MoLFD, MoTI]

### c) Additional actions in support – to deal with Non-binding Constraints – selected actions likely to give the best returns over the coming 1-2 years.

- All players to combine into joint meat industry forum, to present a united position to Government. [KAM]
- Technical Assistance to prepare the way for entry into EU and other organic markets for pork and poultry products. [MoLFD, Donors]
- Review import duties on capital equipment used by this sector. Consider moving from case-by-case exemptions to lower rates. [MoF].

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<sup>x1</sup> Acceptable risk for commodities without being required to prove that trade sensitive infections do not exist in the area of production.

## **4.1.2 Product Group within the Sector – Hides and Skins, Leather and Leather Products**

### **1. Current Export flows [product/market]**

- Raw Hides - mainly exported to India, Pakistan, China
- Raw Skins - exported, wet blue<sup>x1</sup>, some crust<sup>x2</sup>, small amount of finished to Italy, Spain, India, Pakistan, Hong Kong.

### **2. Kenya's Competitive Advantages, on which these Flows are Based**

- Large populations of cattle, goats, sheep, supplemented by others brought in over porous borders from neighboring countries [13m local cattle, plus another 8m coming in each year; 10m goats; 8m sheep.]
- Ten (10) tanneries capable of preserving to wet blue stage, some with international-standard effluent treatment plants.
- Availability of skilled labour.

### **3. The Binding Constraints currently preventing these Current Flows from reaching their Full Potential**

- Poor quality of raw skins from peasant herders due to poor husbandry, disease marks, tears and lesions, poor slaughtering, poor flaying<sup>x3</sup>
- Kenyan Tanneries cannot compete on equal terms for available hides and skins against tanneries with export subsidies in India, Pakistan and China. Tanneries claim that export tax on raw hides and skins is not fully effective as a counter-measure. Also they claimed that export tax may reduce incomes for herders though this is not clear.

### **4. The Most Likely Next Export Flows, building on current Experience**

- Shift of raw trade to wet blue; shift also of wet blue to crust.
- Leather products exports have declined to very low levels [largest exporter employs under 30 people].

### **5. The Binding Constraints currently holding these Flows back**

- For adding value in tanning, same issue as for current countering export subsidies.
- For leather products, duties on accessories and imported leather add significantly to costs.

### **6. The Sector/Product-Group Action Plan**

#### **a) Immediate priorities [1-2 yrs] – to deal with Binding Constraints on Current Flows**

- Undertake a study on how best to respond to the problem of export subsidies to tanneries in India, Pakistan, China – Explore options, such as subsidies to tanneries; funds to tanneries for improving competitiveness, export ban, export tax at higher rate [MoTI, with ESALIA, Ministry of Livestock and Fisheries – MoLFD].
- Undertake a study on how best to use price signals in order to encourage herders and intermediaries to aim for quality raw hides and skins [ESALIA, MoLFD]

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<sup>x1</sup> “Wet blue” skins are those that have been treated so that no further deterioration occurs.

<sup>x2</sup> Crust is the next stage in tanning where the skin is prepared for finishing but not fully finished. Colour, texture, handle etc are determined during finishing.

<sup>x3</sup> Initial cleaning of the skin to remove meat after slaughtering) and deterioration during transport

- Include within that study how best to run mass education on husbandry, disease control, slaughtering and flaying [MoLFD]

**b) Next priorities [2-4 yrs] – to deal with Binding Constraints on Next Flows**

- To aid leather products revival, make Duty Exemption/Drawback work for accessories and imported leather. [Ministry of Finance]

**c) Additional actions in support – to deal with Non-binding Constraints – selected actions likely to give the best returns over the coming 2-4 years.**

- Review the Hides and Skins Act, in particular the restrictive licensing of particular activities within this industry. [MoLFD]

## 4.2 Sector – Fish and Fish Products

### 4.2.1 Product Group within the Sector – Nile Perch Fillets

#### 1. Current Export Flows [product/market]

- Fresh Nile Perch fillets, by air, mainly to EU markets.
- Frozen Nile Perch fillets, by sea to more distant markets.

#### 2. Kenya's Competitive Advantages, on which these Flows are Based

- Large resource of Nile Perch in Lake Victoria.
- Low labor costs for filleting and other activities.
- Good air connections from Nairobi to Europe.
- Experienced and capable processor/exporters, who organize collection from simple artisan fishermen, process to strict EU standards and ship.
- The processors are HACCP certified

#### 3. The Binding Constraints currently preventing these Current Flows from reaching their Full Potential

- Declining trend in fish catch implying a risk of over-fishing
- Kenya has only a small share of Lake Victoria (6%) water.
- Reliance on supplies from Uganda and Tanzania: risk that neighboring countries will restrict raw fish sales
- Mbita causeway restricts water current and fish movements
- Mainly illiterate artisan fishermen who use poor fishing techniques such as small mesh size which endangers the stock; poor equipment: small boats that are unable to reach deeper waters
- Serious wastage at landing beaches, due to lack of ice in boats, poor handling. This is estimated to amount to lost export value of 30% per year.
- Risk of EU ban resulting in fish sales being shifted to processors in other countries

#### 4. The Most Likely Next Export Flows, building on current Experience

- Full utilization of the whole fish e.g. use gelatin from the skin; fish fingers from flesh fillets.
- Exploitation of substantial Tilapia resources in Lake Victoria to be canned or dried for export.
- Tuna from deep-sea marine fishery
- Nile Perch from Lake Turkana (fresh, frozen or dried)
- Aquaculture, both fresh water and marine, from Tana River and other dam reservoirs e.g. shrimp

#### 5. The Binding Constraints currently holding these Flows back

- Utilization of the whole fish requires substantial finance, beyond what local banks are willing to provide. A second-hand plant makes sense, but is even more difficult to finance.
- A second-hand Gelatin plant costs \$2m, compared to \$10m when new.

- Tilapia canning which would also require substantial finance faces the same problem.
- Tuna fleets are not required to unload their catch in Kenya
- There is presence of parasite in Lake Turkana: the extent of which is not yet clear
- Modern aquaculture based on cages rather than ponds is untested. It requires cheap feed, including protein preferably based on fish meal, which could be provided from the by-catch<sup>x1</sup> of tuna fishing.

## **6. The Sector/Product-Group Action Plan**

### **(a) Immediate priorities [1-2 yrs] – to deal with Binding Constraints on Current Flows**

- Develop full-service landing beaches in the already identified sites, with ice plant and auction hall. The cost is around US\$ 100,000 per site. The beaches can be run either cooperatively by users i.e. fishermen and processors working together or by a private operator. It is also important to provide ice/storage on island collection points. [Associations, Ministry of Livestock and Fisheries –MoLFD; Donors]
- Educate fishermen on fishing techniques and fish handling. [MoLFD, Donors]
- Explore how to improve access to finance for fishermen, to buy better equipment notably ice boxes. Ensure duty exemption on capital equipment [Ministry of Finance, MoLF, Donors]
- Enforce current legislation requiring use of ice by fishermen; increase number of fisheries officers – (currently only six operating on Lake Victoria) (MoLFD)
- Conduct a stock assessment for Lake Victoria to determine what would be sustainable fishing levels in collaboration with Tanzania and Uganda (MoLFD, donors)
- Conduct a study of the Lake Turkana parasite problem to determine extent of fish stocks affected and to confirm suitability of the lake for developing new fish exports, (MoLFD, donors)
- Negotiate fish agreements (already underway) to require tuna fishing vessels using Kenya Exclusive Economic Zone (EEZ) to unload a proportion of their catch in Kenya.
- Study the feasibility of adapting unused berths in Mombasa port to accommodate fishing boats; identify investors for processing plants and examine the challenge of enforcing the EEZ [MoLFD, KPA]

### **b) Next priorities [2-4 yrs] – to deal with Binding Constraints on Next Flows**

- Explore external and local financing for processors wanting to buy second-hand plant to improve fish utilization. This would also help develop Tilapia canning. [Ministry of Finance, MoLFD, Donors]
- Ensure duty exemption/remission for capital equipment of all types [MoF]
- Conduct a study on the potential for aquaculture behind dams on Tana River, etc. [MoLFD, AFIPEK]
- Diversify fish products and value addition

### **c) Additional actions in support – to deal with Non-binding Constraints – selected actions likely to give the best returns over the coming 2-4 years.**

- Pursue funding for the planned bridge to replace the Lake Victoria Mbita causeway [Ministry of Roads and Public Works]

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<sup>x1</sup> “By products” refers to the other species caught along with the tuna, but not required by the tuna canneries.

### 4.3 Sector – Textiles and Clothing

#### 4.3.1 Product Group within the Sector – Garments

##### 1. Current Export Flows [product/market]

- Garments to USA, using AGOA preferences, which is strong in cotton pants [trousers]

##### 2. Kenya's Competitive Advantages, on which these Flows are Based

- AGOA garment preferences were the most generous the USA had ever offered anywhere. The total preference was roughly equivalent to the cost of sewing the garment.
- Even before AGOA, there were garment exporters in Kenya. They knew the business.
- Kenya was fast to register. KAM set up an excellent Visa Control System, learning from Kenya's serious re-labeling problems of the 1990's.
- EPZ legislation was already in place, and working reasonably well. There is plenty of space at Athi River EPZ. Operators were able to set up fast in Kenya, compared to most AGOA countries.
- Unlike the other leaders, Mauritius and South Africa, Kenya qualified for the "LDC Concession," meaning that Far East cloth could be used. Orders lacking China quota could be diverted quickly and easily to Kenya, with no need to shift cloth supply.

##### 3. The Binding Constraints currently preventing these Current Flows from reaching their Full Potential

- On January 1, 2005, the whole situation changed radically. China became free of quota restrictions. This dramatically reduced the relative attraction of diverting orders to AGOA countries. It reduced the effective preference for AGOA by around 22%.
- The duty preferences remain at around 17% for cottons, 32% for mixtures. But the costs of garment assembly in Kenya are high, compared to Asian competitors. So, duty preference alone is no longer enough. This is a critical make-or-break issue. Either costs are drastically reduced, or the industry will contract significantly and it may not even survive.

##### 4. The Most Likely Next Export Flows, building on current Experience

- When the LDC Concession ends in September 2007, Kenya will no longer be able to use Asian cloth, only African cloth. This will further reduce its comparative advantage compared to China and other Asia sources of supply.
- So, the next flow, after 2007, will have to be based on African yarn and African cloth. Again, unless this problem is addressed, it could then become another make-or-break issue of survival.

##### 5. The Binding Constraints currently holding these Flows back

- Already, there is a shortage of African cloth. Current producers in Mauritius, South Africa and Lesotho use all the cloth they produce for their own garment assemblers. This situation is likely to get worse by 2007.
- Cloth mills take two years to get up and running. Kenya and other African countries must start serious planning now, to avoid a serious shortfall in cloth in 2006/2007.

## 6. The Sector/Product-Group Action Plan

### a) Immediate priorities [within three months] – to deal with Binding Constraints on Current Flows

- Respond to the crisis. This will require nothing less than a comprehensive cost-reduction package, to ensure the survival of 40,000 jobs. [Various Ministries, led by MoTI]
- Total monthly cost of labor is significantly higher than in Asian competing countries. Labor is the dominant cost of garment assembly.
  - Freeze the statutory minimum wage for this industry, until there are clear signs of recovery.
  - Temporarily suspend the Industrial Training Levy Scheme for this industry.
  - Ease the current restrictions on piecework schemes.
  - Eliminate or reduce the industry minimum wage in cases where piecework schemes have been agreed. In a country of high unemployment, a relatively high minimum wage is itself a huge attraction for staying in a job. For a piecework scheme to work, there must be pressure against those workers who come to work just for the minimum wage.
  - Clarify that factories temporarily short of orders may offer workers half-pay or part-pay, rather than full closure, which appears to be the only option at present.
  - Station a Labour Department Officer at EPZA, to facilitate these changes.
  - Obtain donor funding to build worker awareness of the international realities of this industry. Explore sending union leaders to Asia on a study tour; alternatively explore bringing union leader[s] from Asian competitor countries to meet with local union leaders. [KAMEA willing to part-fund.]
- The next largest single cost is electricity.
  - Support the EPZA submission for the suspension of levies and surcharges added on to the power tariff, for EPZ factories.
  - Review the “power factor surcharge” to ensure that the basis of charge is fully transparent and is applied fairly.
- The main cause of late deliveries, cancelled orders, and additional unforeseen costs is trade logistics.
  - Re-instate the original standard international EPZ practice of allowing import containers to remain sealed, until opened under Customs supervision at the factory. Similarly, allow export containers to be sealed at the factory, and remain fully sealed until on the ship.
  - Ensure Customs officers are available at Athi River for two full shifts, to allow for factory late working on rush orders.
  - Ensure Customs officers are available at Mombasa Port 24 hours per day, 7 days a week to check seals and sign papers.
  - Kenya Ports Authority to allow containers to reach the port up to one day before sailing, rather than insist on them reaching the before ship arrives as is the case at present.
  - KPA to reduce port charges for fully-sealed EPZ containers, in line with charges for sealed transit containers.
- To ease access to working capital, and further reduce costs, accelerate current efforts to establish an export credit guarantee scheme, perhaps starting quickly with a pilot scheme for garments from EPZ’s. Ensure that the scheme accepts a confirmed order as the basis for credit, rather than solely Letters of Credit (LC).

**b) Next priorities [within six months] – to deal with Binding Constraints on Next Flows**

- Demand for cloth from exporters is estimated at 60m yards/year. If the right cloth is not available after 2007 in these quantities the garment industry could again be in serious trouble.
- Some garment factories are willing to invest as a group, initially in finishing, based on grey<sup>x1</sup> cloth available from Ethiopia or Nigeria. This modest start reduces the required investment cost to around \$10m. Already around \$5m has apparently been committed by garment factories.
  - Government to give full support to these initiatives. Assist in finding co-funding – International Finance Corporation (IFC), European Investment Bank (EIB) and others. [Led by MoTI]
  - Consider a special fund for investments into export-only production, either with repayment guarantees, or improved repayment terms. [Ministry of Finance]
  - Continue working with other leading AGOA supply countries, to press US Government to again extend the LDC Concession – [rather unlikely, but worth doing]. [MoTI]

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<sup>x1</sup> Grey cloth is made from un-dyed yarn, and which itself is not yet dyed or finished. It is the basic material from which various colours can be produced.

#### 4.4 Sector – Horticulture

##### 4.4.1 Cut Flower, Vegetables and Fresh Fruits

### 1. Current Export Flows [product/market]

- Fresh vegetables, mainly to supermarket chains in the UK and elsewhere in the EU, by air from Nairobi, initially “off-season,” now “supermarket-ready,” increasingly “table-ready.”
- Cut flowers, also by air; with very similar patterns and many of the same players as fresh vegetables; this is the fastest growing segment.
- Fresh fruits, mainly avocados, also mangoes; almost exclusively by sea, currently to the Middle East and Europe.

### 2. Kenya’s Competitive Advantages, on which these Flows are Based

- The combination of tropical overhead sun; a variety of altitudes; and available water is ideal for “off-season” produce.
- Kenya was the pioneer in the innovation of “off-season” fresh vegetables by air from Africa to Europe. Kenya is still the leader.
- After forty years leading this business, the industry has depth, and a wide range of support services – dedicated packaging converters; bar codes; big exporters with full control over the whole supply chain; research and product development capacity;
- This is a mature industry with many of the regulatory problems ironed out – government has resisted an interventionist role in marketing, the airport works reasonably well, etc.
- The result is that Kenya has built a good reputation for reliability, quality, and innovation.

### 3. The Binding Constraints preventing these Current Flows from reaching their Full Potential

- For fresh vegetables and cut flowers: there is no single Binding Constraint, but rather a collection of broader issues related to the business climate. This threatens the long-term viability of the industry as Kenya is increasingly threatened by new, lower-cost competitors elsewhere in Africa [e.g. Morocco/by sea; Egypt; Ethiopia]. The challenge is to retain leadership and market share, by shaving costs and adding value, all along the chain.
  - FPEAK ; the industry association claims that exporters face 38 taxes and levies, involving lots of red tape; VAT refund and duty exemption are not working properly (KShs2.8 billion in outstanding VAT is owed in total to industry; expatriate work permits take too long to approve (up to 3 months).
  - Rising air freight costs due to fuel prices, levies and shortage of cargo space make it difficult to compete with destinations closer to Europe and with countries where subsidize freight cost (e.g. 50% rebate in Egypt).
  - Deterioration in Kenyan roads has prevented access to some regions during the rainy season and has forced exporters to abandon some areas.
  - Increasing population pressure is straining water resources, especially through cultivation along river banks in violation of riparian land use legislation;
  - Ever higher standards (food safety, environmental, social) are being demanded by European retailers driven by consumer pressure, plus new traceability requirements both of which have the effect of increasing costs and also make it harder to sustain smallholder involvement.
  - Rising insecurity, notably in the Naivasha area, is scaring off investors;

- The fresh fruits subsector faces similar problems to those indicated previously although the role of small holders is less threatened and standards seem less stringent (for the moment); the port is working fairly well for exports and there is no shortage of cargo capacity.
  - The main difference is lack of private sector research capacity to develop new varieties
- Inadequate water supply especially to small scale farmers

#### **4. The Sector Action Plan**

##### **a) Immediate priorities [1-2 yrs]**

- Develop a common strategy and vision across the many government ministries and agencies which affect the industry to ensure coordination and avoid a multiplicity of taxes and red tape. The New Task Force on Horticulture is important step in the right direction; government should make line-item commitments in budget to demonstrate its support [Ministry of Finance]
- Re-start VAT refunding [Ministry of Finance]
- Eliminate several levies and Cesses charged by the Ministry of Local Government (MoLG), Ministry of Agriculture (MoA), Kenya Bureau of Standards (KEBS),
- Amend EPZ legislation to include 100% export-oriented farms – both new investments and existing farms [EPZA]
- Facilitate the industry to implement compliance with the KenyaGAP code of conduct through support in training and harmonization of legislations pertaining to horticulture but leave enforcement to FPEAK/KFC [Ministry of Agriculture]
- Obtain technical assistance to introduce paper-based customs control of EPZ factories or else introduce 24 hours 7 days a week customs clearance service [KRA, donors]
- Ensure that key roads for the horticulture industry are given priority in current road improvement programs [Ministry of Roads and Public Works, World Bank]
- Improve security in horticultural growing areas [Office of the President, Internal Security]
- Methods of harnessing water be explored and implemented (MoA)

##### **b) Next priorities [2-4 yrs]**

- Enforce legislation on water and land use to control water use and reduce erosion
- Utilise available resources (government or donors) to enhance KEPHIS capacity to compile Pest Risk Analysis (PRA) information and at the same time undertake PRA for compliance with export market requirements. There should also be enhanced efforts and support to ensure KEPHIS is approved source status for the EU market. Due to the on-going harmonization process of chemical residuals and hygienic requirements within EU, a means of ensuring high food safety where crop protection agents are used, measures need to be instituted to ensure compliance with these food safety requirements [KEPHIS, GoK, Donors).
- Increase research by KARI on export fruits to develop better varieties, but lift R&D levy on vegetables and flower exporters since they do their own [KARI, HCDA]
- Certification of nurseries for production of high quality planting materials through KEPHIS and Ministry of Agriculture to be the basis of seed quality [Ministry of Agriculture]
- Replicate tourism model to “Sell Kenya”; [FPEAK, HCDA]
- Develop a fund to assist the private sector to participate in trade fairs [EPC], [HCDA]

- Conduct study of airport landing fees, fuel levies and other global best practices to benchmark with competitors [Ministry of Transport and Communications]

**c) Additional actions in support**

- Improve security in general to reduce risks for everyone involved in the sector. [Office of the President, Internal Security]
- Ensure that HCDA role as a regulator and development agency contributes positively to increase exports. The new reorientation away from active participation in marketing to facilitation should be emphasized; conduct an independent study of its future role as a regular and development agency (Ministry of Agriculture)

## 4.5 Sector – Foods and Beverages

### 1. Current Export Flows [product/market]

- Consumer products based on edible oils [cooking oils, margarine, soaps], to COMESA markets
- Vodka, whiskey and fruit wines to Uganda, DRC, Rwanda, Tanzania.
- Rum to UK.
- Duty-free shop sales of spirits.
- Yogurts, long-life milk to Uganda, Tanzania, UN [Sudan, Somalia], and to airlines using Nairobi.

### 2. Kenya's Competitive Advantages, on which these Flows are Based

- The domestic market is large and more developed than much of the rest of COMESA resulting in a long tradition of food processing and in a beverages industry that is well-placed to supply the region.

### 3. The Binding Constraints currently preventing these Current Flows from reaching their Full Potential

- For spirits, the recent ban imposed on use of small sachets, aimed at protecting Kenyan youth, was unfortunately drafted in a way such that it also bans the exports of such sachets. The annual loss in exports that has resulted is estimated at \$4m.
- Although initial investments are duty-free, spares and replacements, such as electric motors attract significant duties.
- High duty on skim milk powder applies even if the final product is exported.
- COMESA rules of access for Kenyan products [e.g. edible oils] are not uniformly applied by partner countries.
- Customs officers are not available at critical times, to supervise export consignments.
- There are inadequate controls over exports destined for to regional markets but then leaking back into domestic markets. This leads to lost export sales.

### 4. The Most Likely Next Export Flows, building on current Experience

- Expand within COMESA, and beyond in Africa, as import barriers reduce.
- Extend rum exports beyond UK into the rest of the EU.

### 5. The Binding Constraints currently holding these Flows back

- Same as constraints binding current flows, plus the Northern Corridor road problem [Uganda and beyond]

### 6. The Sector/Product-Group Action Plan

#### a) Immediate priorities [1-2 yrs] – to deal with Binding Constraints on Current Flows

- Allow the use of spirits sachets exclusively for exports. Amend legislation accordingly. [Ministry of Finance]
- Improve the operation of the TREO duty remission scheme, to ensure it works effectively for all export flows. [Ministry of Finance]
- Consider allowing investors to list spares and replacements, as part of their initial duty exemption for new investments, so that spares can also come in later, free of duty. Consider making this provision retro-active. [Ministry of Finance]

- Press COMESA partners to apply import rules as per the Agreement. [MoTI]
- Better supervision of Customs officers, to ensure availability throughout the working day of the factory, also ensure proper implementation of border controls against leakage. Implement the Customs “customer charter” on standards of service. [KRA]

**b) Next priorities [2-4 yrs] – to deal with Binding Constraints on Next Flows**

- Within the newly-funded road upgrading program, give priority to the Northern Corridor road. [Ministry of Roads, donors]

**c) Additional actions in support – to deal with Non-binding Constraints – selected actions likely to give the best returns over the coming 2-4 years.**

- More effective application of KEBS controls against sub-standard spirits products. Otherwise shoddy products destroy the reputation of Kenyan spirits in regional markets. [MoTI]
- EPC to support participation in EU wines and spirits trade fairs. [EPC]
- Continue implementation of the programme to rationalize business activity licensing. [MoTI leads].

## 5.0 RESOURCE REQUIREMENTS AND MOBILIZATION

### 5.1 Resource Requirements

A total of Ksh 1526 million will be required in the next four years to support implementation of the activities, which are identified. Of this figure Ksh. 548 million will be required during the 1<sup>st</sup> phase to support the immediate priorities. Horticulture alone will require Ksh 293 million. The government has set aside Ksh 5 million to support export development activities by the Ministry of Trade and Industry alone. It has not been possible to establish funds available with other ministries/departments. However, this information will be available at the implementation stage.

Table 5.1 shows the resources required to implement the activities identified in the Action Plan.

**Table 5.1: Resource Requirements**

	<b>Sector/Operational</b>	<b>1-2 years Amount in Kshs million</b>	<b>2-4 years Amount in Kshs million</b>	<b>Amount in Kshs million</b>
1.	Livestock and Livestock Products	12.5	126	138.5
2.	Fish and Fish Products	168	507	675
3.	Textiles and Garments	39.5	-	39.5
4.	Horticulture	293	230	523
5.	Food and Beverages	11	115	126
6.	Pre operational expenses	24	-	24
	<b>Total</b>	<b>548</b>	<b>978</b>	<b>1526</b>

### 5.2 Resource Mobilization

The strategies and activities outlined in the Action Plan require the participation of the public, private sectors and development partners. The following strategies will be used to mobilize funds.

#### i) **GOK Funding**

The public sector implementers include the MoTI, MoF, MoPW, MoLFD, MoWD, OP, MoA, MoLHRD, KRA, KPA, EPZA, KEPHIS, KARI, EPZ. There will be need for each ministry/department involved to factor in the budget required to implement the activities, they will be responsible and accountability for.

In order to ensure that adequate resources are provided and budgeted for in the MTEF budget, the NES Technical Steering Committee will work through the NES Programme Coordinator to ensure that export development activities as identified in the NES Action Plan are prioritized and included in the Ministerial/Departments programmes and budgets presented to the MTEF working groups.

ii) **Private Sector Funding**

Some of the activities that are identified in the plan offer opportunities for investment to the private sector. For instance, the provision of storage facilities along lake Victoria that is identified as an activity in the Fish and Fish product sector need not be funded by the GOK. The private sector could take this up as an investment opportunity and construct the cold storage facilities and charge a fee for their use. It is for this reason that the role of the private sector in mobilization funds is envisaged.

iii) **Development Partners/Donors**

Development Partners will be expected to contribute towards the funding of the identified activities by bridging shortfalls in public sector funding arising from budget constraints.

The NES Action Plan will be presented to the Development Partner Forum with a view to soliciting buy-in and subsequently technical and financial support. Further the ministry will request the Development partners to establish a basket fund to support the activities. If necessary, a Financial Management Agency may be appointed to manage the fund.

## **6.0 IMPLEMENTATION, MONITORING AND EVALUATION**

### **6.1 Introduction**

The implementation of the NES Action Plan poses challenges that require a well designed and effective management structure. These challenges are;

- Ensuring effective involvement and commitment of the several stakeholders
- Integrating and prioritizing NES Action Plan activities into national and ministerial plans and programmes
- Coordinating the large number of activities and efforts of several implementing agencies
- Monitoring and evaluation of the export development activities

This section describes some of the challenges and sets out the responsive implementation approach and the proposed management structures.

### **6.2 Implementation Approach**

#### **6.2.1 Joint Planning and Coordination**

The multi-sectoral nature of the NES Action Plan and its interaction with the private sector and development partners requires enhanced collaboration and linkages. Effective and sustainable results will require that the implementing agencies look at the implications of their actions beyond the activities they are implementing. There is, therefore, the need for setting up joint planning and coordination mechanisms at national and ministerial levels to plan the interventions and decide on how to bring them together to coordinated activities. Such coordinated planning could avoid duplication of efforts, maximize the utilization of resources and promote an effective multi-sectoral approach.

The NES Action Plan recognizes that effective joint planning and coordination between the Ministry of Trade and Industry as the responsible ministry on one hand, and implementing Ministries/Institutions, the Treasury, Development partners and the Private sector is critical for the achievement of the desired results. Moreover, there is need for coordination within the implementing Ministries/Institutions themselves because activities will be implemented by different departments and offices.

Joint planning and coordination has the following advantages;

- i) It establishes a focal point for strategic leadership and oversight of the NES Action Plan which brings together all key stakeholders and service providers
- ii) Ensure that NES activities are in harmony with individual ministry plans and programmes thereby facilitating implementation.
- iii) The implementation will be consistent with, and support, GOK poverty reduction policies and priorities set out in the ERS

- iv) There will be effective coordination and linkages of the NES Action Plan activities across all implementing institutions, while decentralizing implementation of specific projects/activities as far as possible to reinforce ownership and align NES Action Plan activities with institutional priorities and management structures
- v) There will be increasingly close coordination between the NES Action Plan management and the MTEF sectoral budgetary process, to develop a common framework for planning, budgeting for export expansion.
- vi) An effective system of monitoring and evaluation will be developed, which supports operational and strategic decision-making, and provide implementation accountability to government and other stakeholders.

### **6.2.2 Phased Implementation**

As argued in section 1.3, a phased approach is adopted in operationalising the NES Strategy. A phased approach, takes on board manageable activities that can be implemented within the resources and time available. Moreover, a phased approach facilitates learning from experience and identifying what works and what does not. This then helps to adapt the programme accordingly.

The NES Action Plan envisages two phases one; phase will cover implementation of immediate priorities in the 1<sup>st</sup> and 2<sup>nd</sup> year while the 2<sup>nd</sup> phase covers next priorities in the 3<sup>rd</sup> and 4<sup>th</sup> years. In each sector, the activities are categorized into the two phases as shown in the NES implementation Action Plan matrix.

### **6.2.3 Capacity Building**

The implementation of the NES Action Plan will be the responsibility of the implementing agencies that includes sector ministerial/departments, public utility provided and sector regulators. Several activities in the Action Plan will require capacity building in some of the agencies that will be called upon to implement them. Further, new implementation, monitoring and evaluation techniques are envisaged. Technical assistance will be required to assist in development of innovative export expansion activities and to support implementation. The NES technical Steering Committee will be expected to identify all areas that require capacity building and initiate modalities to deliver the capacity required. The technical assistance will be closely linked to existing management structures and opportunities for skills transfer will be maximized.

## **6.3 Implementation Management Structure**

### **6.3.1 The Overall Implementation framework**

Individual sector institutions will be responsible for the implementation of the activities identified in the NES implementation matrix. Specific offices in these institutions will be assigned and held responsible and accountable for the inputs, activities and outputs envisaged in the NES Action Plan. The accounting officer or chief executive of each institution will be directly responsible for the implementation of the specific activities. This of course then means that implementation arrangements will be mainstreamed in the existing structure of the institutions.

The planning and coordination of the NES Action Plan activities will be the responsibility of the NES Technical Steering Committee and the NES Coordination Office of the ministry of Trade and Industry. The Technical Assistance and Management support office will give support to the NES Technical Steering Committee and NES coordination office. The NES implementation management structure is shown in Figure 1.

### **6.3.2 The Permanent Secretary**

It will be the role of the permanent secretary to oversee policies at high level and ensure effective support of the activities of the NES at those high levels. He will, in addition, provide strategic leadership.

### **6.3.3 NES Technical Coordination Committee**

This will be an Inter-Agency Committee comprising the key institutions with the mandate to develop, promote, manage or support exports in Kenya. It will therefore comprise the following;

- Ministry of Trade and Industry
- Ministry of Agriculture and Rural Development
- Ministry of Livestock and Fisheries Development
- Ministry of Finance
- Export Promotion Council
- Export Processing Zone Authority
- Kenya Revenue Authority
- Kenya Private Sector Alliance

The role of this committee will be to;

- i) Technically guide the implementation and review of the NES Action Plan
- ii) Ensure effective coordination of the NES Action Plan activities
- iii) Regularly review the NES Strategy and Action Plans to ensure consistence with the GOK policy priorities

- iv) Regular and close liaison with development partners

#### **6.3.4 NES Coordination Office**

This office will act as the executive arm of the NES Technical Steering Committee, coordinating the implementation of the NES Action Plan, providing technical and administrative support and monitoring and evaluation services. The office will be established at the ministry of Trade and Industry.

#### **6.3.5 NES Programme Coordinator**

Each participating ministry/institution will have a senior officer, preferably the head of the central planning unit to coordinate the implementation of all the NES Action Plan activities assigned to that ministry/institution. It will be his responsibility to ensure that all the activities assigned are implemented within the time frame. He will ensure that the activities are mainstreamed, adequate resources are provided and task managers appointed for specific projects and activities. He will be responsible to the NES Coordination office.

#### **6.3.6 The Task Manager**

At each participating ministry/institution, a task manager will be appointed to be responsible for the implementation of specific projects and/or activities. He will be responsible for preparing the annual workplans, and their execution. He will report to the NES Programme Coordinator.

#### **6.3.7 NES Action Plan Technical and Management Support Office**

It is realized that due to resource constraints at the ministry of Trade and Industry, it will not be feasible to establish a full-fledged office dedicated to the NES Action Plan activities. An appropriate private sector firm with adequate and appropriate technical and management skills will be hired to support the NES Coordinating Office to play its role effectively. The role of the NES Technical and Management Support Office will be;

- Provide technical assistance to the NES Technical Steering Committee, NES coordination office, the NES programme coordination office and the Task managers.
- To provide administrative support by coordinating activities, convening meetings and taking minutes.
- Dissemination of information to all implementing agencies
- To follow-up with implementing ministries, institutions to ensure activities are being implemented as planned.

## **6.4 Monitoring and Evaluation**

Monitoring and Evaluation of the NES Action Plan will be based on performance indicators that are linked to outputs. Because of the need to emphasize results, the indicators and targets will be result oriented a clear departure from the past practice of activity-oriented indicators and targets. The indicators will be objectively verifiable. A logical framework will be prepared for each of the project identified in the Action Plan to give detail of overall goal, purpose, outputs and activities. It will also show the objectively verifiable indicators with the corresponding means of verification. Monitoring and evaluation will be mainstreamed into the structures described above and to the extent possible existing GOK systems will be used to collect data.

The NES coordination office will coordinate M&E activities.

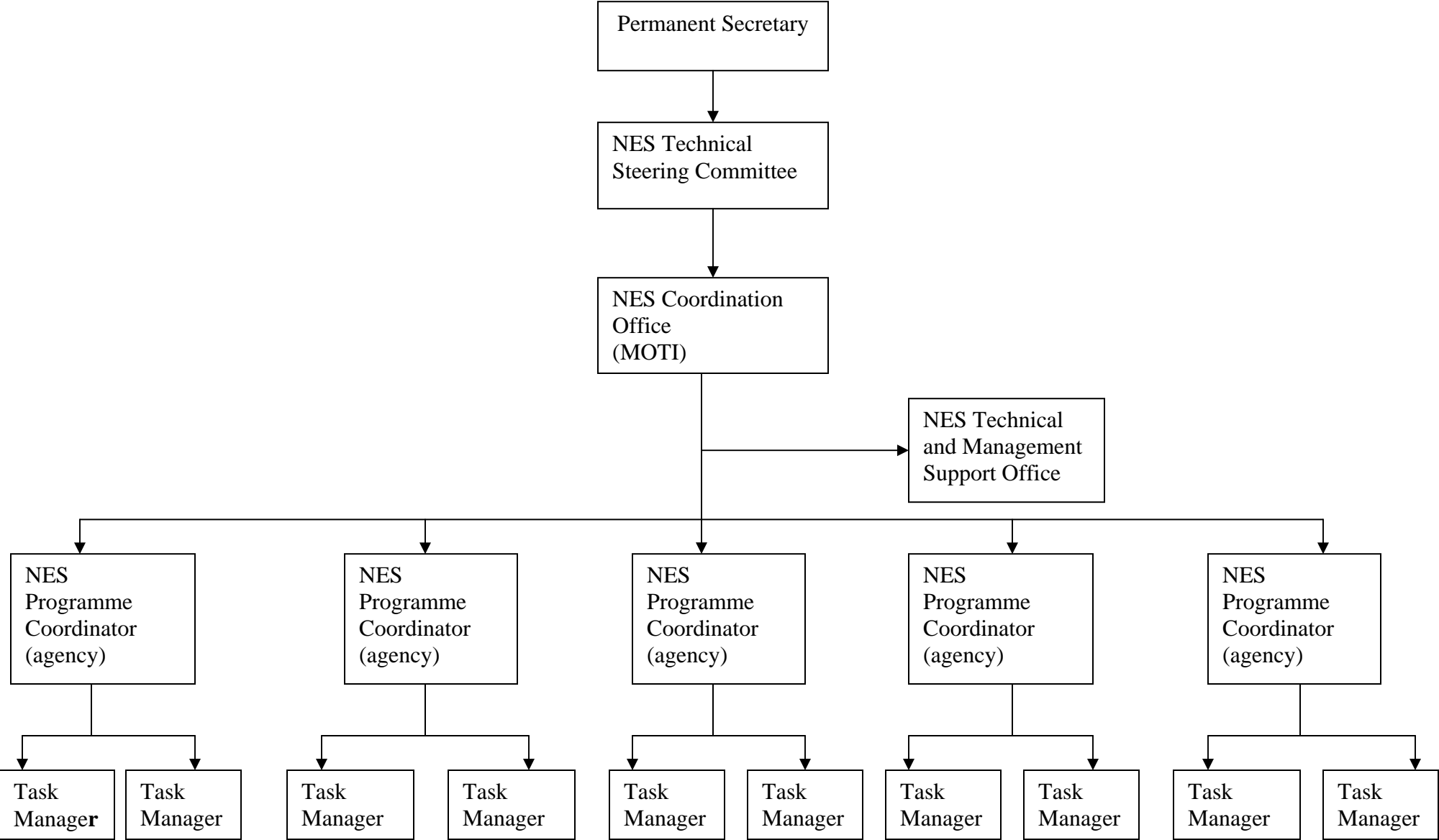
The NES Coordination office will prepare quarterly and annual M&E reports and table them in the NES National Steering Committee meetings.

## **6.5 Next Steps**

To ensure that the implementation of the NES Action Plan progresses without any delay the following next priorities will be undertaken.

- i) The NES Technical Steering Committee will be convened immediately. The committee will identify all activities that do not require funding and initiate the necessary modalities for their implementation.
- ii) The NES Technical Steering Committee will in collaboration with the implementing agencies put in place the NES Programme Coordination Offices at each of the ministry/institution identified in the NES Action Plan.
- iii) The NES Programme Coordination Office will in turn appoint the task managers for the activities that can be implemented immediately.
- iv) The NES Coordination Office (MOTI) in consultation with the PS will convene a development partner meeting to discuss the NES Action Plan with a view to initiating modalities for mobilizing technical and financial support to support those activities that require funding.

**FIGURE 1: NES ACTION PLAN IMPLEMENTATION MANAGEMENT STRUCTURE**



## NES Implementation Action Plan Matrix

Sector: Livestock and Livestock Sector  
Product Group: Meat and Meat Products

Activities	Time Frame					Budget in Kshs millions	Leading Agency	Performance Indicator
	Year 1	Year 2	Year 3	Year 4	Year 5			
<b>1.0 Immediate Priorities (1-2 years)</b>								
1.1 Investigate why the existing TREO arrangements are not working						-	MOF	<ul style="list-style-type: none"> <li>Report on TREO shortcomings</li> </ul>
1.2 Confirm TREO vis-a-vis Anti-dumping duties						-	MOF	<ul style="list-style-type: none"> <li>Report on what TREO covers</li> </ul>
1.3 Study on best practice with respect to appropriateness of either duty exemption or duty drawback						5m	MOF	<ul style="list-style-type: none"> <li>Recommendations either to adopt duty exemption or duty drawback</li> </ul>
<b>2.0 Next Priorities (2 –4 years )</b>								
2.1 Support investment in dedicated “export-only” slaughter houses						20m	MOTI	<ul style="list-style-type: none"> <li>Increased investment proposals</li> <li>Identification of investors</li> <li>No of slaughterhouses established</li> </ul>
2.2 Monitor progress on “Disease Free Zones”						2m	MoLFD	<ul style="list-style-type: none"> <li>Progress reports</li> <li>Operationalise DFZ</li> </ul>
2.3 Monitor progress on “commodity-based risk management”						2m	MoLFD	<ul style="list-style-type: none"> <li>Progress reports</li> <li>No of countries accepting commodity-based trading</li> </ul>
2.4 Press with EAC and COMESA Partners to ease unilateral import barriers						10m	MOTI	<ul style="list-style-type: none"> <li>Progress reports</li> <li>Number of meetings</li> <li>Number of countries lifting the barriers</li> </ul>
2.5 Review regulation controls on wildlife culling by private game ranch						1m	MoLFD	<ul style="list-style-type: none"> <li>Progress reports</li> <li>Number of meeting with KWS</li> <li>Suitable regulations</li> </ul>
<b>3.0 Additional Action</b>								
3.1 Utilize/create a meat industry forum for negotiating a united position with government						1m	KAM	<ul style="list-style-type: none"> <li>Meat subsector association</li> </ul>
3.2 Prepare a strategy for entry into EU Market						5m	MoLFD	<ul style="list-style-type: none"> <li>EU entry strategy</li> </ul>
3.3 Exempt import duty on capital items						2m	MOF	<ul style="list-style-type: none"> <li>Import duty exempted</li> </ul>

Sector: Livestock and Livestock Products  
Product Group: Leather and Leather Products

Activities	Time Frame					Budget in Kshs million	Leading Agency	Performance Indicator
	Year 1	Year 2	Year 3	Year 4	Year 5			
<b>1.0 Immediate Priorities (1-2 years)</b>								
1.1 Undertake a study to identify responses to subsidies given to tanneries in countries such as India, Pakistan, China						2m	MOTI	<ul style="list-style-type: none"> <li>Report on recommendations</li> </ul>
1.2 Undertake a study on how to use private signals to encourage herders and intermediaries to improve hides and skins quality						2m	MoLFD	<ul style="list-style-type: none"> <li>Report on recommendations</li> </ul>
1.3 Undertake a study on how to educate farmers on husbandry, disease control, slaughtering and flaying to improve skin quality						2m	MoLFD	<ul style="list-style-type: none"> <li>Report on recommendations</li> </ul>
1.4 Discuss the studies in stakeholders forums						1.5m	MoLFD	<ul style="list-style-type: none"> <li>Stakeholders' endorsement of recommendations</li> </ul>
1.5 Implement the recommendations identified by the studies						100m	MoLFD	<ul style="list-style-type: none"> <li>Competitive products</li> <li>Improved quality</li> </ul>
<b>2.0 Next Priorities (2-4 years)</b>								
2.1 Implement duty exemptions/Draw back on accessories and imported leather						-	MOF	<ul style="list-style-type: none"> <li>Exporters access timely exemptions</li> <li>Increased production of leather products</li> </ul>
<b>3.0 Additional Actions</b>								
3.1 Review the Hides and Skins Act to streamline it with export interest						1m	MoLFD	<ul style="list-style-type: none"> <li>New Hides and Skins Act</li> </ul>
3.2 Implemented the new Hides and Skins Act						-	MoLFD	<ul style="list-style-type: none"> <li>Improved business environment</li> </ul>

**Sector: Fish and Fish Products**

**Product Group: Nile Perch Fillet; Tilapia and Tuna**

Activities	Time Frame					Budget in Kshs million	Leading Agency	Performance Indicator
	Year 1	Year 2	Year 3	Year 4	Year 5			
<b>1.0 Immediate Priorities (1-2 years)</b>								
1.1 Develop full-service landing beaches already identified with ice plants and auction hall						100m	MoLFD	<ul style="list-style-type: none"> <li>Better landing beaches constructed</li> </ul>
1.2 Educate fishermen on fishing and handling techniques						50m	MOLFD	<ul style="list-style-type: none"> <li>Reduced losses on catches</li> </ul>
1.3 Improve fishermen access to finance to buy equipment						5m	MOF	<ul style="list-style-type: none"> <li>Financing window opened</li> <li>Better fishing equipment</li> </ul>
1.4 Enforce use of ice by fishermen						5m	MOLFD	<ul style="list-style-type: none"> <li>Reduced catch losses</li> </ul>
1.5 Conduct stock assessment of and sustainability in Lake Victoria						5m	MOLFD	<ul style="list-style-type: none"> <li>Stock assessment report</li> </ul>
1.6 Conduct study of Lake Turkana to determine extent of Parasite problems						3m	MOLFD	<ul style="list-style-type: none"> <li>Report on Turkana Export suitability</li> </ul>
<b>2.0 Next Priorities (2-4 years)</b>								
2.1 Facilitate acquisition of 2 <sup>nd</sup> hand plant and equipment through suitable funding to improve fish utilization						2m	MOF	<ul style="list-style-type: none"> <li>Access to 2<sup>nd</sup> hand plants</li> </ul>
2.2 Exempt duty for capital equipment						-	MOF	<ul style="list-style-type: none"> <li>Duty exemption</li> <li>Reduced cost for equipment</li> </ul>
2.3 Negotiate Fish agreements to require Tuna fleet offload in Kenya						2m	MOF	<ul style="list-style-type: none"> <li>Tuna offloaded in Kenya</li> </ul>
2.4 Conduct study on potential for Aquaculture both fresh water and marine and encourage the practice if viable						5m	MOLFD	<ul style="list-style-type: none"> <li>Study report</li> <li>Aquaculture expansion report</li> </ul>
<b>3.0 Additional Actions</b>								
3.1 Replace Mbita cause way with a bridge to allow fish to flow across boundaries						500m	MoRPW	<ul style="list-style-type: none"> <li>Bridge constructed</li> <li>Free water flow to Kenyan side</li> </ul>

**SECTOR: TEXTILES AND GARMENTS**  
**PRODUCT GROUP: GARMENTS**

Activities	TIME FRAME					Budget In Kshs million	Leading Agency	Performance Indicator
	Year 1	Year 2	Year 3	Year 4	Year 5			
<b>1.0 Immediate Priorities</b>						0.5	MoLHRD	Agreement with union signed
1.1 Free Statutory minimum wage in medium term								
1.2 Suspend Industrial Training Levy Scheme in the medium term							MoLHRD	Agreement with union
1.3 Allow use of piecework rate as basis of wages						-	MoLHRD	Agreement with union
1.4 Sensitise workers on sector competitiveness and measures being undertaken						20m	MOTI	Exposure trips/awareness
1.5 Allow factories to offer workers part-pay during low seasons rather than full closure							MoLHRD	Agreement with union
1.6 Station Labour officer at EPZ to facilitate negotiations between workers and employees						5m	MoLHRD	Labour office created at the EPZ premises
1.7 Suspend levies and surcharges on power tariffs for EPZ factories						1m	MOTI	Agreement with KPLC
1.8 Clarify power billing factor surcharge						0.5	MOTI	Tariff list
1.9 Reinstatement of international EPZ practice regarding sealed containers						2m	MOTI	New practice
1.10 Avail customs officers at EPZs and						5m	KRA	KRA office at EPZs

Activities	TIME FRAME					Budget In Kshs million	Leading Agency	Performance Indicator
	Year 1	Year 2	Year 3	Year 4	Year 5			
ports to check seals								
1.11 KPA – reduce port charges for fully-sealed EPZ containers in line with sealed transit containers						2m	KPA	Reduced Port charges
1.12 KPA allow containers to reach the port up to 1 day before sailing						-	KPA	Reduced costs
1.13 Establish an export credit guarantee scheme that accepts confirmed orders as a basis for credit rather than solely LC (Letter of Credit)						5m	MOF	Negotiated agreement
<b>2.0 Next Priorities</b>						5m	MOF	Proposals
2.1 Avail funds to support initiatives by garment factories willing to invest in finishing factories								
2.2 Negotiate with US government to extend LDC concession again						20m	MOTI	Extended LDC concession
2.3 Create special fund for investments into “export only” production							MOF	Fund operational

**SECTOR: HORTICULTURE**  
**PRODUCT GROUP: CUT FLOWERS , FRESH FRUITS AND VEGETABLES**

Activities	TIME FRAME					Budget In Kshs million	Leading Agency	Performance Indicator
	Year 1	Year 2	Year 3	Year 4	Year 5			
<b>1.0 IMMEDIATE PRIORITIES</b>								
1.1 Develop a common strategy and vision to encourage coordination among stakeholders						10m	MOF	<ul style="list-style-type: none"> <li>Common strategy encompassing various ministries and agencies affecting the industry</li> </ul>
1.2 Re- establish VAT refunding						-	MOF	<ul style="list-style-type: none"> <li>VAT due to the industry refunded</li> </ul>
1.3 Eliminate additional taxes and levies e.g. County Councils/Cess						-	MOF	<ul style="list-style-type: none"> <li>Nuisance taxes and levies eliminated e.g. county cess</li> </ul>
1.4 Introduce 24 hour, 7 day customs clearance service						5m	KRA	<ul style="list-style-type: none"> <li>24 hour 7 day customs clearance services</li> </ul>
1.5 Introduce paper-based customs control of EPZ factories						5m	KRA	<ul style="list-style-type: none"> <li>Paper-based customs control</li> </ul>
1.6 Amend EPZ legislation to include 100% export-oriented farms						1m	EPZA	<ul style="list-style-type: none"> <li>Amended EPZ legislation</li> </ul>
1.7 Adopt legislation to require industry compliance with KenyaGAP						2m	MOA	<ul style="list-style-type: none"> <li>Legislation adopted</li> </ul>
1.8 Rehabilitate access roads to growing areas						200m	MOPW	<ul style="list-style-type: none"> <li>Key roads in horticultural areas upgraded</li> </ul>
1.9 Improve security especially in Lake Naivasha area						50m	OP	<ul style="list-style-type: none"> <li>Improved security</li> </ul>
<b>2.0 NEXT PRIORITIES</b>						20m		
2.1 Enforce legislation on water and land use							MOWD MOW MOL&H	<ul style="list-style-type: none"> <li>Proper water and land use</li> <li>Reduced soil erosion</li> <li>Improved water management</li> </ul>
2.2 Improve capacity of KEPHIS conduct pest risk assessment, ensure compliance with food standards etc						50m	KEPHIS	<ul style="list-style-type: none"> <li>Improved capacity at KEPHIS</li> <li>KEPHIS certification</li> </ul>
2.3 Increase research by KARI on export fruits						20m	KARI	<ul style="list-style-type: none"> <li>Research reports on export fruits e.g. better varieties etc</li> </ul>
2.4 Lift R&D levy on vegetables and flowers						-	MoA	<ul style="list-style-type: none"> <li>Levy lifted</li> </ul>
2.5 License seed nurseries on the basis of seed quality							MOA	<ul style="list-style-type: none"> <li>Better quality produce</li> </ul>
2.6 Assist private sector to participate						50m	EPC	<ul style="list-style-type: none"> <li>Participation in focused trade fairs</li> </ul>

Activities	TIME FRAME					Budget In Kshs million	Leading Agency	Performance Indicator
	Year 1	Year 2	Year 3	Year 4	Year 5			
in trade fairs; sell Kenya								<ul style="list-style-type: none"> <li>included in annual programme</li> <li>Active selling of Kenya</li> </ul>
2.7 Conduct study of airport charges to benchmark with competitors						5m	MOT	<ul style="list-style-type: none"> <li>Study report</li> </ul>
<b>3.0 ADDITIONAL ACTIONS</b>								
3.1 Improve security generally in the sector						100m	OP	<ul style="list-style-type: none"> <li>Improved security in horticultural areas</li> </ul>
3.2 Conduct independent study of capacity of HCDA as regulator and development agency						5m	MoA	<ul style="list-style-type: none"> <li>Study report on viability of HCDA's role</li> <li>Recommendations on appropriate HCDA role</li> </ul>

**SECTOR: FOOD AND BEVERAGES**

**PRODUCT GROUP: EDIBLE OILS, ALCOHOLIC BEVERAGES, DAIRY PRODUCTS**

Activities	TIME FRAME					Budget Inflows	Leading Agency	Performance Indicator
	Year 1	Year 2	Year 3	Year 4	Year 5			
<b>1.0 IMMEDIATE PRIORITIES</b>						5m		
1.1 Amend legislation to allow production of spirits sachets exclusively for exports							MOF	Amended legislation Exports of spirits sachets
1.2 Improve operation of TREO duty remission scheme						1m	MOF	Working TREO duty remission scheme
1.3 Allow investors to list spares and replacements as part of initial duty exemption of investments						-	MOF	Duty free imports of spare parts and replacements
1.4 Press COMESA partners to apply import rules as per the agreement on the Rules of Origin						5m	MOTI	Import rules applied per the agreement
1.5 Better supervision of customs officers						-	KRA	Improved standards of service by customs officers in line with the Customers Charter Availability of customs officers throughout the working day of the factory Reduced leakage into domestic market through tighter border controls
<b>2.0 NEXT PRIORITIES</b>								
2.1 Priority given to Northern Corridor road within newly funded road upgrading programme						100m	MOPW	Northern Corridor road upgraded
<b>3.0 ADDITIONAL ACTIONS</b>								
3.1 Effective application of KEBS controls against sub-standard spirit products						5m	MOTI	Reduced number of sub-standard products in the market
3.2 Support participation in EU wines and spirits fairs						5m	EPC	Participation in wines and spirits fairs
3.3 Rationalize business activity licensing						5m	MOTI	Rationalized business licensing

## OPERATIONALISING THE ACTION PLAN

Activities	TIME FRAME					Budget In Kshs million	Responsibility	Performance Indicator
	Year 1	Year 2	Year 3	Year 4	Year 5			
<b>1.0 Operationalisation of the Implementation structures</b>						-	MoTI	NESC gazetted
1.1 Convene the NES Technical Steering Committee						-	MoTI	Committee in place
1.2 Designate the NES programme coordination offices and task managers						-	MoTI	Subsector in place
1.3 Establish the NES Coordination office						-	MoTI	NESC Secretariat established
1.4 Appoint TA and Management consultant						20m	MoTI	Finds set available
<b>2.0 Operational Plans</b>						-	NPC	Annual operational plans
2.1 Annual work plans prepared for sectors						-	NPC	
2.2 Quarterly plans prepared for the sectors						-	NPC	Quarterly plans
2.3 Operational plans approved by Technical Steering Committee						-	TSC	
2.4 Implementation starts						-	TSC	Activities start
<b>3.0 Funding Mobilization</b>						-	MoTI	GoK funds are available
3.1 Identify GoK component and include in budget								
3.2 Convene and Commit development partners for support						4m	MoTI	Development funds are available
3.3 Commit private sector for support						2m	MoTI	Private sector contribution available
<b>Total</b>						<b>24</b>		

